

3492 Windgarden Cove
Memphis, TN 38125
November 29, 2011

Office of the Secretary
PCAOB
1666 K Street NW
Washington, DC 20006-2803

Re: PCAOB Rulemaking Docket Matter No 37

Dear PCAOB

I appreciate the opportunity to comment on the PCAOB's Concept Release on "Auditor Independence and Audit Firm Rotation." My comments are from the perspective of serving as the Chair of the Audit Committee of two large public companies, one of which is a large bank holding company which in the current environment is dealing with a particularly complex and constantly evolving set of accounting and disclosure standards.

I am opposed to mandatory audit firm rotation. I believe such a requirement would increase costs and be likely to reduce audit quality, especially in the early years after rotation.

Requiring mandatory auditor rotation would be a major change from current practice. Today, audit committees take action to change audit firms when they see clear benefits that outweigh the disruption and costs. This is an important responsibility of audit committees and, in my experience, one taken very seriously. The audit committees I chair consider auditor rotation on an annual basis and look at a number of factors in that process. Key considerations include staff quality, knowledge of accounting issues, particularly in the context of the client's industry, and the timeliness and thoroughness of auditor communication with the committee and the company. Ready access to the expertise of the firm's national office is another important consideration, especially if the client is dealing with complex accounting issues. Fees do matter but are not necessarily the primary driver of the decision to retain a firm.

Certainly if an audit committee believed the auditor were not independent of management, that would be immediate cause to change auditors because independence is such a critical part of the audit process. Our audit committees meet privately on a regular basis with our auditors and we view these conversations as an important source of input to understand the nature of discussions and the relationship between our auditor and management. In addition, between committee meetings, I have regular private conversations with our audit partners which also help me understand the issues that are being considered and gauge the objectivity brought to the process by the auditors. Were

there issues of independence, I think audit committees who follow these types of practices would be in a position to detect them and take appropriate action.

Before the PCAOB takes the important responsibility of determining when to change audit firms away from audit committees, I believe there should be convincing evidence that audit firm tenure is a root cause of systemic problems with audit quality. To date, I have not seen such evidence. In fact, in the Concept Release, the PCAOB states “preliminary analysis of the data (the Board inspection data) appears to show no correlation between auditor tenure and number of comments in PCAOB inspection reports.” PG 16. Shouldn't there be much stronger evidence of harm before making a change that will be very disruptive, costly and potentially lead to other unanticipated consequences?

My concerns with mandatory auditor rotation center on audit quality and cost.

The learning curve for a new audit firm is very steep, especially for large, complex international clients. New partners, after mandatory rotation, have told me that it requires at least six months to become thoroughly familiar with a large organization, and they have the advantage of an experienced staff already in place. I would expect a new firm, with all new personnel, to require at least a year to acquire the necessary knowledge of a company's operations, systems and financial reporting practices to assure a high quality audit. This expected and understandable learning curve will clearly put audit quality at risk during this period.

For large clients, the choices among audit firms are very limited. Industry expertise is an important consideration in audit firm selection and mandatory rotation could cause the selection of a less qualified firm, which would be another risk to audit quality.

Rotating audit firms also has some significant incremental costs. A Government Accountability Office (GAO) report issued in 2003 indicated that large accounting firms estimated initial year audit costs would increase by more than 20%. This estimate could be conservative with the added requirements of Sarbanes-Oxley. If auditor rotation were mandatory, audit firms would have a much larger percentage of their staffs than today working with new clients. Those new clients would require significant additional work hours as the audit firms personnel learn about the new client. Now, there might be a tendency for an audit firm to absorb some of those incremental hours at no cost to the client in order to gain a new assignment. This incentive to hold costs to the client in check would certainly be diminished with mandatory rotation.

Another very important and difficult to measure cost of auditor rotation is the time required and disruption to the client's financial staff, especially those in the financial reporting chain. Significant incremental time would be required to educate and answer questions for the personnel of a new audit firm.

I closing, I believe the risks and costs of mandatory auditor rotation are great and the evidence that auditor tenure contributes to poor audit quality is lacking. I urge the PCAOB to reject mandatory auditor rotation as a vehicle to improve audit quality.

Sincerely,

Marianne Parrs
Audit Committee Chair
CIT Group, Inc.
Signet Jewelers Limited