Viacom

April 20, 2012

Chief Auditor and Director of Professional Standards
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, D.C. 20006-2803

Subject: PCAOB Rulemaking Docket Matter No. 37

Dear Mr. Baumann:

On behalf of the Audit Committee of Viacom Inc., a global entertainment content company, I appreciate the opportunity to comment on the PCAOB's Concept Release on Auditor Independence and Audit Firm Rotation. We support the Board's efforts to enhance auditor independence, objectivity and professional skepticism. However, we are concerned about a number of potential consequences from the proposal, given the limited number of audit firms with the expertise and capabilities to audit effectively large multinational companies. Moreover, the proposal imposes new costs upon the corporations/clients to repeatedly retrain auditors and deal with increasing inefficiencies, resulting from compelled interruptions in our relationships with auditors.

Outside auditors experience a significant learning curve during the initial years of an audit engagement, especially on large, multinational companies like ours, due to the complexity of the business, operations, systems, controls and overall financial reporting processes. The need to periodically repeat this learning curve will lead to significant disruption to the company, additional time that both company and the audit firm will need to devote to training and development and, ultimately, inefficient and potentially inadequate audits. We believe that an audit firm that lacks a cumulative, in-depth knowledge and understanding of the complexities and nuances of the company will not be able to conduct the audit as effectively as a more experienced firm. We believe that mandatory auditor rotation will actually increase the possibility that auditors will fail to detect a financial statement error or an issue in internal controls due to a lack of knowledge, experience and understanding of the company and the complex technical accounting and reporting issues it faces. Companies will incur significant incremental internal costs to periodically train new audit staffs and familiarize them with internal controls, accounting systems, and policies and procedures.

In addition, under a mandatory auditor rotation regime, the adoption and implementation of new accounting standards, such as the expected standard on revenue recognition, may also create significant incremental costs to companies. Such standards will require pervasive changes throughout many companies, from both a system and policy perspective, and cover multiple periods in the course of retrospective adoption. During a multi-year implementation process, companies will work closely with their auditors to ensure that the processes and procedures have been appropriately updated and consistently applied across all periods. Such work will often commence several years prior to adoption. However, if mandatory auditor rotation is required, it is possible that after working with the auditor for a significant period of time on the implementation, the auditor would be required to rotate off of the engagement before adoption and all of the institutional knowledge, along with the value of prior planning and testing, would be lost. In addition, auditors will find themselves responsible for auditing periods affected by retrospective adoption for which they did not perform the initial audit. Developing a level of understanding of the initially reported financial statements that is sufficient enough to provide for an audit of the retrospective adoption will be costly and inefficient, and leave the financial statements subject to increased risk of misstatement.

Multinational companies of our size choose from among a few capable audit firms. Given this limited choice, compelled auditor rotation will likely result in significant price increases as companies will have less negotiating leverage. We have operations in more than 160 countries, and many audit firms do not have sufficient staff and expertise in all of the countries in which we are located. If a firm does not have adequate staff, it may need to use other firms to perform the audit procedures in these locations or hire additional staff, which could create additional problems in connection with cost, training and independence. Even among the Big Four firms, each has its own unique mix of industry and subject matter experts and is not equally represented in all industries and countries.

Many companies such as ours also utilize their audit firm to perform statutory audits in countries around the world, which increases efficiency for both the financial statement audit and statutory audits. Identifying a new firm on a periodic basis that has the capability to perform all of the required statutory audits in the many countries in which we operate without giving rise to independence conflicts would be difficult and time consuming and, we believe, would significantly increase the costs of these audits.

We also engage other Big Four firms to perform various non-audit services, including consulting, tax and other services, that cannot be performed by the financial statement auditor under Sarbanes Oxley rules. Requiring firm rotation could impact the timing and quality of these services since we would need to manage closely potential conflicts concerning the independence of the few audit firms that would be capable of performing our financial statement audit. A non-Big Four accounting firm has not the capacity nor the technical expertise our company requires.

Restricting the ability of the Audit Committee to appoint and retain the auditor that it believes is in the best position to conduct an independent, high quality audit would undermine a key responsibility of the Audit Committee <u>and</u> potentially expose the company and its shareholders to unnecessary risks. We believe that the Audit Committee is best situated to understand the audit needs of the company and to appoint and retain an effective independent auditor, evaluate auditor independence and ensure the external auditor is objective and exercises appropriate professional skepticism. We continue to believe that the Audit Committee should retain ultimate discretion in overseeing the relationship with the outside auditor, and through this oversight, responsibly evaluate which firm is best positioned to perform a quality audit for the company and its shareholders at any point in time. Both the Audit Committee and auditors want to present accurate and meaningful financial statements.

While we support the objective of the “Concept Release” to enhance auditor independence, objectivity and professional skepticism, we believe that the numerous adversities resulting from mandating auditor rotation without clear empirical evidence that such a requirement would actually enhance auditor independence, far outweigh any perceived benefit, and may in fact increase the overall risk of audit failure. We believe sufficient regulations and processes currently exist to encourage auditor independence, objectivity and professional skepticism and that mandatory audit firm rotation would significantly increase the costs and risks of an audit, reduce the effectiveness of our Audit Committee in selecting the most effective audit firm for our company, degrade audit quality and limit the availability of appropriate audit firms for both audit and non-audit services.

We thank the Board for the opportunity to provide these comments on the “Concept Release”. If you have any questions regarding this response or would like to discuss our views in further detail, please feel free to contact me. Thank you for your consideration.

Sincerely,

B J McGarvie

Blythe McGarvie
Chair, Audit Committee

Signed with agreement of the Audit Committee:
Charles Phillips, Jr.
Frederic Salerno