A structured literature review of empirical research on mandatory auditor rotation

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Abstract

This study reviews 128 empirical studies on mandatory auditor rotation (MAR) in light of the long-standing debate on the effectiveness of MAR and the different regulatory choices made worldwide over time. A structured literature review was conducted to address three research questions. How has empirical research on MAR developed from 2000 to 2022? What is the focus and critique of the empirical research on MAR? What is the future of MAR empirical research? The findings reveal growing empirical evidence on MAR. However, this evidence is fragmented and country-based. Scholars have primarily focused on audit firm rotation rather than audit partner rotation. While quantitative research based on archival data predominates, survey questionnaires prevail in a few regions. Evidence on how MAR impacts auditor independence, the auditor–client relationship, and audit market concentration is scant, whereas audit quality is the most investigated research question. Nonetheless, assessing whether MAR benefits audit quality remains challenging because the research outcomes depend on the research question, rotation type, research method, and regulations enforced in the empirical setting. Based on this comprehensive and rigorous overview of worldwide MAR empirical research, knowledge gaps are underlined, avenues for future research are suggested, and warnings are issued to shareholders and policymakers.

***Keywords*:** mandatory auditor rotation; audit quality; auditor independence; audit regulation; audit market concentration; structured literature review

1. Introduction

An external audit is a monitoring mechanism that helps reduce moral hazard issues arising from information asymmetry (Jensen & Meckling, 1976). The auditor's role is to ensure that financial statements reflect a true and fair view of the company's financial position and performance, thus, contributing to the proper functioning of capital markets (DeFond & Zhang, 2014; European Commission (EC), 2010; Hayes et al., 2005). However, "*the contribution made by auditors and the designated role and scope of auditing*" has repeatedly been placed *"in the public spotlight"* over time (Humphrey et al., 2011, p. 432). This is especially true following major events that undermined stakeholders' confidence in audits (EC, 2011), including corporate scandals, such as Enron and WorldCom in the United States (US), OneTel in Australia, and Vivendi in France, and the global financial crisis (GFC).

One suggestion to improve audit quality is to institute mandatory auditor rotation (MAR). MAR can be in the form of mandatory audit firm rotation (MAFR) and/or mandatory audit partner rotation (MAPR), with rotation occurring at a certain periodicity from the initial appointment. Policymakers worldwide have issued different regulations on auditor rotation, and even the same policymakers in the same country have changed provisions over time. In addition, calls for academic research have multiplied since 1999, when Lynn Turner, the then Chief Accountant of the US Securities and Exchange Commission, posed several questions to the American Accounting Association, such as *"[w]hat is the relationship between the duration of the auditor/client* *relationship and audit failures? Do new auditors contribute to the discovery of facts that should have been uncovered by predecessor auditors? […] What effect would mandatory rotation of auditors have on actual or perceived auditor independence?*" (Turner, 1999). These and other research questions arise because the total effect of the rotation on financial accounting, audit quality, and the audit and financial markets is "*theoretically uncertain*" (Velte & Freidank, 2015, p. 225).

Extensive empirical evidence on MAR has been collected, stimulated by a continuous stream of new regulations and calls for research, primarily in the US and Europe (Arruñada & Paz-Ares, 1997; Bedard et al., 2008; Catanach & Walker, 1999). However, the collected empirical evidence still needs to be summarized and critically evaluated. Some literature reviews have been conducted in an attempt to address this gap, and they have highlighted that the collected evidence does not convincingly establish the benefits of MAR for auditor independence (Pott et al., 2009) and audit quality (Cameran et al., 2015b; Casterella & Johnston, 2013; Ewelt-Knauer et al., 2012, 2013; Jenkins & Vermeer, 2013; Stefaniak et al., 2009; Velte, 2012; Velte & Freidank, 2015). They also revealed that extant studies tended to investigate small samples in short timeframes, use auditor tenure as a proxy for auditor rotation, and assume limited relevance over time when conducted in regulatory and environmental settings that have subsequently changed. Despite offering valuable summaries about the state of MAR research, all these literature reviews share several crucial shortcomings. First, they do not disclose the protocol followed to develop the review and, thus, lack the basic scientific requirements of replicability, reliability, and validity. Second, they have limited scope, focusing solely on auditor independence (Pott et al., 2009) or one form of MAR (Casterella & Johnston, 2013; Ewelt-Knauer et al., 2012, 2013; Jenkins & Vermeer, 2013). Third, the most recent reviews only cover publications up to 2014 (Cameran et al., 2015b), thereby missing a large body of more recent research. Finally, they are descriptive and only provide a summary of the reviewed studies or an overview of the most important findings, barely critiquing the empirical literature (as explicitly recognized by Ewelt-Knauer et al., 2012, 2013).

This study addresses such limitations by conducting a comprehensive, timely, and rigorous review of the extant empirical evidence on MAR to understand whether MAFR and/or MAPR contribute to audit quality and auditor independence, how they impact the auditor–client relationship, and whether MAFR lowers audit market concentration. Specifically, this literature review investigates the following questions:

1. How has empirical research on MAR developed from 2000 to 2022?
2. What is the focus and critique of the empirical research on MAR?
3. What is the future of MAR empirical research?

This literature review was conducted following the structured literature review (SLR) approach, which helps "*academics to discover under-investigated topics and methods, nurturing, therefore, the development of new knowledge areas and research approaches*" (Massaro et al., 2016, p. 767). A total of 128 studies on MAR published from 2000 through 2022 were collected and analyzed based on six criteria: 1) publication timeframe, 2) location studied, 3) type of auditor rotation examined, 4) research method adopted, 5) research question formulated concerning the critical points of the debate on MAR, and 6) research outcome, regarding whether the study makes a positive, negative, or neutral assessment of MAR.

This SLR shows that MAR empirical evidence has grown rapidly since 2008, triggered by the GFC, and more so since 2016, owing to regulatory interventions in several countries. Although empirical evidence has been collected worldwide, it remains fragmented and country-based, with cross-country international investigations conducted only recently. Scholars tend to study MAFR and MAPR in isolation and focus mainly on the former, indicating its prioritization. Quantitative research based on archival data predominates, except in the Middle East and Africa, where survey questionnaires prevail. Audit quality is the most investigated research topic, whereas the impact of MAR on auditor independence, the auditor–client relationship, or audit market concentration is rarely examined. The research outcomes have changed over time, from a substantial balance between empirical evidence on MAR being beneficial and detrimental until 2015 to a slight prevalence of positive outcomes, at least in the Australasian, European, and Middle Eastern areas. Still, the research outcomes depend on the research question formulated, rotation type analyzed, research method adopted, and regulations in force in the empirical setting.

In light of the knowledge acquired and the critiques developed on the evolution of MAR empirical research worldwide, research gaps and shortcomings that should be addressed and solved in future research are also identified. Further studies are needed to fill the knowledge gaps in countries not yet or only occasionally investigated and the multi-country areas affected by recent reforms, such as the European Union (EU). Cross-country studies should try to explain why MAR succeeds in some contexts but fails in others, by embedding local governance and/or national culture into the research design. Similarly, scholars should engage in understanding the actual impacts of the joint application of MAFR and MAPR and assess the differential impacts of one rotation type over the other in diverse settings, through quantitative, qualitative, and experimental studies.

With its findings, this SLR may help doctoral students, novice researchers, and others understand the basic features of the MAR stream of literature. It also offers auditing scholars directions for future research, with suggestions on worthwhile locations and topics as well as convenient approaches for advancing research. As it examines MAR's effectiveness in enhancing audit quality and auditor independence, this SLR presents insights that shareholders may consider when deciding between firm and/or partner switches within the limits allowed by policymakers. Additionally, the extensive and detailed findings of this SLR are useful for assessing the institutional importance of MAR. Furthermore, because the findings reveal that the "one-size-fits-all" approach is neither feasible nor advisable, regulators should test for the desirability of MAR in a specific setting. It is also recommended that regulators entrust academic research to analyze why MAR works in specific contexts, while failing in others.

The remainder of this paper is organized as follows. Section 2 summarizes the debate on MAR and provides an overview of global regulations. Section 3 describes the research methods adopted for the literature review. Section 4 presents the findings, and Section 5 summarizes the key points and directions for future research. Finally, concluding remarks are provided in Section 6.

