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Examining Auditor Rotation: The Influence of Client Size, Audit Fees, and the Moderating Role of Audit Reputation

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Abstract: This study investigates the relationships between audit reputation, company size, audit fees, and auditor rotation within manufacturing companies listed on the Indonesia Stock Exchange (BEI) from 2018 to 2022. The aim is to analyze the impacts of these factors on auditor rotation decisions, which are hypothesized to enhance trust and transparency in financial reporting. Data from 84 manufacturing companies were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). The findings indicate that larger companies and those with higher audit fees are more likely to change their auditors. However, audit reputation neither influences nor moderates the relationship between these factors and auditor turnover. These insights contribute to understanding the patterns of auditor turnover in Indonesia's manufacturing sector, suggesting that larger firms and those with higher audit fees are inclined to consider changing auditors regardless of the auditor's reputation.

Keywords: Firm size; Audit fees; Auditor rotation; Audit reputation; Manufacturing sector; Indonesia Stock Exchange; Partial Least Squares Structural Equation Modeling (PLS-SEM)

JEL Classification: M41; M42

1. Introduction

Recent scandals involving fake financial statements of companies on the Indonesia Stock Exchange (IDX) have shaken public trust in auditors. This raises questions about whether auditors are truly independent, or if they're pressured to overlook problems. To regain public confidence in the accuracy of its financial reporting, the company decided to switch to a well-reputed and different public accounting firm (PAF) so it could produce a transparent audit report that can be accepted by the public. Auditor changes are required as a result of government rules that mandate the rotation of auditors. If the change is made willingly, the causal factors can originate from the client side, including financial difficulties, management turnover, ownership transition, Initial Public Offering, company size, company expansion, and other factors. Additionally, factors from the auditor side may include audit fees, audit delays, audit tenure, audit opinion, size of the PAF, audit quality, reputation of the PAF, and other factors.

Based on their established reputation, Indonesia categorizes PAF into two groups: the Big 4 and the non-Big 4. Studies have been conducted to investigate the factors that impact auditor turnover; however, the findings remain inconsistent. This study will specifically examine the impact of firm size and audit fees on the likelihood of audit rotation, with the influence of audit reputation taken into account as a moderating factor.

Company size refers to the numerical representation of a company's magnitude or scale (Nababan et al., 2023). Toni et al. (2021) investigated what makes a company "big" or "small." They found three key factors: the total value of the company's stuff (assets), how much they sell (sales volume), and their market value (market capitalization). To be able to use total asset data statistically, the data is transformed using natural logarithms (Ln). Firm size is a scale that determine big or small a company counted by the asset of the company (Rahmi et al., 2019).

An audit fee is a nominal amount that has been paid by a company (auditee) to an auditing firm based on the performance and services given by the public accounting services (Susilawati et al., 2023). Auditors receive a fee, which is used as compensation for the professional services provided. This fee is influenced by several aspects regarding the complexity of the services provided by the service and the level of skills required by the company (Rochmatilah et al., 2021). All forms of compensation are determined by the nature of the job itself, the level of skills required by the company, as well as various other professional factors. So, in this research, the audit fee is also calculated using a natural algorithm (Ln), which is in accordance with what has been mentioned by Permatasari & Astuti (2019).

Audit reputation refers to the public's perception of audit quality. Audit reputation is a positive image and trust received from the public for the high-quality audit services given by the PAF. The reputation can be built from qualified audit reports given to the client, experience and skill from the auditor, the specialization of the PAF, the succession in detecting fraud, and the unqualified opinion given without compulsion. A good reputation auditing firm can decrease the opportunities for audit rotation, and vice versa, a bad reputation audit firm can impact the auditor rotation. Meanwhile, Ardi Widya & Sudiyatno (2022) state that PAF reputation has a significant negative effect on auditor switching. So, if a company has been audited by a well-known accounting firm or one of the "Big Four" accounting firms, then there is a small possibility that it will change auditors, because the "Big Four" accounting firms also have a very strong reputation and have also carried out their duties well.

