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## Does Government Regulation No. 20 of 2015 Affect Auditor Independence?

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### ABSTRACT

This study aims to investigate whether the Government Regulations No 20 the Year 2015 regarding the rotation of auditors will affect auditor independence. This study conducted observations on mining companies listed on the IDX by dividing into two observation periods, namely before and after the regulations applied. The results showed no change in auditors' independence to issue going concern audit opinions influenced by Audit Firm (AF) tenure. Both before and after the regulations applied. However, there are changes in audit partner (AP) tenure in influencing auditor independence before and after the regulations applied. The article suggests that audit partner supervision by authorities and professional associations needs to be improved based on the results of the study. It includes increasing supervision and supervision from Audit Firm leaders on all audit teams in the field, from junior auditors and senior auditors to in-charge managers.

**KEYWORDS:** Audit Firm Tenure; Audit Partner Tenure; Auditor Independence; Going Concern Audit Opinion

## INTRODUCTION

The low auditor independence is the cause of various cases of audit failures that occur in various countries. Audit failures can occur because the auditor fails to detect or report material misstatements on the financial statements (Siregar *et al.*, 2012). In recent years, there have been many cases of audit failures at the audit firm affiliated with Big4. Delloite Indonesia dragged down by PT. Sunprima Nusantara Pembiayaan (SNP Finance). Annual Financial Report of PT. SNP Finance is indicated to present financial statements that are significantly not following the actual financial condition. However, Delloite Indonesia issued an audit opinion without modification of the report. The audit failure has an impact on the losses suffered by many parties. In Dubai, Ernest & Young (EY) allegedly involved money laundry cases that occurred at one of the largest gold refinery companies in the world, Kaloti. EY allegedly found suspicious activity, the payment of a sum of cash in 2012, but did not report to the regulator.

Furthermore, KPMG partners in the United Kingdom (UK) have also paid substantial fines in the last two years for being held responsible for negligence in the audit process at Carillion, a mercury construction service company in the UK. Carillion issued a profit notification after KPMG signed. Nevertheless, Carillion went bankrupt five months later. Besides being fined, KPMG UK also faces threats of lawsuits over the audit's negligence.

Although the regulator has imposed administrative sanctions and fines on the parties concerned, public trust in auditor independence has begun to decline. Big four can be exposed to reputation risk and loss of name in the market when it fails to identify earnings management behavior (Abdallah, 2018). The audit process plays an essential role in the classical approach to governance. It provides independent evidence for external parties from the accounting information presented by managers (Garcia-Blandon and Argiles, 2015).

The possibility of reporting material misstatement by the auditor depends on the auditor's independence (Coffie, Bedi and Amidu, 2018). Poor audit quality is always associated with the auditor's perception of not maintaining independence (Siregar *et al.*, 2012). Many factors can affect the independence of an auditor. External factors such as the political situation and the risk of litigation in a country can threaten auditor independence (Wahab, Zain and Rahman, 2015; Garcia-Blandon, Argilés-Bosch and Ravenda, 2019). However, the greatest threat to auditor independence is internal factors within the auditor itself, namely the relationship that exists between the auditor and the client. When the auditor's relationship with the client develops to be loyal, personal, and unprofessional, the auditor will behave biased and lose the motive to professionally carry out the audit process (Al-Thuneibat, Al Issa and Ata Baker, 2011). Plus, if the auditor has an economic interest in the future for the client. The auditor will try to have a long-standing engagement with the client to maintain his income in the future. One way to maintain revenue is that auditors are proven to set high audit fees with good audit quality results (Kurniasih and Rohman, 2014).

Agency Theory is a relationship that arises from a contract between one or more owners (principals) who employ other people (agents) to perform several services. The Agent is then given the authority to carry out operational activities and make daily decisions (Jensen and Meckling, 1976). As an agent, the auditor is appointed by the company (auditee) to conduct audit services. However, these audit services are borne and paid by the management for which they audit (the principal). Management has an interest in obtaining opinions without modification to be seen to have excellent performance and influence the

company's value. So, management can threaten to change auditors if they do not publish opinions without exception. Companies tend to replace auditors after obtaining a fair opinion with an exception (Arfaoui and Damak-Ayadi, 2014).

