

**From:** [Martyn Webster](#)  
**To:** [Comments;](#)  
**Subject:** Mandatory Auditor Rotation  
**Date:** Friday, September 30, 2011 7:06:59 PM

---

Dear PCAOB,

**Re: PCAOB Rulemaking Docket Matter No. 37: Auditor Independence and Audit Firm Rotation**

I am a CPA, an English ACA, and I have 22 years of experience working in both the audit profession and industry, in approximately 30 countries around the world. The views expressed in this email are my own and do not necessarily represent those of the corporations I am currently employed by.

In my opinion there are benefits from mandatory rotation and there are potentially equal and opposite costs. In favor of rotation:

- Mandatory rotation would likely decrease the temptation for a firm to opine inappropriately in the hope of preserving a profitable business relationship,
- Knowing their work will be reviewed by subsequent audit firms can only incentivize auditors to improve the quality of their audit procedures and their related work papers,
- The specter of a new auditor bringing potentially new audit methods/techniques etc. can only have a positive effect on preparers who are considering inappropriate accounting/fraud etc.

However, there are also considerable negatives to mandatory auditor rotation:

- A new auditor always faces a learning curve. During that time their efficacy/efficiency is likely diminished relative to an experienced incumbent,
- Rotation has a time and dollar cost to the corporation and hence to the shareholder,
- In some cases a long-term relationship with an auditor may dissuade a preparer from committing an act that may have implications for both parties.

Additionally, I believe that the implementation of both the current audit partner rotation rules and the PCAOB inspections have already significantly reduced the risks of an audit firm acting in a non-independent manner.

Accordingly, I would conclude that **the most appropriate course is to allow the shareholders of each corporation to vote on this matter**. I would affect this in a similar way to the recent say-on-pay rules by having two initial votes. One would determine if the shareholders want mandatory auditor rotation and a second vote would stipulate when this decision should once again be considered.

At a time when there is significant public discussion of the negative impact of growing regulation and the resultant impact of this on the both the economy as a whole and employment levels in particular, I think my proposal would enable individual shareholders to determine whether they feel the potential benefits of rotation are worth the likely extra cost. In that way, the costs of any extra regulation are

borne by those who feel they would likely gain additional benefit.

Sincerely,

Martyn Webster, CPA, ACA, MBA

VP Finance: XenoPort, Inc

CFO: Liveclicker, Inc

---

The information contained in this email message, including attachments, is the confidential information and/or property of XenoPort, Inc. This email message is for the sole use of the intended recipient(s). Any unauthorized review, use, disclosure or distribution is prohibited. If you are not the intended recipient, please contact the sender by reply email and destroy all copies of the original message.

---