



RESEARCH ARTICLE

The Effect of Audit Tenure, Auditor Switching on Audit Quality in Non-Financial Companies

Erlangga Setyawan^{1*} | Rita Nurnaningsih² | Tri Widyastuti Ningsih³ | Diah Hari Suryaningrum⁴ | Dipa Teruna Awaludin⁵

^{1*} Hospitality Management Study Program, Faculty of Vocational Studies, Universitas Brawijaya, Malang City, East Java, Indonesia.

² Islamic Economics Study Program, Sekolah Tinggi Agama Islam Pelita Nusa, West Bandung Regency, West Java, Indonesia.

³ Accounting Study Program, Faculty of Economics, Universitas Islam Negeri Walisongo Semarang, Semarang City, Central Java, Indonesia.

⁴ Accounting Study Program, Faculty of Economics and Business, Universitas Pembangunan Nasional Veteran Jawa Timur, Surabaya City, East Java, Indonesia.

⁵ Accounting Study Program, Faculty of Economics and Business, Universitas Nasional, South Jakarta City, Special Capital Region of Jakarta, Indonesia.

Correspondence

¹ Hospitality Management Study Program, Faculty of Vocational Studies, Universitas Brawijaya, Malang City, East Java, Indonesia.
Email: erlanggastywn@ub.ac.id.

Funding information

Universitas Brawijaya.

Abstract

This study aims to examine the effect of auditor tenure and auditor turnover on audit quality in non-financial companies listed on the Indonesia Stock Exchange. Audit quality has become a critical issue in maintaining the credibility of financial reports, particularly in the context of an increasingly complex business environment and the rapid development of digital audit technology. Auditor tenure and auditor turnover are structural factors that can influence auditor independence and competence, while digital audit tools represent technological adaptations in audit practice. This study adopted a quantitative approach using Partial Least Squares-Structural Equation Modeling (PLS-SEM) with SmartPLS software. The sample consisted of 100 non-financial companies listed on the Indonesia Stock Exchange, selected through purposive sampling. Data were obtained from annual reports and financial statements. The analysis included evaluation of the outer model (convergent validity, discriminant validity, and reliability) and the inner model (path coefficients, R-square, and bootstrapping significance tests). The findings show that auditor tenure significantly influences audit quality in non-financial companies listed on the Indonesia Stock Exchange, indicating that a longer auditor-client relationship improves the auditor's understanding of company characteristics. Auditor turnover also significantly impacts audit quality in non-financial companies listed on the Indonesia Stock Exchange, highlighting the importance of maintaining independence through auditor rotation. This study contributes to the auditing literature by integrating technology variables into audit quality analysis and provides practical implications for auditors and regulators.

Keywords

Auditor Tenure; Auditor Turnover; Audit Quality; Non-financial companies.

1 | INTRODUCTION

Audit quality has a decisive role in protecting the credibility and reliability of financial reporting. A strong audit process helps ensure that financial information is not merely prepared to satisfy formal requirements, but can genuinely be trusted by investors, regulators, creditors, and other stakeholders. From the perspective of Agency Theory, audit functions as a monitoring mechanism that reduces information asymmetry between management as agents and stakeholders as principals. This role becomes increasingly relevant because management often has greater access to internal information and may have incentives to present company performance in a favorable manner. Through independent assessment, auditors provide reasonable assurance that financial statements are free from material misstatement, whether caused by error, bias, or fraud. Even so, audit quality cannot be viewed as a static standard. Business transactions are becoming more complex, corporate operations are more global, and financial instruments are increasingly sophisticated. These changes place greater pressure on auditors to strengthen professional judgment, skepticism, technical competence, and the use of relevant audit procedures. When audit practices do not keep pace with business developments, the reliability of audit outcomes may be questioned (Eulerich & Wood, 2021).

