ANALYSIS FACTORS AFFECTING AUDITORS SWITCHING IN INFRASTRUCTURE, UTILITY AND TRANSPORTATION COMPANIES LISTED IN THE INDONESIA STOCK EXCHANGE PERIOD 2019-2021

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ABSTRACT

This study aims to examine the effect of change in management , audit opinion, audit fee, and company size. The cases of auditor scandals in recent years provide further evidence of audit failures that have had serious consequences for the business community and the emergence of a crisis of public trust in the profession of public accountants. This research uses agency theory where an auditor acts as a mediator for both parties (agent and principal).The Data research comes from the financial statements of all infrastructure, utility and transportation companies obtained from the Indonesia Stock Exchange (IDX) for the 2019-2021. The sample data that were successfully analyzed in this study came from 15 companies obtained from the purposive sampling method. Data analysis was carried out using an analytical technique in the form of logistic regression test. The results of the analysis that the variable change in management has effect on the auditor switching, audit has no effect on the auditor switching, company size has no effect on the auditor switching and audit fee has no effect on the auditor switching.

Keywords: *Change In Management, Audit Opinion, Company Size, Audit Fee, Auditor Switching*

INTRODUCTION

Auditor scandal cases in recent years provide further evidence of audit failures that have serious consequences for the business community and a crisis of public confidence in the public accounting profession. Public accountants get a lot of attention from the public who think that accountants have conspired to manipulate information for the benefit of a group of people, at the expense of the interests of many people.

The case of Auditor Switching that occurred in Indonesia was carried out by PT Inovisi Infracom Tbk (INVS). Auditor Switching was carried out by the company because many errors were found in the company's financial performance report for the third quarter of 2014 which resulted in the suspension of trading of its shares by the Indonesia Stock Exchange. Inovisi's Corporate Secretary, Dwiwati Riandhini, said that Auditor Switching was carried out so that the quality of the company's financial report submission could improve in accordance with applicable regulations and standards. The company appointed Kreston International (Hendrawinata, Eddy Siddharta, Tanzil, and Partners) to audit its Financial Performance Report. Previously, Inovisi used the Public Accounting Firm (KAP) Jamaludin, Ardi, Sukimto and Partners in the 2013 Financial Statement Audit (Aliya, 2015).

In addition, there was also a case that occurred in PT Garuda Indonesia Tbk (GIAA) which stated that it would respect and follow up on the results of the examination by the Financial Services Authority (OJK) and the Ministry of Finance which resulted in sanctions against the Company's 2018 Financial Statements. Previously, The Minister of Finance, Sri Mulyani Indrawati has imposed sanctions on the auditors of the financial statements of Garuda Indonesia and its subsidiaries for the 2018 Financial Year. The sanctions given are in the form of suspension of permits for 12 months against the public accountant as the auditor for committing serious violations that have the potential to affect the opinion of the Independent Auditor's Report. Deputy for Financial Services, Survey Services and Consultants at the Ministry of SOEs, Gatot Trihargo, said that SOE Minister Rini Soemarno had asked Garuda management to replace the Public Accounting Firm and internal audit which handled the company's financial statements, even before the sanctions were imposed by the OJK and Ministry of Finance (Kencana, 2019).

There are several factors that influence companies to perform Auditor Switching, namely the change in audit opinion management, client company size and audit fees. Management change is one of the factors that can affect the occurrence of Auditor Switching in a company. Research that supports this statement was submitted by Pawitri and Yadnyana (2015); Wea and Murdiawati (2015); Manto and Wanda (2018); Safriliana and Muawanah (2019), but there are also some researchers who reject this statement such as Karina, Kholmi, and Harventy (2014); Kurniaty, Hasan, and Anisma (2014): Augusty and Wilopo (2017). The statement that audit opinion can influence Auditor Switching is supported by Putra and Suryanawa (2016); Permata Sari and Astika (2018); Alisa, Devi, and Brillyandra (2019), but have different opinions with Pawitri and Yadnyana (2015); Heliodoro, Carreira, and Lopes (2016), Kholipah and Suryandari (2019); who said that the audit opinion had no effect on the company in performing auditor switching. The statement that the size of the client company can affect auditor switching is supported by Yulia Netti (2014), but differs from Khusna Hidayati, Dyah Ekaari Sekar Jatiningsih (2019) who says that the size of the client company has no effect on Auditor Switching. The statement that audit fees can affect Auditor Switching is supported by Lani Maelsi Sitepu (2018), but disagrees with Dalena Rosa Karliana (2017) who says that audit fees have no effect on Auditor Switching.

