LIBERTYGLOBAL

September 30, 2011

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

Re: PCAOB Rulemaking Docket Matter No. 34
Concept Release on Possible Revisions to PCAOB Standards Related to Reports on Audited Financial Statements

Liberty Global, Inc. ("LGI") appreciates the opportunity to share our views on the *Concept Release on Possible Revisions to PCAOB Standards Related to Reports on Audited Financial Statements* (the "Concept Release") issued by the Public Company Accounting Oversight Board ("PCAOB").

LGI is a leading international provider of video, voice and broadband internet services. These services are provided through our consolidated operating subsidiaries in 14 countries, primarily in Europe, Chile and Australia. Therefore, our views on the proposals presented in this Concept Release are from the perspective of a multi-national public company (a financial statement preparer) with complex accounting and reporting processes.

Overall, we don't believe that a fundamental change is required to the form or content of the audit report, and don't believe in a required expansion of auditor's assurance responsibilities to information outside of the financial statements. In this regard, our accounting, finance and investor relations groups have seen no evidence from the users of our financial statements that they desire such changes. In addition, we believe our financial statement users have a good understanding of the level of assurance provided by the current form of the audit report and the procedures performed by auditors in support of their audit reports.

Content and Form of the Audit Report

1. ***Many have suggested that the auditor's report, and in some cases, the auditor's role, should be expanded so that it is more relevant and useful to investors and other users of financial statements.***
   a. ***Should the Board undertake a standard-setting initiative to consider improvements to the auditor's reporting model? Why or why not?***
   b. ***In what ways, if any, could the standard auditor's report or other auditor reporting be improved to provide more relevant and useful information to investors and other users of financial statements?***
   c. ***Should the Board consider expanding the auditor's role to provide assurance on matters in addition to the financial statements? If so, in what other areas of financial reporting should auditors provide assurance? If not, why not?***

We believe the roles of management of public companies, audit committees and auditors are currently correctly delineated. Management is responsible for providing accurate financial statements (including the notes thereto), selecting accounting policies that conform with Generally Accepted Accounting Principles ("GAAP"), and providing relevant and useful information to make sure investors make informed decisions. Audit committees of public companies serve an oversight role over management's function on behalf of shareholders along with the responsibility to engage and oversee the external auditor. The auditor's role is to provide reasonable assurance that financial statements have been presented fairly in accordance with generally accepted accounting principles. We believe the current form of the auditor report provides adequate information regarding the auditor's role and should be retained.

If added information is deemed necessary related to risks, judgments and estimates contained within the financial statements, it should be management's responsibility to provide such information. If auditors substantively disagree with management's treatment of any such risks, judgments or estimates, they already have the responsibility under current auditing standards to require changes to materially incorrect or misleading disclosures within the financial statements, and to disclosures outside of the financial statements that appear in the same documents as their audit reports.[1] If the auditor ultimately is not satisfied with such disclosures, the auditor is required to adjust or withhold their audit report as necessary. In the case of earnings releases, presentations and other company communications that do not fall under existing audit standards for auditors, we believe that the vast majority of companies are very diligent in verifying all information that is included in these communications and that there would not be sufficient added benefit that would outweigh the additional costs that companies would incur if auditors were to opine on all or any part of these company communications.

2. ***The standard auditor's report on the financial statements contains an opinion about whether the financial statements present fairly, in all material respects, the financial condition, results of operations, and cash flows in conformity with the applicable financial reporting framework. This type of approach to the opinion is sometimes referred to as a "pass/fail model."***
    a. ***Should the auditor's report retain the pass/fail model? If so, why?***
    b. ***If not, why not, and what changes are needed?***
    c. ***If the pass/fail model were retained, are there changes to the report or supplemental reporting that would be beneficial? If so, describe such changes or supplemental reporting.***

A pass/fail model provides the most objective and informative information to users of the financial statements in our opinion. If an audit "passes," a user is effectively notified that they can reasonably rely on the information presented in the financial statements. We strongly believe that the positive confirmation of a pass/fail model leads to the most efficient markets and appropriate allocations of capital. Burdening companies and their auditors with ever-increasing regulations and standards would have the opposite effect.

The potential solutions in the Concept Release for moving from a pass/fail model focus on allowing the auditor to supplement the audit report with their own discussions regarding the outcome of their audit. A model where an audit report is issued, but the auditor provides supplemental information regarding the audit, would likely be confusing to users of the financial statements. For example, if an auditor added commentary on a "significant matter" such as an accounting policy chosen by management, the commentary could be construed by users in multiples ways, including:

- The auditor did not really like the accounting policy choice made by management in the financial statements, but decided to issue an opinion anyway.
- There were other potentially preferable alternatives for the given accounting policy.

