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# Interplay of Auditor Rotation, Firm Size, and Audit Quality: An Empirical Investigation



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KEYWORDS	ABSTRACT
<p><b>Keywords:</b> Auditor Retention; Firm Size; Audit Quality.</p> <p><b>Conflict of Interest Statement:</b> The author(s) declares that the research was conducted without any commercial or financial relationships that could be construed as a potential conflict of interest.</p> <p><b>Copyright © 2023 AMAR. All rights reserved.</b></p>	<p><b>Purpose:</b> This study explores the impact of auditor retention and firm size on audit quality, emphasizing their relevance to audit independence and corporate governance. Understanding these factors is crucial for regulators and businesses aiming to enhance financial reporting quality.</p> <p><b>Research Design and Methodology:</b> The study focuses on 15 manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2017 to 2019. Using secondary data from IDX records, logistic regression analysis was conducted to examine the relationships between auditor retention, firm size, and audit quality.</p> <p><b>Findings and Discussion:</b> The findings show that auditor retention has a negative and insignificant effect on audit quality, indicating that frequent auditor changes do not necessarily improve audit outcomes. Similarly, firm size negatively and insignificantly affects audit quality, suggesting that larger companies do not always receive superior audits. These results challenge the belief that auditor rotation and firm size are primary indicators of audit quality.</p> <p><b>Implications:</b> The study suggests that companies should prioritize auditor competence over rotation policies, while regulators may need to reassess mandatory auditor rotation's effectiveness. Future research should consider other factors, such as auditor tenure, audit fees, and corporate governance, to gain a more comprehensive understanding of audit quality determinants. These insights can guide policymakers in enhancing audit standards and financial reporting integrity.</p>

## Introduction

The increasing competition in the public accounting services industry has driven firms to adopt strategies that enhance their market position and build public trust. Public accounting services play a critical role in ensuring the accuracy and reliability of financial information, which is essential for effective decision-making and regulatory compliance. Audited financial statements, prepared by generally accepted accounting standards, offer higher credibility than unaudited ones, reinforcing trust among stakeholders, including investors, regulators, and creditors (Wiguna & Badera, 2016). This credibility highlights the importance of high-quality audit services, as auditors act as intermediaries between financial statement users and preparers, ensuring the integrity and transparency of financial reporting (Jamaluddin, 2018). Auditors are responsible for expressing opinions on financial statements based on established auditing standards (SA) and professional ethics. These standards emphasize technical competence, objectivity, and professional skepticism, ensuring auditors conduct engagements diligently and independently (Muslim et al., 2020). To uphold audit quality, the Ikatan

Akuntan Indonesia (IAI) implemented mandatory auditor rotation policies aligned with the Sarbanes-Oxley Act of 2002 to prevent conflicts of interest arising from prolonged auditor-client relationships. Minister of Finance Decree No. 423/KMK.06/2002 further reinforces this policy, requiring public accounting firms to rotate auditors periodically to maintain independence and enhance audit quality.

The importance of audit quality is underscored by several high-profile financial scandals, such as those involving Lehman Brothers, Enron, Toshiba, Kimia Farma, and Bank Lippo, where audit failures led to significant financial instability. In Indonesia, the 2018 Garuda Indonesia financial reporting scandal exemplifies the consequences of compromised audit quality. Garuda reported a net profit of USD 809.85 thousand for the 2018 fiscal year, despite a USD 216.5 million loss in 2017, primarily due to premature revenue recognition from PT Mahata Aero Teknologi. This misrepresentation violated Indonesian Financial Accounting Standards (PSAK) and triggered regulatory scrutiny by the Indonesia Stock Exchange (BEI) and the Financial Services Authority (OJK). The Ministry of Finance (Kemenkeu) concluded that the audit, conducted by KAP Tanubrata Sutanto Fahmi Bambang & Rekan (BDO International), failed to meet proper standards, resulting in sanctions against the auditors and Garuda's board of directors (Himawati & Mulatsih, 2017). The Garuda case underscores the critical role of auditor independence and regulatory oversight in maintaining audit quality. It also highlights the importance of mandatory auditor rotation to prevent familiarity threats and ensure objective assessments. The Indonesian government introduced Regulation No. 17/PMK in response to such cases.01/2008, refining previous regulations to limit audit tenure. Public accounting firms can audit the same entity for six consecutive fiscal years, while individual auditors are restricted to three straight years for the same client (Fauzi et al., 2020). Despite these regulations, some companies voluntarily switch auditors (voluntary switching), often driven by cost considerations, dissatisfaction with previous audits, or strategic realignments (Sinarwati, 2018). While auditor switching can enhance independence, it may raise concerns regarding audit continuity and quality (Lee & Sukartha, 2017).

