

November 21, 2003

VIA ELECTRONIC DELIVERY

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, D.C. 20069-2803

Re: PCAOB Rulemaking Docket Matter No. 008

Dear PCAOB Members:

Thank you for the opportunity to comment on the proposed rules contained in PCAOB Release No. 2003-017 (Proposed Auditing Standard – An Audit of Internal Control Over Financial Reporting Performed in Conjunction with an Audit of Financial Statements).

BellSouth Corporation is a Fortune 100 communications services company headquartered in Atlanta, GA, serving more than 45 million customers in the United States and 14 other countries. With one of the largest shareholder bases in America, we have assets of almost \$50 billion and employ approximately 77,000 individuals.

Overall, we express general support for the proposed auditing standard (the “Proposed Standard”). In addition, we support, and agree with, all of the issues addressed in the comment letter filed by the **American Society of Corporate Secretaries** earlier today. Specifically we are concerned about the following provisions of the Proposed Standard:

- Oversight of Effectiveness of Audit Committee. We believe that it would be inappropriate for the external auditor to evaluate the effectiveness of the audit committee’s oversight of the company’s external financial reporting and internal control over financial reporting, given that the audit committee is itself responsible for hiring the external auditor. Further, we believe that any additional benefit to be gained by requiring the external auditor to evaluate how audit committee members are nominated and selected would be marginal at best, and would be far outweighed by the time, costs and efforts that such an evaluation would require.
- Communications. We question the benefit of requiring the external auditor to communicate to audit committees when written communication to management regarding all deficiencies in internal control over financial reporting identified during the audit has been made. It seems likely that most audit committees will find it difficult to simply accept this information without requesting additional information about that communication, causing them to spend needless time on insignificant deficiencies.

- Reliance on Work of Others. We believe that the sections covering using the work of others are too restrictive and will lead to a duplication of work between internal auditors and external auditor. Further, the Proposed Standard is not conceptually consistent with the flexible risk-based approach in SAS No. 65. In addition, we believe the requirement that the auditor's own testing must provide the principle evidence for the auditor's opinion is subject to significant interpretation. We believe the Board should reconsider its approach with respect to the amount of reliance an auditor is able to place on the work of internal audit and management.
- Terminology. We strongly agree with ASCS that the Board's proposed definitions of "significant deficiency" and "material weakness" are unworkable. We request that the Board consider instead using definitions that depend on whether there is a reasonable possibility that individual or aggregated deficiencies would lead to a material adjustment in the financial statements, in the case of significant deficiencies, and on whether it is reasonably likely the deficiencies would lead to a material adjustment in the financial statements, in the case of material weaknesses.
- Qualified Attestation. We are extremely concerned that shareholders and the public will not understand situations in which a company receives an adverse opinion on the effectiveness of internal control over financial reporting due to a material weakness that did not result in a material misstatement in the financial statements. Therefore, we request that the external auditor be permitted to determine whether its opinion should be "qualified" rather than "adverse."

Respectfully submitted,

Raymond E. Winborne Jr.
Assistant Vice President - Controller