

RELEASE

The effect of Rule 4003(d) is to provide the Board with limited inspection scheduling flexibility, for administrative and programmatic reasons, but with no applicability beyond a firm's second inspection. In light of the nature of the rule, the Board adopted it as a final rule without first seeking public comment. The Board nevertheless invited public comment and provided that Rule 4003(d) would expire on June 30, 2007, unless the Board acted to extend it. The Board took that approach "to ensure that the Board will need to act again, after receiving comment, before giving Rule 4003(d) any longer period of effectiveness."^{2/} The Board received two comment letters, both expressing support for the rule.^{3/} The Board has determined to allow the rule to remain in place so that it will provide the Board with ongoing, albeit limited, flexibility concerning the timing of the first two inspections of firms that registered in 2003 and 2004.^{4/} Accordingly, Rule 4003(d) will not expire on June 30, 2007.^{5/}

* * *

^{2/} See id. at 6.

^{3/} See Letter from Deloitte Touche Tohmatsu (February 16, 2007) and Letter from the North Carolina State Board of Certified Public Accountant Examiners (February 19, 2007), available on the Board's Web site at www.pcaobus.org/rules/docket_022.

^{4/} In its current form, Rule 4003(d) includes references to inspection requirements for registered firms that play a substantial role in the preparation or furnishing of an audit report. Those references are consistent with the Board's rules currently in effect, but the Board has separately proposed amendments that would eliminate the Board's self-imposed requirement to conduct regular periodic inspections of firms that play such a role but do not issue audit reports. Those proposed amendments include conforming amendments to Rule 4003(d).

^{5/} The Board has previously submitted Rule 4003(d) for Commission approval, and that submission is pending. The Board will file an amendment to that submission reflecting the receipt of comment letters and the Board action described in this Release. Rule 4003(d) will not take effect unless approved by the Commission.

RELEASE

On the 24th day of May, in the year 2007, the foregoing was, in accordance with the bylaws of the Public Company Accounting Oversight Board,

ADOPTED BY THE BOARD.

/s/ J. Gordon Seymour

J. Gordon Seymour
Secretary

May 24, 2007

APPENDIX –

PCAOB Rule 4003(d)

RELEASE

Appendix – PCAOB Rule 4003(d)

The Board has determined to retain Rule 4003(d) and eliminate the June 30, 2007 tentative sunset provision that the Board put in place when the Board adopted the rule. The text of Rule 4003(d) is set out below.

RULES OF THE BOARD

* * *

SECTION 4. INSPECTIONS

* * *

Rule 4003. Frequency of Inspections

* * *

(d) Notwithstanding paragraph (b) of this Rule, with respect to any registered public accounting firm that became registered in 2003 or 2004 –

(1) this Rule does not require the first inspection of the firm sooner than the fourth calendar year following the first calendar year in which the firm, while registered, issued an audit report or played a substantial role in the preparation or furnishing of an audit report; and

(2) this Rule does not require the second inspection of the firm sooner than the fifth calendar year following the first calendar year in which the firm, while registered, issued an audit report or played a substantial role in the preparation or furnishing of an audit report.

* * *