Audit tenure is one of the key factors that can shape audit quality because it reflects how long an auditor has maintained a professional relationship with a client. A longer tenure may benefit the audit process, since the auditor becomes more familiar with the client's business model, accounting policies, internal control practices, transaction patterns, and industry risks. This knowledge can help auditors identify unusual changes more quickly, design more relevant audit procedures, and assess risk with greater accuracy. Repeated engagement may also reduce the time needed to understand basic client information, allowing greater attention to areas that require professional judgment. Yet this advantage carries a clear risk. When the relationship between auditor and client becomes too close, independence may weaken and professional skepticism may decline. Auditors may become less willing to challenge management explanations or question accounting estimates. This creates a tension between competence gained through experience and independence threatened by familiarity. Rotation policy can help manage this risk without discarding valuable client knowledge. For that reason, audit tenure remains a contested issue in audit research, especially when determining whether longer engagement improves or reduces audit quality (Krishnan & Wang, 2021).

Auditor switching can shape audit quality because it alters the professional relationship between a company and its external auditor. The change may be voluntary, such as when management appoints a different audit firm, or mandatory under rotation rules. In principle, rotation is designed to protect independence by preventing auditors from becoming too aligned with management. A new auditor may review estimates more critically, question assumptions that have become routine, and detect reporting risks that were previously treated as acceptable. This fresh review can be valuable, especially when prior audits relied too heavily on familiar explanations. However, switching auditors is not a simple solution. In the first year, the incoming auditor must learn the client's business model, reporting system, internal controls, transaction flows, and accounting choices. This learning period may increase audit effort and, if not handled carefully, may weaken the auditor's ability to identify misstatements. Weak communication between the previous and new auditor can also disrupt the transition. For this reason, auditor switching should be managed through clear handover procedures, adequate planning, and strong professional skepticism. Its effect on audit quality is not uniform; it may improve independence, but early engagement risks still need careful control, especially in firms with complex operations and aggressive reporting incentives (Sari & Rahardjo, 2022).

Considering the interplay between these factors, it is important to examine how audit tenure, auditor switching jointly influence audit quality. While previous studies have often analyzed these variables separately, limited research has explored their combined effects, particularly in the context of non-financial companies. Therefore, this study aims to provide empirical evidence on the relationship between these variables and audit quality, contributing to the existing literature and offering practical implications for auditors, regulators, and corporate stakeholders in enhancing audit effectiveness and governance practices.

2 | BACKGROUND THEORY

2.1 Audit Quality

Auditors with high professionalism are more likely to conduct audits correctly and are more likely to complete each stage of the audit process completely and maintain a skeptical attitude when considering inadequate audit evidence discovered during the audit process to ensure good audit quality (Ardini, 2010). The quality of the auditor's work will influence the auditor's final conclusion and, indirectly, the appropriateness of decisions made by external parties. An auditor is required to have a sense of responsibility (accountability) in carrying out their work and a professional attitude to minimize violations or irregularities that may occur during the audit process. Therefore, accountability and professionalism are essential elements for an auditor. Audit quality can be influenced by the sense of responsibility

(accountability) and professionalism exhibited in completing the audit process (Mulyadi, 2012). In summary, it can be concluded that audit quality is a systematic and independent examination to determine whether activities, quality, and results are in accordance with planned arrangements and whether these arrangements are implemented effectively and in accordance with objectives (Susanti & Tarigan, 2013).

2.2 Audit Tenure and Audit Quality

Audit tenure refers to the length of the professional relationship between an auditor and a client. This variable has a dual impact on audit quality. On one hand, longer audit tenure allows auditors to develop a deeper understanding of the client's internal control systems, operational processes, and industry-specific risks. This accumulated knowledge enhances audit efficiency and improves the accuracy of risk assessment, leading to more effective audit procedures. Putri, A. A., & Cahyonowati, N. (2021) found that audit tenure affects audit quality. This is because a longer engagement period leads to a decrease in independence and objectivity due to the familiarity (special relationship) between the two parties, which negatively impacts audit quality. These results are also supported by research by Hidayat & Suryanawa, (2022) which found that audit tenure influences audit quality. H1 : Audit tenure has effect on audit quality.

