Auditor independence is the main goal of audit firm rotation. However, this may only lead to solving of independence by appearance. If auditors are forced to change every five years, yes, they will look more independent, but that does not give independence in fact. Audit committees are responsible for independence in appearance, but the auditor is the main culprit of being independent in fact. Because an auditor may not appear 100% independent in appearance, does not mean the auditor cannot, completely unbiased, create an opinion based on evidence recovered from the audit, which would make them independent in fact.

Auditors have many rigorous standards that must be upheld that are supposed to create independence from the companies they audit. One of the most important is the mandatory lead auditor rotation every five years. This is a much more cost effective way of increasing independence between auditors and clients. When the lead auditor changes, they must "start from scratch" with their client, which means no longstanding relationship is intact. In addition, the audit firm will have to spend less time on the audit than if it were an entirely new company, which saves massive amounts of time, and most importantly, money.

If companies are required to rotate audit firms every five years, they are exposing themselves to a higher possibility of a bad audit. First year audits have a much higher percentage of failing than audits done is subsequent years. This means that every five years, auditors will perform more audits that are not correct. Incoming auditors will have a "learning curve" during the first year, which may lead to a lower quality audit. Currently, audit firms do not have to perform many "first-year" audits, because they can keep their clients for an extended period. New audits for a company require much more work, and if the firm is trying to retain the client, they may rush through procedures and miss something. The auditor may be more independent than if they had previously audited the firm, but they also may perform a bad audit. In Spain, from 1991-1995, audit firm rotation was required. A study was done that compared all the audits performed in that time period to all audits performed five years after firm rotation was recalled. The number of unqualified opinions issued only decreased 1.3% after firm rotation ended (Barbadillo, Aguilar & Carrera, 2009). A percentage this small cannot be tied to audit firm rotation, which means there was little change when firm rotation was implemented and retracted.

Audit independence may actually decrease due to audit firm rotation. This is somewhat because of regulations already intact due to the Sarbanes-Oxley Act. Currently, the auditor may not perform other financial services for the company. If companies were forced to rotate auditors every five years, they would use many other auditing firms in order to provide other financial services. Public companies would be exposed to many more audit firms than they are currently. Whenever an auditing firm that had previously performed financial services was then contracted to perform audits, they would not be completely independent. A company could possibly create multiple relationships with audit firms this way. This could cause many financial service firms to be created just to perform non-audit procedures; however, it is unlikely.

In our world of ever-evolving fraud activities, it is hard to trust audit firms, but that is what needs to happen. With the standards that are already in place and due care and professional skepticism being used by auditors, public audits should be very reliable. However, it only takes a couple auditors with poor ethics to create hysteria in the accounting field. Ethics are subjective to each and every person, so one auditor can try to rationalize why they would give an unqualified opinion without any evidence supporting it and a big payday, even though 99% of auditors would never consider it ethical.

Ethical dilemmas for auditors are common. There are many different sets of “ethics” which have been published, and all different. I do not believe that auditors should work using utilitarianism ethics, which is the greatest good for the greatest number. This thought process does not hold true when an auditor is being paid to give the company what they want. If the auditor chooses to expose and wrongdoing, many people could lose their jobs, similar to Enron. I also do not feel Aristotle’s Nichomachean virtues apply to auditing. Aristotle’s virtues focus on being in the middle of two extremes. When I think how this applies to auditing, I see an auditor take some cash to consider not turning a client in to the SEC. Taking no cash would be at one extreme and taking millions of dollars would be the opposite extreme. This type of thinking should not be allowed in the auditing field.

In my opinion, all auditors should implore Immanuel Kant’s Categorical Imperative ethics when performing an audit. Kant suggested that there is always a right and wrong. Kant believed the rightness and wrongness of an action does not depend on its consequence, but on whether it fulfills its intended duty. Auditors should not focus on what the outcome of their opinions are, but rather on the job itself, which is to determine if the financial statements are free of any material misstatements. The other ethical theories have gray areas, which Kant’s theory does not, which is why auditors should use it. Actions done by auditors should be either right or wrong, and it should be universal for all auditors.

If all auditors were ethical, there would be no need for any auditing standards, but that is not the case. The standards that are currently in place are more than enough to prevent fraudulent activity, but only when auditors work ethically. The addition of required audit firm rotation will be very costly to both the audit firm and their client. The costs of this change could outweigh its benefits, if any.