

Updated Information on PCAOB International Inspections (As of December 31, 2010)

In order to provide transparency about its international inspection program, the Public Company Accounting Oversight Board updated today certain disclosures previously made about the status of the inspections of registered non-U.S. firms. Specifically, in order to provide investors and the public with information about the PCAOB's international inspection efforts, the Board today –

- posted on its Web site updates to three lists that provide information about the status of inspections in certain jurisdictions and of certain firms; and
- announced differences between the list of non-U.S. jurisdictions in which the PCAOB announced that it intended to conduct inspections in 2010 and those where it did conduct inspections, and the reason for the differences; and
- reported on its progress in meeting target thresholds announced by the PCAOB in adopting PCAOB Rule 4003(g) for inspections of certain non-U.S. firms.

TWO UPDATED LISTS OF JURISDICTIONS

The PCAOB updated today two lists of jurisdictions in which there are registered non-U.S. firms that are currently required to be inspected. The first list includes all of the jurisdictions in which there are one or more registered non-U.S. firms that the PCAOB has already inspected. As indicated by that list, as of December 31, 2010, the PCAOB has conducted inspections of non-U.S. firms in 35 jurisdictions on a cumulative basis. This list is updated semiannually, to reflect information that is current as of June 30 and December 31.

The second list identifies the jurisdictions in which there are registered non-U.S. firms that the PCAOB intends to inspect in the current calendar year, 2011. The intention to publish this information was announced by the Board in PCAOB Release No. 2009-003, Final Rule Concerning the Timing of Certain Inspections of Non-U.S. Firms, and Other Issues Relating to Inspections of Non-U.S. Firms (June 25, 2009); and in PCAOB Release No. 2008-007, Rule Amendments Concerning the Timing of Certain Inspections of Non-U.S. Firms, and Other Issues Relating to Inspections of Non-U.S. Firms (Dec. 4, 2008). The PCAOB is publishing this list in order to provide transparency about its international inspections plans for each calendar year. The inspection schedule for non-U.S. firms is based on primarily the inspection deadline for a particular firm, but also may be affected by the inspection schedule of the firm's home-country regulator, and/or the risk that a firm or its audit clients presents to investors and the public. In addition, one or more firms from jurisdictions not currently included on the list may be added to the inspection schedule for a variety of reasons, including the

availability of PCAOB resources, the inspection schedule of a firm's home-country regulator, and new information about the potential risk posed by a firm or its audit clients to investors and the public.

UPDATED LIST OF FIRMS

The third list updated today includes the names of registered firms for which, as of December 31, 2010, the inspection fieldwork had not yet been completed by the PCAOB, even though more than four years have passed since the end of the calendar year in which the firm first issued an audit report while registered with the PCAOB. The Board announced its intention to publicly identify firms meeting that criteria in the release issued in connection with the PCAOB's adoption of PCAOB Rule 4003(g);¹ and the release issued in connection with the PCAOB's adoption of PCAOB Rule 4003(f).² This list is updated, at a minimum, on a semiannual basis to add firms that qualify for the list and also to remove firms from the list when the inspection fieldwork has been completed or the firm has voluntarily deregistered from the PCAOB.

The reasons that the inspection fieldwork for a firm has not been completed within four years of the firm having issued an audit report while registered with the PCAOB may vary. For example, some firms are included on the list because their inspections were postponed pursuant to Rule 4003(f) or Rule 4003(g), which permit the PCAOB to postpone, for a limited time, the first inspections of certain non-U.S. firms.³ Certain other firms are included on this list because access to information necessary to inspect the firm has so far been denied on the basis of asserted restrictions under non-U.S. law or objections based on national sovereignty.

¹ PCAOB Release No. 2009-003, *Final Rule Concerning the Timing of Certain Inspections of Non-U.S. Firms, and Other Issues Relating to Inspections of Non-U.S. Firms* (June 25, 2009).

² PCAOB Release No. 2008-007, *Rule Amendments Concerning the Timing of Certain Inspections of Non-U.S. Firms, and Other Issues Relating to Inspections of Non-U.S. Firms* (Dec. 4, 2008).

