Audit Dynamics: Exploring the Nexus of Audit Delay, Public Accounting Firm Size, Audit Opinion, Financial Distress, and Management Change in Auditor Switching

Agus Salim, Murtanto Murtanto, and Lidia Wahyuni

Department of Accounting, Universitas Trisakti, Jakarta, Indonesia
`lidia@trisakti.ac.id`

Abstract. This research investigated factors influencing auditor switching decisions in transportation and logistics companies listed on the Indonesia Stock Exchange (IDX) between 2020 and 2022. The study employed logistic regression analysis to examine the impact of five variables: audit delay, Public Accounting Firm size, audit opinion, financial distress, and management change. Data for 72 companies was obtained through purposive sampling. The analysis revealed that Public Accounting Firm size and a clean audit opinion (unqualified opinion) significantly increased the likelihood of a company switching auditors. Conversely, audit delay, financial distress (measured by the Altman Z-Score Model), and management changes did not have a statistically significant positive effect on auditor switching decisions.

Keywords: Audit Dynamics, Audit Opinion, Financial Distress, Auditor Switching.

1 Introduction

Financial statements, as per PSAK No. 1 of 2019, constitute a structured presentation of an entity's financial position and performance [1]. These statements, provided by a company's management, furnish information about the company's condition and operational activities. Management, functioning as a financial reporter, may be influenced by personal interests. Simultaneously, external parties (also users of financial statements) have a vested interest in receiving reports that accurately portray the company's true position. An agency relationship, as outlined by agency theory, exists between management (the agent) and shareholders (the principal), illustrating a conflict of interest between the two. Management, in its role as the provider of financial statements (the agent), may be driven by personal motives. Conversely, external parties, including managers, who utilize financial statements, seek reports that genuinely reflect the company's actual condition. The divergence in interests can be addressed with the assistance of a mediator or an independent third party, with the auditor serving as the intermediary in this context.

The auditor's job is to ensure that the company prepares and presents financial statements in line with applicable accounting standards [2]. Various accounting and auditing

problems have proven the importance of the auditor's role in this matter, which is why auditor turnover is needed. Auditor turnover is an auditor rotation that must be carried out by an entity, which is to increase auditor independence and improve audit quality [2]. Another benefit of audit rotation is that it improves the competitive environment and reduces audit costs due to increased demand for audit services from go-public and non-go-public companies. Therefore, companies must carry out audit rotation [2]. The rapid development of companies listed on the Indonesia Stock Exchange will have an impact on auditors or accounting firms because companies listed on the Indonesia Stock Exchange need them to play a role in providing audit services, especially financial reporting that will be published. Based on records on the Indonesia Stock Exchange website, the number of issuers has increased significantly in recent years from 2021 to 2023. Fig.1. shows development of Go-Public Companies in Indonesia.
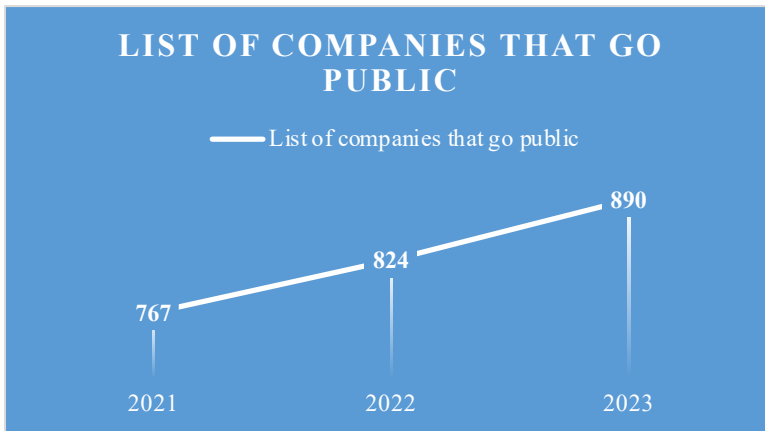
Fig. 1. Development of Go-Public Companies in Indonesia (Source: Fact Book Indonesia Stock Exchange)

IPO (Initial Public Offering) companies are required to publish financial reports so that all parties related to the company know the financial statements and ongoing developments [3]. Audits of financial statements must be carried out by an independent third party, and along with this growth, the demand for audit services has also increased along with the growth of go-public companies [3]. The growth of public accounting firms is currently experiencing a significant increase, and on September 11, 2023, the Center for Financial Professional Development of the Ministry of Finance of the Republic of Indonesia announced that the number of accounting firms active in Indonesia reached 477 public accounting firms. In maintaining the reliability of an entity's financial statements and auditor independence, companies are required to carry out auditor switching [3].

In Indonesia, regulations around auditor switching aim to ensure auditor independence. The Ministry of Finance Regulation No. 17/PMK.01/2008 originally mandated a maximum of six consecutive years for an audit firm and three for a specific auditor. This was updated in Government Regulation No. 20/2015, limiting a single auditor's

service to five years. Additionally, the Financial Services Authority Regulation No. 13 / PJOK.03 / 2017 further tightened oversight within the financial services sector. These regulations on auditor switching encourage companies to switch auditors, which can be done voluntarily (scheduled changes) or mandatorily (as per regulations).