On the other hand, the auditor is worried about losing a client and cannot sustain his income in the future. Conflict of interest between the auditor and management causes auditor independence to decrease. It influences the auditor's professional judgment in issuing audit opinions (Kurniasih and Rohman, 2014). Both parties can arrange a contract that allows them to get their respective goals. Personal interests of both management and auditors are one of the auditors' threats in maintaining their independence.

Independence is defined as a state of mind that makes it possible to conclude without being influenced, which jeopardizes professional judgment. Therefore individuals enable them to act with integrity and carry out professional objectivity and skepticism (IESBA, 2016). Independence is a mentality that must be possessed by an auditor when conducting the audit process. The auditor must be neutral or not be influenced by anyone under any circumstances to produce a quality audit. The auditor uses professional judgment to issue audit opinions according to the client's circumstances.

One of auditor independence evaluation is by issuing a going-concern audit opinion on entities whose business continuity is doubtful. Particularly for clients who have had a long-standing audit relationship. To issue an opinion, the auditor follows the applicable audit standards. Standard Audit (SA) 570 is the current Indonesia audit standard regulating the auditor's responsibilities related to the company's business continuity. SA 570 differs from the previous audit standard, namely SA Section 341 "Auditor's Consideration of the Ability of an Entity in Maintaining Its Survival" related to going concern assumption. SA Section 341 regulates that auditors are responsible for giving warnings to users of financial statements for doubt the entity is maintaining its business. However, the current auditing standard, SA 570, states that management is responsible for evaluating the entity's ability to maintain its business and not the auditor. The auditor is only responsible for obtaining sufficient and appropriate evidence of business continuity evaluation conducted by management.

Regulations regarding audit rotation are considered to be one way to maintain auditor independence. Audit rotation will provide the auditor with a new view of the client's financial statements. They thereby increase the auditor's tendency to detect misstatements or question accounting practices applied by the auditee (Siregar *et al.*, 2012). Some countries impose regulations for mandatory audit rotations both at audit firms and audit partner. However, several other countries apply audit rotation only for individual circumstances. In Indonesia, audit rotation regulation has undergone several changes. The audit rotation obligation was first set in the Decree of the Minister of Finance of the Republic of Indonesia Number 423 / KMK.06 / 2002 concerning Public Accountant Services. The regulation was valid until 2007 because it was replaced by Minister of Finance Regulation (PMK) No. 17 / PMK.01 / 2008 concerning Public Accountant Services. On April 6, 2015, a new regulation was issued regarding the practice of public accountants in Indonesia, namely Government Regulation Number 20 of 2015. Automatically, the regulations regarding the previous audit rotation did not apply. The differences regarding audit rotation in the three regulations above are as follows:

**Table 1.**  
The differences in audit rotation regulations in Indonesia

	Validity Period	Mandatory Audit Firm Rotation	Mandatory Public Accountant Rotation	Periode cooling-off
KMK RI No. 423/KMK.06/2002	2002 – 2007	Five year	Three year	Not Mentioned
PMK No. 17/PMK.01/2008	2008 – 2014	Six year	Three year	One year
PP No. 20 of 2015	2015	Not Mentioned	Five year	two year

From the table above, we can see the restrictions on audit rotation for each regulation are made longer. There is not even a limitation for the Audit Firm to provide audit services to the same auditee in the latest regulations. The rotational obligation only applies to audit partner. It is given a cooling-off period for audit partner who has provided audit services following the period stated in the regulations.