³ For more detail about these rules and the PCAOB's reasons for adopting them, please see PCAOB Release No. 2009-003, *Final Rule Concerning the Timing of Certain Inspections of Non-U.S. Firms, and Other Issues Relating to Inspections of Non-U.S. Firms* (June 25, 2009), issued in connection with the PCAOB's adoption of PCAOB Rule 4003(g); and PCAOB Release No. 2008-007, *Rule Amendments Concerning the Timing of Certain Inspections of Non-U.S. Firms, and Other Issues Relating to Inspections of Non-U.S. Firms* (Dec. 4, 2008), issued in connection with the PCAOB's adoption of PCAOB Rule 4003(f).

Today, the Board updated this list to show that five firms have been added to the list. In addition, one was removed because it voluntarily withdrew from PCAOB registration.

DIFFERENCES BETWEEN ANNOUNCED PLANS FOR 2010 INSPECTIONS AND INSPECTIONS CONDUCTED

When the PCAOB announced its decision to publish at the beginning of each year the list of jurisdictions in which it intends to conduct inspections, the Board stated that, if a jurisdiction were removed from this list because no inspections were conducted in that jurisdiction in that year, the PCAOB would publicly disclose that fact and explain the reason for the change. In early 2010, the PCAOB announced its intention to conduct inspections in 28 jurisdictions in 2010. In 17 of those 28 jurisdictions, the PCAOB conducted no inspections in 2010. Specifically, in one of these 17 jurisdictions (Korea), the PCAOB did not conduct the inspection of one firm as planned, because the audit oversight authority in that jurisdiction insisted that the PCAOB not conduct the inspection on its own in 2010 but offered the PCAOB the opportunity to join the local authority for a joint inspection of this firm in 2011. In 16 jurisdictions, including China, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom, access to the information necessary to conduct inspections of registered firms was denied due to asserted restrictions under non-U.S. law or objections based on national sovereignty. Discussions are continuing with the relevant authorities in those jurisdictions in an effort to resolve their objections to PCAOB inspections.⁴ In order to utilize available resources and fill the inspection schedule, the PCAOB pulled forward the inspections of 25 other non-U.S. firms in 11 jurisdictions. Finally, in order to accommodate the inspection schedules of audit oversight authorities in two jurisdictions, the PCAOB also pulled forward the inspections of three non-U.S. firms that were otherwise scheduled to be inspected in 2011.

PROGRESS IN MEETING THRESHOLDS

The PCAOB today also reported its progress in meeting the target thresholds that it announced in adopting Rule 4003(g), which permits the Board to defer, for up to three years, the first inspection of 49 non-U.S. firms that were otherwise required to be inspected in 2009. In adopting that rule, the Board stated that it intended to inspect at least four of those firms in 2009 and that the four firms would have combined issuer audit-client U.S. market capitalization equal to at least 35 percent of the aggregate U.S. market capitalization of the audit clients of all firms meeting the Rule 4003(g) criteria for deferral.

⁴ As previously noted, the PCAOB executed a bilateral agreement with the UK audit regulator in early January 2011 that provides a basis for the resumption of PCAOB inspections in the UK.

For 2010, the Board stated that it intended to inspect at least eleven additional firms and that the firms inspected in 2009 and 2010 would have combined issuer audit-client U.S. market capitalization equal to at least 90 percent of the aggregate U.S. market capitalization of the audit clients of all firms meeting the Rule 4003(g) criteria for deferral.

Between July 1 and December 31, 2010, the PCAOB inspected no firms that met the Rule 4003(g) criteria for deferral. This was because access to information necessary to conduct the inspections has so far been denied on the basis of asserted restrictions under non-U.S. law. As a result, the PCAOB made no progress between July 1 and December 31 in meeting the target thresholds for U.S. market capitalization or number of firms to be inspected discussed above.

Likewise, as previously reported, between January 1 and June 30, 2010, the PCAOB inspected no firms that met the Rule 4003(g) criteria for deferral and therefore made no progress in meeting the target thresholds for market capitalization or number of firms to be inspected in 2010.

In 2009, the PCAOB inspected five firms eligible for deferral pursuant to Rule 4003(g), including only two of the four firms that the PCAOB had scheduled for inspection in 2009 based on their clients' U.S. market capitalization. The combined market capitalization of the clients of those five inspected firms equals two percent of the aggregate market capitalization of the audit clients of all firms meeting the Rule 4003(g) criteria for deferral.

Future updates to the lists and inspection progress information in this factsheet will be made public on the PCAOB's Web site and through the PCAOB listserv.