2. Background on mandatory auditor rotation

2.1. The debate about mandatory auditor rotation

Over the last few decades, the debate on the desirability of MAR has been fierce, with two schools of thought highlighting the positive (representing MAR proponents) and negative (representing MAR opponents) implications of MAR on audit quality and audit market concentration (Cameran et al., 2015b; Catanach & Walker, 1999).

MAR proponents maintain that a periodic change in auditors potentially improves audit quality by bringing a fresh perspective to the audit, which can reveal issues that were not apparent to the previous auditor because of the application of stale, routine, and redundant audit programs or excessive confidence in the earlier work (Casterella & Johnston, 2013; Daniels & Booker, 2011; Ewelt-Knauer et al., 2012; Lennox & Wu, 2018; Lennox et al., 2014). MAFR is considered more beneficial than MAPR in this regard because a new audit firm's partner has greater freedom to object to the judgments made by the previous audit firm's partner than another partner in the same predecessor firm (Mautz & Sharaf, 1961; Shockley, 1981). For the same reason, the departing auditor is likely to work harder in the final year of engagement as the incoming auditor will scrutinize that year's work (Lennox & Wu, 2018). Because auditing requires auditors to interact extensively with their clients, MAR proponents also argue that year after year, the audit partner may develop close personal relationships with the client's management team and unconsciously feel part of it. Thus, the auditor may place excessive trust in management's work, which increases the risk of audit failure. MAPR and MAFR may address such concerns and ensure higher auditor objectivity, professional skepticism, and independence in fact and appearance (Hoyle, 1978; Mautz & Sharaf, 1961). Moreover, by reducing the expected length of the auditor–client relationship, MAFR can potentially reduce the threat of economic dependence on the client, which would, in turn, increase the likelihood of the auditor "standing up" to the client and denying support for improper accounting policies. Conversely, without MAR, the incumbent auditor may earn client-specific "quasi-rents" and be incentivized to soften audit controls to retain the business in the future (Catanach & Walker, 1999; DeAngelo, 1981; Imhoff, 2003).

By contrast, MAR opponents (i.e., supporters of a long auditor tenure) are concerned with the efficiency and effectiveness of auditing along the mandate. They argue that client knowledge gained by an audit firm is lost upon auditor change and that a newly appointed auditor would require time and effort to understand the client and its business. Owing to this "learning curve," the new auditor may miss material errors, leading to audit failures (Cameran et al., 2015b; Casterella & Johnston, 2013; Catanach & Walker, 1999). Moreover, a tenured auditor is better positioned to judge the appropriateness of the company's accounting choices thanks to the client-specific knowledge already acquired. In this regard, MAPR seems less detrimental than MAFR, because the audit team retains client knowledge, which reduces its impact on auditor competence. MAFR opponents also suggest that knowing their mandate will be terminated shortly may offer less incentive for auditors to acquire client-specific knowledge because much of the time and effort invested in developing such knowledge cannot be transferred to different engagements (Lennox, 2014). Finally, the opponents of MAFR are concerned that switching auditors entails sizeable costs for the incumbent audit firm, as it loses the wealth equivalent of the client-specific quasi-rent flow; and for the client, as it bears the expenses related to the tendering process and the "training" of the incoming auditor (Cameran et al., 2015b; DeAngelo, 1981; Ewelt-Knauer et al., 2012).

The two camps also differ in their viewpoints regarding the MAFR effects on audit market concentration, which is a matter of concern for regulators and financial market authorities worldwide because "*the Big N's market dominance may reduce competition, which fosters entrenchment, thereby lowering auditor incentives to provide high [audit] quality*" (DeFond & Zhang, 2014, p. 311; Francis, 2004; Knechel et al., 2013). The proponents suggest that MAFR creates more situations requiring tendering and, thus, increases the chances of smaller audit firms entering the audit market. Conversely, opponents underline that MAFR may lead to increased audit market concentration because large corporations are likely to switch from one Big Four firm to another because of their reputation for providing higher quality services and the concern that smaller audit firms may lack the resources and expertise necessary to deal with complex international businesses (Cameran et al., 2015b; Ewelt-Knauer et al., 2012).

2.2. Regulations on auditor rotation

Different countries have made diverse regulatory choices in MAFR and MAPR, and even within the same country, regulatory changes have occurred over time. New provisions have been brought to MAR regulation in the last 10 years, sometimes in opposite directions. Appendix A reports the MAR requirements currently in force in over 60 countries worldwide, while the focus is only on the headlines here.

The US introduced a seven-year MAPR in 1978 to ensure auditor independence without incurring the high cost of MAFR (American Institute of Certified Public Accountants, 1978). In response to major accounting scandals between the late 1990s and the early 2000s, including Enron and WorldCom, the *Sarbanes-Oxley Act (SOX), Section 203* (US House of Representatives, 2002), reduced audit partner tenure to five years. MAFR was also a matter of debate, but in 2003 the Government Accountability Office (GAO) confirmed that MAFR "*may not be the most efficient way to enhance auditor independence and audit quality, considering the costs of changing the auditor of record and the loss of auditor knowledge that is not carried forward to the new auditor*." Thus, it suggested a "wait-and-see" approach until the SOX reforms were fully implemented (GAO, 2003). The topic remained dormant for almost a decade until the Public Company Accounting Oversight Board (PCAOB) suggested that MAFR was the best solution for enhancing professional skepticism. However, the PCAOB never formally proposed MAFR or put it to vote, as most of the 684 comment letters received after the issuance of the *Concept Release on Auditor Independence and Audit Firm Rotation* in 2011 opposed it (PCAOB, 2011). Finally, in 2013, the US House of

Representatives passed the *Audit Integrity and Job Protection Act*, which prohibited the PCAOB from requiring MAFR (Edwards, 2014; Jenkins & Vermeer, 2013; Roush et al., 2011; US House of Representatives, 2013).

Many other countries have adopted MAPR. Canada implemented MAPR in 2004, after experiencing MAFR until 1991 in financial institutions. MAPR is also used in Argentina, Hong Kong, Japan, Malaysia, Mexico, New Zealand, Singapore, and Taiwan. South Korea adopted MAPR in 2001, added MAFR from 2006 to 2010, and then took a step back to an MAPR-only approach. Australia adopted an MAPR-only approach in 2006. However, following negative findings in the audit inspections of the Australian Securities and Investments Commission, the Parliamentary Joint Committee on Corporations and Financial Services (2020) recommended that client companies undertake a public tender process for their external audits every 10 years or explain why not – called the "tender or explain" approach.

In Europe, the paths differ. Historically, the EU allowed Member States to regulate the auditor–client relationship within the limits laid down by its directives. Italy introduced MAFR in 1975 and continued to enforce it over time (Corbella et al., 2015), whereas the Czech Republic, Greece, and Spain introduced MAFR only for a short time and then abandoned it. Following the Enron collapse and local scandals, including Lernout & Hauspie in Belgium, Cirio and Parmalat in Italy, and Gescartera Brokerage House in Spain, *Directive 2006/43/EC* (EC, 2006) required audit partner rotation within seven years for public-interest entities, while allowing Member States to frame more stringent requirements. Finally, after the GFC, the EU pursued substantial audit reform, which was legislative standardization instead of harmonization, and mandated audit firm rotation in addition to partner rotation. The 2010 Green Paper *Audit Policy: Lessons from the Crisis* raised several concerns concerning MAPR, such as the persistent threat of familiarity, the low probability that a new partner would criticize the work of a previous colleague, and the likelihood that outgoing partners would take along some clients with them (EC, 2010). The Green Paper formally recognized the importance of audit firm rotation as a mechanism to improve audit quality and reduce audit market concentration, as it could "*operate as a catalyst to introduce more dynamism and capacity into the audit market*" (EC, 2010, p. 16) and widen room for non-Big Four tendering. A few years later, the EU decided to mandate both audit firm rotation (every 10 years maximum) and audit partner rotation (every 7 years maximum) for public-interest entities[1] (EC, 2014a, 2014b) through *Regulation No. 537/2014* and *Directive 56/2014/EC* (i.e., the EU Audit Reform). All such requirements became effective from June 17, 2016, and were a challenge for countries new to audit firm rotation, such as Denmark, Germany, Sweden, and the United Kingdom (UK), or those that abandoned it in the past, such as Spain.

