ST. JUDE MEDICAL
MORE CONTROL. LESS RISK.

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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:

The Audit Committee of St. Jude Medical, Inc. ("St. Jude Medical") appreciates the opportunity to comment on the PCAOB's Concept Release on Auditor Independence and Audit Firm Rotation (the "Concept Release"). We are supportive of the PCAOB's goals of continuously increasing audit quality and protecting the public interest. We are not convinced, however, that mandatory audit firm rotation will reduce audit failures. Additionally, we further question whether audit tenure is linked to decreased auditor independence, objectivity and professional skepticism. The Concept Release notes that the root causes of the audit failures are complex and that the PCAOB intends to further investigate the causes. As a result, we believe the PCAOB should continue its investigation efforts to concretely assess the root cause of the audit deficiencies identified before imposing a solution that may bear no relation to the underlying issues identified and potentially have negative repercussions such as decreased audit quality, creation of unnecessary administrative and operational burdens as well as increased audit-related costs for both companies and audit firms.

We believe the audit committee is in the best position to evaluate the selection of an independent auditor. Mandatory auditor rotation diminishes the benefits of the audit committee's role in engagement oversight and may require selection of a less qualified auditor with less institutional knowledge or knowledge of St. Jude Medical's business thereby not supporting our fiduciary duty to St. Jude Medical's shareholders. Additionally, we believe an audit firm with industry expertise combined with institutional knowledge of the audit team gained over time significantly enhances the quality of the audit. The auditors must develop a deep understanding of the company and its processes and controls in order to competently perform the required auditing tasks and effectively advise management and the audit committee of issues identified. Requiring mandatory auditor rotation poses audit quality risks, especially in the early years after a rotation while the new audit firm is developing its institutional knowledge of the business.

We believe the rotation of the audit engagement and concurring partners enhance audit quality by providing new perspectives and critical judgments yet the institutional knowledge is preserved allowing the audit to continue to be performed efficiently and effectively without compromising audit quality. The audit committee also relies on the in depth knowledge of the audit team, and would have less confidence in an entirely new firm auditing the company in the initial few years.

We are also concerned about mandatory audit rotation in an environment with only four audit firms having the international presence and industry expertise necessary to service large, multi-national companies. The audit committee should be able to evaluate and select the best firm suited for the audit based on industry expertise, audit work plan strategy, staff availability and competency and cost. Additionally, the education of an entirely new audit team from a firm with no prior experience on the engagement would clearly require extensive time commitments by both internal management and audit firm resources to gain the requisite familiarity with the business, people, processes, systems, operations, policies, etc. There would also be overlapping costs as the prior auditors and new auditors confer on workpapers and engage in other necessary consultations not to mention the costs associated with the selection of the new auditors (the audit committee's due diligence of evaluating the audit firms, reviewing the alternatives, interviewing and follow up with the prospective firms as well as management's coordination efforts). Finally, the release does not address how to approach the audit firms engaged to perform non-audit services and the impact of mandatory auditor rotation on these services.

In lieu of mandatory auditor rotation, we believe the following requirements already in place as well as other new alternatives to consider all enhance auditor independence, objectivity and professional skepticism at a reasonable cost.

<u>Requirements already in place:</u>

1) Requiring the audit committee to be independent of company management
2) Requiring the audit committee to include a financial subject matter expert
3) Requiring the audit committee to meet separately with the external audit firm at every audit committee meeting and provide the external audit firm with unrestricted access to the audit committee
4) Requiring the audit committee to appoint and determine the compensation of the audit firm
5) Requiring mandatory audit engagement and concurring partner rotation, peer review, PCAOB review and enforcement of personal partner liability
6) Limiting the engagement of non-audit services by the external audit firm
7) Creating the PCAOB to independently regulate the auditors of public companies

<u>New alternatives to consider:</u>

1) Require the PCAOB to provide unfiltered reviews associated with auditor independence, objectivity and professional skepticism or any other concerning issues directly related to the audit committee concerned, allowing the audit committee to make its own judgments as to its auditor's competency and independence and whether any corrective actions are necessary.
2) Increase the interaction between the PCAOB and audit committees related to standard setting, audit policy, promotion of audit quality and auditor skepticism, including direct communication of specific investigational findings
3) Provide educational forums to audit committees to highlight and share leading practices promoting auditor skepticism and objectivity

We would 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 company. We do not, however, believe regular mandatory audit firm rotation will have a positive impact on the PCAOB's goal of improving audit quality. We believe the PCAOB should continue its efforts to analyze the root cause of common audit deficiencies before imposing a mandatory audit rotation, especially when considering the costs involved compared to the purported benefits. Further, we believe the requirements currently in place as well as other new alternatives to consider (discussed previously) should continue to support and enhance auditor independence, objectivity and professional skepticism.

We appreciate the opportunity to provide our perspective on this important topic.

Sincerely,

Michael A. Rocca
Audit Committee Chairman
St. Jude Medical, Inc.