Date

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Office of the Secretary
Public Company Accounting Oversight Board (PCAOB)
1666 K Street, NW
USA - Washington D.C. 20006-2803

Dear Sirs,

Re: PCAOB Rulemaking Docket Matter No. 008 – "Proposed Auditing Standard – An Audit of Internal Control over Financial Reporting Performed in Conjunction with an Audit of Financial Statements"

FEE (Fédération des Experts Comptables Européens – European Federation of Accountants) is pleased, as the representative organisation of the European accountancy profession, to comment on the exposure draft released by the PCAOB on 7 October 2003 on "Proposed Auditing Standard – An Audit of Internal Control over Financial Reporting Performed in Conjunction with an Audit of Financial Statements" (referred to as "the proposed standard").

Because of the importance of the issues raised by the proposed standard we are sending a copy of our response to the International Auditing and Assurance Standards Board (IAASB) and the European Commission. In summary, we believe that the PCAOB's rulemaking on the subject of internal control over financial reporting would be enhanced by:

- taking account of global developments in auditing standards designed to serve the interests of investors;
- considering whether the practical application of the proposed standard will encourage management to identify and resolve financial reporting issues in a timely and appropriate manner;
- ensuring that the work performed by auditors to report on financial statements is not duplicated or made less effective;
- reflecting and encouraging the adoption by management of best practices in internal control that are cost-effective and widely accepted;
- emphasising the need for auditors to take responsibility for exercising professional judgement; and
- explaining how auditors' reports on internal control over financial reporting (and adverse opinions in particular) are expected to restore confidence in capital markets.

In addition to our response to the questions set out in the request for comments to the proposed standard, this letter includes our overall comments on matters of principle. Some of our overall comments are reflected on a stand-alone basis in the next section. Other areas of significant concern have been addressed in our responses to the questions. They have been referenced separately hereafter and are all of equal importance.

Overall comments

(a) Worldwide repercussions of proposed standard

The proposed standard will have a very wide impact not only on US-based auditors, but also on auditors throughout the world serving:

(1) SEC foreign registrant companies who choose to be listed in the US; and

(2) the relevant subsidiaries of US domestic SEC registrants which fall under the same requirements as the US domestic portion of the entity.

Both types of registrants will require management and auditors to obtain the required coverage for management's assessment of and the auditor's attestation of the effectiveness of internal control over financial reporting.

The pervasive impact of the proposed standard on global audit practice and, potentially, on the platform used by global audit firms for their audit methodologies places a significant responsibility on the PCAOB in finalising the proposed standard. We believe there are significant potential shortcomings in the process.

We respectfully suggest that, with a 45 day consultation period for such an important and far reaching standard, the PCAOB is operating to inappropriate deadlines for due process and consultation that are inferior to those followed by the IAASB.

When discharging its onerous responsibility for this standard, we request the PCAOB to give due consideration to the impact its proposals will have on the IAASB's global audit standards. In particular, we strongly encourage the PCAOB to consider how the proposed standard fits in with International Standards on Auditing (ISAs). For example, there appear to be inconsistencies with the new risk ISAs which have recently been issued and agreed by the IAASB after an extensive joint project with the American Institute of Certified Public Accountants (AICPA). These ISAs should be carefully taken into account and integrated in the proposed standard.

(b) Conflict over who finds the adjustments

The proposed standard requires the auditor to issue an adverse opinion regarding the effectiveness of internal control over financial reporting should one or more material weaknesses arise.

Circumstances presumed to be at least a significant deficiency and a "strong indicator" of a material weakness include identification by the auditor of a material misstatement in the year-end financial statements that was not identified by the company's internal controls, even if management subsequently corrects the misstatement prior to issuance of the financial statements.

As a consequence, we would hope that management raises and discusses any likely issues at an early stage with its auditors to reach an agreement on the most suitable resolution for any issues.

Unfortunately, in practice, we are afraid that this increased likelihood for an adverse auditor's opinion might lead to quite the opposite result. Typically, the auditor commences his audit long before management has approved the financial statements and management will provide the auditor with a draft. While the auditor performs his audit work on this draft, management continues their checks and controls of processes and systems to ensure the draft financial statements are fairly presented. During this time of progressing the preparation and the audit of the financial statements simultaneously, either management or the auditor might uncover material adjustments.