Similar to the EU countries, several countries in Africa and Asia require both MAFR and MAPR. In Africa, while Tunisia adopted both forms of rotation long ago, Zimbabwe implemented them in 2020. South Africa adopted MAPR in 2009; in 2017, it announced MAFR adoption starting in 2023 (The Independent Regulatory Board for Auditors, 2017). Asian countries, such as India, Singapore, and Taiwan, have adopted MAPR and MAPR, although at different times. China has mandated MAPR for all listed companies, while limiting MAFR to financial institutions and state-owned enterprises.

Finally, some countries have opted for mandating that the audit firm rotates every few years; thus, they do not consider the additional MAPR rule necessary. This is the case in some: 1) South American countries, such as Bolivia, Brazil, and Ecuador; 2) African countries, such as Libya and Nigeria; 3) Asian countries, such as Bangladesh and Uzbekistan; 4) European countries not belonging to the EU, such as Bosnia and Herzegovina; and 5) Middle Eastern countries, such as Iran, Oman, and the United Arab Emirates (UAE).

[1] According to *Directive 56/2014/EC* (EC, 2014a), public-interest entities are: 1) entities governed by the law of a Member State whose transferable securities are admitted to trading on a regulated market of any Member State; 2) credit institutions; 3) insurance undertakings; or 4) entities designated by Member States as public-interest entities, for instance, undertakings that are of significant public relevance because of the nature of their business, their size or the number of their employees.

Overall, the long-standing debate, diverse and repeated regulatory interventions, and policy reversals "*suggest uncertainty by regulators about the level of auditor rotation, and the debate on the relative merits of partner rotation versus firm rotation continues*" (Kamath et al., 2018, p. 154). Against this background, this SLR contributes by increasing the awareness of the academic community and policymakers of the extant empirical evidence on MAR.

3. Research method

Literature review "*as a research method*" is currently considered "*more relevant than ever*" (Snyder, 2019, p. 333) as it "*contribute[s] to developing research paths and questions by providing a foundation on which to build on prior discovery*" (Massaro et al., 2016, p. 768). In particular, the SLR has been increasingly applied in accounting in the last decade and has been adopted to investigate interdisciplinary perspectives on accounting, auditing, and accountability research (Guthrie et al., 2012), integrated reporting (Dumay et al., 2016), and compliance with disclosure requirements (Tsalavoutas et al., 2020). This SLR adopts the rigorous approach proposed by Massaro et al. (2016), which enables a profound and critical examination of existing knowledge. The procedures followed are detailed in Sections 3.1–3.6.

3.1. Literature review protocol and research questions

First, a literature review protocol was developed by formulating the review questions cited in Section 1. This review protocol offers a reliable and repeatable research framework that ensures the robustness of the outcome (Massaro et al., 2016). A graphical representation of the review protocol is shown in Figure 1.

[Insert Figure 1 here.]

3.2. Literature search

To define the research perimeter, a keyword search was launched in November 2022 on Scopus, Web of Science, and Google Scholar to ensure the inclusion of articles published in both major and minor (local) accounting and auditing journals (Englund & Gerdin, 2014; Massaro et al., 2016; Mustikarini & Adhariani, 2022; Segal et al., 2021). The search strategy in Scopus and Web of Science focused on the title, abstract, and/or keywords, as per the filters made available by each database (Massaro et al., 2016), and requiring that the article was written in English and published after 2000, following the call for research by Turner (1999). Owing to the long-standing debate on auditor rotation *versus* tenure (see Section 2.1), the search query involved all possible expressions related to "rotation" and "tenure" of "auditor," "firm," and "partner," in combination with the keyword "mandatory" in full text to identify studies that refer to MAR (and not to voluntary auditor rotation alone). The Google Scholar search required some adjustments (owing to the available interface), stricter filters (to avoid obtaining thousands of unusable results), and preliminary cleaning of unpublished studies, as reported in Table 1.

[Insert Table 1 here.]

This initial search returned 604 articles: 345 from Scopus, 140 from the Web of Science, and 119 from Google Scholar. After deleting 171 articles that were duplicated or even triplicated, 433 remained and were subjected to a preliminary screening to exclude studies that were not accessible in full text (31), had only the title and abstract written in English (5), were included in conference proceedings (15), or were published in journals or by publishers indicated as potentially predatory by Beall's List[2] (25). Articles reporting the word "mandatory" only in the References (60) were also excluded, as this signaled that the study was not focused on MAR.

At this stage, two experienced research assistants and the author carefully read the abstracts (and, in some cases, the full text) of the remaining 297 papers to verify whether the content aligned with the purpose of the literature review, that is, to collect empirical evidence on MAR. This

[2] Beall's List is a collection of "*potential, possible or probable predatory scholarly open access*" (Moed et al., 2022, p. 130) journals and publishers, meaning "*entities that prioritize self-interest at the expense of scholarship and are characterized by false or misleading information, deviation from best editorial and publication practices, a lack of transparency, and/or the use of aggressive and indiscriminate solicitation practices*" (Grudniewicz et al., 2019, p. 211). Although not free from criticism (Kimotho, 2019), this list is widely cited as a synonym for poor-quality publications. Beall's List is freely available at https://beallslist.net/, while the criteria for inclusion in the list are available at https://beallslist.net/wp-content/uploads/2019/12/criteria-2015.pdf

process excluded 169 studies, including: 24 commentaries, practitioners' summaries, research notes, discussions, and editorials; 33 literature, regulation, and historical reviews; 13 conceptual and modeling studies; and 99 articles that were outside the scope despite mentioning auditor rotation and/or tenure in the searched fields.

Finally, 128 articles authored by 275 individual researchers from 34 countries were identified for inclusion in this SLR. Academics wrote most articles, with only five co-authored by scholars and practitioners from the Big Four companies, consultancy firms, and stock exchanges. Scholars from the same country co-authored most studies (88/128).

These 128 articles included in the SLR were published in 65 journals. Table 2 shows that most of the articles were published in scientific journals listed in Scopus (94%) (Elsevier, 2022), the Australian Business Deans Council (ABDC) Journal Quality List 2022 (86%) (ABDC, 2022), and the Academic Journal Guide (AJG) 2021 (81%) (Chartered Association of Business Schools (CABS), 2021). Notably, 79% of the articles appeared in journals listed in both these rankings, while less than 5% did not appear in any of the sources queried.

[Insert Table 2 here.]

3.3. Metrics of article impact

To appreciate the research interest in MAR, the impact of the selected studies was assessed by measuring the number of citations since the publication date (CI) and the total number of citations per year (CPY) (Massaro et al., 2016; Tsalavoutas et al., 2020). Publish or Perish[3] was used to query Google Scholar, which "*provides a comprehensive coverage, indexes all categories of publications and counts citations from non-peer-reviewed works*" (Dumay, 2014, p. 5). As of December 2022, the selected articles had been cited 17,559 times at the aggregate level, with 92% of the citations referring to 75 articles published in journals ranked A* and A by the ABDC Journal

[3] Publish or Perish is a free online software program that retrieves and analyzes academic citations by drawing data from Google Scholar, Scopus, and other sources. It provides raw citations and a range of citation metrics, including CPY. Publish or Perish is available at this link: https://harzing.com/resources/publish-or-perish

Quality List and 49% of the citations referring to 15 articles published in journals ranked 4* and 4 in the AJG. CPY was also considered to neutralize the impact of publication date on CI and to assess the impact of both the most dated and most recent articles. Overall, the 128 studies included in the SLR received 1,642 CPY. The highest aggregated CPY was achieved by nine articles published in *The Accounting Review* (ABDC rank A*; AJG rank 4*), followed by 12 articles published in *Auditing: A Journal of Practice & Theory* (ABDC rank A*; AJG rank 3). Finally, Table 3 reports the top-10 studies among these 128 studies by CI and CPY. Nine articles were included in both lists, while Dopuch et al. (2001) appeared only among the top-10 papers by CI, and Gipper et al. (2021) appeared only among the top-10 lists by CPY. Noticeably, this last paper was published in 2021 and has immediately gained considerable attention as it deals with the trending topic of the effect of both MAFR and MAPR on audit quality, and exploits a proprietary dataset from the PCAOB. Overall, the data described above confirm that empirical research on MAR has been consistently relevant over time and is a contemporary topic.