THEORITICAL BASIS

1. Agency Theory

This theory is a theory that explains the relationship between the agent (management) and the principal (shareholder/owner) who have entered into an agreement in an employment contract. The principal as a shareholder provides company facilities and costs, while the agent manages the company and is obliged to increase the value of the company in order to improve the welfare of shareholders. Managers and owners of companies have different interests, not just to make the company better. This causes agency problems that lead to conflicts of interest. The cause of the conflict of interest is the owner of the company on the one hand still wants to get a good return with increased financial results and high dividends. While on the other hand, management wants additional rewards and bonuses when they feel they are doing a good job (Hartaty, 2016: 46). So it can be concluded that the principal and agent can occur due to incomplete information (asymmetric information**)**.

Theoretical evidence regarding Auditor Switching is based on agency theory (Sulistiarini and Sudarno, 2012). Both the principal and the agent want to get the maximum benefit and want to avoid the risks that may occur in the company. In agency theory, the independent auditor acts as a mediator between the two parties (agent and principal) with different interests. Independent auditors also serve to reduce agency costs arising from self-serving behavior by managers. But on the other hand, management wants additional compensation or bonuses so that they can increase their satisfaction. This difference creates conflicts of interest: (1) between shareholders and management, (2) between shareholders and debtholders, and (3) between managers, shareholders and debtholders. Because of the conflict of interest between the manager (agent) and shareholders (principle) that is what triggers the change of management. Changes in management carried out on the decision of the GMS which are expected to support the wishes of the shareholders. Management will generally apply different accounting policies with previous management. Therefore, the new management also expects the public accounting firm to become a partner in the company that is able to work together so as to produce the opinions expected by the new management. If the company obtains an opinion other than an unqualified opinion from its auditor, the new management is likely to do voluntary Auditor Switching because the opinion is not in accordance with the wishes of the management.

This theory is used as the basis for the first and third hypotheses where management changes and the size of the client company can affect the company's decision to perform auditor switching.

2. Auditor Switching

Auditor Switching is an action taken by companies to switch auditors (Manto and Manda, 2018). Auditor switching is done as a way to maintain auditor independence and the reliability of the company's financial statements. Auditor switching can occur obligatory or according to regulations (mandatory) and voluntarily or outside regulations (voluntary). The regulations governing auditor switching are the Regulation of the Minister of Finance Number 17/PMK.01/2008 and The Government Regulation of the Republic of Indonesia Number 20 of 2015 concerning the Practice of Public Accountants. Auditor Switching due to reasons other than regulations set by the government is called voluntary auditor switching. Companies can make Auditor Switching voluntarily because there are no regulations that prohibit companies from doing Auditor Switching before the stipulated time period.

3. Change in Management

Change in management is the change of the company's directors which is mainly caused by the decision of the general meeting of shareholders and the directors to stop of their own accord (Sudarno, 2012). Changes in management within the company are often followed by changes in company policies, including the selection of KAP (Sinarwati, 2010). The company will look for a KAP to work with that is in line with the company's policies and financial statements after the contract agreement between the two parties is completed according to the time of the audit process agreement.

4. Audit Opinion

Audit opinion is a statement or opinion of the auditor regarding the information presented in the financial statements of the company examined by the auditor. At the end of the examination in a general audit (general audit), the auditor will provide an accountant report consisting of an opinion sheet and financial statements (Agoes, 2011).

5. Company Size

Company size is the volume of a company's size as measured by the company's total assets (Arisudhana, 2017). Larger companies have more business complexity and increased separation between shareholders and company management. The increasing size of the company allows agency conflicts to also increase thereby increasing the demand for audit quality. Ideally, the size of the company should match the size of the public accounting firm based on the type of service required

6. Fee Audit

Audit fee is the fee received by the auditor from the client company for the auditing services that have been performed by the auditor. Chadegani, et al. (2011) stated that audit fees have been identified by previous research as one of the main factors for companies to perform auditor switching.

