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Office of the Secretary  
PCAOB  
1666 K Street, N.W.  
Washington, DC 20006-2803

Rulemaking Docket No. 017

Board Members:

I write to comment on your Proposed Ethics and Independence Rule 3526, Communication with Audit Committees Concerning Independence. I am now or formerly have been chairman of the audit committee of five large, publicly held companies and my comments are influenced by those experiences. But these comments are personal and should not be ascribed to any of those companies.

I support the general thrust of the proposed additions to PCAOB literature with respect to independence communications with auditors. If nothing else, it will be less confusing to audit committees and others to eliminate references to the now extinct Independence Standards Board. Having all of the authoritative literature relating to auditing and independence in one place is a positive move. However, I have a few suggestions that I think would improve a final Rule 3526.

General Approach to the Independence Determination

While audit committees need to be assured of independent auditors' independence, that doesn't mean they should be expected to know all of the detailed SEC, PCAOB, and AICPA rules and then weigh whether particular

circumstances do or do not affect independence. Thus, I question whether it is necessary and appropriate for a registered public accounting firm to both (1) describe all relationships that may reasonably bear on independence and (2) discuss the potential effects of those relationships on independence. Instead, it should be sufficient for the accounting firm to affirm its independence to the audit committee based on existing standards rather than, in effect, requiring the audit committee to somehow evaluate how the firm has applied those standards. With respect to the audit as a whole, the audit committee relies on the fact that the accounting firm has performed the audit “in conformance with the standards of the Public Company Accounting Standards Board,” so why should audit committee members have to accept more responsibilities with respect to independence? To do so would be somewhat like an accounting firm asking an audit committee to review and judge whether appropriate audit procedures have been selected among various procedures that could have been used.

Therefore, I suggest the proposed rule should be simplified by deleting both subpoints (1) and (2) of points (a) and (b). The onus should be on the accounting firm to determine all possible independence issues and resolve them to its satisfaction, and that is accomplished through subpoint (3). In potentially problematic circumstances, the accounting firm should check with the SEC or PCAOB but further discussing these with the audit committee provides no additional value in my view.

### Other Comments

The proposal would remove the reference in ISB No. 1 to “in the auditor’s professional judgment” with respect to the need to discuss matters relating to independence. However, without a specific reference to the matters covered in footnotes 13 and 14 of the proposal, those reading the actual rule might be left to wonder how “may reasonably be thought to bear on independence” should be applied (thought by whom?). Therefore, I suggest adding the substance of footnotes 13 and 14 to the actual rule. Of course, this would be relevant only if the PCAOB chooses not to accept my larger point above.

The timing of the annual affirmation to the audit committee ought to be specified in the final rule. While the audit committee should be able to assume that the accounting firm is independent at all times during a particular year under audit, I feel that there are two critical times for the affirmation. First would be at the time of the engagement letter and second

would be near the end of the audit, similar to the timing of the company's letter of representations.

Please let me know if you have any questions about these comments.

Sincerely,

Dennis R. Beresford