The recent case of PT Garuda Indonesia highlights the importance of auditor rotation. This well-known Indonesian company was involved in financial statement manipulation, leading to sanctions and a mandatory auditor change by the Financial Services Authority (FSA) [4]. The discovery of the misconduct resulted in a 12-month license suspension for the Public Accounting Firm that had been auditing Garuda. Furthermore, PT Garuda Indonesia, listed on the Indonesia Stock Exchange (IDX), received a notation for its 2020 financial statements. The notation highlighted a disclaimer opinion by the auditor and a delay in submitting the annual report. This delay, with the report only submitted on July 17, 2021, exceeded the review period and placed Garuda Indonesia under special supervision by the IDX [5].

PT Garuda Indonesia's history of auditor changes raises concerns about potential manipulation of financial statements. Before 2018, Garuda used a Big Four affiliated firm, Satrio Bing Eny & Partners (Deloitte). However, in 2018, they switched to a non-Big Four firm, Tanubrata Sutanto Fahmi Bambang & Partners. This change coincided with the later-revealed financial reporting issues. Garuda then switched back to a Big Four affiliated firm, Tanudiredja, Wibisana, Rintis & Partners (PWC) in 2019. This pattern of switching, particularly the move away from a Big Four firm in the year of the discovered issues, raises suspicions. Big Four firms are generally considered to have stronger fraud detection capabilities and higher audit quality, leading to more reliable opinions on financial statements. Choosing a non-Big Four firm in the year of the fraud could be seen as an attempt to avoid scrutiny. Additionally, the frequent changes in auditors overall could be interpreted as a search for auditors willing to cooperate in manipulating financial statements.

This study explores the factors influencing a company's decision to switch auditors. Timeliness of financial reporting is crucial for a company's health. Audit delay, defined as the time difference between a company's financial year-end and the issuance of the audit report, can hinder on-time reporting [6]. Delayed reports raise concerns among stakeholders, potentially impacting trust and investment decisions. Some research suggests a link between audit delay and auditor switching, suggesting companies might seek a new firm for faster turnaround [7]. However, other studies haven't found a significant connection [8].

Another key factor is the reputation of the Public Accounting Firm, often referred to as auditor size. Choosing a well-established firm can enhance a company's credibility and attract investors. This could explain why companies using Big Four accounting firms, known for their size and prestige, might be less likely to switch auditors [7]. However, some prior research suggests Public Accounting Firm size might not be a significant factor in switching decisions [2]. The quality of the audit report, reflected in the audit opinion, also plays a role. Companies receiving an unqualified opinion, indicating a clean audit, are less likely to switch auditors as it aligns with their expectations [9]. Conversely, some studies suggest a negative effect of a qualified opinion on switching decisions [8].

Financial distress, a company's inability to meet its financial obligations, can further complicate the situation. Companies on the verge of bankruptcy might struggle to afford additional audit fees associated with switching firms, potentially deterring them from making a change [2]. However, research findings on the link between financial distress and auditor switching are mixed, with some studies suggesting no significant connection [3]. Finally, management changes within a company can also trigger auditor switching decisions, as supported by some research [10]. However, other studies haven't found a clear link [3].

These inconsistencies in past research highlight the need for further exploration. This study aims to address this gap by incorporating audit delay as a variable, utilizing the Altman Z-Score Model for a more precise measurement of financial distress, and focusing on the transportation and logistics sector. It will then analyze the impact of audit delay, Public Accounting Firm size, audit opinion, and financial distress on auditor switching decisions in this specific industry.

2   Method

2.1   Research Design

This research constitutes a quantitative study employing hypothesis testing, aiming to examine the correlation between two or more variables. The objective is to investigate the impact of audit delay, Public Accounting Firm size, audit opinion, financial distress, and management change on auditor switching within companies listed on the Indonesia Stock Exchange (IDX). The research utilizes secondary data, gathered indirectly or through intermediary sources. Data acquisition is sourced from the annual reports of companies listed on the IDX for the period 2020-2022, available on the official IDX website at www.idx.co.id. Additional information was obtained from other reputable sources, including the official websites of relevant agencies, books, and scientific papers, particularly scientific journals pertinent to this research. The data collection method for this research employs purposive sampling, specifically targeting companies within the transportation and logistics sub-sector listed on the Indonesia Stock Exchange.

2.2   Variable Measurement

Variable measurement contains the measurement and scale of each variable used during the data processing process. This variable and scale measurement are presented in Table 1. This study examines the factors influencing a company's decision to switch auditors, also known as auditor switching. Auditor switching is categorized as either mandatory or voluntary, and is measured using a dummy variable. This means the variable can only take two values: 1 if the company switched auditors and 0 if they did not switching [2], [3], [9]. Another variable of interest is audit delay, which refers to the amount of time it takes to complete an audit [6]. This is measured on a nominal scale, calculated by subtracting the financial year closing date from the date the audit report is finalized [7].

