

The effect of causes and consequences of auditor switching on audit quality

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Abstract

The study examines the impact of causes and consequences of auditor switching on audit quality. It found that factors affecting causes and consequences of auditor switching significantly influence audit quality. These factors are crucial for better understanding its effect on audit quality and helps improving it.

Keywords: auditor switching , audit quality, auditor independence , agency theory.

تأثير أسباب وعواقب تبديل المراجع على جودة المراجعة

المستخلص:

تبحث الدراسة في تأثير أسباب وعواقب تحول المراجع على جودة المراجعة. ووجدت أن العوامل التي تؤثر على أسباب وعواقب تبديل مراجعي الحسابات تؤثر بشكل كبير على جودة المراجعة. تعتبر هذه العوامل حاسمة لفهم تأثيرها على جودة التدقيق بشكل أفضل وتساعد على تحسينها.

الكلمات المفتاحية: تبديل المراجع ، جودة التدقيق ، استقلالية المراجع ، نظرية الوكالة.

Chapter One: An Overview Of The Study

1.1 Introduction

An auditor is responsible for the examining and the reviewing of financial and accounting records undertaken to report whether the information they contain conforms with the generally recognized accounting and auditing standards (Newton,2016). And to ensure the validity and reliability of the reported information, ensuring that they correctly and completely reflect the transactions to which they assert. Accordingly this makes sure that these statements are free from error and fraud, and also provides assessment of the firm's organizational internal control (Franco and Farrel,1999)

Auditors have general standards that there are obligated to follow before conducting an audit , these standards have been set in 2004 and are known as international standards of auditing .they clearly state that before appointing an auditor we must have great deal of knowledge and the necessary skills for him to conduct the audit with performance competence according to the to the approved professional auditing standards , furthermore an auditor or audit company must not have been involved in any kind of suspected acts or unprofessional conducts (Dandago and Zamro, 2012). Finally for an auditor to start conducting an audit, he must have an independent mental attitude which means he must not have any interest or any type of close relationship with the client (Sundgren and Svanstrom,2014).

To conduct a high-quality audit, the auditor must accumulate a sufficient amount of evidence to determine whether the information and the financial statements being audited are in accordance with the established criteria or not, evidence can take many forms other than the company's records such as oral testimony of the client, written and verbal communication with outsiders, auditor observations and electronic data about the transactions (Arens, Elder and Beasley, 2011).

The audit market is a large and widely differentiated market with a wide variety of auditor firms sized and specializations. the decision of a client to change or keep an auditor is a complex process that has many variables which include the size of the audit hired as companies might need to hire larger audit firms as they grow, the reputation and confidentiality of the audit firm also plays a great role, furthermore the cost associated with the audit operation and the extent to which audit companies are to be held responsibility for the client's damage. Auditor switching is the change of auditing company of a firm within a certain stated period, this period differs from one country to another because of the variation in laws and the applicable accounting and auditing standards. Most countries law state that an auditor period starts from a year and is renewable to infinity. But practitioners and large companies suggest that auditor is to be hired for a certain fixed number of years and then dropped for another auditor to be appointed, which comes with a cost as at the early appointment

period of an auditor, he doesn't have the necessary skills and knowledge to easily detect material misstatements.

Audit quality is a set of audit procedures performed by public accountants in accordance with accounting standards to detect and report audit violations committed by client firms, (Rianda and Norbiti, 2018). Recruiters play an important role in increasing the reliability and quality of information submitted to employer accounts. In this case, the users of the accounts have a lot of confidence in the public accountants when it comes to providing an accounting opinion on the results of the business group. Therefore, the quality of the account is very important because the quality of the account that produces the financial reports is the quality of information that users of the financial information can rely on as a basis for making decisions (Prabhavanti and Vidyani, 2018).

