eksis jurnal riset ekonomi & bisnis
E-ISSN : 2549-6018
P-ISSN : 1907-7513

THE EFFECT OF MANDATORY AUDITOR SWITCHING AND PUBLIC ACCOUNTING FIRM (PAF) REPUTATION ON AUDIT QUALITY

(Case Study on Financial Companies Listed on the Indonesia Stock Exchange 2019 – 2022)

Indana Zahrotul Aini[1], Abi Suryono[2], Kusumaningdiah Retno Setiorini[3], Nila Hidayah[4], Citra Amelia Putri[5]
[1,2,3,4,5]Universitas Alma Ata

Correspondence: 202300099@almaata.ac.id

Abstract

This study examines the effectiveness of mandatory auditor switching regulations related to the failure of audits of companies' financial statements on the Indonesia Stock Exchange (IDX), including those conducted by affiliates of the Big Four Public Accounting Firm (PAF). This study analyzes the effect of mandatory auditor switching on departing partners, replacement partners, and PAF reputation on audit quality, with control variables such as company size, financial leverage, profitability, and company losses. Using data from financial sector companies on the IDX for the period 2019–2022, this study applies purposive sampling and obtains 132 samples. Logistic regression analysis was performed using SPSS version 25. The results show that, simultaneously, the three main variables affect audit quality. However, partially, mandatory auditor switching on departing and replacement partners does not have a significant effect, while PAF's reputation has a positive impact on audit quality.

Keywords: Audit Quality, *Mandatory Auditor* Switching, *Departing Partner*, *Replacement Partner*, Public Accounting Firm Reputation

A. INTRODUCTION

Reports are used as a basis for measuring the company's performance during a period and are a form of responsibility of the company's management to *stakeholders*. Stakeholders very much need the quality of the company's financial report as a basis determining their policies because *stakeholders* have much narrower information compared to the company's management. The quality of the company's financial report represents the obedience and compliance of the company's management to the regulations in force in the Financial Accounting Standards. This results in increased trust in users of financial reports and the general public (Sari & Rahmi, 2021).

An independent auditor can assess the quality of the company's financial statements through an audit procedure. The trust of stakeholders as users of financial statements will decrease if the audit service provider is seen as not independent in providing its services (Layli & Arifin, 2020; De Widt,et al, 2022;). According to *Luvena et al.* (2022), a financial statement audit is said to be a procedure for obtaining reliability or certainty regarding the fairness of the presentation of financial statements prepared by the company. The results of the audit of the company's financial statements provide real evidence to *stakeholders* that the company's financial statements have been audited and are guaranteed to present information in accordance with applicable accounting standards. A good quality audit is the process of reviewing financial statements along with supporting evidence and accounting records presented by management in order to convey a statement of the fairness of the financial statements (Rahadi & Abriandi, 2022; Ayogu, 2023; Mesioye & Bakare, 2024)

The quality of audits in Indonesia is still considered questionable; this is due to several cases of audit result failures, one of which occurred at PT Asuransi Jiwa Adisarana Wana Artha (PT WAL / *WanaArtha Life*), which is a financial sector company. Wana Artha Life was proven to have manipulated the 2019 financial report, as seen from the large difference between *Wana Artha Life's* 2019 financial report and the 2020 financial report (CNN Indonesia, 2022).

Table 1 : Differences in *Wanaartha Life* Financial Reports Before and After the Change Auditor

Information	Before (2019)	After (2020)
Obligation	Rp 3.7 trillion	Rp 15.84 trillion
Asset	Rp 4.7 trillion	Rp 5.68 trillion
Equity	Rp 977 billion	Negative Rp 10.2 trillion

Source: katadata.co.id, 2022

Obligations or liabilities show a difference of IDR 12.1 trillion, which is the result of the sale of similar products of saving plans (yields), which products should no longer be marketed by *Wana Artha Life* according to the OJK's order in 2018. *Wana Artha Life* provides certainty of returns from the sale of saving plan products but does not pay attention to its ability to obtain results from its investment management. So, there is engineering in *Wana Artha Life's financial reports.* The case of the audit result failure was carried out by Public Accountant (AP) Nunu Nurdiyaman and Public Accounting Firm (PAF) Kosasih, Nurdiyaman, Mulyadi Tjahjo & Rekan (KNMT), who have provided audit services to Wana Artha life since 2014 - 2019. However, it did not detect and disclose the manipulation of financial reports and the existence of the savings plan product (CNN Indonesia, 2022).

Indonesia, as one of the 54 member countries of *the International Forum of Independent Audit Regulators* (IFIAR), is committed to actively participating in improving the quality and standards of financial audits globally (Antara & Hidayat, 2023). In supporting the improvement of audit quality in Indonesia, the government has also played a role by enacting regulations related to mandatory auditor switching, the regulations of which have undergone several changes. The latest changes are Government Regulation Number 20 of 2015 Article 11 concerning Public Accounting Practices for non-financial companies and OJK Regulation Number 9 of 2023 concerning the Use of Public Accounting Services and Public Accounting Firms in financial services activities for financial companies.

In accordance with the regulations applied, when the auditor's engagement period has reached its maximum, the company will change auditors or *auditor switching* and will encounter two types of audit partners that will indirectly affect the quality of the audit results. *Departing partners* are one of the two types of audit partners who have provided audit services to an entity consecutively and have reached the maximum limit of the auditor's engagement period according to applicable regulations (Fajriani & Achmad, 2023).