Table 1. Variable Measurement

No	Variable	Indicator	Scale
1	Auditor Switching (Y)	1 = Do auditor switching 0 = Does not do auditor switching	Nominal
2	Audit Delay (X1)	audit delay = audit report date – financial year close date	Ratio
3	Public Accounting Firm Size (X2)	1 = Big four 2 = Very large 3 = Large 4 = Medium 5 = Small	Ordinal
4	Audit Opinion (X3)	1 = Received unqualified opinion 0 = Does Not Receive an unqualified opinion	Nominal
5	Financial Distress (X4)	Altman Z-Score Method Z = 1,2X1 + 1,4X2 + 3,3X3 + 0,6X4 + 1,0X5	Nominal
6	Management Change (X5)	1 = Doing management change 0 = Does not make management change	Nominal

The size and reputation of the Public Accounting Firm, often referred to as auditor size, is also considered. Companies using Big Four accounting firms, known for their prestige and size, are categorized as "large" in this study. Public Accounting Firms not affiliated with the Big Four are classified as "small." This variable is measured using an ordinal scale based on data from Indonesia's Ministry of Finance (pppk.kemen-keu.go.id). The scale is as follows: a) Big four (Number of Public Accountants (AP) > 30), b) Very Large (Number of Public Accountants (AP) = 11-30), c) Large (Number of public accountants (AP) = 6-10), d) Medium (Number of Public Accountants (AP) = 2-5), and e) last Small (Number of Public Accountants (AP) = 1).

The audit report issued by the auditor after examining the company's financial statements is another factor [11]. This variable is also measured using a dummy variable. A value of 1 indicates the company received an unqualified opinion, signifying a clean audit, while a 0 indicates they did not receive an unqualified opinion [2]. Financial Health: Financial distress, a condition where a company experiences financial difficulty, is measured using the Altman Z-Score Model. This model assigns a Z-score to the company based on its financial ratios. Scores lower than 1.81 indicate a high risk of bankruptcy, scores between 1.81 and 2.99 suggest potential financial issues, and scores above 2.99 indicate good financial health [12]. Finally, the study considers management changes within the company, measured by another dummy variable. A value of 1 indicates a change in the board of directors, either through a shareholder meeting or a personal resignation, while a 0 indicates no management change.

2.3 Data Analysis Method

In this study, logistic regression analysis served as the chosen analytical tool. The selection of this method is based on the dichotomous nature of the dependent variable. The term "dichotomous scale" refers to a nominal data scale with two categories, such as wrong or right, good or bad, yes or no. The dependent variable in this study exclusively comprises the categories of companies that undergo auditor switching and those that do not. Logistic regression analysis is employed to assess the influence of audit delay, Public Accounting Firm size, audit opinion, financial distress, and management change on auditor switching.

3 Result and Discussion

3.1 Operation data

This study uses a population of companies listed on the Indonesia Stock Exchange (IDX) in the transportation and logistics sub-sector with the observation period 2020-2022. The sample determination used is based on the criteria of the purposive sampling method for companies listed on the Indonesia Stock Exchange (IDX) in the transportation and logistics sub-sector. Based on the results of the selection and data collection, the number of samples obtained was 24 companies. The period used in this study was 3 years (2020-2022) so 72 data were obtained. The data selection process carried out in this study is shown in Table 2 as follows:

Table 2. Sampling Criteria

No	Criteria	Number
1.	Companies listed on the Indonesia Stock Exchange (IDX) in the transportation and logistics sub-sector during the 2020-2022 period.	46
2.	Transportation and logistics sector companies that do not publish annual reports ending on December 31 and have undergone independent audits during the 2020-2022 period.	(11)
3.	Companies that use foreign currencies other than the rupiah in presenting financial statements during the observation period are excluded from the sample.	(11)
4.	Companies with incomplete data were excluded from the sample.	0
	Total Company	24
	Research Year Period	3
	Total Observation Data	72

3.2   Descriptive Statistical Analysis

Descriptive statistical analysis is a method that offers an overview and description of research variables, namely audit delay, Public Accounting Firm size, audit opinion, financial distress, management change, and auditor switching. The results present the values of descriptive statistics.

