

AN ALERT FROM THE BDO NATIONAL ASSURANCE PRACTICE

# BDO FLASH REPORT

## SEC MATTERS

### ► SUBJECT

## NASDAQ PROPOSES INTERNAL AUDIT REQUIREMENT

### ► SUMMARY

The NASDAQ Stock Market LLC (Nasdaq) recently filed with the SEC a proposed rule change that would require all listed companies to establish and maintain an internal audit function. The purpose of the rule change is to ensure management and the audit committee are provided with regular assessments of a company's risk management processes and system of internal control.

Outsourcing of the internal audit function to a third party other than the company's independent auditor would be permitted. The audit committee would be responsible for oversight of the function through regular meetings with the internal auditors, and should discuss the responsibilities, budget and staffing of internal audit with the company's independent auditor.

The SEC is soliciting comments on the proposal through March 29, 2013. The limited comments received to date have primarily focused on concerns regarding the cost burden to small companies, and on clarification of the scope of the rule.

The proposed rule is available [here](#).

### ► EFFECTIVE DATE

The rule would require companies listed on Nasdaq on or before June 30, 2013 to establish an internal audit function no later than December 31, 2013. It would require companies listed after June 30, 2013 to establish an internal audit function prior to listing. NYSE listed companies are already required to have an internal audit function.

*Material discussed in this Flash Report is meant to provide general information and should not be acted on without professional advice tailored to your firm's individual needs.*

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