

December 4, 2003

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

Via e-mail: comments@pcaobus.org

Re: PCAOB Rulemaking Docket Matter No. 010, *Proposed Auditing Standard – References in Auditors' Reports to the Standards of the Public Company Accounting Oversight Board*

Dear Board Members and Staff,

We appreciate the opportunity to comment on the Public Company Accounting Oversight Board's ("Board" or "PCAOB") *Proposed Auditing Standard – References in Auditors' Reports to the Standards of the Public Company Accounting Oversight Board*. As the Board has been authorized to establish and maintain auditing and related professional practice standards for registered public accounting firms, we believe it is necessary for the Board to issue and adopt rules that modify reports to clarify the standards used by such firms. As such, we support the Board's proposal to reference the PCAOB's standards in registered public accounting firms' reports; however, our concerns with respect to the proposal are expressed below.

Reports on Comparative Financial Statements

The proposed auditing standard is going to require all auditors' reports dated on or after the effective date to refer to "the standards of the Public Company Accounting Oversight Board" as the standards used to conduct the audit. However, during the transition period (for example, until all periods presented are audited in accordance with the standards of the PCAOB), such audits were conducted under two separate sets of standards: the audit and related professional practice standards of the PCAOB and the pre-existing generally accepted auditing standards adopted by the Auditing Standards Board of the American Institute of Certified Public Accountants. Accordingly, for reports on comparative financial statements issued during the transition period, we suggest that the auditors' report include an explanatory paragraph that appropriately acknowledges the standards used to conduct the audits. For example, the report may include the following paragraph:

"The Sarbanes-Oxley Act of 2002 authorized the Public Company Accounting Oversight Board to establish auditing and related professional practice standards to be used by registered public

accounting firms. Such standards were initially established on April 16, 2003. Prior to that date, registered public accounting firms conducted their audits (or reviews) in accordance with auditing standards established by the American Institute of Certified Public Accountants.”

We further recommend that the Board consider other situations where an explanatory paragraph may also be necessary, for example, re-issued reports. If the Board chooses not to require the addition of an explanatory paragraph in the audit or review report, we suggest that the Board specifically acknowledge such implementation issues, as they relate to the two separate sets of standards, in a transition paragraph in the proposed auditing standard. The PCAOB may further consider revising the proposed auditing standard to acknowledge that reissued reports that retain dates prior to the effective date of the PCAOB’s audit and related professional practice standards (April 16, 2003) would continue to refer to the pre-existing standards.

Scope of Proposed Auditing Standard and Effective Date

The proposed auditing standard currently states, “This auditing standard is effective for auditors’ reports dated on or after the later of January 1, 2004 or the tenth day after final approval of this auditing standard [emphasis added].” However, the scope of the proposed auditing standard expands beyond an audit or review report itself, as indicated by the following statement in paragraph two: “Therefore, for purposes of any engagement performed in accordance with applicable auditing and related professional practice standards of the PCAOB, references in the interim standards to generally accepted auditing standards, U.S. generally accepted auditing standards, auditing standards generally accepted in the United States of America, and standards established by the AICPA, mean the standards of the PCAOB.” Thus, this may affect other matters in conjunction with an audit, in addition to the auditors’ report. Accordingly, we believe it is critical that the Board clearly identify the portions of the interim standards that are superseded or amended by newly adopted standards and rules.

In addition to reviews of interim financial information, the effective date should also cover other services performed under Rule 3200I, *Interim Auditing Standards* (previously known as Statements on Auditing Standards), such as reports on the processing of transactions by a service organization and letters for underwriters and certain other requesting parties. Further, we urge the Board to adopt a similar standard for the interim attestation standards.

References to PCAOB Standards and Illustrative Reports

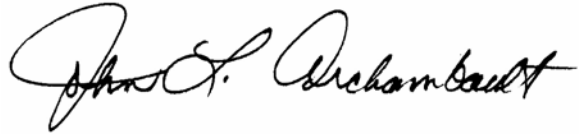
The proposed auditing standard would require reports to refer to “the standards of the Public Company Accounting Oversight Board” as the standards used to conduct an audit (or review). We believe that this phrase does not adequately identify and define the standards used by the registered public accounting firm. Accordingly, we suggest that the Board consider modifying the phrase to indicate the specific audit and related professional practice standards used to conduct the engagement (i.e., auditing standards or attestation standards). We further believe that the report should indicate the country of origin of such standards and that the auditing standards are generally accepted.

In addition, as Rule 2-02, *Accountants Reports and Attestation Reports on Management’s Assessment of Internal Control Over Financial Reporting*, of Regulation S-X requires reports to indicate the City and State where they were issued, we suggest conforming the illustrative reports to this rule.

December 4, 2003

We would be pleased to discuss our comments with you. If you have any questions, please contact Mr. John L. Archambault, Managing Partner of Professional Standards, at (312) 602-8701.

Very truly yours,

A handwritten signature in black ink, reading "John L. Archambault". The signature is written in a cursive style with a large initial "J" and "A".

Grant Thornton LLP