[Insert Table 3 here.]

3.4. Analytical framework

The selected papers were scrutinized according to predefined criteria, that represent "*independent elements to be measured and analysed*" (i.e., units of analysis), and attributes, that are "*sub-units of analysis*" (Massaro et al., 2016, p. 783). Although "*[s]ummarizing entire research in a few variables is always risky as many details and features of the paper cannot be reported due to the need of synthesizing it*" (Dal Mas et al., 2019, p. 1633), six criteria were identified to understand both generic and critical features of MAR-centered empirical studies. Table 4 provides a list of the criteria, their respective attributes, and a summary of the results.

[Insert Table 4 here.]

The first criterion was the *Timeframe,* which "*allows the analysis of contributions over time*" (Massaro et al., 2016, p. 783). Articles were analyzed by year of publication and grouped into three timeframes according to critical events that put auditing in the spotlight (see Sections 1–2): the first period covered the years 2000–2007, characterized by major financial scandals; the second period embraced the GFC during the years 2008–2015; the third period began with the enforcement of the EU Audit Reform (2016) until November 2022.

The second criterion was *Location*, which allows understanding "*the geographic areas that are more investigated and if there are other countries/regions that require attention*" (Massaro et al., 2016, p. 783). Articles were analyzed by country and grouped into regions according to geographical proximity, which denoted similar accounting and auditing traditions and, in most cases, consistent MAR provisions. Studies were classified as referring to Africa, Americas, Australasia (Guthrie et al., 2012), Europe, and the Middle East. If the study focused on more than one country, it was classified in the residual category of multiple countries (Dal Mas et al., 2019; Tsalavoutas et al., 2020).

The third criterion was the *Rotation type*, which allows for assessing which form of MAR was investigated in the study: MAFR, MAPR, or both. The criterion *Research method* allows for classifying the literature according to the "*epistemological approach used in developing the research*" (Casterella & Johnston, 2013; Dal Mas et al., 2019; Massaro et al., 2016, p. 783; Segal et al., 2021). Following Zattoni et al. (2020), the papers were classified into five categories: 1) quantitative studies based on archival data; 2) quantitative studies based on survey questionnaires; 3) qualitative studies; 4) mixed-method studies, which combine quantitative and qualitative methods; and 5) experimental studies.

The fifth criterion delves into the *Research question* formulated by the study, whose attributes were defined based on MAR goals as foreseen by its proponents and long discussed by the EU (EC, 2010; Humphrey et al., 2011), the PCAOB (2011), and other policymakers worldwide (see Section 2). The attributes considered were auditor independence, audit quality, auditor–client relationship, and audit market concentration.

Finally, in light of the fierce scientific debate on MAR desirability and diverse regulatory choices worldwide, the last criterion accounts for *Research outcome*. This allows for synthesizing whether the findings provide a positive, negative, or neutral assessment of MAR (Casterella & Johnston, 2013). Because the same study may deal with both types of rotation, the articles were analyzed by separately considering the effects of MAFR and MAPR (see Appendix B). When the results were differentiated between MAFR and MAPR, the study was classified as providing a mixed assessment. Insights into the outcomes of MAFR and MAPR are also offered separately, with coding results presented in Section 4.

To deepen the analysis, Appendix B includes other relevant details: 1) the regulation on MAR in place in the country and timeframe of the study (related to the firm, partner, or both); 2) the proxy used to study MAR (rotation, tenure, or both); 3) the measure(s) adopted to operationalize the concept of audit quality and auditor independence; 4) the focus of the study being on Big N audit firms, non-Big N, or both (DeFond & Zhang, 2014); 5) the sample size (number of firm-year observations for archival studies and of participants for surveys); and 6) the time horizon considered (period and number of years). Because these items were not pertinent to the research questions posed in this SLR, they were not added as separate criteria within the analytical framework. However, they are discussed in Section 4 whenever relevant.

3.5. Coding and reliability

After defining the analytical framework, content analysis was conducted to code these 128 articles using the NVivo software. Two experienced research assistants coded the articles and captured their results in an Excel file. Comparing the respective coding, differences emerged only regarding 20 items overall and only concerning the criteria *Research question* and *Research outcome*. Given the small number of discrepancies, the computation of reliability measures like percent agreement, Cronbach's α or Krippendorff's α was deemed unnecessary (Dal Mas et al., 2019; Massaro et al., 2016; Tsalavoutas et al., 2020). For verification and transparency, Appendix B reports the coding results for each of the 128 studies.

3.6. Validity

To ensure accuracy of the findings, the SLR was assessed for internal, external, and construct validity (Massaro et al., 2016; Tsalavoutas et al., 2020). Internal validity concerns the comprehensiveness and appropriateness of the analytical framework and coding (Massaro et al., 2016). This was ensured by discussing the initial list of criteria with an overseas colleague who has a remarkable publication record in auditing. This step led to the addition of the *Research outcome* criterion. Moreover, two experienced research assistants individually tested a list of 15 articles (>10% of the selected studies) and suggested auditor independence as an attribute of the criterion *Research question*. Following these amendments to the list of criteria and attributes, a further test was conducted, and the analytical framework was deemed appropriate.

External validity is "*the comprehensiveness of the sources used*" and the generalization of findings from the literature review (Massaro et al., 2016, p. 786). This was ensured by queries launched on Scopus, Web of Science, and Google Scholar, as described in Section 3.2 (Dumay et al., 2016). The database was also verified to include all journals "*considered to be the most prominent outlets for auditing research*," according to Elshandidy et al. (2021).[4] Moreover, the search results were compared with those of prior MAR literature reviews and were shown to be broadly consistent in number, development over time, and location (Cameran et al., 2015b; Ewelt-Knauer et al., 2012, 2013; Pott et al., 2009; Stefaniak et al., 2009; Velte, 2012; Velte & Freidank, 2015).

Finally, construct validity concerns the quality of the studies reviewed, which was addressed by excluding from the literature review articles traceable to Beall's List (see Section 3.2) as they are found to reveal "*a strong decline in citation impact over the years, and reached an impact level far below that of their [open access and non-open access] benchmarks*" (Moed et al., 2022, p. 130).

[4] The journals indicated by Elshandidy et al. (2021) are: *Auditing: A Journal of Practice &Theory*; *Accounting, Auditing and Accountability Journal*; *Journal of Accounting, Auditing, and Finance*; *Journal of International Accounting, Auditing and Taxation*; *International Journal of Auditing*; and *Managerial Auditing Journal*.

Furthermore, construct validity was ensured by the analysis of the number of citations and CPY as well as the large number of articles published in journals included in Scopus, the ABDC Journal Quality List, and the AJG (Massaro et al., 2016; Tsalavoutas et al., 2020) as reported in Table 2.

4. Insight and critique

This section discusses MAR literature and answers the first two research questions: "*How has empirical research on MAR developed from 2000 to 2022?*" and "*What is the focus and critique of the empirical research on MAR?*" The key features of existing empirical literature are discussed based on the six criteria described in the analytical framework (Section 3.4). As "*tabulating the study findings is one of the most important steps towards a narrative synthesis*" (Massaro et al., 2016, p. 788), the numerical results for each criterion and across the different attributes considered are summarized in Table 4. Further tables and figures are provided to "*develop deeper insights and relationships between categories within the dataset*" (Massaro et al., 2016, p. 788), especially to help visualize the synthesis of MAR empirical research in its development over time and in diverse locations. Following the approach of Tsalavoutas et al. (2020) to favor the flow of the discussion, the studies are not systematically cited in the text. But the results of the coding procedures are reported in Appendix B.

4.1. Timeframe

Analyzing the publication date enables us to understand how interest in the investigated topic has evolved, especially around events that place auditing under public scrutiny. Despite the call for research by Turner (1999) and the audit failures related to major corporate scandals, empirical research remained limited until 2007. By 2007 only 16/128 papers were indeed published. The number of articles increased to 40/128 from 2008 to 2015. As mentioned above, the GFC undermined stakeholders' confidence in the role of auditors and prompted policymakers worldwide to consider MAR as a strategy to enhance auditor independence, audit quality, and audit market dynamism. It also encouraged academics to contribute to the understanding of the advantages and disadvantages of MAR. Finally, 72/128 articles have been published since 2016, showing an intensified interest in this topic. The enforcement of MAFR, in addition to MAPR in the EU, South Africa, and other countries, was regarded as a dramatic change worldwide and further fostered empirical research. Figure 2 shows the annual development of empirical research on MAR.