The size of the company itself, and the fees that have been paid to audit firm, and the frequency of changing auditors can also be influenced by the reputation that the audit firm has. A good reputation of a public auditing firm is also believed to reduce the desire to change auditors. This means that big companies that pay high audit fees are likely to retain auditors who have a good reputation. Vice versa, a bad PAF reputation can also increase the influence of the company on the decision to change auditors. A company that has a poor audit history will also be proposed to replace the current auditor with a good reputation and transparency auditor.

There are various perceptions generated regarding several elements that have an influence on audit rotation that have been carried out by previous research. Wulandari & Suputra (2018), as well as research from Sabilla & Erinos (2023), which state that complexity arises from the factor of changing auditors. This research has also examined the relationship between audit reputation, company size, audit fees incurred, and audit rotation in manufacturing companies registered on the Indonesia Stock Exchange from 2018 to 2022. So, the research conducted has been carried out with the aim of providing an assessment aimed at increasing trust and resulting transparency in financial reporting.

A set of data on the total of 84 manufacturing companies was collected, and PLS-SEM was applied to process the data. This aims to carry out investigations related to the hypotheses and correlations obtained between variables, so that the results obtained show that the company has an influence on the audit rotation that has been carried out. This is done because companies with a larger scale tend to change the audit firm. Thus, it can be found that an increase in audit fees has a significant influence on the turnover of the auditor itself. However, the resulting audit reputation also does not have a moderating effect on the relationship that occurs in this variable and the changes in auditors that have been made. Therefore, this research will provide quite valuable insights to provide an understanding regarding the change of auditors in the manufacturing industry in Indonesia, so that this research results show that very large companies that charge quite high audit fees are more likely to provide consideration regarding changing auditors, regardless of their existing audit reputation.

Meanwhile, based on the Indonesian economy, the manufacturing company sector plays a very vital role, so it is very important to provide certainty and help ensure the level of accuracy and reliability in the financial reports issued by various manufacturing companies that have previously been listed on the Indonesia Stock Exchange. Various basic industries that have been carried out by several companies, such as the basic chemical materials industry, consumer goods, as well as various other sectors or sub-sectors, are industries that are included in the manufacturing sector in question. Understanding the elements that influence these companies' choice to change their auditors will help maintain transparency and responsibility in financial reporting.

The aim of this research is to investigate the elements influencing the choice of manufacturing companies listed on IDX between 2018 and 2022 to rotate auditors. For the most part, this study looks at how audit reputation, audit fees, and company size affect turnover. It also wants to discover if an audit's image can affect client company and auditor size, and how they interact. This quantitative analysis uses secondary data from scholarly journals, financial records, and other sources. PLS in SEM is used to uncover data factor relationships. The paper will explain audit rotation using contract cost and agency theory. These concepts will also test the measurement model and find latent variable linkages.

Previous research has looked at many aspects of audit rotation, but not many studies have looked at the industrial sector in Indonesia, especially when it comes to how audit reputation acts as a moderating factor. So, by providing various real-life examples of these various factors interacting and influencing decisions made during audit rotation, this research can also fill the gaps that previously existed. This research also has the aim of providing various information that can be used to influence various regulations and practices in managing companies, which is demonstrated through analysis resulting from the impact of a company's size, the audit costs that must be incurred, and the audit reputation obtained. All of this is done with the aim of providing relevant insights for stakeholders and enriching existing insights and knowledge in this field. This research has also found practical offers and suggestions for companies and policy-making officials. Apart from that, in order to improve research academically, the findings obtained in this research will also provide various practical impacts that can be used in the management of a company or auditor. Apart from that, this can also be used as a benchmark for research carried out in the future in the field of this research.

The audit rotation carried out is one of the strategies carried out to increase the level of independence and the level of objectivity obtained in the audit process. This is done with the aim of strengthening the level of trust obtained by the public in the financial reports obtained by reducing the various risks arising from the relationship being too close between the company and the auditor. Apart from that, the governance carried out by the company is quite effective in reducing the level of risk generated. Through this governance, OJK and Bapepam have issued various regulations and policies aimed at providing guarantees for the accuracy of financial reports in Indonesia.

