



The influence of audit opinion, audit delay, kap size, client company size, and financial distress on auditor switching

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ABSTRACT

This study aims to analyze the impact of audit opinion, audit delay, firm size, the scope of Public Accounting Firms (KAP), and financial distress on auditor changes in property and real estate companies listed on the Indonesia Stock Exchange (IDX) from 2017 to 2022. To test the proposed hypotheses, secondary data from the companies' annual reports were analyzed using quantitative methods and logistic regression. The results indicate that financial distress, audit opinion, and KAP size do not affect auditor switching, whereas company size and audit delay significantly influence auditor changes.

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INTRODUCTION

Publicly traded companies in Indonesia are obligated to release financial statements, which offer crucial details regarding a company's financial status, performance, and variations, as stipulated by the *financial accounting standards of the Indonesian Institute of Accountants*. Nonetheless, management, as the entity responsible for preparing these reports, may have incentives that are at odds with the interests of external stakeholders who desire an accurate depiction of the company's condition (Wati, 2020). This gap in interests is bridged by auditors, who act as independent third parties (Darmayanti, 2017). Auditor switching, which refers to changing auditors, can be mandatory, as dictated by regulations such as the Ministry of Finance Regulation 359/KMK.06/2003, requiring public accounting firms to switch every five years and public accountants every three years (Darmayanti et al., 2021). By making switching essential, auditor independence is promoted and client-auditor cooperation is avoided. Audit opinion, audit delay, the size of the public accounting firm (KAP), the size of the client company, and financial crisis are some of the factors that affect auditor switching (Klarasati et al., 2021).

In Indonesia, auditor switching has been observed in several cases, including PT Garuda Indonesia Tbk in 2019, where manipulation by the responsible auditor led to the financial statements not being signed by the board of directors, prompting a switch from KAP BDO to KAP Tanudireja, Wibisana, Rintis, and Partners (Sagin, 2019). Similarly, PT Hanson International Tbk

faced sanctions from the Financial Services Authority (OJK) against its auditor for inflating revenue, highlighting issues such as declining auditor reputation, excessive audit tenure, and client dissatisfaction with previous audit opinions as factors driving auditor switching (Sirait, 2022). In another instance, PT Sekawan Intipratama Tbk experienced three changes of KAP within six years, first using KAP Drs. Basri Hardjosumarto and Partners, then switching to KAP Hertanto, Sidik & Partners in 2014, and again to KAP Junaedi, Chairul, and Subyakto in 2015, due to ongoing losses (Aini & Yahya, 2019). The researcher focuses on auditor switching in property companies, which frequently change KAPs in response to factors like financial losses, suggesting a potential for growth and increased public interest in the property sector (Saputra et al., 2020).

Auditor switching refers to the rotation of public accounting firms (KAP) and auditors overseeing a company's audits to enhance independence and prevent fraud (Kurniawan & Afriyenti, 2019). Companies often switch auditors due to disagreements over audit opinions, influenced by factors like financial distress, audit delays, and firm size (Elvira & Praptoyo, 2022). Larger firms tend to choose Big Four KAPs for higher audit quality, while smaller firms opt for non-Big Four auditors. Studies show that financial distress, audit opinion, and audit delays positively affect auditor switching, whereas KAP size and firm size have negative effects (Purwanto, 2022). However, KAP reputation and higher audit fees from larger KAPs often deter companies from switching auditors (Antoni et al., 2018).

Previous studies have extensively examined the relationship between large and small public accounting firms (KAPs) in relation to audit quality, particularly in various industries. However, specific research on the property sector remains limited. Some studies indicate that large KAPs, especially the Big Four, are often associated with higher audit quality due to their resources, expertise, and reputation (Elvira & Praptoyo, 2022). In contrast, smaller KAPs may be chosen by companies looking to reduce audit fees or due to the belief that smaller firms might offer more personalized services. In the property sector, which often involves complex financial structures and substantial transactions, the choice between large and small KAPs can significantly affect audit quality. For instance, larger property companies tend to prefer large KAPs for their ability to handle complex audits, whereas smaller companies in financial distress or seeking cost savings may opt for smaller KAPs despite potential concerns about audit quality (Purwanto, 2022). Therefore, the relationship between KAP size and audit quality in the property sector is crucial, as it can influence not only the perceived credibility of financial reports but also investor confidence and regulatory scrutiny (Saputra et al., 2020).

