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modernize old auditing standards.

Jason Bramwell • Jul. 28, 2022



One day after Securities and Exchange Commission (SEC) Chair Gary Gensler said the **Public Company Accounting Oversight Board (PCAOB)** has been too slow to **update auditing standards**, the audit regulator's chair said that effort is already underway.



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25 standards within eight standard-setting projects. And we are just getting started,” PCAOB Chair Erica Williams said today during a virtual event hosted by the Council on Institutional Investors marking the 20th anniversary of the Sarbanes-Oxley Act being enacted.

Gensler made his comment during a separate webinar commemorating SOX’s anniversary yesterday. He noted that when the PCAOB was created under the new law, it was allowed to carry over existing auditing standards created by the American Institute of CPAs on an interim basis, with the expectation that the PCAOB “would produce a more appropriate set of standards going forward.”

“Historically, though, the PCAOB has been too slow to update auditing standards. Twenty years later, most of those interim standards remain,” he added.

Williams said today that modernizing auditing standards was one of three key areas the board has identified to advance the PCAOB’s investor-protection mission, with enhancing audit firm inspections and strengthening enforcement being the other two. She said the PCAOB “is up to the task” of upholding the highest standards in audit quality.

Here is an excerpt from her speech today that addresses the PCAOB’s standards-updating project:

The world has changed since 2003. And our standards must adapt to keep up with developments in auditing and the capital markets.

Our current short-term and mid-term projects will address more than half of the remaining interim standards from 2003.

And we don’t intend to stop there.

We also are actively engaged with investors and investor advocates

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companies and broker-dealers they audit. And our standard-setting agenda will be flexible and dynamic to meet the greatest needs.

Of course, none of this will happen without input from our stakeholders, including advisory groups and the investing public.

Already, we have reimagined the PCAOB's approach to meaningful stakeholder engagement.

As our first major action as a board, we established two new advisory groups: the Investor Advisory Group and the Standards and Emerging Issues Advisory Group. And we've elevated the voice of investors by hiring the first-ever investor advocate.

Genser also said Wednesday that the SEC and the PCAOB "may need to take a fresh look at the SEC's auditor independence rules" after the regulators noticed an uptick of violations of those standards by audit firms. While Williams did not address auditor independence specifically today, she did say the PCAOB "will not hesitate to hold wrongdoers accountable for breaking the rules."

"Removing bad actors from the profession and punishing wrongdoing protects investors and promotes deterrence," she added.

Here is another excerpt from Williams' speech where she talks about enforcement:

We are just halfway through the first year of this new board. Already we've more than doubled our average penalties against individuals compared to the last five years. This includes the largest money penalty ever imposed on an individual in a settled case.

At the same time, we've increased our average penalties against

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And we are taking steps to proactively seek out wrongdoing by increasing the use of sweeps against firms where there may be a violation of our standards or rules.

Those who break the rules should know that the PCAOB means business.

We intend to use every tool in our enforcement toolbox and impose significant sanctions, including substantial penalties, to ensure there will be consequences for putting investors at risk.

You can read Williams' entire speech [here](#).

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