2. Literature Review

Contract cost and agency theories have also provided valuable insights relating to the application of audit rotation and the resulting impact on a company. So, according to the cost contract theory explained, various decisions made by organizations have been influenced by various contract costs that have been carried out previously, such as monitoring processes and law enforcement that have been carried out. In the context of audit rotation, this theory suggests that companies are also given the option to change auditors with the aim of reducing various costs incurred in connection with providing certainty in the level of supervision and a sense of compliance with the obligations that must be carried out in financial reporting. Apart from that, the other side of agency theory focuses on conflicts of interest that occur between managers (agents) and shareholders (principals), so that this can provide a spotlight regarding how important the audit process is carried out independently and can provide various valuable assessments and its objective regarding the existing financial condition of a company and can help to overcome various agency problems. So, from this perspective, audit rotation can also be seen as a method that can be used to increase the level of independence of an auditor and can reduce various risks resulting from collusion that occurs between management and auditors. The application of rotation in the audit process can also be used as a strategy that can attract great attention for large companies to overcome various agency challenges and manage the contract costs incurred more efficiently. In addition, the high audit costs that have been incurred provide a reflection of the complexity of audit procedures and can strengthen the argument regarding the importance of regular audit rotation.

Various quite varied results have also been obtained from previous research on audit rotation, these results provide a highlight regarding the complexity of the various elements that influence auditor turnover. Sabilla & Erinos (2023) and Wulandari & Suputra (2018) found that corporate governance, firm size, and audit fees are some of the most important factors affecting audit rotation. However, these studies mostly focus on other sectors, and there is no manufacturing sector, especially using SmartPLS statistical data processor, so its effectiveness in the manufacturing sector is still unknown. This study aims to fill the void by providing empirical data on the effect of audit reputation, audit fees, and firm size on audit rotation decisions in manufacturing companies in Indonesia. Given its large contribution to the Indonesian economy, the manufacturing sector is a major focus in audit policy studies. By situating this research within current global and local debates, this study aims to provide nuanced insights that can be applied to guide scholarly research and pragmatic policymaking.

Audit reputation is the impression of the quality and dependability of an audit firm, which can significantly affect the confidence and trust of stakeholders. Theoretically, a respected audit firm is more likely to do thorough and independent audits, therefore lowering the chance of financial misreporting. Empirical data supports this viewpoint. In his research, Halim (2021) found that companies audited by the Big Four PAF, which are known for their outstanding reputation, generally have better audit quality. PAFs affiliated with the Big Four companies-Price Waterhouse Coopers (PWC), Klynveld Peat Marwick Goerdeler (KPMG), Ernst & Young (EY), and Deloitte Touche Thomatsu-usually have a good reputation. These firms are known as companies that produce excellent audits and uphold audit independence, which strengthens the accuracy of the resulting financial statement data. The reputation of the Public Accountant Foundation (PAF) in Indonesia itself also has quite a big impact regarding the change of auditors carried out by each company, especially by considering various corporate governance policies that tend to be new, so this data shows that this can have a significant influence.

This research explores the potential impact of audit reputation as a moderating variable on the relationship between company size, audit fees, and audit rotation. For example, a large-scale company will likely tend to choose an audit firm that has a solid reputation, which is used to increase the credibility they have. Apart from that, if the audit firm used has a strong enough reputation, the company must also be able to incur higher audit costs. So, by carrying out various analyses of these interactions, this research aims to provide a comprehensive understanding of several factors that can influence decisions resulting from audit rotation in a manufacturing company in Indonesia. In short, the literature review that has been carried out emphasizes the importance of a deeper understanding of audit rotation in the manufacturing sector in Indonesia by combining various contract cost theories and agency theory as well as testing the moderating role of audit reputation. So, this research aims to fill various gaps in the literature and provide various practical suggestions for companies and policy-making officials. The findings obtained in this research not only contribute from an academic perspective but can also provide various valuable insights to improve the governance practices of companies in Indonesia.

3. Methodology

Various sources of research data, such as annual reports, financial reports, and documentation processes carried out regarding manufacturing companies that were previously registered on the Indonesia Stock Exchange (BEI), were obtained through various secondary sources. The period of study spans from 2018 to 2022, providing a comprehensive dataset for analysis. The sample consists of 420 observations, representing various manufacturing firms as showed in the Table 1 below.