Research by Stevani & Siagian (2020) titled "The Influence of Financial Distress and KAP Size on the Auditor Switching Phenomenon on the Indonesia Stock Exchange: Evidence from Manufacturing Companies" showed that financial distress and KAP size significantly influenced auditor changes. This was evidenced by the omnibus test results indicating a significant influence from both independent variables (Sinaga et al., 2021). This study is a development of research by Muslimah & Pohan (2022) The examination of how audit opinion, KAP reputation, KAP size, and financial distress affect auditor switching is currently underway. What sets this study apart from previous research is the incorporation of company size as an independent variable (Lumban Gaol & Duha, 2021). The justification for incorporating company size is that it could indicate a company's magnitude, differentiating it as big or tiny (Holdi & Tarmizi, 2022). Numerous measures, including total assets, total sales, market capitalization, number of employees, and other pertinent variables, can be used to assess the size of a company. This implies that the evaluation of a company's size can be viewed from a variety of perspectives that accurately reflect its breadth, and opinions on the effect of a company's size on auditor switching are still divided (Jayanti et al., 2020).

The study focuses on real estate and property companies from 2017 to 2022, chosen due to the sector's slower growth following Bank Indonesia's policy changes in 2017, which may have led to financial difficulties and increased auditor switching. It proposes five hypotheses on factors

influencing auditor switching: audit opinion (H1) can trigger auditor changes based on financial statement fairness; audit delay (H2) may prompt changes due to audit completion delays; KAP size (H3) suggests larger firms, like the Big Four, maintain higher audit quality; client company size (H4) affects switching as larger firms seek better audits; and financial difficulties (H5) increase the likelihood of auditor changes.

In light of the above explanation, the author is keen to pursue additional research on *auditor switching*, under the title “The Effect of Audit Opinion, KAP Reputation, KAP Size, Client Firm Size, and Financial Distress on *Auditor Switching*” (an empirical study on property and real estate companies listed on the Indonesia Stock Exchange from 2017 to 2022).

RESEARCH METHOD

This research adopts a quantitative approach based on positivism to test theories related to auditor rotation in companies listed on the Indonesia Stock Exchange (IDX) from 2017 to 2022. The period 2017-2022 was specifically chosen for several reasons. First, these years represent a time of economic fluctuation, including the impacts of regulatory changes and global events, which may have influenced auditor switching practices. Additionally, the Financial Services Authority (OJK) and other regulatory bodies increased their scrutiny on financial reporting and audit quality during this period, making it relevant to examine how such factors affected auditor rotation. Using secondary data from firms' annual reports, obtained from the IDX website and company websites, the study analyzes the impact of various factors on auditor switching through logistic regression. The sample consists of property and real estate companies that provided detailed annual reports, including data on auditor switching, audit delays, KAP size, company size, and financial difficulties. The analysis aims to assess how these variables influence auditor rotation during this specific timeframe.

Data collection was conducted using the documentation method, which involves gathering and analyzing data related to the independent and control variables found in the companies' annual reports. Documentation is an important method in this research, as its primary aim is to obtain data to answer the research hypotheses.

Table 1. Measurement of Research Variables

Variable	Definition	Indicator
Auditor Switching (Y)	The voluntary change of auditor or public accounting firm (KAP) by a company.	0 = No voluntary auditor switching 1 = Voluntary auditor switching (Fauziyyah et al., (2019))
Audit Opinion (X1)	The auditor's statement regarding the fairness of a company's financial statements.	0 = Unqualified opinion 1 = Qualified opinion (Lumban Gaol & Duha, (2021))
Audit Delay (X2)	The number of days between the fiscal year-end and the audit report date.	Audit Delay = Audit report date - Financial statement date. (Sagin, (2019))
Size of Public Accounting Firm (X3)	The size of the public accounting firm (KAP), categorized as Big 4 or non-Big 4.	0 = Non-Big 4 1 = Big 4. (Cristansy & Ardiati, (2018))
Client Firm Size (X4)	The size of the client company, measured by total assets.	Natural logarithm of total assets. (Saputra et al (2020))

The operational definitions and measurement methods for the study's independent and dependent variables are outlined in the table. Examining auditor switching as the dependent variable, audit opinion, audit delay, audit firm size, client company size, and financial distress are the independent factors. The table provides particular methodology for evaluating each variable.

