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

Re: PCAOB Rulemaking Docket Matter No. 034

Dear Board Members and Staff of the PCAOB:

On behalf of Tyco International Ltd. (“Tyco” or “Company”), I appreciate the opportunity to share its views on the Public Company Accounting Oversight Board’s (“PCAOB” or “Board”) 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 Release”). Tyco is a diversified publicly traded company and a leading provider of fire protection and security products and services around the world. Tyco had more than \$10 billion in revenue in Fiscal 2013, and employs more than 69,000 employees worldwide.

Tyco supports continued efforts by the PCAOB to increase the informational value, usefulness and relevance of the auditor’s report. Tyco believes the new elements in the auditor’s report related to auditor independence as well as the standardized language around auditor responsibility for fraud are aligned in achieving these goals. There are however concerns that certain proposed changes, specifically the requirement to include Critical Audit Matters (“CAMs”) and the expansion and disclosure of auditors responsibilities for other information in the annual report, are not effective in meeting the aforementioned objectives.

### **Critical Audit Matters**

The PCAOB defines CAMs as “those matters addressed during the audit that (1) involved the most difficult, subjective, or complex auditor judgments; (2) posed the most difficulty to the auditor in obtaining sufficient appropriate evidence; or (3) posed the most difficulty to the auditor in forming the opinion on the financial statements.” Tyco believes that many matters falling under the proposed criteria would already be disclosed under the Summary of Significant Accounting Policies and other footnotes that accompany the financial statements. Tyco does not support the proposed change to include CAMs, as adding redundant disclosures does not provide additional informational value or increase the usefulness of the auditor’s report. Repetitive information may confuse investors as they try to comprehend the nature and sheer volume of the disclosures.

Tyco believes that the inclusion of CAMs in the auditor's report could potentially result in the auditor disclosing information that otherwise may not be required to be disclosed by management, such as internal control issues resulting in significant deficiencies, potential illegal acts, immaterial uncorrected errors, and going concern considerations. Citing the example of immaterial uncorrected errors, errors deemed immaterial based on a quantitative and qualitative assessment, as set forth in SAB Topic 1 (M) *Materiality*, are not required to be disclosed but could be reported as CAMs. As the financial statements are the responsibility of management, it is not appropriate that the auditor becomes the original source of this information or discloses information that is not required by accounting standards or other regulatory or authoritative bodies.

Tyco believes that the inclusion of CAMs prominently in an audit report could be perceived by investors as qualifications to the audit opinion. Adding to that perception is a description of audit procedures related to CAMs without a conclusion as to the results of testing. While the proposed standard does not require the auditor to describe the audit procedures performed related to CAMs, all illustrations in the proposed standard include examples of CAMs with a description of testing performed. This may imply a preference by the PCAOB that auditors include a description of testing. Additional information regarding the conclusion of testing performed is not required, however, it may be perceived as a piecemeal opinion which does not meet the objective of the auditor's report as an opinion on the financial statements taken as a whole.

The proposed standard does not require CAMs be included in the auditor's report for financial information of the prior period. Tyco believes that this is contrary to the objective of comprehensive financial reporting which includes disclosures for the prior period financial information. Investors should not have to refer back to prior year audit reports when analyzing comparative reports.

Tyco concurs with the Board's decision to retain the current pass/fail reporting model as we believe it effectively and clearly conveys the opinion that the financial statements are fairly presented. We believe that auditors should retain the current option to include an emphasis paragraph in the opinion, where appropriate. However, Tyco does not believe that disclosing CAMs in the auditor's report provides investors with a better understanding of the information contained with the financial statements. We acknowledge that there may be opportunities to enhance the auditor's reporting model and in lieu of including CAMs in the auditor's report, Tyco recommends adding instead information related to the audit areas of focus. The audit areas of focus are currently communicated to the Audit Committee as part of the requirements under AS 16.

If the PCAOB adopts the requirement to include CAMs in the auditor's report, Tyco recommends comprehensive field testing prior to implementing the proposed standard. The PCAOB should ensure that the time and effort to vet the CAMs by management and the Audit Committee does not have an adverse impact at critical points in the audit. Additionally, Tyco recommends that any proposal to include CAMs in the auditor's report require that only material issues that are required disclosures by management be identified as CAMs in the audit report.

## **Auditor’s Responsibilities Regarding Other Information**

While Tyco supports the opportunity to add clarifying language around the auditors responsibilities related to other information in the annual report, Tyco does not support the proposed change to expand the auditor’s responsibilities related to other information contained in the annual report. Other information included in the financial statements is broader in scope than the traditional financial statements. The other information, such as Management’s Discussion and Analysis section focuses on the business and includes non-financial performance metrics and contains prospective information. Auditors do not regularly collect documentation to support non-financial performance metrics during an audit, and to do so would require additional audit procedures.

Additionally, the auditor is required “to read the other information and, based on relevant audit evidence obtained and conclusions reached during the audit, evaluate” whether information is materially consistent with the financial statements. In order to “evaluate” the other information, additional audit procedures at additional cost to the Company would need to be performed to meet the “evaluation” standard. If it is not the intent of the PCAOB that auditors perform additional procedures in order to provide a higher level of assurance, the change in terminology may lead the reader to assume just that.

Tyco recommends that the proposed change define the auditor’s role clearly with respect to the other information. We do not believe that an increase in the level of assurance is warranted and that the proposal be limited to adding clarifying language around the specifics of the auditor’s role including the definition of “read and consider” and the procedures employed to obtain that level of assurance.

## **Audit Tenure**

The proposal includes a requirement to disclose the year that the auditor began serving consecutively as the Company’s auditor in the auditor’s report. Tyco has concerns that the inclusion of the audit tenure could be perceived negatively, although there is no data that suggests a correlation between audit tenure and audit quality. As such, we believe any information regarding audit tenure should be relayed through the proxy statements where information regarding auditor reappointment is communicated.

Thank you for allowing us the opportunity to respond to this proposal.

Sincerely,



Sam Eldessouky  
Senior Vice President, Controller and Chief Accounting Officer  
Tyco International Ltd.