Re: Docket 037 -- Concept Release on Auditor Independence and Audit Firm Rotation

I am the publisher of Corporate Governance (CorpGov.net). Since 1995, we have worked to improve the accountability of corporations to their shareowners. Read more about me at http://corpgov.net/wp-content/uploads/2009/03/AboutMcRitchie.pdf.

Thank you for inviting comments on how to enhance auditor independence. Although I agree that auditor rotation would be better than what we have now, even better would be an approach suggested by Mark Latham, the founder of VoterMedia.org. Let shareowners choose the auditor by vote. See section 5 of Latham’s article "Proxy Voting Brand Competition" in the Journal of Investment Management, January 2007, available without charge at http://www.votermedia.org/publications.

As a step in this direction, shareowners could at least be permitted to vote on a company-by-company basis through private ordering on whether they would like to choose the auditor in this way. Unfortunately, the SEC has allowed management to exclude shareowner proposals to choose the auditor, allowing the argument that auditor selection is an ordinary business matter. The following two examples are illustrative:


Instead of requiring auditor rotation PCAOB could work with the SEC to give shareowners the power to change practices at our own companies. Get the SEC to ensure they stop issuing no-action letters on shareowner proposals seeking to facilitate shareowner input into the auditor selection process.

Sincerely,

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