



Effective Regulations Underpin the Auditing Profession

The passage of the **Sarbanes-Oxley Act of 2002 (SOX)** reformed financial reporting, including the creation of the Public Company Accounting Oversight Board (PCAOB), a regulator responsible for the independent oversight of the public company auditing profession. Audit firms are required to comply with the PCAOB's auditing and quality control standards as well as auditor independence rules. The US Securities and Exchange Commission (SEC) has oversight responsibility of the PCAOB.

SEC | US Securities and Exchange Commission

The SEC is an independent agency of the US federal government responsible for oversight and enforcement of securities laws. As part of that mandate, the SEC has been responsible for enforcing SOX since its 2002 inception. The SEC has rulemaking authority for public company financial reporting disclosures and auditor independence rules.

FASB | Financial Accounting Standards Board

What is FASB? FASB is an independent, private, and non-profit organization. FASB establishes and maintains accounting standards for public companies in the United States. FASB's seven board members are appointed by the Financial Accounting Foundation.

What is FASB's mandate? The SEC designated FASB's Generally Accepted Accounting Principles (GAAP) as the accounting standards for US public companies. FASB standards are recognized as authoritative by many other organizations, including state Boards of Accountancy and the American Institute of CPAs.

How does FASB impact the audit? Auditors opine on whether a company's financial statements are presented fairly in conformity with US GAAP.

PCAOB | Public Company Accounting Oversight Board

What is the PCAOB? As a nonprofit organization created by the Sarbanes-Oxley Act of 2002, the PCAOB is an independent regulator of the public company auditing profession. The PCAOB is not a self-regulatory organization. The SEC approves the PCAOB's rules, standards, and budget and appoints its five board members.

What is the PCAOB's mandate? The PCAOB is responsible for overseeing public company auditing, and protecting public and investor interests in the preparation of accurate and independent audit reports.

How does the PCAOB impact the audit? The audit profession is subject to the PCAOB's external and independent oversight. Public company audit firms and broker-dealer auditors must register with the PCAOB, and are subject to its inspection, standard-setting, and enforcement.