



December 14, 2011

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

Submitted by e-mail: comments@pcaobus.org

Re: PCAOB Rulemaking Docket Matter No. 37

Chairman Doty:

Ameren Corporation (NYSE: AEE), a Fortune 500 public utility holding company, appreciates the opportunity to provide comments on the Public Company Accounting Oversight Board's ("PCAOB") Concept Release on Auditor Independence and Audit Firm Rotation (the "Concept Release"). We concur with, and fully support, the comment letter on the Concept Release provided by Walter J. Galvin, the Chairman of Ameren's Audit and Risk Committee, which is attached hereto as Exhibit I. We also concur with comments provided by The Edison Electric Institute, which is an association of U.S. shareholder-owned electric companies, including Ameren, which is attached hereto as Exhibit II.

We agree with Mr. Galvin that mandatory audit firm rotation would create significant risk of diminishing audit and financial statement quality. In addition to this negative consequence, mandatory audit firm rotation would unnecessarily increase costs for our shareholders and customers.

The potential decrease in audit and financial statement quality, as well as increased costs, far outweigh any perceived benefit of mandatory audit firm rotation. We request the PCAOB not pursue mandatory audit firm rotation and leave authority to oversee the independent audit process with audit committees.

Thank you for the opportunity to comment on the proposal.

Sincerely,

A handwritten signature in black ink, appearing to read "Martin J. Lyons".

Martin J. Lyons
Senior Vice President and Chief Financial Officer
Ameren Corporation

Attachments



December 12, 2011

Office of the Secretary
PCAOB
1666 K Street, N.W.
Washington, D.C. 20006-2803

Re: PCAOB Rulemaking Docket Matter No. 37

Chairman Doty:

I am writing you as Chairman of the Audit and Risk Committee for Ameren Corporation (NYSE: AEE), a Fortune 500 public utility holding company, in response to the invitation to comment on the Public Company Accounting Oversight Board's ("PCAOB") Concept Release on Auditor Independence and Audit Firm Rotation (the "Concept Release").

Audit committees have a vested interest in ensuring the audits of the companies we oversee are performed in an independent and high quality manner, and result in reliable and accurate financial statements. It is our role to assess the quality and independence of the auditor and to make changes when necessary. I believe we are fully equipped to handle this responsibility without an additional regulatory mandate. I am also of the opinion that mandatory audit firm rotation would create a significant barrier to accomplishing the goal of reliable and accurate financial statements and, in fact, add significant risk of diminishing audit quality and detection of financial statement errors. In addition to this negative consequence, mandatory audit firm rotation would unnecessarily increase costs for our shareholders and customers.

Audit Quality

One advantage of audit firm tenure is that the auditor gains significant knowledge and understanding of a company over time, and such knowledge enhances audit quality. Performing a high quality, effective audit depends on an auditor's detailed understanding of an entity's operations. This is particularly important for complex industries, such as ours, which are highly regulated and specialized in terms of the services and products we offer, and the related business processes and risks. This expertise is institutionally built up over time within audit firms. The importance of this expertise to companies and audit committees is reflected in our industry by looking at the firms hired for audit work.

Audits of Fortune 500 companies are dominated by the Big Four independent accounting firms. Further, audits of large utilities, like Ameren, are dominated by just two firms that audit over 80% of Fortune 500 utilities. Clearly, utilities value this institutional knowledge and concentrate their audits where they believe it exists. Professional skepticism, a desired goal of the PCAOB in the Concept Release, must be founded in the understanding of the business. While this expertise could certainly be acquired over time by new audit firms, it appears very few companies are willing to take that risk.

Not only will institutional knowledge be lost with mandatory auditor rotation, adequate qualified staffing could be a challenge. Audit quality is enhanced by the ability of audit firms to attract and retain high-performing and qualified professionals to conduct audits. Mandatory audit firm rotation could make it difficult for audit firms to give their personnel career-enhancing assignments. In addition, with frequent changes in audit clients, firms will be challenged to predict and maintain proper staffing levels at various

locations. There will be requirements to rapidly add, reduce and relocate staff, creating training issues and concerns about access to qualified auditors to meet client needs.