Logistic regression is used in conjunction with descriptive statistics for data analysis. An overview of the data's properties, including the lowest, maximum, mean, and standard deviation for each variable, is given by descriptive statistics. To determine whether the independent factors

have an impact on the chance of auditor switching, logistic regression is used. The Goodness of Fit Test is used in this analytical procedure to assess the model's viability, and the likelihood value is used to evaluate the model as a whole. The model's ability to explain the variation in the dependent variable is measured using the Nagelkerke R Square coefficient of determination. Additionally, a classification table is used to determine the values for accurate and inaccurate predictions.

The logistic regression model in this research aims to predict the occurrence of auditor switching based on the independent variables studied. Parameter estimation is performed using Maximum Likelihood Estimation (MLE). The regression model used is as follows:

$$\text{SWITCH} = a + \beta_1 \text{OPINI} + \beta_2 \text{AUDLY} + \beta_3 \text{UKAP} + \beta_4 \text{SIZE} + \beta_5 \text{DER} + e$$

Where SWITCH represents auditor switching, OPINI is the audit opinion, AUDLY is the audit delay, UKAP is the audit firm size, SIZE is the client company size, DER is financial distress, and e represents the residual error.

RESULTS AND DISCUSSIONS

Research Data Description

The sample for this study comprises property and real estate firms listed on the Indonesia Stock Exchange (IDX) from 2017 to 2022. The sampling method employed in this research is purposive sampling, with the criteria for selection being property and real estate companies listed on the IDX within the specified timeframe, along with firms that provide comprehensive annual reports. These reports must include details related to auditor switching, audit delays, audit firm size, client company size, financial distress, and other pertinent information relevant to this study. The sampling process according to these criteria is presented in Table 2.

Table 2. Sample Selection Criteria

Description	Quantity
Property and Real Estate Companies listed on IDX from 2017-2022	81
Property and Real Estate Companies that did not provide complete annual reports	(45)
Total years of observation	6
Total companies in the research sample (36*6)	216
Outlier data	3
Final sample size	213

Source: Secondary data processed by the author, 2024

Data Analysis Results

Descriptive Statistical Analysis

Table 3. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Audit Opinion	213	0.00	1.00	0.5185	0.50082
Audit Delay	213	41.00	234.00	94.4213	28.83011
Audit Firm Size	213	0.00	1.00	0.2315	0.42276
Company Size	213	23.87	31.81	29.1182	1.73722
Financial Distress	213	-21.06	3.79	0.5362	1.92322
Auditor Switching	213	0.00	1.00	0.926	0.29053

Source: Secondary data processed by the author, 2024.

The descriptive statistical analysis yielded a total of 213 samples from 36 publicly listed property and real estate companies. The dataset consists of five key variables: audit opinion, audit delay, audit firm size, client company size, and financial distress. Each variable has its own minimum, maximum, mean, and standard deviation values. For the audit opinion variable, based on a sample size of 213, the minimum value is 0.00 and the maximum value is 1.00, resulting in a

mean of 0.5185 and a standard deviation of 0.50082. This indicates that 51.85% of the sampled companies experienced auditor switching. For the audit delay variable, based on the 213 samples, the mean is 94.42 days, with a standard deviation of 28.83 days. The minimum audit delay is 41 days, while the maximum reaches 234 days, indicating that some companies took up to 234 days to complete their financial reports. The audit firm size variable, with the same sample size of 213, has a mean of 0.2315 and a standard deviation of 0.42276, with a range from 0.00 to 1.00, suggesting that 23.15% of the Big Four audit firms experienced auditor switching. The company size variable shows a mean of 29.1182, with a standard deviation of 1.73722, ranging from 23.87 to 31.81, indicating that 29.12% of the companies in the sample engaged in auditor switching. Finally, the financial distress variable, measured by the debt-to-equity ratio (DER), ranges from -21.06 to 3.79, with an average DER of 0.5362 and a standard deviation of 1.92322, reflecting the financial condition of the sampled companies.

Model Analysis and Hypothesis Testing Logistic Regression Analysis

The purpose of this research is to clarify the phenomena of auditor switching in property and real estate businesses listed on the Indonesia Stock Exchange (IDX) from 2017 to 2022. It will also investigate the impact of audit opinion, audit delay, audit firm size, client company size, and financial distress. Using SPSS software, logistic regression analysis is used to accomplish these goals. The results are shown through a thorough model fit assessment based on the -2 Log Likelihood value. Among the theories put to the test are H₀, which asserts that the suggested model fits the data, and H_a, which makes the opposite claim. A decrease in the -2 Log Likelihood value from the baseline model (constant only) to the model incorporating the independent variables would lead to the acceptance of H₀ and rejection of H_a, indicating an adequate fit of the suggested model to the data. The results include the -2 Log Likelihood values for both models, demonstrating the analysis's effectiveness.