Where there is the need for an adjustment there will be a strong incentive for management to claim that they "found it first" or would have done, had they had time to complete there own checks. The proposed standard is also likely to increase management resistance to auditor proposed adjustments because under the proposed standard, each such adjustment recorded by management would result in an adverse auditor's opinion regarding the effectiveness of internal control over financial reporting.

It even may make it impossible for the auditor to perform his work as management may try to defer the audit as long as possible until management is fully ready with the preparation of the financial statements in order to ensure that the auditor is not the first in identifying adjustments. We do not believe that this will contribute to restoring confidence in the capital markets.

(c) Two audits

The guidance provided in the new risk ISAs whereby significant risks are identified to determine which internal controls should be the subject of further audit work is not reflected in the proposed standard which requires auditors to perform audit work on all internal controls regardless of their risk profile.

The guidance in paragraphs 133 to 144 is meant to interrelate the two audits, i.e. the attestation on management's assessment of the effectiveness of internal control over financial reporting and the audit of the financial statements. However, the integration of both audits and their purpose should be enhanced. The objective of an audit of internal controls should be to form a judgement on the control risks which are part of the financial statement audit. The concepts of materiality and complexity should be introduced whereby the testing of internal control systems should only be performed for material and complex assertions, transactions, account balances and disclosures. Substantive procedures may suffice for other transactions and balances. The proposed standard currently appears to require both tests of controls and substantive procedures for all assertions, accounts and disclosures.

(d) Reasonable assurance is not high assurance

Paragraph 16 implies that "reasonable assurance" is a high level of assurance. We disagree with the PCAOB's point of view which is also at odds with the IAASB's latest thinking. There is a range of levels of assurance in relation to different aspects of financial reporting, each of which is "reasonable" when considered in context, as certain aspects are inherently more risky than others.

The level of assurance that the auditor can obtain depends on the circumstances. For example, the assurance that can be obtained by the auditor in relation to the absence of material misstatements caused by management fraud involving collusion with external parties will be considerably less than if the misstatement results from human error in routine processes.

FEE has considered these matters in detail in its April 2003 Issues Paper "Principles of Assurance: Fundamental Theoretical Issues with Respect to Assurance in Assurance Engagements".

(e) Assertions too prominent

Financial statements are meant to report on the status and progress of the business of an entity for the benefit of stakeholders including investors and are not an end in themselves. An audit of internal control over financial reporting should not be based on a bottom-up approach starting with financial statement assertions, but should rather commence by determining risks of material misstatements, followed by considering systems and controls to finally result in the accounts and disclosures included in the financial statements of the entity.

In more general terms, the proposed standard should make it clear that careful consideration of the control environment is essential in developing an audit approach. More emphasis should be put on the behavioural types of controls, such as integrity of management, rather than on detailed processes and systems.

The references to financial statement assertions on page 4 in the second paragraph under the section 'Internal Control Over Financial Reporting', in paragraphs 66 to 70 and in Appendix A, Example A-1 in the second part of the scope paragraph on page A-66 are too prominent and misconceived. The guidance related to financial statement assertions in the paragraphs indicated above is also inconsistent with the guidance provided in the first paragraph on page 12 which commences with the design and operating effectiveness of controls.

Moreover, the prominence given to detailed financial statement assertions in the proposed standard and the assertions themselves are not in line with the ISAs which large and medium size audit firms in Europe are committed to follow. Such inconsistency has considerable practical consequences for the adoption of global standards. It also has a profound effect on the audit methodology to be developed by audit firms which will become extremely complex and require considerable investment to redevelop software and retrain staff. Therefore, we urge the Board to revisit the guidance provided in the proposed standard in respect of the prominence given to detailed financial statement assertions.

(f) Controls which do not naturally give rise to documentary evidence

Many important controls over financial reporting do not routinely give rise to documentary evidence. For instance, day to day supervision, coaching and reviewing of staff and their work in the accounting department are sound preventive controls but are ordinarily not documented on a continuing basis.

We fully agree that management should prepare documentary evidence for all significant processes and controls on which the auditor should be able to rely to perform his work in relation to his attestation of management's assessment of the effectiveness of internal control over financial reporting. However, auditors can also, by a process of enquiry and proper evidential corroboration, gain reasonable assurance that other controls exist and work effectively.