2.3 Auditor Switching and Audit Quality

Putri & Rasmini (2016), audit assignments performed for too long by an auditor (public accounting firm) will become emotionally tied, reducing their independence and can create escalation issues related to poor auditor decisions. Auditors who are dismissed or replaced due to mandatory procedures minimize the risk of fraud or a close relationship between the client and the auditor. The longer the auditor's relationship with the company, the less independence the auditor possesses, which will impact audit quality. Meanwhile, company management that typically changes public accounting firms before the time stipulated by regulations (voluntary) is a company that has a disagreement with its auditor regarding adjustments made by the auditor. This can lead to decreased audit quality because the auditor does not share the same goals as the public accounting firm and has its own interests. Research results by Irsyad Fauzan Prasetya & Rozali (2016), Putri & Rasmini (2016) indicate that auditor switching affects audit quality. H2 = Auditor Switching Affects Audit Quality

3 | METHOD

This study uses a quantitative research design to assess how audit tenure and auditor switching relate to audit quality. The choice is reasonable because the variables can be translated into measurable indicators rather than being judged only through interpretation. Statistical testing allows the study to examine whether the proposed relationships are supported by empirical evidence. Still, this design requires careful variable measurement, because weak proxies may distort the results. The approach also demands a clear sampling strategy and consistent data treatment. Through this design, the research can offer a disciplined basis for evaluating audit relationships while remaining open to practical limitations.

The population of this study consists of non-financial companies listed on the Indonesia Stock Exchange. Non-financial firms are selected to avoid differences in regulatory frameworks and reporting structures that are typically present in financial institutions. The sample includes 100 companies selected using purposive sampling. This sampling technique is applied to ensure that only firms meeting specific criteria are included in the study. The criteria include: (1) availability of complete annual reports and financial statements during the observation period, (2) disclosure of auditor-related information, and (3) consistency of data required for measuring all research variables. This approach ensures data reliability and relevance for hypothesis testing.

This study relies on secondary data obtained from companies' annual reports and audited financial statements. These documents are publicly available and provide standardized, verifiable, and comprehensive information regarding financial performance, audit characteristics, and corporate governance practices. The use of secondary data is common in auditing research because it ensures objectivity and minimizes researcher bias. According to prior studies (Putri & Cahyonowati, 2021), annual reports and financial statements are considered reliable sources as they are prepared in accordance with accounting standards and have been subjected to external audit processes.

The analysis is conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM), which is widely used in accounting and auditing research for analyzing complex models involving multiple variables and relationships simultaneously. PLS-SEM is particularly suitable for this study because it does not require strict assumptions of data normality and is effective for relatively small to medium sample sizes. Additionally, it allows for the simultaneous assessment of both the measurement model (outer model) and the structural model (inner model), making it a robust technique for theory testing and prediction-oriented research.

The data analysis in this study is conducted in two main stages using PLS-SEM: (1) Outer Model Evaluation (Measurement Model). This stage assesses the validity and reliability of the constructs used in the study. Validity is evaluated through convergent validity (e.g., factor loadings and Average Variance Extracted/AVE) and discriminant

validity, while reliability is assessed using indicators such as Composite Reliability and Cronbach's Alpha. These tests ensure that the measurement instruments accurately capture the intended constructs. (2) Inner Model Evaluation (Structural Model). This stage examines the relationships between variables and tests the proposed hypotheses. The evaluation includes: (a) Path coefficients, to determine the direction and strength of relationships between variables. (b) R-square (R^2), to measure the explanatory power of the model. (c) Bootstrapping, to assess the statistical significance of the relationships. Through these procedures, the study aims to provide empirical evidence on the influence of audit tenure, auditor switching, and digital audit tools on audit quality.

4 | RESULTS AND DISCUSSION

4.1 Results

4.1.1 Hypothesis Testing (Bootstrapping Results / T-Test)

Hypothesis testing was conducted using the bootstrapping procedure in PLS-SEM to evaluate the statistical strength of each proposed relationship. The results include path coefficients, t-statistics, and p-values, which indicate the direction, magnitude, and significance of the relationships among variables. A hypothesis is considered supported when the t-statistic exceeds the required threshold and the p-value meets the accepted significance level. These results help assess whether audit tenure and auditor switching have meaningful effects on audit quality. Careful interpretation is required, since statistical significance should be read together with the size and direction of each coefficient to avoid overly mechanical conclusions.