Beyond auditor rotation, firm size also influences audit quality, as larger firms typically benefit from stronger governance frameworks, enhanced regulatory oversight, and greater public scrutiny. Larger firms often have more stable financial structures and better access to capital markets, reducing business risks compared to smaller entities (Udayanti & Ariyanto, 2017). This aligns with risk theory, which suggests that larger firms exhibit lower market volatility, enhancing audit quality through more rigorous oversight and internal controls (Ayu et al., 2019). However, empirical findings on the relationship between firm size and audit quality remain inconsistent. While some studies report a positive relationship (Febriyanti & Mertha, 2019; Udayanti, 2017), others found no significant correlation (Paramitha, 2015) or even a negative impact (Putri, 2016).

Given the limited research on the combined influence of auditor switching and firm size on audit quality, this study aims to address these gaps by examining how mandatory and voluntary auditor rotation, alongside firm characteristics, affect audit outcomes. By integrating these factors, the study provides insights into whether larger firms consistently receive higher-quality audits and how external factors, such as regulatory oversight and governance mechanisms, shape audit effectiveness. Additionally, exploring voluntary auditor switching helps clarify whether such decisions enhance audit independence or introduce uncertainty among investors. Ultimately, this research seeks to inform policymakers, regulators, and corporate stakeholders about best practices for improving audit quality, ensuring transparency, and maintaining market confidence through effective auditor rotation policies and robust governance frameworks.

## Literature Review

### *Agency Theory*

Agency Theory, introduced by Jensen and Meckling (1976), explains the relationship between principals (owners) and agents (managers), emphasizing conflicts arising from information asymmetry and divergent interests. Managers, often possessing more information than owners, may manage earnings to enhance personal gains, compromising financial transparency (Zulfia & Setyowati, 2023). This conflict underscores the need for strong corporate governance to align managerial actions with shareholder interests (Garcia et al., 2017). Effective governance relies on independent auditors, boards of directors, and external regulatory oversight to ensure accountability and mitigate

opportunistic behavior. Without robust governance structures, agency conflicts persist, jeopardizing corporate stability and investor confidence (Indah, 2018). Businesses implement external regulations and internal policies to address agency conflicts, such as mandatory financial disclosures and independent audits (Minnis & Shroff, 2017). These measures enhance transparency, enabling stakeholders to make informed decisions. Incentive-based compensation and well-structured employment contracts align managerial interests with corporate sustainability goals (Garcia et al., 2017). Audit committees and independent boards are also crucial in monitoring managerial decisions and ensuring adherence to shareholder priorities. Strengthening governance, transparency, and regulatory oversight is thus essential for enhancing corporate integrity and financial market stability (Indah, 2018).

#### *Audit Quality*

Audit quality plays a critical role in ensuring the accuracy and reliability of financial statements, thereby enhancing stakeholder confidence in corporate reporting. Arens (2012) defines auditing as an independent examination of financial information to determine its conformity with established standards. This process involves collecting and evaluating evidence to assess whether financial statements represent a company's financial position fairly. According to Wiguna (2016), high-quality audits are characterized by the auditor's ability to detect and report material misstatements, which require technical competence and professional skepticism. The significance of audit quality extends beyond regulatory compliance, as it directly influences investor decision-making and corporate accountability. DeAngelo (1981) argues that audit quality is primarily determined by the auditor's independence and expertise, enabling an unbiased financial information assessment. Auditors must maintain professional integrity and adhere to ethical standards to ensure that their opinions accurately reflect a company's financial condition (Arestantya & Wirajaya, 2016). As financial transactions become more complex, auditors must continuously update their technical knowledge and ethical frameworks to uphold audit quality standards. High-quality audits mitigate financial risks and promote transparency, fostering trust among investors and other stakeholders.

