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December 1, 2011

Office of the Secretary Public Company Accounting Oversight Board
Attn. Mr. J. Gordon Seymore 1666 K Street, N.W.
Washington, D.C. 20006-2803
Subject line – PCAOB Rulemaking Docket Matter No. 37

RE: PCAOB Release No. 2011-006
August 16, 2011
PCAOB Rulemaking
Docket Matter No. 37

Dear Mr. Seymore,

Cirrus Logic appreciates the opportunity to comment on the PCAOB Rulemaking Docket Matter No. 37, which is based on the Sarbanes Oxley Act of 2002 Section 207 Audit Firm Rotation.[i] We feel the proposal to rotate audit firms would increase costs to the company, reduce audit quality, and would not provide the anticipated benefit to shareholders.

Based upon the U.S. General Accounting Office Report submitted to the Senate Committee on Banking, Housing, and Urban Affairs and the House Committee on Financial Services on February 27, 2004, nearly all respondents sampled, which included Tier 1 public accounting firms, Fortune 1000 public companies chief financial officers, and audit committee chairs, were opposed to mandatory audit firm rotation.[ii] The results of this study would suggest that audit firm rotation is not the solution to achieving the objectives of increased independence, professional skepticism, and objectivity.

Another argument made in the PCAOB Docket Matter No. 37 in favor of audit rotation is that audit fees will be reduced after the first year if smaller audit firms are able to compete with larger audit firms. Our view is that this is not necessarily the case given any decrease in audit fees may not materialize immediately when a firm rotates in. By the time the new firm becomes familiar with a specific client's business processes and nuances, it would be close to the time to rotate again. Additionally, the decrease in fees will likely be offset by an increase in company labor needed to train the new audit teams on the client's business. Furthermore, reduced fees can be a result of fewer hours spent on planning and execution which may reduce the thoroughness of the audit. While all audit firms can manage transitions, the cost and risk increases for both the audit firm and the audit client. In times of uncertainty and volatile market conditions, audit firm rotation can be disruptive.[iii] Given the current economic volatility, public companies would be forced to absorb increased audit fees during a period in which managing costs is of the utmost importance. This would be a detriment particularly for small companies with greater financial challenges.

All audit firms are expected to maintain high levels of ethics and maintain independence regardless of the length of their relationship with a specific client. In our view, auditors are either inherently ethical and will follow the rules of independence or they will audit with less regard for professional skepticism, regardless of the client. We feel that audit firms, who adhere to these professional standards, will continue to follow principles of independence and will apply appropriate skepticism during their audits.

Although audit firm rotation may give the outward appearance of enhancing independence, this does not guarantee a specific firm will apply less or more professional skepticism in an effort to make the new client satisfied with their services. Additionally, certain industries and businesses have steeper learning curves due to the complexity of their business model. In these cases, it seems more beneficial to the shareholders that the public company they have invested in is audited by an experienced team familiar with the industry and the company itself.

Additionally, the assertion that auditor rotation would provide enhanced opportunities for smaller firms may not be accurate. Most public companies value the quality product, experienced staff, and wealth of resources that larger audit firms can provide. Large audit firms have in-depth training material, a vast knowledge base of industry information, and auditing methodologies that have proven to be effective over time. Often, smaller firms are not able to provide the resources to invest in training and continued education as the larger firms provide. Additionally, many smaller firms do not have the resources to develop and maintain their own software, or the ability to form partnerships which supports a comprehensive, worldwide audit. Public companies should have the freedom to choose the audit firm that best suits their needs based on competency and experience in public filings. Other options should be considered to keep professional skepticism at the forefront with auditors, without compromising the competitive advantage audit firms have worked hard to achieve.

