



Western Digital Corporation
3355 Michelson Drive, Ste 100
Irvine, CA 92612
Tel: 949.672.7000

December 13, 2011

VIA E-MAIL (comments@pcaobus.org)

Office of the Secretary
PCAOB
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:

I thank you for the opportunity to provide comments to PCAOB Release No. 2011-006, *Concept Release on Auditor Independence and Audit Firm Rotation*. The comments presented in this letter are on behalf of Western Digital Corporation (“WD,” “we”), a global provider of solutions for the collection, storage, management, protection and use of digital content, including audio and video. WD is publicly traded and audited annually by an independent registered public accounting firm.

We agree with the Public Company Accounting Oversight Board (the “Board”) that it is critical for auditors to approach their audits with the required independence, objectivity and professional skepticism in order to provide the company’s creditors and stockholders, as well as the investing public, with an opinion that the financial statements present fairly, in all material respects, the company’s financial position, results of operations and cash flows in conformity with generally accepted accounting principles. We also acknowledge the Board’s perspective that auditor independence, objectivity and professional skepticism could be enhanced based on its findings during inspections of registered public accounting firms. However, there is a lack of evidence linking audit tenure to audit failures. In addition, we believe that a mandatory audit firm rotation will significantly increase audit costs and disrupt the efficiency and effectiveness of both the companies and audit firms, resulting in a decrease in audit quality and an increase in the risk of audit failures. Therefore, we oppose the concept of a mandatory audit firm rotation.

Overview

The Sarbanes-Oxley Act (the “Act” or “Sox”) included a number of significant provisions focused on ensuring the auditors’ independence from their public company audit clients. Included in these provisions is (i) a requirement that the audit committee of the board of directors rather than management appoint the auditors and oversee the audit engagement, (ii) a limitation on the range of non-audit services to be provided by the audit firm, (iii) a mandatory audit partner rotation, and (iv) the establishment of the Board to provide independent oversight of the auditors of public companies. As noted in the concept release, the Board believes that the Act has enhanced auditor independence and improved audit quality, thereby increasing the reliability of financial reporting. Also, through the Board’s quality control remediation process, there has been a significant improvement in audit firm methodologies, processes and related quality control systems. We agree, based on our experience since the Act became effective, that there has been a much greater focus on independence from our auditors, company management and the audit committee, as well as an overall improvement in the audit process.

During the inspections, the Board also noted that they have found some instances in which the auditor did not approach some aspects of the audit with the required independence, objectivity and professional skepticism. However, we wanted to point out that these audit failures, which by definition are failures to obtain reasonable assurance about whether the financial statements are free of material misstatement, do not necessarily indicate that the financial statements were, in fact, materially misstated. In addition, the Board inspects audits that it believes present the highest risk and reviews the areas within each audit that are the most complex and challenging. Given that the audit failures were found in areas that one would expect to have a higher risk of a failure, we do not find it appropriate to implement a widespread change such as a mandatory audit firm rotation that would impact all areas of all audits when clearly, the testing process was skewed.

Benefits of Audit Firm Tenure

The concept release discusses the idea that a new audit firm will bring a “fresh look.” We believe the benefits of a fresh look already exist under the current framework; specifically the rotation of the audit partner every five years, involvement of a quality control reviewing partner and natural turnover of the audit staff, including at the Senior Manager level. Combined with the institutional knowledge of the company and industry expertise that is only developed over time, and given the complexity of audits and the uniqueness of each company, we believe a longstanding audit firm has the insight, awareness of risks and experience to plan and execute a high quality audit.

In many instances, such as ours, the independent registered public accounting firm provides many assurance services such as the annual audit, local statutory audits across many countries, tax compliance and other various compliance audits. Contributing to these audits are numerous teams within the firm with expertise across many disciplines such as U.S. GAAP, local and foreign taxes, transfer pricing, fair value, derivatives, internal controls, IT systems, business combinations and SEC reporting. Completing these various projects on a timely basis requires a significant amount of coordination on behalf of the audit firm, in which the administrative efficiencies are gained over time, thereby allowing the firm to focus more of their efforts on the audit.

The concept release also discusses the idea that mandatory audit firm rotation would free the auditor from the effects of management pressure. We believe that this management pressure is already appropriately dealt with and mitigated through the additional partner reviews, consultation with the National Office, internal reviews, external peer reviews and Board inspections. A longstanding relationship also allows the risk of management pressure to be minimized. Companies can engage their auditors in the early stages of a new transaction or situation that may develop over time, as well as a new accounting pronouncement that is in its proposal stage, in order to agree upon the accounting treatment upfront. Understanding the accounting impacts and setting expectations early on greatly minimizes the risk of management pressure.