#### *Auditor Rotation*

Auditor rotation, or auditor switching, refers to the replacement of a public accounting firm by a company, either voluntarily or mandatorily (Pratitis, 2016). In Indonesia, mandatory auditor rotation is implemented to preserve auditor independence and prevent familiarity risks. However, many companies voluntarily switch auditors for reasons beyond regulatory requirements, such as dissatisfaction with previous audit opinions, financial difficulties, or efforts to seek more favorable treatment (Setiadamayanthi, 2016). While mandatory rotation enhances objectivity, voluntary switching often introduces complexities, including increased audit costs and the need for new auditors to familiarize themselves with the client's financial structure. The factors influencing auditor switching can be categorized into client-related and auditor-related aspects. Client-related factors include financial distress, management changes, and company size, while auditor-related factors encompass audit fees, audit quality, and the nature of the audit opinion (Khasharmeh, 2015). For instance, companies receiving unfavorable audit opinions may switch auditors to seek a more lenient assessment. Additionally, audit fees play a crucial role, as firms may opt for new auditors offering lower costs or better service terms (Salim & Rahayu, 2019). While auditor switching can enhance independence and audit quality, frequent changes may compromise audit continuity and lead to inconsistencies in financial reporting.

#### *Firm Size*

Firm size significantly influences a company's financial performance, stability, and strategic decision-making. Hasanah (2018) defines firm size as the average revenue generated within a specific period after deducting operational costs. Larger firms typically exhibit higher financial resilience due to economies of scale, diversified revenue streams, and enhanced access to capital markets. As revenue increases, firms generate higher pre-tax earnings, strengthening their financial position and operational efficiency. Numerous studies highlight the relationship between firm size and financial

performance. Wahjudi (2020) found that firm size, managerial and institutional ownership, debt policy, and profitability significantly influence dividend policy among Indonesian manufacturing firms. Similarly, Khotimah et al. (2020) demonstrated that firm size and profitability positively impact firm value, with debt policy as a moderating variable. These findings emphasize the role of firm size in shaping corporate financial strategies and long-term sustainability. Firm size also affects corporate valuation, governance practices, and sustainability initiatives. Prasetyorini (2013) identified firm size, leverage, and profitability as key determinants of firm value, while Purwanto (2011) highlighted that larger firms are more likely to engage in corporate social responsibility (CSR) due to higher stakeholder visibility and regulatory scrutiny. Consequently, as firms expand, they must align their financial strategies with sustainability goals, ensuring operational efficiency while enhancing investor confidence and corporate accountability. Integrating robust governance frameworks with sustainable growth practices enables firms to maintain stability in dynamic business environments.

Auditor rotation (auditor switching) has become a significant area of research in financial auditing, particularly concerning its impact on audit quality. Arestantya (2016) Found that auditor switching positively affects audit quality, suggesting that changing auditors can enhance independence and objectivity in financial assessments. Similarly, Putri (2016) Auditor rotation influences audit quality variables, indicating that periodic changes in auditors help maintain transparency and financial accountability. Companies often undertake auditor switching due to various factors, including audit delay, management turnover, and company growth. (Soraya & Haridhi, 2017). Maintaining long-term auditor-client relationships can compromise auditor independence, leading to emotional bias and escalation of commitment, where auditors may continue supporting flawed decisions. (Giri, 2018) Therefore, periodic auditor rotation is expected to safeguard auditor independence and ensure that audit opinions remain objective and compliant with professional standards. Sujana & Muliawan (2017) Emphasized that auditor switching is a crucial strategy for mitigating the potential decline in audit quality caused by prolonged audit tenure. When a company switches auditors, it maintains the public accounting firm's objectivity, ensuring high-quality audits that provide reliable financial information. This process is essential in promoting stakeholder trust and compliance with regulatory frameworks. Given the growing complexity of financial transactions and corporate governance, ensuring that audit engagements remain independent and professionally conducted is vital. Based on this explanation, the research hypothesis can be formulated as follows:

