



Audit retention versus audit rotation – an update of the debate

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Abstract

Purpose: In this paper, an update is provided on the on-going debate between audit retention and audit rotation in different parts of the world.

Design and Methodology: This update is provided based on a systematic review of recent scholarship that have explored the supposed benefits or drawbacks of audit rotation amidst a climate of declining confidence in audited financial statements due to a series of financial scandals over the last few years. 28 articles were examined along four key categories, including the geographical distribution of the articles, article type, research themes and research methods.

Findings: The findings of the review revealed that the debate between audit rotation and retention has no end in sight with empirical studies finding conflicting results regarding the merits or demerits of adopting a mandatory audit rotation regime in various countries. A recurring message amongst many of the studies is that perhaps time has come for the auditing profession to seek an alternative solution for maintain auditor independence.

Practical Implications: A recurring message amongst many of the studies is that perhaps time has come for the auditing profession to seek an alternative solution for maintaining auditor independence.

The Significance of The Study: This study reveals that auditor independence cannot be obtained merely by regulation. This is evidenced by the fact that audit-related financial scandals have continued to occur over this long period of time, despite the adoption of mandatory audit rotation in many parts of the world.