Audit Committee Oversight

The enactment of Sox gave audit committees the responsibility for the oversight of the audit process at public companies, required audit committees to be independent of company management and required companies to disclose whether their audit committees include a financial expert. As described in further detail in the written charter of our Audit Committee, their key responsibilities include:

- 1) sole responsibility for the appointment, compensation, retention and oversight of our independent registered public accounting firm and, where appropriate, the termination or replacement of the independent registered public accounting firm;
- 2) an annual evaluation of the independent registered public accounting firm's qualifications, performance and independence, including a review and evaluation of the lead partner;
- 3) pre-approval of all auditing services and permissible non-auditing services to be performed by the independent registered public accounting firm;
- 4) receipt and review of the reports from the independent registered public accounting firm required annually and prior to the filing of any audit report by the independent registered public accounting firm;
- 5) review and discussion with the independent registered public accounting firm of any difficulties they encounter in the course of their audit work;
- 6) establishment of policies for the hiring of any current or former employee of the independent registered public accounting firm; and
- 7) review and discussion with management and the independent registered public accounting firm of our annual and quarterly statements prior to their filing or public distribution.

Audit committees, as a committee of the board of directors, are responsible for ensuring the company operates in the best interest of its shareholders. With the changes to audit committees' roles and responsibilities as a result of Sox, along with access to the Board's firm inspection reports, we believe audit committees are in the best position to evaluate and determine when a change in the audit firm is necessary. We do not believe it is appropriate to override an audit committee's responsibility solely based on a predetermined number of consecutive audits an auditor has performed.

Impact of a Mandatory Audit Firm Rotation

A mandatory audit firm rotation will be highly disruptive to the auditor and its audit process. The new firm will incur a significant amount of time and resources building a new team with the appropriate expertise around the world and aligning their schedules to meet the audit timeline. Once a team is formed, there will then be significant amount of time and effort reviewing the prior auditor's documentation and transitioning the engagement. Not only will the new firm have a steep learning curve understanding the business and industry, but also with many of the details needed to perform the audit such as the audit schedules that are prepared by the company, the intricacies of spreadsheets, reports, process narratives, internal controls, IT systems, third-party relationships, multi-year contracts previously entered into, tax positions built up over time, ongoing litigation, acquisition or restructuring related activities, intercompany relationships and transfer pricing. If auditors are learning about the company at the same time they are performing the audit, the audit plan will be more generalized and the auditor may experience insufficient time or resources to appropriately identify and challenge certain critical areas of

the audit. We believe this impact would exist for at least the first couple of years of the new engagement. Towards the end of the rotation, partners would also be distracted as there will need to focus on securing a new revenue stream. We are concerned that the inefficiencies from steep learning curves and efforts to continuously bid on engagements, along with the potential generalization of audits and firms' inability to specialize in an industry due to the constant client rotation, will result in higher audit fees and commoditization of the audits, thereby reducing the quality and value of an audit.

A mandatory audit firm rotation will also be highly disruptive to the company. The company personnel will need to divert a significant amount of their time away from the operations of the business towards educating the new auditors. Each time there is a rotation, the company and its audit committee will also need to incur time and effort to evaluate and select a new auditor. Our existing auditor is a Big Four firm and we generally engage other Big Four firms to perform non-audit services. Given the limited number of firms, a change in the auditor may also result in changing a firm for non-audit services. This would then cause disruption within other areas of the company requiring them to go through their selection process and educating their new firm, as well as inefficiencies, increased costs and a decrease in the quality of those services.

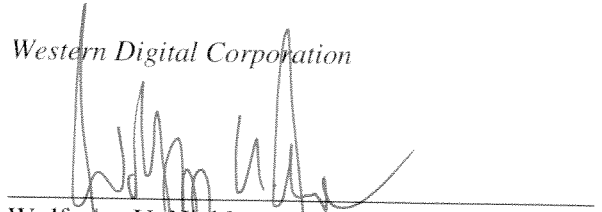
Conclusion

The credibility of an auditor's opinion on a company's financial statements is essential in maintaining confidence within the capital markets. Continuing to seek ways to improve audit quality is in the best interests of the investing public; however, there is no evidence that a mandatory audit firm rotation will enhance auditor independence, objectivity and professional skepticism. At the same time, we believe a mandatory audit firm rotation will cause significant disruption, increase the cost of an audit, and result in a lower quality audit with an increased risk of audit failures. At this time, we believe the continued focus by management, auditors and audit committees on independence, and the Board's plans to deepen its understanding of root causes of audit failures, along with the implementation of the recently adopted Auditing Standards, are the appropriate steps to take in enhancing audit quality. Additionally, we believe that the decision to change an auditor appropriately resides with the audit committee. In conclusion, we oppose the concept of a mandatory audit firm rotation.

We thank the Board for considering our comments on this concept release.

Respectfully submitted,

Western Digital Corporation



Wolfgang U. Nickl
Senior Vice President and Chief Financial Officer