



December 14, 2011

Public Company Accounting Oversight Board
Attention: Office of the Secretary
1666 K Street, NW
Washington, DC 20006-2803

Sent via email to comments@pcaobus.org

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

IHS Inc. appreciates the opportunity to comment on this Concept Release on auditor independence and audit firm rotation. IHS is the leading source of information and insight in critical areas that shape today's business landscape, including energy and power; design and supply chain; defense, risk and security; environmental, health and safety (EHS) and sustainability; country and industry forecasting; and commodities, pricing and cost. Businesses and governments in more than 165 countries around the globe rely on the comprehensive content, expert independent analysis and flexible delivery methods of IHS to make high-impact decisions and develop strategies with speed and confidence. IHS has been in business since 1959, incorporated in the State of Delaware in 1994, and became a publicly traded company on the New York Stock Exchange in 2005. Headquartered in Englewood, Colorado, USA, IHS employs more than 5,500 people in more than 30 countries around the world.

We have reviewed the Concept Release and associated questions and attached an appendix to this letter that provides our detailed responses for the areas that are of particular relevance to us.

We appreciate the opportunity to share our views on this important subject, and thank you for your consideration.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Rich Walker'.

Rich Walker
Executive Vice President and Chief Financial Officer

cc: IHS Inc. Audit Committee

Appendix
Comments on Auditor Independence and Audit Firm Rotation

Question 1. *If the Board determined to move forward with development of a rotation proposal, what would be an appropriate term length?*

Because of the diversity in size, scope, and complexity of businesses and industries in our economy, we believe that the audit committee of each individual company is in the best position to determine the appropriate term length for its independent auditors, as well as the circumstances under which a rotation should occur.

Question 2. *Should different term lengths for different kinds of engagements be considered? If so, what characteristics, such as client size or industry, should this differentiation be based on?*

Again, we believe that the decision about term length is one that is best addressed by the audit committee of each company, as the audit committee has access to the most relevant facts surrounding their company's individual circumstances, and can therefore make the most informed decision about term length or auditor rotation.

Question 3. *Does audit effectiveness vary over an auditor's tenure on a particular engagement? For example, are auditors either more or less effective at the beginning of a new client relationship? If there is a "learning curve" before auditors can become effective, generally how long is it, and does it vary significantly by client type?*

We believe that audit effectiveness is affected by an auditor's tenure. In the early years of an audit, the auditor must spend significant incremental time developing their knowledge and understanding of the industry and of the company under audit. Audits of multinational companies typically require a significant amount of coordinated effort on the part of both the auditor and the company, and an auditor rotation would inevitably increase the amount of time, effort, and resources required to ensure that coordination and communication was properly managed to meet audit objectives. The result would likely be a less efficient audit at the beginning of an engagement, along with a higher level of audit risk, leading to increased cost of the audit process as a whole.

We are currently preparing for the mandatory rotation of our lead audit partner, and there have been various discussions held to help the incoming partner understand our business and the associated risks, issues, personnel, policies, processes, and operations that we employ. We expect and welcome the fact that the new audit partner will raise new questions and points of view, but we hope to address those questions and concerns in the context of the broader knowledge and understanding that the continuing audit staff has already accumulated.

For a change to a completely new audit firm, we expect that it would generally take at least two years before the new audit firm would be positioned to effectively audit a client. That time frame would undoubtedly be affected by the size and type of client, particularly for large companies with significant global operations and complex transactions.

Question 4. *Some have also suggested that, in addition to being less effective at the beginning of an engagement, an auditor may be less diligent toward the end of the allowable term. On the other hand, others have suggested that auditors would be more diligent towards the end of the allowable term out of concern about what the replacement auditor might find. Would auditors become more or less diligent towards the end of their term? Does the answer depend on the length of the term?*

We don't believe that auditors would likely be any more or less diligent towards the end of their term than at other times during the engagement. A firm's professional reputation, as well as the reputation of the individual partner that represents the firm on an engagement, is a significant brand advantage that requires constant attention. We do not believe it is in the best interests of the audit firm or the client to have more or less diligence applied at any point in the audit firm's tenure; rather, we expect that both parties would exercise a consistent effort each year to provide and support a quality audit.

Question 6. *Should the Board consider requiring rotation for all issuer audits or just for some subset, such as audits of large issuers? Should the Board consider applying a rotation rule to some other subset of issuer audits? For example, are there reasons for applying a rotation requirement only to audits of companies in certain industries?*

As previously discussed, we don't believe that there should be a mandatory auditor rotation requirement, regardless of size, industry, or other similar subset of companies.

Question 7. *To what extent would a rotation requirement limit a company's choice of an auditor? Are there specific industries or regions in which a rotation requirement would present particular difficulties in identifying an auditor with the necessary skills and expertise? Is it likely that some smaller audit firms might decide to leave the public company audit market due to the level of uncertainty regarding their ongoing client portfolios?*

Because of the size and global scope of our business, we believe that we are already limited to a small subset of firms from which to choose our independent auditor. We are currently using several of the other global and large audit firms to perform non-audit services for us, which further limits our remaining choices of firms available to perform the audit if a mandatory audit rotation were required. Mandatory audit rotation would therefore result in a series of additional changes that we would likely have to make in order to ensure proper compliance with independence rules while maintaining an independent relationship with other potential successor audit firms. Again, these factors would lead to a less efficient audit at the beginning of an engagement and a higher level of audit risk.