Research on auditor independence has been carried out with various measurement proxies. In this study, auditor independence is measured using the auditor's tendency to issue a going-concern audit opinion. Going concern audit opinions sometimes have an impact on the company that receives it. Distress companies that receive a first time going concern audit opinion have a higher failure rate than distress companies that do not receive it (Svanberg and Öhman, 2014). Going-concern audit opinion can reduce the price of shares in companies that announce it and reduce their income (Hapsoro, 2017). Companies that experience financial problems are proven to do opinion shopping to avoid getting going concern opinion (Chung *et al.*, 2019). Furthermore, issuing a going concern audit opinion will affect the development of the audit firm itself. Suppose the audit firm frequently issues going-concern audit opinions. In that case, other companies will hesitate to consider the audit firm's contracting services (Gallizo and Saladrignes, 2016).

The rotation of audit firms to provide audit services on financial statements is still being debated. Several previous studies stated that the audit firm's rotation needs to be done because it will maintain auditor independence. Audit firms with short tenure have a higher conservatism score than an audit firm with long engagement (Thomas Kramer *et al.*, 2011). Audit firm that rotates due to regulations tends to be more independent and have new views during the audit process of client financial statements (Kim, Lee and Lee, 2015). Therefore, a long-term relationship between management and auditors will lead to audit failure and poor audit quality, as it is difficult to issue going-concern opinions (Sayyar *et al.*, 2014). Even auditors seem to compromise to reduce their independence related to non-going concern opinion (Garcia-Blandon and Argiles, 2015).

The rules regarding audit firm rotation can also affect the perception of a third party, namely the bank. Banks tend to support the existence of audit firm rotations with clients. The rotation between an audit firm and the client will increase the bank's perception of auditor independence (Daniels and Booker, 2011). Also, the auditor's audit opinion will affect investors' judgment in making investment decisions (Hapsoro, 2017). For this reason, third parties or users of financial statements want audit opinions appropriate to the company's circumstances, especially in companies that are experiencing financial problems.

Other studies mention different results. The long audit tenure relationship does not affect auditor independence (García Blandón and Argilés Bosch, 2013). Poor audit quality tends to occur early in an audit engagement. It happens because the auditor does not yet have

specific information and knowledge about the client. New auditors have engagement with clients that do not yet have critical thinking to identify client-specific risk factors (Kim, Lee and Lee, 2015). The information asymmetry will decrease over time because the auditor will have specific knowledge about the client and better understand its internal control structure (Ball, Tyler and Wells, 2015). Therefore, unlimited audit tenure or voluntary audit rotation has been proven to improve audit quality (Siregar *et al.*, 2012). Even companies with tenure of over ten years with the same auditor have higher audit quality than other companies (Garcia-Blandon, Argilés-Bosch and Ravenda, 2019). Auditor independence and objectivity will not be reduced during the engagement period. It is because there are auditing standards and code of ethics that the audit firm and its auditors must obey (Paputungan and Kaluge, 2018).

Based on previous literature, we observed the relationship between audit tenure, both audit firm and audit partner, to auditor independence. The observation in the period before and after PP No. 20 of 2015 concerning public accounting practice applies. PP No. 20 of 2015 changed the audit firm rotation into the voluntary rotation, and Audit partner rotation became more extended than the previous regulation. The purpose of this study is to examine the effectiveness of these regulations, which impact auditor independence in Indonesia. This research is useful to provide a perspective for regulators on audit rotation regulations in Indonesia that can affect auditor independence in issuing audit opinions. This research is also useful to contribute to practitioners to continue to uphold the professional code of ethics in carrying out their duties in the field.

Auditor independence is identical to the ethics of an auditor in providing audit services. Nevertheless, sometimes, the agency relationship that exists between the auditor and management becomes one of the auditors' threats to remain independent. Long audit firm tenure will create a strong bond between the auditor and client. Such ties can undermine auditor independence and critical skepticism (Garcia-Blandon, Argilés-Bosch and Ravenda, 2019). The closeness between the auditor and management from a long audit engagement creates a risk of reducing the auditor's independence. The auditor tends to issue an opinion without modification rather than going concern opinion. If an audit firm rotation occurs, automatically, will involve an audit of the new partner responds to the client (Thomas Kramer *et al.*, 2011). Regular audit firm rotations expected to increase auditor independence to issue audit opinions. Besides, audit rotation reflects independence in appearance, as well as providing opportunities for a small audit firm to enter the market (Sayyar *et al.*, 2014). Based on previous research, we propose the following hypothesis:

