

December 12, 2011

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

**Re: PCAOB Rulemaking Docket Matter No. 37  
Concept Release on Auditor Independence and Audit Firm  
Rotation**

Dear Mr. Seymour:

St. Jude Medical, Inc. (“St. Jude Medical”, “the Company” or “we”) appreciates the opportunity to comment on the PCAOB’s Concept Release on Auditor Independence and Audit Firm Rotation (the “Concept Release”). We fully support the PCAOB’s objective of ensuring auditor independence, objectivity and professional skepticism. However, we do not believe that mandatory audit firm rotation will result in meaningful improvement to audit quality and the application of objectivity and professional skepticism by our auditors. Additionally, we believe the costs involved in a mandatory rotation far outweigh the purported benefits as described in the Concept Release.

In the Concept Release, the PCAOB expressed an interest in receiving comments on certain general questions regarding mandatory auditor rotation and its potential impact on auditor independence, objectivity and professional skepticism; the advantages and disadvantages of mandatory auditor rotation; and any alternatives to mandatory auditor rotation that the PCAOB should consider.

### **Mandatory Auditor Rotation and its Impact on Auditor Independence, Objectivity and Professional Skepticism**

Audit quality is highly dependent on the auditor’s ability to detect misstatements through the application of objectivity and professional skepticism and the auditor’s willingness to report misstatements to management and the audit committee when identified. Mandatory audit firm rotation will not strengthen the quality of an audit. Instead, we believe the current policies requiring partner rotation, peer review, PCAOB review and the significant level of personal liability for partners in the form of penalties and/or loss of their professional license are more persuasive in improving the quality of an audit. Additionally, the new range of requirements mandated by the Sarbanes-Oxley Act with respect to audit committees such as 1) requiring the audit committee to be independent of company management and include a financial subject matter expert, 2) requiring the audit committee to meet separately with the external audit firm at every audit committee meeting, and 3) requiring the audit committee to

appoint and determine compensation of the audit firm have all had a significant and positive effect on audit quality and independence.

The auditor's ability to challenge rather than simply corroborate requires superior technical skills and a strong understanding of the company, the industry in which the company operates, as well as knowledge of the increasingly complex business, regulatory and accounting environment we find ourselves in today. Under mandatory auditor rotation, auditors will face a new learning curve with each rotation, exposing both the audit firm and the company to the potential risk of audit failure until the requisite in-depth knowledge is developed. In contrast, the current requirement of audit and concurring partner rotation allows the preservation of institutional knowledge within the audit team and the firm, while providing the benefits of critical review by a new partner(s).

### **Advantages and Disadvantages of Mandatory Auditor Rotation**

We fully support the adoption of a formal practice under which the PCAOB could mandate a rotation of an audit firm in instances where it has been demonstrated, through the PCAOB's enforcement process against a firm, that the professional skepticism or objectivity was significantly lacking in the firm's audit of a particular issuer.

Requiring mandatory auditor rotation on a regular basis, however, would not only result in substantial costs and business disruption but also impair audit quality. The Concept Release identified that the PCAOB found numerous audit deficiencies through its enforcement process; however, these deficiencies were not directly linked to audit tenure creating a lack of auditor skepticism that would support mandatory audit firm rotation as a remedy. Currently, we are not aware of any evidence supporting the idea that an audit firm's tenure compromises auditor independence, objectivity and skepticism and results in more audit shortcomings. Instead, we believe the root cause of the deficiencies should be further analyzed and communicated not only to the auditors, but also directly to the audit committee on a timely basis enabling the audit committee to make their own assessment of their auditors' performance.

We also believe that long tenure with an audit firm can enhance the credibility and dialogue between the audit firm and audit committee, providing a more open environment for the auditors to communicate significant issues or misstatements identified. Mandatory auditor rotation would result in significant cost increases related to the time spent familiarizing the new auditors with the company, its people, its processes, its systems, underlying assumptions and policies, operations, etc. It would also result in significant costs in the auditor selection process (proposal process, alternative evaluation, potential auditor rotation requirements on non-audit services due to independence issues, including non-audit projects that span multiple years).

### **Alternatives to Mandatory Rotation the PCAOB Should Consider**

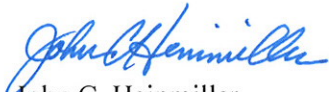
Audit firms and their clients can never truly be independent of one another as audit firms are for-profit entities paid directly by their audit clients. The auditor has both the interest of providing client service, as paid for by the audit client, as well as upholding its responsibility to express an audit opinion to the Board of Directors and Shareholders of St. Jude Medical. We believe the mandated partner rotation, peer reviews, PCAOB reviews and risks of personal partner liability provide a sufficient check and balance to the issue of independence, objectivity and professional skepticism. The audit committee is the other primary influence over auditor independence.

We believe the PCAOB should provide any pertinent PCAOB reviews associated with auditor independence, objectivity and professional skepticism directly to audit committees allowing audit committees to assess auditor independence, severity of the issues identified and whether corrective actions are necessary, including the changing of auditors. Additionally, we would support educational forums for audit committees that would share leading practices promoting auditor skepticism and objectivity. We also believe regular dialogue outside of scheduled meetings between the auditors and the audit committee should be considered a best practice. St. Jude

Medical itself encourages its auditors and Audit Committee to have regular dialogue concerning any matters relating to the audit or company management.

In conclusion, we do not believe mandatory audit firm rotation will have a positive impact on the PCAOB's goal of improving audit quality. Instead, we believe it will decrease audit quality and increase costs. We also believe the PCAOB should continue its efforts to analyze the root cause of common audit deficiencies as there is no concrete evidence linking audit tenure to a significant audit deficiency or audit failure. We fully support the current process the PCAOB has put in place requiring partner rotation and peer and PCAOB reviews, and believe these requirements are more encouraging of improving audit quality than mandatory auditor rotation, especially when considering the costs involved compared to the perceived benefits. St. Jude Medical appreciates the PCAOB's careful consideration of this issue.

Respectively,



John C. Heinmiller  
Executive Vice President  
and Chief Financial Officer