Audit quality is associated with audit delay, audit fees, and auditor switching. Clients are rewarded with money by the auditor for their successful audits, which includes an audit fee. According to Jannah (2018), the auditor can be in a dilemma when it comes to providing independent opinions on client financial statements audited by paying compensation, but must also ensure that clients who have paid for their services feel content and use his services in future. As a result, the auditor may be confronted with unforeseen circumstances that can affect the audit's quality. According to (Ardani 2017), audit fees are linked to the quality of audits because they are determined by professional auditor's

performance. However, unlike the research of (Dhimadhanu 2016) on audit quality, it is assumed that auditors do not bear the burden of audit fees as they retain their independence.

Auditor switching is a change of public accountant or auditor from the client group, hoping that the company will be able to change from time to time a good solution to reduce the problems caused by the reduction of the quality of the account. Research done by Sireget al., (2011) shows that the change of auditors has a significant impact on the quality of the audit. Contrary to the results of the research carried out by Ardani (2017), who says that the change of the auditor does not have a significant effect on the quality of the account, explaining that not all units change auditors, so if the buyer is a foreigner, hidden interest in the company's customer interest. Have it audited by a single auditor.

1.2 Research problem

An auditor is directly responsible for reviewing and examining financial statements to ensure they are free of material misstatements and to better prevent and detect the occurrence of fraud and financial errors. Auditors are mainly divided into three types which are the financial auditor, the external auditor and the operational auditor each has specific roles and duties to be performed (Newton, 2016; O'donnel, 2015).

The process of auditor switching is one of the most critical decisions that a firms has to make and it can be influenced by many reasons either mandatory switching such as the end of the

auditor engagement period or there might be voluntary reasons such as economic reasons, relation reasons, quality reasons or any other reason. Whatever the reason is, companies shouldn't take the process of switching auditor lightly as both the auditor and the company suffers the consequences of it either on the financial, operational or even the reputational level (Dandago and Zamro, 2012; Skinner and Srinivasan, 2012; Mayhew, 2001).

Changing the auditor is the subject of controversy in the accounting dimension in general and the legal dimension. Interest has increased with the progress of economic life, the growth and development of companies and the accompanying development and complexity of audits and the increase in legal and professional responsibilities assigned to the auditors, due to the nature of the audit process as an inappropriate (service) process.

Based on the previous discussion, the research problem is concluded in the following research questions:

- What are the causes of Auditors switching?
- What are the consequences of Auditor Switching?
- What is the effect of auditor switching on audit quality?

1.3 Research objectives

The main research objective is:

- Identify the causes of Auditors switching.
- Clarify the consequences of Auditor Switching.
- Study the effect of auditor switching on audit quality

1.4 Research importance

The importance of this research is to mainly identify the different reasons behind the auditors switching and the consequences that might follow it. Also, the importance of the research comes from the need to ensure that the external auditor is doing his work according to the accepted audit criteria, according to the laws regulating the audit profession, and that he accomplishes his work with a high degree of independence as the basic stone for the audit profession. All legislation related to the audit profession - in most countries of the world - has granted the General Authority of shareholders the right to appoint, isolate, change the external auditor and define his fees.

1.5 Research contribution

Auditor switching is not a simple decision to make, the management has to consider all of the consequences and drawbacks that they might suffer after switching their auditors, according to this study the most important drawbacks were facing because the first thing that most investors think about when they find out that a company dismissed its current auditor is material misstatement thus directly affecting the firm's credibility and also breaking the confidentiality agreement as the auditor is most likely to know everything about the company starting from their operations and the way they conduct their processes and the gaps their competitors could exploit all the way up to their client's confidential information. Furthermore, there

are always additional startup costs that always accompany hiring a new auditor, getting a new auditor familiar with the firm and the way it operates is both costly in terms of time and money and he is most likely to conduct low-quality audits during the first years of his engagement period.

1.6 Research Hypotheses

To answer the previously mentioned research questions and attain the objectives, the following hypotheses were developed as follows:

H1: there is a significant impact of the causes of auditor switching on audit quality.

