

REPUTATION'S IMPACT ON AUDITOR SWITCHING THROUGH AUDIT DELAYS AND FINANCIAL DISTRESS IN THE ENERGY SECTOR

Luthfi Al-farizi 1, Ruci Arizanda Rahayu 2, Arya Wahyu Ramadhan 3, Nanda Silvia 4

Muhammadiyah University of Sidoarjo

luthfialfarizi@gmail.com¹, ruci_rahayu@umsida.ac.id², arya490577ss@gmail.com³,
nandasilvia12silvia@gmail.com⁴

Abstract

General Background: Auditor switching, particularly in energy companies, can be influenced by various factors including audit opinions, audit delays, and financial distress, all of which are critical in ensuring the credibility of financial reporting. **Specific Background:** In Indonesia, the energy sector is vital for economic stability, yet few studies have explored how these factors influence auditor switching, particularly the moderating role of KAP (Kantor Akuntan Publik) reputation. **Knowledge Gap:** While previous research has identified some determinants of auditor switching, the moderating effect of KAP reputation on these relationships remains underexplored, especially in the context of energy companies in emerging markets. **Aims:** This study aims to determine the impact of company characteristics and audit characteristics on auditor switching, with KAP reputation as a moderator, within energy companies listed on the Indonesia Stock Exchange from 2018 to 2021. **Results:** The study found that audit opinions, audit delays, and financial distress significantly influence auditor switching. Moreover, the reputation of KAP moderates the effect of financial distress on auditor switching. **Novelty:** This research uniquely highlights the moderating role of KAP reputation, specifically within the energy sector, providing new insights into how external audit firm reputation interacts with company-specific risks to influence auditor-switching behavior. **Implications:** The findings contribute to a better understanding of the audit selection process in the energy sector and provide guidance for regulators and practitioners in improving audit quality and decision-making processes, emphasizing the importance of auditor reputation in mitigating the risks associated with financial distress.

Keywords: Auditor Switching, KAP Reputation, Financial Distress, Audit Delay, Energy Sector

Corresponding Author;

E-mail: ruci_rahayu@umsida.ac.id

DOI: <https://doi.org/10.61796/ijmi.v1i3.169>



Introduction

The growth of companies in Indonesia continues to grow and more and more companies are going public listed on the Indonesia Stock Exchange. All companies that

have been officially listed on the Indonesia Stock Exchange must complete their company's financial statements in a timely manner in order to attract investors both from inside and outside the company. The company's performance can be seen through the company's financial statements, so having good financial statements can attract investors to invest in the company. In assessing and giving opinions on the company's financial statements, an independent auditor is needed to avoid fraud and interests from certain parties. Periodic changes must be made so as not to affect the independence of the auditor and the Public Accounting Firm. The company changes auditors based on two factors, namely because of the regulations that have been set by the government and also voluntarily the company's own wishes. In addition, changing auditors can also increase public trust in their audit function. The government itself has made regulations regarding the replacement of auditors, as according to Government Regulation No. 20/2015 Article 11 paragraph (1), namely KAP is no longer restricted but the restricted only applies to auditors, namely for 5 consecutive years.

The phenomenon of auditor switching can be explained by agency theory. Agency theory is related to the problem of supervision or monitoring. They argue that the principal should supervise the agent continuously to ensure that the agent acts in accordance with the principal's interests[1]. One of the reasons clients switch auditors is because of trust issues between clients and auditors. For example, if a client doubts the integrity or professionalism of an auditor, then the client is likely to look for a more trustworthy auditor. In addition, clients can also switch auditors if they feel that the old auditor is not able to provide enough added value in the audit process, so that the client is not satisfied with the auditor's performance. In this case, clients can look for auditors who are better able to provide the added value needed. In agency theory, the agent (auditor) is expected to act in the interests of the principal (client) and is responsible for providing accurate and reliable financial reports[2]. However, if the client is dissatisfied with the auditor's performance, the client can conduct auditor switching as a form of conflict resolution between the principal and the agent[3]. In this context, it is important for auditors to maintain a good reputation and audit quality so as not to lose clients.

