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Sent: Sunday, September 11, 2011 8:19 PM

To: Comments

Subject: Docket 037 : Concept Release on Auditor Independence and Audit Firm Rotation

Dear Sir/Madam,

I sincerely appreciate the opportunity to provide comments on the PCAOB's concept release on auditor independence and audit firm rotation. This is an issue that is at the core of audit quality as well as investor perception of, and confidence in, the auditing profession. I applaud the Board for undertaking this sensitive matter.

I believe that the proposed approach to improving audit quality and enhancing auditor independence via an audit firm rotation program will only serve at best as marginal improvement over the current status quo, and at worst may indeed increase audit costs and audit failures (due to the steep learning curve required by auditors to understand and become proficient in the basic nature of clients' business, including for example the operational processes and IT environment).

The basic predicament in the current model is that of clients being responsible for compensation of the auditor. The fact that audit committees are ultimately responsible for hiring/firing the auditor does not alleviate the buy-side like pressures on audit professionals at all levels of the firm.

In substance, this issue is no different than the widely discussed inherent conflict of interest of the compensation model for credit rating agencies that led to inflated and biased ratings of Mortgage-Backed Securities; as the Board is well aware, this is issue that is under regulatory scrutiny and investigation.

Fundamental change is required if auditor independence and audit quality are to be enhanced permanently. I support the alternative market-based model that has been advocated by a number of academics over the past decade. This model includes Prof. Joshua Ronen's **Financial Statement Insurance** concept (http://papers.ssrn.com/sol3/papers.cfm?abstract_id=303784). This model will provide for a long-term and sustainable structural reform in the provision of audit services without the currently embedded conflict of interest; this conflict of interest cannot be resolved adequately through auditor rotation.

Given that this model comprehensively overhauls the market for audit services, the Board may wish to explore this approach on a trial/sample basis – perhaps for example, applying it on a large market capitalization basis - before implementing it on a global scale. Further, full coordination with international regulators, perhaps via the International Forum of Independent Audit Regulators (IFIAR), is required to prevent a so-called regulatory arbitrage.

To conclude, in a time of post-crisis regulatory overhaul, bold leadership is required in the international regulatory community. The PCAOB has a unique opportunity to play this leading role and, through changes in the auditor compensation model, to initiate and implement comprehensive and lasting reforms in the area of auditor independence and audit quality.

Sincerely,

Ashley