When the engagement period with the departing partner is at its maximum, the company will replace the departing partner with a new auditor called a replacement partner. *A replacement partner* is an auditor who provides audit services to a company and is in the first year of his/her engagement period with the company. According to Fajriani Achmad (2023), the presence of *a replacement partner* will provide a new perspective to improve audit quality.

In addition to fulfilling the obligation to replace auditors, the company must first look at the reputation of its public accounting firm when determining the replacement partner. The reputation of the PAF is a reflection of public trust in the skills possessed by PAF members (Sari & Rahmi, 2021). *The Big Four PAF* is an alliance of the four largest PAFs in the world, which has many affiliates in various countries, one of which is Indonesia (Pratama & Sudiyatno, 2022). According to Novrilia *et al.* (2019), the experience of *the Big Four PAF* is considered capable of producing quality audit results. However, in recent years, there KAhave been many cases of failed audit results carried out by affiliates of *the Big Four PAF*, so the level of audit quality is still questionable. Some of these cases are as follows.

Table 2: Audit Failure Cases in Indonesia

PAF Name	Company (Year)	Case
PAF Amir Abadi Jusuf, Aryanto, Mawar & Partners (Affiliate of RSM *International*)	PT Pilar Sejahtera Food Tbk (2017)	Inflation (*over statement*) of LKT 2017 up to Rp 4 trillion in accounts receivable, inventory, and fixed assets. And the discovery of a flow of funds to parties suspected of being old management amounting to Rp 1.78 trillion.
PAF Satrio, Bing, Eny & Partners (Deloitte Indonesia Partner)	PT Sunprima Nusantara Financing (SNP Finance) (2018)	The Annual Financial Report did not obtain an opinion that was not in accordance with the actual financial conditions, so that many parties experienced losses.
HOOD Tanubrata, Sutanto, Fahmi, Bambang & Partners (Member of BDO *International*)	PT Garuda Indonesia Tbk (2018)	The 2018 LKT misrepresentation relates to a cooperation agreement for the provision of connectivity services with PT Mahata Aero Teknologi amounting to US$ 239.94 million.
PAF Purwanto no , Sungkoro, and Surja (Member of Ernst and *Young Global Limited* / EY)	PT Hanson International Tbk (2019)	Overstatement of *revenue* of Rp 613 billion for the 2016 annual financial report.

Source: CNBC Indonesia, 2019

This study, in addition to using independent variables including *departing partners* before *mandatory auditor switching*, *replacement partners* after mandatory *auditor switching*, and the reputation of the public accounting firm (PAF), also uses company size, *financial leverage*, profitability, and company losses as control variables. Control variables are variables used to control the relationship between two variables, namely the independent variable and the dependent variable (Sugiyono, 2020).

Company size is a category of the size of a company determined by the total assets owned by the company (Sari *et al.*, 2022). *Financial leverage* is used to see the ability of company management to manage debt so that it is able to finance the large assets owned by the company (Setiorini *et al.*, 2022). Profitability is the strength of a company in creating profits or profits through sales made by the company (Marsuking, 2020). The success of a company is assessed based on the profit/loss obtained by the company (Sonia *et al.*, 2020). Company losses are a form of company consequences for the company's failure to obtain profits or profits in a certain period.

Based on several studies that have been conducted on audit quality, *departing partners* and *replacement partners* in *mandatory auditor switching* are still rarely used by researchers as factors that influence audit quality. Research conducted by Fajriani & Achmad (2023) entitled "The Effect of *Mandatory Auditor Switching* on Audit Quality" shows that departing partners have a positive effect on audit quality while *replacement partners* do not affect audit quality. In essence, research related to *departing partners* and replacement partners can provide an overview of the effectiveness of government regulations.

This is different from the reputation of PAF, which researchers widely use as a factor influencing audit quality. One of the studies related to PAF's reputation was conducted by Sari & Rahmi (2021) with the title "Analysis of the Effect of Auditor Rotation, *Audit Tenure*, and PAF Reputation on Audit Quality", which shows a positive effect of PAF's reputation on audit quality, audit rotation has a negative effect on audit quality, and *audit tenure* does not affect audit quality. This research related to PAF's reputation can be used as a consideration for companies to be selective in determining public accounting services selectively so that they can provide high-quality audit results.

Based on the research background that has been described, this research was conducted with the aim of testing and analyzing several research factors, including *mandatory auditor switching* on *departing partners*, *mandatory auditor switching* on *replacement partners*, and the reputation of public accounting firms (PAF) on audit quality in financial sector companies listed on the Indonesia Stock Exchange for the period 2019 - 2022.

B. LITERATURE REVIEW

1. Agency Theory

Agency theory, *introduced* by Jensen and Meckling in 1976, assumes that the interests of agents and principals are different. Differences in interests and information asymmetry between agents and principals give rise to agency problems.(Novrilia *et al.* , 2019) . So that the presence of auditors becomes a mediator between agents and principals in equalizing information related to the company.

Agency theory is related to the company's efforts to create and increase *stakeholder trust.* (Mauliana & Laksito, 2021) . To increase trust, companies are required to change auditors according to applicable regulations. Departing partners as audit partners who have a long engagement period with auditors can increase adequate professional knowledge. Audit partners obtain this professional knowledge through repeated interactions between audit partners and their clients (Fajriani & Achmad, 2023).