In choosing a replacement auditor, the company will do it carefully because an auditor will correct and know the weaknesses of the company it is auditing. In addition, when a company changes auditors, of course, it requires more costs because new auditors usually do not know in detail the characteristics of the company to be audited, this introduction will result in greater costs that will be incurred by the company. However, the company does not question this in order to maintain the company's good name and public trust, the company will continue to change auditors. Reported by an online news page[4], the KPK conducted searches in Bandung and Bogor on suspicion of conditioning the financial statements of the Bogor Regency Government at the request of the Bogor Regent to be inactive. In this case, the independence of the auditor must be strong so that it cannot be influenced by other parties, therefore to maintain the credibility of the financial statements, a change of auditor is needed. In addition, a recent incident in Indonesia is a case of balance sheet manipulation in which Indonesia's largest airline PT Garuda Indonesia withdrew KAP Tanubrata, Sutanto, Fahmi, Bambang and

its fellow auditors who controlled the funding of the report. Opinion. two committees of PT. Garuda Indonesia, namely. H. President Tanjung and Dony Oskaria refused to sign the financial statements for the 2018 financial year, because they considered the financial statements to contain irregularities. The reason is, the financial statements show that PT. Garuda Indonesia posted a net profit of 809.85 thousand dollars or 11.33 billion rubles. This is very inversely proportional to the situation in 2017 where PT. Garuda Indonesia suffered a loss of US\$216.5 million. They assessed that the preparation of the 2018 annual financial statements was not in accordance with accounting practices (PSAK) as reported from the news page[5].

In another case, in 2012 PT Bumi Resources Tbk manipulated financial statements. Reported on the online news [6], the Capital Market Supervisory Agency and Financial Institutions sniffed out the misappropriation and manipulation of financial statements carried out by the management of the Bakrie Group at PT Bumi Resources Tbk. Acting Chairman of Bapepam-LK, Ngilim Sawega admitted that he had contacted the CEO of Bumi Plc, Ari S Hudaya who resigned from his position. Not only that. This allegation after suspicion further strengthens the division in the management of Bumi Plc and BUMI. The peak can be seen from the resignation of the CEO of Bumi Plc, Ari S Hudaya from his position. Reza suspected that the problem arose due to a conflict with the old shareholders, after Vallar Plc acquired BUMI. Another suspicion is that the shares of BUMI's parent company, PT Bakrie & Brothers Tbk (BNBR), in Bumi Plc are only 5%. This means that these shares are allegedly deliberately split so that they do not have the obligation to report their financial statements to the Capital Market and Financial Institutions Supervisory Agency (Bapepam-LK). Hendrawan Supratikno as an economist at Satya Wacana University, emphasized that in solving problems, the Bakrie Group is very good at doing financial engineering methods.

With the increasing number of companies listed on the IDX, the demand for the public accounting profession has been officially registered with the Capital Market Supervisory Agency (BAPEPAM). This is due to government regulations related to the scale of the company's auditor replacement, as well as to maintain the independence of an auditor which will have an impact on the quality of the company's financial statement audit. An auditor must have high honesty in carrying out his duties so as not to get involved in the issue of independence in the implementation of his duties. The change of auditor can also be caused because the company is experiencing financial difficulties, financial distress is a situation where the company is unable to cover its obligations. Companies that are experiencing financial difficulties will be careful in disclosing their finances both to internal and external parties of the company. Therefore, the company will usually change the KAP so that the opinion given does not describe the actual finances company. In a study conducted by Intan 2022, it was found that the amount of financial distress can encourage and influence companies to change auditors. Meanwhile, in previous research[7] [8], it was found that the variable of financial distress had a negative and insignificant effect on auditor switching. Another result [9] revealed that financial distress had an effect on switching auditors.

