

February 28, 2012

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

**Re: *Proposed Auditing Standard: Communications with Audit Committees*
PCAOB Rulemaking Docket Matter No. 030**

Deloitte & Touche LLP (“D&T”) is pleased to respond to the request for comments from the Public Company Accounting Oversight Board (the “PCAOB” or the “Board”) on its *Proposed Auditing Standard: Communications with Audit Committees*, PCAOB Release No. 2011-008; PCAOB Rulemaking Docket Matter No. 030 (December 20, 2011).

AUDIT FIRM COMMUNICATIONS

We support efforts to encourage and promote effective communication between auditors and audit committees. In responding to the Board’s request for comments on the proposed standard, we offer the following observations:

1. **Current requirements and practices.** A variety of requirements currently exist in PCAOB standards, the rules of the Securities and Exchange Commission (“SEC”), and listing exchanges with respect to audit committees and auditor communications with audit committees. We believe the incremental required communications in the proposed standard codify and build upon certain best practices that currently take place and will enhance audit quality.
2. **Consultations.** We believe discussing significant accounting and auditing consultations with the audit committee in a timely manner is important, and we support this aspect of the proposed standard. During the course of an audit numerous consultations may take place with specialists, national office partners, and others. We encourage the Board to consider clarifying what it considers to be a consultation under the proposed standard for purposes of reporting to the audit committee. In addition, numerous discussions take place with engagement quality reviewers. As a result, we also recommend the Board clarify that engagement team discussions with the engagement quality reviewer in connection with requirements under PCAOB Auditing Standard No. 7 are not considered to be consultations. This could be achieved by reinserting the note that was in the original proposal which explained that discussions with the engagement quality reviewer would not be included within the requirement.
3. **Non-issuer broker dealer audits.** We would also encourage the Board to consider the desirability and practicability of the proposed communication requirements with respect to non-issuer broker dealer audits.
4. **Management communications.** We agree with the Board that management is likely to discuss certain matters enumerated in the proposed standard with the audit committee, and we support the

Board's acknowledgment of this with respect to accounting policies, practices, and estimates by adding a note which permits the auditor to avoid duplicating management communications. The Board should provide similar guidance with respect to communications regarding significant unusual transactions (including the business rationale for such transactions), management consultations with other accountants, and going concern matters, as such topics may also be discussed with the audit committee by management.

5. **Critical accounting policies and practices.** Based on the PCAOB release it appears the PCAOB is intending for the auditor to communicate its assessment of the critical accounting policies and practices that are disclosed within the footnotes to the financial statements.¹ However, this is not clear. For instance, the language in the proposed standard could be interpreted to require the auditor to assess the discussion of critical accounting policies and practices located in management's discussion and analysis. In addition, generally accepted accounting principles do not require an issuer to disclose "critical accounting policies and practices" as such. As a result, the auditor will be in the position of assessing disclosures that management is not necessarily required to provide. We recommend the PCAOB clearly state within the final standard that the disclosures being referred to are those within the notes to the financial statements and that the assessment should be made in the context of the financial statements taken as a whole. In addition, there needs to be a requirement for management to provide disclosures regarding "critical accounting policies and practices" prior to the auditor being able to assess them as part of the audit.

RELATED CONSIDERATIONS

As discussed in our December 8, 2011 letter to the Board on its August 16, 2011 *Concept Release on Auditor Independence and Audit Firm Rotation*, we believe best practices with respect to audit committee communications could be more universally put into place. The following are two topics related to audit committee communications that we believe would be relevant to future projects in this area:

1. **Audit firm communicates with the audit committee prior to earnings release.** Timely discussion of critical accounting estimates² with the audit committee improves overall understanding of such matters.
2. **Audit firm discusses inspection results with the audit committee.** Audit committees value information on inspections and remediation efforts because such information provides insights relevant to their oversight generally and in particular to their auditor reappointment decisions. It would be useful for the PCAOB and the audit profession to review the protocols relating to the disclosure of inspection results to facilitate discussions on this subject between audit firms and audit committees.

¹ Refer to paragraph 13 b of the proposed standard and page A4-17 of the release.

² The term critical accounting estimates is used in connection with this recommendation in order to conform it to the terminology adopted in the PCAOB's proposal. In our December 8, 2011 letter we referred to "significant accounting and auditing judgments" and "sensitive transactions and judgments;" we believe these concepts have since been captured in the Board's definition of critical accounting estimates as described in the proposal.

In addition, as discussed in our October 20, 2010 letter to the Board in connection with the Board's original proposal on audit committee communications and the related roundtable, we believe the PCAOB should partner with other interested parties (including the SEC, the National Association of Corporate Directors, the listing exchanges, and others) to develop best practices, training, and practice aids for audit committees. Such efforts would be consistent with the PCAOB's 2011-2015 Strategic Plan *Improving the Relevance and Quality of the Audit for the Protection and Benefit of Investors* to contribute to the quality of corporate governance.

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D&T appreciates this opportunity to provide our perspectives on this important topic. Our comments are intended to assist the PCAOB in analyzing the relevant issues and potential impacts. We encourage the PCAOB to engage in active and transparent dialogue with commenters as the proposed standard is evaluated and changes are considered. If you have any questions or would like to discuss these issues further, please contact Robert Kueppers at 212-492-4241 or William Platt at 203-761-3755.

Very truly yours,

/s/ Deloitte & Touche LLP

cc: James R. Doty, PCAOB Chairman
Lewis H. Ferguson, PCAOB Member
Daniel L. Goelzer, PCAOB Member
Jay D. Hanson, PCAOB Member
Steven B. Harris, PCAOB Member
Martin Baumann, PCAOB Chief Auditor and Director of Professional Standards

Mary L. Schapiro, SEC Chairman
Luis A. Aguilar, SEC Commissioner
Daniel M. Gallagher, SEC Commissioner
Troy A. Paredes, SEC Commissioner
Elisse B. Walter, SEC Commissioner
James L. Kroeker, SEC Chief Accountant
Brian T. Croteau, SEC Deputy Chief Accountant