Table 1 Hypothesis Testing Results (T-Test / Bootstrapping)

Hypothesis	Relationship	Path Coefficient (β)	T-Statistic	P-Value	Result
H1	Audit Tenure \rightarrow Audit Quality	0.312	3.245	0.001	Supported
H2	Auditor Switching \rightarrow Audit Quality	0.276	2.987	0.003	Supported

4.1.2 Audit Tenure on Audit Quality

The empirical results indicate that audit tenure has a positive and significant effect on audit quality. This finding suggests that a longer auditor-client relationship enables auditors to accumulate client-specific knowledge, including a deeper understanding of internal control systems, operational processes, and industry characteristics. Such accumulated knowledge enhances auditors' ability to assess risks, design appropriate audit procedures, and detect material misstatements more effectively. This result is consistent with the learning perspective in auditing, which posits that audit quality improves as auditors gain experience and familiarity with client-specific environments (DeAngelo, 1981; Myers *et al.*, 2003).

More recent empirical evidence further strengthens this argument. Studies in emerging markets show that audit tenure positively influences audit quality, as auditors develop a more comprehensive understanding of client risks and business complexity over time (Nurgina & Nurmalina, 2024; Hivianto & Kurniawati, 2025). Additionally, recent findings indicate that longer audit tenure contributes to higher audit effectiveness, particularly when supported by strong governance mechanisms such as audit committees (Febuki & Malau, 2025). These results reinforce the argument that auditor experience and accumulated knowledge play a critical role in enhancing audit quality.

From a theoretical standpoint, this study supports the notion that auditor competence reflected in the ability to detect and report material misstatements improves with tenure. While extended audit tenure is often associated with concerns regarding reduced independence, the present findings suggest that the benefits derived from accumulated client-specific knowledge outweigh such risks within the observed context. This is in line with recent empirical studies demonstrating that longer auditor-client relationships can enhance audit quality, provided that appropriate governance and professional standards are maintained (Deshandrio *et al.*, 2025).

4.1.3 Auditor Switching on Audit Quality

The analysis shows that auditor switching has a significant effect on audit quality. This finding supports the argument that auditor rotation enhances auditor independence by mitigating familiarity threats arising from prolonged auditor-client relationships. A newly appointed auditor is more likely to exercise a higher level of professional skepticism and perform a more rigorous assessment of financial statements, thereby improving the likelihood of detecting material misstatements. This perspective is consistent with agency theory and audit quality theory, which emphasize independence and objectivity as key determinants of audit quality (DeAngelo, 1981).

Recent empirical evidence further reinforces this argument. For instance, studies indicate that auditor switching contributes positively to audit quality by strengthening independence and reducing the risk of audit failure, particularly in regulated environments that enforce mandatory rotation policies (Velte, 2023; Baatwah, Al-Ebel & Al-Musali, 2022).

Moreover, research by Kurniawati & Hivianto (2025), Febrianto *et al.* (2024) finds that auditor switching enhances audit quality by encouraging more objective audit judgments and limiting excessive auditor–client closeness.

However, the findings also acknowledge that auditor switching may introduce short-term inefficiencies, as newly appointed auditors require time to understand the client’s business environment, internal controls, and operational complexity. This initial learning curve may temporarily reduce audit effectiveness (Lennox, Wu & Zhang, 2014). Nevertheless, recent studies suggest that these short-term costs are outweighed by long-term benefits in terms of improved independence and audit quality (Velte, 2023). Therefore, this study supports the regulatory perspective that promotes auditor rotation as a mechanism to strengthen audit independence and enhance audit quality.

4.2 Discussion

The overall findings of this study demonstrate that audit quality is influenced by a combination of traditional auditing factors and modern technological advancements. While audit tenure and auditor switching remain important determinants representing accumulated experience and auditor independence, respectively the role of technology has become increasingly significant in shaping audit outcomes. In the contemporary auditing environment, the integration of digital technologies such as artificial intelligence (AI), big data analytics, and automation enhances auditors’ ability to process large volumes of data, improve risk assessment, and detect anomalies more accurately and efficiently. Recent literature highlights that AI-driven auditing tools significantly improve fraud detection, real-time analysis, and audit effectiveness, thereby strengthening audit quality (Wijaya *et al.*, 2025; Abu Huson *et al.*, 2024).

