

**REGULATION OF AUDITOR CHANGE IN
AUSTRALIA: AUDIT PRICING, REPORTING
LAG AND EQUITY VALUATION
IMPLICATIONS**

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Certificate of Original Authorship

I certify that the work in this thesis has not previously been submitted for a degree nor has it been submitted as part of requirements for a degree except as fully acknowledged within the text.

I also certify that the thesis has been written by me. Any help that I have received in my research work and the preparation of the thesis itself has been acknowledged. In addition, I certify that all information sources and literature used are indicated in the thesis.

Signature of Student:

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Abstract

This thesis provides evidence on the impact on two aspects of auditor change for Australian listed companies. Firstly, changes in audit partners are mandated, requiring partners rotate off engagements after a fixed tenure. Recently, practitioner based concerns about the costs of rotation for both auditors and clients have precipitated amendments to the rule in Australia, Canada and the UK. Evidence in this thesis shows a cost to clients and auditors in the form of increased in audit fees and audit reporting lag in the rotation year that corroborates anecdotal practitioner evidence. Secondly, the process of voluntarily changing audit firms (auditor switching) is regulated under a consent-based framework mitigating information flow to the market. In 2013, the Australian corporate regulator, the Australian Securities and Investments Commission (ASIC), sought stakeholder input on the information provided to the market under the consent framework to inform policy deliberations. This can be viewed as couching the possibility of a move towards adoption of a disclosure-based approach similar to the approach in the US and UK. Accordingly, this thesis investigates market reactions to auditor switch announcements. Results show no market reactions, consistent with the market not considering such disclosures to be informative. The overall findings presented in this thesis lend support to the adoption of amendments that allow for flexibility.