



**First Bank  
& Trust Company**

Member FDIC

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**BY E-MAIL (comments@pcaobus.org)**

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

Re: PCAOB Release No. 2011-006; PCAOB Rulemaking Docket Matter No. 37 – Concept Release on Auditor Independence and Audit Firm Rotation

On behalf of the First Bank and Trust Audit Committee, I am writing to comment on the PCAOB's Concept Release on Auditor Independence and Audit Firm Rotation (the "Concept Release"). After careful consideration, we are opposed to a mandatory audit firm rotation rule due to fact it will reduce, not increase, the effectiveness of audits, while increasing related costs and administrative burdens.

Mandatory auditor rotation is designed to increase auditor independence. However, there already exist substantial regulations that ensure auditor independence, such as mandatory audit partner rotation, requiring auditor selection and supervision by audit committees consisting of independent directors, and limitations on the non-audit fees audit firms receive from the companies they audit. Many of these requirements were adopted in response to the dramatic audit failures involving Enron, WorldCom and others that contributed to an economic recession. In contrast, the most recent economic downturn has not been attributed to significant audit failures, suggesting that existing regulations are providing adequate independence and that additional regulation will not dramatically improve auditor independence or audit quality.

The quality of an audit depends as much or more on the auditor's knowledge of the subject company and the company's industry as it does on the auditor's independence. Practical experience and formal studies have shown that audit quality suffers in the first few years of an audit engagement because the new auditor is not familiar with the company. In addition, bank audits require highly specialized knowledge of a complex array of accounting principles, laws and regulations that are specific to the banking industry, which limits the number of qualified audit firms. Many community banks reside in rural communities, often further limiting the number of qualified bank auditors. Forcing banks to frequently engage new auditors from a limited field of qualified auditors will dramatically undermine audit quality in the banking industry.

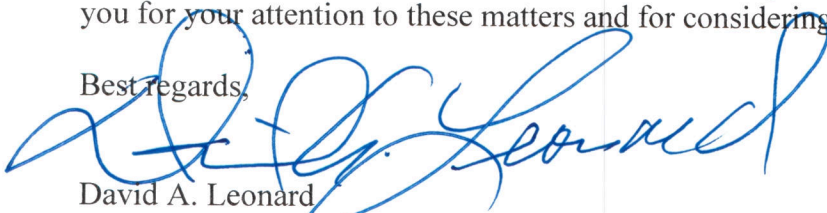
Unfortunately, this decline in audit quality will be accompanied by a dramatic increase in audit related costs and administrative burdens. Banks will be forced to spend more time and money evaluating and selecting new audit firms. Bank employees will spend more time, and banks will incur additional audit fees, as they educate new auditors about the bank and the banking industry.

Furthermore, the focus of the Concept Release is misdirected. Attention should be directed at auditors who do not fulfill their professional obligations. Mandatory rotations would punish banks by slowing down, and increasing the cost of, the audit process. Banks and their investors should not be punished for an auditor's failure to maintain independence and professional skepticism. Similarly, a bank should not be forced to change audit firms if it is receiving high quality audit services. There are better ways to promote independence while retaining efficiency.

In addition, the cumulative effect of mandatory audit firm rotation, combined with the staggering burden of complying with Dodd-Frank Act regulations, will be a significant hardship on banks. This will have a disproportionately detrimental effect on smaller banks that lack the resources or manpower to interpret, and adjust their operations to comply with, the high volume of new regulations in the banking industry.

For the above reasons, we are opposed to mandatory audit firm rotation. The resulting costs and decrease in efficiency and quality will hurt investors more than it protects them. In addition, existing regulations sufficiently promote auditor independence and high quality audits. Thank you for your attention to these matters and for considering our views.

Best regards,



David A. Leonard  
Audit Committee Chairman