Rotation of auditors

The Bill requires members of the audit team who play a significant role in the audit team to be rotated after five years of continuous service. The Bill envisages a situation where an audit team member resigns from the audit after four years, returns to the audit a year later and plays a significant role in the audit for the next four years. To prevent this occurring, the Bill states audit team members shall only audit the client for five out of seven successive financial years (Department of Treasury, 2003b, para.190). Liability for breach of the rotation requirements is placed upon the firm and the individual auditor. This is done 'to place responsibility on members of the firm as a whole to ensure that collectively the members promote a culture of compliance' (Department of Treasury, 2003b, para.194).

The Bill also states a company whose auditors do not comply with the rotation requirement of the Bill has contravened the amended Companies Act (Department of Treasury, 2003b, para.195). Finally, if the rotation requirement places a burden on particular companies, the ASIC has the power to provide relief from the rotation requirements (Department of Treasury, 2003b, para.196).

Reference

Department of Treasury, 2003b, *CLERP (Audit Reform and Corporate Disclosure) Bill: Chapter 1, Audit Reform*, www.treasury.gov.au