
NASDAQ to Require Companies to Have Internal Audit Function

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The NASDAQ Stock Market has proposed a new rule requiring NASDAQ-listed companies to “establish and maintain an internal audit function to provide management and the audit committee with ongoing assessments of the Company’s risk management processes and system of internal control.” The function may be outsourced to a third party service provider other than the Company’s independent auditor. The NASDAQ proposal closely mirrors the NYSE’s existing requirement of an internal audit function, though it adds requirements that the audit committee meet periodically with the internal auditors and that the audit committee discuss with the outside auditor the responsibilities, budget and staffing of the internal audit function. The SEC recently [published the NASDAQ proposal](#) for public comment. If approved by the SEC, companies listed on NASDAQ before June 30, 2013 will be required to establish the internal audit function no later than December 31, 2013, and companies listed on NASDAQ after June 30, 2013 will be required to do so before listing.