

December 12, 2011

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

**RE: PCAOB Rulemaking Docket Matter No. 037 – Concept Release on Auditor Independence and Audit Firm Rotation (Release No. 2011-06)**

Battelle & Battelle LLP appreciates the opportunity to comment on the PCAOB's concept release on auditor independence and audit firm rotation (the Concept Release). We are a registered public accounting firm serving middle-market issuers.

**Summary of Our Views**

We believe auditor independence, objectivity and professional skepticism are of utmost importance and provide the confidence necessary in the audit profession. As such, we agree that it is essential that those within the profession work with the PCAOB to explore actions that would improve audit quality and better serve the interests of investors.

We believe that audit quality and the application of objectivity and professional skepticism have improved considerably since the creation of the PCAOB and passage of the Sarbanes-Oxley Act of 2002. We believe these efforts have better aligned independent auditors, independent audit committees, and public company shareholders to ensure that auditor independence, objectivity and professional skepticism are primary objectives of a public company audit. The most notable changes that we believe support the status quo include:

- The role of the independent audit committee has been expanded;
- Partner rotation requirements keep perspectives fresh;
- Requirements for the engagement quality reviewer have strengthened; and
- The PCAOB inspection process is in place to effectively monitor audit quality including any issues with independence, objectivity and professional skepticism.

In our view, mandatory audit firm rotation is not a necessary or practical means to promote auditor skepticism. There has been no direct correlation made between audit tenure and the number of audit failures through the PCAOB inspection process. If such a pattern is suspected by the PCAOB, then a study should be performed to measure the evidence that suggests this issue. Even if there are some isolated indications that link audit failures to audit tenure, there are likely more examples of significant audit tenure with no indications of significant audit failures.

We believe that mandatory firm rotation will not dramatically improve objectivity but instead could allow audit quality to suffer, especially in the years immediately following the transition. In addition to the audit quality risk, we believe that there will be substantial costs and disruptions to the public companies and the audit firms. We believe the costs of such a requirement do not justify the perceived benefits. Mandatory firm rotation would ultimately result in increased audit risk and costs which is not in line with the interests of the investors. Also, there has been no direct All in all, we believe that independent audit committees are more appropriately tasked with the responsibility to the shareholders by ensuring audit quality and considering the risks and rewards of changing audit firms if deemed necessary.

In continuing to explore other actions that would improve audit quality, we support:

- Efforts to strengthen the role of the independent audit committees and their oversight role of the independent audit process;
- The ability of the PCAOB to recommend rotation of an audit firm where it has been demonstrated through PCAOB enforcement that professional skepticism or objectivity was significantly impaired;
- We support increased interaction between the PCAOB and audit committees on aspects related to specific inspection findings if warranted;
- We support the PCAOB's continued efforts to analyze the root causes of common audit deficiencies that are pervasive throughout the profession while separating those that are isolated to certain individuals or firms; and
- We support other PCAOB initiatives that might promote auditor skepticism and objectivity which may include, but are not limited to, audit committee best practices, enforcement efforts, considerations of quality control standards, and other findings from PCAOB inspections.

### Conclusion

While we support the need to continually consider ideas to improve audit quality, independence, objectivity and professional skepticism, we do not believe further consideration of mandatory audit firm rotation is in the public interest. We support other efforts as described in this letter that we believe would enhance audit quality and more appropriately align costs and benefits of any actions to improve audit quality. We appreciate the opportunity to provide our comments to the PCAOB for further consideration.

Sincerely,

*Battelle & Battelle LLP*

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