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Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, NW
Washington, DC 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. Secretary:

KPMG appreciates the opportunity to comment on the Public Company Accounting Oversight Board's (Board) Proposed Auditing Standard, *References in Auditors' Reports to the Standards of the Public Company Accounting Oversight Board* (Proposed Standard). KPMG fully supports the Board's efforts to improve financial reporting, corporate governance and audit quality with the objective of furthering the public interest and restoring confidence in our capital markets system. Our comments outlined below represent matters for consideration by the Board as it deliberates a final standard on this subject.

Effective Date

As indicated in the Proposed Standard, the final standard is expected to be effective for auditors' reports dated on or after the later of January 1, 2004, or the tenth day after approval of the final standard. We recommend that the Board consider an effective date for the final standard as follows:

This auditing standard is effective for reports issued pursuant to audits of financial statements and reviews of interim financial information for periods ending on or after December 15, 2003, and reports issued when the subject matter or assertion is as of or for a period ending on or after December 15, 2003.

We recognize that establishing an effective date prior to final approval of an auditing standard by the Board and the SEC is unconventional. However, applying the effective date in the Proposed Standard could result in auditors' reports on calendar year 2003 financial statements referencing different auditing standards depending on when the individual reports are dated, when, in fact, the standards governing performance of the respective audits are identical. We believe that some level of user confusion will result due to varying references to applicable standards in auditors' reports.



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Aligning the effective date of the final standard with the date or dates of information referenced in the auditors' report will serve to avoid confusion regarding whether substantive differences exist in the framework against which the auditors' performance is measured for information presented as of the same dates or for the same periods. In addition, our proposal for establishing an effective date would avoid potential confusion in the event a report originally issued prior to the proposed effective date is reissued and "dual dated" to refer to an event occurring subsequent to the proposed effective date. In such instances, it is not clear in the Proposed Standard which auditing standards should be referenced in the auditors' report.

Non-U.S. Firm Auditors' Reports

Pursuant to PCAOB Release No. 2003-007, *Registration System for Public Accounting Firms*, non-U.S. public accounting firms are not required to register with the PCAOB until April 19, 2004 (PCAOB Release No. 2003-020, *Briefing Paper: Oversight of Non-U.S. Public Accounting Firms*, suggests that the registration period may be extended by 90 days). Accordingly, it appears that these non-U.S. public accounting firms may, until registered with the PCAOB, continue to reference "auditing standards generally accepted in the United States of America" when reporting on an issuer's financial statements.

We recommend that the Board consider clarifying this matter upon issuance of the final standard. In addition, we recommend that the Board consider whether early application of the provisions of the final standard by non-U.S. public accounting firms not yet registered with the Board that wish to refer to the standards of the PCAOB in their reports is acceptable, and, if so, provide guidance on the form of such reports.

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If you have questions regarding the information included in this letter, please contact Sam Ranzilla, (212) 909-5837, sranzilla@kpmg.com, or Craig Crawford, (212) 909-5536, ccrawford@kpmg.com.

Very truly yours,

KPMG LLP