There is a perception expressed by Pertamy & Lestari (2018) that clients, in this case agents, will give more trust to auditors who already have a good reputation in providing their services, especially if the auditor is part of a PAF affiliated with the Big Four PAF.

2. Attribution Theory

Weiner, in 1974, developed the attribution theory, where this theory is related to achievement. In this theory, it is used to analyze the causes of a person's success and failure in acting. According to Weiner (1986), the theory related to achievement is based on four important things, namely ability and effort as internal factors and luck and task complexity as external factors. (Sunarsih *et al*, 2021) . *Replacement partners,* as replacement audits, have the demand to be able to provide audit results that are superior to those of *departing partners* by finding and disclosing more findings on misstatements in a company's financial statements (Fajriani & Achmad, 2023).

3. Audit Quality

Public Accountant Professional Standards (PAPS) defines audit opinion as the auditor's opinion on financial statements that have been audited in accordance with accounting standards. Audit quality is the auditor's ability to assure the accuracy of the financial statement audit by finding and communicating any misstatements of information in the financial statements to users, referring to applicable audit standards and the public accountant code of ethics. According to De Angelo (1981), audit quality is the probability that the auditor will detect and disclose intentional or unintentional misstatements in a company's financial statements. (Syahadatina *et al*., 2020) .

4. Mandatory Auditor Switching

Mandatory Auditor Switching is an obligation to change auditors. Every company is required to replace the Public Accountant or Public Accounting Firm assigned to the company in accordance with applicable regulations. The company's obligation to change audits is intended to maintain auditor independence. In the change of auditors, the company will find two auditors at once, namely, the auditor whose *tenure period will expire*, namely *the departing partner,* and the replacement or new auditor, namely *the replacement partner.*

A departing partner is an audit partner who has provided audit services to the company for several years. During the *tenure period, the departing partner* will find a lot of company information that can support the auditing process. From the knowledge gained from the company, it is easier to detect misstatements in the company's financial statements (Fajriani & Achmad, 2023). In addition, according to Fajriani and Achmad (2023), a long tenure period can generate knowledge. The auditor's professionalism increases so that he can maintain his independence. Based on this description, the following hypothesis can be formulated.

***H_1*: *Departing a partner* before *mandatory auditor switching* has a positive effect on audit quality.**

Replacement partners are auditors who are in the early years of their tenure. The presence of *a replacement partner* is expected to provide a new perspective on the audit results of a company's financial statements (Fajriani & Achmad, 2023). In the first year of *tenure, replacement partners* will strive to provide audit services following generally applicable standards so that they can easily detect misstatements in the company's financial statements, and this is done to create trust in the company or clients who use their services. This can affect the quality of the resulting audit. Based on this description, the following hypothesis can be formulated.

H_2: Replacement partners after mandatory auditor switching have a positive effect on audit quality.

5. Public Accounting Firm (PAF) Reputation

The reputation of a Public Accounting Firm (PAF) is defined as the success of a PAF in gaining public trust based on the PAF's *track record* in providing its services to clients (Dayuni *et al* ., 2021). Lestari (2018) provides two perspectives on why the size of a public accounting firm can affect audit quality: the economic dependence perspective *and* the uniform quality perspective. Viewed from the perspective of economic dependence, large Public Accounting Firms such as *the Big Four* are not dependent on

clients compared to small Public Accounting Firms (*non-Big Four*). Meanwhile, when viewed from the perspective of uniform quality, the uniformity of the audit quality provided requires every Public Accounting Firm affiliated with *the Big Four Public Accounting Firm* to maintain the reputation of *the Big Four Public Accounting Firm* by providing high-quality audit services. Based on the description, the following hypothesis can be formulated.
H_3: PAF's reputation has a positive effect on audit quality.

Conceptual Framework

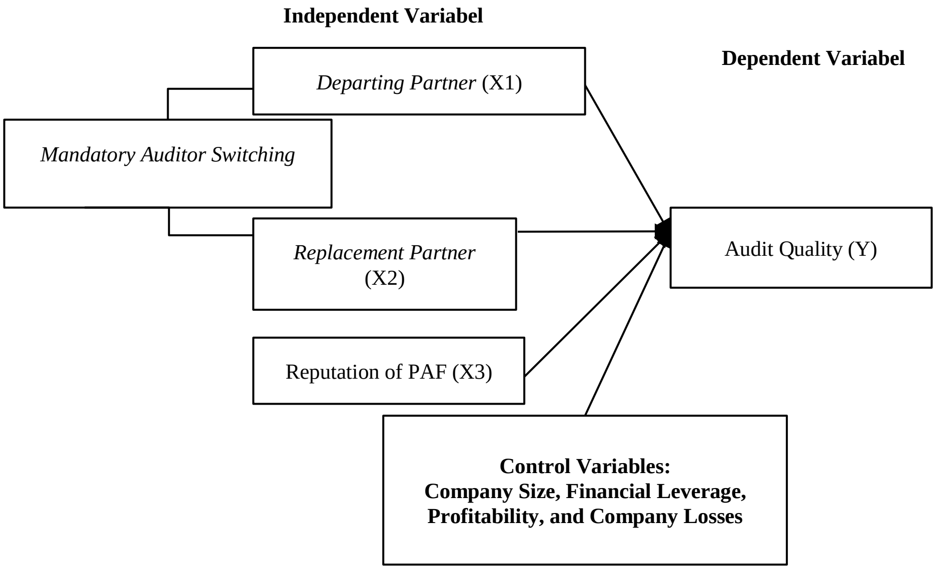

Figure 1. Conceptual Framework of Research

C. METHOD

The population in this study is financial sector companies listed on the Indonesia Stock Exchange for the period 2019-2022. *The purposive sampling method* was used to determine the sample in this study. The sample in this study was determined using several criteria, including :