[Insert Figure 2 here.]

4.2. Location

The *Location* criterion enables an understanding of the interest in MAR in different geographical areas and highlights under-researched settings. While Table 4 reports the results for each attribute of *Location*, Figure 3 adds the distribution of the studies by country, and Table 5 adds the distribution of the studies by country, region, and timeframe.

[Insert Figure 3 and Table 5 here.]

Scholars from different countries worldwide have collected empirical evidence on MAR's effects, albeit with different intensities and trends. Ranking first, Americas had 42/128 studies, followed by Australasia with 38/128, and Europe with 26/128 studies. The US alone accounted for the highest number of articles overall and in each timeframe. However, less attention has been paid to MAR since the *Audit Integrity and Job Protection Act* (US House of Representatives, 2013) stopped the PCAOB project on MAFR. Only 3/42 of the studies were conducted in other American countries, namely Brazil and Canada. MAR outcomes in most Latin and South American countries remained an empirical issue needing investigation.

In the Australasian region, Australia was the most studied country (15/38). Australian articles were first published in parallel with the implementation of MAPR in 2006 and slightly grew in line with the ongoing debate on the adoption of MAFR and the recent revisions of the rules on MAPR. Empirical evidence was collected in Indonesia and South Korea to inform other policymakers about the advantages and disadvantages of their short MAFR experience. Curiously, no articles referred to Hong Kong or Japan, even though they implemented MAPR in the early 2000s.

Similar to Australasia, articles (9/26) were scarce in Europe till 2015, and significantly increased since 2016 (17/26). Fragmented and occasional empirical evidence was collected from 11 countries. Spain (8/26) and Italy (4/26) were the most investigated, but for different reasons. Spain had an unsuccessful experience implementing MAFR in the 1990s, and must now wrestle with it again as per the EU Audit Reform. Italy has a long history with MAR, having enforced MAFR in 1975 and added MAPR in the 2000s, and still relies on it heavily. Owing to their historical experiences, both countries were fertile grounds for research that focused on long timeframes, spanning from 1991 to 2013 in Spain and from 1985 to 2011 in Italy. No research was found concerning France, even though it has implemented MAPR since 2003 (Dattin, 2017).

The MAR literature is in its infancy in Africa and the Middle East, with very few articles published since 2008 (12/128 and 5/128, respectively). The South African case is fascinating, with 8/12 articles published since 2019 after the MAFR regulation was approved in 2017.

Despite early calls for "*cross-national empirical studies before implementing compulsory external rotation throughout the EU*" (Velte, 2012, p. 88), most studies (123/128) were based on a single country, with a total of 27 single countries investigated. This focus was also underlined by previous literature reviews on MAFR (Casterella & Johnston, 2013) and other accounting issues (Tsalavoutas et al., 2020). It is traced back to "*the resource implications of manual data collection, the personal interests of the researchers, and their understanding and knowledge of specific socio-economic contexts*" (Tsalavoutas et al., 2020, p. 8). In the case of MAR, the local focus also depends on the urgency of examining the impact of country-specific regulations, which is also related to scholars from the same country having co-authored most papers (see Section 3.2).

However, five studies covering multiple countries have been published since 2016. Interestingly, they adopted different criteria to select countries for investigation. Three studies compared MAR consequences throughout countries in Europe or worldwide, according to varying levels of litigation risk, legal origin, auditing enforcement index, and rule of law index (Brooks et al., 2017; Garcia-Blandon et al., 2020; Horton et al., 2018). Kamarudin et al. (2022) investigated a sample of companies from ten emerging markets in Africa, Australasia, Europe, and the Middle East to assess whether MAFR outcomes depend on the strength of auditing and reporting standards. Finally, Tessema and Abou-El-Sood (2022) examined MAFR in Middle Eastern countries of the Gulf Cooperation Council, which were purposively selected for their similarities in ethnicity, religion, political regime, culture, and traditions. No studies existed investigating Europe following the implementation of the EU Audit Reform. Therefore, the impact of the introduction of MAFR, in addition to MAPR, in Europe remains unexplored.

4.3. Rotation type

Because different policymakers made different choices regarding the type(s) of auditor rotation required, it is interesting to learn how research has developed toward them. MAFR was the most investigated form of rotation, with 80/128 articles, compared with 28/128 papers that focused on stand-alone MAPR. MAFR was the only type of rotation examined until 2007, and those studies concentrated on the US. Conversely, MAPR-centered studies were prominent in Australia and China from 2008 through 2015. Only 20/128 studies analyzed MAFR and MAPR together, which gained momentum from 2016 through 2022 (14/128).

Interesting insights can be gained by considering the development of the MAFR and MAPR literature in different countries, especially in combination with enforced auditor rotation provisions. It is unsurprising that studies were conducted in settings that gained direct experience with MAFR. This is the case for most (if not all) studies related to Italy, where MAFR has been applied since 1975, and Spain, Indonesia, and South Korea, where MAFR was compulsory for a short period. However, only 28/80 studies were conducted on actual MAFR environments. Only one to three studies examined MAFR in Brazil, Nigeria, Oman, Turkey, and the UAE. Despite MAFR being in force for a long time, no studies were conducted in China and India.

Most studies (52/80) were conducted in countries where the MAFR has never been mandated. The US, with 26/80 of the studies, is an emblematic case that indicates how much the specter of MAFR adoption has attracted the attention of auditing scholars. These scholars adopted several approaches to overcome the lack of direct experience with MAFR in the US, the preferred approach being to use audit firm tenure (see Appendix B) to draw conclusions on MAFR. Despite prior literature reviews criticizing this practice (Pott et al., 2009), the urgency to understand the consequences of MAFR has made it common across timeframes and locations, with implications indicated in Section 4.6. Some studies conducted in the US have also exploited the unique environment generated by the failure of Arthur Andersen to proxy for MAFR (Crabtree et al., 2006; Gerakos & Syverson, 2015; Nagy, 2005; Singer & Zhang, 2018; Tanyi et al., 2010).

As mentioned, MAPR-centered studies were mainly developed in Australasia, where several countries adopted it as a unique form of rotation during the 2000s, such as Australia, Hong Kong, and Taiwan; Indonesia even used it as a substitute for MAFR. Despite the introduction of MAPR in 1978, empirical research has only been conducted since 2008 in the US, with the first studies relying on proprietary data because the names of the engagement partners were only publicly disclosed starting in 2017 (Lennox & Wu, 2018). Despite their long MAPR experience, no studies examined Canada, Hong Kong, Japan, or South Africa. Similarly, no European studies focused on stand-alone MAPR, despite the possibility of identifying which partners were involved in an audit by checking the audit report signatures publicly available in annual reports (Corbella et al., 2015). This suggests that academics in these regions perceived stand-alone MAPR as less critical than MAFR, which also implies a change in the audit partner.

Articles that combined the joint investigations of MAFR and MAPR were conducted mainly in Asia (10/20), followed by Europe and the US (5/20 each), most sharing the same limitations of isolating MAFR and MAPR. The few studies that compared these two types of rotation evaluated the additional benefits of one type over another, thus, contributing to a critical concern of audit firms, audited companies, and regulators.

4.4. Research method

The *Research method* criterion maps how the empirical evidence on MAR was collected. Table 4 shows that from 2000 to 2022, quantitative research based on archival data was mainstream in MAR, covering 91/128 studies. Other approaches were adopted only occasionally. In 23 years and 128 MAR articles, there were only 18 quantitative analyses based on survey questionnaires, 14 experiments, and five qualitative studies. No study adopted a mixed-method approach. These findings are in line with prior literature reviews in the field, which concluded that "*[t]he ease of data gathering and the long tradition of the quantitative school of thought in auditing and accounting research […] may contribute to the popularity (unpopularity) of quantitative studies (qualitative and mixed methods)*" (Mustikarini & Adhariani, 2022, p. 278).

