
From: J.D. Higginbotham [jd@tivo.com]
Sent: Monday, October 20, 2003 6:11 PM
To: Comments
Subject: Proposed Auditing Standards

Dear Sirs;

I am writing to express concern over the apparent confusion resulting from the following comments in the recent Proposed Auditing Standard (Oct 7, 2003):

"The proposed auditing standard ... would allow the auditor to incorporate into the audit ... some of the work performed by others, such as internal auditors or third parties ...The proposed auditing standard also would require that, overall, the auditor obtain directly the "principal evidence" about the effectiveness of internal control over financial reporting."

One might understand that this paragraph indicates that the PCAOB expects the auditor to conduct their own work to obtain the "principal evidence" for their opinion and that the only work performed by internal auditors and third parties that may be incorporated into the audit would be for other than "principal evidence."

What throws particular confusion into the mix is the preceding paragraph in the proposed standard:

"Thus, the more extensive and reliable management's assessment is, the less extensive and costly the auditor's work will need to be."

I was happy to believe that the PCAOB was actually considering the exorbitant costs now required in complying with all the new Sarbanes-Oxley regulations. I wanted to believe that if we, management, did our job of documenting and testing our internal controls well, that we could reduce the final costs we must bear with regards to the required attestation by external auditors.

However, I was dismayed after reading a recent Alert from our external auditors, KPMG, that completely omitted the reference to reduced costs (KPMG Defining Issues No. 03-22). They focused instead on "the proposed standard does say that, on an overall basis, KPMG's own work would have to provide the principal evidence for their opinion." I was taken by surprise upon reading this claim and went back to the Proposed Auditing Standard to see how they could interpret such a position.

After reviewing the paragraph quoted above, I now understand how there could be confusion as to the intent of the PCAOB. I believe it would be helpful to clarify this point and would suggest that the final wording would allow companies to fulfill the intent of Sarbanes-Oxley with the least expense possible. At the end of the day, while most investors want to know they can rely on the financial statements of public companies, they also want to invest in companies that are increasing the value of their investment rather than spending more to comply with regulations.

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