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Mr. James R. Doty  
Public Company Accounting Oversight Board  
1666 K Street, N.W.  
Washington D.C. 20006-2803

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

Dear Mr. Doty:

The Board Audit Committee of Exxon Mobil Corporation appreciates the opportunity to respond to the concept release on auditor independence and audit firm rotation. Our comments are focused on those areas that we believe, as a board audit committee, are most relevant.

Auditor independence is a key element in protecting the various stakeholders of a publicly traded company. This independence relies on strict standards that the audit firm must follow and the complementary oversight activities conducted by both the board audit committee (BAC) and the PCAOB.

A primary function of the BAC is to promote the independence of the audit function. The committee accomplishes this through exercising its direct responsibility for appointing, compensating, retaining and overseeing the work performed by the independent auditor. Independence is also a key focus of the audit firm itself, which must adhere to audit standards and establish a mindset within the firm of independence, professional skepticism, and objectivity. The PCAOB plays a key role through its ongoing inspection and enforcement responsibilities which provide significant oversight of the auditors.

Given the processes in place today that provide the appropriate “checks and balances” and the lack of empirical evidence to indicate that mandatory rotation of audit firms would enhance auditor independence, we do not support the PCAOB’s proposal. With robust processes already in place to promote auditor independence, we believe the proposed auditor rotation requirement could actually have a detrimental effect on the quality of the independent audit function and would diminish the important role of the BAC.

Knowledge and experience are critical components of a quality audit. An effective audit firm brings a level of technical expertise and knowledge of the industry to an audit. However, an auditor can achieve a profound understanding of a complex, multinational company only through active engagement over an extended period of time. The cumulative value of this institutional knowledge should not be underestimated. Attaining this deeper understanding of the company, its philosophy, policies, standards, goals, processes, systems and culture is critical to audit effectiveness and takes many years to achieve. Mandatory rotation undermines the process for developing this holistic view of a company and indeed would make audits less effective and more vulnerable to error. In contrast, rotating the engagement partner every five years provides stability and retains institutional knowledge and expertise while also adding a fresh perspective to promote high quality audits. The risks involved in the automatic rotation of an audit firm far outweigh any potential benefits.

Additionally, the required rotation of the audit firm diminishes the BAC's responsibility to appoint and retain the independent auditor. Under the proposal, the BAC could no longer decide to retain an audit firm beyond a specified time frame. Setting an arbitrary rotation date could also limit the availability of qualified audit firms and force the BAC into potentially appointing a less knowledgeable and therefore less qualified audit firm to its engagement. This would expose the BAC, the company, and its stakeholders to unnecessary risks.

In conclusion, we urge the PCAOB, before it gives any further consideration to mandatory audit firm rotation, to perform the studies and analysis necessary to better understand the cumulative results of PCAOB inspections. Following this effort, if the PCAOB determines that auditor independence is a significant issue, it should use the enforcement means already provided through the inspection process to appropriately address the issue.

Thank you for allowing us the opportunity to respond to this proposal.



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