Table 3: Sampling Criteria

No	Criteria	The amount
1	Financial companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2022 period.	105
2	The Company did not publish audited financial statements or consecutive annual reports during the period 2019-2022 and/or was *delisted* or *suspended* during the year.	(7)
3	The company has conducted *voluntary auditor switching* for the past three years.	(60)
4	The company presents financial reports using currencies other than the rupiah	(1)
5	The company does not present information regarding the identity of audit *partners* in years t, t-1, and t+1 to distinguish *departing partners* and *replacement partners.*	(4)
Research Sample		33
Total Research Sample (33 x 4 observation periods)		132

This study uses the dependent variable, namely audit quality, with independent variables including *departing partners* before *mandatory auditor switching*, *replacement partners* after *mandatory auditor switching*, and the reputation of the public accounting firm (PAF). Referring to research (Fajriani & Achmad, 2023), company size, *financial leverage*, profitability, and company losses are used as control variables in this study. The variables in this study were measured using their respective proxies, including :

Table 4: Operational Definition of Variables

Variables	measurement	
Audit quality	N value 1	the company received an unqualified opinion
	N value 0	the company received an opinion other than unqualified
Department of partner before *mandatory auditor switching*	N value 1	audit partner is in the final year *of tenure* (third year)
	N value 0	audit partner is not in the third year And wo not perform *mandatory* auditor rotation *auditor switching*
Replacement partner after *mandatory auditor switching*	N value 1	audit partner is at the beginning of *the tenure year*
	N value 0	audit partner was not present at the beginning of *the tenure year*
PAF Reputation	N value 1	the company is audited by *the Big Four PAF*
	N value 0	company n audited by PAF n o n *Big four*
Size n company n	Company Size = Ln (total assets)	
Financial leverage	*Debt Ratio* = total liabilities / total assets	
Profitability	ROA = net profit / total assets	
Company losses	N value 1	loss-making company
	N value 0	a company that does not make a loss/profit

Source: Processed data, 2024

This research is included in quantitative research. According to (Azwar, 2015), the quantitative approach is a type of research method that, in its analysis, emphasizes numerical data (numbers) and, in its data processing, uses statistical methods. The research data were analyzed using several tests, starting from descriptive statistical analysis and classical assumption tests, including normality tests, multicollinearity tests, heteroscedasticity tests, and autocorrelation tests. The method used in this study is logistic regression analysis with SPSS (Statistical Package for Social Sciences) software version 25, which detects whether there is a relationship between the independent variable and the dependent variable. Hypothesis testing uses binary logistic regression analysis with the following regression equation:

$$KA = \alpha + \beta_1 DP + \beta_2 RP + \beta_3 RPAF + \beta_4 LTA + \beta_5 LEV + \beta_6 ROA + \beta_7 LOSS + \varepsilon$$

Information :

KA	= Audit Quality
α	= Constant
β_1 DP	= *Departing Partner* before *MACW*
β_2 R P	= *Replacement Partner* after *MACW*
β_3 RPAF	= PAF Reputation
β_4 LTA	= Natural Logarithm of Total Assets
β_5 LEV	= *Leverage*
β_6 ROA	= *Return On Asset*
β_7 LOSS	= Company Loss
ε	= *Error*

D. RESULTS AND DISCUSSION

1. Descriptive Statistical Test

Descriptive statistical analysis is used to describe the collected research data as it is, without providing a general conclusion (Sugiyono, 2020). This analysis provides a summary of research data containing information related to the number of data/samples (N), minimum value, maximum value, average value (*mean*), and standard deviation.

Table 5: Descriptive Statistical Test Results

Information	N	*Minimum*	*Maximum*	*Mean*	*Std. Deviation*
Audit Quality	132	0	1	,70	,461
Departing Partner	132	0	1	,30	,465
Replacement Partner	132	0	1	,39	,490
PAF Reputation	132	0	1	,45	,499
Company Size	132	15.06	30.48	21.2475	4.92212
Financial Leverage	132	,00	1.69	,6772	,27089
Profitability	132	,62	,69	,0192	,09881
Company Losses	132	0	1	,14	,352
Valid N (list wise)	132				

Source: Data processed by SPSS 25, 2024

Table 6: Descriptive Statistics of Dummy Variables

Variables	measurement		Frequency	Percentage
Audit quality	1	the company received an unqualified opinion	92	69.7%
	0	the company received an opinion other than unqualified	40	30.3%
Department of Parties	1	audit partner is in the final year *of tenure* (third year)	41	31.1%
	0	audit partner is not in the third year And wo n't perform *mandatory* auditor rotation *auditor switching*	91	68.9 %
Replace the part	1	audit partner is at the beginning of *the tenure year*	52	3 9.4%
	0	audit partner was not present at the beginning of *the tenure year*	80	60.6%
PAF Reputation	1	the company is audited by *the Big Four PAF*	59	44.7%
	0	company n audited by PAF n o n *Big four*	73	55.3%
Company losses	1	loss-making company	19	14.4%
	0	a company that does not make a loss/profit	113	85.6%

Source: Data processed by SPSS 25, 2024

The audit quality variable, as the dependent variable, has an average value of 0.70. Table 6 shows that out of 132 samples, 69.7% or 92 independent auditor reports of the company obtained an unqualified opinion (WTP). Meanwhile, 30.3% or equivalent to 40 independent auditor reports of the company obtained other opinions, in addition to an unqualified opinion (WTP), namely an unqualified opinion with an explanatory paragraph.