***H<sub>1A</sub>: The longer the audit firm tenure with the client will be increasingly independent, so it is difficult to issue going-concern audit opinions before the latest audit rotation regulations***

***H<sub>1B</sub>: The longer the audit firm tenure with the client will be increasingly independent, so it is difficult to issue going-concern audit opinions after the latest audit rotation regulations***

The long relationship between the client and the auditor can create closeness between both parties, thereby potentially leading to a conflict of interest. The closeness between the auditor and management can reduce auditor independence and reduce the quality of audits produced (Al-Thuneibat, Al Issa and Ata Baker, 2011). It can also reduce the critical thinking of the audit partner. The auditor may become quickly satisfied with what is done and make the auditor less skeptical in the audit process so that the evidence obtained is also inadequate (Sayyar *et al.*, 2014). Even auditors seem to compromise to reduce their

independence related to non-going concern opinion (Garcia-Blandon and Argiles, 2015). Several arguments support the existence of audit rotation because it increases auditor independence and audit quality. In the latest audit rotation regulations, audit partner rotation changes the tenure to be longer, i.e. from 3 years accounting period to 5 years accounting period. In our opinion, the latest audit rotation regulations will threaten the auditor's independence to issue going concern audit opinions. For this reason, we provide the following hypothesis:

***H<sub>2A</sub>: The longer the audit partner tenure with the client will be increasingly independent, so it is difficult to issue going-concern audit opinions before the latest audit rotation regulations***

***H<sub>2B</sub>: The longer the audit partner tenure with the client will be increasingly independent, so it is difficult to issue going-concern audit opinions after the latest audit rotation regulations***

## METHOD

The company samples in this research are mining companies listed on the Indonesia Stock Exchange. The decline in commodity prices in the mining sector has affected the pace of the stock price index on the Indonesia Stock Exchange in the past few years. Even some mining companies are suspected their trading of shares by the IDX because of doubtful business continuity. Therefore, the study sample was conducted on mining industry companies listed on the IDX because many mining companies obtained going-concern audit opinions during the observation year. This study uses secondary data types consisting of independent auditor reports and annual reports for the years 2011-2018. Data were obtained from the Indonesia Stock Exchange website and related company websites.

Data samples are obtained based on the criteria. Total mining companies on the IDX as of December 31, 2018, are 41 companies. The companies that were not listed on the mining sector IDX before January 1, 2011, is 6. The company was delisted during the observation year are 7. The company did not attach independent auditors' reports, and audit committee reports for 2011-2018 are 7. The number of sample companies is 21, with eight years of observation. Total sample in this research is 168 companies.

This study uses two periods of observation to test the hypothesis. Before the latest regulation, mandatory audit rotation PP No. 20 of 2015 applies, namely 2011-2014 and 2015-2018. This study uses logistic regression analysis because the dependent variable is a dummy variable. The formulas of the logistic regression model used to test the hypotheses in this study are as follows:

$$GC_{it} = \alpha + \beta_1 AF_{it} + \beta_2 AP_{it} + \beta_3 FINDESS_{it} + \beta_4 BIG_{it} + \beta_5 GEN_{it} + \epsilon_{it}$$

Where:

GC	= Auditor independence. Dummy variable, 1 if receive a going concern audit opinion, 0 if others
AF	= Audit Firm Tenure. The duration of the audit firm's engagement with the same client
AP	= Audit Partner Tenure. The duration of the audit partner's engagement with the same client
FINDESS	= Financial Condition. Measured by Altman Z-Score
BIG	= Audit Firm Reputation. Dummy variable, 1 if Big4, 0 if NonBig4

GEN	= Gender Audit Partner. Dummy variable, 1 if female, 0 if male
$\alpha$	= Constanta
$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$	= Regression Coefficient
$\epsilon$	= Residual Errors

This study uses variables controlling the financial condition, the audit firm's reputation, and the audit partner's gender. The function of the control variable in this study is to control the independent variable to explain the relationship to the dependent variable. Besides, the control variable's function is to avoid the results of research that are biased compared to previous studies that did not include the control variable.

