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June 28, 2012

James R. Doty, Chairman
PCAOB
1666 K Street, NW
Washington, DC 20006-2803

Submitted via electronic mail

Re: PCAOB Release No. 2011-006, PCAOB Rulemaking Docket Matter No. 37

Dear Chairman Doty:

I respectfully submit a written statement of my opening remarks for the June 28 public meeting on the *Concept Release on Auditor Independence and Audit Firm Rotation*. My remarks reflect the current views of both Wells Fargo & Company management and our audit committee, which are consistent with the views expressed in our comment letter submissions dated, December 14, 2011.

I welcome the opportunity to share our views and respond to the PCAOB's questions on June 28 and look forward to discussing how we can advance our shared goal of improving audit quality and auditor independence.

Sincerely,

/s/ Richard D. Levy

Executive Vice President & Controller

**Written Statement of
Richard D. Levy
Executive Vice President, Controller
Wells Fargo & Company**

**Before the
PCAOB
June 28, 2012**

Chairman Doty, members of the PCAOB and observers:

Thank you for inviting me to participate in this public meeting to address the very important topics of audit firm rotation and auditor independence.

Auditor independence is critical to ensuring audit quality. However, existing professional standards and practices, including additional safeguards established pursuant to the Sarbanes Oxley Act of 2002 already effectively ensure that auditors remain independent in both fact and appearance. While the intentions of the PCAOB proposal to promote and improve audit quality are laudable, we do not believe there is sufficient evidence to support the underlying assertion that a lack of auditor independence is a pervasive problem or a primary cause of audit failures.

Our audit committee is best qualified to determine when external auditors should be replaced. In order to credibly challenge both management and the external auditors the audit committee must retain full oversight responsibility. When, in the judgment of the audit committee, the performance of management or the quality of the audit is adversely impacted by a perceived or actual lack of auditor independence, it is the fundamental responsibility of the audit committee to determine whether a change in the external auditor is necessary. That responsibility should not be undermined by regulatory intervention.

Audit inspections performed by the PCAOB have not yielded a significant number of deficient audits. Several years after the implementation of Sarbanes-Oxley, the PCAOB has acknowledged that audit quality has improved. Neither academic studies nor these inspection activities, which typically target higher risk audits, have indicated a correlation between audit failures and a lack of auditor independence.

Effective and comprehensive quality control measures that ensure and enhance auditor independence exist today and we directly experience the effectiveness of these measures as our auditors continuously adapt their audit procedures as a result of feedback from the PCAOB.

Audit firms are subject to onerous internal and external quality control measures, including measures enacted under Sarbanes-Oxley to improve auditor independence. Audit firms are required to communicate a description of all client relationships, the audit firm's quality control procedures, and material findings from peer or internal reviews and PCAOB inspection activities. Other rules place limitations on hiring of audit firm personnel, prohibit the performance of certain non-audit services and limit the tenure of the audit engagement partners.

Meaningful disincentives also exist to ensure quality control measures are adhered to, including the signaling of potential audit failures in public SEC filings, the assessment of financial penalties, employment actions or more severe sanctions. It is not reasonable to assume incumbent auditors would audit any more rigorously simply because they would be subject to mandatory rotation.

There is a practical limit to the number of viable replacement audit firm candidates. Large, complex, multi-national companies are realistically limited to using of one of the Big 4 accounting firms. However, given the unique market, operational and technical accounting perspectives of the financial services industry, we believe only two of the Big 4 accounting firms would be viable candidates for our company and our large bank peers.

The field of viable audit firm candidates is also limited by existing rules meant to enhance auditor independence by prohibiting the performance of certain non-audit services, a portion of which is typically divided among the remaining Big 4 firms. Non-audit services frequently represent significant, complex multi-year projects and it is not feasible to expect that such projects could be completed or transferred to a replacement firm in a timely manner without significant cost or disruption.

When potential replacement firms do not have adequate expertise or resources, audit firms may have no other choice but to hire resources from the incumbent audit firm. For similar reasons, we are concerned that audit or non-audit services may be awarded to less qualified audit firms. Each of these reasonably possible scenarios will counteract the perceived benefits of mandatory rotation while “bidding up” the cost of industry expertise.

The potential incremental costs of mandatory auditor rotation will be significant, with some estimates increasing first year audit costs by 20%. However, this estimate does not contemplate the incremental costs associated with reporting requirements imposed by post Sarbanes-Oxley legislation and pending new regulations under the Dodd-Frank Act, the increased leverage that audit firms may have in setting fees, and the audit inefficiencies and learning curve cost a

replacement firm will incur examining complex registrants. Lastly, there are potentially significant unquantifiable costs related to audit detection risks after a rotation. We are troubled that the PCAOB has not performed a meaningful study to determine if the incremental costs of mandatory auditor rotation are justified.

Although we do not support mandatory auditor rotation, we do believe there are opportunities to enhance audit quality and promote auditor objectivity that would be more effective and less disruptive than mandatory auditor rotation. We strongly recommend that the PCOAB consider:

- Enhancing required communications and information available to audit committees by sharing with them the results of its inspections of a registrant's auditors as well as publishing the results of its overall inspection program in a format specifically tailored for use by audit committees;
- Revisiting the requirements for qualifying as a financial expert of the audit committee to ensure audit committee financial experts have the requisite financial reporting experience to effectively perform the oversight responsibilities over the auditor relationship;
- Enhancing auditor training requirements to specifically address audit quality concerns identified during PCAOB inspections as well as assessing the adequacy of existing training programs at audit firms with appropriate emphasis on "professional skepticism" training.

In closing, we believe existing safeguards provided by professional standards and practices combined with the oversight provided by audit committees have been effective in ensuring and

promoting auditor independence. Mandatory auditor rotation will increase audit risk, subject reporting entities to substantial incremental costs, create conflicts of interest among potential replacement audit firms, and limit competition due to the concentration of industry expertise and geographical reach. We believe mandatory auditor rotation will replace a perceived audit risk with tangible and more serious audit risks which could severely damage audit quality. Therefore, we strongly encourage the PCAOB to review other alternatives to enhance audit quality and promote auditor objectivity.