We believe the users of financial statements could easily misconstrue the purpose of the supplementary language, and in any event, any such supplemental information would likely not represent decision useful information for financial statement users, other than generally casting doubt, perhaps unwarranted, regarding the quality of companies' financial statements.

The current auditor reporting model is much more straightforward, because if an auditor has a substantive issue with a matter such as a managements' use of a particular accounting policy decision, the auditor either will not issue an opinion, or will issue a qualified opinion. If audit issues are driven by lack of clarity in accounting and reporting standards, the focus should be on correcting those standards.

[1] As set forth in AU Section 550

As noted in our prior response, we think the current form of the "pass/fail" report is appropriate and should be retained.

3. Some preparers and audit committee members have indicated that additional information about the company's financial statements should be provided by them, not the auditor. Who is most appropriate (e.g., management, the audit committee, or the auditor) to provide additional information regarding the company's financial statements to financial statement users? Provide an explanation as to why.

As per our comments above, regarding the respective roles of prepapers, audit committee members and auditors, we strongly agree that any disclosure obligations should continue to reside with the preparers with oversight from the audit committee. In this regard, we believe that the expansion of the auditors' role to include the preparation of disclosures or analyses independent of management would create unnecessary conflicts between a company and its auditors and would not produce more reliable information for financial statement users. By definition, auditors are not involved in a company's day to day operations, and accordingly, are not in the best position to provide this type of information. We believe that, if auditors were to assume responsibility for these disclosure obligations, auditors would be at least partially assuming the role of management, which in our view would clearly conflict with the auditors' fundamental role and purpose. Further, additional information provided by the auditor that is in conflict with management's disclosures would simply add competing information. We do not understand how this competing information would serve investor's needs, and instead we believe would be incredibly confusing to investors as compared to the current financial reporting model. Overall, we strongly believe that all disclosure obligations should remain management's responsibility.

4. Some changes to the standard auditor's report could result in the need for amendments to the report on internal control over financial reporting, as required by Auditing Standard No. 5. If amendments were made to the auditor's report on internal control over financial reporting, what should they be, and why are they necessary?

As per our previous comments, our view is that the auditor reporting model as currently formulated is appropriate. We have no specific views on potential changes to the auditor's report on internal control over financial reporting until we first have more specific guidance on the nature of any proposed changes to the overall auditor reporting model.

Auditor's Discussion and Analysis ("ADA")

5. Should the Board consider an AD&A as an alternative for providing additional information in the auditor's report?
   - ***a. If you support an AD&A as an alternative, provide an explanation as to why.***
   - ***b. Do you think an AD&A should comment on the audit, the company's financial statements or both? Provide an explanation as to why. Should the AD&A comment about any other information?***
   - ***c. Which types of information in an AD&A would be most relevant and useful in making investment decisions? How would such information be used?***
   - ***d. If you do not support an AD&A as an alternative, explain why.***
   - ***e. Are there alternatives other than an AD&A where the auditor could comment on the audit, the company's financial statements, or both?***

Consistent with our previous comments, we do not believe an AD&A should be added to the auditor's report. The AD&A would create a fundamental shift in the auditor/client relationship, with the auditor assuming certain disclosure obligations with respect to the audit and certain accounting and reporting decisions made by management. The types of matters up for discussion are better resolved through interaction between the auditor, management and the audit committee in their currently delineated roles. Public disclosures of such interactions would not be useful or beneficial because:

- The financial statements and disclosures are the responsibility of management, and presenting such information to the public should remain management's responsibility, with audit committee oversight.
- For a complex multinational company such as ours, we would expect that an AD&A could be a very long document, which would serve as more of a distraction to the financial statements than useful disclosure.
- Due to the significant level of judgment inherent in many complex accounting and auditing issues, there is not always a consistent view among audit firms or even partners within an audit firm on these matters, or even consistency between audit firms and partners on what would constitute a significant audit matter. As such, this public disclosure would likely provide very little decision usefulness since the disclosures would likely vary greatly from company to company.
- Time spent on generating such a report, along with the discussions with senior management and the audit committee, would require significant time and effort of the audit partner and senior company accountants. The result would likely lead to a significantly more expensive audit and would shift the audit partner away from more important issues relating to the conduct of an efficient and effective audit. In addition, we would envision significantly more expense related to national office inquiries as audit teams work to ensure that each and every AD&A is consistent across an audit firm.
- Finally, we are concerned that any added reporting obligations would extend the time required to file quarterly and annual reports with the U.S. Securities and Exchange Commission.

We have not specifically commented on questions 6 through 12 in the Concept Release as our full views on the AD&A are expressed above.

