

July 8, 2013

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The Honorable Robert Hurt  
United States House of Representatives  
125 Cannon HOB  
Washington, DC 20515

RE: H.R. 1564, Audit Integrity and Job Protection Act

Dear Representative Hurt:

The Institute of Internal Auditors<sup>1</sup> (The IIA) supports **H.R. 1564, the Audit Integrity and Job Protection Act**, which would amend the Sarbanes-Oxley Act of 2002 (SOX) to prohibit the Public Company Accounting Oversight Board (PCAOB) from requiring public companies to use different external auditors on a rotating basis. It is our view that mandatory audit firm rotation will not create greater auditor independence and/or objectivity in a cost effective and efficient manner. In fact, mandating audit firm rotation at this time would not grant the audit firm partner rotation provision mandated under SOX sufficient time to demonstrate its value. Furthermore, mandatory audit firm rotation would introduce unintended consequences, which could ultimately reduce audit quality and increase costs for public companies and their investors.

Internal auditors, external auditors, management, and boards work together as the four cornerstones of effective corporate governance. Internal auditors and external auditors have interlocking goals and members of the internal auditing profession work closely with external auditors to bring a systematic, disciplined approach to evaluating the effectiveness of internal controls over financial reporting and related disclosure controls. As a result, auditor independence, objectivity, and overall audit quality are of tantamount importance to the internal audit profession.

The IIA previously surveyed its members regarding a potential requirement for auditor rotation and the majority of respondents indicated that audit firm rotation may marginally enhance independence and objectivity. However, the majority *disagreed* with the overall concept of audit firm rotation because of disadvantages such as loss of company-specific knowledge, steep learning curves for newly assigned auditors, significant work disruption, increased costs and, most importantly, the risk of a significant decrease in overall audit quality. In the survey, the perception of the majority of internal auditors whose companies experienced a change in auditors was that the independence, objectivity, and professional skepticism of the new auditing firm were not markedly different from that of the prior firm.

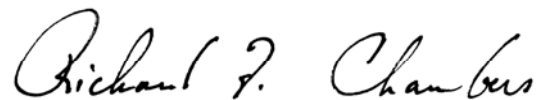
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<sup>1</sup> The IIA is the global voice, acknowledged leader, principal educator, and recognized authority of the internal audit profession and maintains the *International Standards for the Professional Practice of Internal Auditing (Standards)*. These principle-based standards are recognized globally and are available in 29 languages. The IIA represents more than 180,000 members in over 190 countries that serve members at the local level.

The potential benefit in this area may already have been realized through existing requirements for rotation of lead and concurring audit partners. Furthermore, mandatory rotations might inappropriately diminish the role and influence of the audit committee by marginalizing an important corporate governance role audit committees play today. All of these effects could have consequences that would be exactly the opposite of what was intended by a requirement for mandatory rotation. We believe that much of the potential benefit of auditor rotation has already been achieved through mandatory partner rotations, and any incremental benefit from requiring audit firm rotation is, at best, unclear.

The IIA appreciates your efforts and leadership on addressing this issue. Through H.R. 1564, we believe it is possible to enact federal legislation that creates certainty for industry in this area and addresses the potential numerous unintended consequences that are likely to occur if audit firm rotation were mandated. Should you have any questions or need additional information, please contact me at (407) 937-1200 or [Richard.Chambers@theiia.org](mailto:Richard.Chambers@theiia.org).

Sincerely,

A handwritten signature in black ink that reads "Richard F. Chambers". The signature is written in a cursive, flowing style.

Richard F. Chambers, CIA, CGAP, CCSA, CRMA  
President and Chief Executive Officer

cc: The Honorable Jeb Hensarling  
The Honorable Maxine Waters