Table 3. Descriptive Statistics

	N	Min	Max	Mean	Std. Dev.
Audit Delay	72	33.00	194.00	102.8056	25.79258
Public Accounting Firm Size	72	1.00	4.00	2.3611	1.01128
Audit opinion	72	.00	1.00	.7500	.43605
Financial Distress	72	-6.27	6.97	1.2967	2.88587
Management Change	72	.00	1.00	.4722	.50273
Auditor Switching	72	.00	1.00	.2222	.41866

Based on the results of the descriptive statistics in the table 3, it is evident that there were 72 research objects (N) in this study, representing companies listed on the Indonesia Stock Exchange in the transportation and logistics sector during the period 2020-2022. The variable for auditor switching in this study is measured by a dummy variable, where the value 0 is assigned to companies that do not undergo auditor switching, and the value 1 is assigned to companies that do undergo auditor switching. The descriptive analysis of this variable indicates a minimum value of 0, a maximum value of 1, an average value (mean) of 0.22, and a standard deviation value of 0.418. This suggests that, on average, transportation and logistics companies do not engage in auditor switching. The audit delay variable in this study is measured using a ratio scale, specifically as audit delay = audit report date - financial year close date. The descriptive analysis of this variable reveals a minimum value of 33 for Mitra International Resources Tbk (MIRA) in 2021, a maximum value of 194 for Krida Jaringan Nusantara Tbk (KJEN) in 2020, an average value (mean) of 102.80, and a standard deviation value of 25.79. This indicates that, on average, the audit delay value for transportation and logistics companies is 102.

The variable Public Accounting Firm size is measured based on the size or magnitude of the Public Accounting Firm. It is quantified using an ordinal scale to categorize Public Accounting Firms into groups, as follows: Big Four Public Accounting Firm = 1, Very Large Public Accounting Firm = 2, Large Public Accounting Firm = 3, Medium Public Accounting Firm = 4, Small Public Accounting Firm = 5. This classification adheres to the categories established by the Financial Professional Development Center (PPPK) of the Ministry of Finance of the Republic of Indonesia. Descriptive statistical analysis results reveal a minimum value of 1, a maximum value of 4, an average value (mean) of 2.36, and a standard deviation value of 1.011. This indicates that, on average, transportation and logistics companies enlist the services of very large Public Accounting Firms. The audit opinion variable in this study is measured using a dummy variable, where the value 0 is assigned to companies that receive an opinion other than unquali-

fied, and the value 1 is assigned to companies that receive an unqualified opinion. Descriptive analysis of this variable indicates a minimum value of 0, a maximum value of 1, an average value (mean) of 0.75, and a standard deviation value of 0.436. This implies that, on average, transportation and logistics companies receive an unqualified opinion.

The financial distress variable in this study is measured using the Altman Z-Score Model method. According to the Altman Z-Score model, if the company has a Z value < 1.81, it is predicted to experience bankruptcy. If the value is between 1.81 and 2.99, the company is predicted to face financial problems and potential bankruptcy. If the Z value is > 2.99, the company is considered to be in good health with no potential for bankruptcy. Descriptive statistical analysis results reveal that the minimum value of -6.27 is associated with Mitra International Resources Tbk (MIRA) in 2022, the maximum value of 6.97 is linked to Armada Berjaya Trans Tbk (JAYA) in 2021, the average value (mean) is 1.29, and the standard deviation value is 2.885. This implies that, on average, Z values in transportation and logistics companies indicate financial distress, as the average Z value is < 1.81. The management change variable in this study is measured using dummy variables, where the value 0 is assigned to companies that do not make management changes, and the value 1 is assigned to companies that do make management changes. A descriptive analysis of this variable reveals a minimum value of 0, a maximum value of 1, an average value (mean) of 0.45, and a standard deviation value of 0.502. On average, this suggests that transportation and logistics companies do not frequently undergo management changes.

3.3   Overall Model Fit

Evaluating the comprehensive model in this research involved comparing the initial -2 Log Likelihood (Block Number = 0) with the concluding -2 Log Likelihood (Block Number = 1). Before comparing the two, each -2 Log Likelihood both initial and final must meet the test criteria. To test -2 Log Likelihood, you can use the Chi-Square table. If the initial -2 Log Likelihood value < Chi-Square table, it is concluded that the model before entering the independent variable has met the test requirements, while if the initial -2 Log Likelihood value > Chi-Square table, it is concluded that the model before entering the independent variable does not meet the test requirements. To determine the value of the Chi-Square table in the initial -2 Log Likelihood test, namely DF = N-1 (72-1 = 71). The value of N is the number of samples used in this study. This states that the Chi-Square table value is 91.760. Based on table 4 presents the initial -2 Log Likelihood (Block Number = 0) of 76.278. This means that the initial -2 Log Likelihood < Chi-Square table, it can be concluded that the model before entering the independent variable has met the test requirements.

After testing the initial -2 Log Likelihood, the next test is to assess the final -2 Log Likelihood with the test criteria, namely if the final -2 Log Likelihood value < Chi-Square table, it can be concluded that it is concluded that the model after entering the independent variable has met the test requirements, while if the final -2 Log Likelihood value > Chi-Square table, it is concluded that the model after entering the independent variable does not meet the test requirements. To determine the value of the Chi-Square

table in the final -2 Log Likelihood test, namely DF = N-K-1 (72-3-1 = 68). The value of N is the number of samples used in this study and the value of K is the length of the study period. This states that the Chi-Square table value is 88.250. Based on table 5 presents the final -2 Log Likelihood (Block Number =1) of 61.799. This means that in the final -2 Log Likelihood < Chi-Square table, it can be concluded that the model after including the independent variable has met the test requirements.

