



Eli Lilly and Company
Lilly Corporate Center
Indianapolis, Indiana 46285
U.S.A.

www.lilly.com

Date: April 20, 2009

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, DC 20006-2803

Re: PCAOB Rulemaking Docket Matter No. 025

Dear Board:

We are pleased to comment on the Public Company Accounting Oversight Board's (PCAOB) *Proposed Auditing Standard – Engagement Quality Review* (the Proposed Standard). Eli Lilly and Company reviewed PCAOB Rulemaking Docket Matter No. 025, the Proposed Standard reissued for comment on March 4, 2009.

We generally agree with the changes made since the original proposed auditing standard was released in 2008. We are writing this letter to provide further comments on the views discussed and consider when finalizing this Proposed Standard as we have some additional concerns for you to address.

Issue 1: Objective of Engagement Quality Review

We fully support an independent review to reach appropriate conclusions on areas of significant judgment. The objective defined in paragraph 2 of the Proposed Standard sets the appropriate focus. We want to ensure the audit firms do not confuse the Engagement Quality Review with their internal Audit Quality Review, which is much more detailed and whose objective is to ensure the engagement team has complied with all policies and procedures established by the audit firm. Any confusion using this common terminology of “Quality Review” would only result in unnecessary additional work and higher audit fees.

Issue 2: Documentation requirements for the Quality Review

We believe that an effective Quality Review can be performed by holding discussions with the engagement team and by reviewing existing audit and interim documentation. By clearly stating in paragraphs 9 and 14, the Quality Reviewer should use existing audit and interim documentation, as applicable, it will prevent a reaudit of the engagement.

Issue 3: Audit Inspections Expectations for Documentation of Engagement Quality Review

We believe the key to an effective implementation of the Proposed Standard includes specific guidance provided for the PCAOB audit inspections to search for an effective and efficient Quality Review. The PCAOB audit inspections should provide feedback to the audit firms if the documentation goes beyond what is necessary to support an effective Engagement Quality Review. Over auditing and excessive documentation of the Quality Reviews will only result in higher audit fees, which are not the intent of the Proposed Standard, but rather a higher quality of the audit and interim engagements.

We appreciate your consideration of our views and concerns regarding the Proposed Standard. If you have any questions, or would like to discuss our comments further, please call me at (317) 276-2024.

Sincerely,

ELI LILLY AND COMPANY

S/Arnold C. Hanish
Vice President and
Chief Accounting Officer