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September 30, 2011

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

Re: Concept Release on Possible Revisions to PCAOB Standards Related to Reports on Audited Financial Statements; PCAOB Rulemaking Docket Matter No. 34

Dear Office of the Secretary:

The Independent Directors Council¹ appreciates the opportunity to comment on the Public Company Accounting Oversight Board concept release seeking public comment on several alternatives for enhancing the auditor's reporting model. The release encompasses a range of options aimed at increasing the transparency and relevance of auditor reports to financial statement users, while not compromising audit quality. We are commenting to express a general concern that we have on the potential adverse impact of these options on the relationship between fund board audit committees and fund auditors.

As an initial matter, we believe that the options discussed in the release, for the most part, should not apply to SEC-registered investment companies.² As the Investment Company Institute

¹ IDC serves the fund independent director community by advancing the education, interaction, communication, and policy positions of fund independent directors. IDC's activities are led by a Governing Council of independent directors of Investment Company Institute member funds. ICI is the national association of U.S. investment companies, including mutual funds, closed-end funds, exchange-traded funds, and unit investment trusts. Members of ICI manage total assets of almost \$13 trillion and serve over 90 million shareholders, and there are almost 1,900 independent directors of ICI member funds. The views expressed by IDC in this letter do not purport to reflect the views of all fund independent directors.

² We do, however, support the option to provide clarification of concepts included in the auditor's report. We agree with the recommendation contained in the letter from the Investment Company Institute that, for audits of SEC-registered investment companies, the clarification should describe the auditor's consideration of the fund's internal control over financial reporting, including controls relating to security valuation, for purposes of designing audit procedures to be performed and expressing an opinion on the financial statements. See Letter from Gregory M. Smith, Director—Operations/Fund Accounting, Investment Company Institute, to Office of the Secretary, Public Company Accounting Oversight Board, regarding Concept Release on Possible Revisions to PCAOB Standards Related to Reports on Audited Financial Statements (Sept. 30, 2011) (ICI Letter).

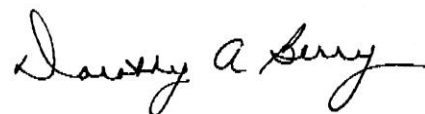
explains more fully in its comment letter, these options would provide little, if any, benefit to fund investors because fund financial statements are inherently less complex than operating company financial statements and entail fewer estimates and judgments than operating company financial statements.³

In the event these options are applied to registered funds, we oppose any required disclosure about the details of the communications between a fund's audit committee and the fund's auditor relating to the audit and the fund's financial statements. As part of their role to promote the interests of shareholders, fund directors oversee a fund's financial reporting process and therefore have a keen interest in preserving the effectiveness of the relationship between the board's audit committee and the auditor. We agree with those who have expressed concern that if the auditor were required to provide certain additional information about the audit and the company, such as details of communications between the audit committee and auditor, the discussions would suffer as a result.⁴ As noted in the release, auditors "have regular and free-flowing dialogue with management and the audit committee as part of the audit." We are concerned that a requirement to disclose information about these communications could have a chilling effect both on the nature and the content of these discussions.

Disclosing potentially sensitive discussions in an auditor's report, either in an auditor's discussion and analysis or an emphasis paragraph, could impair the transparency and openness that contributes to the effective working relationship between a fund's audit committee and its auditor. This relationship is marked by a give-and-take that cannot effectively be captured in disclosure. If audit committee members are concerned that their questions and comments may eventually be made public, their discussion with the auditors could be stifled, impairing the work of the audit committee to the detriment of fund investors. Accordingly, we urge the PCAOB to be mindful of this concern and proceed cautiously in developing audit standards that could impact the relationship between fund board audit committees and fund auditors.

If you have any questions about our comments, please contact Amy B.R. Lancellotta, Managing Director, at (202) 326-5824.

Sincerely,

A handwritten signature in cursive script that reads "Dorothy A. Berry".

Dorothy A. Berry
Chair, IDC Governing Council

³ See ICI Letter *supra* n. 2.

⁴ See PCAOB Release No. 2011-003 (June 21, 2011).