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February 29, 2012

Mr. J. Gordon Seymour
Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, NW
Washington, DC 20006-2803
Via email: comments@pcaobus.org

RE: Proposed Auditing Standard Related to Communication with Audit Committees
PCAOB Release No. 2011-008 Rulemaking Docket Matter No. 030

Dear Secretary Seymour:

The State Board of Administration of Florida (the SBA) welcomes the occasion to provide comments to the Public Company Accounting Oversight Board (PCAOB) regarding Proposed Auditing Standard Related to Communication with Audit Committees. The SBA manages the assets of the Florida Retirement System, the fourth largest public pension plan in the United States with 1.1 million beneficiaries and retirees. The SBA's governance philosophy encourages companies to adhere to responsible and transparent practices that correspond with increasing shareowner value.

SBA staff supports the PCAOB's efforts to assess and inspect the effectiveness of current audit practices. European regulators are also currently reviewing the statutory audit of public-interest entities and the quality of financial audits. In light of the recent financial crisis, all market participants should be encouraged to continuously monitor risk and promote market stability. The key role of the audit committee is to protect the interests of investors through oversight of financial audit quality and integrity. Good communications between the audit committee and outside auditors plays an important role in the audit process and, in turn, leads to reliable financial statement information for all stakeholders.

Communication

SBA staff supports the approach that the PCAOB has taken in specifying the types of communications that should occur between the outside auditors and the audit committee. We agree that the discussions should include the audit strategy, structure, and timing, the assessment of risk areas (including fraud risks), the auditor's use of external experts and/or other auditors, difficult and contentious issues, significant unusual transactions, significant accounting policies and judgments or estimates, and going concern evaluation and issues. We also support improved disclosure surrounding the principal auditor's use of affiliated and non-affiliated firms to perform significant audit procedures. Additionally, audit committees should not agree to limit the liability of outside auditors and ensure this is clearly expressed in its communications with the outside auditors and shareowners.

Engagement

The proposed standard requires the outside auditors to have the engagement letter executed by the appropriate party or parties on behalf of the company. SBA staff believes that the acknowledgement by the audit committee, or its chair on behalf of the audit committee, should be required to be in writing. This formal record will provide assurance that each party has a clear understanding of the terms, objectives, and individual responsibilities of the audit process.

Significant Transactions

SBA staff finds the requirement for the outside auditor to communicate significant unusual transactions to the audit committee to be an appropriate standard. Additionally, it is correct to require the auditor to communicate to the audit committee his or her views regarding significant accounting or auditing matters when the auditor is aware that management has consulted with other accountants about such matters and the auditor has identified a concern regarding these matters. These standards address concerns that audit committees may not be receiving adequate information from management on company financial reporting and/or that communications between the auditor and the audit committee is ineffective. This requirement can help to facilitate more complete communications and assist the audit committee in its oversight function.

As audit committees must actively communicate with outside auditors to fulfill their oversight responsibilities, institutional investors must continue to fulfill their fiduciary duty to strengthen the governance of companies in which they invest, including making informed voting decisions on the ratification of outside auditors and audit committee members.

Thank you for the opportunity to provide comments and for the PCAOB's ongoing efforts to improve audit quality. If you have any questions, please contact Michael McCauley, Senior Officer—Investment Programs and Governance, at (850) 413-1252, or governance@sbafla.com.

Sincerely,



Ashbel C. Williams
Executive Director & CIO

cc: Governor Rick Scott, as Chairman of the SBA
Chief Financial Officer Jeff Atwater, as Treasurer of the SBA
Attorney General Pam Bondi, as Secretary of the SBA