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December 11, 2013

Via email: comments@pcaobus.org

Phoebe W. Brown
Secretary
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, D.C. 20006-2803

Subject: PCAOB Rulemaking Docket Matter No. 034

Dear Ms. Brown,

Medtronic, Inc. ("Medtronic," "we," "our" or "us") appreciates the opportunity to provide the Public Company Accounting Oversight Board ("PCAOB" or "Board") with our comments on Release No. 2013-005, *The Auditor's Report on an Audit of Financial Statements when the Auditor expresses an unqualified opinion; The Auditor's Responsibilities regarding other information in certain documents containing audited financial statements and the related auditor's report* (collectively "the PCAOB Release"). Medtronic is the global leader in medical technology - alleviating pain, restoring health, and extending life for millions of people around the world.

Summary

We support the Board's desire to protect the interests of investors and further the public interest in the preparation of informative, accurate, and independent audit reports. We also appreciate and recognize the Board for evaluating the concerns raised from 155 comment letters and roundtable discussions related to the June 2011 Concept Release, and making changes to the original proposal such as the Board's decision not to pursue imposing a requirement for Auditor Discussion and Analysis (AD&D).

We understand that the Board's underlying objective in proposing changes to the auditor's report is to enhance investor confidence in the quality of audits by improving the informational content, usefulness, and relevance of the auditor's report. However, we have the following significant concerns with regards to the proposed PCAOB Release:

- We do not agree with the proposed change in terminology from "read and consider" to "read and evaluate" for other information outside the financial statements. We are concerned that auditors will perform significantly more work

in order to meet the new standard, resulting in higher audit fees, and readers of the auditor's report may assume a greater degree of accountability than is warranted.

- Because root cause evidence does not exist that links audit firm tenure to audit failures or lack of auditor independence, objectivity, and professional skepticism, we disagree with the inclusion of auditor tenure in the auditor's report.
- We have grave concerns with the proposed auditor reporting standard requirement that the auditor communicate "critical audit matters" (CAM's) in the auditor's report.
- We are concerned that there is currently a lack of defined field testing in the PCAOB Release. We believe the Board needs to work closely with public accounting firms to determine the incremental procedures auditors believe they would need to perform in order to meet the requirements of the PCAOB Release in order to ensure the resulting benefits exceed the incremental costs.

Change in Terminology from "Read and Consider" to "Read and Evaluate" for Other Information Outside the Financial Statements

We appreciate investors' interest in obtaining more information regarding the auditor's responsibilities for other information outside the financial statements that is contained in documents that include the audited financial statements and the related auditor's report. We support additional disclosure regarding auditor's association with the other information in the filing, including a statement in the auditor's report that the auditor evaluated whether the other information contains a material inconsistency with the financial statements, a material misstatement of fact, or both. We would also support adding a statement in the auditor's report that clearly defines the scope of the data included or excluded from such a review of other information and an explanation of the depth of procedures undertaken and the level of comfort provided, including a statement that the auditor did not audit the other information and does not express an opinion on the other information. However, we do not support the proposed change in terminology from "read and consider" to "read and evaluate".

The following excerpt from Auditing Standard 17 "Auditing Supplemental Information Accompanying Audited Financial Statements" appears to provide context around the term evaluate:

The proposed standard includes requirements that the auditor evaluate the supplemental information, which includes evaluating (1) whether the supplemental information, including its form and content, is fairly stated, in all material respects, in relation to the financial statements as a whole, and (2) whether the supplemental information is presented in conformity, in all material respects, with the relevant regulatory requirements or other applicable criteria. In addition, the evaluation should encompass, among other things, whether the

information is complete and accurate, is consistent with the audited financial statements, and complies with relevant regulatory requirements, if applicable.

We believe that a level of assurance to achieve “complete and accurate” is higher than what is currently provided today under the requirement to “read and consider”. We believe that this will lead to significant expansion in the level of audit work being performed, resulting in higher audit fees, and potentially result in certain challenges for the auditor in gaining comfort with regards to certain non-financial information, performance metrics, and qualitative statements. We believe the auditor would need to expand their audit scope procedures considerably, to fulfill their obligations related to evaluating this other information. These metrics and supplemental information are frequently not derived from systems or processes which the auditor has previously audited, as such unwarranted scope expansion would surely occur.

In addition, we believe that current regulations and disclosure requirements, such as CEO and CFO certifications, and listing rules by the NYSE requiring independent audit committee supervision and review of quarterly and annual reports in conjunction with the establishment of effective disclosure controls, such as Disclosure Committees and quarterly certifications by key executive management, are an effective means to ensure that non-financial information has been verified by the company. Thus, we see no incremental benefit to requiring auditors to do more than what is already required under existing “read and consider” standards.

Inclusion of Auditor Tenure in the Auditor’s Report

The PCAOB Release proposes to add new elements to the auditor's report related to auditor independence, auditor tenure, and enhancements to certain standardized language in the auditor's report, including the addition of the phrase "whether due to error or fraud". While we are in general support of the inclusion of clarifying language to the existing standard auditor's report to enhance investors' and users' understanding of the scope, process, and limitations of the audit process, we do not support the PCAOB Release requirement that a statement be included in the auditor's report containing the year the auditor began serving consecutively as the company's auditor.

