The Coca-Cola Company

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December 13, 2011

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

Ladies and Gentlemen:

This letter is submitted on behalf of the Audit Committee of The Coca-Cola Company in response to your August 16, 2011 concept release on mandatory rotation of audit firms and other ways that auditor independence, objectivity and professional skepticism can be enhanced.

Our Audit Committee is fiercely independent and understands its role to challenge both the Company and independent auditors actively and consistently.

We appreciate the opportunity to comment on this topic, and we support the Board's efforts generally to improve audit quality. We strongly believe, however, that a mandatory audit firm rotation requirement would not advance audit quality, but instead would result in a number of significant, adverse consequences. Before the PCAOB launches such a fundamental change to the audit system, we believe it must demonstrate that the actual benefits that investors might attain from mandatory rotation outweigh the significant risks and costs embedded in the concept, including as described below.

1. Mandatory Audit Firm Rotation Would Undermine The Role Of The Audit Committee

Particularly since passage of the Sarbanes-Oxley Act in 2002, independent audit committees have had the primary responsibility for engaging, overseeing, and terminating the outside auditor. In passing Sarbanes-Oxley, Congress clearly recognized the audit committee brings a unique and informed perspective to consideration of which firm is best positioned to serve as a company's outside auditor. We understand this vital role we play in overseeing the integrity of the company's financial statements and the quality of the outside audit, and the importance of this role to investors. Our Audit Committee takes these responsibilities seriously and expends considerable effort throughout each year evaluating the outside auditor and assessing whether the firm is providing high-quality audits. We consider their independence, technical expertise, knowledge of our industry and operating practices in the markets in which we operate, experience with complex transactions and their service levels, among other factors.

Imposing a mandatory rotation requirement would inevitably interfere with the audit committee's responsibility for assessing the effectiveness of the auditor and choosing whether to retain the auditor based on this assessment. That key responsibility would be subordinate to a mandate to choose a new firm, even when that firm, in the judgment of the audit committee, may not be as well positioned or as qualified as the current auditor to serve the Company and its investors. Audit committees also would have to focus additional resources on complex transitional issues rather than focus on other important matters.

2. Mandating Firm Rotation Could Diminish Audit Quality

We believe that requiring a company to rotate audit firms presents serious risks related to the effective functioning of the audit process and, consequently, could actually lead to deterioration in audit quality, particularly in the years leading up to, and after, a rotation. As the GAO found in a 2003 study, 79% of major public accounting firms and Fortune 1000 companies "believe that changing audit firms increases the risk of an audit failure in the early years of the audit as the new auditor acquires the necessary knowledge of the company's operations, systems, and financial reporting practices and therefore may fail to detect a material financial reporting issue."[1] We have observed that even in the context of partner rotation under the current rules, it takes a significant period of time before the newly-rotated partner fully appreciates the complexities and nuances of our business. This issue is mitigated in large measure because the new partner can draw from the breadth and experience of the existing audit team to help ensure that quality control is maintained.

If an entirely new firm had to be retained on a fixed rotation schedule, we have significant concern that the newly-retained firm will need to spend many months, perhaps years, to attain the necessary knowledge and understanding of our business given that we operate in over 200 countries around the world. The audit team from our current auditor includes hundreds of auditors, including nearly 100 partners, to serve this expansive business. A new audit firm would likely have to significantly increase the size of the team to be able to meet the required deadlines. Replacing the institutional knowledge of our audit firm on some arbitrary schedule would not serve the interests of our investors and indeed could harm their interests if the quality of our audits suffers. And, the cost related to the increase in staffing to be borne by the Company could be significant.

We also are concerned that mandatory rotation could lead to diminished quality in the final years of an audit engagement. As noted in the GAO's 2003 report, approximately 59% of major public accounting firms "reported they would likely move their most knowledgeable and experienced audit staff as the end of the firm's tenure approached under mandatory audit firm rotation to attract or retain other clients, which they acknowledged would increase the risk of an audit failure." Imposing a rotation requirement thus could present challenges to quality on both the front- and back-ends of the audit.

