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April 30, 2004

Mr. Jonathan G. Katz, Secretary
U.S. Securities and Exchange Commission
450 Fifth Street, NW
Washington, D.C. 20549-0609

Securities and Exchange Commission Release No. 34-49528
File No. PCAOB-2003-10
Public Company Accounting Oversight Board; Notice of Filing of Proposed
Auditing Standard No. 1, *References in Auditors' Reports to the Standards of*
the Public Company Accounting Oversight Board

Dear Mr. Katz:

KPMG LLP appreciates this opportunity to provide comments to the Securities and Exchange Commission (Commission) on the Public Company Accounting Oversight Board's (Board) Proposed Auditing Standard No. 1, *References in Auditors' Reports to the Standards of the Public Company Accounting Oversight Board* (Proposed Standard). We fully support the Commission's and the Board's efforts to improve financial reporting, corporate governance, and audit quality with the objective of furthering the public interest and restoring confidence in our capital markets system. Our comments below relate to a matter for the Commission to consider as it deliberates approval of the Proposed Standard.

Auditors' Reports Incorporated by Reference

The Proposed Standard stipulates that its provisions would be effective for auditors' reports issued or *reissued* on or after the 10th day following approval of a final standard by the Commission. It is common for a registrant to file a registration statement that incorporates by reference its previously issued financial statements and the related independent auditors' report. An auditors' consent to incorporate by reference a previously issued report effectively constitutes the reissuance of such report. Auditors' reports originally issued prior to the effective date of the final standard were required to state that the audits supporting those reports were performed in accordance with generally accepted auditing standards, and accordingly did not make reference to the standards of the Public Company Accounting Oversight Board (United States).

It is unclear to us whether reports originally issued prior to the effective date of the final standard that qualify to be reissued through incorporation by reference into a registration





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statement should be revised to refer to the standards of the Public Company Accounting Oversight Board (United States), thereby eliminating the ability of issuers to incorporate by reference their previously issued financial statements and the related independent auditors' report. In our view, the cost to issuers of effectively losing the ability to incorporate by reference their previously issued financial statements and related independent auditors' reports for the better part of eight months or longer, exceeds the benefit derived from revising previously issued auditors' reports after the effective date to include reference to "the standards of the Public Company Accounting Oversight Board (United States)." In the Proposed Standard, the Board notes "reference to 'standards of the Public Company Accounting Oversight Board (United States)' with respect to audits of financial statements performed prior to the effective date of this standard is equivalent to the previously-required reference to generally accepted auditing standards." Accordingly, we recommend that the Commission address and clarify this issue when adopting the final standard.

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If you have questions regarding the information included in this letter, please contact Sam Ranzilla, (212) 909-5837, sranzilla@kpmg.com, or Craig W. Crawford, (212) 909-5536, ccrawford@kpmg.com.

Very truly yours,

KPMG LLP

cc: Douglas R. Carmichael, Chief Auditor and Director of Professional Standards –
Public Company Accounting Oversight Board