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The overarching issue we are faced with is how to increase auditor independence in order to maintain objectivity and to protect investors and public interest. Independence, both in fact and appearance, is a critical component to an audit engagement.

It is human nature to build relationships. Acceptance and belongingness is a basic human need. Independence will continue to be impeded if auditors continue to be in the position of working closely with a particular client on an ongoing basis for several years. Research suggests that oversight is weakened considerably once strong social ties are established. For years auditors have felt the pressure to generate revenue by finding new clients and retaining old ones. Starting in the early 70's firms focused more on generating revenue and growth than professional values. This was typical across the industry. That being said, auditors were forced to focus on creating relationships and keeping clients happy in order to retain them.

We now must consider solutions to the issue of auditor independence and consider if audit firm rotation will generate the intended result. According to the research conducted by the GOA a number of large audit firms and fortune 1000 companies were surveyed to find out if they believe audit firm rotation would enhance independence of audit engagements. There was a strong response that they believed that audit firm rotation would increase audit failure and would not enhance auditor independence. I disagree. I believe that audit firm rotation would help auditors approach and engagement with a fresh perspective, and more professional skepticism. Auditors know they will be replaced so they will not feel as if they are dependent on making the client happy. Even with a concurring partner there continues to be a propensity to attempt to keep a client happy in order to maintain a relationship and keep a clients business. The pressure to produce revenue and maintain clients is ever present. The work will continually be reviewed be by fresh eyes.

It is not enough to merely rely on laws and regulations to guide decision making in business, too often individuals hide behind this to rationalize their actions. Individuals must be willing to apply morality to their decisions. The imperative principle states that decisions should be made according to the requirements of an ethical rule. The CPA certification continues to be enhanced in order to accommodate emerging issues. One new enhancement includes additional course work in ethics. While ethics is part of our values that we develop based on our experiences in life, it is important to have a detailed understanding of what is acceptable in a professional setting and to understand the implications of our

actions. Nicomachean ethics approaches the concept that all humans aim for the highest good, well-being or happiness. He contends that the best way to study controversial issues is to look to what people of good upbringing and are of good nature generally agree on. By following this philosophy a person should be able to decipher what is permitted and acceptable and what is not.

The length of time allowable for an auditor retain a client should be long enough for the auditor to get to know the business in order to continue to improve their audit but it should end before an auditor feels that they are a "partner" with the organization in helping them to reach their goals. A three to five year rotation would be appropriate. The auditor should be allowed to retain the client again in the future but the client should have to wait at least 10 years before they can hire the audit firm again. This will give at a minimum two other firms to audit the client thus allowing additional review of the client.

In order to mitigate to additional ramp up time for a potential auditor the prospective auditor can initiate contact with the predecessor auditor. The need for cooperation from audit team to audit team will become more necessary if audit firm rotation was to be implemented. With each engagement auditors must have an opportunity to get an understanding of the integrity management and the amount of risk present, as well as, past disagreements, knowledge of fraud, illegal acts, and internal control recommendations.

Additional areas that will be enhanced by audit firm rotation include: increased competition as more firms will be able to compete for business, more competitive pricing will be established, there will be an increase in the need for expanded specialization to accommodate the rotation thus creating more jobs in the industry.

It is imperative to render a number of viewpoints prior to making the decision of whether or not to implement audit firm rotation. One to consider are the stakeholders, who would be impacted most by a company choosing to engage in fraud. Investors and employees themselves often put a lot of trust and reliance on company financial statements and their management ability when choosing to invest or work with a company. Earnings are consistently cited as a corporate performance statistic thus the quality and integrity of financial statements can be a costly factor for investors. We must also consider the companies themselves and how they will be impacted from this implementation.

The board continues to return the idea of audit firm rotation. While there is a great deal of controversy surrounding the effectiveness and efficiency of the audit firm rotation, as companies continue to experience audit failure due to deficiencies related to valuation of complex financial instruments, inappropriate use of substantive analytical procedures, and

reliance on entity controls without adequate evaluation this is a solution that will continue to be visited until there is clear evidence that it will not improve the quality of audit engagements.