The variable *departing partner* before *mandatory auditor switching* as one of the independent variables has an average value of 0.31. Table 6 shows that out of 132 samples, 31.1% or 41 audit partners rotated out in accordance with *mandatory auditor switching*. Meanwhile, 68.9% or equivalent to 91, audit partners did not rotate out in accordance with *mandatory auditor switching*.

Replacement partner variable after *mandatory auditor switching* as one of the independent variables has an average value of 0.39. Table 6 shows that out of 132 samples, 39.4% or 52 audit partners have just rotated in accordance with *mandatory auditor switching*. Meanwhile, 60.6% or equivalent to 80 audit partners, did not rotate in accordance with *mandatory auditor switching*.

The reputation variable of a public accounting firm (PAF) is one of the independent variables and has an average value of 0.45. Table 6 shows that out of 132 samples, 44.7%

or 59 companies were audited by PAF *Big Four*. At the same time, 55.3% or the equivalent of 73 companies were audited by PAF non-Big *Four*.

The company size variable, as one of the control variables, is proxied by the natural logarithm of total assets. This variable has a minimum value of 15.06 in the MSIG *Life Insurance* Indonesia Company in 2019 and a maximum value of 30.48 in the Indoritel Makmur Internasional company in 2020. The company size variable has an average value of 21.2475 with a standard deviation value of 4.92212.

The financial leverage variable, as one of the control variables, is proxied by the debt ratio. This variable has a minimum value of 0.0032 in the company *Charnic Capital* Tbk. in 2021 and a maximum value of 1.69 in the company *Capitalinc Investment* Tbk. in 2022. The *financial leverage variable* has an average value of 0.6772 with a standard deviation value of 0.27089.

The profitability variable, as one of the control variables, is proxied by return on assets (ROA). This variable has a minimum value of -0.62 in the company *Capitalinc Investment* Tbk. in 2022 and a maximum value of 0.69 in the company *Charnic Capital* Tbk. in 2021. The profitability variable has an average value of 0.0192 with a standard deviation value of 0.09881.

The company loss variable, as one of the control variables, has an average value of 0.14. Table 6 shows that out of 132 samples, 14.4% or 19 companies reported losses, while 85.6% or equivalent to 113 companies experienced profits during the 2019-2022 period.

2. Logistic Regression

Regression is a data analysis technique used to determine the probability of the occurrence of a dependent variable that is predicted by its independent variable (Ghozali, 2018).

a) Goodness of Fit Test for Regression Model

Table 7: Hosmer and Lemeshow Model Feasibility Test

Step	*Chi-square*	df	Sig.
1	12,024	8	,150

Source: Data processed by SPSS 25, 2024

Based on Table 7, the results of the Hosmer *and Lemeshow Test* show a *chi-square value* of 12.024 with a significance level of 0.150 > 0.05. The null hypothesis (H_0) is accepted, so the regression model can be said to be able to predict its observation value. The results of the feasibility test also show that the regression model fits the observation data, and the data can be accepted because it matches the observation data. So, this regression model can be used for further analysis.

b) Overall Model Fit Test

Table 8: Whole Model Test (*Block 0*)

Iteration		-2 *Log likelihood*	*Coefficients Constant*
Step 0	1	161,997	,788
	2	161,940	,833
	3	161,940	,833

Source: Data processed by SPSS 25, 2024

Table 9: Overall Model Test (*Block 1*)

Iteration		-2 *Log likelihood*	*Coefficients Constant*
Step 0	1	131,446	2,872
	2	126,506	5,022
	3	125, 870	6,240
	4	125,853	6,477

5	125,853	6,484
6	125,853	6,484

Based on Table 8, the *Iteration History* 0 table shows the initial -2 *log likelihood (-2LL) value of 161.940 (Block Number* = 0). While in Table 9, *the Iteration History* 1 table shows the final -2 *log likelihood* (-2LL) value of 125.853 (*Block Number* = 1). The results of the two tables above show that between the initial and final -2 *log likelihood* (-2LL) values, there is a decrease in value of 36.087. The decrease in value indicates that H0 is accepted, which means that by adding three independent variables, including *the departing partner*, *replacement partner*, and reputation of the public accounting firm (PAF), into the regression model, the model can be improved or the hypothesized model *fits* the data. So, it can be concluded that the regression model in this study is good.

c) Determination Coefficient Test (Nagelkerke R Square)

Table 10: Coefficient of Determination Test

Step	-2 *Log likehood*	*Cox & Snell R Square*	*Nagelkerke R Square*
1	125,853 [a]	,239	,338