Management's responsibilities related to documentation in paragraph 19 are minimal as compared to the detailed requirements for documentation by the auditor in paragraphs 145 to 147. These requirements should be comparable and equally enforceable, as further discussed in our overall comment under (g) below.

The proposed standard indirectly plays down the importance of controls which do not naturally give rise to documentary evidence and incentivises companies to prepare documentation that may not previously have been necessary from a commercial point of view. In contrast, the Sarbanes-Oxley Act does not necessarily require documentation of the effectiveness and operation of controls. We question whether these additional documentation requirements of the proposed standard will provide an increased level of protection for investors commensurate with the increased cost of compliance.

(g) Management acceptance of the PCAOB rules

The Board should not lose sight of the fact that the proposed standard is an auditing standard, compliance with which cannot necessarily be forced upon management of an entity.

Especially where the proposed standard goes further than the Sarbanes-Oxley Act, as highlighted in our response to question 6 and in our overall comment under (f) above, management adherence might be extremely difficult to enforce. In our view the Board has a duty to investors to ensure that its proposed standards for auditors are not made less effective by a lack of corresponding obligations for management.

(h) Divided responsibility

Example A-5 on page A-75 implies that the proposed standard allows for divided responsibility (as distinct from joint responsibility) for auditors in the case of a group audit of consolidated financial statements. While FEE recognises that there are often good reasons to appoint different audit firms to perform the audits of a group of entities, FEE believes that this should not result in divided responsibility for the group auditor. FEE is a long standing opponent of divided responsibility for financial statement audits and strongly favours the auditor of the consolidated financial statements having sole responsibility for his report. The public has to understand who is ultimately responsible for the audit of group financial statements. The same logic applies to opinions on internal control over financial reporting.

(i) Need to reflect IT reality and service organisation auditor guidance

Internal control systems are largely IT driven and are developed not only in-house but also by third parties including service providers.

The guidance in the proposed standard frequently fails to take this IT reality into account and instead provides guidance which appears to be geared toward manual internal control systems. The proposed standard should acknowledge and provide additional guidance reflecting present day reality.

Where an IT driven internal control system is developed by a service provider, this may result in situations where the auditor will not be able to obtain sufficient comfort for his attestation on management's assessment of the effectiveness of internal control over financial reporting because the extensive US guidance on this issue cannot be forced on non US service providers and their auditors. The Board should address such practicalities.

(j) Major concerns about missing guidance for small and medium-sized issuers

The proposed standard indicates that inadequate management documentation of the design of controls and the absence of sufficient documented evidence to support management's assessment of the operating effectiveness of internal control may be a significant deficiency or material weakness or could lead to a scope limitation. This results in additional risks for management and the auditor.

Larger entities might be able to bear and absorb the bureaucratic cost of having documentary evidence for all controls and their effective operation in order for management and the auditor to manage such risks.

Smaller entities typically have a high degree of hands-on, direct management controls which cannot easily be documented. They will also have considerable difficulties to absorb costs of documentation which does not serve a commercial purpose. In these circumstances, management and in particular the auditor will be exposed to greater risk related to the attestation of management's assessment of the effectiveness of internal control over financial reporting.

Therefore, we are in favour of principle-based standards which allow the auditor to use professional judgement. The proposed standard should in this respect include express acknowledgement of small and medium-sized entities by incorporation of the guidance provided in Appendix E within the main text of the proposed standard.

Other overall areas of concern arising from our responses to questions in the PCAOB's Request for Comments

Limited reliance on management and internal control testing: see our response to question 6.

Prohibition on use of periodical testing: see our response to question 11.

Under-emphasis on materiality: see our response to questions 11 and 19.

Problems with definitions: see our response to question 17.

Direct reporting by auditors: see our response to question 26.

Independence issues: see our response to question 29.

Impact of quarterly reporting requirements: see our response to question 30.

Use of professional judgement: see our response to questions 4, 7, 8, 10, 11, 12, 14, 15, 16, 19, 25 and 26.

Response to the questions in the PCAOB's Request for Comments

1. **Is it appropriate to refer to the auditor's attestation of management's assessment of the effectiveness of internal control over financial reporting as the audit of internal control over financial reporting?**

   No. It is not appropriate as it is inconsistent with the practice of the IAASB which uses the term 'audit' to refer to the audit of financial statements only. The auditor's attestation of management's assessment of the effectiveness of internal control over financial reporting is an assurance engagement leading to reasonable assurance and not an audit.

