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Date: May 28, 2010

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

Re: Rulemaking Docket Matter No. 030

Dear Board:

Eli Lilly and Company appreciates the opportunity to comment on the Public Company Accounting Oversight Board's (PCAOB's) Release No. 2010-0001, *Proposed Auditing Standard Related to Communications with Audit Committees and Related Amendments to Certain PCAOB Auditing Standards* (hereafter referred to as the "Proposed Standard"). We support the PCAOB's efforts to provide a more meaningful standard related to the relevance and effectiveness of communications between auditors and audit committees. A vital part of the governance structure of a large, multinational company is its audit committee. In order to adequately perform its duties, Eli Lilly's audit committee partners extensively with its auditors regarding a broad range of issues. This dialogue provides them with information necessary to make appropriate decisions related to the company. Additionally, auditors gain valuable insight from their interactions with the audit committee with respect to the company's operating environment and risk factors.

While we generally agree with the intention of the Proposed Standard to enhance the relevance and effectiveness of the communications between auditor and audit committee, we do have some specific concerns that we would like the PCAOB to consider. Below, we have provided our overall concerns with certain of the proposed communication requirements and our views to certain questions listed in the Proposed Standard:

General Comments

The Proposed Standard does not eliminate any of the current requirements, which are substantial, and expands the scope with additional requirements. Therefore, we are concerned regarding the magnitude of the Proposed Standard's communication requirements and whether certain of the requirements are considered valuable to audit committees. We suggest the PCAOB consider which communications should truly be required and the implications of additional requirements on the work of auditors, audit committees, and issuers. This could be achieved by contacting additional stakeholders of the Proposed Standard. In particular, the input of audit committee members could provide critical information as to what the true requirements around auditor communications should be, as they know the types of information of which they want to be made aware. We suggest their experience and knowledge be leveraged in the requirements of the Proposed Standard.

In addition, we suggest the PCAOB provide clear guidance that, relative to the current requirements, the Proposed Standard is not requiring additional audit procedures be performed to meet the communication requirements. We are concerned that some auditors may interpret the proposed results to require additional audit procedures. Examples are provided in the specific comments that follow. Rather than focusing on additional procedures that may simply result in a checklist approach to communication, we suggest limited requirements that increase the chance for meaningful dialogue between auditors and audit committees.

Accounting Policies, Practices, and Estimates

In general, we believe communications regarding accounting policies, practices, and estimates fall under the responsibilities of management. If management has not adequately communicated these to the audit committee, it would then be within the auditor's responsibilities to provide further insights. Additionally, in areas where significant judgment is involved or where the auditor has been asked to evaluate management's decisions, it would also be appropriate for the auditor to communicate these. We suggest that the PCAOB clarify that the intent of the standard is to continue the existing requirements, not to require additional procedures for the auditors. For example, the proposed standard mentions that auditors should evaluate how a recorded estimate relates to a range of possible outcomes. While this may be applicable in some situations, a broader interpretation could be made that a range and an evaluation thereof is required for all critical accounting estimates. The unintended consequence then could be a significant, unwarranted increase in the work of auditors. We suggest the PCAOB clarify the intent of the communications around estimates in order to avoid potential adverse interpretations of requiring additional audit procedures to meet the communication requirements.

Corrected and Uncorrected Misstatements

The current and proposed standards include requirements for the auditor to provide the audit committee with a schedule of uncorrected misstatements. While an aggregation of all uncorrected misstatements does not seem appropriate, we believe the use of materiality and professional judgment should be a consideration in determining the extent of communications around uncorrected misstatements. For example, it is typical for auditors and the audit committee to agree upon a threshold for reporting uncorrected misstatements. Uncorrected misstatements below this threshold may be either not reported at all or reported in the aggregate. Except in the areas of a control issue, we do not believe communication of these deminimus amounts would be an efficient or appropriate use of time. We suggest the PCAOB incorporate the concept of materiality and professional judgment within this communication.

Related to question 15, we believe that corrected misstatements which could result in a significant deficiency or material weakness should be communicated to the audit committee; however, we do not see any additional benefit in advising the audit committee of corrected misstatements that do not rise to these thresholds. Additionally, we believe those misstatements detected by management which relate to significant control deficiencies should be communicated to the audit committee by management, not by the auditors. These misstatements have been identified throughout the normal course of closing activities undergone by management. As they were not identified through the audit procedures, we do not believe these adjustments are appropriate to be reported to the audit committee by auditors. Furthermore, requiring this type of communication could inadvertently lead clients to be less open with their auditors.

Consultations with Others

Under the current and proposed standards, auditors are required to report to the audit committee any consultations made by management with other accountants about auditing or accounting matters. This requirement strives to prohibit the equivalent of "opinion shopping" and is appropriate. It should not then be deemed necessary to report to the audit committee a consultation by management with third-party technical resources other than another auditing firm related to the proper accounting treatment of a highly technical issue. However, a much more broad interpretation may include this action within the definition of "other accountants". To report to an audit committee every instance of accounting consultations seems neither an efficient use of time nor a necessary or worthwhile endeavor. We ask the Board to add clarifying language to help the reader understand precisely who is meant by the term "other accountants".

Regarding question 12, we do not feel the requirement regarding consultations on accounting or auditing matters should be expanded to include non-accountants. It is entirely within management's scope and responsibilities to consult with non-accountants as deemed appropriate; therefore, we do not believe expanding this communication to include non-accountants would provide any additional value to the audit committee related to the scope of the auditor's requirements. .

Evaluation of the Communication Process

While there are certain communications required of auditors, audit committees reserve the right to request any additional information necessary to make informed decisions regarding the company. Effective communication between audit committees and auditors must go both ways. Therefore, we do not see any additional benefit of requiring an evaluation of the adequacy of this communication as this should be inherent in both the responsibilities of auditors and audit committees. If the audit committee has issues with the communications provided, they have the responsibility to ask for and the right to receive information necessary for them to perform their duties. Additionally, if the auditors do not find the communications from the audit committee adequate, they should bring these issues to the attention of management or withdraw from the engagement.

We appreciate the opportunity to express our views and concerns regarding the proposed standard. If you have any questions regarding our response, or would like to discuss our comments further, please call me at (317) 276-2024.

Sincerely,

ELI LILLY AND COMPANY

S/Arnold C. Hanish
Vice President - Finance, and
Chief Accounting Officer