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

Rulemaking Docket #34

Sirs:

I am a member of the Board of Directors of the following:

- Edison International (NYSE:EIX) and member of the Audit and Finance Committees,
- EuroPacific Growth Fund (“AEPGX”), New Perspective Fund, Inc., (“ANWPX”) and New World Fund (“NEWFX”), all members of the American Funds family of mutual funds advised by Capital Research and Management Company (“CRMC”), Chair of the Audit Committees, designated Audit Committee Financial Expert and member of the Contracts Committees,
- Blue Shield of California, a not-for-profit health plan covering approximately three million members in California, Chair of the Audit Committee and member of the Finance and Compensation Committees,
- Forest Lawn Memorial Parks Association, a not-for-profit mortuary and cemetery business, member of the Audit, Risk Management and Investment Committees.

I was a partner of KPMG from 1986 to 1997 and an auditor and consultant to various public and private companies from 1976 to 1997.

My comments on the Public Company Accounting Oversight Board’s (“PCAOB”) *Concept Release on Possible Revisions to PCAOB Standards Related to Reports on Audited Financial Statements No. 2011-003, PCAOB Rulemaking Docket Matter #34* contained in this letter are mine alone and do not represent those of my fellow board members nor management of the above named companies.

I commend the Public Company Accounting Oversight Board (“PCAOB”) for its efforts in evaluating the status quo to improve both understanding of the auditor’s responsibility and written communication between financial statement users and the auditors. However, efforts towards improvement should not change the fundamental roles and responsibilities of a Board of Directors (“Board”), its Committees or the auditors.

Our system of corporate governance consists of shareholders electing a Board to provide management oversight. The Board delegates the oversight of financial reporting, including the

system of internal controls and risk management to the Audit Committee. The companies I am involved with are well managed, ethical organizations resulting from “tone at the top”, with open, honest and transparent communication between management, the Board, its Committees and the auditors. Each of the companies’ management respond positively to Board or committee requests for information and to challenging questions asked with respect and a healthy dose of skepticism. My fellow Audit Committee members in each of the above organizations are professional, financially literate, diligent and very engaged.

The **Auditor Discussion and Analysis (“ADA”)** contemplates public disclosure of much of what already occurs between the auditor and the Audit Committee (e.g. the auditor’s Required Communications to the Audit Committee). Our Audit Committee discussions with management and the auditors, and in executive session with the auditors only, are very valuable. These discussions involve the auditor’s assessment of significant audit risks; management’s bias with respect to judgments, estimates, significant accounting policies and disclosures; any difficulties encountered during the audit and other issues pertinent to the situation. The Audit Committee members probe, ask follow-up questions and pursue other topics. The Audit Committee exercises judgment built up from years of personal experiences and education as well as knowledge of the company obtained over time. Requiring public disclosure of what have heretofore been private discussions would severely limit these discussions, if for no other reason than fear of litigation, reducing the effectiveness and benefit of an active audit committee process. I believe the ADA would undermine the role and responsibility of the Audit Committee by substituting the auditor for the Audit Committee’s judgment and change the fundamental concept of corporate governance of a Board.

In addition, The PCAOB’s ADA proposal may require delays in providing information to investors or at a minimum require changes to the year-end approval process if the ADA conflicts with the MD&A. Currently the schedule for large accelerated filers requires annual reports on Form 10-K to be filed within 60 days from the end of the year. Due to complexity of the accounting and reporting requirements, meeting these deadlines require significant time and resource commitments with little flexibility for resolving conflicts. It would be unlikely for the Audit Committee to accept an unqualified opinion with an ADA in conflict with the MD&A without additional meetings with management and the auditors to understand both parties’ rationale and resolve the conflicts between management and the auditors. If resolution is unsuccessful, the Audit Committee will be in an untenable position because of the confusing message that this will send to investors.

The financial statements for SEC registered investment management companies are less complex than operating companies because there are fewer judgments and estimates. The most significant audit risk, existence and valuation of the investment portfolio, is determined fairly routinely because of the nature of the investments at least with respect to the afore mentioned mutual funds—large cap securities traded on major exchanges around the world. Management, utilizing

third parties, values the investment portfolio daily and retains third party custodians to maintain safe-keeping of the assets. Annually, the auditors independently price 100% of the portfolio and confirm their existence with the custodians. Mutual funds are also exempt from MD&A requirements. It would seem that an ADA for mutual funds is not applicable because it does not improve current disclosure and would negatively impact shareholders due to increased audit costs.

As a result, I strongly oppose the requirement that auditors issue an ADA for the reasons mentioned above.

The Concept Release proposes mandating an **Emphasis Paragraph** in the auditor's report to highlight significant matters. Management is responsible for the financial statements and disclosures, which include all significant matters. The auditor's report with an unqualified opinion affirms that the financial statements and disclosures are fairly presented and free from material misstatement—confirmation that the auditor agrees with management's disclosures. An Emphasis Paragraph would appear to be redundant.

All investors are not equal and the Emphasis Paragraph could clarify for the individual or unsophisticated investor that the auditor's unqualified opinion means that they agree with management's disclosures. Although the Emphasis Paragraph does not appear to involve significant additional cost, it is likely to evolve into standardized language without improving current disclosure.

The auditor currently performs limited procedures on **Information Outside the Financial Statements** to assure that the information is materially consistent with the financial statements. The proposal to expand the auditor's limited procedures to assurance would not only be costly but also require the auditor to provide assurance on areas not within their expertise. MD&A guidance is not prescriptive and allows management the flexibility and judgment to decide what to disclose based upon their day-to-day working knowledge of operations, liquidity and capital resources, regulatory risk, legal matters, etc.

SEC registered investment management companies are exempt from MD&A and do not issue earnings releases. Mutual funds are required to provide Management's Discussion of Fund Performance in shareholder reports addressing subjects such as, market trends and portfolio strategies.

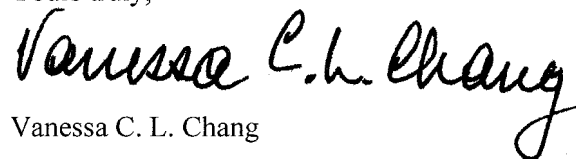
I oppose expanding the auditor's scope of work to Information Outside the Financial Statements because the auditor does not have the expertise nor have the same depth of knowledge as management. As a result, it seems likely that this approach would add more confusion rather than clarity to the reporting process and ultimately the disclosures.

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Clarification of The Auditor's Report may help the individual or unsophisticated investor understand what an audit represents and the limitations to the auditor's responsibility, for example the detection of fraud. However, the sophisticated investor may not see any benefit. Although this alternative does not appear to involve additional cost, I believe that any proposed language should be standardized, consistent for all auditors and across all entities.

Thank you for considering my views.

Yours truly,

A handwritten signature in black ink that reads "Vanessa C. L. Chang". The signature is written in a cursive style with a large, prominent "V" and "C".

Vanessa C. L. Chang