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April 20, 2012

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

Re: *Concept Release on Auditor Independence and Audit Firm Rotation, August 16, 2011 (PCAOB Release No. 2011-006, PCAOB Rulemaking Docket Matter No. 37)*

Members of the Board:

We congratulate the PCAOB for a successful public meeting on Auditor Independence and Audit Firm Rotation. The variety and quality of ideas put forth by the various panelists was impressive, and we applaud the PCAOB for expanding the dialogue on ways to further auditor independence, objectivity and professional skepticism.

It is clear that this is a topic of great importance to many constituencies. We believe several of the ideas put forth at the public meeting have the potential to build upon the substantial audit quality improvements that have resulted from the enactment of the Sarbanes-Oxley Act of 2002. Certain of those ideas can be enacted by the PCAOB, while others may require coordination with the SEC and others. We stand ready to assist and look forward to continuing to work collaboratively with the Board as it considers ways to support and improve audit quality.

As noted in Deloitte's written statement for the public meeting, since filing our December 8 comment letter, we have continued to monitor developments and track literature to consider whether any new data has become available that would be useful in assessing the merits of mandatory audit firm rotation. Nothing that we have identified has changed the conclusions we set forth in our December 8 letter or the written statement, but we nonetheless wanted to identify several new items for your consideration. We have listed the new items in an appendix to this letter, in the same categories we used in the exhibits and the numbered section of Appendix 1 to our original comment letter.

If you have any questions or would like to discuss these matters further, please contact me at (212) 492-4508. Thank you for your consideration.

On behalf of the partners and people of Deloitte:

A handwritten signature in black ink that reads "Joe Echevarria". The signature is fluid and cursive, with a large initial "J" and "E".

Joe Echevarria, CEO
Deloitte LLP

cc: Martin F. Baumann, Chief Auditor and Director of Professional Standards

Mary L. Schapiro, SEC Chairman
Luis A. Aguilar, SEC Commissioner
Daniel M. Gallagher, SEC Commissioner
Troy A. Paredes, SEC Commissioner
Elisse B. Walter, SEC Commissioner
James L. Kroeker, SEC Chief Accountant
Brian Croteau, SEC Deputy Chief Accountant

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APPENDIX: ADDITIONAL RESEARCH DATA

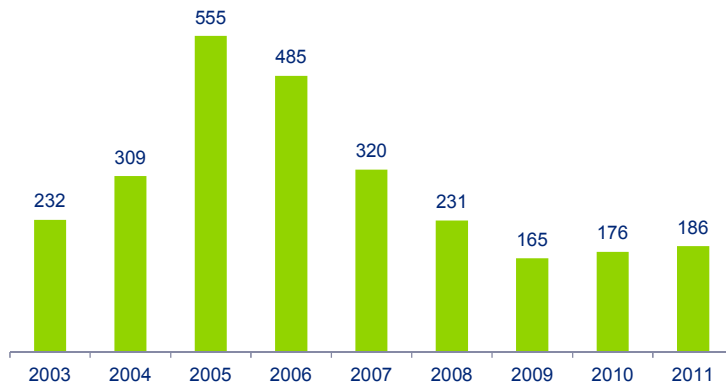
Below are research reports and data that we have identified since filing our original comment letter on December 8, 2011.

INDICATORS OF FINANCIAL REPORTING AND AUDIT QUALITY

Exhibit 1 in our December comment letter showed the trend in financial statement restatements from 2003 through October 2011; the updated chart below includes data through the end of 2011. Exhibit 2 showed the trend in class action filings that include accounting-related allegations from 2002 through 2010; the updated chart below includes data through 2011.