Question 8. *If rotation would limit the choice of auditors, are there steps that could be taken to allow a company sufficient time to transition out of non-audit service arrangements with firms that could be engaged to perform the audit? Are there other steps that could be taken to address any limitation on auditor choice?*

While steps could be taken to allow for sufficient time to transition, we believe that would be a costly approach that would outweigh the benefits. In addition, because of the already limited audit firm pool available for selection based on our company size and global operations, we may only have one audit firm that we could select, which significantly impairs our flexibility and ability to do what is in the best interests of our shareholders.

Question 10. *Would rotation create unique challenges for audits of multinational companies? For voluntary rotations that have taken place, what have been the implementation and cost issues and how have they been managed?*

As a large multinational company, our audits currently extend beyond the United States, and as we continue to grow, we expect that the amount of work performed in foreign countries will also continue to grow. The audits in foreign locations are conducted by local audit teams who are familiar with our operations, including US-based accounting and auditing standards, and have developed the necessary expertise to conduct their audits effectively and efficiently. Mandatory audit rotations would obviously create additional work for both the new auditor and for our staff as the new auditor developed their understanding of our business in order to design and test appropriately.

The last time we changed audit firms was 10 years ago, well before we went public in 2005. Consequently, our implementation and cost experience from that period would not be relevant for purposes of this letter.

Question 14. *Some have expressed concern that rotation would lead to "opinion shopping," or that in competing for new engagements firms would offer favorable treatment. Others have suggested that rotation could be an antidote to opinion shopping because companies would know that they could not stick with a firm promising favorable treatment forever. Would opinion shopping be more or less likely if rotation were required? If rotation limits auditor choice, could it at the same time increase opinion shopping?*

Because of the significant cost of changing auditors, we do not believe that opinion shopping would be any more or less likely than today's practices. We further believe that current audit regulations and oversight are sufficient to ensure independent and high-quality audits, with minimal likelihood of a change in auditors as a result of opinion shopping.

Question 15. *What effect would a rotation requirement have on competition for audit engagements? If competition would be increased, how might that affect audit quality?*

We believe that a rotation requirement would eliminate one of the best candidates to perform the work – our current audit firm. With a limited pool of available audit firms to choose from, we would likely be forced to engage an audit firm that does not have the same strength in skill set, industry expertise, or geographic presence, all of which would be detrimental to the overall quality of the audit.

Question 16. *Are there any requirements the Board should consider to mitigate any risks posed by rotation? For example, are there enhancements to firms' quality control systems that might address such risks?*

While such measures may help address additional risks in the early years of the new audit firm's tenure, such costs will invariably be passed along to the client. In any case, we don't believe that additional requirements designed to mitigate risk of a new auditor would be better than continuing the relationship with the existing auditor.

Question 17. *If the early years of an auditor-client relationship pose higher audit risks than later years, should the Board require firms to provide additional audit supervision and oversight in the first year or two of a new engagement? Should the Board impose such a requirement for auditor changes even if it does not further consider requiring audit firm rotation? If firms are accepting new clients but are unable to perform quality audits for them until several years have passed, should the Board require enhanced client acceptance procedures? What impact would additional requirements of this type have on audit costs?*

As discussed in the previous question, additional audit supervision and oversight in the first two years of a new engagement will increase the cost of compliance, but would not likely result in significantly better risk mitigation than continuing with the current audit firm. We believe that there is a great deal of value in an audit firm's industry and company knowledge that is not easily developed in a short time period. While the quality of the audit may be sufficient to pass in the first years of the engagement, true high-quality audit work can only be done when the auditor has a deep understanding of the client's business, which only

occurs as time passes and the auditor develops a base of experience with the new client.

Question 20. *If the Board moved forward with development of a rotation proposal, should consideration be given to the recommendation for a cause restriction on the company's ability to remove an auditor before the end of a fixed term? Would such a provision be useful? Would there be unintended consequences of such a requirement? Should the Board work with the SEC on implementation of this recommendation? Are there other matters on which the Board should coordinate with the SEC?*

We believe that all decisions with respect to the appointment, consideration, and oversight of the company's audit firm rest squarely with the company's audit committee, and any restrictions on the use of their judgment in changing auditors or otherwise fulfilling their fiduciary responsibilities in this regard are unwarranted and inappropriately undermine the audit committee's responsibility and authority.

Question 21. *What other transition issues might arise in the first year of a rotation requirement? How should the Board address these issues?*

As we've discussed throughout our responses, mandatory audit rotations would create a significant amount of disruption in the initial years of a rotation requirement. We question the degree of reliance that investors would place on the new auditor's opinion, and the additional burden on audit and company personnel as they transition to the new auditor would be significantly increased.

Additionally, with the significant accounting standard changes anticipated as we continue to move towards converged standards, it is ever more important to maintain continuity with existing firms that have significant industry and company knowledge to facilitate compliance with those new standards. We continue to implement new systems and processes to meet our expanding business needs, as well as to ensure continued compliance with existing and anticipated accounting standards. Real-time review and audit of new systems and processes is paramount to our ability to respond in a timely manner to rapidly changing business needs and circumstances, and our investors would find it unacceptable to wait for a mandatory audit rotation transition to be completed before implementing any necessary or desired changes.

We do believe that in some circumstances, it is appropriate to make an auditor change, but we also believe that such a decision should be a voluntary decision reached after careful consideration by the audit committee of the company.

Ultimately, we don't believe that the cost and risk of transition to a new audit firm will necessarily increase the independence and professional skepticism on the engagement without creating new costs and risks that would jeopardize the overall expected high quality of the audit.