Companies experiencing financial problems have lower bankruptcy prediction scores. The more bankruptcy prediction score results show negative results, indicating more significant financial weakness for the client. The higher the possibility to accept going concern opinion (García Blandón and Argilés Bosch, 2013; Read and Yezege, 2018). For this reason, we expect that the smaller the prediction score for the company's bankruptcy, the higher the auditor's independence will issue a going-concern audit opinion. In other words, the company's financial condition negatively influences auditor independence.

The audit firm's reputation does not guarantee the quality of the resulting audit will be excellent. Big 4 does not strengthen the relationship between audit tenure and audit quality produced (Al-Thuneibat, Al Issa and Ata Baker, 2011; Gallizo and Saladríguez, 2016; Read and Yezege, 2018). Some cases of audit failures in Indonesia often occur at audit firms affiliated with big 4. In this study, we consider that an audit firm's reputation negatively effects on auditor independence.

Psychological evidence states that women are more risk-averse and behave ethically than men, so they tend to publish modification audit opinions (Karjalainen, 2013). Female auditors are proven to be more independent because they tend to publish going-concern audit opinions on high-risk companies (Hardies, Breesch and Branson, 2016; Harymawan, Nasih and Noeraini, 2019). Based on previous research, we assume that female auditors have a positive effect on independence. In other words, female auditors are more independent and tend to issue going-concern audit opinions.

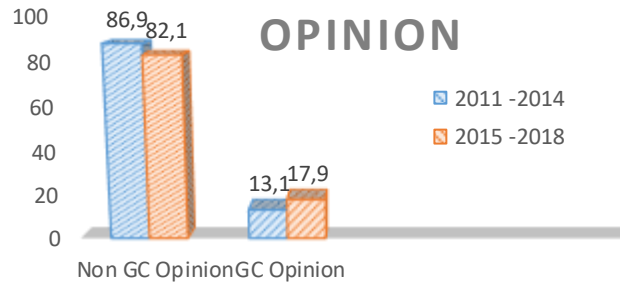
## RESULTS AND DISCUSSION

This study showed the acceptance of going concern audit opinion increased after the adoption of PP regulation No. 20 of 2015. Before the regulation was applied (2011-2014), acceptance of GC opinions was 13.1%, and Non-GC Opinions were 86.9%. After the regulation was implemented (2015-2018), acceptance of GC opinions increased to 17.9%, and Non-GC Opinions decreased to 82.1%. Graph 1 shows a comparison of acceptance of going-concern audit opinion before and after the latest audit rotation regulation applies to the mining industry in Indonesia. In other words, PP No. 20 of 2015 concerning the practice of public accountants increases acceptance of going concern audit opinion.

Table 2 shows the descriptive statistical analysis before (2011-2014), and after (2015 - 2108), PP No. 20 of 2015 applies in Indonesia. Audit firm (AF) tenure in this research has a minimum agreement for at least one year—both in the period before and after the regulations. Maximum AF tenure in the period before (2011-2014) is five years, and the period after (2015 -2018) is six years. In 2011-2014, the average sample company had a two-year engagement with the audit firm. Whereas in 2015-2018, it increased to three years. The average audit firm value both before (2011 - 2014) and after (2015 - 2018) shows that the sample can represent the sample well. It is because the mean value of 2011 - 2014 is

2.44, which is higher than the standard deviation of 1.176. The period after (2015 - 2018) has a mean value of 2.73 higher than the standard deviation of 1.476.

### GOING-CONCERN AUDIT OPINION



**Graph 1.**  
Acceptance of  
going concern  
audit opinion  
2011-2014  
and 2015-  
2018

AF tenure was longer in the period after the latest audit rotation regulation (2015-2018). It is consistent with changes in AF rotation in PP No. 20 of 2015 that AF rotation is not restricted. Management is free to determine the termination of the relationship at the audit firm.