Table 1. Sampling criteria

No.	Criteria	Total
1	Companies in the manufacturing sector listed on the Indonesia Stock Exchange for the period 2018-2022.	**226**
2	Companies in the manufacturing sector that have not been listed for 5 consecutive years for the period 2018-2022 on the Indonesia Stock Exchange.	**(70)**
3	Companies that changed sectors because they were acquired by other companies (issuers) during the period 2018-2022.	**(2)**
4	Manufacturing sector companies that were *suspended by the* IDX for not providing financial reports on time or for other reasons for the period 2022 so that the financial statements were incomplete for 5 years.	**(6)**
5	Manufacturing companies that do not publish *audit fees* clearly during 2018-2022.	**(64)**
	Number of company research samples	**84**
	Research observation data for 5 years (84 × 5)	**420**

Source: Author's computation (2023)

The reason for excluding manufacturing sector companies that have not been listed for 5 consecutive years (criterion 2) is likely to ensure that the analysis is based on companies with a consistent presence on the stock exchange during the period of interest. Companies not listed for the entire period may have missing financial data, which could skew the results of the study or make it hard to perform a year-on-year comparison. The objective is to have a sample that provides accurate and complete information for the period being studied, thus enabling reliable research findings. The reason for excluding companies that changed sectors because they were acquired by other companies (criterion 3) is likely to ensure data integrity and consistency because the research is focused on manufacturing sectors. The reason for excluding manufacturing sector companies that were suspended by the IDX for not providing financial reports on time or for other reasons (criterion 4) is most likely because for accurate and reliable research or analysis, complete data sets are needed. If a company has been suspended and therefore has incomplete financial records for the 5-year period under scrutiny, its data might not meet the research's reliability and validity standards. A lack of complete financial statements could impair the consistency and comparability of the research across all companies included in the sample. The reason for excluding these companies could be because clear disclosure of audit fees is essential for analyzing the financial health and transparency of a company. If a manufacturing company does not disclose its audit fees clearly, it might indicate a lack of transparency or possible issues with financial reporting. For research purposes, especially if the study focuses on financial analysis or corporate governance, having access to complete and transparent financial information is crucial. Excluding companies that do not publish audit fees clearly helps to ensure the quality and reliability of the research data.

Table 2. Operational definition of variables

Variable Type and Name	Indicator	Scale
Var. independent: Company Size (X_1)	Company Size = Ln (total assets)	Ratio
Var. independent: *Audit Fee* (X_2)	*Audit Fee* = Ln (*audit fee*)	Ratio
Var. dependent: Audit Rotation (Y)	Using *dummy* variables, filled with number 0 if not change auditors and with number 1 if change auditor.	Nominal
Var. moderation: Audit Reputation (Z)	Using dummy variables, filled with number 0 if PAF is not a "*Big Four*" reputable and with number 1 if yes.	Nominal

Source: Field work data

This research involves three variables (see Table 2): Company Size (X1), measured using the total asset value of the company from financial reporting statements; Audit Fee (X2), representing the total audit fee paid by the company as reported in their financial statements; and Audit Reputation (Z), measured based on the reputation score of the audit firm derived from industry reports and rankings. The Dependent Variable, Audit Rotation (Y), is a binary variable indicating whether there has been a change in the company's auditor during the study period.

Table 2 shows that the reputation score for audit firms in this research is categorized into Big 4 firms and non-Big 4 firms. Reports from reputable financial and auditing organizations like Deloitte, PwC, KPMG, and EY are scored 1, while non-Big 4 firms are given a value of 0.

SEM applied with a PLS technique, forms the basis of the data analysis. The PLS approach was chosen for its capacity to run with smaller sample quantities and for its strength in managing complicated models. Designed for PLS-SEM analysis, SmartPLS is a user-friendly toolkit offering everything. Among its advanced capabilities are multi-group analysis, bootstrapping for significance testing, and blindfolding for predictive relevance. For researchers with different degrees of statistical knowledge, its simple interface and visualizing features make it easy. Two fundamental elements are employed in SEM to grasp and evaluate intricate interactions between observable and latent variables. The following describes each:

1. Measurement model (Outer model):

• Convergent validity: Examining the standardized loading factors helps one determine the measurement model (outer model), which shows the correlation of every indication to the appropriate latent variable. Considered reasonable is a loading factor greater than 0.7.

