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December 8, 2011

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

Re: Public Company Accounting Oversight Board (PCAOB) Rulemaking Docket Matter No. 37: *Concept Release on Auditor Independence and Audit Firm Rotation*

Dear Board Members:

Overview

The Audit Committee of Dover Corporation appreciates the opportunity to comment on the PCAOB's Release No. 2011-006, *Concept Release on Auditor Independence and Audit Firm Rotation*. Members of this Audit Committee currently, and in the past, have served other public registrants as members of the board of directors and audit committees; in the positions of CEO and CFO; and as Audit Partners with independent public accounting firms. Our collective experiences and views afford us the ability to comment on your proposal through multiple perspectives, with the interests of shareholders and investors being paramount. The comments set forth herein are our own, and should not be attributed to any other individual or entity.

We fully agree with the assertion that the independence, objectivity and professional skepticism of audit firms is fundamental to audit quality and an essential element in the public financial reporting process. As audit committee members of a multinational company, we believe that maintaining audit quality is our most important priority. Consequently, we fully support the ongoing efforts by the PCAOB and the Securities and Exchange Commission (SEC) to improve audit quality, provide oversight of the public accounting profession and to enhance public trust and confidence in the financial reporting process.

We believe that audit quality and the independence, objectivity and professional skepticism of audit firms have improved since the passage of the Sarbanes-Oxley Act of 2002 (SOX) and the creation of the PCAOB, which included the requirement that registered audit firms are inspected by the PCAOB annually, that audit committees be composed solely of independent board members (including at least one financial expert), and that there be additional limits to the range of permitted non-audit services. SOX's lead audit partner rotation requirements (and the required rotation of other engagement partners, including the engagement quality review partner) have meant that every five years audit firms have a new set of eyes and new leadership through which to review accounting and auditing strategies and conclusions, the audit process and the audit client's financial statements. In addition, SOX and other policy-making efforts have fostered a better alignment among independent auditors, audit committees, the PCAOB and public company shareholders regarding the objectives of a public company audit.

Audit firms have benefited from this increased oversight by enhancing their commitment to audit quality and by investing continuously in actions and initiatives to reinforce the independence, objectivity and professional skepticism of audit partners and professional staff. This does not mean there isn't room for improvement. We recognize that when corporate fraud or other wrongdoing is uncovered auditors are

sometimes believed to have lacked a sufficient level of objectivity or professional skepticism. However, in many cases the root causes underlying such deficiencies can be categorized as insufficient review by more senior audit personnel, lack of relevant knowledge or the effect of workload time pressures on the resolution of an accounting or auditing matter, rather than the number of years the audit firm has audited the registrant.

Accordingly, we believe that the Concept Release is fundamentally flawed as mandatory audit firm rotation, in our view, is not a necessary or constructive means to improve auditor independence, objectivity and professional skepticism. There is no evidence that we are aware of suggesting that mandatory audit firm rotation will improve audit quality; in fact, there is evidence to suggest that mandatory audit firm rotation would impair audit quality. In addition, mandatory audit firm rotation would give rise to substantial costs and service disruptions to registrants that undermine sound corporate governance.

Improved Regulatory Environment

Consequently, we believe the audit profession and audit committee community should work closely with the PCAOB and, to the extent appropriate, the SEC, in exploring ways to address the concerns over the independence, objectivity and professional skepticism of external auditors that were raised in the Concept Release. In this regard, we believe there are certain ideas that should be further explored to address the PCAOB's objectives and benefit the public interest. In particular, the following ideas are worth further consideration and analysis:

- In conjunction with gathering data from audit engagements selected for inspection, we believe it is critically important that the PCAOB continue its efforts to understand the root causes of common audit deficiencies. To date, the inspection findings have not tied an auditor's tenure to audit quality. As stated on page 16 in the Concept Release, "[p]reliminary analysis of [inspection] data appears to show no correlation between auditor tenure and number of comments in PCAOB inspection reports."
- Further strengthen the role of independent audit committees as a means to promote audit quality and auditor skepticism. Among other things, audit committee transparency might be increased through additional proxy statement disclosure regarding the appointment and oversight of the independent auditor.
- Consider a formal practice under which the PCAOB could recommend rotation of an audit firm in instances where it has been demonstrated, through the PCAOB's enforcement process against a firm, that professional skepticism or objectivity was significantly lacking in the firm's audit of the registrant.
- Increase the interaction between the PCAOB and audit committees on issues related to standard setting and other aspects of auditing standards and execution
- Consider direct communications between the PCAOB and audit committees related to specific inspection findings, when warranted, and to share with audit committees leading practices that might enhance and promote auditor independence, objectivity and professional skepticism.
- Evaluate the impact on auditor independence, objectivity and professional skepticism of the recently issued PCAOB engagement quality review and risk assessment auditing standards and the planned issuance of new quality control standards.