2. **Should the auditor be prohibited from performing an audit of internal control over financial reporting without also performing an audit of the financial statements?**

   No. Although it is more efficient for the auditor of the financial statements to perform the attestation of internal control over financial reporting, we favour principle-based standards which require the use of professional judgement and do not include unnecessary prohibitions.

3. **Rather than requiring the auditor to also complete an audit of the financial statements, would an appropriate alternative be to require the auditor to perform work with regard to the financial statements comparable to that required to complete the financial statement audit?**

   Not applicable in view of our response to Question 2.

4. **Does the Board's proposed standard give appropriate consideration to how internal control is implemented in, and how the audit of internal control over financial reporting should be conducted at, small and medium-sized issuers?**

   Yes, provided that the guidance provided in Appendix E is incorporated within the main text.
   As already noted, we are in favour of principle-based standards which allow the auditor to use professional judgement. Therefore, we believe that the guidance provided in Appendix E is also useful in relation to the work to be performed in a larger entity when it is managed in a similar way to that described in Appendix E.

5. **Should the Board, generally or in this proposed standard, specify the level of competence and training of the audit personnel that is necessary to perform specified auditing procedures effectively? For example, it would be inappropriate for a new, inexperienced auditor to have primary responsibility for conducting interviews of a company's senior management about possible fraud.**

   No. Auditing standards should not specify levels of competence and training for specified procedures.

6. **Is the scope of the audit appropriate in that it requires the auditor to both evaluate management's assessment and obtain, directly, evidence about whether internal control over financial reporting is effective?**

   Qualified yes. We do not disagree with the proposition that the auditor needs to obtain evidence directly. However, we believe that the proposed requirements for the performance of such procedures by the auditor are excessive.

   Restricting the reliance on management assertions is not acceptable under a principle-based approach. We also believe that some requirements in paragraphs 104 and 105 of the proposed standard are too restrictive and diverge from the requirements of the Sarbanes-Oxley Act.

   More generally, the proposed standard requires the auditor both to evaluate management's assessment and obtain direct evidence about whether the internal control over financial reporting is effective. This goes further than the Sarbanes-Oxley Act, which requires the auditor to report on the assessment made by management.

The proposed standard addresses at length how the auditor should obtain direct evidence of control effectiveness. In contrast, the guidance on evaluating management's assessment process is covered in just seven paragraphs.

We are not convinced that the requirement to obtain direct evidence of effectiveness in all areas of internal controls over financial reporting represents a reasonable use of resources from the point of view of investors, particularly in respect of the testing of control activities. The issuer is already required to carry out its own testing in this regard and those tests should yield the same results as external audit testing.

7. Is it appropriate that the Board has provided criteria that auditors should use to evaluate the adequacy of management's documentation?

No. Although the suggestions included in paragraphs 43 to 47 might be helpful, the auditor should be allowed to apply professional judgement. It would be helpful to introduce the terms 'might', 'may' and 'could' in the first sentence of paragraph 43.

We also recommend that additional guidance is included to address documentation requirements in the context of the size of the entity and its management structure.

8. (a) Is it appropriate to state that inadequate documentation is an internal control deficiency, the severity of which the auditor should evaluate? (b) Or should inadequate documentation automatically rise to the level of significant deficiency or material weakness in internal control?

(a): Yes as it allows for the use of professional judgement by the auditor.
(b): No.

9. Are the objectives to be achieved by performing walkthroughs sufficient to require the performance of walkthroughs?

Qualified yes. Walkthroughs are useful to document an understanding of processes and systems, but are not a comprehensive way of testing the effectiveness of controls. We strongly recommend application of the concept of materiality in the context of deciding which systems and processes should be subject to walkthroughs.

10. Is it appropriate to require that the walkthrough be performed by the auditor himself or herself, rather than allowing the auditor to use walkthrough procedures performed by management, internal auditors, or others?

No. In the light of using his professional judgement in a principle-based approach, the auditor should be allowed to rely on walkthroughs performed by internal auditors and others, as long as they have been performed using the same high standard as when the auditor would have performed them. We would advise caution before using walkthroughs performed by management, but would not support a prohibition on their use.