• Discriminant validity: By means of a comparison between an internal consistency measure and the model's correlations between each construct, one might assess their distinctiveness.

2. Structural model (Inner model):

• Path coefficients: show the degree and direction of the expected effects between the variables. They inform us about the expected influence of a change in one variable—independent or moderating—on the dependent variable, audit rotation. While a negative coefficient denotes an inverse association, a positive coefficient implies a positive relationship—that is, greater firm size increases the risk of rotation.

• R-squared (R^2): R-squared, or R^2, is a measure of the proportion of variance in the dependent variable (audit rotation), which the independent and moderating factors in the model can help to explain. A more solid model is indicated by a higher R-squared value. This implies that the factors under consideration together explain a higher share of the diversity in auditor rotation choices.

The choice of PLS-SEM and SmartPLS in this study is driven by the methodology's ability to handle complex models, small sample sizes, and non-normal data, along with its focus on prediction and theory development, which provide a robust framework for assessing the quality and predictive power of the model, making it a suitable choice for the research objectives at hand.

Since the data used for this investigation came just from publicly available sources, ethical research standards were guaranteed. Not one private or proprietary piece of information was applied. By using these strategies, which may be replicated by other researchers in the same field, the study aims to produce consistent and sound results.

For this study, two statistical tests are at hand:

1. Data summarizing and description: statistical analysis

For any variable, the mean, median, minimum, and maximum values help to give a whole picture of the data distribution. A measurement of data variability, the standard deviation, helps one understand this.

2. Hypothesis testing

T-statistics and p-values: employed to ascertain the significance of path coefficients. The threshold for statistical significance in this study is set at a p-value of 0.05.

The data analysis was performed using SmartPLS version 4.1.0 (SmartPLS GmbH, Boenningstedt, Germany), a software tool specifically designed for PLS-SEM analysis.

4. Results

An overview of the descriptive statistics for each variable used in the analysis is provided in Table 3. The sample consists of 420 analysis units from 84 publicly traded manufacturers on the IDX within the 2018-2022 timeframe. This summary presents descriptive statistics (mean, standard deviation, minimum, and maximum) for company size, audit fees, and audit reputation.

Table 3. Descriptive statistics

Variable	Mean	Standard Deviation	Minimum	Maximum
Company Size	10.45	1.23	8.12	13.67
Audit Fees	2.34	0.89	1.00	4.56
Audit Reputation	0.65	0.48	0	1

Source: Author's computation (2023)

The results of the inner model evaluation can be found in Table 4. Company size, audit fees, and audit reputation explain only 2.9% (adjusted R-squared = 0.029) of the variation in audit rotation.

Table 4. Inner model evaluation

Variable	R-square Adjusted
Audit Rotation	0.029

Source: Authors' computation (2023)

Refer to Table 5 for a summary of the hypothesis testing results. The t-statistics and p-values were obtained using bootstrapping in PLS-SEM.

Table 5. Hypothesis testing results

Hypothesis	Path Coefficient	t-Statistic	p-Value
H1: Company Size → Audit Rotation	0.145	2.17	0.030
H2: Audit Fees → Audit Rotation	0.198	3.12	0.002
H3: Audit Reputation → Audit Rotation	-0.045	0.52	0.606
H4: Company Size * Audit Reputation → Audit Rotation	0.073	0.72	0.473
H5: Audit Fees * Audit Reputation → Audit Rotation	0.089	1.15	0.252

Source: Author's computation (2023)

For the effect of company size on audit rotation, this study found a positive and statistically significant relationship between company size and the likelihood of auditor rotation. This suggests that larger companies are more prone to changing their auditors (p-value = 0.030), aligning with the expectation of the hypothesis that larger companies are more likely to change auditors.

For the effect of audit fees on audit rotation, audit fees also have a significant positive effect on audit rotation (p-value = 0.002), suggesting that higher audit fees increase the likelihood of auditor rotation.

For the effect of audit reputation on audit rotation, contrary to expectations, audit reputation did not significantly influence auditor change (p-value = 0.606), indicating that the reputation of the audit firm does not influence the decision to rotate auditors.

For the moderating effect of audit reputation, this study found no evidence that audit reputation moderates the connection between company size and audit rotation. In other words, a company's reputation for good audits does not significantly affect how its size influences decisions to change auditors (p-value = 0.473). Similar to the results for firm size, audit reputation does not significantly influence how audit fees impact auditor changes (p-value = 0.252).