Quantitative studies based on archival data increased over time at the same pace as overall MAR research, and were dominant throughout Australasia, Europe, and the US, as well as in studies conducted in multiple countries. Appendix B shows that extensive longitudinal analyses were conducted, with many articles based on samples of more than 10,000 observations (up to approximately 87,000) and considering 10 or more years (up to 25). The concern raised by prior literature reviews (Pott et al., 2009) regarding small samples investigated in short timeframes has been overcome by recent research developments.

The number of quantitative studies based on surveys increased since 2016 (11/18). While limited in other locations, conducting surveys was the preferred approach in the Middle East and Africa. Surveys were undertaken primarily to study MAFR-related issues (16/18), particularly before implementation. Appendix B indicates a wide range of sample sizes, from 21 participants in an Australian study conducted in the early 2000s (Kend, 2004) to 1,096 participants in a German study (Ruhnke & Schmidt, 2014) conducted in the wake of the EU Green Paper (EC, 2010).

This study confirms the findings of prior literature reviews (Ewelt-Knauer et al., 2012; Stefaniak et al., 2009) that conducting experimental or qualitative studies is not a common practice in studying MAR, especially MAPR. Most experiments were conducted in the US (10/14) and focused on non-implemented MAFR (6/10). Curiously, not all experimental studies were designed for rotations, but instead leveraged tenure. In turn, all studies that adopted a qualitative approach dated 2016 or later relied on interviews with audit stakeholders. Although isolated in a few countries (Canada, Cyprus, South Africa, and the UK), these studies were extensive, reaching approximately 20–50 interviewees among auditors, audit committee members, regulators, academics, and financial analysts. Recent developments in qualitative studies signal promising field trends.

4.5. Research question

In line with agency theory (Jensen & Meckling, 1976), regulators' concerns, and given its public function, empirical studies aimed to capture MAR's effects. As reported in Table 4, the *Research question* criterion most frequently concerned the impact of MAR on audit quality (92/128 studies). Fewer studies delved into the other attributes, with only 12 articles covering auditor independence and the auditor–client relationship, and only five dealing with audit market concentration. Moreover, seven articles using surveys and experiments investigated two or more research questions, mainly aimed at capturing the perceptions or reactions of various stakeholders regarding how MAR impacts audit quality and auditor independence.

Audit quality accounted for the highest number of papers in each period and location. The US is the most investigated country (29/92 studies), followed by Australia (11/92) and Indonesia (8/92). There were 15 articles examining eight European countries. Five studies, developed in the Middle East or covering multiple countries, investigated the impact of MAR on audit quality.

Audit quality was mainly investigated by designing quantitative analyses based on archival data (76/92). Audit quality was proxied by a variety of measures. These measures included financial reporting quality characteristics, such as discretionary accruals and timely loss recognition, auditor opinion, investors' perceptions, and capital markets' assessment of the audit, such as earnings response coefficients and cost of capital. The same study often adopted several proxies to provide robust results (see Appendix B).

While most articles included Big N and smaller audit firms (66/76), some focused only on Big N audit firms. In some cases, the reason behind this choice lies in audit firms having offered proprietary data for the study (e.g., Cameran et al., 2015a). Audit quality was also investigated by designing quantitative analyses based on surveys (10/92). These surveys assessed stakeholders' perceptions of how MAFR affects auditors' traits that may drive audit quality, such as professional skepticism, client-specific knowledge, and demographics (Fathi & Rashed, 2021; Harber & Marx, 2020a; Malagila et al., 2020; Ruhnke & Schmidt, 2016).

Despite being considered the cornerstone of the audit profession and a primary driver of users' confidence in financial reports, auditor independence was the primary focus of only 12/128 studies. In an older literature review, Pott et al. (2009) indicated the impact of regulation on auditors' independence as a fast-growing research area. However, this development was not as intense as expected. Most articles on auditor independence (8/12) were from Europe, led by Spain with five publications. While all research methods were used, archival studies were prominent (6/12).

Remarkably, most studies examining the effects of MAR on audit quality (54/92) and auditor independence (10/12) focused on MAFR. This finding further indicates different degrees of tension over the two types of rotation, which is in line with the lively debate on the advantages and disadvantages of MAFR and different regulatory interventions worldwide. Another similarity concerning these two research questions is that approximately half of the archival studies investigated audit quality and auditor independence *pre- versus post*-audit firm or audit partner rotation, and half relied on tenure data.

The audit–client relationship has recently attracted more attention, as 8/12 articles on this topic were published after 2016. Evidence from Europe and the Middle East is lacking, and Australia and the US offer few studies. A balanced focus was found between studies on MAFR and MAPR, indicating that scholars expect both forms of rotation to affect the auditor–client relationship. Similarly, various research methods were adopted, with experimental and qualitative studies delving into specific issues relevant to policymaking, such as the conflict of interest and economic bonding between the audit firm and its client, and the negotiation strategies applied by both parties (Ghosh & Siriviriyakul, 2018; Husnatarina & Nahartyo, 2012; Wang & Tuttle, 2009).

Although the concentration of the audit market by the Big Four accounting firms was the principal reason for the most recent regulations on MAFR, this issue was the primary focus of only 5/128 studies. All five articles aimed at predicting MAFR effects in contexts where MAFR was not applied at the time of the study. The Polish and US audit markets were investigated through quantitative archival studies (Comunale & Sexton, 2005; Gerakos & Syverson, 2015; Indyk, 2019). By contrast, survey questionnaires were administered to understand the perceptions of various stakeholder categories, including chief financial officers, audit committee chairs, and investors, regarding the prospective introduction of MAFR in South Africa (Harber & Marx, 2019; Wesson, 2021). No evidence was provided to demonstrate whether and how the implementation of MAFR in the EU in 2016 affected audit market concentration.

4.6. Research outcome

The criterion *Research outcome* enables the understanding of the "quintessence" of empirical evidence on MAR by considering whether the assessment of MAR is positive, negative, or neutral concerning the phenomenon investigated (i.e., the research question formulated). Table 4 indicates no univocal answer to this long-standing issue, with 43/128 articles concluding that MAR is beneficial and 41/128 concluding that it is detrimental. Moreover, many studies provided a neutral assessment of MAR (33/128), whereas others revealed mixed results regarding the desirability of MAFR and MAPR (11/128). Over time, a balanced situation was found between positive and negative MAR outcomes, with only a slightly higher number of studies showing a positive outcome since 2016 (25/72) than studies against (21/72) or neutral (19/72). By location, the assessment was more positive than negative in Australasia, Europe, and the Middle East, while more negative than positive in the US and Africa. However, the number of studies with neutral or mixed assessments prevented a sharp line from being drawn. Although the findings confirm the complexity of the phenomenon under study and the conclusions reached by past literature reviews, they deserve a closer look and are discussed below.

4.6.1. Audit quality

For audit quality, MAR impacted it positively in 32/92 cases, negatively in 29/92 cases, and had no substantial impact in 22/92 studies. However, 9/92 articles found mixed results related to MAFR and MAPR.

MAFR outcomes appeared much more favorable for studies conducted in a country that implemented the rule. Indeed, in contexts such as Brazil, Italy, Nigeria, and Turkey, archival studies modeling audit quality on MAFR found no negative impact, and found more positive than neutral impacts on audit quality.

Italy is an emblematic case. Cameran et al. (2016) and Corbella et al. (2015) found that MAFR was beneficial to audit quality. Cameran et al. (2015a) demonstrated that audit quality improved only for companies audited by a non-Big Four firm, suggesting that different dynamics may involve larger and smaller audit firms on one side and their clients on the other.

Also survey-based studies delivered positive or neutral assessments in countries where MAFR has been applied, such as Iran (Hoseini et al., 2013), Nigeria (Atu & Enofe, 2012; Ebimobowei & Keretu, 2011), and the UAE (Malagila et al., 2020).

Conversely, the assessments tended to be more negative than positive when the investigated setting never used MAFR. For instance, US archival studies found a positive association between audit firm tenure and audit quality, regardless of the proxies adopted to measure audit quality. They also found a negative association between audit firm tenure and fraudulent financial reporting, audit reporting failures, and audit report lag. Although all these US studies used large samples and provided several robustness tests, they all relied on archival data on auditor tenure (see Section 4.4). They did not examine whether audit quality changes after MAFR. This remains an empirical issue as the US stopped all projects on MAFR implementation in 2013.