Based on the conclusion that the initial -2 Log Likelihood and -2 final Log Likelihood have a decrease of 14.479 (76.278-61.799), this shows that the regression model used is good or the model fits the data.

Table 4. Iteration History[a,b,c]

Iteration		-2 Log likelihood	Coefficients
			Constant
Step 0	1	76.534	-1.111
	2	76.278	-1.248
	3	76.278	-1.253
	4	76.278	-1.253

a. Constant is included in the model.
b. Initial -2 Log-Likelihood: 76.278
c. Estimation terminated at iteration number 4 because parameter estimates changed by less than .001.

Table 5. Iteration History[a,b,c,d]

Iteration		-2 Log likelihood	Coefficients					
			Constant	X1	X2	X3	X4	X5
Step 1	1	65.154	-2.352	-.006	.534	1.113	-.122	-.159
	2	62.103	-3.638	-.007	.798	1.913	-.174	-.419
	3	61.804	-4.206	-.007	.906	2.297	-.197	-.564
	4	61.799	-4.284	-.007	.922	2.353	-.200	-.587
	5	61.799	-4.286	-.007	.922	2.354	-.200	-.587
	6	61.799	-4.286	-.007	.922	2.354	-.200	-.587

a. Method: Enter
b. Constant is included in the model.
c. Initial -2 Log-Likelihood: 76.278
d. Estimation terminated at iteration number 6 because parameter estimates changed by less than.001.

3.4   Hosmer and Lemeshow's Goodness of Fit Test

The researchers assessed the validity of the logistic regression model using Hosmer and Lemeshow's Goodness-of-Fit Test [13]. This test helps determine if the model aligns with the observed data. A statistically significant result (p-value less than 0.05) would indicate a mismatch between the model and the data. In this study, Table 6 shows a Sig. value of 0.846, which is greater than the commonly used threshold of 0.05. This high

p-value suggests there's no statistically significant difference between the variables predicted by the model and the actual observations. In other words, the model fits the observed data well, and there aren't any major discrepancies between the variables.

Table 6. Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
1	4.118	8	.846

3.5   Nagelkreke R Square

Model summary in logistic regression has the same meaning as R^2 testing. To find out how much the independent variable can explain variations in the dependent variable is the goal of the summary model. Based on Table 7, shows that the Nagelkerke R Square value is 0.279, it can be concluded that the contribution of the influence of the independent variables on the dependent variable together (simultaneously) is 27.9%.

Table 7. Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	61,799	.182	.279

3.6   Correlation Matrix

Table 8. Coefficients[a]

Model		B	Std. Error	Beta	t	Sig.	Toler-ance	VIF
1	(Constant)	-.088	.262		-.336	.738		
	Audit Delay	-.002	.002	-.093	-.817	.417	.951	1.052
	Size Firm	.134	.049	.323	2.748	.008	.897	1.115
	Audit Opinion	.278	.119	.290	2.345	.022	.810	1.235
	Financial Distress	-.031	.017	-.211	-1.768	.082	.871	1.148
	Management Change	-.040	.094	-.048	-.423	.674	.971	1.030

a. Dependent Variable: Auditor Switching

This research employed a technique called multicollinearity testing to check for correlations between the independent variables in the logistic regression model. Ideally, these independent variables shouldn't be highly correlated for the model to be reliable. To assess multicollinearity, we looked at the VIF and Tolerance values. If a VIF is less than or equal to 10 and the corresponding Tolerance value is greater than or equal to 0.10, it suggests the model is free from multicollinearity. Based on Table 8, all the independent variables have VIF values below 10 and Tolerance values above 0.10. This indicates that the regression model used in this study is free from multicollinearity

3.7   Classification Table

The classification table is used to show the predictive power of the regression model in predicting the possibility of changing auditors in transportation and logistics companies. Based on Table 9, it can be concluded that the company carries out auditor switching of 18.8%.

Table 9. Classification Table[a]

			Predicted		
			Auditor Switching		Percentage Correct
Observed			Doesn't do auditor switching	Do auditor switching	
Step 1	Auditor Switching	Doesn't do auditor switching	52	4	92.9
		Do auditor switching	13	3	18.8
	Overall Percentage				76.4

a. The cut value is .500

3.8   Logistic Regression Model

The logistic regression analysis used in this research aims to see the effect of audit delay, Public Accounting Firm size, audit opinion, financial distress, and management change on auditor switching. Logistic regression analysis is presented in the Table 10:

Table 10. Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1[a]	Audit Delay	-.007	.012	.349	1	.554	.993
	Public Accounting Firm Size	.922	.360	6.547	1	.011	2.514
	Audit Opinion	2.354	1.076	4.782	1	.029	10.524
	Financial Distress	-.200	.122	2.681	1	.102	.818
	Management Change	-.587	.676	.756	1	.385	.556
	Constant	-4.286	1.998	4.599	1	.032	.014

a. Variable(s) entered on step 1: Audit Delay, Public Accounting Firm Size, Audit Opinion, Financial Distress, Management Change.