Results on audit expenses and firm size greatly affect current ideas and laws. The paper claims that larger companies are more likely to apply auditor rotation. Because of the increased scrutiny of their complex systems, big companies could decide to change auditors in an attempt to uphold openness and confidence. This revelation could affect current rules by inspiring authorities to take exact recommendations or laws meant for the audit criteria of more large corporations into account. Moreover, the correlation between greater audit charges and a higher probability of switching auditors implies that companies are either examining several auditing techniques or searching for more reasonable alternatives. This finding may alter auditing guidelines or recommendations by examining the fees and other services that accountants provide. The results of the study may contribute to the development of new theoretical frameworks that more clearly describe the relationship between audit rotation options, audit fees, and the size of the organization, but they still require a more thorough statistical examination of these facts in order to have a deeper understanding of them, as effect magnitude indicates the practical value of the knowledge. To get a better sense of what audit rotation choices, audit fees, and firm size really mean in real life, we need to look at how these things are connected. This would help policymakers and theorists in the areas of corporate governance and auditing make better decisions.

The following is a synopsis of the above listed influence:

• Company size and audit fees significantly influence audit rotation.

• Surprisingly, a good audit reputation did not directly influence companies' decisions to change auditors.

• This study found that audit reputation does not influence the way company size and audit fees affect decisions to switch auditors.

The factors that influence audit rotation in manufacturing companies listed on the IDX are comprehensively understandable as a result of these findings.

5. Discussion

Hypothesis 1: The size of the organization greatly affects choices on audit rotation. The results of the study confirm that the decisions for audit rotation inside Indonesian manufacturing companies listed on the IDX are greatly influenced by the size of the company. Larger businesses are more likely to have auditor moves. This could be because their operations are more complicated and cover more ground. This study found that there was a statistically significant and positive link between the size of the company and the ability to rotate auditors. This means that bigger companies will likely replace inspectors over time. There are several things that might explain why auditors often move jobs to bigger companies, such as:

- Resources: Larger companies have more resources, which allows them to hire more qualified auditors and rotate auditors more frequently.
- Pressure from investors and regulators: Larger companies may change their accountants more often because investors and the government are putting pressure on them to do so.
- Complexity: High audit fees could indicate a complex firm, in which case bigger businesses might have to cycle their auditors more frequently.

This result supports the idea that bigger companies have more inclination to replace their auditors. Regular changes of auditors could help to guarantee the integrity of audits and the confidence of stakeholders. Larger companies with more complicated operations and more public attention should be paid to this top priority. Our findings are consistent with prior research (Halim, 2021; Sarumaha et al., 2020; Wati, 2020) that has established a positive correlation between company size and audit rotation. However, this is in direct contradiction to the findings of Pratama & Ardiati (2022) and Yusriwarti (2019), who found that the size of the company did not affect the decision to change auditors. Divergent results may be attributed to variations in the periods examined and the specific industries that were analyzed.

Hypothesis 2: Furthermore, the audit fees are the only area in which the aggregate effect level on the selection of audit cycles is significant. This further substantiates the notion that clients are influenced by relatively substantial fluctuations in audit fees when deciding whether or not to rotate auditors. Audit fees going up also correlates with an increased likelihood of accountant turnover, which suggests companies are looking to get revenue or cut costs. Audit rotation was observed to be greatly influenced by audit fees. This helps to justify the theory that larger audit fees increase the likelihood of auditor change. Moving to auditors with reduced rates could be one-way businesses save money. Should audit fees rise, businesses may begin to question their actual value from current auditors. Should businesses find greater value for their money, they could choose to replace inspectors if they believe the hefty costs are not worth it. Especially in cases where the company is already cash-strapped, larger audit expenses can strain its budget. In this case, companies could choose to change auditors to better handle their funds. Regularly changing their accountants could help businesses negotiate reduced prices from new audit firms. New accountants could present reduced fees to attract business, therefore saving the company money. These findings match those of Arkaputra & Hidayah (2022) and Wulandari & Suputra (2018), who also discovered that audit rotation is greatly influenced by audit fees. Still, this is not what Muslimah & Pohan (2022) and Pratama & Ardiati (2022) discovered that there was no clear connection. Changes in the law and the economy during the research periods could have affected the outcomes.