H2: there is a significant impact of consequences of auditor switching on audit quality.

H3: there is a significant impact of both causes and consequences on audit quality.

1.7 Research Plan

To achieve the research objectives, the study is divided into the following chapters:

- Chapter (1): Research Framework
- Chapter (2): Conceptual Framework of causes of auditor switching
- Chapter (3): Studying the consequences of auditor switching
- Chapter (4): Studying audit quality

- Chapter (5): Research Methodology and Hypotheses Testing
- Chapter (6): Results, Recommendations and Future Researches
- References

Chapter Two: Conceptual Framework of causes of auditor switching

2-1 Introduction

The auditor switching can be explained by agency theory. In agency theory, an agency relationship arises when one or more people (principle) hire another person (the agent) to provide a service and then delegate decision-making to the agent. The theory of agency cannot escape the two parties, the principal and the representative are the main subjects, and both have their respective negotiating positions to determine their position, role and position. The position, function, situation, purpose, interests and background of the principal and agents are different and the conflict will result in a conflict of interest. The problem of agency arises because people tend to be selfish, and conflict arises when many interests coexist in a common activity. The problem that arises in the agency relationship is the situation of incomplete information when both parties do not fully know the conditions, this is called information asymmetry. To minimize the existence of information asymmetry, there is a solution that can be applied, called cooperation with third parties, auditors (accounting firms) to evaluate the performance. Managers and provide incentives for leaders, such as stocks, to ensure the

interests of investors and managers can line up (Febrina, 2012). The change of auditors can occur on a mandatory and voluntary basis. Auditor change is required due to current government regulations. Changing auditors can also be influenced by a number of factors such as financial difficulties, changes in management, the size of the accounting firm, and the auditor's opinion. In contrast, voluntary change of auditors occurs because firms voluntarily replace accounting firms or auditors (Febrianto, 2009). Auditor changing is a practice adopted by a company to dispatch auditors and it is the result of an obligation to rotate auditors. Audit changes or auditor changes are divided into voluntary and obligatory changes. Oftentimes, voluntary action is caused by near-bankrupt clients, opening shares in the capital markets, and changing ownership percentages. The causes of auditors are audit fees, audit quality and audit opinions. Conversely, if the revenue occurs on a mandatory basis it occurs due to legal requirements related to the client's business unit, they must have a full understanding of the business before signing the contract. Co-audit. (Nasser, Wahid, Nazri and Hudaib, 2006), pointed out that the rotation of auditors leads to shorter task duration (audit duties) and the company will transfer auditors. This rotation ensures the independence of the auditor due to the long-term relationship between the auditor and the auditee. According to (Dwiyanti & Sabeni, 2014), the change of auditors occurred because management believed that by replacing the

current auditors, the company could find auditors with a coherent vision. (Gunady & Mangoting, 2013) said the company will continue to look for auditors who are able to provide feedback and at the same time the company will continue to fire auditors who do not meet expectations. Based on research conducted by (Gunady & Mangoting, 2013), (Putra & Raharja, 2011), (Dwiyanti & Sabeni, 2014) shows results indicating audit opinion has a significant impact on switching auditors. Companies take opinions from others that unqualified firms are more likely to replace their auditors than firms that receive one not a conservative opinion. In contrast to the study conducted by (Ginting & Fransisca, 2014), (Susan and Trisnawati, 2011), (Nabila, 2011). Research results shows that companies receive opinions other than that which are reasonable without The exception discourages companies from changing auditors or companies who determines the accountant's opinion does not influence the change of auditor.

Change of auditor is a change of company or auditor made by the company voluntary or mandatory. In his service, the auditor must independent of the client, however, they pay him. Customers are also the right to terminate the engagement with the auditor if the service is believed to be unsatisfactory. Lennox (2000) affirm that changing the auditor is chosen to avoid unfavorable opinion. A company is said to be opinion shopping when it change auditors if they receive an unfavorable opinion.