3.9   Regression Coefficient Test (t Statistical Test)

The regression coefficient test is carried out by comparing the significance level (sig.) with the error rate (α). This research uses an error rate (α) of 5%. The hypothesis results are presented in the Table 11:

Table 11. Regression Coefficient Test (t Statistical Test)

	B	Sig. One Tailed	Description	
Audit Delay	-0.007	0.554	Not significant	H1 Rejected
Public Accounting Firm	0.922	0.011	significant	H2 Accepted
Audit opinion	2.354	0.029	significant	H3 Accepted
Financial Distress	-0.200	0.102	Not significant	H4 Rejected
Management Change	-0.587	0.385	Not significant	H5 Rejected

The analysis of the logistic regression model revealed several key findings regarding factors influencing auditor switching in the transportation and logistics sector (2020-2022).

a. Audit Delay (H1 Rejected): Contrary to expectations, audit delay (time taken to complete the audit) did not have a statistically significant impact on auditor switching (p-value = 0.554). This suggests that companies are not necessarily more likely to switch auditors simply because the audit takes longer.

b. Public Accounting Firm Size (H2 Accepted): The size of the Public Accounting Firm (Big Four vs. Non-Big Four) did have a significant positive effect on auditor switching (p-value = 0.011). This aligns with the hypothesis (H2) and indicates a preference for larger, more established firms.

c. Audit Opinion (H3 Accepted): The quality of the audit report, as reflected by the audit opinion, also played a significant role (p-value = 0.029). Companies receiving an unqualified opinion (clean audit) were less likely to switch auditors (H3 supported), suggesting satisfaction with the audit process.

d. Financial Distress (H4 Rejected): Financial distress, measured by the Altman Z-Score Model, did not significantly influence auditor switching decisions (p-value = 0.102). This finding contradicts the hypothesis (H4) and suggests that financial difficulties might not be a primary driver for switching auditors.

e. Management Change (H5 Rejected): Similar to financial distress, frequent management changes within the company did not have a statistically significant effect on auditor switching (p-value = 0.385). This finding rejects the hypothesis (H5) and indicates that management changes might not be a major factor in auditor selection decisions.

3.10   Discussion

The audit delay variable shows a negative regression coefficient of 0.007, which states that an increase in audit delay of 1 (one) unit will reduce auditor switching in transportation and logistics companies listed on the IDX in 2020-2022 by 0.007 units. This explains that the longer or faster the auditor completes the independent audit report, the does not make it a consideration for a company to change auditors. Because, when a company changes auditors, the new auditor will need more time to understand the company's situation and adapt to the company's environment and will not guarantee that the new auditor can complete the independent auditor's report quickly compared to the old auditor. Based on the significant value of audit delay of 0.554 which is greater than α = 0.05 (0.554 > 0.05), it is identified that audit delay has no positive effect on auditor

switching. Agency theory emphasizes the differences in interests between company owners (principals) and management (agents). In this case, the auditor acts as an independent monitor on behalf of the owner to ensure continuity of control and transparency. A company's decision to change auditors is more influenced by other factors related to agency relationships than audit delay. For example, conflicts of interest between management and owners, a decline in audit quality, or changes in company needs may be the main triggers for changing auditors. The results of this research are in line with research conducted by [6] and [8] which concluded that audit delay does not have a positive effect on auditor switching. However, the results of this research are not in line with research conducted by [7] which proves that audit delay has a positive effect on auditor switching.

The analysis showed a positive relationship between Public Accounting Firm size and auditor switching. This means that companies listed on the IDX in the transportation and logistics sector (2020-2022) were more likely to switch auditors to larger firms. A statistically significant result (p-value of 0.011, less than 0.05) supports this finding. From an agency theory perspective, companies and auditors act as agents for shareholders (principals). The size of the Public Accounting Firm can be seen as an indicator of the auditor's strength and expertise. Larger firms are likely to have more resources and provide higher quality audits, potentially improving a company's financial reports and reputation with investors (as referenced in [2]). This aligns with previous research by [2], [14], and [7] which found a positive correlation between Public Accounting Firm size and auditor switching. It's interesting to note that companies already using Big Four affiliated firms (known for high-quality audits) are less likely to switch auditors altogether. But if they do, they tend to choose another Big Four firm [2]. This suggests a preference for maintaining the level of audit quality associated with larger firms.

