



December 14, 2011

Via e-mail to: [comments@pcaobus.org](mailto:comments@pcaobus.org)

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

File Reference: **PCAOB Rule Making Docket Matter No. 37- Concept Release on Auditor Independence and Audit Firm Rotation**

Dear Office of the Secretary,

As the Chairman of the Audit Committee and the Chief Financial Officer of DIRECTV, we appreciate having the opportunity to comment on the PCAOB's Concept Release on Auditor Independence and Audit Firm Rotation ("Concept Release"). We also appreciate the PCAOB's concerns about auditor independence and interest in improving the overall quality of audits, and understand the benefits the Board believes will ensue from mandatory audit rotation, including reducing the likelihood of undue management influence on auditors, and the over-reliance of auditors on management.

Although we concur that safeguarding auditor independence and improving audit quality are laudable and worthwhile goals, we join with others, including Dennis Berresford, former Chairman of the Financial Accounting Standards Board, in expressing our concerns that mandating audit firm rotation: (i) would not likely significantly improve or sustain audit quality, (ii) would not significantly enhance audit firms' actual objectivity or integrity, (iii) would likely diminish auditor proficiency, especially in the first year of a firm's retention, (iv) would impose significant and unnecessary additional direct and indirect audit costs and other burdens on companies, and (v) may tempt both outgoing and incoming audit firms to over-audit – not owing to diligence or rigor – but rather to an aversion to being second-guessed on the judgment calls they necessarily must make in conducting any audit.

Moreover, we believe that an auditor's incentive, ability and willingness to resist undue management pressure can be, and already is, significantly enhanced because of the PCAOB's ongoing rigorous inspection program, of which both audit firms and audit committees are acutely aware. From our vantage point, these emergent, rigorous regulatory practices and elevated auditing standards appear to be going a long way in enhancing auditor independence, increasing the quantity and quality of the communications between auditors and audit committees, and improving audit quality. In contrast, there is little if any evidence -- empirical, anecdotal or otherwise -- suggesting that mandatory audit firm rotation actually improves, or improves significantly, the quality of public company audits. As further discussed below, when balanced against the obvious increased costs and other burdens associated with

mandatory audit firm rotation, the short-term nature of the benefits presumed to flow from such a rule, simply aren't sufficient to justify, and in fact argue against, imposing it.

We believe there is steep learning curve in the first year of an audit engagement and that new audit teams may have difficulty initially identifying, understanding and addressing all of the appropriate audit risks, particularly at large, complex companies, making the risk of audit failure in first years' audits actually higher despite any potential improvement in independence. New audit teams may be pre-disposed to over-audit for fear of an unfavorable PCAOB inspection, incurring higher engagement hours and burdening company management by challenging conclusions that had already been subject to audit in the past. In addition, as the existing firm approaches rotation off an engagement, there would be a built-in incentive to over audit for fear of being second guessed by not only the PCAOB, but also the subsequent auditor. Furthermore, company management would be burdened with the substantial task of training new audit teams. Taking into account the factors above and a limited number of viable alternative auditing firms, particularly for large multi-national corporations, in an environment where auditors no longer have an incentive to absorb start-up costs of a new audit relationship, audit fees can only be expected to increase substantially.

The concept of auditor rotation further burdens reporting companies with the substantial cost and effort of the proposal process. Proposing audit firms will distract management with extensive reviews and interviews to scope the engagement, while senior management and audit committees will be burdened and distracted with the responsibility to interview firms, review proposals and select auditors. These activities can be highly disruptive to managing normal operations.

Registrants will also be forced to manage relationships with other auditor firms in a way such that at least one alternative firm has remained independent during the reporting period. This limits the number of service providers available for consultation, and indeed could eliminate the best choice where industry or other technical specialties are concentrated at a given audit firm.

We think the PCAOB's existing inspection programs of auditing firms provide substantial incentive for firms to maximize their independence, objectivity and professional skepticism in a way that did not previously exist. Much of the commentary in the Concept Release pre-dates the existence of the PCAOB, and it would appear that the impact of the PCAOB has not been fully considered. For example, we understand that because of the reputational and financial implications of a negative review by the PCAOB, audit partners now view the PCAOB audit process as the most stressful aspect of their career. We believe that audit partners faced with the expectation of a PCAOB audit are highly motivated to act with independence and integrity, because of the risk of damaging their professional reputation and career by not exercising the highest degree of independence and integrity. We believe this more than outweighs the risk of any impairment of independence caused by long-term relationships. We also believe that the existing partner rotation requirement adequately promotes objectivity and independence.

As reaffirmed by the Sarbanes-Oxley Act, our audit committee is responsible for the selection and oversight of the independent auditors. We have an experienced and competent audit committee, including a financial expert, as required, who are independent and fully capable of overseeing the independence and objectivity of the audit firm.

In conclusion, the auditor rotation solution to promote independence comes at a high cost imposed, and there seems to be no evidence- empirical or otherwise-in the Concept Release to support the notion

that higher quality audits would result. As a result of the PCAOB's oversight of audit firms, we believe that audit quality has significantly improved. Therefore, we believe that the PCAOB should continue to pursue a more targeted approach and address the perceived independence issue through auditing standards, inspections and sanctions.

Thank you for this opportunity to comment on the PCAOB Concept Release No. 2011-006, Rulemaking Docket Matter No. 37.

Very Truly Yours,

A handwritten signature in black ink that reads "Ralph F. Boyd". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Ralph F. Boyd  
Chairman, Audit Committee

A handwritten signature in black ink that reads "Pat Doyle". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Patrick T. Doyle  
Executive Vice President and Chief Financial Officer