

Statements of Daniel L. Goelzer Regarding Board Statement Concerning the Establishment of Auditing Standards

April 16, 2003 Public Meeting of the Board

I would like to emphasize two points concerning the Board's standard-setting process.

First, in my view, this is an area in which we have to be flexible. We have prepared a blueprint for standard-setting. But, our release is only that -- a blueprint that may be changed as construction goes forward, not a final structure.

I recognize -- as I believe do all of the members of the Board -- that the Act charges the Board with the direct responsibility to set auditing standards. However, that is not a task that we can or should try to discharge in a vacuum. The Act also gives us several tools to make sure that we have the benefit of the views and experience of the accounting profession, the investment community, public companies, academics, and others with an interest in financial reporting. Our blueprint is centered on the advisory group tool. The concept we have laid out the creation of a fairly large committee, with membership drawn from a number of different sources of expertise. The Board may create taskforces or subcommittees of the advisory group to work on particular issues. Some of these taskforces may even include people -- such as members of the Board's staff or others -- who are not members of the advisory group.

The process will evolve. Our goal, in my view, should be to adopt the process to fit each specific problem, not the reverse. For example, we may find that the resolution of some issues demands a greater contribution from representatives of the auditing profession than do others. We need to be open to that possibility and not become bogged down in procedure.

Second, I would like to comment on the role of the accounting profession.

Practicing auditors will be among the members of the Board's advisory group, although we do not envision that they will be a majority. However, our release makes clear that the advisory group will not have a monopoly on making proposals to the Board. I hope that the accounting profession will work with us, and will establish or maintain its own bodies to make proposals to the Board and to comment on our



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standards. The common objective of the Board and the profession ought to be the development of auditing standards that best serve the public interest. The Board needs the help and expertise of practicing accountants -- along with the help and expertise of investors and preparers -- to accomplish that goal.