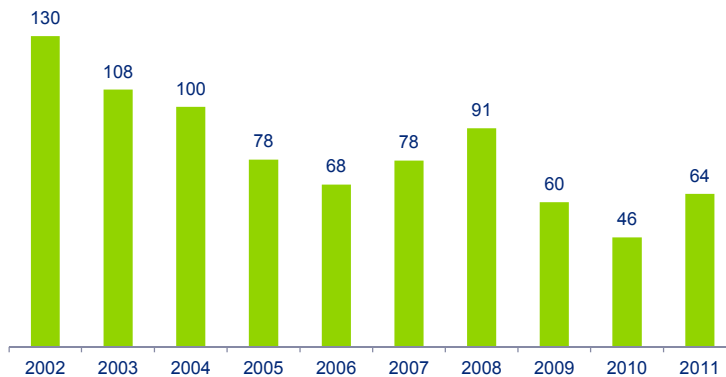
Exhibit 1: Financial statement restatements, 2003-2011

Companies with public float over \$75 million



Sources: Wall Street Journal, Audit Analytics

Exhibit 2: Class action filings including accounting-related allegations, 2002-2011



Source: Cornerstone Research

ANALYSIS OF MANDATORY ROTATION OPTION

Empirical studies on the subject of mandatory rotation

Empirical studies generally not supportive of mandatory rotation

We found one additional source based on empirical data that generally did not support mandatory rotation.

1. Brooks, *Audit Firm Tenure and Audit Quality: Evidence from U.S. Firms* (April 10, 2012). Examines the “turning point” when audit quality begins to decline, estimating an average of 12 years, and an extended turning point of 14 years pre-Sarbanes-Oxley and 18 years post-Sarbanes-Oxley, thus rendering a 10-year rotation requirement questionable.

Empirical studies generally supportive of mandatory rotation

We found one additional source based on empirical data that generally reached conclusions favorable to mandatory rotation.

1. Harris, *Mandatory Audit Rotation: An International Investigation* (March 21, 2012). In jurisdictions that have adopted mandatory audit firm rotation, quality, as defined in study, appears to improve on average, although the authors noted erosion in quality in the year before and after a rotation.

Empirical studies that take no position on mandatory rotation

We found one additional source based on empirical data that did not reach a conclusion for or against mandatory rotation.

1. Audit Analytics, *A Restatement Analysis of the Russell 1000 Companies: The Extent to which the “Fresh Eyes” of a Newly Engaged Auditor Provided Assistance in the Discovery of the Misstatement* (February 2012). For Russell 1000 companies the number of “fresh eyes” restatements is very small (less than 1 per year on average); the number of restatements of financial statements audited by the new auditor (10) is more than double the number of “fresh eyes” restatements (4); and the number of restatements detected by the prior auditor (34) was much greater than the “fresh eyes” restatement rate.

Opinion-based sources

Opinion-based sources generally not supportive of mandatory rotation

We found two additional sources that were not based on empirical evidence that generally did not support mandatory rotation.

1. The Hindu Business Line, *Case for Stimulus to Auditors*, (March 12, 2012). Companies Bill would make it mandatory to rotate auditors of listed companies, which would increase burden on companies and could lead to operational problems, especially for companies with global operations.
2. David Katz, *The Cost of Confidence*, CFO.com (February 1, 2012). Finance chiefs think that being compelled to change audit firms would be especially disruptive because of the hours that CFOs and finance staffers would have to spend on the auditor transition.

Opinion-based sources generally supportive of mandatory rotation

We found two additional sources that were not based on empirical evidence that generally supported mandatory rotation.

1. Max Planck Institute Working Group, *Auditor Independence at the Crossroads*, European Business Organization Law Review (January 14, 2012). Auditor should be appointed for a fixed period: initial appointment should be four years, renewable once for another period of four years, and the implementation should start with companies that have had the same auditor for the longest period.
2. Turner, *Market Transparency Demands Audit Rotation*, Wall Street Journal CFO Journal (December 12, 2011). Recent events provide compelling evidence the current system of financial reporting is not producing the accurate information well-functioning markets require.

Opinion-based source that takes no position on mandatory rotation

We found one additional source that was not based on empirical data that took no position on mandatory rotation.

1. Roush, *Auditor Rotation, the PCAOB Considers a New Direction*, Current Issues in Auditing v.5, no.2 (2011). Majority of academic findings are not supportive of mandatory audit firm rotation, but others should participate in the discussion.