The audit opinion variable shows a positive regression coefficient of 2.354, which states that an increase of 1 (one) unit will increase auditor switching in transportation and logistics companies listed on the IDX in 2020-2022 by 2.354 units. This explains that if the company receives an unqualified opinion, it will reduce the possibility of auditor switching, whereas if the company does not receive an unqualified opinion, it will increase the possibility of auditor switching. Based on the results, the significance value of audit opinion is 0.029, which is smaller than $\alpha = 0.05$ (0.029 < 0.05), stating that audit opinion has a positive effect on auditor switching. In agency theory, it states that conflicts of interest between company management and shareholders can affect auditor independence. Auditors who work with clients over long periods may develop too close a relationship with management, which can reduce their independence and affect audit quality. Agency theory suggests that auditors have an agency role and protect the interests of shareholders by ensuring that the financial information provided by the company is accurate and reliable. Auditor switching can be seen as an action to overcome potential conflicts of interest that may arise after a long relationship with a client. Based on the significance value of this research, it can be concluded that audit opinion has a positive effect on auditor switching. This supports research conducted by [10], [15], [9], and [6] because if the opinion given is not following the client's wishes, then the company will carry out auditor switching to get the opinion that the client expects. Companies that have received an unqualified opinion will not carry out auditor

switching. However, this research does not support research conducted by [3], [7], and [2] which stated that audit opinions do not affect auditor switching or negative [17]. 54 observation data received an unqualified opinion, 14 of which were the result of changing auditors, while the other 40 did not change auditors. This is stated in the opinion they get that is following the client's wishes, namely before and after that period. Therefore, the company did not change auditors. Meanwhile, those who received other than unqualified opinions were 18 observation data, 16 of them did not change auditors and 2 did change auditors. It can be concluded from these data that this research states that audit opinion has a great influence on auditor switching.

The study found a negative, but statistically insignificant, relationship between financial distress and auditor switching in transportation and logistics companies on the IDX (2020-2022). This means that companies experiencing more financial distress were not necessarily more likely to switch auditors. There are a couple of possible explanations for this. Agency theory suggests that companies facing financial difficulties might want to hide this information and potentially manipulate their financial reports. This could be a reason to switch auditors. However, the research suggests other factors, like auditor quality and reputation, might be more influential in the decision to switch. Furthermore, companies in financial distress might be hesitant to switch auditors due to the additional cost of a new audit engagement, potentially harming investor confidence. This aligns with previous research by [3], [14], [9], [2], and [16].

The management change variable shows a negative regression coefficient of 0.587, which states that an increase in management change by 1 (one) unit will reduce auditor switching in transportation and logistics companies listed on the IDX in 2020-2022 by 0.587 units. This explains that the bigger a company carries out management changes, the bigger the company carries out auditor switching. Meanwhile, the smaller the company is to carry out management changes, the smaller the company is not to carry out auditor switching. Based on the significance value of management change of 0.385 which is greater than $\alpha = 0.05$ (0.385 > 0.05), it is identified that management change has no positive effect on auditor switching. In agency theory, it is a framework used to analyze the relationship between the principal (owner or investor) and the agent (management or party responsible for running the company). Management change is assumed that this change can affect the dynamics of the agency relationship. If there is a change in management, uncertainty or changes may arise in the company's strategy, financial policies, or corporate governance. This can cause a mismatch between the interests of the owner (principal) and management (agent). Owners may have certain preferences regarding auditors or corporate governance that differ from the new management's preferences. In this case of auditor switching, the owner may want to change auditors to ensure greater transparency and accountability, while the new management may have strong relationships with the previous auditor or other preferences that are not in line with the owner. Therefore, the results of this research may indicate that management change can trigger a mismatch in agency interests between owners and management, which then influences the company's decision to carry out auditor switching. It can be concluded that this research supports the basic concept of agency theory that changes in management structure or composition can influence agency dynamics and

company decisions. Based on the significance value of this research, it can be concluded that management change has no positive effect on auditor switching. This supports research conducted by [3], [7], [14], and [9] which states that management change has no positive effect on auditors. switching. However, this research does not support research conducted by [2], [10], and [11] which stated that management change has a positive effect on auditor switching.

The analysis revealed a negative coefficient for management change, but it wasn't statistically significant (p-value of 0.385). This means that having more frequent management changes in transportation and logistics companies on the IDX (2020-2022) wasn't necessarily linked to a higher likelihood of switching auditors. From an agency theory perspective, management changes can disrupt the relationship between owners (principals) and management (agents). Different management teams might have varying preferences for auditors or corporate governance practices. Owners might seek an auditor switch to ensure transparency under new leadership, while the new management might prioritize existing relationships with the previous auditor. However, the study suggests these factors might not be as influential as previously thought. This finding aligns with prior research by [3], [7], [14], and [9] which found no significant connection between management change and auditor switching. It contradicts studies by [2], [10], and [11] that suggested a positive association.

4   Conclusion

This study examined the influence of several factors on auditor switching decisions in transportation and logistics companies listed on the Indonesia Stock Exchange (IDX) between 2020 and 2022. The factors analyzed included audit delay, Public Accounting Firm size, audit opinion, financial distress, and management change. The findings revealed that audit delay did not significantly impact auditor switching decisions. Conversely, the size of the Public Accounting Firm emerged as a significant factor. Companies were more likely to switch to larger firms, potentially seeking enhanced resources and expertise. Audit opinion also played a crucial role. Companies receiving unqualified opinions, indicating a clean audit, were less likely to switch auditors. This suggests a potential preference for maintaining a trusted relationship with the existing auditor. Financial distress, on the other hand, did not significantly influence auditor switching. This may be because companies experiencing financial difficulties prioritize cost-saving measures and are hesitant to incur additional audit fees associated with switching firms.

