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**Statement of William J. McDonough**  
**On PCAOB Temporary Rule Related to Auditing Standard No. 2**

**November 30, 2004, Public Meeting of the Board**

Auditing Standard No. 2 established a fundamental change in the way audits are conducted. The transition to the new internal control reporting requirements has required extensive education and preparation by both public companies and auditors.

For many months now, our Board members and staff have been doing everything we can to ensure a smooth transition to the new reporting and auditing requirements. We regularly hear from auditors and issuers about implementation matters, and when we have become aware of broader practice issues, we have attempted to provide appropriate guidance. For example, Doug Carmichael and his staff have issued three sets of answers to frequently asked questions, two of which were companions to SEC staff guidance issued at the same time.

The proposal before the Board today is another part of our effort to make implementation proceed smoothly. I believe this proposal is an appropriate measure to relieve implementation burdens on the smaller public companies that would have been first in line to file internal control reports. The proposal will help both those companies and their auditors to complete their work, even where – as we have heard anecdotally, in some cases – they have fallen behind schedule.

The new internal control reports should provide great benefits both to investors and to corporate management, who can use internal control to help run their companies efficiently. In the midst of a fundamental change to a new system, as we are today, the important thing is to make sure that the change goes smoothly, not whether the change occurs on the original deadline or 45 days later.

I am very pleased that we have been able to work so closely with the Commission and its staff to implement this extension in a coordinated fashion.