Avoid adverse situations the auditor's opinion on this change is based on the assumption that the new is better likely to give an unqualified opinion. This assumption is based on the situation that new auditors still have more to learn about the company than new auditors. Whom he replaced. Issues of auditor selection and tenure remain controversial, especially in countries with weak incentives for high-quality reporting. Studies on auditor tenure suggest that companies should keep auditors in office because auditors with shorter tenures are associated with lower earnings quality than auditors with longer tenures. Longer period (Ball et al., 2015; Bamahros and Wan-Hussin, 2015; Garcia-Blandon et al., 2020a, 2020b; Ghosh and Moon, 2005; Jennifer et al., 2010; Johnson et al., 2002; Myers et al., 2003). Some argue that newly appointed audit firms do not have enough client-specific knowledge (Gul et al., 2007) or are more lax in their early years of engagement due to low-level customer activities (DeAngelo, 1981). Additionally, firms with low earnings quality are more likely to abandon high-quality auditors, while high-quality auditors are more likely to retain high-quality earnings clients. On the other hand, some argue that changing auditors increases investor confidence in the audit profession, to the extent that this change brings a “new look” at auditing and could lead to identifying previously overlooked issues (Lee et al., 2009). The impact of auditor switching is the subject of considerable debate, particularly in the literature on auditor tenure and auditor

turnover. Advocates of longer auditor-client relationships argue that changing auditors will lead to poor audit quality, as longer audit tenure improves auditor understanding of firm-specific knowledge (Shockley, 1981). Based on learning theory in psychology (Glaser and Bassok, 1989), auditors who audit the same client over many years will continually learn important accounting issues that may require attention. Special attention (Gul et al., 2009). Furthermore, during the first years of appointment, auditors are less independent due to conservative policies (DeAngelo, 1981); therefore, it is less likely that auditors will convince management to correct their opportunistic reports. Previous studies have shown that longer audit periods lead to better audit quality (Johnson et al., 2002; Myers et al., 2003; Shafie et al., 2009) and audit coefficients. Response to higher profits (Ghosh and Moon, 2005). Jenkins and Velury (2008), Li (2010), and Cameron et al. (2016) find less caution for firms with short-term auditors. Specialized auditors are those who have completed training that focuses on a specific area. Industry (Siregar, 2016). Fitriany and Setiawan (2011) argue that industry auditor's specialization has better knowledge and understanding of the company's internal controls, commercial risks and audit risks in the industry.

Chapter three: Studying the consequences of auditor switching

3.1 Introduction:

The reputation of an accounting firm is the corporate image that the accounting firm has built over a long period. This could be due to the number of auditors the company has, brand name, perceived audit quality due to little or no litigation, fees charged, etc. Sucher, Moizer, and Zarova (1999) argued that reputation is based. It is an assessment of the technical and functional quality of an audit firm, and its reputation only grows over time. According to Gregory and Jeanes (2007), reputation itself must be based on assumptions of quality, which is difficult to assess, but researchers can infer it from the audit methods used by accounting firms. can do. From the above, we can see that audit quality is determined by the type of audit firm. Audit firms can be roughly divided into two groups (groups with good reputations and groups with bad reputations), and according to Fuerman and Kraten (2008)

DeAngelo (1981) developed the reputation theory of audit quality. In her paper, she shows that the quality of audits is based on the size of the audit firm and that larger audit firms lose more if they continue to provide poor-quality audits. In Klein and Leffler (1981), an endogenous quality model was formulated and used to investigate the reputation and audit quality of a company. Among their findings, they found that reputable companies

provide high-quality s because they want to maintain quasi-rental, succumb to the temptation of fraud, and provide low-quality audit reports. They claim this is because they are afraid of losing the rental if they create one. In other words, reputable accounting firms maintain high quality and will do everything in their power to maintain it because of the revenue streams associated with audits. Shapiro (1983) built on the model of Klein and Leffler (1981) and included a multiperiod setting where participation was free and reputation was the price of participation. His summary says companies will receive a price premium because they are willing to conduct quality checks or because it costs money to maintain their reputation.