*H<sub>1</sub>: Auditor rotation has a positive effect on audit quality*

Internal control systems in large companies are generally more robust than those in small companies, as Fernando et al. (2018) argue that larger firms tend to have better internal controls. Strong internal controls facilitate audit quality by ensuring auditors can quickly obtain financial information. Conversely, weak internal controls increase the complexity of the audit process, requiring auditors to exert more effort in verifying financial statements. Firm size can be measured using total assets, revenue, and market capitalization, where larger values indicate a larger firm size (Tarihoran & Budiono, 2016). Due to the high agency costs associated with large firms, these companies often prefer reputable, independent, and professional auditors to maintain audit quality (Paramita & Latrini, 2015). This preference aligns with agency theory, which suggests that firms with complex structures require higher-quality audits to ensure financial accountability. Fernando (2018) asserts that large companies benefit from experienced management and strong internal control systems, leading to higher audit quality than smaller firms. Similarly, Febriyanti (2019) found that firm size positively and significantly influences audit quality, which aligns with Udayanti (2017), who also confirmed that larger firms exhibit better audit quality. However, according to perceived quality theory, smaller firms experience a more noticeable improvement in audit quality than their larger counterparts. Based on this explanation, the research hypothesis can be formulated as follows:

*H<sub>2</sub>: Firm size positively influences audit quality.*

## Research Design and Methodology

This study was conducted on the Indonesia Stock Exchange (IDX) by directly accessing its official website, [www.idx.co.id](http://www.idx.co.id). The population of this research consists of all manufacturing companies listed on the IDX that have published audited financial statements. The sample includes 45 financial reports from 15 manufacturing companies registered on the IDX over a specified period. The primary source of data for this research is the Capital Market Reference Center of the Indonesia Stock Exchange, ensuring that the data utilized in this study is official and publicly available financial data recorded by the IDX. The financial statements analyzed were obtained from the Capital Market Reference Center and the official IDX website ([www.idx.co.id](http://www.idx.co.id)). The data analysis method employed in this study consists of multiple stages. The first stage involves descriptive statistical analysis. The second stage applies logistic regression analysis. The third stage assesses the overall model fit and Nagelkerke's R-square to evaluate the model's explanatory power. The final stage includes Hosmer and Lemeshow's goodness-of-fit test and the logistic regression coefficient test to determine the suitability and significance of the regression model.

**Table 1.** Operational Definitions

Variable	Indicator	Major Reference
Auditor Switching	This variable is measured using a dummy variable.	(Ghozali, 2011)
Firm Size	Firm size is measured using the natural logarithm of total assets.	(Udayanti & Ariyanto, 2017)
Audit Quality	This variable is also a dummy variable, where zero indicates that the company does not use the services of an auditor from a Big Four-affiliated public accounting firm (KAP), and one indicates that it does.	(Wiguna & Badera, 2016)

Source: data primer

## Findings and Discussion

### Findings

This method was also employed to obtain an overall representation of the sample data, including mean, median, standard deviation, maximum, and minimum values calculations.

**Table 2.** Descriptive Statistics

	N	Range	Minimum	Maximum	Mean		Std. Deviation	Variance
					Statistic	Std. Error		
X1	45	1.00	.00	1.00	.0667	.03761	.25226	.064
X2	45	8.81	17.60	26.41	22.0224	.27203	1.82480	3.330
Y	45	1.00	.00	1.00	.5778	.07446	.49949	.249
Valid N (listwise)	45							

**Table 3.** Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
1	5.811	7	.562

**Table 4.** Iteration History (Before Model Estimation) Iteration History<sup>b, c</sup>

Iteration	-2 Log likelihood		Constant
Step 0	1	61.290	.311
	2	61.290	.314
	3	61.290	.314

Source: Output SPSS

Analyzing the auditor retention, firm size, and audit quality variables provide valuable insights into the characteristics of the sample and the model's explanatory power. The auditor retention variable shows an average value of 1, with a minimum of 0, a maximum of 1, and a standard deviation of 0.25226. This binary nature indicates whether companies retained auditors, where 1 represents

retention, and 0 represents non-retention. The analysis revealed that only three companies (6.7%) maintained auditors, while 42 (93.3%) did not. This indicates that most food and beverage companies in the sample preferred not to retain auditors for consecutive engagements. This pattern suggests a higher frequency of auditor switching, potentially reflecting efforts to maintain auditor independence or dissatisfaction with previous audit services. Similarly, the firm size variable had an average value of 8.81, with a minimum of 0, a maximum of 1, and a standard deviation of 1.82480. However, the binary coding for firm size appears inconsistent with its mean value, suggesting that firm size might have been categorized based on specific thresholds, such as total assets or revenue. This approach helps distinguish between larger and smaller firms, affecting their audit quality and choice of auditors. Larger firms often engage Big Four auditors due to their reputation and perceived ability to deliver high-quality audits.