Table 4. -2 Log Likelihood

-2Log Likelihood	-2Log Likelihood
133.270	127.387

Source: Processed Data by Author, 2024.

Table 4 indicates a reduction in the -2 Log Likelihood value, with the -2 Log Likelihood of the initial model (block number) at 133.270, which decreases to 127.387 upon the inclusion of the independent variables in the model (block number = 1). According to these findings, H₀ is accepted and H_a is dismissed, resulting in the conclusion that the proposed model aligns with the data.

Assessing the Feasibility of the Logistic Regression Model

Hosmer and Lemeshow's Goodness of Fit Test is used to evaluate the correctness of the logistic regression model. The following hypothesis was assessed in order to ascertain the validity of the model: H_a indicates that there may be a disparity between the model and the data, but H₀ maintains that there is no discernible difference. When the Chi-Square significance value ($\alpha = 5\%$) obtained by Hosmer and Lemeshow's Goodness of Fit Test is greater than 0.05, H_a is rejected and H₀ is accepted, suggesting that there is no significant discrepancy between the model and the data. This result suggests that the model predicts the research values accurately. Further elaboration on the results of the logistic regression model validity test using Hosmer and Lemeshow's Goodness of Fit Test will be provided:

Table 5. Hosmer and Lemeshow’s Goodness of Fit Test

Chi-Square	Significance Value
13.966	0.083

Source: Processed Data by Author, 2024.

The Hosmer and Lemeshow Goodness of Fit Test results, as shown in Table 5, produce a Chi-Square value of 13.966 and a significance level of 0.083. It follows that there is no difference between the model and the data when H0 is accepted and Ha is rejected. This implies that the logistic model developed in this work can accurately predict its observed values, demonstrating the validity of the model.

Coefficient of Determination Test

The purpose of the coefficient of determination test is to evaluate the impact of financial distress, audit firm size, audit opinion, audit delay, and audit firm size on auditor switching in real estate and property firms. The Nagelkerke R Square value is used to do this. This metric can be viewed similarly to R Square in multiple linear regression; it is an adaption of the Cox and Snell R Square. Table 6 below shows the values for Cox and Snell R Square and Nagelkerke R Square that were obtained from the logistic model:

Table 6. Cox and Snell R Square and Nagelkerke R Square

Cox and Snell R Square	Nagelkerke R Square
0.055	0.127

Source: Processed Data by Author, 2024.

Based on Table 6, the Cox and Snell R Square value is 0.055, whereas the Nagelkerke R Square value is 0.127. This suggests that the probability of property and real estate firms undergoing auditor switching is affected by audit opinion, audit delay, audit firm size, client company size, and financial distress by 12.7%, with the residual variance due to other factors not examined in this research.

Hypothesis Testing

The Wald Test is used to evaluate the hypothesis of how auditor switching in property and real estate firms is impacted by audit opinion, audit delay, audit firm size, client company size, and financial difficulty. If the Wald Test produces a significance level of less than 0.05 ($\alpha = 5\%$), it can be deduced that the auditor switching variable is significantly impacted by the audit opinion, audit delay, audit firm size, client company size, and financial distress. Table 7 displays the Wald Test findings that were obtained from the logistic regression study.

Table 7. Wald Test

Variable	Coefficient	Wald	Sig	Explanation
Audit Opinion	1.050	2.791	0.095	Not Significant
Audit Delay	0.020	5.192	0.023	Significant
KAP Size	-0.991	0.835	0.235	Not Significant
Company Size	-0.328	4.039	0.044	Significant
Financial Distress	0.083	0.115	0.735	Not Significant

Source: Processed Data by Author, 2024.

The table presented above indicates that the significance values for the variables of audit opinion, KAP size, and financial distress exceed 0.05. Consequently, it can be inferred that audit opinion, KAP size, and financial distress do not have a significant effect on auditor switching. Conversely, the variables of audit delay and company size show significance values below 0.05,

suggesting that audit delay and company size have a significant influence on the process of auditor switching.

