illumina

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December 12, 2011

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, D.C. 2006-2803

Re: PCAOB Rulemaking Docket Matter No. 37: Concept Release on Auditor Independence and Audit Firm Rotation

Dear Board Members and Staff of the PCAOB:

Illumina, Inc. appreciates the opportunity to provide comments on the Public Company Accounting Oversight Board's (PCAOB) Rulemaking Docket Matter No. 37 (the "Proposal").

We support the efforts of the PCAOB to improve auditor independence, objectivity, and professional skepticism as it relates to audits of public companies. We appreciate that certain points highlighted in the proposal may serve to enhance the quality of public company audits. However, after giving consideration to each of the points outlined in the Proposal we find that Illumina's management and Audit Committee of its Board of Directors are not in support of mandatory auditor rotation, with the primary concerns being as follows:

- Rules and regulations implemented as a result of the Sarbanes Oxley Act of 2002 ("SOX"), including mandatory partner rotation after five years and PCAOB oversight, have already improved the quality of audits.

- Audit committees are tasked with oversight power in selecting the audit firm and the lead partner. We believe this choice and responsibility (required by SOX) should continue to rest with audit committees. Our audit committee is an experienced and diligent group of financial experts that are fulfilling an important role in monitoring the functioning of Illumina's internal controls, including scrutinizing auditor independence and expertise. Our audit committee interacts with our auditors on at least a quarterly basis in discussing among other things the following:

    - The auditor's quarterly review and year-end audit
    - Engagement fees
    - The audit plan

- Whether there are any disagreements with management
- Recommendations to management
- The internal control assessment
- Risks related to compliance and disclosure controls

- Mandatory audit firm rotation has been proposed and rejected in the past. Congress considered including a requirement for rotation of audit firms in the Sarbanes-Oxley Act of 2002 but it was ultimately excluded. In November 2003, the United States General Accounting Office issued the results of a study on mandatory audit firm rotation, concluding that: "GAO believes that mandatory audit firm rotation may not be the most efficient way to strengthen auditor independence and improve audit quality considering the additional financial costs and the loss of institutional knowledge of the public company's previous auditor of record."

- Institutional knowledge obtained by auditors over time is of value and enhances the quality of the audit. Alternatively, mandatory firm rotation increases the risk of failed, late, and more expensive audits, particularly in the early years of auditors' relationship with the client. In addition, we believe that knowledge by the auditor that rotation is imminent may influence the auditor to defer or "pass the buck" to the in-coming auditor in dealing with a difficult but subjective issue.

- Rotation has a time and dollar cost to the corporation (and hence to our shareholders) as it unnecessarily disrupts business activities and distracts management. In addition, we believe that any theoretical benefits would be negated by lower quality of audits that would result from mandated audit firm rotations and attendant and inevitable learning curve inefficiencies. A policy decision to move to mandatory auditor rotation should only be made after establishing a clear and compelling cost/benefit argument and a determination that mandatory rotations would enhance and not reduce audit quality.

- The proposal has not established a clear correlation between decrease in audit quality and auditor tenure.

- Finally, we believe the PCAOB should continue to leverage its audit and review process and consider providing audit committees with specific results of the PCAOB's review of that company's auditor.

In our opinion, meaningful improvements in audit quality would not result from mandatory audit firm rotation. We believe that the existing audit environment, including the quality controls of the audit firms through required professional standards and otherwise and the PCAOB inspections program, have improved the quality of audits. Further, we believe that existing mandatory audit partner rotation already results in a process for audit partner renewal that enhances independence, objectivity, and professional oversight.

Due to the concerns highlighted above, Illumina, Inc. recommends the withdrawal of the proposal to require mandatory audit firm rotation.

Sincerely,

A. Blaine Bowman
Chair, Audit Committee of the Board of Directors

Christian Henry
Senior Vice President, General Manager Life Sciences & Chief Financial Officer