Comments by Steven E. Buller, Managing Director, BlackRock, Inc.
To the PCAOB on March 21, 2012

I appreciate the opportunity to participate in this PCAOB public meeting on auditor independence and audit firm rotation. I am speaking based on the input I have received from our firm's analysts, as well as our corporate and investment fund financial statement preparers. BlackRock manages approximately $3.5 trillion of assets and sponsors approximately 3,500 investment vehicles. We utilize two of the Big-4 audit firms for SEC attest services and the five largest accounting firms for advisory services.

The PCAOB's Concept Release on Auditor Independence and Audit Firm Rotation offered a number of alternatives to enhance auditor independence and objectivity. I will address mandatory rotation momentarily. We support some of those alternatives, including further restrictions on the scope of non-audit services that may be provided by an audit firm to its SEC registered audit clients if those services do not relate to the audit or control environment. We don't object to audit firms performing advisory services, which may provide their professionals with business acumen that will enhance their audit skills. However, we have observed that some firms continue to expand their advisory practices into areas that are less aligned with traditional audit and tax practices.

We recommend the SEC and PCAOB consider whether certain non-audit services, including bookkeeping, financial information system design and implementation, appraisal or valuation services, or actuarial services may be performed for a registrant by a company's independent auditor, even when those services will not be subject to audit procedures during the client's financial statement audit. We also encourage review of other non-audit services to determine whether they should be identified as potential conflicts. For example, personal tax services for company employees, compensation consulting, staff augmentation and project management all may provide the appearance of a lack of independence.

Turning to central aspect of the release, we do not support mandatory auditor rotation. Our Corporate Audit Committee, analysts and management are concerned about restrictions in a company's ability to select the most qualified audit firm, the loss of institutional knowledge and the reduced incentive for audit firms to invest in the audit relationship when their time horizon is short. An auditor's effectiveness is lowest at the beginning of a new audit relationship, and the learning curve may last for several years. Companies also may be limited in their selection of a new audit firm by a number of factors, including industry expertise and employees who are former audit partners in financial reporting oversight roles.

As we sponsor investment funds that are part of an Investment Company Complex for SEC auditor independence purposes, every fund is subject to the SEC's auditor independence rules even though they may not be an SEC registrant. As a result, mandatory rotation would be a logistical challenge given our monthly fund year end cycles and the need to coordinate auditor selection with over a dozen corporate and fund boards of directors that must select auditors.

As we indicated in our written response, other alternatives to mandatory rotation include requiring registrants to disclose their policy with respect to periodic tendering of the audit and the date on which the most recent audit tender occurred and, as previously mentioned, further restricting advisory services. The PCAOB should continue to emphasize the importance of independence and objectivity through their comprehensive auditor inspection process, which has been effective. We believe the PCAOB should share as much information as possible from their inspections, on a no-name basis, with audit committees, and provide criteria that should be considered in evaluating auditors, thereby putting the audit committee members in a better position to enhance the audit process and monitor auditor independence.

Overall, we are satisfied that the current audit and professional standards, quality control measures implemented as a result of Sarbanes-Oxley, PCAOB inspections, and mandatory partner and staff rotation requirements, have helped ensure high quality audits, and we applaud the PCAOB's ongoing efforts to enhance those standards.