Source: Data processed by SPSS 25, 2024

Table 10 results of the determination coefficient test show *the Nagelkerke R Square value* of 0.338 or equal to 33.8%. Meanwhile, 66.2% is explained by other independent variables that were not used in this study. So it can be concluded that the dependent variable can be explained by independent variables, including departing partner, replacement partner, and reputation of the public accounting firm (PAF) of 33.8%

d) Simultaneous Test F (*Omnibus Test of Model Coefficients*)

Table 11: Simultaneous F Test

		Chi-square	*df*	*Sig.*
Step 1	Step	36,088	7	,000
	Block	36,088	7	,000
	Model	36,088	7	,000

Source: Data processed by SPSS 25, 2024

Based on Table 4.13, the calculated f value can be obtained, which is greater than the f table (36.088 > 2.084241) with a significance value of 0.000 < 0.05. So, it can be said that the independent variables in this study, including *departing partners*, *replacement partners*, and the reputation of the public accounting firm (PAF), have a simultaneous influence on the dependent variable, namely audit quality.

e) Partial T Test

Table 11: Partial T Test

		B	SE	T	df	Sig.	Exp (B)
Step 1 [a]	Departing Partner	,168	,574	,086	1	,770	1,183
	Replacement Partner	,095	,529	,032	1	,858	1,099
	PAF Reputation	1,220	,499	5,983	1	,014	3,388
	Company Size	-,092	,058	2,551	1	,110	,912
	Financial Leverage	-5,420	1,773	9,347	1	,002	,004
	Profitability	-3,993	3,933	1,031	1	,310	,018
	Company Losses	-1,968	,753	6,838	1	,009	,140
	Constant	6,484	2,347	7,631	1	,006	654,787

Source: Data processed by SPSS 25, 2024

The T-test of the variable *departing partner shows that the* calculated t-value is smaller than the t-table (0.086 < 1.657235), and the probability value is greater than the significance level (0.770 > 0.05). So, it can be said that H1, which states that *departing partners* before *mandatory auditor switching* has a positive effect on audit quality, is not supported. It can be interpreted that departing partners before mandatory auditor switching does not affect audit quality. The *replacement partner* variable gets a calculated t value smaller than the t table (0.032 < 1.657235) and a probability value greater than the significance level (0.858 > 0.05). So, it can be said that H2, which states that *replacement partners* after *mandatory auditor switching* have a positive effect on audit quality, is not supported. It can be interpreted that *replacement partners* after *mandatory auditor switching* do not affect audit quality. The reputation of the public accounting firm (PAF) gets a calculated t value greater than the t table (5.983 > 1.657235) and a probability value smaller than its significance level (0.014 < 0.05). So, it can be said that H3, which states that the reputation of the public accounting firm (PAF) has a positive effect on audit quality, is supported. It can be interpreted that the reputation of the public accounting firm (PAF) influences audit quality.

Departing partners do not affect audit quality. The results of this study support the research conducted by Purnama & Amrizal (2021; Francis et al, 2022;), which states that *auditor switching*, in this case, *departing partners*, does not affect audit quality. When associated with agency theory, in order to increase *stakeholder trust*, companies change auditors. Departing partners who interact continuously with the company will increase their professional knowledge and maintain their independence (Fajriani & Achmad, 2023). The interaction that occurs for several years between the client and the auditor can have an impact on the quality of the audit produced. However, the working interaction created between the client and the auditor for three consecutive years has proven to be unable to increase the auditor's professional knowledge, which can affect the quality of the audit. The auditor's professional knowledge can increase when entering the middle years, between 4-10 years (Fajriani & Achmad, 2023).

Replacement partners, according to statistics, do not affect audit quality. The results of this study are in accordance with research conducted by Fajriani & Achmad (2023), which states that *replacement partners* after *mandatory auditor switching* do not affect audit quality. The results of this analysis support the attribution theory used in analyzing the causes of success and failure of a person's actions. The success or failure that occurs is determined by the contribution and effort that has been made. In this condition, *the replacement partner*, as an audit partner who handles his new client, requires *the replacement partner* to spend more time gaining knowledge related to the client's company than finding misstatements in the financial statements. The efforts and contributions that have been made at the beginning of his tenure are not enough to be able to provide quality audit results. So, it can be said that audit quality will increase in the following year, precisely when *the replacement partner* has sufficient knowledge and will be more focused on finding and disclosing more findings on misstatements in the financial statements of his client company.

The reputation of the public accounting firm has a positive effect on audit quality. The results of this study support the agency theory, *which* is related to the asymmetry of information between agents, internal parties of the company, and principal shareholders of the company. In general, agents and principals will give more trust to auditors who are part of the *Big Four PAF,* which is considered to have a good reputation for providing their audit services. The good reputation of *the Big Four PAF* is due to the implementation of their audits in accordance with generally applicable standards, which they believe will enable them to find and reveal misstatements or manipulations in a company's financial statements. In addition, the greater experience that *the Big Four PAF has* in providing its audit services encourages its members to conduct audits professionally. This allows *the Big Four PAF* to provide quality audit results. The results of this study are in accordance with the results of research conducted by Sari & Rahmi (2021), Pertamy & Lestari (2018), and Rizki & Sudarno (2020), which stated that the reputation of PAF has a positive influence on the quality of the company's financial report audit.