Audit Committee Function

The SEC currently requires key audit partners to rotate off audit engagements after five years and avoid association with the audited company for another five years. As a result, I believe that there is already adequate partner and staff change on audits, as a result of this mandatory partner rotation and normal staff turnover, to provide the benefits of a "fresh viewpoint" on annual audits. In practice, audit teams regularly evaluate their audit procedures and revise them to improve effectiveness and efficiency.

Sarbanes-Oxley provides audit committees with responsibility for the appointment, compensation and oversight of independent audit firms, along with the responsibility for resolving any disagreements between management and the auditor regarding financial reporting. In addition, many public companies, including Ameren, provide for a shareholder vote to ratify the retention of the audit firm recommended by the audit committee on an annual basis. To be effective, audit committees should continue to have clear authority to oversee the audit process and to appoint, remove and compensate the auditor. While I support measures to encourage the continued development of strong and independent audit committees, I believe that audit committees, as presently configured, should continue to appoint and retain the audit firms they believe best meet shareholders' needs. I believe mandatory audit firm rotation would hinder the audit committee's ability to oversee the financial reporting and audit process in the interest of shareholders.

Costs and Timing

Mandatory audit firm rotation will also unnecessarily increase costs for our shareholders and customers that would exceed any perceived benefits. The Concept Release notes a General Accounting Office (now the Government Accountability Office) survey estimate that initial year audit costs - which includes costs beyond the audit fee itself - would increase by more than 20 percent with mandatory audit firm rotation. Because of the very limited pool of qualified independent audit firms, the basic rules of supply and demand would indicate there will be little incentive for audit firms to aggressively price their services since they will know a company must change auditors. In addition, there will be ramp-up costs for the new auditor and continuing costs to obtain consents from the previous auditor for the inclusion of their comparative period audit opinion in securities filings and for capital markets transactions. There will also be internal costs to companies as staff will be required to train new auditors on processes, risks and controls. This periodic training exercise will further divert staff attention from their duty to produce quality financial statements, increasing the risk of financial statement errors.

In addition, the timing of a required rotation could result in increased risks and distractions that could affect both audit quality and a company's planned transactions or activities at the time a mandatory auditor rotation occurs. Due to the learning curve that audit firms typically face with a new audit assignment, audits will be less efficient at the beginning of the engagement and can present a higher level of audit risk to a company. Audit risk also could be higher at the end of an audit rotation period as well if companies are distracted with planning for the transition to the new audit firm and the audit firm being replaced is focused on the next post-rotation assignment. While audit firms obviously can and have managed transitions effectively, the volume of such transition activity has been significantly less than what would be experienced under a mandatory rotation model.

I also believe that the perceived increased independence from forced audit firm rotation may be illusory. Companies routinely use multiple accounting firms for audit and non-audit services. Again, with a limited pool of qualified firms, forced audit firm rotation could just result in changing the roles of

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service providers. Previous audit and future audit firms would have ongoing relationships with management. Regulating the limitation of these business relationships would add further risks and costs to business processes.

The potential costs of decreased audit and financial statement quality far outweigh any perceived benefit of mandatory audit firm rotation. I request the PCAOB not pursue mandatory audit firm rotation and leave that responsibility to audit committees.

Thank you for the opportunity to comment on the proposal.

Sincerely,



Walter J. Galvin
Chairman of the Audit and Risk Committee
Ameren Corporation



Edison Electric
Institute

Richard F. McMahon, Jr.
Vice President

December 14, 2011

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Submitted by e-mail: comments@pcaobus.org

Rulemaking Docket Matter No. 37

The Edison Electric Institute ("EEI") respectfully submits comments on the Public Company Accounting Oversight Board's ("PCAOB") *Concept Release on Auditor Independence & Audit Firm Rotation* (the "Release"). EEI is the association of U.S. shareholder-owned electric companies. Our members provide service to 95 percent of the ultimate customers in the shareholder-owned segment of the industry, and represent approximately 70 percent of the U.S. electric power industry. EEI appreciates the opportunity to comment on this Release.