Hypothesis 3, 4, and 5: The reputation of the audit determines either directly or indirectly the auditor's choice. Unlike the first idea, the research shows that the audit's reputation does not directly or indirectly affect the decision to replace auditors. This unexpected result suggests that there could be more influential other elements impacting audit rotation choices. The Big 4 audit firms maintain their independence and promise high-quality audits based on their strong reputation, therefore lowering the demand for necessary rotation. Their continuous will to maintain their reputation assures, by nature, a great degree of audit quality. Promotion of long-standing relationships between audit firms and clients entails the risk of familiarity. Though the Big 4 companies can preserve their professional skepticism and independence by keeping tight internal controls and giving the maintenance of their reputation great importance. There are also known risks that come with building strong relationships between audit companies and their clients. It's possible for the Big 4 firms to stay professional and independent because they have strict rules within their own businesses and work hard to maintain their image. This suggests that, regardless of audit firm membership with the Big Four or not, the decision to replace auditors is not substantially impacted by the reputation of the audit firm. Studies by Santos & Yanti (2021) and Silalahi & Siagian (2022) also support this result: audit rotation has no substantial influence on audit reputation. Though the results of Ardi Widya & Sudiyatno (2022) and Halim (2021) contradict this, audit rotation is affected by audit repute; the variance in the sample characteristics and the particular conditions of the investigations could help to explain this.

The study also looked at whether audit repute moderates the link between audit fees, audit rotation, and corporate scope. The study turned up no data indicating audit reputation either strengthens or weakens the relationships between the other model variables. This result implies that audit rotation is unaffected by the reputation of the audit firm based on company size and audit fees. Similar to Qomari & Suryandari (2019) and Wulandari et al. (2019), our results show that audit reputation doesn't have a big impact on the decision to switch examiners in other ways. Not quite the same as what Arkaputra & Hidayah (2022) discovered, who saw a clear result of stabilizing. Perhaps the differences can be explained by the fact that the studies were done in various historical time periods and places.

Since the present analysis concentrated largely on firm size and audit fees as the main factors in audit rotation, it is plausible that audit reputation interacts with other elements not taken into account in this study. The intricacy of a company's operations, industry-specific rules, or the presence of an internal audit department could all affect auditor rotation decisions.

In terms of pragmatic outcomes, this research can direct managerial decisions or industrial strategy adjustments. The results underline for legislators the need for laws reflecting the complexity of audit rotation decisions. To guarantee an honest and transparent audit rotation process, policies should be in place for businesses of all sizes and in all industries. The study's results help guide audit rotation plans for IDX companies. In order to make better decisions on auditor changes, firms would do well to understand how audit rotation choices vary according to audit expenses and firm size. As a result, one may decide to assess the value of audit fees and the importance of auditor reputation from a strategic perspective.

Based on the findings obtained from the research that has been conducted, several recommendations can be made for companies and policymakers to improve audit practices and ensure financial transparency, such as:

• Customizing audit rules and recommendations for large firms is essential. Large organizations face distinct issues that demand specialized audits. Policies that address their audit needs are needed since larger organizations are more likely to change auditors, according to studies. Customized policies can help manage the unique issues and obligations of auditing large firms, improving audit processes.

• Auditor fees and value-added services should also be reconsidered. Higher audit prices appear to increase audit rotation. Companies can balance audit cost and quality by evaluating cheaper options or rethinking their audit strategy. A smarter billing strategy can help firms manage their budgets without compromising audit quality.

• Corporate governance must be improved to ensure audit rotation choices are based on a complete review, not just finances. Strong corporate governance can prevent organizations from choosing cost above audit quality and forsaking financial transparency. In order for audit quality to be ensured, various governance policies must be strongly enforced, so that audit rotation can also be influenced by the size of a company and the audit costs incurred, while the audit reputation obtained in this research is not really needed.

• Improving existing regulations and governance in a company, being aware of the factors caused by audit rotation, and supporting research on various audit rotation factors that have been carried out, so that it can provide insight regarding making better policies and improving various policies regarding audit rotation carried out.

