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## PCAOB Holds Third Public Meeting on Mandatory Audit Firm Rotation

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On October 18, 2012, the Public Company Accounting Oversight Board held its third public meeting on mandatory audit firm rotation in Houston. Back in August 2011, the PCAOB, concerned about what it saw as continuing instances of lack of independence, objectivity and professional skepticism by auditors, issued a [Concept Release](#) regarding possible fundamental changes in the audit process such as mandatory periodic rotation of audit firms. The Board held previous hearings on the subject in Washington in March and San Francisco in June.

The Board heard from academics, public company financial and accounting officers, audit committee members, institutional investors, and representatives of the accounting profession and accounting firms. The Board also heard from a representative of the European Commission, who described the EC's proposal to require mandatory rotation for auditors of certain public companies. (Read the [participants' written statements](#).)

As at prior meetings, the public company executives and audit committee members (including the CEO of the National Association of Corporate Directors) did not favor mandatory rotation. They also expressed skepticism about alternatives such as "mandatory retendering," where an issuer would be required to put the audit out to bid periodically, but could decide to retain the incumbent. Much of the discussion focused on the role of the audit committee and whether audit committee oversight can be strengthened to help address the concerns identified by the PCAOB. Many participants expressed support for some degree of enhanced disclosure by audit committees about their decisions to select and retain auditors.

At the conclusion of the meeting, PCAOB Chairman James Doty appeared to indicate that the Board will continue to consider the subject. Notably, referring to the over 600 comment letters opposing MFR, he said that "numerosity should not determine this issue."