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**VIA ELECTRONIC DELIVERY**

December 14, 2011

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

Re: Request for Public Comment: Concept Release on Auditor Independence and Audit Firm Rotation, PCAOB Rulemaking Docket Matter No. 37

Dear Office of the Secretary:

Capital Research and Management Company (“Capital”) serves as investment adviser to the American Funds, one of the oldest and largest mutual fund families in the nation. We appreciate the opportunity to provide comments on the Concept Release on Auditor Independence and Audit Firm Rotation (“Concept Release”). These comments reflect our own views and not necessarily those of Capital or other Capital associates. These comments are informed by interactions with our independent auditors and our experiences as preparers of audited financial statements of both Capital and its affiliated companies as well as the American Funds.

We support the Public Company Accounting Oversight Board’s continued efforts to improve auditor independence and audit quality. However, we do not believe that mandatory audit firm rotation will enhance auditor independence, objectivity and professional skepticism, nor improve financial reporting.

The Sarbanes-Oxley Act of 2002 (the “Act”) instituted a number of new standards for U.S. public company boards and registered public accounting firms that were designed to improve auditor independence. The passage of the Act greatly expanded the responsibilities and authority of the audit

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committee, including its duties in monitoring the external audit. Audit committees are directly responsible for the appointment, compensation and oversight of the work of any registered public accounting firm. Our audit committees exercise diligence and care in carrying out their duties and view the selection of the independent auditor as one of the most important duties they perform. We believe that imposing an arbitrary term limit on audit engagements diminishes the role of audit committees and interferes with the audit committees' discretion with respect to the selection and replacement of the auditor. Audit committees are in the best position to ensure the independence, objectivity and professional skepticism of the independent auditor, and it should be the committees' responsibility to determine if and when rotation is required. An alternative approach to consider would be the development and publication of guidance and best practice standards audit committees should consider in the selection and ongoing monitoring of the audit engagement team and an audit firm's national resources, as well as guidance on how audit committees should assess audit quality.

Supporters of mandatory audit firm rotation believe that a benefit of rotation will be an increased incentive by the retiring auditor to "scrub" the audit towards the end of the allowable term because they know their work will be closely examined by the succeeding auditor. We believe the opposite is true and an unintended consequence may be that audit firms could be less diligent towards the end of their allowable term in serving the audit committee where the firm will be rotating off the account. For the same reason, an incumbent audit firm may be motivated to reassign talented associates to new engagements from the expiring engagements. In both cases, audit quality for shareholders could suffer from mandatory rotation. Some proponents also argue that a new independent auditor would bring forth a fresh viewpoint. However, it is our belief that the current requirement to rotate the audit engagement partner, especially when coupled with the requirement for second partner reviews, provides a sufficient opportunity for bringing a fresh and skeptical viewpoint to the audit without creating the significant costs and risks associated with changing audit firms.

Mandatory audit firm rotation may also lead to less desirable and/or fewer audit firm choices for audit committees. An audit committee could be faced with the decision to select an audit firm that lacks the appropriate specialized company or industry expertise. A lack of specialized industry knowledge

increases the risk that audit quality will decline, which outweighs the perceived benefit of a rotation requirement. Furthermore, the population of audit firms that would have the requisite experience and qualifications to meet a company's needs may be limited in certain geographic markets. As such, an audit committee could be forced to engage an audit firm outside of its local market to meet the rotation requirement, thereby incurring additional audit-related costs. Additionally, Sarbanes-Oxley rules prohibit a public company from obtaining certain non-audit services from the audit firm that performs its financial statement audit. For companies utilizing the non-audit services of several audit firms (which are not the company's auditor), a mandatory rotation rule would serve to both limit the number of available firms that have the appropriate level of company and industry expertise and can provide non-audit services, as well as disrupt current projects being worked on in partnership with an audit firm being brought in as the new independent auditor.

Lastly, we believe that mandatory audit firm rotation would considerably increase costs because of the frequent need for the "new" auditor to gain familiarity with an issuer company and its operations. The education of an entirely new audit firm on the issuer company's business processes, controls and accounting policies would require extensive additional time commitments by both the audit firm and issuer company staff. This would result in increased audit fees, which ultimately gets passed onto our funds' shareholders, as well as costs incurred by the issuer company. Over time, audit firms accumulate institutional knowledge of their client's operations, risks and complex accounting and reporting issues. This knowledge base enables the auditor to more effectively identify and target high risk areas and address complex issues. Because a new auditor needs to climb a steep learning curve at the onset of an audit, increasing new relationships through mandatory auditor rotation could jeopardize the effectiveness and quality of the audit while introducing unnecessary increased risk in the earlier years of the audit. Furthermore, for each rotation, management of the issuer company would also be required to devote substantial time and effort to facilitate the transition, which would divert resources away from the financial reporting process and potentially increase the risk of errors and misstatements.

In summary, although we support the desire to improve auditor independence and audit quality, we do not believe the proposal to rotate audit firms achieves this objective. Mandatory audit firm rotation would increase costs, limit the number of audit firms that an audit committee can select from, and not

result in meaningful improvements to auditor independence or audit quality. Alternatively, we believe the audit committee is in the best position to determine when, and if, a change in audit firms will produce better audited financial statements for the funds' shareholders.

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Thank you for considering these comments. Please feel free to contact any of us should you have any questions or wish to discuss our thoughts on the Concept Release.

Sincerely,

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