Summary

We understand that the PCAOB is interested in comments on whether mandatory auditor rotation would significantly enhance auditor independence, objectivity and professional skepticism, as well as comments on any alternative methods that may address the PCAOB's concerns. These concerns include observations that audit quality is not always sufficient, that audit evidence is biased in some situations towards supporting management's positions rather than independently developed and assessed, and that auditors fail at times to put the interests of investors ahead of clients. We recognize that auditor independence, objectivity and professional skepticism are central to the role that auditors play in our financial system. However, we do not support mandatory audit firm rotation, as discussed in more detail below.

The significant changes arising from passage of the Sarbanes-Oxley Act ("SOX"), including mandatory audit partner rotation, enhanced requirements related to committee responsibilities, increased disclosure requirements and restrictions imposed on services provided by audit firms, were instituted to improve audit quality. In our experience,

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these changes have driven improvement in audits. The PCAOB inspection process also continues to drive enhancements in the audit firms' approach to performing their work. Further, SOX requirements for companies, including enhanced internal control documentation and monitoring, have also led to improvements in financial reporting quality. As discussed in the Concept Release, determining the root cause of audit failures is complex and the PCAOB plans to deepen its understanding of root causes in upcoming inspection seasons. We encourage the PCAOB to focus its efforts on the root causes of the audit failures, before considering mandatory auditor rotation. At this time, we believe the current approach for engagement and oversight of auditing firms should be retained.

Current Requirements

The Release acknowledges that not all audit deficiencies detected by the PCAOB inspection staff necessarily result from a lack of objectivity or professional skepticism, but rather could “reflect a lack of technical competence or experience, which may be exacerbated by staffing pressures or some other problem.” The Release also notes that because the PCAOB’s inspection program is risk-based, it may be looking at “the most error-prone situations.”

Before addressing whether significant further enhancement of auditor independence, objectivity and professional skepticism is necessary, we should first consider the Securities and Exchange Commission (“SEC”) and PCAOB's standards on these attributes, including:

- Auditor communications with audit committees regarding independence;
- Prohibitions on hiring former auditors, including cooling-off periods; and
- Prohibitions on the types of services auditors can provide, including providing tax services to those in financial reporting oversight roles

Further, existing rules requiring partner rotation as a result of SOX and the effects of PCAOB oversight of external auditors serves to encourage these characteristics. Finally, the passage of SOX has had a significant effect on the role of the audit committee, including a requirement to review the independence and qualifications of auditors prior to retaining the auditor and their responsibility to pre-approve all audit and non-audit services provided by the auditor. While there may be some additional requirements that could provide incremental benefit, our member companies generally believe that these existing requirements serve to encourage sufficient auditor independence, objectivity, and professional skepticism.

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Mandatory Audit Firm Rotation

It is our view that any change undertaken to potentially enhance auditor independence, objectivity, and skepticism be made in light of whether significant improvements to audit quality (and by extension, reported financial information) will result. Mandatory audit firm rotation has been considered at various times in developing audit standards; several arguments opposing it are acknowledged in the Release. Although many of these concepts are known, we offer the following:

- Mandatory rotation removes the knowledge base and understanding developed by the audit firm, which threatens audit quality and effectiveness. Performing a high quality, effective audit depends on an auditor's detailed understanding of an entity's operations. In the first few years of an audit engagement, audit firms are less able to effectively identify risks. This is particularly important for industries such as ours which are highly regulated and specialized in terms of the services and products we offer.
- Industry expertise may be concentrated in a small number of firms. For the electric and gas utility industry, two of the largest four firms audit the majority of related companies. This expertise cannot be supported without an underlying array of audit engagements in the given industry/sector. This expertise would inevitably be eroded in a mandatory rotation regime and, in the near term, rotation is not a practical option.
- Significantly higher costs would be incurred to change audit firms. The firms would incur significant costs to get up to speed on new clients' issues and risks and to develop initial audit plans and workpapers, in addition to auditing opening balances. Companies would also expend significant time and effort to support the transition. Although this activity occurs naturally under voluntary auditor change, such change is often planned well in advance and timed based on company activities.
- Practical challenges may also exist as a result of mandating firm rotation. Companies (especially larger ones) use multiple firms for audit and non-audit services. Mandatory rotation would create significant complexity in selecting firms to provide advisory and other services in order to maintain independence from more than one audit firm.