However, the few experimental studies that designed audit firm rotation settings did not find evidence of detrimental effects on audit quality found by archival studies that examined MAFR by using audit firm tenure data. This presents a warning to shareholders and policymakers on how much they can trust the findings of archival studies: for shareholders when making decisions on retaining or changing audit firms; and for regulators when evaluating the goodness of the provisions enforced.

Interestingly, successful cases of alignment between regulatory choices and empirical evidence regarding audit quality emerged in Indonesia (Clarina & Fitriany, 2019; Widyaningsih et al., 2019) and South Korea (Choi et al., 2017; Mali & Lim, 2018). While both Indonesia and South Korea implemented MAFR, research supports their decisions to shortly thereafter abandon it. Indeed, archival studies conducted in both such countries clearly showed decreased audit quality when having MAFR, lower audit quality in firms subject to MAFR than in firms subject to MAPR only, and improved audit quality after MAFR was abolished.

Empirical evidence on the impact of MAPR on audit quality is almost equally distributed between a positive assessment, on the one hand, and a negative or neutral assessment, on the other hand. In contrast to MAFR, however, the impact of MAPR on audit quality was investigated exclusively in countries where MAPR was enforced. Therefore, the puzzling outcomes cannot be attributed to the extent of or lack of MAPR regulation. Nor can these results be ascribed to the research method or data on rotations *versus* tenure. MAPR assessment depended mainly on the country investigated, with the studies conducted in China, Indonesia, Italy, and Spain highlighting the positive or neutral effects of MAPR on audit quality, and those conducted in Australia and the US bringing uncertain conclusions. These findings question why US regulators firmly opposed MAFR, but have continued to require MAPR since 1978, given that the evidence of the latter's benefits is far from compelling. Findings also justify the continuous debate ongoing in Australia, as the most recent study demonstrated that MAPR was beneficial to audit quality only when both the incoming audit partner and the audit firm were industry specialists (Arthur et al., 2017). Thus, providing scientific ground for the recent Australian recommendation of a "tender or explain" approach (see Section 2.2).

4.6.2. Auditor independence

The outcomes of empirical research on the effect of MAR on auditor independence were overall positive. In an archival study conducted in Indonesia, Junaidi et al. (2016) found a beneficial impact of MAPR on auditor independence. Aschauer and Quick (2018) also found positive results in an experiment organized in Austria. MAFR was assessed as beneficial by archival studies but neutral in experimental studies. Experiments conducted with different subjects, including bank directors, institutional and non-professional investors, and investment consultants, in Austria (Aschauer & Quick, 2018), Germany (Quick & Schmidt, 2018), and the US (Daniels & Booker, 2011; Kaplan & Mauldin, 2008) highlighted that compared with MAPR, stand-alone MAFR neither benefits in appearance nor strengthens auditor independence. Meanwhile, compelling evidence that MAFR improves auditor independence was revealed in quantitative studies based on archival data collected from large and different samples observed during different periods in Indonesia (Junaidi et al., 2016) and Spain (Garcia-Blandon & Argiles-Bosch, 2013; Garcia-Blandon & Argiles, 2015; Ruiz-Barbadillo et al., 2006). The Spanish result is counterintuitive. Despite Spain withdrawing its regulation on MAFR in the 1990s soon after implementation, no evidence was collected on MAFR threatening auditor independence during or following that experience.

4.6.3. Auditor-client relationship

The outcomes of empirical research on the effect of MAR on the auditor-client relationship were mainly negative or neutral. MAFR was found to impair the auditor–client relationship, based on archival evidence of more extended audit report lags under mandatory than under voluntary firm rotation (Tanyi et al., 2010). Similarly, audit committee members interviewed in Canada suggested that implementing MAFR would neglect their capability to assess the nature of the auditor–management relationship through formal and informal communications with both parties (Fontaine et al., 2016). Furthermore, experienced practitioners (including auditors, chief financial officers, audit committee chairs, and equity fund managers) surveyed regarding the prospective introduction of MAFR in South Africa highlighted several unintended consequences in terms of increased costs for both the audit firm and the auditee (Harber et al., 2020). However, there is a significant exception. A recent study by Harber et al. (2022, p. 1) confirmed that South African audit committee chairs having experienced early adoption of MAFR were "*impressed by the better-than-expected benefits of the fresh perspective and challenge offered by a newly appointed audit firm and the less than expected costs of losing the incumbent auditor's knowledge.*" Taken together, these findings indirectly corroborate those of archival studies on the effect of MAFR on audit quality, depending on whether the study was conducted in a natural MAFR setting.

Concerning MAPR, partners were found to reallocate effort away from planning and testing activities before the rotation, which is consistent with the disincentive to invest in outgoing clients. This may have a negative impact on audit quality (Winn, 2021). Other warnings arose regarding different relationship developments based on client size (Stewart et al., 2016).

4.6.4. Audit market concentration

All seven audit market concentration studies provide evidence against MAFR, regardless of the research method adopted being survey questionnaires or archival data, for investigating rotation or rotation and tenure together. However, this finding must be interpreted cautiously, as no empirical evidence was collected under actual MAFR implementation conditions (see Section 4.5). Because opening the audit market to smaller audit firms is one of the key arguments supporting MAFR and is a primary goal for some policymakers, this lack of archival data-based evidence is a crucial shortcoming of the extant research.

5. Answers to research questions and directions for future research

The point-by-point analysis provided in Section 4 retraced the development and focus of the last 23 years of MAR research, thus addressing the first two research questions driving this SLR. Moving from a summary of the key findings, this section answers the third research question: "*What is the future of MAR empirical research?*" This closes the SLR loop, which not only "*present[s] the state of the art, creating order and availability from previous studies"* but also "*provide[s] the ground on which researchers build new studies*" (Massaro et al., 2016, p. 792). A comprehensive summary is presented in Table 6.

[Insert Table 6 here.]

This SLR notes that despite the continuous growth in publication numbers and geographical coverage, empirical evidence from 2000 to 2022 remained fragmented and occasional in many countries, if not lacking, even in countries that have enforced MAFR and/or MAPR. A critical finding is that the impacts of MAFR and MAPR on audit quality were strictly linked to the investigated context, thereby limiting the generalizability of the results. Future research should delve into neglected locations, such as China, India, Japan, Latin America, and South America. This is particularly relevant for assisting policymakers in their important roles. Moreover, since new MAFR provisions were recently introduced in several contexts, nothing is known about whether and how they have generated changes in the behavior of auditors and their current or potential clients, fostered new dynamics, and affected auditor independence and audit quality. MAFR's introduction in the EU in 2016 and South Africa in 2023, together with the "tender or explain" approach in Australia in 2020, offers natural settings where event and behavioral studies may be conducted.

This SLR identified a few attempts to collect and contrast evidence from multiple countries, a trend that persisted in Europe even after the EU Audit Reform. However, international and cross-country investigations can add much to our current knowledge. First, research is needed to understand whether and how the implementation of MAFR throughout the EU in 2016 affected the audit market concentration. This seems vital because reducing audit market concentration was one goal of the EU Audit Reform, and survey-based studies reported severe stakeholder concerns about this reform's potential to open the market to smaller audit firms. If stakeholder concerns are justified, then the following research question arises: *What is the future of small audit firms?* Scholars can help resolve this issue in ways that are hopefully advantageous for all audit market players and policymakers.