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The subsequent descriptive statistical analysis of mining companies in this study sample is the audit partner tenure variable (AP). AP's tenure in this study sample also has a commitment of at least one year- both in the period before and after PP No. 20 of 2015. While the most extended AP agreement both in the period before and after the regulation is three years. The average length of an AP engagement in a sample of companies before and after the latest audit rotation regulatory period is two years. The average AP value before and after the regulation applies is greater than the standard deviation. The average AP value in 2011 - 2014 is 1.71, which is higher than the standard deviation of 0.800. While in the period after (2015 - 2018), the average value is 1.67, which is higher than the standard deviation of 0.734. It shows that the average value of the sample can show a good representation of the sample. The standard deviation of the AP tenure does not differ much both after and before. In PP No. 15 of 2015, public accountants are required to rotate after providing five years of audit services to the same client. However, AP's tenure in the study sample did not take long after the latest audit rotation regulation was implemented. AP tenure with the same client continues rotating after conducting auditing services for three years.



	Before PP No. 20 of 2015 (2011-2014)				After PP No. 20 of 2015 (2015-2018)			
	Min	Max	Mean	Std. Deviation	Min	Max	Mean	Std. Deviation
<b>AF</b>	1	5	2,44	1,176	1	6	2,73	1,476
<b>AP</b>	1	3	1,71	0,800	1	3	1,67	0,734
<b>FINDESS</b>	-5,08	1.773,37	107,46	321,520	-0,83	19.277,84	323,49	2.111,670
<b>BIG</b>	0	1	0,57	0,498	0	1	0,58	0,496
<b>GEN</b>	0	1	0,13	0,339	0	1	0,13	0,339
<b>GC</b>	0	1	0,18	0,385	0	1	0,13	0,339

**Table 2.**  
Descriptive Analysis For Independent Variable Towards Going Concern Audit Opinion

Table 3 shows the results of the logistic regression test in the study. AF tenure variable to auditor independence is estimated to have a negative relationship. From the logistic regression test results, AF tenure has a positive relationship with auditor independence before and after the regulation. AF variables in the period before (2011 - 2014), obtained a regression coefficient of 0.285. With a significance value of 0.289 greater than 0.05, it indicates that the influence of AF tenure (2011 - 2014) is not significant to the independence of the auditor issuing a going concern audit opinion. The AF variable in the period after regulation (2015 - 2018), obtained a regression coefficient of 0.100. With a significance value of 0.758 greater than 0.05, it indicates that the influence of AF tenure (2015 - 2018) is not significant to the independence of the auditor issuing a going concern audit opinion. The findings indicate that the length of the AF engagement does not affect the auditor's independence to issue a going concern audit opinion before and after the period. The longer the AF's tenure to the same client, the higher the auditor's independence to issue going-concern audit opinions. It is the evidence from the previous analysis that the sample this research increasingly accepted going-concern audit opinions after the latest audit rotation regulations were enacted.

	Expected relationship	Before (2011 – 2014)		After (2015 – 2018)	
		Regrresion Coefficient	Significant Level	Regrresion Coefficient	Significant Level
<i>AF</i>	-	0,285	0,289	0,100	0,758
<i>AP</i>	-	0,282	0,562	-0,691	0,204
<i>FINDESS</i>	-	0,000	0,754	0,010	0,313
<i>BIG</i>	-	-2,599	0,006	-34,506	0,993
<i>GEN</i>	+	1,325	0,206	1,648	0,106
<b>Total Observation</b>		84		84	
<b>P-Value</b>		0,05		0,05	
<b>Pseudo R<sup>2</sup></b>		23,1%		64,9%	
<b>Hosmer and Lemeshow Test</b>					
<b>Chi-Square Degrees of Freedom (df)</b>		4.332	0.826	0,902	0.999
		8		8	

