



Eli Lilly and Company
Lilly Corporate Center
Indianapolis, Indiana 46285
U.S.A.

www.lilly.com

January 9, 2012

Office of the Secretary
PCAOB
1666 K Street N.W.
Washington, D.C. 20006-2803

Re: PCAOB Rulemaking docket matter No. 29: Improving the Transparency of Audits:
Proposed Amendments to PCAOB Auditing Standards and Form 2

Dear Board Members:

Eli Lilly and Company (“Lilly”) appreciates the opportunity to comment to the Public Company Accounting Oversight Board (“PCAOB”) on the PCAOB Release No. 2011-007 on Improving the Transparency of Audits. Lilly is a large, multinational pharmaceutical company, with presence in over 50 country jurisdictions, and creates and delivers innovative medicines that enable people to live longer, healthier, and more active lives.

Lilly commends the PCAOB for working to provide more transparency within the existing audit report framework by providing investors with information regarding certain key participants in the audit process. We support the amendments that the PCAOB is proposing that would require (1) the audit report to disclose the name of the engagement partner responsible for the most recent period’s audit; (2) registered firms to disclose in their PCAOB annual report on Form 2 the name of the engagement partner for each audit report already required to be reported on the form; and (3) disclosure in the audit report about the other persons and independent public accounting firms that took part in the most recent period’s audit. However, we disagree with the 3% threshold that the PCAOB has proposed to use to determine the persons and/or accounting firms that would be required to be disclosed under the 3rd proposed amendment. In our response, we give a brief summary of our opinions in response to each of the PCAOB’s three proposed amendments.

Amendment 1: The Proposed Audit Report Disclosure

We are supportive of the PCAOB’s proposal which would require the audit report to disclose the name of the engagement partner responsible for the most recent period’s audit while retaining the signature of the firm issuing the report as the only signature within the audit report. While we do not feel that disclosure of the engagement partner’s name in the audit report would increase the engagement partner’s sense of accountability because we believe in most circumstances a partner’s professionalism, reputation and responsibility to financial statement users is a stronger driver than attaching their name to the audit report, we do not believe that this rule would have negative consequences. Therefore, we are supportive of the proposal if the PCAOB and financial statement users believe that the disclosure would significantly enhance transparency.

Additionally, we believe that the proposed approach reflects the appropriate balance between the engagement partner's role in the audit and the firm's responsibility for the audit.

Amendment 2: The Proposed Amendment to Form 2

We are supportive of the PCAOB's proposal to add a requirement under Item 4.1 of Form 2 to require firms to also disclose the name of the engagement partner. As noted above, we do not believe that adding the name of the engagement partner to the Form 2 disclosure is necessary to drive accountability of the engagement partners but do agree that it may enhance transparency with financial statement users. Also, we also do not oppose the requirement of the name of the engagement partner regardless of whether or not Amendment 1 is adopted for investor transparency purposes.

Amendment 3: Disclosure of Other Participants in the Audit and Referred-to Accounting Firms

We are also supportive of this proposed amendment which would require the auditor to disclose in an explanatory paragraph to the audit report: (1) Names of the other participants in the audit; (2) The location of other participants in the audit; and (3) The percentage of hours attributable to the audits or audit procedures performed by the other participants in the audit in relation to the total hours in the most recent period's audit (excluding Engagement Quality Review and Appendix K review). We believe that this disclosure could provide useful information to investors and other users of financial statements by providing greater transparency which would allow users the ability to evaluate the other participants in the audit.

While we are supportive of requiring disclosure of other participants in the audit, we are strongly opposed to the 3% threshold that the board has proposed as the threshold for disclosing other participants in the audit. The proposal that the PCAOB has outlined would require participants whose individual extent of participation is 3% or more of total hours to be disclosed individually along with their percentage of total hours in the audit. Those participants whose extent of participation is less than 3% of total hours in the audit would need to be disclosed either individually with their respective percentage of total hours or as a group titled "other participants" with the percentage of total hours attributable to the audit procedures performed by the group. We strongly suggest that the PCAOB raise the threshold for participants to be listed individually or in the aggregate to 10% as we believe this is a more appropriate level that better aligns with the potential risks and materiality levels and would provide more meaningful information to financial statement users. We believe that a 10% threshold is more consistent with risks within an engagement and thus could provide more meaningful data to a financial statement user when other auditors are involved, while a 3% threshold is so low that the information could potentially be confusing or not meaningful to the user.

We do not believe that aggregating participants that fall below the designated threshold is meaningful.

Conclusion

Again, Lilly supports the PCAOB's efforts to provide more transparency within the existing audit report framework by providing investors with information regarding certain key participants in the audit process. We feel that the three proposed amendments that the PCAOB has outlined could enhance transparency, and we are therefore supportive of the amendments. However, we are concerned that the 3% threshold that the PCAOB has proposed to use to determine which persons and/or accounting firms to disclose under Amendment 3 is too low and could lead to information being provided to financial statement users that is cumbersome to evaluate and not meaningful or significant to the audit. We again urge the PCAOB to carefully consider and evaluate raising the disclosure threshold to 10% which we believe is more appropriate level at which meaningful and useful information could be provided to financial statement users.

We appreciate the opportunity to express our views and concerns regarding the concept release. 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

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