Mandating audit firm rotation also curtails and undermines the audit committee's responsibility to select and monitor the effectiveness of the auditor. The audit committee has regular interaction with the auditor and is well-positioned to determine whether the audit objectives are being achieved. To be effective, audit committees should continue to have authority to oversee the audit process and appoint the audit firm.

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Lastly, there is already a level of partner and staff change on audits due to partner mandatory rotation and normal turnover to provide the benefits of a "fresh look" at the audit approaches being applied. In practice, audit teams regularly evaluate their audit procedures and revise them to improve effectiveness and efficiency. An advantage of audit firm tenure is that the auditor gains knowledge and understanding of a company over time, and such knowledge enhances audit quality. In addition to auditor turnover, management and audit committee personnel also change over time, providing additional insights and challenging a company's financial reporting practices.

Alternative Approaches

We offer the following thoughts on alternative approaches to mandatory audit firm rotation that may be considered. These primarily focus on the audit committee's role and the PCAOB's reviews of auditors' work.

As discussed above, SOX resulted in additional responsibilities being placed on audit committees including the responsibility to appoint and monitor the activities of the independent auditor. Based on our experience, members agree that audit committees take this responsibility very seriously and actively engage with the audit teams and thoroughly review their reports. There has been significant consideration of the composition of audit committees and the type of financial or accounting expertise that should be represented. The PCAOB has recently considered whether changes should be made to auditors' required communications to audit committees. The existing requirements appear to cover the most meaningful topics (including risks identified and audit procedures applied to address those risks). However, these communications could potentially be enhanced to provide additional details to the audit committee regarding the independent corroboration and evidence the audit team has evaluated related to the most significant and judgmental areas in the financial statements. Additionally, the PCAOB inspection findings can be used to better inform the audit committee's considerations. Audit committees should have timely access to the PCAOB's inspection reports to allow for comparison of the PCAOB's findings for various audit firms. The audit committee could utilize this information to facilitate discussions with its audit team and to determine whether to consider a change of audit firms.

In the Release, it was stated that there have been instances in PCAOB inspections where evidence of a bias towards supporting management's position was identified, as well as proposal materials that indicated a willingness on the part of the auditor to partner with management that appeared at odds with applying professional skepticism. The PCAOB review procedures could focus on identifying within audits where appropriate skepticism is not evidenced and these areas could be emphasized in inspection reports. Additionally, the PCAOB should consider that the final documentation retained in audit workpapers and evaluated as part of its inspections is, based on the experiences of many

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of our member companies, the end result of significant vetting of positions between the audit firm and the client. Therefore, while it may appear that the audit documentation is supporting management's position, the reality may be that the final position has been jointly considered and aligned over the course of the audit.

Conclusion

We appreciate your consideration of this issue and our comments. While we support enhancements of the attributes of auditor independence, objectivity and professional skepticism, we believe that costs incurred to support those enhancements must be justified by the benefits. We do not believe that mandatory audit firm rotation would provide sufficient benefit to overcome the significant cost and operational issues it would create. The changes to audit committee responsibilities and qualifications and auditor requirements mandated by SOX (including mandatory partner rotation, expanded audit committee communications and prohibition on performing certain non-audit activities) are sufficient at this time to ensure that the attributes of independence, objectivity and professional skepticism are appropriately applied in performing audits. To the extent audit issues are identified in PCAOB inspections, the enforcement actions available to the PCAOB appear sufficient to address them.

Sincerely,



Richard F. McMahon, Jr.