Beatty (1989) investigated the relationship between auditor reputation and IPOs. Using a two-way surrogate reputation classification consisting of either Big Eight or non-Big Eight and compensation received as the marginal cost of conducting the audit, we find an inverse relationship between auditor reputation and initial reputation. I did. In particular, low initial returns are a consequence of perceived audit quality, which is related to the audit firm's reputation. Furthermore, he argues that accounting firms that have spent more money on reputational capital have a higher incentive to reduce errors, and thus errors will also be reduced. All the information disclosed in the financial statements audited by these companies is expected to be of higher audit quality.

In his book, Moizer (1997) argues that evidence of an accounting firm's reputation can be found in the financial environment and that there is considerable evidence that the Big Six firms are different from other firms. He argues that audit quality is not observable, but can be inferred from the market's reaction to changes in auditors, the extent to which IPOs are undervalued, and the audit premium of the Big Six. However, Mohamad and Nassir (1997), in their study on audit firms' reputation, ex-ante uncertainty, and underpricing of IPOs in Kuala Lumpur Stock Exchange Second Board, found that despite a well-reputed audit firm; found that there is an incentive to investigate and report. Ensuring the quality of the audit depends on the perception of the users of the annual financial statements, as they do not commit fraud for fear of losing a good reputation. In particular, their results show that Malaysian investors do not perceive any impact on the reputation of accounting firms and that these firms (Big Eight/Six/Four and non-Big Eight/Six/Four) are all homogeneous. demonstrated that it provides a service

Lennox (1999) agrees with the theory of reputation and financial strength. In his opinion, larger auditors (certified auditors) play a greater role in avoiding inaccurate reporting. Additionally, legal penalties imposed for inaccurate reporting are also argued to be a determining factor in requiring auditors to produce high-quality reports (Dye, 1993). McLennan and Pack (2004) developed a model that splits a financial auditor into two

parts with identical technology. One is he with known reputation and the other is that he lacks features. Among other things, we found that highly reputable accounting firms charge higher fees and generate economic rents based on their perceived reputation. Weber et al. (2008) investigated the reputational impact of audit firms using one of the Big Four firms (KPMG) as a case study. Based on the case of a financial scandal between the auditing firm and one of its German clients, they found that as a result of the scandal, the number of KPMG clients decreased and that KPMG's number of clients decreased others benefited from negative headlines related to his KPMG customer finance scandal. In summary, their results are consistent with the theory supporting the reputational basis of quality testing.

Chapter four: Studying audit quality

4.1 Introduction:

De Angelo (1981) characterizes audit quality as the joint probability in which an auditor will find and report the infringements that exist within the accounting system of its clients. The possibility where the auditor will discover error depends on the quality of the auditor's understanding (competence) mean while reporting misstatements action depends on auditor independence. Agreeing to the auditing standards and Ethics code of Public Accountant Profession, public accountant needs to preserve his independency. Auditor

who is independent in carrying out his obligations ought to be unbiased and not take sides on any party to maintain a strategic distance from conflicts of interest. A public accountant ought to keep up his independence in mind and appearance (Arens, Senior & Beasley, 2012; IAPI, 2011). Djamil (2000), concluded that there are seven factors that affect audit quality. These variables are audit tenure, number of clients, the client's financial health, the presence of a third party to review the audit report, auditor independence, level of audit fee, and level of audit planning. Audit tenure is the length of time the auditor has conducted an examination of a company. According to Djamil (2000), the longer the auditor has audited, the lower the audit quality delivered would be. In expansion, the auditor may fail to preserve a professional attitude. This is often opposite to the conclusion of Jackson et al. (2007) which states that audit quality will be improving with the relationship between auditor and client. Agreeing to Yuniarti (2011), the amount of audit fee depends on the risk of task, the complexity of services provided, skill, and other proficient considerations. It appears that the higher audit fee will give a better quality audit as well. Be that as it may, this conclusion is opposite to the conclusion of Supriyono (1988 in Wati and Subroto, 2003); the amount of audit fee can influence the freedom of public accountants appearance since the big fee can make accounting firms ended up reluctant to contradict the will of the client, whereas small fee can restrain the time and cost

