

CHAPTER V

CONCLUSIONS

5.1 Conclusions

Based on the statistical analysis and the discussion previously, the conclusions of this study are as follow:

1. Public Accounting Firms rotation has positive effect but not significant on audit quality. This result indicates that mandatory rotation policy on Public Accounting Firm which is stated in Ministry of Finance Regulation No. 17/ PMK.01/ 2008 is not a better way to improve the audit quality, especially in banking sector. Audit quality that is measured by the occurrence of financial restatements of a company in this study shows that the rotation of Public Accounting Firms did not success to decrease the occurrence of restatements of banking companies. This result concludes that the H_1 in this research is rejected.
2. Auditor partner rotation has positive effect and significant on audit quality. Contrary with the first hypotheses, the second hypotheses proves that mandatory rotation policy on auditor partner which is stated in Ministry of Finance Regulation No. 17/ PMK.01/ 2008 and Public Accountant's Law No. 11/ 2011 article 4 is a suitable mechanism in improving audit quality on banking companies. The result shows that the rotation of auditor partner can decrease the occurrence of financial restatements. This is probably due to the new partner has brought a new perspective to the audit so that it can identify more financial reporting problems. This result concludes that the H_2 in this research is accepted.

3. Public Accounting Firms rotation and auditor partner rotation have significant effect on audit quality simultaneously. This result concludes that the H_3 in this is accepted. This indicates that the independent variables studied in this research simultaneously can improve the audit quality on banking sector. These two variables being studied can explain 30.4% of variations in the dependent variable, so the other 69.6% are explained by other variables. It means that there are still many factors that is better explain the increasing or decreasing in audit quality on banking sector and it makes the effectiveness of government regulation about the mandatory rotation policy especially related to Public Accounting Firm rotation policy is still questioned.

5.2 Limitations

This research has some limitations, such as:

1. The study period chosen in this research is only for 2015, so we could not provide evidence on a long time.
2. The independent variables in this study which are Public Accounting Firm rotation and auditor partner rotation can only explain 30.4% of audit quality (the incident of financial restatements) in banking sector.

5.3 Suggestions

Based on the result of this study, the researcher thinks that for the next researchers, it may be needed to make the study period to be longer than this or conducting a time-series study. It may also be needed to add more independent variables, such as audit committee and company's size. So the result will be better in explaining the increasing or decreasing in audit quality on banking sector.