11. (a) Is it appropriate to require the auditor to obtain evidence of the effectiveness of controls for all relevant assertions for all significant accounts and disclosures (b) every year or (c) may the auditor use some of the audit evidence obtained in previous years to support his or her current opinion on management's assessment?

(a): Qualified yes, see detailed comments hereafter.
(b): Qualified yes, see detailed comments hereafter.
(c): Yes.

The basic principle that the auditor should rely on prior knowledge and experience is applicable for every audit and should also be adopted for this type of engagement, under the condition that the auditor only relies on past experience having first satisfactorily updated his prior experience and knowledge by corroborating evidence on the current design and current operation of the controls. In this manner, the auditor can identify where changes have occurred on which he needs to focus.

A requirement to obtain evidence on the effectiveness of controls for every control assertion, for every significant account balance and disclosure, every year is impractical for the auditor and represents a disproportionate use of resources from the point of view of investors as well as disproportionate costs in comparison to the limited benefit for stakeholders.

Again, the auditor should be allowed to use his professional judgement and make materiality judgements.

12. To what extent should the auditor be permitted or required to use the work of management and others?

The auditor should never be required to use the work of management and others, but should be permitted to do so using his good professional judgement. The extent to which the auditor should be allowed to do so is further detailed in the response to Question 13 below.

13. Are the three categories of controls and the extent to which the auditor may rely on the work of others appropriately defined?

No. We are sceptical about the practical application of such a rule-based approach to categorisation of controls. We prefer a principle based approach whereby a range from high level, management driven controls to low level routine controls is used to determine the acceptable level of reliance for the auditor. Control categorisation is not required as the determining factor is the integrity and good faith of management, internal audit and others upon whom the auditors may rely.

14. Does the proposed standard give appropriate recognition to the work of the internal auditors? If not, does the proposed standard place too much emphasis and preference on the work of internal auditors or not enough?

Qualified yes. The guidance provided in paragraph 108 is acceptable if the categorisation as described in Question 13 is abolished. Internal auditors should be able to perform work classified as (1) in the categories referred to in Question 13 and external auditors should be able to rely on such work based on their professional judgement.

15. (a) Is the flexibility in determining the extent of reperformance of the work of others appropriate, or (b) should the auditor be specifically required to reperform a certain level of work (for example, reperform tests of all significant accounts or reperform every test performed by others that the auditor intends to use)?

(a): Yes.
(b): No.

The auditor should use his professional judgement to determine whether it is appropriate to rely on the work of others.

We refer to our response to Question 6 for further details.

16. **Is the requirement for the auditor to obtain the principal evidence, on an overall basis, through his or her own work the appropriate benchmark for the amount of work that is required to be performed by the auditor?**

No. Again, the auditor should have the overall responsibility to decide which sources of evidence to rely on by using his professional judgement to determine whether it is appropriate to rely on the work of others or whether there is a need to obtain evidence through his or her own work.

17. **Will the definitions in the proposed standard of significant deficiency and material weakness provide for increased consistency in the evaluation of deficiencies? How can the definitions be improved?**

The answer is 'no', although it is not clear what the basis for comparison is supposed to be. The definitions of 'material', 'significant', 'remote' and 'inconsequential' are not in line with the definitions included in the ISAs or are not included in the ISAs which will be adopted in the European Union from 2005. Additionally, the meaning of the term 'remote likelihood' as used in the definitions of 'significant deficiency' and 'material weakness" will mean that very little will not need to be reported as a finding in the auditor' attestation of management's assessment of the effectiveness of internal control over financial reporting. Therefore, we prefer the continued use of the definitions included in Statement on Auditing Standards ('SAS') No. 60.

18. **(a) Do the examples in Appendix D of how to apply these definitions in various scenarios provide helpful guidance? (b) Are there other specific examples that commenters could suggest that would provide further interpretive help?**

(a): No, taking into account our response to Question 17;
(b): No.

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

Yes. However, it would be helpful to define the term 'evaluate'; we understand it to mean that the auditor is allowed to use his professional judgement and make materiality judgements, including judgments on the documentation of the 'evaluation'.

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

Yes. However, one would expect that, as a result of the audit of the financial statements, all internal control deficiencies would already have been communicated to management in writing under the form of a 'management letter' in accordance with existing professional standards. Such a process should not be duplicated and there is no need for a new standard on this topic.

