February 26, 2007

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

Dear Sir or Madam:

Re: PCAOB Rulemaking Docket Matter No. 021

We appreciate the PCAOB's efforts to provide clarification on the auditor's role in auditing internal control over financial reporting.

Xilinx Inc., based in San Jose, California, is a high tech company that engages in the design, development and marketing of programmable logic solutions. The company has significant operations in Europe and Asia and annual revenue of approximately $1.9B.

We are generally pleased with the benefits derived from the SOX compliance process. Nonetheless, we appreciate the opportunity to provide some observations from our experiences.

Using the work of others

In our view, one of the most important revisions made by the PCAOB, and also one of the biggest potential cost-savers, is in the auditor's use of the work of others. This includes the use of company management's own internal control evaluation, as well as past audits. Duplicating control evaluations of low-risk areas increases audit costs unnecessarily. Allowing auditors to evaluate and utilize past work would definitely allow them to focus resources on high-risk areas and help reduce costs.

However, the PCAOB should be wary of creating an additional new standard that would explicitly guide auditors on how to consider and use the work of others such as internal auditors or internal SOX compliance groups. AS2 disallows auditors use of others' work, but that language is missing from the proposed AS5 standard. As of today, our external auditors' fees still represent half of our SOX compliance direct costs. We believe that some of these costs could be reduced by allowing the external auditors to rely on management risk assessment and internal audit testing to a greater extent, especially in "low-risk" and "medium-risk" areas (after the completion of initial audits of internal controls).

2100 Logic Drive, San Jose, CA 95124-3450
Telephone: 408 · 559·778 • Fax: 408· 559·7114 • Web:www.xilinx.com

Auditors should also be allowed to rely on management walkthroughs when completed by competent and objective personnel. Requiring external auditors to perform a walkthrough and testing only for significant processes would reduce the number of walkthroughs and scope of testing performed without impairing audit quality.

Report

The draft proposals call for elimination of the audit opinion on management's assessment process and retention of the auditor's subjective opinion on internal controls effectiveness. Removing the requirement of an evaluation of management's process would not eliminate unnecessary audit work and will make reliance on management more difficult or risky for external auditors. We believe that an auditor cannot perform an effective audit of internal control without performing an evaluation of the quality of management process.

Also, investors want assurance that the attestations of the CEO and CFO are actually justified. Presently, the external auditors' attestation on management's assessment is the only means to ensure investor confidence.

The dual requirements of a "clean" audit report on the financial statements and a "clean" attestation on management's assessment of internal control allow external auditors to perform an adequate assessment of internal control. Having to prepare another new "Report on Internal Control" seems somewhat redundant and creates unnecessary duplicative work by the external auditors.

Timing

It appears that the new standard may not be finalized in time for our next fiscal year (ending March 31, 2008). The public comment period ends at the end of February 2007. The PCAOB will likely need several months to go through the public comments before proposing a revised standard to the SEC proposed rule.

To ensure that companies benefit from revised guidance from the SEC and PCAOB, both regulatory bodies should issue their guidance simultaneously, and as soon as possible, if companies are expected to follow the new guidance in Year 4 of SOX.

Also, the SEC and PCAOB may want to consider merging their final guidance, to avoid unintended confusion and complexity. We noted that the SEC proposed rule is more high level, as compared to the PCAOB guidance, in a number of key areas. These include control environment evaluation, the identification of significant accounts, and indicators of material weakness. The PCAOB standard comes across as being more granular, prescriptive and control-focused. We believe the AS5 focus should be solely on audit considerations, with the SEC guidance being more detailed and comprehensive. Alternately, the two sets of guidance should be integrated to avoid confusion for companies and their external auditors.

Again, we appreciate the opportunity to comment on the exposure draft and would be happy to provide any additional clarification.

Yours truly,

L. Tracol.

Laurence Tracol
Senior Manager of Worldwide Compliance
Xilinx, Inc.