In addition to financial distress, another factor that affects the change of auditors is the audit opinion. An audit opinion is an auditor's statement or KAP, or a statement in the form of an assessment of the presentation of the financial statements of the audited entity. Of course, the company's management wants a good opinion, so it attracts the attention of financial experts to invest in the company after seeing the results of high-quality financial statements. Audit reports are often used as an excuse by management to exchange KAP, because the contract allows them to continue auditing in the company concerned. This condition occurs when management disagrees with the auditor's report or KAP. Previous research [7] found that audit opinions have a significant effect on auditor turnover. Companies definitely want an opinion that matches their expectations. In this case, an auditor has an important role in carrying out the audit process, and an auditor must be neutral, not siding with anyone and not being influenced by anything. This needs to be done so that the results of the financial statement audit can be useful for users of the financial statement information and can be used as a basis for decision-making. Another study [10] found that audit opinions have a significant influence on auditor turnover. Meanwhile, in different results [11] it was found that audit opinions did not have a significant effect on auditor switching.

Not only financial distress & audit opinion can affect auditor switching, audit delay is also one of the factors that can encourage companies to change auditors. Audit delay is the time it takes for the auditor to prepare an audit report on the company's financial statements from the end of the year to the date the audit report is issued and signed. Bapepam and Administrative Regulation No. of financial institutions. Decree No. X.K.6 regulates the presentation of annual accounts of issuers or public companies (KEP- 431/BL/2012 and KEP-431/BL/2012) [12], both of which regulate the postponement of the examination. According to Article 1a of the Regulation, exchange operators are required to send financial statement information to Bapepam and financial institutions no later than 4 (four) months after the end of the financial year. In addition, the auditor has 120 days to submit an audit report to LK and Bapepam. Delays in audits cause delays in the submission of financial statements and delays in the publication of financial statements. This delay led investors to believe that the company was in an unfavorable condition. Previous research[13] shows that audit delays can affect the change of auditors in companies for the next year's financial reporting. Meanwhile, another study [11] suggests that audit delay will not affect switching auditors.

In increasing public trust, companies also need to pay attention to the good reputation of the KAP that will be used for their services. Reputation is the credibility or trust possessed by the auditor and obtained from the public. From the auditor's reputation, you can get an idea of the quality of the audits produced. An auditor who has extensive ability to audit and has good audit quality is a form of auditor reputation [14]. The reputation of the auditor determines the credibility, quality, and reliability of financial statements, because the auditor has monitoring power that is generally unobservable. The reputation of the KAP can determine the quality of the audits produced, the determination of the KAP used by the company will also have an impact on the reputation of the company. Companies will usually choose KAP affiliated with

the Big Four, thereby hoping that the integrity of financial statements will increase, and thus the company hopes to improve its reputation in front of investors[15]. The company can also change auditors from Big-4 to Non-Big-4 and vice versa, the reasons for the termination of the contract between the auditor and the client may be different. For example, the change from the Big 4 KAP to the non-Big 4 KAP is triggered by price issues. On the other hand, the move from non-Big-4 to Big-4 is seen as a manifestation of management's desire to improve service quality. [16] The big four and affiliated KAP have a great influence so there is no need to doubt the quality of their audits. In the study [17] it was found that the reputation of public accounting firms had a significant effect and strengthened the relationship between audit delay and auditor turnover. Meanwhile, another study [10] found that the reputation of KAP could not moderate between audit delay and auditor turnover

The renewal in this study lies in the use of the KAP reputation variable as a moderating variable in the relationship between company characteristics and audit characteristics with the company's decision to change KAP. Previous studies have examined the influence of company characteristics and audit characteristics on the decision to change KAP, but there have not been many studies that consider the role of KAP reputation in this relationship. In some studies, there are also those who use the reputation of KAP as a moderator, but for the independent variables, only audit opinions and financial distress . In addition, this study also focuses on energy companies listed on the Indonesia Stock Exchange, which is an industry group that has not been widely researched in the context of the replacement of KAP. Based on the phenomenon and explanation above, it can be concluded that the change of auditor is carried out due to various reasons ranging from government regulations, to the company's desire to change auditors. A lot of research has been done on switching auditors. However, the results of the study have inconsistencies, and the results and variables in the study are also different. In this study, the author uses Audit opinions, audit delays, and financial distress as independent variables and the reputation of KAP as a moderator to test its influence on switching auditors. Based on various previous opinions, this research is interesting to study and re-research.