Discussion of Mandatory Audit Firm Rotation

As stated above, we disagree with the assertion that auditor independence, objectivity and professional skepticism can be enhanced through mandatory audit firm rotation. The following points present in more detail the basis for our conclusions regarding mandatory audit firm rotation and its negative impact on audit quality, costs, and service.

- The U.S. Congress previously considered the idea of mandatory audit firm rotation and rejected it. In debating SOX, the U.S. Congress deliberately opted for mandatory audit partner rotation, the establishment of independent standard-setting and independent oversight by the PCAOB, and the strengthening of independent audit committees. With the improvement in audit quality since the enactment of SOX, due in large part to the PCAOB's activities and the enhanced role of audit committees, there is no compelling reason to consider mandatory audit firm rotation at this time.
- Length of audit firm tenure, in and of itself, is not a threat to either auditor independence or audit quality. In fact, there is currently no evidence that we are aware of linking audit firm tenure to audit shortcomings. While the PCAOB has pointed to specific findings from its inspections of certain audit engagements that appear inconsistent with the objectives of auditor independence, objectivity and professional skepticism, the inspection findings do not establish an adverse link between audit tenure and audit quality.
- Although audit firms often audit the same company for long periods of time, the people who conduct the audits, as well as the management of those companies, change frequently. The current mandatory five-year audit partner rotation requirements (and the other required rotation requirements) and natural staff turnover within the audit engagement teams provide for new perspectives on accounting matters, audit execution, and financial reporting. Moreover, the turnover of company personnel keeps relationships between the audit firm and the company fresh.
- The loss of the audit firm's cumulative knowledge due to mandated audit firm rotation could lead to a higher risk of undetected material misstatements in the initial periods of appointment as each registrant has its own unique combination of industry and company specific business and related audit risks that requires substantial time and effort by the new audit team members to identify and fully understand. The impact of mandated audit firm rotation would be even more negative for multinational companies like Dover that conduct business in many countries around the world and have significant operations in emerging markets where quality audit resources are difficult to put into place.

Accordingly, in the early years of an audit firm's required rotation there is a void created which yields incremental risk to the auditor, the audit committee, the registrant and its shareholders. We do not believe that such a risk is created by mandatory rotation of audit partners, as institutional knowledge of the registrant is retained by the broader audit team.

- Auditor changes create distractions to company personnel, particularly those in the financial reporting chain. Significant time will be devoted to preparing, reviewing and evaluating requests for audit proposals and to educating the new audit team members about the company's businesses, systems, and processes.
- The loss of the audit committee's cumulative and personal knowledge of a given audit firm's performance at a given registrant yields incremental risk to the audit committee in the fulfillment of the audit committee's responsibility to assess the audit firm's performance on a recurring basis.

- Under a mandatory audit firm rotation model, audit committees would have fewer options from which to choose the audit firm that best meets the needs of the company. Audit firms can have different skill sets, industry expertise and geographical reach, all of which contribute to producing a high-quality audit and are important considerations for an audit committee in selecting an independent auditor. Mandatory rotation would automatically disqualify the current audit firm from the pool of candidates, thereby restricting the audit committee's ability to choose the firm it may believe is best suited to conduct a high-quality audit for the company's shareholders.
- Mandatory audit firm rotation would also reduce the authority of audit committees and restrict their ability to challenge audit firms and to make changes in the external auditor when they believe it is appropriate.
- There is a non recurring effort and cost associated with every new audit engagement in establishing the initial knowledge base. Generally, public accounting firms accept the costs of such non recurring activities to be a cost of obtaining new business. We believe that the requirement for mandatory audit firm rotation would change these costs from a non recurring cost into a recurring cost which would be passed through to the registrant and, consequently, to the registrant's shareholders.
- The execution of quality audits in accordance with PCAOB auditing standards requires significant effort from well-trained, highly motivated audit professionals. For globally diversified registrants like Dover, it is paramount that these professionals be geographically dispersed to meet the requirements of a well planned global audit. We are concerned that mandatory audit firm rotation could result in a decline in audit quality due to a mismatch of resources caused by the lack of predictability associated with deployment of qualified audit professionals in locations where audit procedures take place. In addition, we are concerned that mandatory audit firm rotation could result in substantially increased audit fees as additional costs of hiring, training, and relocating qualified audit professionals are passed along to registrants.

Summary

Although there will always be a need to bring new ideas to the topic of audit quality and the protection of auditor independence, objectivity and professional skepticism, we do not believe further consideration of mandatory audit firm rotation is in the public interest. We do, however, support ideas that would further enhance audit quality, and we have discussed several of those ideas above.

We urge the Board to consider the ideas outlined in this letter that we believe will advance our mutual objectives concerning audit quality and auditor independence, objectivity and professional skepticism and help further the alignment of independent auditors, independent audit committees, independent audit regulators and shareholders.

We appreciate the opportunity to present our views on this very important matter.

Sincerely,

Audit Committee of Dover Corporation:

Mary A. Winston, Chairman /s/

Bernard G. Rethore /s/

Michael B. Stubbs /s/

Stephen M. Todd /s/

Stephen K. Wagner /s/