

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-55912; File No. PCAOB-2007-02)

June 15, 2007

Public Company Accounting Oversight Board; Notice of Additional Solicitation of Comments on the Filing of Proposed Rule on Auditing Standard No. 5, An Audit of Internal Control Over Financial Reporting That is Integrated with an Audit of Financial Statements, and Related Independence Rule and Conforming Amendments

On June 12, 2007, the Commission published notice, pursuant to Section 107(b) of the Sarbanes-Oxley Act of 2002 (the "Act"), that on May 25, 2007, the Public Company Accounting Oversight Board (the "Board" or the "PCAOB") filed with the Securities and Exchange Commission (the "Commission" or "SEC") the proposed rules relating to Auditing Standard No. 5 ("AS5"), An Audit of Internal Control Over Financial Reporting That is Integrated with an Audit of Financial Statements; a Related Independence Rule; and conforming amendments to the PCAOB's auditing standards.¹ The Commission published notice of these proposed rules to solicit comments on the proposed rules from interested persons. As stated in that notice, interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rules are consistent with the Act. The Commission is publishing this additional solicitation of comment to request specific comment on the following:

- (1) Is the standard of materiality appropriately defined throughout AS5 to provide sufficient guidance to auditors? For example, is materiality appropriately

¹ See Exchange Act Release No. 34-55876 (June 7, 2007), 72 FR 32340 (June 12, 2007).

incorporated into the guidance regarding the matters to be considered in planning an audit and the identification of significant accounts?

- (2) Please comment on the requirement in Paragraph 80 that the auditor consider whether there are any deficiencies or combinations of deficiencies that are significant deficiencies and, if so, communicate those to the audit committee. Specifically, will the communication requirement regarding significant deficiencies divert auditors' attention away from material weaknesses?
- (3) Is AS5 sufficiently clear that for purposes of evaluating identified deficiencies, multiple control deficiencies should only be looked at in combination if they are related to one another?
- (4) Please comment on whether the definition of "material weakness" in Paragraph A7 (which is consistent with the definition that the SEC adopted) appropriately describes the deficiencies that should prevent the auditor from finding that ICFR is effective.
- (5) Is AS5 sufficiently clear about the extent to which auditors can use the work of others?
- (6) Will AS5 reduce expected audit costs under Section 404, particularly for smaller public companies, to result in cost-effective, integrated audits?
- (7) Does AS5 inappropriately discourage or restrict auditors from scaling audits, particularly for smaller public companies?

Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number PCAOB-2007-02 on the subject line.

Paper comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File No. PCAOB-2007-02. This file number should be included on the subject line if e-mail is used. To help process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Website (<http://www.sec.gov/rules/pcaob>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Section, 100 F Street, NE, Washington, DC 20549. All comments received will be posted without change; we do not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number PCAOB-2007-02. Comments

should be submitted on or before July 12, 2007. The Commission intends to act on the proposed rule no later than July 27, 2007.

By the Commission.

Florence E. Harmon

Deputy Secretary