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[1] U.S. Gen Accounting Office, GAO-04-216, Public Accounting Firms: Required Study on the Potential Effects of Mandatory Audit Firm Rotation 6 (2003).

3. Transitioning To A New Auditor On A Periodic Basis Would Be Extremely Burdensome -- It takes years to learn the business, governments, cultures, languages and operating practices and mores related to each and every operation.

Mandatory audit firm rotation also would create a host of practical difficulties for Coca-Cola and companies like ours that have complex business operations and a global reach. An important aspect of our business is that we have an operating presence in over 200 countries – much more than agency or distribution arrangements.

In addition, the member firms of each Big Four network are not equally represented in all countries and markets. Some networks simply may not have an adequate presence in each country in which we do business and require audit services. Trying to use firms from other networks to fill gaps also could create complications from an independence perspective or require the audit firm to supplement with staff from other locations, again at a considerable cost to the Company.

In addition, the experience we require of our auditor of course extends beyond the financial statement audit. Section 404 of Sarbanes-Oxley mandated an audit of our internal control system, and the effort to come into compliance with these requirements and complete the internal control audit was extensive. We also engage our outside audit firm to perform numerous statutory audits in order to meet local requirements in various countries. Identifying a new firm on a periodic basis that could perform all of these audit-related functions in the many countries in which we operate would be extraordinarily difficult and would significantly increase the cost of audit services.

4. Navigating Independence Concerns Also Will Prove Challenging

Sarbanes-Oxley prohibits a company's auditor from providing certain "non-audit services." Like many similarly-situated companies, we engage the Big Four and other accounting firms, other than our auditor, to provide certain of these non-audit services. These services often involve key initiatives for the growth of our business. Forced firm rotation could significantly impact timing, delivery and success of the other key initiatives and at a minimum, require that we manage these projects to specified rotation timelines. Interrupting ongoing key projects may not be feasible and in any event would serve no useful purpose. For a company of our size, a mandatory firm rotation requirement could lead to a situation where two firms are essentially set aside to provide audit services – the current auditor and an alternative firm that satisfies expertise and geographic requirements and that is not precluded due to independence concerns. If this were the case, the result would not be a competitive process, but rather a situation in which the Company would be required to switch back and forth between these two firms on a periodic basis. The benefits of this approach are not evident, although the significant costs are.

Also, in our highly competitive business, we would resist engaging the accounting firms of our key competitors, which would further limit choice for a replacement auditor.

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We agree with Board member Daniel Goelzer remarks on the Concept Release that “the Board should not impose the expense and burden associated with rotation on companies that raise capital in our markets unless the evidence is clear that the benefits will out-weigh the costs.” Although the costs of mandatory audit firm rotation seem clear and significant, there appears to be no evidence of its benefits. In addition, we encourage the Board to allow time for some of its significant new measures to take hold (such as the recent risk assessment standards and the new requirements relating to concurring partner reviews) before it considers moving forward with such a drastic change as mandatory firm rotation.

Finally, we don’t believe that audit firms should never be changed, only that the Audit Committee of independent external directors are in the best position to make that decision given the significant risk and cost to the enterprise. Rest assured that should the Audit Committee ever determine such a change was in the best interest of The Coca-Cola Company Shareowners, the appropriate effort would be put against such an undertaking. We also believe our current practice of asking for shareowner ratification of the Audit Committee’s audit firm recommendation provides a mechanism for our shareowner’s to voice their support or disapproval of the recommendation, and we intend to continue this practice.

We would be happy to discuss our comments in person if that would be helpful. I can be reached via The Coca-Cola Company Corporate Secretary’s office at 404.676.4603.

Sincerely,

Peter V. Ueberroth

Peter V. Ueberroth
Audit Committee Chair