



Entergy Corporation
639 Loyola Avenue
P.O. Box 61000
New Orleans, LA 70161

Patrick J. Condon
Audit Committee Chairman

August 15, 2016

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

File Reference: PCAOB Rulemaking Docket Matter No. 034

Dear Members of the Board:

I appreciate the opportunity to comment on the PCAOB's reposed audit standards included in Release No. 2016-003, *The Auditor's Report on an Audit of the Financial Statements When the Auditor Expresses an Unqualified Opinion* (the "reposed auditor reporting standard"). I have served on the Board of Directors of Entergy Corporation since 2015 and currently chair its Audit Committee. I have also served on the audit and other committees of the boards of other public companies. Previously, I was an audit partner with Arthur Andersen LLP and Deloitte & Touche LLP.

My comments are limited to the reproposal as it relates to independent auditor reporting of critical audit matters (hereinafter, "CAMs") and the inclusion of the auditor's tenure within the auditor's report. These comments are solely mine and should not be ascribed to any other entity.

As has been described in the reproposal, I understand that

- the reposed standard is intended to respond to investor requests for additional information about the financial statement audit by increasing the relevance and usefulness of the auditor's report, without imposing requirements beyond the auditor's expertise or mandate; and
- the Board has taken into consideration the comments and additional feedback received from the original 2013 proposal and modified the definition of what would be included as a CAM, including limiting the sources of potential CAMs and adding a materiality component.

I consider the independent audit process to be critical to assuring that companies present information that is accurate, compliant and meaningful to users of their financial statements. I am supportive of endeavors by the PCAOB to advance the goals of audit firms providing high quality audits and companies producing relevant and reliable financial statements. However, since I strongly believe that the primary source of a company's financial information should be the company itself, I find that the current reproposal (still) results in the imposition of requirements beyond the independent auditor's mandate as the independent auditor's report

becomes a primary source of a company's financial information. A company's areas of high risk should be clear to investors from the disclosures included in its financial statements pursuant to FASB and SEC requirements. If the related standards are not deemed adequate in that (or any other) regard, the perceived inadequacies should be addressed through disclosure framework projects being undertaken by those regulatory bodies.

The SEC has enacted regulations, including designation of the FASB as the organization responsible for promulgating US GAAP, defining *what* financial information needs to be disclosed. These rules designate management as the responsible party to determine *how* to communicate this information to most accurately reflect a company's financial results and position. The role of the independent auditor is to express an opinion indicating that reasonable assurance has been obtained that the financial statements prepared by management are free from material misstatement, whether due to fraud or error, and that they are fairly presented in compliance with the applicable SEC and FASB requirements in all material respects. The audit committee of a company's board of directors is charged with oversight of both management's financial reporting and the independent external audit process. If management, the external auditors, and the audit committee fulfill their respective responsibilities, I believe the additional communications and requirements outlined in the PCAOB's repropose auditor reporting standard are unnecessary. Furthermore, I believe the additional communications and requirements are likely to result in disclosure overload, confusion regarding the roles of the various parties in the process and perhaps even less perceived quality of company-prepared financial statements.

Additionally, all disclosures included in the financial statements are presumably included because they are material to the financial statements. I also believe the disclosure of CAMs has the potential to undermine the relevance of those areas that are not referred to in the auditor's report. Financial statement users should not look to the auditor's report to determine their areas of focus while making investment decisions. Given the volume of disclosures currently required by US GAAP and SEC rules for complex matters and/or areas that contain estimates and management judgment, it should be clear to a financial statement user which areas contain more inherent risk. If those rules are inadequate to serve investor needs, any such inadequacies should be addressed by the FASB and/or SEC.

In addition to CAMs, the reproposal includes other changes to the existing auditor's report including the addition of the independent auditor's tenure to the auditor's report. The reproposal states that the intent of disclosing auditor tenure is to require consistent reporting of the duration of the auditor's relationship with the company and have this information in a consistent location. The inclusion of the independent auditor's tenure is a fact based statement subject to verification and is not my primary concern. However, I am concerned that the basis behind the recommendation for the change in the auditor's report is an inference that long tenure equates to less objectivity in the audit process. I believe that an independent audit with a high level of objectivity and professional skepticism is a critical part of each company's overall risk management and governance structure around compliance with GAAP and reporting requirements, and I believe that experience with entities, particularly those which are complex and heavily regulated, such as Entergy, enhances the ability of the independent auditor to have a deeper understanding of risk and actually enhances the audit process and the ability to place sufficient focus on areas that require additional investigation.

I appreciate the Board's efforts to understand and incorporate investor and user feedback related to disclosure into consideration of how to improve the audit process and appreciate the

opportunity to comment on the reproposal. I believe that issues associated with sufficiency of disclosure are more appropriately addressed by the current SEC and FASB disclosure projects rather than through an unprecedented expansion of the independent auditor's role and responsibilities.

I thank the Board for its effort on this important matter and for your consideration of this letter.

Sincerely,

/s/ Patrick J. Condon

Patrick J. Condon
Chair of the Audit Committee
Entergy Corporation