Required and Expanded Use of Emphasis Paragraphs

13. Would the types of matters described in the illustrative emphasis paragraphs be relevant and useful in making investment decisions? If so, how would they be used?

14. Should the Board consider a requirement to include areas of emphasis in each audit report, together with related key audit procedures?

   a. If you support required and expanded emphasis paragraphs as an alternative, provide an explanation as to why.

   b. If you do not support required and expanded emphasis paragraphs as an alternative, provide an explanation as to why.

15. What specific information should required and expanded emphasis paragraphs include regarding the audit or the company's financial statements? What other matters should be required to be included in emphasis paragraphs?

16. What is the appropriate content and level of detail regarding the matters presented in required emphasis paragraphs?

17. How can boilerplate language be avoided in required emphasis paragraphs while providing consistency among such audit reports?

18. What are the potential benefits and shortcomings of implementing required and expanded emphasis paragraphs?

It is difficult for us to envision the exact nature and content of "required" auditor emphasis paragraphs. The Concept Release suggests the audit report could include emphasis paragraphs on significant management judgments and estimates, areas with significant measurement uncertainty, and other areas "that the auditor determines are important for a better understanding of the financial statement presentation". The Concept Release also states that the auditor may reference where such matters are disclosed in the financial statements and describe the audit procedures they employed.

Most of our concerns would be the same as our concerns with the AD&A, as we are not sure how added emphasis paragraphs would practically benefit users of the financial statements. We have the following specific concerns on requiring added auditor emphasis paragraphs:

- An audit report is not the proper place for a financial statement user to find information related to the location and content of significant judgments and estimates, and other areas with measurement uncertainty, or to obtain a better understanding of financial statement presentation. A user of the financial statements should be expected to read and understand the disclosures provided by management, and it should be management's responsibility to provide comprehensive and understandable financial statements. If there are specific concerns regarding the form or usefulness of financial statements, those issues should be addressed through corrections in accounting and reporting rules and regulations.
- A "requirement" for emphasis paragraphs will likely lead to the development of boilerplate language, and we believe it would be difficult if not impossible in practice to make sure boilerplate language is avoided ***while*** still maintaining consistency among audit reports. We would need to better understand how this might work, but our general assumption is that the auditors would only include emphasis paragraphs in audit reports in situations where PCAOB rules required auditors to do so, and that those PCAOB rules would include guidance on what the emphasis paragraphs should look like. Even if the PCAOB were able to achieve the goal of avoiding boilerplate language while maintaining consistency, the appearance of consistency in audit reports would not necessarily mean that the reports would in fact be consistent in terms of the scope and magnitude of the issue that is the subject of the emphasis paragraph. For example, if an emphasis paragraph were required to be added to address the impacts of acquisitions, the paragraph related to an acquisition that increased the size of the company by 10% would likely look the same as a paragraph related to an acquisition that doubled the size of another company.
- As the PCAOB recognizes, additional audit standards would likely be required to address the inclusion of required emphasis paragraphs in audit reports, which would add to the time and expense of audits, without providing information that would appear, in our view, to change the judgment of a reasonable investor.
- Finally, we are unclear what value would be derived by users if the PCAOB were to require emphasis paragraphs, mainly because we think sophisticated users already know their way around a set of financial statements without a roadmap, and unsophisticated users would not have the background to put emphasis paragraphs into proper perspective.

Overall, we believe the current model of the audit report is appropriate, where auditors are permitted to add emphasis paragraphs when they believe it is warranted in the circumstances.

Auditor Assurance on Other Information Outside of the Financial Statements

Questions 19 and 20 of the Concept Release discuss the expansion of auditor assurance to other information outside of the financial statements. Expanding auditor assurance to information outside of the financial statements, such as MD&A and press releases, would be a significant undertaking, and we believe should be addressed separately from the Concept Release, which specifically relates to possible revisions to reports on audited "financial statements". However, our general view is that such a large expansion of required auditor assurance would be cost prohibitive based on the need to establish new auditing standards, the need for the SEC to likely develop new management reporting requirements, and the added audit hours and fees that would result from these incremental attestation services. Also, as the PCAOB notes, companies currently have the ability to engage auditors to provide attestation services on information outside of the financial statements, including MD&A, through the Attestation Standards provided by the PCAOB. As far as we are aware, there is not widespread engagement of auditors to perform attestations outside of the financial statements, which would suggest there is not a large demand for these services either from preparers or users of the financial statements. A requirement for an auditor to attest to information outside of the financial statements would seem to be inconsistent with the lack of demand for these services from users of the financial statements. We believe this lack of demand is due, at least in part, to the fact that most stakeholders perceive that companies take great care to ensure that all communications with their stakeholders are accurate and complete.