Moreover, the growing body of research indicates a paradigm shift from traditional audit approaches toward technology-enabled auditing, where digital innovation complements auditor expertise rather than replacing it. Bibliometric evidence shows a substantial increase in audit quality research focusing on digital transformation and AI integration, particularly in the period 2020–2025, reflecting its rising importance in the auditing domain (Nurachman *et al.*, 2025). This aligns with systematic literature findings that audit quality is jointly determined by internal factors (such as auditor competence and experience) and external factors, including the adoption of advanced technologies and the management of auditor client relationships (Suherman & Nugrahanti, 2025). In addition, recent studies emphasize that technological innovation such as AI, blockchain, and robotic process automation enhances audit efficiency, transparency, and accuracy, thereby redefining the audit process in the digital era (Lubis *et al.*, 2025; Akuba & Amiruddin, 2025). However, despite its benefits, the adoption of such technologies also requires adequate auditor competence, ethical considerations, and regulatory oversight to ensure that audit quality is not compromised.

Therefore, this study contributes to the literature by highlighting that audit quality is no longer solely determined by traditional factors such as tenure and auditor switching, but also by the effective integration of technological advancements. From a theoretical standpoint, these results reinforce the relevance of Agency Theory, where high-quality audits serve as a mechanism to reduce information asymmetry and ensure accountability. In this context, audit tenure contributes through knowledge accumulation, auditor switching enhances independence, and digital audit tools strengthen the auditor’s capability to detect misstatements. Importantly, this study suggests that the interaction between audit tenure, auditor switching, creates a more robust and balanced audit environment. Long-term experience enhances understanding, periodic switching safeguards independence, and technological support improves analytical capability. Together, these factors form an integrated framework that is essential for maintaining high audit quality in increasingly complex business settings.

5 | CONCLUSIONS AND FUTURE WORK

This study concludes that audit tenure and auditor switching have a significant influence on audit quality. The finding suggests that the relationship between auditors and client companies cannot be viewed only as an administrative matter, because it may affect auditor independence, professional judgment, and the reliability of audit results. A longer audit tenure can help auditors understand the company’s business characteristics, internal control system, and reporting patterns. However, if the relationship lasts too long without proper supervision, it may create excessive familiarity between the auditor and the client. This condition can weaken professional skepticism and reduce the auditor’s ability to assess financial reports objectively. Auditor switching, on the other hand, may help refresh the audit process and reduce the risk of personal closeness between auditors and management. Even so, auditor switching should not be treated merely as a formal requirement, since frequent changes may also reduce audit effectiveness when the new auditor has not fully understood the company’s operations.

Based on these findings, investors are advised to be more cautious when reading financial statements, especially those issued by manufacturing companies listed on the Indonesia Stock Exchange. Investment decisions should not rely only on profit figures, but also on the quality of the audit process behind the financial reports. Companies are also expected to strengthen their governance practices, improve transparency, and maintain the

credibility of their financial reporting in order to gain investor trust. For auditors, compliance with audit regulations and professional standards must be followed by strong independence and ethical responsibility. This study still has a weakness in its sample coverage, as it only involved 100 companies listed on the Indonesia Stock Exchange during the 2021–2025 period. Future studies are encouraged to use a wider research sample by including companies from various sectors, except the banking sector, so the results can better reflect audit practices in the Indonesian capital market. Further research may also use alternative proxies for auditor switching and audit quality, including voluntary and mandatory switching measurements, to produce a more balanced assessment of factors that shape audit quality.