to perform complete audit procedures, There is a significant influence of auditor independence, audit tenure, and audit fee on audit quality Objectively describing and measuring service quality using multiple indicators is not easy because service quality is a vague and difficult to comprehend conception. Therefore, there are often errors in determining the nature and quality (Parasuraman et al. 1985). This is evidenced by a number of studies using service quality dimensions in different ways. However, Cheney (1993 in Nurchasanah and Rahmanti, 2003) affirm that research on service quality remains important due to consumers' increasing demand for the quality of the services they purchase as one of competitive forces of enterprises. According to FASB (2000). Audit quality is determined by competence and independence. "A good quality audit requires both competence (expertise) and independence. These qualities have direct effects on actual audit quality as well as potential interaction effects. Furthermore, users' perceptions of financial reporting quality are a function of their perceptions of auditor independence and expertise. Widiastuty and Febrianto (2010) argue that audit quality is an audit performed by an independent and competent person. IAPI (2011) states that the audit must meet Auditing Standard and Quality Control Standards. High-quality audits can help owners evaluate the effectiveness of company management by acting as a mechanism to monitor their operating and reporting activities. Additionally, high audit quality can indicate

the existence of high quality financial reporting (Mardessi, 2022). Conversely, presenting reliable financial information to owners can eliminate information asymmetry and reduce information risk and fraudulent management actions. Therefore, it can create significant value for shareholders (Wan-Hussin et al. 2021). Auditor expertise is widely considered a key indicator of audit quality (Sharf and Abu-Nassar, 2021) as auditors are expected to have greater experience and understanding of the commercial context of clients acquired in previous audits of competitors in the same sector (AlThuneibat). et al. 2011). According to Azizkhani et al. (2018), specialized audit firms in the industry can help detect irregularities in financial statements better and improve audit efficiency. Audit quality requires exact (relevance) and solid data for the advantage of choice making by principals, administration, investors, creditors and other partners (Sinaga, 2012). FASB states that financial reports must have data that's significant and reliable (Tjun et al, 2012). These two characteristics of data are exceptionally difficult to measure since management (operator) and owner (principal) each have their possess interface, for case management needs to induce a reward at the end of the year or needs to hold managers so they take activity so that their financial reports look great, and the owner needs the financial reports prepared to be in understanding with the operational performance carried out by management. This issue appears that the request for audit services is required since

of a struggle of interest between the agent and the principal. De Angelo (1981) expressed that audit quality is how competent the auditor is of identifying material misstatements contained in the company's financial statements. Audit quality outcomes are utilized with the aim of expanding the credibility of financial reports which is valuable for diminishing the chance that the data displayed isn't relevant and reliable for clients of financial report information, particularly investors. Audit quality too points to improve the judgment of financial reports (Mgbame et al. 2012). Switching auditors is fundamental since a long period of audit engagement with a client will result in a diminish within the auditor's independence and will be emotionally tied and cause issues with respect to the escalation of commitment to terrible choices from an auditor (Giri, 2010). Auditor Switching may be an altar of auditor carried out by the client or company. Mandatory auditor switching makes a difference diminish this connection or relationship between the client and the auditor (Yuvisa et al. 2008). Audit tenure is the term of the engagement between an auditor from a public accounting firm and the same auditee (Werastuti, 2013). Audit tenure can too influence audit quality seen from the length of the auditor's engagement with the auditee. Long audit tenure can be considered by the auditor as salary, but long tenure can too cause an emotional relationship between the client and the auditor so that it can decrease the auditor's independence which can influence audit quality.