E. CONCLUSION

Based on the results of the analysis and discussion in this study, it can be concluded that *Mandatory auditor switching* on *departing partners* does not affect audit quality in financial companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2022 period. *Mandatory auditor switching* on *replacement partners* has no effect on audit quality in financial companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2022 period. The reputation of the public accounting firm (PAF) has an effect on audit quality in financial companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2022 period. The control variables of company size and profitability do not affect audit quality, while the control variables of *financial leverage* and company losses have a negative effect on audit quality.

Based on the research that has been conducted, there are several limitations experienced by researchers, including the fact that the research sample is only focused on the financial sector, where there are still many other sectors that may have different interpretations from that sector. In addition, most companies tend to switch *voluntarily* before reaching the end or maximum limit of the *tenure period*, which results in a low sample for this study.

This research is expected to be conducted again to test the updated regulations related to *mandatory auditor switching by adding other variables that can affect audit quality.* Research with the same topic is expected to replace other sectors or subsectors listed on the Indonesia Stock Exchange (IDX) for a longer period in order to obtain much better research results. Further research is expected to add disclosure of *Key Audit Matters* as a proxy for *replacement partners* in order to explain better the emergence of new perspectives in auditing financial reports.

REFERENCES

Antara, & Hidayat, A. A. N. (2023). *Sri Mulyani Berharap Standar dan Kualitas Audit Keuangan di Indonesia Meningkat*. Tempo.Co. https://bisnis.tempo.co/amp/1699689/sri-mulyani-berharap-standar-dan-kualitas-audit-keuangan-di-indonesia-meningkat

Ayogu, M. (2023). Fostering transparency and accountability enhancing statutory audits in Nigeria. *Journal of business and economic options*, *6*(1), 37-44.

Azwar, S. (2015). *Metode Penelitian*. Pustaka Pelajar : Yogyakarta.

CNN Indonesia. (2022). *Dugaan Manipulasi Polis jadi Alasan OJK Cabut Izin Wanaartha Life*. Www.Cnnindonesia.Com. https://www.cnnindonesia.com/ekonomi/20221208160205-78-884760/dugaan-manipulasi-polis-jadi-alasan-ojk-cabut-izin-wanaartha-life/amp

Dayuni, A., Guritno, Y., & Subur. (2021). Analisis Pengaruh Audit Tenure, Auditor

Switching, dan Reputasi PAF Terhadap Kualitas Audit Industri Manufaktur. *KORELASI : Konferensi Riset Nasional Ekonomi, Manajemen, Dan Akuntansi*, *2*(1), 1399–1414.

De Widt, D., Llewelyn, I., & Thorogood, T. (2022). Stakeholder attitudes towards audit credibility in English local government: A post‐Audit Commission analysis. *Financial Accountability & Management*, *38*(1), 29-55.

Fajriani, A., & Achmad, T. (2023). Pengaruh Mandatory Auditor Switching terhadap Kualitas Audit. *Diponegoro Journal of Accounting*, *12*(1), 1–11.

Francis, J. R., Golshan, N., & Hallman, N. J. (2022). Does distance matter? An investigation of partners who audit distant clients and the effects on audit quality. *Contemporary Accounting Research*, *39*(2), 947-981.

Ghozali, I. (2018). *Aplikasi Analisis Multivariate dengan Program IBM SPSS 25*. Semarang : Universitas Diponegoro.

Hutajulu, E. B. T. (2023). Analisis Pengaruh Audit Tenure, Audit Fee, Audit Switching terhadap Kualitas Audit dengan Audit Delay sebagai Variabel Intervening. *Journal of Economics and Business UBS*, *12*(2), 1209–1230.

Layli, M., & Arifin, J. (2020). Pengaruh Kompetensi, Independensi, Dan Kemahiran Profesional Terhadap Kualitas Audit. *Jurnal Perilaku Dan Strategi Bisnis, 8*(2), 152–158. https://doi.org/10.26486/jpsb.v8i2.1310

Luvena, Maidani, & Afriani, R. I. (2022). Pengaruh Fee Audit, Audit Tenure, Rotasi Audit dan Ukuran Perusahaan terhadap Kualitas Audit (Studi Empiris Pada Perusahaan Manufaktur Sektor Aneka Industri Dan Perusahaan Sektor Properti, Perumahan & Konstruksi Bangunan Yang Terdaftar Di Bursa Efek Indon. *Jurnal Revenue Jurnal Akuntansi*, *3*(1), 250–266. https://doi.org/10.46306/rev.v3i1.93

Marsuking, M. (2020). Pengaruh Likuiditas dan Ukuran Perusahaan Terhadap Profitabilitas Perusahaan yang Terdaftar pada Jakarta Islamic Index pada Tahun 2016-2018. *IJMA (Indonesian Journal of Management and Accounting), 1*(1), 1–13.

Mauliana, E., & Laksito, H. (2021). Pengaruh Fee Audit, Audit Tenure, Rotasi Audit dan Reputasi Auditor Terhadap Kualitas Audit Audit (Studi Empiris Pada Perusahaan Manufaktur Yang Terdaftar di BEI tahun 2017-2019). *Diponegoro Journal Of Accounting*, *10*(4), 1–15.

Mesioye, O., & Bakare, I. A. (2024). Evaluating financial reporting quality: Metrics, challenges, and impact on decision-making. *Int J Res Public Rev*, *5*(10), 1144-1156.