Because root cause evidence does not exist that links audit firm tenure to audit failures or lack of auditor independence, objectivity, and professional skepticism, we believe there could be unintended consequences resulting from investors believing that a shorter / longer auditor tenure is presumed to be good or bad. In addition, we believe inclusion of auditor tenure in the auditor's report could dilute the independence disclosure already included in the auditor's report. If the Board feels strongly about providing investors with further details as to the length of auditor tenure, then we recommend such information be considered more suitably placed in the proxy statement, as we believe such information is more directly relevant to investors' decisions regarding whether the independent auditor should be reappointed for another fiscal year.

Auditor Communication of “Critical Audit Matters” (CAM’s) in Auditor’s Report

The PCAOB Proposal would require the auditor to communicate in the auditor’s report “critical audit matters” that would be specific to each audit. The auditor’s required communication would focus on those matters the auditor addressed during the audit of the financial statements that involved the most difficult, subjective, or complex auditor judgments or posed the most difficulty to the auditor in obtaining sufficient audit evidence or forming an opinion on the financial statements. The sources for CAM’s could include engagement completion documents, items reviewed by the engagement quality reviewer, and information communicated to the Audit Committee.

While we appreciate investors’ interest in gaining a better understanding of what is reported in the financial statements, it remains unclear to us whether or not the reporting of CAM’s in the auditor’s report will facilitate an increased understanding. Based upon our regular interactions with our auditors as part of their audit, we believe a close relationship already exists between the auditor’s most complex and challenging areas of the audit and the critical accounting estimates currently disclosed by the Company. Moreover, these topics are part of an ongoing dialogue between the auditor, Company management, and the Audit Committee and often require background and discussion between the parties to achieve an appropriate and meaningful communication. Thus, we believe the fundamental responsibilities of the Audit Committee, management, and the auditors should not be changed. We believe that the direction of the “PCAOB Release” may have unintended consequences on the clarity of responsibilities, the ownership of the financial statements, and undermine the existing corporate governance and audit oversight, including the communications between the Audit Committee, management, and the auditors. We strongly believe it is the responsibility of the Company, not the auditors, to provide useful information about the company’s financial statements to financial statement users.

We also have doubts that the auditor’s communication of CAM’s would be based upon information known to the auditor and procedures that the auditor has already performed as part of current audit practices for a Company, resulting in incremental audit hours and significantly higher audit fees. For example, if the auditor determines that certain items should be excluded from CAM’s, the auditor may assume it needs to justify in the audit work papers why such items were not CAM’s. We expect that most auditors would error on the side of including more CAM’s rather than fewer CAMs in their reports, given the increased risks an auditor would assume as a result of proposed requirement to include CAM’s in their audit reports. In addition, we believe extensive information related to matters that may qualify as CAM’s already exists in current disclosures such as critical and significant accounting policies, significant estimates, business trends, and operational and financial risks.

We are also concerned that the time and level of incremental effort required to fulfil these proposed requirements on CAM’s could distract focus and attention from the primary deliverables of the audit and divert key time and resources from Audit Committees, Company management, and auditors, and result in incremental and time consuming discussions between Audit Committees, Company management, external legal advisors, and local and national office audit personnel. The level of effort required by the auditor to determine, prepare language for communication, and to document CAM’s would most likely occur during the final stages of an

audit, which may reduce the time available for the auditor to review and complete other key audit procedures. Thus, we do not believe the increased level of engagement required and resources consumed by this activity will significantly improve the quality of the audit.

We believe the roles and responsibilities of the Audit Committee, Company management, and the auditors should not be changed as a result of the proposed PCAOB Release. However, should the Board ultimately decide to retain the concept of CAM's in the Board's final standard, then we recommend development of a clearer definition with regards to CAM's, including, at a minimum:

- 1) CAM's identified should only include those requiring disclosure to the Audit Committee in accordance with existing audit standards
- 2) CAM's must be material to the consolidated financial statements of the Company
- 3) Prejudicial and/or highly sensitive information (such as loss contingencies or certain tax matters) should not be included in CAM's, except as previously disclosed by the Company in the consolidated financial statements
- 4) CAM's must not be included if specifically excluded from disclosure by existing other legislation
- 5) Outside of certain exceptions, (such as going-concern issues) auditors should not become the original source of information to investors and users of financial statements. The communication of CAM's by auditors should not diminish the current governance role of the Audit Committee over a company's disclosure of financial information.
- 6) Auditors should not be required to separately document why audit matters are not considered to be CAM's.

Lack of Defined Field Testing in the PCAOB Release

Given our concerns raised about significant incremental costs versus the assumed benefits of the proposed PCAOB Release, we are concerned that the current PCAOB Proposal lacks a defined comprehensive field test.

We believe the Board needs to work closely with public accounting firms to determine what incremental procedures auditors believe they would need to perform in order to meet the requirements of the PCAOB Release in order to ensure the resulting benefits exceed the incremental costs. While we understand that the underlying intent is to raise audit quality, we are concerned that some of the proposed changes may have the opposite effect, as we have discussed above. Field testing has proven in the past to be an activity that leading standard setters use to better understand whether or not the proposed changes are operational and for purposes of identifying potential unintended consequences the proposed changes may have on the effectiveness of current practices.

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Conclusion:

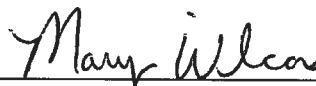
In summary, we have certain concerns with the proposed PCAOB Release. In addition, we respectfully ask the Board to carefully review and evaluate all comment letters received, and

specifically to consider and carefully review the issues and feedback identified in our comment letter.

Very truly yours,



Steve Howarth
Vice President Corporate Audit



Mary Wilcox
Vice President & Chief Accounting Officer