**Table 5.** Iteration History (After Model Estimation) Iteration History<sup>b, c, d</sup>

TABLE 5: Iteration History (Pooled Model Estimation) Iteration History			Coefficients		
Iteration		-2 Log likelihood	Constant	X1	X2
Step 1	1	58.588	.649	1.800	-.021
	2	58.082	.673	2.935	-.022
	3	57.917	.675	3.978	-.022
	4	57.859	.675	4.994	-.022
	5	57.838	.675	5.999	-.022
	6	57.831	.675	7.001	-.022
	7	57.828	.675	8.002	-.022
	8	57.827	.675	9.002	-.022
	9	57.826	.675	10.002	-.022
	10	57.826	.675	11.002	-.022
	11	57.826	.675	12.002	-.022
	12	57.826	.675	13.002	-.022
	13	57.826	.675	14.002	-.022
	14	57.826	.675	15.002	-.022
	15	57.826	.675	16.002	-.022
	16	57.826	.675	17.002	-.022
	17	57.826	.675	18.002	-.022
	18	57.826	.675	19.002	-.022
	19	57.826	.675	20.002	-.022
	20	57.826	.675	21.002	-.022

Source: Output SPSS

The audit quality variable had an average value of 1.00, with a minimum of 0, a maximum of 1, and a standard deviation of 0.49940. This binary variable reflects whether companies achieved high audit quality, often indicated by audits conducted by Big Four-affiliated firms. The findings showed that Big Four firms audited 26 companies (57.8%), while non-Big Four firms audited 19 (42.2%). This suggests that most food and beverage companies preferred reputable audit firms, likely driven by the higher credibility and reliability associated with Big Four audits. The Hosmer and Lemeshow Goodness of Fit Test was performed to assess the logistic regression model's feasibility. This test evaluates whether the model fits the observed data well. A chi-square value of 5.811 and a significance value of 0.562 (greater than 0.05) indicated that the null hypothesis was accepted, confirming that the model adequately fits the data. This result demonstrates that the logistic regression model can effectively predict the relationship between the independent variables (auditor retention and firm size) and the dependent variable (audit quality).

The overall model fit was further evaluated by examining the -2 Log Likelihood (LL) values at the initial and final stages. A decreasing -2LL value signifies model improvement, indicating that the hypothesized model aligns well with the observed data. This reinforces the conclusion that the logistic regression model is suitable for further analysis and reliable for interpreting the relationships among variables. Nagelkerke's R-Square coefficient, which measures the explanatory power of the independent variables, was 0.100. This means that auditor retention and firm size collectively explain 10% of the variance in audit quality. Although this percentage is relatively low, other unobserved factors such as auditor competence, audit fees, internal controls, and corporate governance practices significantly influence audit quality.

**Table 8.** Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	57.826 <sup>a</sup>	.074	.100

**Table 9.** Hypothesis Testing for Logistic Regression

							95% C.I. for EXP(B)		
		B	S.E.	Wald	df	Sig.	Exp (B)	Lower	Upper
Ste	X1	21.002	23202.718	.000	1	.999	1322027644.798	.000	.
P <sub>1</sub> <sup>a</sup>	X2	-.022	.170	.017	1	.897	.978	.701	1.365
	Constant	.675	3.764	.032	1	.858	1.964		

a. Variable(s) entered on step 1: X1, X2.

Source: Output SPSS

The estimated logistic regression equation is:

$$Y = 0,675 + 21,002 X1 - 0,022 LN = X2$$

### Discussion

The study's findings reveal that auditor retention negatively and insignificantly affects audit quality. Logistic regression results show that the significance level exceeds the established threshold, while the negative regression coefficient suggests that auditor retention does not necessarily enhance audit quality. When companies change auditors, the transition period often hinders knowledge transfer, as newly appointed auditors require time to familiarize themselves with the company's structure, accounting systems, and business operations before providing an accurate audit opinion. This finding aligns with Agency Theory, which highlights potential conflicts of interest between principals (owners) and agents (managers), with auditors serving as a control mechanism to ensure transparency and accountability (Jensen & Meckling, 1976). Frequent auditor changes can disrupt monitoring effectiveness, as new auditors may not fully understand the client's business characteristics, compromising audit quality. This aligns with the Audit Quality Framework, emphasizing that auditor familiarity, prior experience, and continuity are crucial for maintaining high audit standards.