Hypothesis Development

An audit opinion is an official opinion given by a Public Accounting Firm (KAP) or an independent auditor after conducting an audit of an entity's financial statements. The audit opinion describes whether the financial statements have been presented reasonably, taking into account the applicable financial reporting reference framework[18]. Audit opinions that have reasonable results without exception are liked by the company, but if they reap the opposite result, it will encourage the company to switch to other KAP [19]. Which results are useful for external parties in reading their financial statements. In this case, it can be concluded that the fairness in question is related to materiality[9], financial position, and cash flow. Previous research has found that audit opinions have an effect on auditor turnover[7][20][21]. From the results of the above description, it can be formulated that the hypothesis is :

H1 : Audit Opinion Affects Auditor Turnover

Audit delay is the time it takes for the auditor to prepare an audit report on the company's financial statements from the end of the year to the date the audit report is issued and signed. Bapepam and Administrative Regulation No. of financial institutions. Decree No.

X.K.6 Regulating the presentation of annual accounts of issuers or public companies (KEP-431/BL/2012 and KEP-431/BL/2012) [12]. Auditors' negligence in carrying out their duties in a timely manner can result in delays that can affect the accuracy of the publication of financial statements. Companies that are late in submitting financial statements will cause delays in the submission of information, so this can be a consideration for investors to invest funds to support the company's operations. Previous research[13] [19] shows that audit delays can affect the change of auditors in companies for the following year's financial reporting. From the results of the above description, it can be formulated that the hypothesis is:

H2 : Audit Delay Affects Auditor Turnover

Financial distress is a condition in which companies have difficulties in fulfilling their obligations, management has a big role in fund management to keep the company from experiencing financial distress. If the company experiences this, it indicates that the company is in an unsafe position and is experiencing the threat of failure or bankruptcy[14]. Financial distress is a condition in which a company's cash flow is insufficient to cover its obligations, such as trade credit and interest expenses, forcing the company to take action[22]. Previous research found that financial distress affects auditor switching[9]. From the results of the above description, it can be formulated that the hypothesis is:

H3 : Financial Distress Affects Auditor Turnover

Reputation is the credibility or trust possessed by the auditor and obtained from the public. From the auditor's reputation, you can get an idea of the quality of the audits produced. An auditor who has extensive ability to audit and has good audit quality is a form of auditor reputation[14]. The big four and affiliated KAP have a great influence so there is no need to doubt the quality of their audits[19]. In a situation where a public accounting firm has a good reputation, it will tend to be more difficult for the company to replace the auditor when it gets an audit opinion that does not meet expectations, because the company will feel that the public accounting firm provides a quality and reliable audit opinion. Therefore, it is important for companies to consider the reputation of a public accounting firm before deciding to switch auditors when they get an audit opinion that does not meet expectations. Previous research found that the reputation of KAP is able to moderate audit opinions on switching auditors[23][24][9]. From the results of the above description, it can be formulated that the hypothesis is:

H4 : KAP Reputation Moderates Audit Opinion on Auditor Turnover

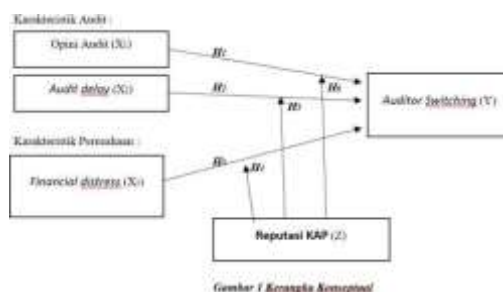
Reputation is the credibility or trust possessed by the auditor and obtained from the public. From the auditor's reputation, you can get an idea of the quality of the audits produced. An auditor who has extensive ability to audit and has good audit quality is a form of auditor reputation[14]. The big four KAP and affiliated KAP have a great influence so there is no need to doubt the quality of their audits[19]. that companies that work with reputable KAP tend to be more patient in waiting for the audit to be completed than companies that work with KAP with a poor reputation. In addition, companies may be more likely to retain their auditors despite audit delays if they believe that the KAP is working properly and can provide accurate and timely audits. Previous research has stated that the reputation of KAP is able to moderate audit delays against switching auditors [17][25]. From the results of the above description, it can be formulated that the hypothesis is:

H5 : KAP Reputation Moderates Audit Delay Against Auditor Turnover

Reputation is the credibility or trust possessed by the auditor and obtained from the public. From the auditor's reputation, you can get an idea of the quality of the audits produced. An auditor who has extensive ability to audit and has good audit quality is a form of auditor reputation[14]. The big four and affiliated KAP have a great influence so there is no need to doubt the quality of their audits[19]. Companies can seek auditors with specialized expertise in the field of financial restructuring and financial planning. Therefore, companies should consider the decision carefully and choose a public accounting firm that can help the company overcome financial problems as well as have a good reputation in the field of auditing. In the research conducted, it was found that the reputation of KAP has an effect on switching auditors[26][27][28]. From the results of the above description, it can be formulated that the hypothesis is:

H6 : KAP's Reputation Moderates Financial Distress Against Auditor Turnover

In this research model, the moderating variable is the reputation of KAP. The dependent variable is the change of auditor. The independent variables used were audit delay, audit opinion, and financial distress. Here is the research model.



Gambar 1 Kerangka Konseptual

Methods

This study employs quantitative data to investigate auditor switching among energy companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2021. Data was sourced from the IDX website, focusing on financial statements of companies within this period. The population includes all energy sector companies listed on the IDX, with a purposive sampling method applied to select a sample of 55 companies, resulting in a total of 165 observations over the three years. The variables examined include audit opinions, audit delays, financial distress, auditor switching, and KAP reputation, with indicators and scales specified for each variable. Data analysis techniques include normality tests using the Kolmogorov-Smirnov method, coefficient of determination using Nagelkerke R Square, logistic regression for hypothesis testing, and moderated regression analysis (MRA) to assess the interaction effects of KAP reputation. These methods aim to evaluate how independent variables influence auditor switching and how KAP reputation moderates these effects.

Results and Discussion

Table 4 One-Sample Kolmogorov-Smirnov Test

Testing Criteria :

If the significance value (Sig.) is greater than 0.05, then the research data is distributed normally

On the other hand, if the significance value (Sig.) is less than 0.05, then the research data is not distributed normally

Based on the output table data, it was found that the significance value of Asymp.Sig (2- tailed) from the X1 variable (Audit Opinion) was 0.058, the X2 variable (Audit delay) was 0.377, the X3 variable (Financial distress) was 0.601, the z moderation variable (KAP reputation) was 0.647, and the Y variable (auditor switching) was 0.326. All of the variables above are greater than 0.05. Therefore, in accordance with the provisions of the Kolmogorov-Smirnov normality test above, it can be concluded that the data has been distributed normally. That way, the assumptions or normality requirements in the regression model have been met