We also refer to our overall comment on 'two audits' detailed under item (c).

21. **Are the matters that the Board has classified as strong indicators that a material weakness in internal control exists appropriately classified as such?**

Yes, they are acceptable as risk indicators.

22. **Is it appropriate to require the auditors to evaluate the effectiveness of the audit committee's oversight of the company's external financial reporting and internal control over financial reporting?**

Yes, but some issues resulting from the inherent "conflict of interest" between the audit committee and the auditor need to be addressed as the audit committee is expected to supervise the work performed by the external auditor. In accordance with the principle-based "threats and safeguards" approach reflected in the IFAC Ethics Code, the auditor could for example request an independent colleague ("review partner") to assist him.

23. Will auditors be able to effectively carry out their responsibility to evaluate the effectiveness of the audit committee's oversight?

Yes, taking into account the considerations indicated in our response to question 22.

24. If the auditor concludes that ineffective audit committee oversight is a material weakness, rather than require the auditor to issue an adverse opinion with regard to the effectiveness of the internal control over financial reporting, should the standard require the auditor to withdraw from the audit engagement?

No the auditor should be allowed to use his professional judgment. Also, this would not be possible in certain European countries where a statutory auditor is appointed for a certain period of time.

25. Is it appropriate that the existence of a material weakness would require the auditor to express an adverse conclusion about the effectiveness of the company's internal control over financial reporting, consistent with the required reporting model for management?

No. We do not believe that a material weakness should automatically result in an adverse opinion from the auditor. The auditor should be allowed to use his professional judgement to determine whether a material weakness merits a qualified rather than an adverse opinion.

26. Are there circumstances where a qualified "except for" conclusion would be appropriate?

Yes. Consistent with the possibility for the auditor to decide to issue a qualified rather than an adverse audit opinion on financial statements, the auditor should be able to use his or her professional judgement to determine the type of opinion to issue in respect of the auditor's attestation of management's assessment of the effectiveness of internal control over financial reporting.

More generally, we note that the proposed unqualified opinion refers to management's assessment process, and offers no view on the effectiveness of internal controls. However, an adverse opinion requires the auditor to opine on the (in)effectiveness of internal control without mention of management's assessment process. We would have expected these two opposite types of auditor's opinion to be a mirror image of each other. Unfortunately this is not the case. Direct reporting by the auditor in respect of ineffective internal controls will not assist the reader in understanding the auditor's attestation.

Further confusion arises in Example A-6 where the auditor issues an unqualified opinion that refers to the report of other auditors. There the example opinion provides a view on the effectiveness of controls, but not on management's assessment process.

27. Do you agree with the position that when the auditor issues a non-standard opinion, such as an adverse opinion, that the auditor's opinion should speak directly to the effectiveness of internal control over financial reporting rather than to whether management's assessment is fairly stated?

No. We refer to our response to Question 26.

28. Should the Board provide specific guidance on independence and internal control-related non-audit services in the context of this proposed standard?

No, other existing standards address such issues at length. See our response to Question 29 below.

29. **Are there any specific internal control-related non-audit services the auditor should be prohibited from providing to an audit client?**

Yes. Although we favour principle-based standards which rarely include prohibitions, we believe that it is appropriate to limit the performance of certain internal control-related non-audit services by the auditor of the financial statements. No additional guidance is required in this respect as the SEC independence rules deal with this topic in sufficient detail.

30. **Are the auditor's differing levels of responsibility as they relate to management's quarterly certifications versus the annual (fourth quarter) certification, appropriate?**

Yes, but not applicable in the European Union. There is no SEC requirement for foreign registrants to have the auditor perform and report on quarterly work, whether related to the financial statement audit or to the attestation of management's assessment of the effectiveness of internal control over financial reporting. The Sarbanes-Oxley Act (Section 302) requires management to report quarterly on internal control. However, no auditor's attestation is required on a quarterly basis.

Where quarterly work is performed by the auditor, the auditor should have a different level of responsibility for management's quarterly interim certifications.

31. **Is the scope of the auditor's responsibility for quarterly disclosures about the internal control over financial reporting appropriate?**

Yes, but not applicable for foreign registrants in the European Union. We refer to our response to Question 30 above.

If you have any further questions about our views on these matters, do not hesitate to contact us.

Yours sincerely,

David Devlin
President