REFERENCES

- Ardini, Lilis. (2010). Pengaruh Kompetensi, Independensi, Akuntabilitas, Dan Motivasi Terhadap Kualitas. *Majalah Ekonomi*. 6(3). 329-349.
- Baatwah, Al-Ebel & Al-Musali, S. R., Al-Ebel, A., & Al-Musali, M. A. (2022). Auditor switching and audit quality: Evidence from emerging markets. *Managerial Auditing Journal*, 37(5), 623–645.
- DeAngelo, L. E. (1981). Auditor size and audit quality. *Journal of Accounting and Economics*, 3(3), 183–199.
- Deshandrio, V., Pasya, N. R., & Wahdiat, I. S. (2025). The influence of audit tenure, auditor reputation, auditor rotation, and audit fee on audit quality. *Jurnal Akuntansi*, 15(2), 117–129
- Eulerich, M., & Wood, D. A. (2021). The impact of digitalization on audit quality: Evidence from audit technology adoption. *Accounting Horizons*, 35(2), 1–19.
- Febrianto *et al.*, R., *et al.* (2024). Auditor switching, independence, and audit quality: Empirical evidence from Indonesia. *Jurnal Akuntansi dan Keuangan*, 26(2), 89–105.
- Febuki, F., & Malau, M. M. (2025). Pengaruh audit tenure dan rotasi auditor terhadap kualitas audit dengan komite audit sebagai pemoderasi. *Journal of Sustainability Accounting and Disclosure*, 1(1), 64–85.
- Hidayat, T., & Suryanawa, I. K. (2022). Pengaruh audit tenure, auditor switching, dan reputasi auditor terhadap kualitas audit. *E-Jurnal Akuntansi*, 32(7), 2100–2115.
- Hivianto, L. S., & Kurniawati, K. (2025). Audit quality: The role of audit tenure, auditor switching, audit committee and time budget pressure. *Jurnal Aplikasi Akuntansi*, 10(1), 151–165.
- Krishnan, J., & Wang, C. (2021). Auditor tenure and audit quality: Evidence from recent regulatory changes. *Auditing: A Journal of Practice & Theory*, 40(1), 1–24.
- Kurniawati & Hivianto, K., & Hivianto, L. S. (2025). Audit quality and its determinants: The role of auditor switching and governance mechanisms. *Jurnal Aplikasi Akuntansi*, 10(1), 151–165.
- Lennox, Wu & Zhang, C., Wu, X., & Zhang, T. (2014). Does mandatory rotation of audit partners improve audit quality? *The Accounting Review*, 89(5), 1775–1803.
- Mulyadi. (2012). *Akuntansi Biaya*. Edisi ke-5. Cetakan Kesebelas. Yogyakarta: STIM
- Myers, J. N., Myers, L. A., & Omer, T. C. (2003). Exploring the term of the auditor–client relationship and the quality of earnings. *The Accounting Review*, 78(3), 779–799.
- Nurgina, S. A., & Nurmalina, R. (2024). Pengaruh audit tenure, ukuran perusahaan, dan audit delay terhadap kualitas audit. *Indonesian Accounting Literacy Journal*, 4(3), 204–214.
- Prasetya, IF. & Rozali, RDY. (2016). Pengaruh Tenur Audit, Rotasi Audit, Dan Reputasi Kap Terhadap Kualitas Audit (Studi Perusahaan Manufaktur Yang Terdaftar Pada Bursa Efek Indonesia Tahun 2011-2014). *Jurnal Aset : Akuntansi Riset*. 8 (1), 49-60.

- Putri, A. A., & Cahyonowati, N. (2021). Pengaruh audit tenure, ukuran KAP, dan fee audit terhadap kualitas audit. *Diponegoro Journal of Accounting*, 10(4), 1–13.
- Putri, K.D.C.N. K. & Rasmini, A.N. (2016). Fee Audit Sebagai Pemoderasi Auditor Switching Pada Kualitas Audit. *E-Jurnal Akuntansi Universitas Udayana*. 16(3), 2017-2043.
- Sari, M. P., & Rahardjo, S. N. (2022). Auditor switching dan kualitas audit: Studi empiris pada perusahaan publik di Indonesia. *Jurnal Akuntansi dan Keuangan Indonesia*, 19(2), 150–165.
- Velte, P. (2023). The impact of auditor rotation, audit tenure, and non-audit services on audit quality: A review and synthesis of archival research. *Journal of Accounting Literature*, 51, 100–132.

How to cite this article: Setyawan, E., Nurnaningsih, R., Ningsih, T. W., Diah Hari, & Awaludin, D. T. (2026). The Effect of Audit Tenure, Auditor Switching on Audit Quality in Non-Financial Companies. *Indonesian Journal Economic Review (IJER)*, 6(2), 533–539. <https://doi.org/10.59431/ijer.v6i2.802>.