

**UNIVERSITI TEKNOLOGI MARA**

**MANDATORY AUDIT FIRM ROTATION:  
THE PERCEPTION OF MALAYSIAN PUBLIC  
LISTED COMPANIES**

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## **ABSTRACT**

Auditor independence is very crucial to public confidence in financial reporting. However, recent corporate failure such as in the case of Enron has critically damaged the credibility of financial reporting. Lack of auditor independence due to long-term relationships between auditor and clients is believed to be the reason for such failures. Therefore, mandatory audit firm rotation has always been proposed as a solution to enhance auditor's independence. This study aims to provide some viewpoints on whether mandatory audit firm rotation should be implemented in Malaysia considering that some countries have good experiences with it such as Italy. This study examines the value provided by mandatory audit firm rotation from the perspectives of the Chief Finance Officer of public listed companies in Malaysia. This study is based on a survey using questionnaires in order to gather the information. A total of 30 out of 100 companies responded to the survey. The results indicate that mandating audit firm rotation will enhance auditor independence as perceived by the respondents. However, the respondents believe that the costs outweigh its intended benefits.

## TABLE OF CONTENTS

	<b>Page</b>
<b>Acknowledgements</b>	ii
<b>Abstract</b>	iii
<b>Table of Contents</b>	iv
<b>List of Tables</b>	vii
<b>List of Figures</b>	viii
<b>List of Abbreviations</b>	ix
<b>CHAPTER ONE</b>	1
<b>INTRODUCTION</b>	1
1.1 Introduction	1
1.2 The Problem Statement	3
1.3 Research Objectives	4
1.4 Significance of the Study	5
1.5 Organization of the Study	5
<b>CHAPTER TWO</b>	6
<b>LITERATURE REVIEW</b>	6
2.1 Introduction	6
2.2 History and Current Development	6
2.2.1 History	6
2.2.2 Current Development	8
2.3 Argument for Mandatory Audit Firm Rotation	9
2.3.1 Close Relationship	9
2.3.2 Audit Approach	10
2.3.3 Pleasing Client	10

2.4	Argument against Mandatory Audit Firm Rotation	13
2.4.1	Close Relationship	13
2.4.2	Audit Quality	13
2.4.3	Implementation Costs	14
2.5	International Experience with Mandatory Rotation	17
2.5.1	Italy	17
2.5.2	Brazil	17
2.5.3	Singapore	17
2.5.4	Austria	19
2.5.5	Spain	19
2.5.6	Canada	20
2.6	Summary	20
 <b>CHAPTER THREE</b>		 21
<b>RESEARCH METHODOLOGY</b>		21
3.1	Introduction	21
3.2	Sample Selection	21
3.3	Research Design	22
3.4	Research Methodology	22
3.5	Analytical Procedures	23
3.6	Conclusion	23
 <b>CHAPTER FOUR</b>		 24
<b>ANALYSIS AND DISCUSSION OF FINDINGS</b>		24
4.1	Introduction	24
4.2	Demographic Background	25
4.3	Current Audit Appointment	26
4.4	Potential Effects of Mandatory Audit Firm Rotation	28
4.4.1	Auditor Knowledge and Experience	28