**Table 3.**  
Logistic Regression of Audit Tenure and Control Variable to the Auditor's Independence

The result of the regression test shows that before and after PP. 20 of 2015, AF tenure does not influence auditor independence to issue going concern audit opinions. The latest regulation regarding audit rotation is free to audit firm engagement with clients or voluntary audit firm rotation. Companies with tenure of over ten years with the same audit firm are proven to have higher audit quality than other companies (Garcia-Blandon, Argilés-Bosch and Ravenda, 2019). In other words, voluntary audit firm rotation is considered not to affect auditor independence. Even unlimited audit rotation is proven to improve audit quality (Siregar *et al.*, 2012). Several previous studies stated that mandatory audit rotation had a negative impact, like increasing startup audit costs for clients. Besides, it potentially poses a high risk of audit failure because the auditor does not know new clients or client-specific knowledge (Sayyar *et al.*, 2014). Poor audit quality tends to occur early in an audit engagement because the auditor does not have specific information and knowledge about the client yet. The level of information asymmetry will decrease over time because the auditor will have and specific knowledge about the client (Ball, Tyler and Wells, 2015). The results of this hypothesis test support PP No. 20 of 2015, which waives audit rotation on the audit firm. The audit process can run effectively when the auditor understands the client's business conditions and understands its internal control structure. The audit results will be better because it is proven not to affect the audit firm's independence to issue going concern audit opinion.

The next logistic regression test is the variable of Audit partner tenure (AP) towards auditor independence. Table 3 shows that the AP variable in the period before (2011 - 2014), obtained a regression coefficient of 0.282. With a significance value of 0.562 greater than 0.05. It shows that the AP tenure (2011 - 2014) does not affect the auditor's independence issuing a going concern audit opinion. The longer the AP's engagement with the client, the higher auditor's independence to issue a going-concern audit opinion in the period before the regulation. However, the logistic regression test results for the AP variable against GC in the period after (2015 - 2018) show different things. AP variable in the period after regulation, obtained a regression coefficient of -0,691. With a significance value of 0.204 greater than 0.05. It shows that the AP tenure after the regulation has a negative but not significant effect on the independence of the auditor issuing a going concern audit opinion. The longer the AP's engagement with the client, the lower the auditor's independence issues a going concern audit opinion in the period after the latest audit rotation regulations.

The difference in the results of the AP variable regressions to the GC before and after the period indicates that the audit partner's independence decreases after a change in the AP rotation obligations. Previously, audit partner rotation regulations require rotation after three years of following auditing services for the same client. However, the latest regulations change the obligation of rotation to be longer, which is five years. AP rotation is considered sufficient to maintain auditor independence. Especially the auditors who deal directly with clients. The closeness between the auditor and management is a significant threat to decrease auditor independence. The results of this study are in line with the results of previous studies. Long partner audit tenure will lead to audit failure and poor audit quality, as it is difficult to issue going-concern opinions (Sayyar *et al.*, 2014). Even auditors seem to compromise to reduce their independence related to non-going concern opinion (Garcia-Blandon and Argiles, 2015). This study's test results do not support the extension of changes in the rotation of public accountants in PP No. 20 of 2015. After five years of carrying out audit assignments to the same client, the rotation of audit partners is

considered too long. It will cause closeness to management and reducing the independence of the audit partner.

The results of the study support the principle of applying good governance. The appointment of AP and AF is made through a general meeting of shareholders (GMS) proposed by the audit committee through the board of commissioners. The results of this study also support government regulations to tighten the supervision of public accountants. It applies through audit committee recommendations to provide the audit firm and audit partner to the commissioners' board in appointing auditors. The audit committee is also obliged to evaluate the audit partner's results and audit firm performance after the audit. The public accountant profession's compliance will also always be overseen by third parties such as the Financial Professional Development Center (PPPK) and the Financial Services Authority (OJK). Strict supervision policies are expected to maintain auditor independence in issuing audit opinions. We suggest that close supervision is not only on the audit partner but also on the audit team that deals directly with clients, from junior, senior auditors, and in-charge managers.

