December 9, 2013

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, N.W., 9TH Floor
Washington, DC 20006-2803

RE: PCAOB Rulemaking Docket Matter No. 34, "Proposed Auditing Standards - The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion (the "Proposed Auditor Reporting Standard"), and The Auditor's Responsibilities Regarding Other Information in Certain Documents Containing Audited Financial Statements and the Related Auditor's Report (the "Proposed Other Information Standard").

FILED ELECTRONICALLY
(comments@pcaobus.org)

Dear Board Members and Staff:

Thank you for the opportunity to comment on the Public Company Accounting Oversight Board's (the "Board") "Proposed Auditing Standards Release on The Proposed Auditor Reporting Standard, and on The Proposed Other Information Standard" Release No. 2013-005 (the "Proposed Auditing Standards Release"), which was issued August 13, 2013.

I have been involved with financial reporting for many years in my current role as the Chairman of the Audit Committee of UTi Worldwide, Inc. and in my previous roles as Chairman of the Audit Committees for Levi Strauss & Co. and Allied Waste Industries, Inc. Further, for 17 years, from 1989 to 2006, I served as Chief Financial Officer and a Director of Computer Sciences Corporation. However, this letter reflects my opinions as an individual and my comments should not be taken to represent the views of any of these organizations.

The independent auditor's opinion is one of the cornerstones of our capital market system. It provides investors with assurance that the information they are using in their investment decision making is reliable; therefore, it allows them to concentrate on business performance rather than on evaluating the reliability of the information.

I believe there are two new requirements in these proposed standards which will have a significant and undesirable impact on investors, other users, preparers and auditors of financial statements and therefore should be reconsidered. These two new requirements are the requirement to disclose Critical Audit Matters (CAMs) and the requirement to perform additional procedures in evaluating other information.

The Requirement to Disclose "Critical Audit Matters" and Related Drawbacks

The requirement to disclose CAMs will have a significant negative impact because it will raise questions in the minds of investors and analysts regarding the quality of the accounting information provided by the reporting entity; it will raise questions regarding whether the auditor should have formed a different opinion on the financial statements; and, it will increase the effort and hours required by preparers and auditors and therefore the cost of audits to filers.

Causing investors and analysts to question whether the auditor should have reached a different conclusion is enormously undesirable. Attaching a list of CAMs to the unqualified opinion actually materially discounts the opinion. It is really no longer unqualified. This aspect of the proposal chips away at one of the cornerstones of the capital market system. Investors would be handed the added task of evaluating the reliability of the financial information. This effectively requires investors to become audit and accounting experts and defeats the purpose of having qualified accounting experts audit the financial statements.

While the term Critical Audit Matter is new, it is really just a way to classify an accounting issue. The existing standards already require that if an accounting issue results in a material deviation from Generally Accepted Accounting Principles this deviation must be disclosed in a qualified opinion. This current requirement meets the needs of investors and analysts in a straight forward and cost efficient manner.

The proposal indicates that investors and other financial statements users reference the existing auditor's report "solely" to determine whether the opinion is unqualified and the proposal implies that this simplicity is undesirable. Quite the contrary, this simplicity is highly desirable and, in fact, is the essence of the value provided by all the work that is performed in a financial statement audit.

The requirement to disclose CAMs will increase the effort and hours required by the auditor. The process of identification and disclosure of CAMs will require more time spent by audit teams, managers and partners of audit firms to determine that what makes it to the list of CAMs is adequate. This will increase the effort and hours required by the auditor which will then translate to yet an additional cost burden on SEC registrants.

In addition, the process of identification and disclosure of CAMs would be highly subjective. Two different auditors might reach different conclusions on whether or not a matter warrants disclosure as a CAM or not.

Also, taken out of the context of the auditor's work papers, the magnitude and effect of CAMs could easily be misinterpreted by users of the financial statements. Rather than providing additional helpful information, these disclosures will leave investors with many more unanswered questions.

