14 December 2011

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, N. W.
Washington, DC 20006-280

Re: Auditor Rotation

Gentlepeople:

For 30 years I have sat upon, and chaired many, audit committees of the American Funds Group . . . specifically ICA, AMF, AMCAP, the Fixed Income Funds, the American Funds Insurance Series and the Target Date Funds. I was also CEO of The Christiana Companies, (NYSE), for nearly twenty years.

During that term there were many mishaps in public companies that caught public attention and cost shareholders dearly so I, and my fellow directors/trustees, was always aware of the need for “whistle clean” audits and audit practices. Those concerns were also a prime focus for those at Capital Research and Management.

Thus I would happily echo the thoughts and opinions of other independent American Funds’ directors/trustees who have authored another letter as to maintaining an ever sharper focus on the audit process and practices.

However, it has also been my experience to note that to bring in a new audit firm is to begin a learning process as between that firm and the Capital people that is not only expensive, but almost counterproductive.
Auditor Rotation (continued)

The present practice of partner rotation does achieve a requisite need for getting “new eyes” into the audit practices on a regular basis and helps those of us on the audit committees augment our questioning and our prescribed need for skepticism.

Partner rotation also allows the audit committee to question the incoming partner as to their opinion about how their experience with other funds might benefit American Funds’ shareholders. There is always an emphasis on what might be the newest “best practices”.

An audit, to be successful, will be the result of constructive interaction between the auditor and the company. It is not a mechanical process, nor should it be. In my opinion the PCAOB proposal to rotate firms would be disruptive and inefficient. Nor would it provide any further protection for the fund shareholders.

There is an ever present necessity felt by all our audit committee members to insure that the audits are thorough and complete, but it is hard for me to conclude that audits would be more thorough and more complete if there were a requirement to rotate firms, not just partners. The added cost resulting from the need to educate periodically a new audit firm would be of little benefit to shareholders.

The key factor for me is that an audit committee that is working well is in a best position to assess the quality of the current audit and the ongoing audit process. Thus the committee can best determine whether a change in auditors is warranted. Thank you for the opportunity to express my views.

Respectfully submitted,

Martin Fenton
Chairman
Senior Resource Group, LLC