I have read PCAOB Release No. 2003-017 and have some suggestions that may have already been communicated. Nevertheless, I hope my brief note may help. I do not represent any organization or company. My feedback is my own and is intended to express my opinion on a specific area of consideration to the "Proposed Auditing Standard-An Audit of Internal Control Over Financial Reporting Performed in Conjunction With an Audit of Financial Statements".

Page 16 states that the proposed auditing standard requires the auditor to communicate in writing to the company's audit committee all significant deficiencies and material weaknesses the auditor is aware and report to management all internal control deficiencies in writing. Reliance on objectivity to determine what is significant and material is also noted.

Page 18 appropriately lists key questions 19 & 20:

19. Is it necessary for the auditor to evaluate the severity of all identified internal control deficiencies?

20. Is it appropriate to require the auditor to communicate all internal control deficiencies (not just material weaknesses and deficiencies) to management in writing?

My opinion is that reliance on objectivity in relation to the severity of internal control weaknesses is a weakness in itself by affording auditors and management to "negotiate" the significance of such weaknesses and whether they need to be communicated and addressed. Therefore, ALL internal control over financial reporting weaknesses and deficiencies identified by the auditor, either directly or indirectly, need to be evaluated as to severity and communicated in writing not just to management but to the Audit Committee as well. Objectivity as to what is or is not significant should be determined by a combination of auditors, management and the audit committee.

Best regards,

JC Mahecha, CPA

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