Novrilia, H., Arza, F. I., & Sari, V. F. (2019). Pengaruh Fee Audit, Audit Tenure, dan Reputasi PAF Terhadap Kualitas Audit (Studi Empiris pada Perusahaan yang Terdaftar di Bursa Efek Indonesia Periode 2015-2017). *Jurnal Eksplorasi Akuntansi*, *1*(1), 256–276.

Pertamy, R. A. F., & Lestari, T. (2018). Pengaruh Audit Tenure, Rotasi Audit dan Reputasi PAF terhadap Kualitas Audit (Studi Empiris Pada Perusahaan Manufaktur Sektor Industri Barang Konsumsi Yang Terdaftar Di Bursa Efek Indonesia Periode 2015-2017). *Jurnal Riset Akuntansi Tirtayasa*, *03*(02), 159–175.

Pratama, A. W., & Sudiyatno, B. (2022). Pengaruh Opini Audit, Reputasi PAF, Ukuran PAF, Dan Financial Distress Terhadap Auditor Switching. *Jurnal Ilmiah Mahasiswa Akuntansi) Universitas Pendidikan Ganesha*, *13*(2), 660–670. www.cnbc.com,

Purnama, E. A., & Amrizal. (2021). Pengaruh Audit Tenure dan Auditor Switching terhadap Kualitas Audit dengan Financial Distress sebagai Moderasi. *Jurnal Digital*

Akuntansi (JUDIKA), *2*(1), 39–48.
Rahadi, D. H., & Abriandi. (2022). Pengaruh Fee Audit, Time Budgeting, dan Rotasi Audit Terhadap Kualitas Audit dengan Ukuran Perusahaan sebagai Variabel Moderasi. *KALBISIANA : Jurnal Mahasiswa Institut Teknologi Dan Bisnis Kalbis*, *8*(4), 5156–5166.
Rizki, M., & Sudarno. (2020). Pengaruh Reputasi PAF, Ukuran PAF, dan Biaya Audit Terhadap Kualitas Audit (Studi pada Perusahaan Manufaktur yang Terdaftar di BEI Tahun 2015-2017). *Diponegoro Journal Of Accounting*, *9*(3), 1–11.
Ruiz-Barbadillo, E., & Martínez-Ferrero, J. (2022). The choice of incumbent financial auditors to provide sustainability assurance and audit services from a legitimacy perspective. *Sustainability Accounting, Management and Policy Journal*, *13*(2), 459-493.
Sari, R., & Rahmi, M. (2021). Analisis Pengaruh Rotasi Auditor, Audit Tenure dan Reputasi PAF terhadap Kualitas Audit. *EQUITY*, *24*(1), 123–140. https://doi.org/10.34209/equ.v24i1.2415
Sari, S. W. H. P., Layli, M., Marsuking, M., Wibisono, D., Wibowo, A., Maula, D. I., Harahap, R. S., Firmansyah, F., & Hasbi, M. Z. N. (2022). Pengaruh Profitabilitas, Likuiditas, Leverage, Kebijakan Dividen dan Ukuran Perusahaan terhadap nilai perusahaan pada perusahaan terdaftar di Jakarta Islamic Index (JII) periode 2019-2021. *JESI (Jurnal Ekonomi Syariah Indonesia)*, *12*(2), 123–130. https://doi.org/10.21927/10.21927/jesi.2022.12(2).142-149
Setiorini, K. R., Fidayanti, F., Kalbuana, N., & Cakranegara, P. A. (2022). Pengaruh Leverage sebagai Pemoderasi Hubungan GCG, CSR dan Agresivitas Pajak terhadap Financial Distress pada Perusahaan Perbankan Syariah di Indonesia. *Journal of Business and Economics Research (JBE)*, *3*(2), 194–202. https://doi.org/10.47065/jbe.v3i2.1750
Sonia, N., Hariani, L. S., & Sari, A. R. (2020). Analisis Pengaruh Ukuran Perusahaan, Laba/Rugi Perusahaan, Ukuran PAF, Solvabilitas, dan Opini Audit Terhadap Audit Delay (Studi Empiris Pada Perusahaan Pertambangan yang Terdaftar di Bursa Efek Indonesia Tahun 2015-2017). *Jurnal Riset Mahasiswa Akuntansi*, *7*(2), 1–6. https://doi.org/10.21067/jrma.v7i2.4255
Sugiyono. (2020). *Metode Penelitian Kuantitatif Kualitatif dan R&D*. Alfabeta : Bandung.
Sunarsih, N. M., Munidewi, I. A. B., & Masdiari, N. K. M. (2021). Pengaruh Ukuran Perusahaan, Profitabilitas, Solvabilitas, Kualitas Audit, Opini Audit, Komite Audit Terhadap Audit Report Lag. *KRISNA: Kumpulan Riset Akuntansi*, *13*(1), 1–13. https://doi.org/10.22225/kr.13.1.2021.1-13
Syahadatina, T., Amin, M., & Anwar, S. A. (2020). Analisis Pengaruh Pergantian Manajemen, Ukuran PAF dan Ukuran Perusahaan Klien Terhadap Kualitas Audit pada Perusahaan Manufaktur yang Terdaftar di BEI Tahun 2016-2018. *E-Jra*, *9*(5), 1–13.