We feel the implementation challenges and costs associated with mandatory audit firm rotation would be substantial. In addition, if a public company has a thorough system of internal controls, then the risk of misstatement is reduced and/or prevented to an acceptable level from management's perspective, which protects the shareholders. As an investor, the assurance provided by an audit can be obtained by any firm; however, if there is required rotation, the risk is greater that the quality would be negatively affected. Jurisdictions with mandatory audit firm rotation have not proven to increase audit quality.[iv]

While we certainly support the goals to enhance auditor independence and increased professional skepticism, we believe there are other options that could be considered to achieve them. One option to consider from the PCAOB concept release might be to rotate accounting teams for the largest issuers.[v] We understand the largest issuers are a large percentage of revenue for audit firms and this relationship is pivotal to the audit firm. On the bigger audits, there are usually large audit teams that could be rotated, thus giving new auditors within the same firm an opportunity to review the financials with new skepticism and objectivity, while allowing the audit firm to maintain with the specific knowledge base of the industry and the client. Currently, audit partner rotation addresses independence and perhaps reduces the pressure that an audit firm faces to preserve a long-term relationship with their audit client. Given the nature of the audit process, managers and senior managers have stronger ties with the client's management and staff. Perhaps these positions should be the focus where professional skepticism might be lacking over time. In order to achieve greater independence, it would seem more relevant to mandate the rotation of managers and senior managers perhaps every 3 to 5 years within the same accounting firm rather than rotate the entire audit firm. This would provide an opportunity for a fresh look at the financials, while preserving the knowledge that the audit firm has accumulated in the industry and the client's business model. Additionally, audits that are conducted by larger firms on large clients typically have managers and senior managers, who have audited that same large client for several years and are most familiar with the client.

Audit Committees have the power to hire and remove accounting firms. Private meetings between the client's Audit Committee and the accounting firm, without the presence of management, provide an opportunity for the Audit Committee to establish the auditor's independence. Audit Committee oversight provides an opportunity for the accounting firm partner to discuss concerns and remain objective from the client's management.

In conclusion, rotating the core audit team within the same audit firm provides a fresh look at the financials and maintains efficiency by the audit firm's industry knowledge, and audit methodology, while controlling costs for the client without reducing the quality of the audit. Additionally, continued audit partner rotation will minimize the pressure to protect the client relationship. It is our strong recommendation not to implement mandatory auditor rotation but to pursue other more reasonable and practical options. We certainly appreciate the opportunity to provide our feedback on this topic and look forward to receiving further information when a course of action has been determined.

Regards,

Thurman K. Case
Chief Financial Officer
Cirrus Logic Inc.

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[i] PUBLIC LAW 107–204—JULY 30, 2002
Retrieved 10/21/2011 http://www.sec.gov/about/laws/soa2002.pdf

[ii] *Report to the Senate Committee on Banking, Housing, and Urban Affairs and the House Committee on Financial Service: MANDATORY AUDIT FIRM ROTATION STUDY*
GAO-04-217 http://www.gao.gov/new.items/d04217.pdf

[iii] *"Temporary Suspension of Mandatory Audit Firm Rotation,"* press release issued by the Monetary Authority of Singapore, October 21, 2008 (available at: http://www.mas.gov.sg/news_room/press_releases/2008/Temporary_Suspension_of_Mandatory_Audit_Firm_Rotation.html)

[iv] See, e.g., "Auditor Tenure and Auditor Change: Does Mandatory Auditor Rotation Really Improve Audit Quality?", Working Paper Bocconi University and IE Business School, M. Cameran, A. Prencipe, M. Trombetta, 2010 (Bocconi Working Paper); "Mandatory Audit Firm Rotation and Audit Quality: Evidence from the Korean Audit Market," Soo Young Kwon, Youngdeok Lim, and Roger Simnett (November 19, 2010).

[v] *PCAOB Issues Concept Release on Auditor Independence and Audit Firm Rotation*
Washington, D.C., Aug. 16, 2011 http://pcaobus.org/News/Releases/Pages/08162011_OpenBoardMeeting.aspx