The Requirement to Perform Additional Procedures in Evaluating Other Information and Related Drawbacks

The requirement to perform additional procedures in evaluating other information will have a significant impact because it will increase the effort and hours required by preparers and the auditor and; thereby, increase the cost of the audit to filers. The requirement to disclose the auditor's responsibility for evaluating other information will likely lead many investors to believe that the auditor has performed an audit of this information and that it is providing audit level assurance on this information.

Finance professionals who are familiar with the audit process recognize there will be significant costs associated with evaluating the details included in selected financial data disclosures, management's discussion and analysis and proxy statements. This effort will be considerable. The added hours will be significant and the additional costs to filers will be material. This will represent a further significant increase in the cost to be a public company filing on a US exchange.

Despite this significant level of added cost, this effort will not provide an opinion on the other information. However, by requiring the inclusion of reporting on the auditor's responsibility for other information as a component of the audit opinion, readers of the opinion will be confused about the level of responsibility the auditor is assuming. Many readers will assume that the auditor's assurance opinion extends to the other information.

Drivers for the Proposal

The proposal indicates on page three that "During the Board's outreach activities over the last three years, many investors have expressed dissatisfaction that the content of the existing auditor's report provides little, if any, information specific to the audit of the company's financial statements to investors or other financial statement users." The problem with this justification for the proposed changes is that it ignores the incredible volume of information that is specific to the company's financial statements which is already required to be disclosed in the notes to the financial statements, the 10-Q, 10-K and other filings.

The proposal further indicates on page four that "the auditor reporting model developed in the 1940s did not address the increasing complexity of global business operations that are compelling a growing use of judgments and estimates… contributing to greater complexity in financial reporting.. This complexity supports improving the content of the auditor's report beyond the current pass/fail model…" It is certainly a valid observation that there has been an increase in complexity in financial reporting. However, increasing the complexity in the auditor's report (which has changed over this period) hardly seems like a solution, on the contrary, this change would create additional complexities for analysts and investors which don't currently exist.

The fundamental flaw in the proposed requirements to disclose CAMs and perform additional procedures on other information is that the current approach in both areas is appropriate and cost effective. These proposals seek to fix things which simply are not broken. The additional costs and other drawbacks to these proposed changes are not justified by the minor perceived benefit to be gained by analysts who have indicated that the auditor could provide more information.

Additional Concern

There is one additional concern I would like to express regarding the nature of this proposal. It is the responsibility of the SEC to determine what disclosures companies should make regarding their financial information and accounting practices. The PCAOB was established to oversee the performance of financial statement auditors, not to direct the disclosure of additional information regarding filer's accounting practices. This division of responsibilities between the SEC and the PCAOB is appropriate and serves the investment community well. I think it is unnecessary, and potentially quite counterproductive, to add directing additional disclosures regarding company's accounting practices to the responsibilities of the PCAOB. Further, I suspect directing additional accounting practice disclosures exceeds the PCAOB's statutory authority.

Summary

In summary, I believe the existing layout and language of auditors' report meets the needs of investors and other users of the financial statements in an efficient and effective manner. In addition, there are significant drawbacks and costs associated with the proposed requirements to disclose CAMs and to perform additional evaluation procedures on other information.

Thank you for the opportunity to comment on this Proposed Auditing Standards Release. I appreciate your consideration of my comments.

Sincerely,

Leon J. Level

Cc: Mr. James R. Doty, Chairman
Mr. Lewis H Ferguson, Board Member of the PCAOB
Ms. Jeanette M. Franzel, Board Member of the PCAOB
Mr. Jay D. Hanson, Board Member of the PCAOB
Mr. Steven B. Harris, Board Member of the PCAOB
Mr. Jeb Hensarling, Chairman of the House of Representatives' Committee on Financial Services
Mr. Tim Johnson, Chairman of the United States Senate Committee on Banking, Housing, and Urban Affairs
Ms. Mary Jo White, Chairman of the Securities and Exchange Commission