HYPOTHESES

Changes in management within the company are often followed by changes in company policies, including the selection of KAP (Sinarwati, 2010). The company will look for a KAP to work with that is in line with the company's policies and financial statements after the contract agreement between the two parties is completed according to the time of the audit process agreement. According to Wijayanti (2010) states that "companies that change management will replace their KAP because management will look for KAP in accordance with the wishes of the company". The first hypothesis is formulated as follows:

H1: Changes in management affect Auditor Switching in infrastructure, utility & transportation companies listed in The Indonesia Stock Exchange.

Management will terminate their relationship with the auditor if an adverse opinion on the company's financial statements is issued by their auditor. According to Chow and Rice (1982), there is empirical evidence that "companies tend to switch KAPs after receiving a qualified opinion on their financial statements". The greater the auditor's desire to issue an opinion other than an unqualified opinion to his client company, the greater the tendency of the company to perform Auditor Switching. The second hypothesis is formulated as follows:

H2: Audit Opinion affect Auditor Switching in infrastructure, utility & transportation companies listed in The Indonesia Stock Exchange.

The quality of audits carried out by public accountants can be assessed from the size of the KAP that carries out the audit process. Lennox, C., (1999) found a positive correlation between audit quality and the size of a public accounting firm. Companies will certainly prefer KAPs with better quality in order to improve the quality of financial reports and improve the company's reputation in the eyes of users of financial statements, because audit reports from large accounting firms in this case the big four are preferred/more trusted by investors, it is likely the company will change its auditors to improve the quality and reputation of the company. The third hypothesis is formulated as follows:

H3: Company size affect affect Auditor Switching in infrastructure, utility & transportation companies listed in The Indonesia Stock Exchange.

Damayanti and Sudarma stated that "the appointment of KAP by the company, which is represented by the shareholders, is related to the total fee. The level of the audit fee determined reflects the image of the public accounting firm in the community and whether the auditor is professional in their field. Ismail (2008) revealed that "dissatisfaction with the audit fee that the company provides to the auditor can lead to the change of KAP". The urge to do auditor switching can be caused by the audit fee that is too high offered by a KAP to a company so that no agreement is reached between the client company and the KAP regarding the amount of audit fee that will be received by the auditor. Chadegani, et al. (2011) revealed that "when managers feel unsuitable or uncomfortable with their audit fees, managers try to change KAP in the hope that managers get auditors that are in accordance with the audit fees they offer". The fourth hypothesis is formulated as follows:

H4: Audit fee affect Auditor Switching in infrastructure, utility & transportation companies listed in The Indonesia Stock Exchange.

DATA AND METHODOLOGY

The population used in this study are infrastructure, utility & transportation companies in listed The Indonesia Stock Exchange in 2019 - 2021. In this study, the sampling method used was purposive sampling, namely samples selected from the population with certain criteria. The criteria used in determining the sample are as follows:

1. An infrastructure, utility & transportation service company listed on the Indonesia Stock Exchange.
2. Infrastructure, utility & transportation service companies listed on the Indonesia Stock Exchange have annual financial reports that have been audited successively for the period 2019 - 2021.
3. Infrastructure, utility & transportation service companies listed on the Indonesia Stock Exchange experiencing Auditor Switching.

The type of data used in this research is quantitative data. The method of data collection in this research is to use the method of literature study and documentation.

Data analysis technique used is Logistics Regression Analysis, Overall Model Fit, Hosmer dan Lemeshow's Goodness of Fit Test and t-test.

Tabel 1 Variable Measurement

Variable	Measurement
Auditor Switching (Y)	A dummy variable, a value of 1 is given if the company replaces KAP, and 0 for companies that do not change KAP
Change in Management (X1)	A dummy variable, a value of 1 is given if the company replaces the president director and 0 for companies that do not change the president director
Audit Opinion (X2)	A dummy variable, a value of 1 is given if the company receives an unqualified opinion, and 0 for a company that receives a non-qualified opinion
Company Size (X3)	Log total assets
Audit Fee (X4)	Dummy variable, if the client changes the class of KAP from big four to non big four or from non big four to big four then it is given a value of 1, if the client does not change class (change class) KAP is given a value of 0

RESULTS AND DISCUSSION

The population in this study are all infrastructure, utility and transportation companies in a total of 72 companies. The sampel in a total of 15 companies.