While we don't agree with the idea of expanding the auditor's assurance responsibilities, we would not be opposed to expanding the current audit report to explain auditors pre-existing responsibilities related to information outside of the financial statements as contained in AU Section 550.

Clarification of the Standard Auditor's Report

Questions 21 and 22 of the Concept Release discuss certain revisions to the standard auditor's report in order to clarify certain matters. While we don't believe the clarifications are necessary, we don't have any specific objections to the proposed clarifications.

Questions Related to All Alternatives

Questions 23 through 30 of the Concept Release discuss which alternative or combination of alternatives would be best, whether there are any other alternatives, and other questions regarding the alternatives provided. We have not specifically addressed these questions because our views are fully expressed in our responses to the other questions, and our overall view is that there should be no change to the current form of the audit report or the current scope of auditor's responsibilities.

Other Considerations Related to Changing the Auditor's Report

Questions 30 and 31 of the Concept Release address various concerns and considerations related to changing the auditor's report and the potential effects of such changes. Concerns over increased costs, effects on relationships with auditors, effects on audit committee governance and liability considerations from changing the auditor's report are expressed in the Concept Release. While we have not had time to study any of these matters in-depth, we believe these considerations are all of great importance and must be thoroughly addressed before any major changes are made. Our preliminary views are as follows:

- Increased costs – costs will certainly increase if any of the major proposals in the Concept Release are made. The types of proposed changes would require substantive attention from the most senior audit engagement team members, primarily lead engagement partners and review partners. We would also expect that national office consultations would be much more prevalent in dealing with the specific form and content of any required supplementary reports, such as the proposed AD&A. Given the nature of personnel involved and the high billing rates for these personnel, we expect there would be pressure to significantly increase audit fees. In addition, we would expect companies to incur additional legal and accounting costs associated with the review of any additional auditor reporting.
- Effect on relationships with auditors – based on the current model, auditor communications with the audit committee are unconstrained by issues such as whether the content of the communications could end up in a public document. If such communications were required to be made public in some manner or form, the honest and frank discussions that occur now may become more constrained, or may become increasingly boilerplate as the auditor strives to avoid any inconsistency between clients.
- Effect on audit committee governance – oversight over key decisions made by management with regards to financial accounting and reporting is the responsibility of the audit committee. The proposals in the Concept Release would seem to have the practical impact of shifting some of that responsibility to the auditor, which in our view is inappropriate. If the PCAOB has concerns with respect to whether auditor communications with audit committees are ineffective and don't always

result in meaningful and proper disclosures in the financial statements, those concerns should be addressed separately and should have no bearing on the form and content of the auditor report.

- Legal/confidentiality issues – Certain of the proposed alternatives raise the risk of disclosure of confidential company-specific information and communications. In addition to the chilling effect on communications between the auditor and the company's management and audit committee, such disclosures would also violate long-standing legal and ethical obligations of auditors. When exceptions to these obligations have been imposed through legislation or regulation in the past, they have been narrowly tailored to address specific concerns (e.g. Section 10A(b)(1) of the Securities Exchange Act of 1934), rather than being left more broadly to the auditor's discretion as the Concept Release implies. Certain of the alternatives in the Concept Release may also increase the company's liability exposure. Public disclosure of conflicting views of management and the company's auditor, such as of "close calls" as contemplated by the release, may lead to investor confusion and resulting declines in the company's stock price based on erroneous impressions regarding the quality of the company's financial statements. Stock price declines of this nature may be expected to lead to meritless lawsuits which, in turn, may be expected to cite the disclosed conflicts as evidence of management or board failures resulting in a "fishing expedition" regarding the confidential discussions between and among the auditor, management and the audit committee.

In summary, we do not believe any significant elements of the PCAOB's proposals are warranted from a cost benefit perspective, and accordingly, we do not believe these proposals should be adopted.

We have discussed the contents of this letter with the chairman of our Audit Committee, who is in agreement with the views expressed herein. We appreciate the opportunity to comment on this Concept Release. We would welcome the opportunity to discuss these matters with you. I can be reached at 303 220 6603, or you can reach Leo Stegman at 303 220 6690.

Sincerely,

Bernard G. Dvorak
Senior Vice President & Co-Chief Financial Officer

cc Paul Gould (Director and Audit Committee Chairman, Liberty Global)
Elizabeth Markowski (Senior Vice President, Secretary & General Counsel, Liberty Global)
Leo Stegman (Vice President of Accounting and Reporting & Deputy Controller, Liberty Global)
Jason Waldron (Partner, KPMG)