Formed Logistic Regression Model

The concluding phase of the assessment is the regression coefficient examination, which ascertains the degree to which independent variables affect the dependent variable. The variables employed in this research are audit delay and company size, both of which have demonstrated significant impacts. A variable is deemed influential if the probability value in the significance column of the "variables in the equation" table is below 5% (0.05), thereby supporting the hypothesis. In contrast, if the variable has a probability value exceeding 5% (0.05), the hypothesis is rejected, indicating that the variable lacks influence. The findings of the established logistic regression model are illustrated in Table 8.

Table 8. Variables in the Equation

	B	S.E.	Wald	df	Sig	Exp(B)
Audit Opinion	1.050	0.629	2.791	1	0.095	2.859
Audit Delay	0.020	0.009	5.192	1	0.023	1.020
KAP Size	-0.991	0.835	0.835	1	0.235	0.371
Company Size	-0.328	0.163	4.039	1	0.044	0.720
Financial Distress	0.083	0.244	0.115	1	0.735	1.086
Constant	4.528	4.526	1.001	1	0.317	92.586

Source: Processed Data by Author, 2024

The logistic regression coefficient test results in the following model:

$$AS: 4.528 + 1.050OP + 0.020AD - 0.991UKAP - 0.328UP + 0.0083FD + e$$

Audit Opinion (OP): The coefficient of 1.050 indicates that if the audit opinion increases by one unit, the likelihood of auditor switching will increase by 2.859 times (based on the value of $Exp(B) = 2.859$). However, the significance value of 0.095 suggests that this influence is not significant at an alpha level of 0.05.

Audit Delay (AD): A coefficient of 0.020 suggests that for each additional unit in audit delay, the likelihood of auditor switching increases by 1.020 times ($Exp(B) = 1.020$). The significance value of 0.023 indicates that this influence is significant at an alpha level of 0.05, meaning that the longer the audit delay, the higher the likelihood of auditor switching.

KAP Size (UKAP): The coefficient of -0.991 indicates that an increase of one unit in KAP size will decrease the likelihood of auditor switching by 0.371 times ($Exp(B) = 0.371$). The significance value of 0.235 shows that this influence is not significant at an alpha level of 0.05.

Company Size (UP): The coefficient of -0.328 indicates that an increase of one unit in company size will decrease the likelihood of auditor switching by 0.720 times ($Exp(B) = 0.720$). The significance value of 0.044 indicates that this influence is significant at an alpha level of 0.05, meaning that company size affects the decision to switch auditors.

Financial Distress (FD): The coefficient of 0.083 indicates that each increase of one unit in financial distress will increase the likelihood of auditor switching by 1.086 times ($Exp(B) = 1.086$). However, the significance value of 0.735 suggests that this influence is not significant at an alpha level of 0.05.

Constant: The constant value of 4.528 indicates the baseline value of the model when all independent variables are set to zero. The $Exp(B)$ value for the constant is 92.586, suggesting the initial odds for auditor switching before considering the effects of the independent variables.

Discussion

The Influence of Audit Opinion on Auditor Switching

The study finds no significant relationship between auditor switching and audit opinion, with a significance level of 0.095, above the 0.05 threshold, thus rejecting the main hypothesis (H1). Audit opinions reflect the auditor's assessment of a company's financial statements, enhancing the company's value and informing investor decisions. An Unqualified Opinion indicates fairness in financial reporting, and auditors follow standard guidelines to issue it when warranted. However, audit opinions are not a key factor driving auditor changes, as regulations like Ministry of Finance Regulation No. 17/PMK.01/2008 mandate KAP rotation after six consecutive years.

These findings are consistent with research conducted by Saputri et al., (2021), which showed that audit opinions do not affect auditor switching. Other studies, such as Rahmi et al., (2019), also indicate that audit opinions do not influence auditor changes. Similarly, research by Afriyeni & Marlius, (2019) found that auditor opinions do not impact auditor switching.

The Influence of Audit Delay on Auditor Switching

The research shows that audit delay significantly influences auditor switching, with a significance level of 0.023, supporting the second hypothesis (H2). Audit delay refers to the time taken from the financial report's closing date to the signing of the audit report. Delays can negatively impact investor confidence, as they may signal financial issues. To avoid future delays, companies often switch auditors. In line with agency theory, companies expect auditors to complete their work promptly to maintain a positive image with investors, as delays can harm their reputation.

These findings align with research by Cristansy & Ardiati, (2018), which indicates that audit delay affects auditor switching. Other studies, such as those conducted by Raisa Ikmala (2018), also show that audit delay influences auditor switching. Research by Fauziyyah et al., (2019) similarly finds that audit delay significantly affects auditor switching.