The results of the logistic regression test is obtained as follows:

AS = -17,534 + 1,958 PM + 20,948 OA - 0,163 UP + 22,352 FA + e

The constant value is -17.534, this shows that the constant value of the dependent variable is -17.534.

The coefficient value of change in management variable is 1,958, which means that if the management turnover has increased by 1 point and the other independent variables have a fixed value, the management turnover variable will increase the auditor switching by 1,958.

The coefficient value of the audit opinion variable is 20,948, which means that if the audit opinion increases by 1 point and other independent variables have a fixed value, the audit opinion variable will increase auditor switching by 20,948.

The coefficient value of the client firm size variable is -0,163, which means that if the client firm size decreases by 1 point and the other independent variables have a fixed value, the client firm size variable will increase auditor switching by -0,163.

The coefficient value of the audit fee variable is 22,352, which means that if the audit fee has increased by 1 point and other independent variables have a fixed value, the audit fee variable will increase auditor switching by 22,352.

The results of the overall model fit show that the regression model is better or the hypothesized model fits the data (Ghozali, 2016).

The results of the Hosmer dan Lemeshow's Goodness of Fit Test show that regression model is feasible to be used in next analysis.

The results of the t-test show that at Table 2:

Table 2 Logistics Regression Test Results

Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1[a]	Change in Management	1,958	,971	4,072	1	,044	7,088
	Audit Opinion	20,948	28420,134	,000	1	,999	1251896336,489
	Company Size	-,163	,110	2,193	1	,139	,850
	Audit Fee	22,352	23104,619	,000	1	,999	5096306858,242
	Constant	-17,534	28420,134	,000	1	1,000	,000

a. Variable(s) entered on step 1: Change in Management, Audit Opinion, Company Size, Audit Fee

The results of the logistic regression test show that H1 is accepted, so that there is an influence between management changes on auditor switching. This is because management changes can have an influence on policy changes that occur, including in the fields of finance, accounting, and in choosing a public accounting firm. Changes in management can be followed by changes in KAP because of the demand for KAP to follow the will of management, such as accounting policies applied by management (Salim & Rahayu, 2014b).

Previous research that supports the effect of management change on auditor switching is research conducted by Sa'adah & Kartika (2018), Saputra (2017) and Udayani & Badera (2017) with the results of management turnover having a positive effect on auditor switching.

The results of the logistic regression test show that H2 is rejected, so there is no influence between audit opinion on auditor switching. This is because the companies that are sampled mostly get unqualified opinions from public accounting firms that are partners, so the number of companies that perform auditor switching is not much. Pawitri and Yadnyana (2015) also reveal that companies that receive audit opinions other than unqualified are not always followed by changes in company policies to perform auditor switching, this is because some companies will prefer to correct their mistakes rather than perform auditor switching.

The results of the logistic regression test show that H3 is rejected, so there is no influence between the company size on auditor switching. This is because the implementation of auditor switching in Indonesia generally has a unidirectional relationship between the company and its KAP. Small company sizes or companies with small total assets tend to use small KAPs, while large companies or companies with large total assets will use large KAPs or Big-four KAPs. Therefore, large companies have a lower tendency to perform auditor switching on the grounds of avoiding agency costs and maintaining audit quality.

The results of the logistic regression test show that H4 is rejected, so there is no influence between audit fee on auditor switching. This is because management as an agent has a function in decision-making and authority, this is what supports if the management has considered the selected auditor to have met the qualifications required by the company and in line with the management's view, the high fee is not a problem, then the condition where management chooses an auditor with a fairly high fee offer but the auditor has met the required qualifications. So that it can be interpreted to provide benefits that are higher than the costs incurred.

CONCLUSION

The results of this study prove that changes in management affect auditor switching in infrastructure, utility & transportation companies listed on the Indonesia Stock Exchange in 2019 - 2021. Whereas audit opinion, company size and audit fee have no affect auditor switching in infrastructure, utility & transportation companies listed on the Indonesia Stock Exchange in 2019 - 2021.

Suggestions for next research are expand the object of research so that research results can be generalized, using a longer research time span in order and adding other independent variables such as financial distress, audit delay, audit tenure or other variables.

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