Second, because a positive or negative assessment of MAR depends on the investigated setting, examining cross-country differences seems critical to understand why MAFR/MAPR succeeds in some contexts but fails in others. Questions like the following remain unanswered. *Why does the same type of rotation generate different outcomes in different countries? Why is it perceived differently?*

Third, evidence on the effects of the joint application of MAFR and MAPR is scant. Again, the 2016 EU Audit Reform offers a unique opportunity to delve into the concrete impact of MAFR *vis-a-vis* MAPR and answer questions like: *In which circumstances is MAFR or MAPR preferable or inferior to the other type of rotation form? In which circumstances are MAFR and MAPR jointly desirable or undesirable?* In line with Elshandidy et al. (2021, p. 386), this SLR raises a call for research to "*provide more evidence on […] whether there should be audit partner rotation or audit firm rotation*, or whether both are needed. To answer such questions, research may delve into "*the traditions and institutions by which authority in a country is exercised*" to explore whether "*the capacity of the government to effectively formulate and implement sound policies*" and "*the respect of citizens and the state for the institutions that govern economic and social interactions among them*" (Kaufmann et al., 2011, p. 222) impact the effectiveness of MAR policies. Empirical research may leverage available Worldwide Governance Indicators, including voice and accountability, government effectiveness, regulatory quality, rule of law, and control of corruption, as well as other institutional, economic, legal, or historical features to explain differences in the consequences of MAR in diverse regions. For such purposes, research teams may be formed by scholars from different countries, an uncommon practice in the existing MAR literature. Furthermore, future research may examine whether national culture (Hofstede, 1980, 2001, 2010) affects the behaviors and perceptions of primary players in the audit field. Aspects of national culture, such as power distance, masculinity, uncertainty avoidance, and normative orientation horizon,[5] may influence

[5] According to Hofstede (1980, 2001, 2010), *power distance* is concerned with the degree to which the less powerful members of a society accept and expect that power is distributed unequally; *masculinity* refers to the preference

how stakeholders perceive MAR and how the auditor–client relationship evolves. In this regard, the author echoes the call by Mustikarini and Adhariani (2022, p. 285) for research to "*investigate, understand, further critique or even reconceptualize the appropriate*" auditor-client relationships by considering that "*[d]istinct social culture, institutional environment and local wisdom of the person-to-person relationship in non-US regions may interact with the foundational relationships of auditors and their clients*."

Furthermore, this SLR shows that quantitative research based on archival data is prominent in the field. Thus, providing potentially misleading outcomes when it forces the collection of empirical evidence using recurring data on auditor tenure instead of rotation. Although archival studies are needed to prove the consequences of MAR in settings where it is applied, scholars are recommended to consider other research approaches.

Scholars may use qualitative studies, allowing participants to openly share their experiences. Such studies could enable more in-depth analyses than other research methods by providing detailed, although not generalizable, insights into the explored issue. Moreover, none of the previous works developed a case study or adopted a mixed-methods approach. However, these research methods may enable a better understanding of the auditor–client dynamics at the beginning of a new mandate or near its termination, as well as audit team dynamics around the MAPR. Thereby nurturing behavioral research in auditing (Gramling et al., 2001; Jenkins & Vermeer, 2013) and providing further evidence on one key point in the MAR debate.

Similarly, the few attempts to investigate Big N and non-Big N audit firms separately indicate that MAR produces different outcomes for the two types of audit firms in terms of audit quality and fees. Because small audit firms are essential players in countries such as Australia and China

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for achievements, assertiveness, and material rewards for success; uncertainty avoidance reflects the degree to which the members of a society feel uncomfortable with uncertainty and ambiguity, and *normative orientation horizon* relates to the link with the past while dealing with the challenges of the present and the future.

(Carson et al., 2022), future research should investigate these firms and nurture this promising but neglected literature stream.

To develop qualitative and mixed-method studies, scholars should cooperate with practitioners from auditing firms, client firms, professional organizations, and regulators. Although systematically advocated for a long time to enhance the quality of audit research (Bedard et al., 2008; Jenkins & Velury, 2012; Jenkins & Vermeer, 2013; Lennox & Wu, 2018), cooperation is still minimal (see Section 3.2) but has the potential to benefit all those involved. Indeed, scholars can gain important insights into practice, reflect on complementary perspectives, and obtain proprietary data for analysis. Simultaneously, practitioners may benefit from theoretical explanations of particular dynamics and reliable findings from scientific data collection and analysis methods.

6. Conclusions

Considering the long-standing debate on MAR and the diverse regulations enforced in different countries worldwide, this study offers an SLR of empirical evidence on MAFR and MAPR since 2000. A literature review protocol was defined to synthesize and critically evaluate the development and focus of empirical research on MAR. A broad query was launched in Scopus, Web of Science, and Google Scholar, which identified 128 articles coded according to the analytical framework that included timeframe, location, rotation type, research method, research question, and research outcome as criteria for the analysis.

In summary, the results reveal that although MAR has received increasing attention worldwide, research remains quite fragmented and occasional in most countries, and even absent in a few countries that have implemented MAPR/MAFR for a long time. Consistent with the intense debate at the theoretical level, MAFR is the most investigated issue. However, few attempts have been made to jointly study the effects of MAFR and MAPR. This is a shortcoming, especially in the EU. Quantitative studies based on archival data predominate, and limited efforts have been made to adopt alternative research methods. The impact of MAR on audit quality is the most investigated research question and has attracted much more attention than the effects of MAR on auditor independence, the auditor–client relationship, and audit market concentration. Research outcomes cannot be unequivocally defined. Even within the same research question, the assessment of the desirability of MAFR depends on the investigated setting, with an overall positive evaluation in countries that have adopted MAFR, and a more negative assessment in countries with no direct experience with MAFR. It is argued that the setting counts, mainly because the archival studies conducted where MAFR was not applied relied on data on tenure instead of rotations. MAPR assessment appears to be country-specific. Overall, MAR is found to succeed in specific contexts and fail in others.

By addressing the research questions on how the empirical literature on MAR has developed, its focus, and critique, this SLR represents a reliable and solid anchor to which both novice and experienced scholars in auditing may refer to strengthen their knowledge of the topic and develop new research projects. In this regard, several unanswered questions were suggested because this SLR "*is not the end of the road, but the beginning of new journeys*" (Massaro et al., 2016, p. 793). Thus, suggestions on prospective research paths have been made, especially on how to enrich the scope of future research, its focus, and the methodologies to be adopted. Scholars are encouraged to engage further in country-specific research projects, especially in countries not yet investigated, to explore the auditor–client relationship in more detail, and to conduct international and cross-country studies. International studies may verify whether the recent implementation of MAFR in the EU has affected audit market concentration as expected by regulators. Whether this impact is lacking or goes in the opposite direction, research on the future of small audit firms is imperative. Cross-country studies should instead model specific institutional, legal, historical, and cultural features that may explain why MAR is effective as a monitoring mechanism to regulate the principal–agent relationship in some contexts but ineffective or even detrimental in others. Stated differently, these studies may highlight which circumstances "make the case" for MAFR and/or MAPR adoption.

In addition to contributing to the knowledge of the MAR literature stream and offering directions for future research in the field for doctoral students as well as novice and experienced researchers, this SLR also has far-reaching implications for policymakers and shareholders. As the answer to the question, *Is MAR an effective monitoring mechanism that reduces information asymmetry between shareholders and managers?* is context-specific, policymakers worldwide should consider that a "one-size-fits-all" approach is not feasible or advisable for regulating MAR. Policymakers from settings not yet investigated are warned about the frequent lack of generalizability of the findings conducted in other countries. Therefore, they should promote scientific research in this area that takes into consideration their unique context. Likewise, they should carefully consider the characteristics of their specific context when reflecting on the MAFR/MAPR regulations.

Moreover, this SLR speaks directly to policymakers and shareholders in countries that have received increasing attention from researchers. First, the empirical evidence supports MAFR in Brazil, Nigeria, and Turkey. Similarly, it promotes MAPR in China, Indonesia, and Spain, as well as MAFR and MAPR in Italy. Second, empirical evidence supports the decision of both Indonesia and South Korea to leave MAFR, as research found MAFR to be detrimental to audit quality in several studies contrasting the periods before and after MAFR enforcement. Third, the empirical evidence does not provide convincing support for the choice by the US to require MAPR and not MAFR. In the latter case, the negative assessment achieved by archival studies was based on audit firm tenure data, the goodness of which is questionable as a proxy for audit firm rotation. Other important country-level insights can be drawn from Section 4.6.

Regardless of how rigorous the protocol used, literature reviews are subject to several limitations, and this one is no exception. Despite the extensive queries launched, the literature search outcomes depended on the publications covered by the selected databases. Moreover, empirical studies that were conducted at the national level, published in local journals, and not written in English, were excluded from the analysis. Conversely, some articles were included from journals not ranked by ABDC or AJG. Finally, while the analytical framework was streamlined, interpreting the findings required subjective judgment, which could lead other researchers to reach different conclusions.

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