The Influence of Audit Firm Size on Auditor Switching

The findings of the research indicate that the variable of audit firm size does not significantly influence auditor switching. The significance level for the audit firm size variable is 0.235, which exceeds 0.05. Hence, the third hypothesis of this research is not supported (H3 rejected).

The Big Four, which are the largest audit firms in Indonesia, are divided into smaller firms. Smaller organizations are thought to lack the Big Four's reputation and auditing capabilities. In order to preserve their standing and the public's view of their financial health, larger companies typically opt for the services of Big Four audit firms. This may serve as a deterrent for management of the company to switch auditors. By employing the Big Four audit firms, the corporation can maintain its independence and credibility.

Smaller audit firms affiliated with the Big Four may also be regarded as having a high reputation. Such affiliation can enhance branding and the application of the latest audit techniques, positively influencing the auditor's work outcomes (Elvira & Praptoyo, 2022). Management frequently uses Big Four or associated auditors in an effort to preserve the company's credibility and reputation among stakeholders. Businesses who work with these businesses are less likely to switch auditors because they want to maintain their good reputation in the community.

This study is consistent with research conducted by Sari (2017), which states that audit firm size does not affect auditor switching. Additional studies by Cristansy (2018) and Antoni et al., (2018) also conclude that audit firm size does not significantly influence auditor switching.

The Influence of Company Size on Auditor Switching

The study results demonstrate that the variable of company size has a significant impact on auditor switching. The significance level of the company size variable is 0.044, which is below 0.05. Consequently, the fourth hypothesis in this research is accepted (H4 accepted).

Company size serves as a criterion for classifying firms according to their overall assets. A greater total asset signifies a larger firm, and conversely. Bigger firms typically seek auditing services from reputable audit firms due to their more intricate operational activities.

Larger enterprises tend to favor audit services that correspond with their scale and the specific services they need. They possess the resources to engage auditors from the Big Four or firms connected with the Big Four, given their capacity to afford higher audit fees. Any incongruity between the firm's size and that of the audit firm may result in the dissolution of the audit relationship, leading to auditor rotation (Aini & Yahya, 2019).

This study aligns with research conducted by Aini & Yahya (2019), which indicates that company size influences auditor switching. Other studies, such as those by Marlius (2019) and Sirait (2022), also find that company size has an impact on auditor switching.

The Influence of Financial Distress on Auditor Switching

The study's findings indicate that auditor switching is not significantly impacted by the financial distress component. The financial distress variable has a significance level of 0.735, which is higher than 0.05. As a result, the research's fifth hypothesis (H5) is not supported. A situation known as financial distress occurs when a business is facing financial difficulties that raise concerns about potential insolvency or is in a weaker financial position. Because they can no longer afford the audit fees set by the audit firms, companies in financial difficulties often consider changing auditors and may even prefer companies with cheaper audit costs (Antoni et al., 2018).

The findings of this research suggest that financial distress does not influence auditor switching, as companies attempt to convey that all information and their operational conditions are functioning well. Frequent changes in audit firms may increase setup costs for auditors regarding understanding business processes and audit risks. Moreover, retaining the same auditor is a strategy to maintain investor confidence by engaging auditors with the skills necessary to produce quality and independent audit reports.

These findings are consistent with research conducted by Raisa Ikmala, (2018), which found that financial distress does not influence auditor switching. Other studies, such as Saputri et al., (2021) and Afriyeni (2019), It should also be noted that financial distress does not influence auditor switching.

CONCLUSION

The study on real estate and property firms listed on the Indonesia Stock Exchange (BEI) from 2017 to 2022 found that audit opinion, KAP size, client company size, and financial distress did not significantly influence auditor switching, though audit delay and company size did. However, the limited sample size restricts the generalizability of the findings to the broader capital market. Additionally, the independent variables only accounted for 12.7% of the variation in auditor switching, indicating that other significant factors were not captured. Future research should expand the sample size to include a more diverse range of companies, potentially across different sectors, to improve generalizability. Methodologically, researchers could use panel data analysis to capture both cross-sectional and time-series variations, which would provide a more nuanced understanding of auditor switching patterns. Furthermore, incorporating variables such as audit fees, management changes, ownership structure, and regulatory factors may offer deeper insights into the drivers of auditor switching. Employing a mixed-methods approach, combining

quantitative data analysis with qualitative interviews of auditors and management, could also provide a more comprehensive understanding of the motivations behind auditor switching.

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