

December 4, 2003

Mr. J. Gordon Seymour  
Acting Secretary  
Public Company Accounting Oversight Board  
1666 K Street NW  
Washington, D.C. 20006-2803

**PCAOB Rulemaking Docket Matter No. 010,  
Proposed Auditing Standard – References In Auditors’ Reports To The Standards Of The  
Public Company Accounting Oversight Board**

Dear Mr. Seymour:

We are pleased to comment on the PCAOB’s proposed auditing standard (the “Proposed Standard”) relating to references in auditors’ reports to the standards of the PCAOB.

We agree that the auditor’s report should include a reference that the audit was conducted in accordance with PCAOB standards and submit the following comments for the Board’s consideration.

**Reference to Country of Origin and Auditing Standards**

The substance of the change from the existing standard report is as follows (source AICPA Professional Standards AU Sec. 508.08):

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board ~~auditing standards generally accepted in the United States of America.~~

Existing interim auditing standards require that the auditor’s report identify the United States of America as the country of origin of the auditing standards (for example, auditing standards generally accepted in the United States of America or U.S. generally accepted auditing standards). The proposed change to auditors’ reports would eliminate reference to the country of origin. Because other countries are creating oversight boards with the authority to establish auditing standards and public company reports frequently are circulated to users in more than one country, we believe all audit reports should continue to identify the country of origin. Further, we believe that continuing to identify the country of origin in audit reports for public companies will make such reports consistent with present practice and with audit reports for nonpublic companies.

Additionally, because the PCAOB's auditing standards address the conduct of the audit, we believe the auditor's report should indicate that the audit was conducted in accordance with auditing standards of the PCAOB.

### **Transition Matters**

The Proposed Standard does not address a number of transition reporting matters that will inevitably arise in practice. For example, should the auditor's report refer to the standards of the PCAOB if the auditor is reissuing a report after the effective date and the previously issued report did not refer to the standards of the PCAOB? Or for example, how should the auditor's report deal with comparative financial statements where the auditor's report on the financial statements for the previous year did not refer to the standards of the PCAOB? We recommend the final standard address all transition reporting matters.

### **Identifying Changes Resulting From the Proposed Standard**

We urge the Board to clearly identify all the specific wording changes being made to the Board's interim professional standards as a result of the Proposed Standard (e.g., changes to various paragraphs in AU Sec. 508 and Sec. 722). We believe it is important for auditors and other interested parties to know the specific wording to minimize the risk that such changes will be misunderstood or not appropriately considered.

\*\*\*\*\*

We would be pleased to discuss our comments with members of the Public Company Accounting Oversight Board or its staff.

Very truly yours,

*Ernst & Young LLP*