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PRESS RELEASE

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SEC Approves New and Updated PCAOB Audit Standards and an Amendment to the PCAOB's Contributory Liability Rule

Changes address general responsibilities of an auditor conducting an audit as well as technology-assisted analysis and contributory liability rule for associated persons

FOR IMMEDIATE RELEASE | 2024-100

Washington D.C., Aug. 20, 2024 — The Securities and Exchange Commission today announced that it has approved two Public Company Accounting Oversight Board (PCAOB) proposals updating audit standards regarding general responsibilities of the auditor and use of technology-assisted analysis in conducting an audit. The SEC also approved a proposal amending a PCAOB ethics rule governing the liability of an associated person when they directly and substantially contribute to audit firm violations.

The Commission approved the PCAOB's new AS 1000, *General Responsibilities of the Auditor in Conducting an Audit*, along with related amendments to other PCAOB standards, to reaffirm, consolidate, and modernize the general principles and responsibilities of the auditor when conducting an audit. These standards cover such foundational topics as affirming the auditor's duty to protect investors through the preparation and issuance of informative, accurate, and independent auditor's reports; the exercise of due professional care, professional skepticism, and professional judgment when performing audits; and compliance with ethics and independence rules.

In addition, the Commission approved the PCAOB's amendments to AS 1105, *Audit Evidence*, and AS 2301, *The Auditor's Response to the Risks of Material Misstatement*, and conforming amendments, to address the use of technology-assisted data analysis in audit procedures. The amendments specify and clarify auditors' responsibilities when the auditor uses such analytical tools in conducting audits.

Finally, the Commission approved the PCAOB's amendment to Rule 3502, *Responsibility Not to Knowingly or Recklessly Contribute to Violations*, governing the liability of an associated person of a registered public accounting firm who directly and substantially contributes to that firm's violations of the laws, rules, and standards that the PCAOB enforces. The amendments to Rule 3502 revise from recklessness to negligence the standard for an associated person's contributory liability, while maintaining the requirement that to be held liable, an associated person must have contributed to the firm's violation "directly and substantially."

"I am pleased that the PCAOB is fulfilling its obligations under the Sarbanes-Oxley Act by updating its standards and rules regarding the practice of auditing," said SEC Chair Gary Gensler. "I'm proud to support the PCAOB's proposed changes to instill greater trust among investors and issuers in our markets."

SEC Chief Accountant Paul Munter said, "The amendments to Rule 3502 are critical because moving the PCAOB contributory liability standard from recklessness to negligence aligns the rule with other negligence-based professional conduct standards, including the standard for sanctions by the Commission for individuals negligently contributing to firm violations as well as certain state professional licensing requirements, that have long governed the accounting profession, and aligns the rule with the same standard of reasonable care that auditors are required to exercise when executing their professional duties. The PCAOB's new standard regarding auditor responsibilities and the amendments to other PCAOB audit standards related to the use of technology will support high-quality audits and protect investors."

The amendments to Rule 3502 will become effective in 60 days. The amendment does not apply to conduct before the effective date.

AS 1000, and other related amendments to PCAOB standards, will take effect for audits of financial statements for fiscal years beginning on or after Dec. 15, 2024; however, for firms that provide audit opinions for 100 or fewer issuers during the calendar year ending Dec. 31, 2024, the amendment related to the documentation completion date requirement will take effect for audits of financial statements for fiscal years beginning on or after Dec. 15, 2025.

The amendments to AS 1105 and AS 2301, and conforming amendments, will take effect for audits of financial statements for fiscal years beginning on or after Dec. 15, 2025.

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Last Reviewed or Updated: Aug. 20, 2024

RESOURCES

- [SEC Order - AS 1000](#)
- [SEC Order - AS 1105 & 2301](#)
- [SEC Order - Rule 3502](#)

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