Companies are right now beginning to have a dilemma with government controls with respect to the length of the bond or tenure period, companies are in a dilemma about making a choice whether to alter auditors or need to build and keep up the relationship (Fierdha, 2015)

Chapter five: Research Methodology and Hypotheses Testing

5.1. Introduction

Under this chapter the researcher will test the effect of causes and consequences of auditor switching on audit quality statistically, by analyzing a questionnaire consists of statements reflect the three main parts of study which are: Causes of auditor switching, consequences of auditor switching and audit quality.

The empirical study consists of two main independent variables which are: causes of auditor switching, consequences of auditor switching, and consists of one dependent variable which is audit quality.

In order to test the study hypotheses and satisfying its objectives, the researcher will apply the following descriptive and infernal statistical tests:

- Demographic analysis using frequency distributions.
- Descriptive analysis for questionnaire statements, and their level of validity and reliability.
- Descriptive analysis for the study variables.
- Main variables test of Normality.

- Reliability and validity tests.
- Spearman correlation coefficient in order to determine the relations between study variables.
- Simple and multiple regression models in order to determine the impact of the independent variables on the dependent variable and testing the study hypotheses.

5.2. Study Hypotheses

The empirical study consists of three main hypotheses as the following:

- $H_{1.1}$: There is a significant impact from the causes of auditor switching on audit quality.
- $H_{1.2}$: There is a significant impact from the consequences of auditor switching on audit quality.
- $H_{1.3}$: There is a significant impact from both causes and consequences of auditor switching on audit quality.

5.3. Population and Sample size

The main study population consists of all staff working in auditing firms and financial institutions. Also, all University staff members of finance and auditing major, and this led to an infinite number of the population size as it exceeds 10000 persons.

Therefore, the researcher will use the judgmental random sampling technique in order to allocate the appropriate required sample from the total population depending on Hair et al. (2022)

table of minimum sample sizes for different levels of minimum path coefficients (P_{\min}) and a power of 80%

Chapter six: Results, Recommendations and Future Researches

6.1. Research Methodology

The research will apply an empirical study using a questionnaire consists of three Parts, in order to the test the effect of causes and consequences of auditor switching on audit quality by analyzing the results of voters on this questionnaire by using descriptive and infernal statistical techniques.

The research used judgmental sampling technique by applying bath analysis between study variables for a pilot sample of 30 observations, depending on Hair et al., (2022), "Partial Least Squares Structural Equation Modeling (PLS-SEM) in order to determine the appropriate sufficient sample size to analyze and test the study hypotheses.

6.2. Conclusion

For the first hypothesis, the overall simple (OLS) regression model is significant as the overall F-test has a P-value of 0.000000542 which is less than 0.05, with an adjusted R-squared value 34.8954% which means that the dependent variable audit quality changes by 32.6955% due to the changes in the independent variable Causes of auditor switching. For the second hypothesis, the overall simple (OLS) regression model is

significant as the overall F-test has a P-value of 0.00000128 which is less than 0.05, with an adjusted R-squared value 33.9477% which means that the dependent variable audit quality changes by 33.9477% due to the changes in the independent variable consequences of auditor switching. For the third hypothesis, the overall simple (OLS) regression model is significant as the overall F-test has a P-value of 4.80e-13 which is less than 0.05, with an adjusted R-squared value 50.7466% which means that the dependent variable audit quality changes by 50.7466% due to the changes in the independent variables causes and consequences of auditor switching.

Therefore, the researcher will accept the three hypotheses of study, by which:

- There is a significant impact from the causes of auditor switching on audit quality.

- There is a significant impact from the consequences of auditor switching on audit quality.

- There is a significant impact from both causes and consequences of auditor switching on audit quality

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