| | | X1 | X2 | X3 | Z | Y | X1*Z | X2*Z | X3*Z |
|--|-------------------------------|----------------|----------|---------|-------|-------|-------|--------|--------|
| N | | 165 | 165 | 165 | 165 | 165 | 165 | 165 | 165 |
| Normal Parameters, a,b | Mean | .95 | 118.6182 | 1.0294 | .34 | .48 | .33 | 33.23 | .1759 |
| | Std. Deviation | .215 | 62.84519 | 5.80655 | .475 | .501 | .471 | 50.346 | .31356 |
| | | | | | | | | | |
| Most | Absolute | .541 | .176 | .433 | .423 | .352 | .429 | .406 | .373 |
| Extreme Differences | Positive | .411 | .176 | .432 | .423 | .352 | .429 | .406 | .373 |
| | Negative | -.541 | -.149 | -.433 | -.257 | -.330 | -.251 | -.255 | -.287 |
| Test Statistic | | .541 | .176 | .433 | .423 | .352 | .429 | .406 | .373 |
| Asymp. Sig. (2-tailed) ^c | | .058 | .377 | .601 | .647 | .326 | .764 | .621 | .160 |
| Monte Carlo Sig. (2- tailed) ^d | Sig. | .000 | .000 | .000 | .000 | .000 | .000 | .000 | .000 |
| | 99% Confidence Interval | Lower Bound | .000 | .000 | .000 | .000 | .000 | .000 | .000 |
| | | Upper Bound | .000 | .000 | .000 | .000 | .000 | .000 | .000 |

Table 5 Nagelkerke R Square Test Results Model Summary

| Step | -2 Log Likelihood | Cox & Snell R Square | Nagelkerke R Square |
|------|-------------------|----------------------|---------------------|
| 1 | 226.518a | .012 | .546 |

Based on this test, it was found that the Nagelkerke R Square was found to be 0.546 which shows that the dependent variable that can be explained by the independent variable is 54.6% in other words that the auditor switching variable is explained by the variables of audit opinion, audit delay, financial distress and the KAP reputation moderation variable of 54.6%, while the remaining 45.4% was explained by other variables outside the research model

Table 6 Results of Logistics Regression Analysis

| | | B | S.E. | Wald | Df | Sig. | Exp(B) |
|---------|----------|-------|------|------|----|------|--------|
| Step 1a | X1 | .043 | .742 | .003 | 1 | .004 | 1.044 |
| | X2 | .002 | .003 | .569 | 1 | .001 | 1.002 |
| | X3 | -.227 | .469 | .234 | 1 | .009 | .797 |
| | Constant | -.248 | .822 | .091 | 1 | .762 | .780 |

Based on the table above, the regression model obtained is as follows:

$$Y=a+b_1X_1+b_2X_2+b_3X_3+e$$

$$=-0.248+0.043+0.002-0.227$$

that has been formed, the results can be explained, namely:

From the regression equation, it was found that the constant value of -0.248 showed that if the independent variable (audit opinion, audit delay, financial distress) is considered constant. So a value of -0.248 means that it has a prediction of doing auditor switching negative or in other words the company can get out of the situation doing auditor switching and or it can be said that it does not do auditor switching.

The regression coefficient of the audit opinion notated with X1 is 0.043. The meaning of the value of 0.043 is that for every 100% increase in the audit opinion variable, then auditor switching done by the company will rise by 4.3% assuming the other independent variables in the model are considered constant.

Regression coefficients Audit delay which is notated with X2 is 0.002. The meaning of the value of 0.002 is that for every 100% increase in the variable Audit delay so auditor switching done by the firm would increase by 0.2% assuming the other independent variables in the model are considered constant.

Regression coefficients Financial distress which is notated with X3 is -0.227 The meaning of the value of -0.227 is that for every 100% decrease in the financial distress variable, the auditor switching carried out by the company will decrease by 22% assuming that other independent variables in the model are considered constant.

Epsilon (error term) or e means that there are other factors or variables that affect auditor switching In addition to the audit opinion, Audit delayand Financial distress.