The logistic regression results on the FINDESS control variable are not in line with previous studies. Previous research states that auditors will tend to publish going concern audit opinions on companies experiencing financial problems (García Blandón and Argilés Bosch, 2013; Read and Yezegel, 2018). The results in table 3 show that before regulation (2011 - 2014), the FINDESS variable had a significant value of 0,754. In the period after (2015 - 2018), it had a significant value of 0.313. Significant values for both periods are higher than 0.05. It shows that the financial condition in both periods does not affect the auditor's independence to issue going-concern audit opinions. It might be caused by the auditor being able to accept plans or management steps to overcome the company's financial condition. The auditor believes that management will be able to overcome the company's financial condition. Thus, the auditor continues to issue opinions without modification even though the company is experiencing financial problems.

The logistic regression test results on the BIG and GEN control variables are as predicted. The audit firm's reputation (BIG) negatively affects auditor independence before and after the latest audit rotation regulations. It supports previous research, stating there is no difference in conservatism between big four and non-Big four. Even non-big4 tends to issue going-concern audit opinions on its clients (Gallizo and Saladríguez, 2016; Read and Yezegel, 2018). Audit firm affiliated with big four does not guarantee more independence than non-big four. It proves from the large number of cases of audit failure that have happened to the audit firm affiliated with big four.

The GEN control variable also supports previous research. Female auditors are proven to be more independent than male auditors. The results show that the GEN variable positively affects auditor independence (GC) both before and after regulation. The finding supports previous research, which states that female auditors are proven to be more independent. It proves that they tend to publish going-concern audit opinions on high-risk companies (Hardies, Breesch and Branson, 2016).

## CONCLUSION

This study result indicates that the audit firm engagement length does not affect the auditor's independence before and after PP No. 20 of 2015. The longer the audit firm tenure, the higher the auditor's independence to issue a going concern audit opinion. The evidence shows that the mining companies' number that becomes the study sample increase to accept going concern audit opinion after PP No. 20 of 2015 applies. This study

supports PP No. 20 of 2015. Management is free to terminate audit firm engagement with the company or voluntary audit firm rotation because it has been proven not to affect auditor independence.

The results of audit partner tenure testing on auditor independence show different results in the period before and after PP No. 20 of 2015 enacted. In the period before (2011-2014), the length of the audit partner engagement did not affect independence to issue going concern audit opinions. However, in the period after (2015 - 2018), the length of the audit partner engagement affected the independence to issue going concern audit opinions. It indicates that the more extended audit partner engagement with the same client, the lower audit partner independence to issuing a going concern audit opinion.

This study result supports the release of voluntary audit firm rotation in PP No. 20 of 2015 because it does not threaten the auditor's independence. However, the regulation also changes the rotation of the audit partner with the same client after five years. It is considered too long and risks reducing the public accountant's independence in audit assignments. When the auditor carries out assignments in the field after a too-long engagement, there is likely a loyal and unprofessional commitment to the client. Audit firms could have engaged in working with the same client for a long time. However, it is better to restrict the auditor in the field with short tenure and given strict supervision.

This study findings provide input to the government to consider rotation tenure in public accountants not too long. Indonesia Government has enacted the regulation to maintain auditor independence. Such as oversight from the company's audit committee, the Financial Professional Development Center (PPPK), and the Financial Services Authority (OJK). However, strict supervision should be done to the entire audit team in the field, from junior, senior, and manager in charge auditors. The auditor team in the field is directly dealing with the client until the audit process done. The most important to create good quality of audit results is to maintain auditor independence, especially all the auditor teams involved in the assignment. Another implication is adding literacy to the relationship between audit firm tenure, audit partner tenure, and auditor independence in Indonesia, particularly the mining industry. There are several limitations to this study. The sample used is only focused on the mining industry in Indonesia. For further research, a more comprehensive sample can be used to reflect the effects of audit rotation regulations. Besides, auditor independence is only measured using the tendency to issue going-concern audit opinions. Future studies are expected to be able to use other proxies that better describe auditor independence.

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