These results differ from previous studies, such as Perdana (2017), who found that switching positively impacted audit quality, arguing that new auditors bring fresh perspectives and greater independence. However, the current study supports findings by Hutajulu (2023), who demonstrated that frequent auditor changes negatively affect audit quality, as new auditors often struggle to grasp clients' financial systems promptly. Differences in findings may be attributed to sample characteristics and industry sectors, as most companies analyzed in this study did not undergo auditor changes during the observation period, rendering the impact of auditor rotation insignificant. From a practical standpoint, these findings suggest that companies should prioritize effective auditor transitions alongside independence to prevent adverse effects on audit quality. Regulators should complement auditor rotation policies with structured transition mechanisms, ensuring new auditors receive adequate time and resources to understand the client's operations before issuing an opinion. Similarly, the study found that firm size negatively and insignificantly affects audit quality, indicating that company scale does not guarantee superior audit outcomes. Logistic regression results suggest that both large and small firms face similar risks regarding audit quality. Fernando et al. (2018) argued that larger firms should have stronger internal controls, enhancing audit quality. However, ineffective implementation of controls and greater operational complexity in larger firms often create opportunities for fraudulent activities, complicating the audit process. Consequently, while larger firms possess more resources, internal controls, and financial transparency are more crucial in determining audit quality than firm size alone.

These findings challenge Watts and Zimmerman's (1986) Agency Theory, which posits that larger firms attract more stakeholder scrutiny, requiring reputable auditors to ensure financial statement credibility. Tarihoran & Budiono (2016) similarly argued that firm size, measured by total assets, sales, and market capitalization, influences supervision and control, ultimately impacting audit quality.

However, the current study aligns with prior research by Paramita & Latrini (2015), Febriyanti (2019), and Udayanti (2017), who found that firm size does not significantly affect audit quality. Conversely, Berikang (2018) asserted that larger firms typically receive higher-quality audits due to increased regulatory oversight and engagement with reputable auditors. These discrepancies may stem from differences in sample characteristics, industry sectors, and corporate policies regarding auditor selection. From a practical perspective, the study underscores the importance of robust internal control systems rather than firm size in determining audit quality. Fernando (2018) emphasized that larger firms typically employ experienced management teams and stronger internal controls, which should enhance audit outcomes. However, this assumption does not always hold, as not all large firms maintain optimal governance structures. Consequently, policymakers should reconsider regulations that mandate larger firms to engage Big Four auditors and instead focus on enhancing corporate governance and financial transparency standards. Ultimately, this study highlights that audit quality is shaped by firm size, effective governance, adherence to accounting standards, and auditor independence.

## Conclusion

This study examines the effect of auditor retention and firm size on audit quality in manufacturing companies listed on the Indonesia Stock Exchange (IDX) during 2017-2019. The findings indicate that auditor retention has a negative and insignificant effect on audit quality, suggesting that not all companies undergo frequent auditor changes within four years, thereby limiting its impact on audit quality. Similarly, firm size was found to have a negative and insignificant effect on audit quality, implying that the mere size of a company's total assets does not necessarily determine the quality of audit outcomes. These findings provide insights into the dynamics of audit quality determinants within the Indonesian manufacturing sector.

The significance of this study lies in its contribution to academic literature and practical audit practices. The study enriches existing discussions on auditor retention and firm size by demonstrating their limited influence on audit quality, particularly within the regulatory and institutional context of the IDX. From a managerial perspective, the findings highlight the need for companies to prioritize auditor competence and independence over frequent rotations or firm size considerations. Policymakers and regulatory authorities should also evaluate whether mandatory auditor rotation policies effectively enhance audit quality, given that frequent auditor changes may not always lead to better audit outcomes. These findings reinforce the need for a balanced approach to audit regulations that ensures independence and efficiency in financial reporting.

This study has several limitations that should be addressed in future research. The study focuses exclusively on manufacturing firms listed on the IDX, limiting the generalizability of the findings to other industries. Additionally, the study examines a relatively short time frame (2017-2019), which may not fully capture long-term trends in audit quality. Future research should extend the study period and incorporate other sectors, such as consumer goods and financial services, to provide a more comprehensive understanding of audit quality determinants. Expanding the research sample and integrating additional variables—such as auditor tenure, audit fees, or corporate governance mechanisms—may offer deeper insights into the factors influencing audit quality. Researchers are encouraged to explore these areas further to enhance audit research's academic and practical contributions.

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