Finally, management changes within the company did not demonstrate a clear link to auditor switching decisions. The results suggest that other factors likely hold greater weight when companies make auditor selection choices. These findings offer valuable insights into the decision-making process behind auditor switching in the Indonesian transportation and logistics sector. Understanding these factors can be beneficial for both companies and audit firms in navigating the auditor selection process.

References

1   PSAK, Pernyataan Standar Akuntansi Keuangan (PSAK), Jakarta: Ikatan Akuntansi Indonesia, 2019.

2   N. D. Setyoastuti, M. and Y. J. Nilawati, "The Effect Of Management Change, Financial Distress, Hood Size, And Audit Opinion On Auditor Switching In Property And Real Estate Companies Listed On The Stock Exchange. Real Estate Companies Listed On Indonesia Stock Exchange In 2012-2016," *Jurnal Akuntansi Trisakti,* vol. 7, no. 1, pp. 89-110, February 2020.

3   D. A. Rahman and L. Monica, "Factors Affecting Auditor Switching," *Reviu Akuntansi dan Bisnis Indonesia,* vol. 5, no. 1, pp. 1-12, 2021.

4   "Kompas.com,"   29   06   2019.   [Online].   Available: https://money.kompas.com/read/2019/06/29/071953626/laporan-keuangan-bermasalah-garuda-diminta-ganti-auditor.

5   "kumparanBISNIS.com,"   19   09   2021.   [Online].   Available: https://kumparan.com/kumparanbisnis/dapat-catatan-dari-bei-garuda-indonesia-masuk-kriteria-dalam-pemantauan-khusus-1wAHxmI4d07.

6   T. Trisanti, D. I. Kusuma, E. Herowati and S. , "Determination of Factors Causing Auditor Switching: Evidence from Listed Manufacturing Companies in Indonesia," *International Journal of Social Science And Human Research,* vol. 5, no. 3, pp. 804-813, March 2022.

7   K. Hayati, J. Sihotang, A. Lubis and D. Halawa, "The Effect of Institutional Ownership, Audit Opinion, KAP Reputation, Management Changes and Audit Delay on Auditor Switching," *Journal Research of Social Science, Economic, and Management,* vol. 01, no. 02, pp. 130-145, September 2021.

8   A. N. Qomari and D. Suryandari, "The Roles of Auditor's Reputation in Moderating the Factors Affecting," *Accounting Analysis Journal,* vol. 08, no. 03, pp. 191-197, November 2019.

9   M. E. S. Tjahjono and S. Khairunissa, "Audit Opinion, Financial Distress, Client Growth, and Management Change on Auditor Switching," *Jurnal Akuntansi,* vol. 8, no. 2, 2021.

10 R. N. Candradewi and G. , "Auditor Reputation as a Moderator of the Effect of Audit Opinion and Management Change on Auditor Switching," *E-Jurnal Akuntansi,* vol. 30, no. 10, pp. 2456-2470, 2020.

11 Fenny, R. R. Ginting and E. N. Simorangkir, "The Influence of Management Change, Audit Opinion, and Audit Fee on Auditor Switching with Financial Distress as a Moderating Variable in Property and Real Estate Companies Listed on the Indonesia Stock Exchange," *International Journal of Social Science Research and Review,* vol. 5, no. 9, pp. 47-61, September 2022.

12 E. Resfitasari, T. M. Gumelar, A. Ulhaq and N. Rusmayani, "Financial Distress Prediction Analysis With Altman Z-Score Method On Pt Waskita Karya Tbk," *Jurnal Aktiva : Riset Akuntansi dan Keuangan,* vol. 3, no. 3, pp. 131-140, 2021.

13 I. Ghozali, Aplikasi Analisis Multiariate Dengan Program SPSS, Universitas Diponegoro, 2011.

14 N. D. P. Yana and I. P. Dewi, "Analysis of Factors Affecting Auditor Switching," *Riset Akuntansi dan Keuangan Indonesia,* vol. 8, no. 1, 2023.

15 Fenny, I. Wendy, Stevanny and T. T. U. Sipahutar, "The Effect of Financial Distress, Auditor Opinion and Management Change on Auditor Switching in Basic and Chemical

Industry Companies on the Indonesia Stock Exchange," *Komunikasi Ilmiah Akuntansi dan Perpajakan,* vol. 13, no. 1, pp. 73-84, April 2020.

16 M. Yusuf, G. Witjaksono, E. S. Arista and D. S. D. Afriza, "The Effect Of Company Size And Financial Distress On Auditor Switching Using The Company Growth As Moderating Variable At Property For Real Estate Companies In Indonesia," *INQUISITIVE,* vol. 2, no. 2, pp. 100-118, June 2022.

17 Dewi, V.S. Pengaruh Kepemilikan Saham Manajemen Dan Opini Akuntan Publik Terhadap Penggantian KAP. *J. , Bisnis Ekon.* 2015, *13*, 2.