• The influence produced by audit rotation can be understood based on the audit fees generated and the size of a company, so that future research can include various statistical and comprehensive analyses, such as the size of the resulting impact. So, this method can also be used to reveal the various consequences that result as well as various audit process rotation decisions, so that it can help to develop various regulations and the resulting ideas to be better in terms of corporate governance and auditing.

Implementation of the recommendations obtained in this research can enable companies and policy-making officials to improve auditing process practices, as well as promote financial transparency and strengthen corporate governance. So, by implementing these various recommendations, the business world and policy makers can also improve auditing practices, so that they can provide guarantees in terms of financial transparency, as well as the formation of a stronger corporate governance framework. Apart from that, this research also found that there was no contribution made in the research process academically, but this research had practical implications for company management and auditors. Therefore, in order to improve the quality of the discussion process carried out, it is important to carry out thorough testing regarding hypotheses and be able to connect the various findings in this research through practical implications, so that it can provide various very valuable insights for the participants. policy-making officials and the business world that operates on the BEI.

6. Conclusions

This research found that various roles, such as audit reputation, audit costs that must be incurred, and the scale of a company, influence the audit rotation carried out in a manufacturing company that was previously registered on the BEI from 2018 to 2022. as has been tested in this research previously:

1. Company size

This research found a significant relationship between company scale and the possibility of changing auditors. So, auditors are often replaced by a company that tends to be larger, as well as the complexity of the organizational structure and increasing public supervision are two of the reasons for this behavior, so that it can encourage companies to help maintain the level of transparency and auditor trust.

2. Audit fees

The various possibilities that will occur in most audit rotations will be related to the audit costs that must be incurred, which are quite high. These costs provide a sign that companies can also consider various audit options that tend to be more cost-effective and can re-evaluate their current audit strategy because they are faced with very high audit costs.

3. Audit reputation

Although previously it was not expected that the audit company's reputation would have a large influence on the decisions made in auditor rotation. Moreover, audit reputation does not actually change the existing relationship with a company or audit fees, with various possibilities that occur during the auditor rotation process.

This research described the various methods used by manufacturing companies in Indonesia in treating the audits, carried out a deeper analysis, and provided highlights regarding the main factors that can influence the choice of auditors used to change them. This research also gave deeper insights regarding various factors that can influence the audit rotation carried out, including the size of the audit process, the audit costs that need to be paid, and the audit reputation that can influence a company. Apart from that, the metrics used in this research also include various natural algorithms that exist in terms of total assets in terms of company size and audit costs incurred. The audit reputation and audit rotation variables can also be stated as dummy variables, so this paper was written with the aim of forming a solid enough basis for understanding the various dynamics of the very complex auditor change process.

This research was carried out by highlighting audit fees and the size of a company to be able to influence various processes in making audit rotation decisions, so that this results in the fact that audit reputation also has a quite significant impact in terms of the differences that exist between the "Big Four" companies and other companies. which is not the "Big Four". Apart from that, the use of algorithms is naturally carried out as a standardization of the data distribution process used to ensure statistical accuracy, so that the results will become a strong basis for subsequent research as well as various practical implementations.

Various analyses produced in this research found that although several factors, such as the size of a company and the audit costs incurred, can generally have an influence on audit process rotation decisions, the PAF's reputation also does not have a significant influence. Apart from that, this research also highlights how important it is to investigate several alternative factors that can have a greater impact in terms of audit rotation in the context of a company's regulatory policies and governance.

This research carries out various identification processes on several factors that are considered to have an important role in replacing auditors in the industrial sector in Indonesia, so that the findings in this research can also provide quite diverse roles that are obtained through the reputation of the auditing process, then the size of the company, and the audit costs incurred are an important focus in this process. This paper can provide various practical recommendations for use by regulators and businesspeople who can increase transparency in the financial sector and optimize the audit process.

So, in this way, the research that has been carried out can not only increase various forms of scientific understanding regarding audit rotation but can also provide various analytical results that are quite in-depth for practitioners and policy makers, so that this becomes their effort to improve quality. audit process and governance in a company.

Data Availability

The data used to support the research findings are available from the corresponding author upon request.

Conflicts of Interest

The authors declare no conflict of interest.

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