



# CENTER FOR AUDIT QUALITY

*Serving Investors, Public Company Auditors, & the Markets*

Thursday, May 24, 2007

Contact: Jill Bratina 202-609-8120

## **Statement by Cindy Fornelli, Executive Director of the Center for Audit Quality, on Today's Action by the Public Company Accounting Oversight Board**

**Washington, D.C.** -- "The Center for Audit Quality commends the Public Company Oversight Board's (PCAOB) diligent efforts that went into the Board's decision to enact a new standard regarding the auditing of internal control over financial reporting. We believe the changes, along with the important measures adopted yesterday by the Securities and Exchange Commission, includes significant investor safeguards and will make implementation of Section 404 of the Sarbanes-Oxley Act more efficient.

"In particular, the Center supports the single-standard approach, the annual testing of operating effectiveness of controls, and the requirement that management and auditors apply a risk-based approach to testing controls. These measures will protect investors, maintain the reliability of financial statements, preserve the integrity of the audit, and support the Board's goal of making the audits of companies' internal control systems both effective and efficient."

"It's also clear that the implementation of Sarbanes-Oxley is already becoming more efficient. An FEI study released last week found that even before the adoption of AS 5, companies and auditors had begun better integrating their financial statement and internal control processes, resulting in more efficiency and lower costs from one year to the next. This includes using a more risk-based approach, exercising more professional judgment, and using more of the work of other participants in the financial reporting process. The actions today by the PCAOB and yesterday by the SEC should continue and enhance these efforts, resulting in even more reliable reporting and greater investor confidence in our markets.

"We also commend the PCAOB for placing increased emphasis and flexibility on the auditor's use of professional judgment, and its decision to apply a single model of auditor reporting on internal control over financial reporting that is scalable depending on a company's size and complexity."

"The CAQ, created by more than 800 public company auditing member firms to foster confidence in the audit process, looks forward to working with the PCAOB and the SEC to aid investors by helping educate investors and auditors about the changes that have now been adopted."

###

*Affiliated with the American Institute of CPAs*

*www.thecaq.org*