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Office of the Secretary  
PCAOB  
1666 K Street, N.W.  
Washington DC 20006 – 2803

To Whom it May Concern:

PCAOB Rulemaking Docket Matter No. 030

I appreciate the opportunity to comment on the Board's proposal on communications with audit committees. My background is described at the end of this letter. My comments and suggestions follow:

Question 1

The objectives of the proposal are all desirable and I compliment the Board for undertaking this project.

Question 8-11

I believe management has the primary responsibility to communicate the information about accounting methods, etc. to the audit committee. I could argue that the failure by management to communicate and gain approval from the audit committee for such matters represented a material weakness in the company's system of internal control. For the purpose of this proposal however, my suggestion is that the auditor be required to provide the specified information only when he determines that it has not been provided by management.

I also believe it is unnecessary and inadvisable for the auditor to be required to advise the audit committee when he has consulted outside the engagement team. The auditor is already required to communicate judgmental and other important matters, and whether or not the matter was discussed with someone else is not necessarily important to the audit committee. My concerns are twofold. First, the requirement to disclose such consultations could act as a deterrent – as a sign of weakness – and therefore could discourage a necessary process. Of course if the engagement team thought it were important to advise the committee that others had been consulted, it would be free to do so. Second, the question of when a consultation occurred could become a matter of debate (and we don't need additional literature to define such an event). For example, what if a manager calls a friend in the national office to do a "sanity check" on his thinking on a matter? What if someone in a foreign office calls his local firm's national office on a foreign translation, or US GAAP question? As a member of an audit

committee I expect to be advised of difficult accounting and auditing issues and of their resolution. And I certainly reserve the right to inquire as to which people in the firm were consulted on the matter if I think this is important. But I do not need that kind of information volunteered for a whole host of issues and it might distract me from the more important matters.

#### Question 16

I believe all required communications by the auditor to the audit committee should be in writing. It is the best way to ensure that the messages intended to be transmitted are clearly received. Oral communications are too often misinterpreted, misunderstood or recalled incorrectly. The matters required to be communicated in this proposal are important enough to justify any additional effort to put them in writing.

#### Other comments

The phrase “an unnecessarily brief time within which to complete the audit” might be easier to apply if “inappropriately” replaced “unnecessarily.”

#### My background

I am a retired partner of Price Waterhouse. During my last thirteen years as a partner I served as head of the accounting consulting group in our National Office and then as Vice Chairman in charge of the firm’s Audit Practice. Prior to my National Office service I was an engagement partner in the firm’s Boston office.

My professional activities included service as chairman of the AICPA’s SEC Practice Executive Committee and as a member of FASB’s EITF, FASAC and other task forces.

When I retired from Price Waterhouse I became the Executive Director of the newly-formed Independence Standards Board and was the primary author of ISB 1, *Independence Discussions with Audit Committees*.

Since the closing of the ISB I have been a board member and chairman of the audit committee of an SEC registrant and have served as an expert witness and consultant on various accounting and auditor independence issues.

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Please contact me if my comments require clarification

Sincerely,

CC: Mr. Martin Baumann