Table 7 Results of Moderated Regression Analysis Test

| Type | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|------|------------|-----------------------------|------------|---------------------------|-------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | .471 | .048 | | 9.785 | .000 |
| | X1Z | .100 | .169 | .094 | 4.590 | .006 |
| | X2Z | -.001 | .002 | -.107 | 5.630 | .010 |
| | X3Z | -.015 | .029 | -.046 | -.530 | .597 |

The regression results table shows that the values of the variable coefficients of X1Z (Audit opinion x KAP Reputation), X2Z (Audit delay x KAP Reputation), and X3Z (Financial distress x KAP Reputation) have values of 4,590, 5,630, and 4,266, respectively, t-values of 4,590, 5,630, and -0.597 and significance of 0.006, 0.01, and 0.597. This means that the reputation of KAP is significantly able to be a moderator in the relationship between the influence of audit opinions and audit delays on switching auditors, while in financial distress, the reputation of KAP is not able to be a moderator for switching auditors. The coefficient values of 4,590, 5,630, and -0.597 mean that the reputation of KAP will strengthen the relationship between the influence of audit opinions, audit delays, but not strengthen the financial distress to the switching auditor

Discussion

Table 8 Summary of Hypothesis Test Results

| Hypothesis | | Sig | Result |
|------------|--|-------|---------|
| H1 | Audit Opinion affects Auditor switching | 0,004 | Support |
| H2 | Audit delay affects auditor switching | 0,001 | Support |
| H3 | Financial Distress affects Auditor switching | 0,009 | Support |

| | | | |
|-----------|--|-------|---------------|
| H4 | The reputation of a Public Accounting Firm moderates the influence of Audit Opinions on Auditors switching | 0,006 | Support |
| H5 | The reputation of Public Accounting Firms moderates the effect of Audit delays on switching auditors | 0,01 | Support |
| H6 | The reputation of the Public Accounting Firm moderates the influence of Financial Distress on Auditor switching. | 0,597 | Not Supported |

The Effect of Audit Opinion on Auditor Switching

In this study, the audit opinion has a constant value of 0.043 and a significance value of 0.004. So it can be said that the audit opinion has an effect on the switching auditor, when the company has received the audit opinion, it will increase the likelihood of the company switching auditor. Bad audit opinions, such as unnatural opinions or opinions with exceptions, can affect the relationship between the company and the auditor. A bad audit opinion indicates that the auditor has doubts over the company's financial statements and finds deficiencies in the company's accounting processes or internal controls[35]. A bad audit opinion can affect the switching auditor. Therefore, it is important for companies to consider the auditor's performance, audit opinion, and company reputation before deciding to switch auditors. Companies must ensure that auditor replacements are done carefully and that the reasons for auditor replacements are not solely related to bad audit opinions. In the context of agency theory, the auditor acts as an agent, while the audited client acts as a principal[36]. Auditors have an obligation to act with integrity and objectivity, as well as to ensure that the audit reports provided are accurate and reliable. However, clients can have different interests, such as showing better financial performance than they actually are[37]. The results of this study are in line with what has been done in previous studies [7], [38], [39] found that audit opinions have a significant effect on auditor turnover. The good or bad opinion obtained by the company will reflect the situation that the company is experiencing in the company and will also have an impact on decision-making by the company's management and shareholders [40].

Effect of Audit Delay on Auditor Switching

The results of testing the financial statements of energy companies listed on the IDX in 2019-2021 show a positive logistic regression coefficient of 0.002 at a significance level of 0.001 which means less than 0.05 ($\alpha = 5\%$). From the data, it is concluded that H0 is rejected and H1 is accepted. So it can be concluded that the audit delay variable has a positive effect on the switching auditor. When a company experiences audit delays, this can affect the relationship between the company and the auditor. In this case, agency theory can explain that clients act to maximize their profits, while auditors act to ensure integrity and objectivity. If the auditor does not complete the audit on time or prioritizes the client's interests, the client may choose to seek out a new auditor who better suits their interests or has a better audit quality[41]. Companies may be dissatisfied with the auditor's performance because the audit process takes too long and disrupts the company's business operations. In addition, the company may experience pressure from stakeholders such as investors or creditors to speed up the audit process and present financial statements in a timely manner. Companies may consider replacing auditors with public accounting firms that can complete the audit process more quickly. Companies can look for auditors who have expertise and experience in completing the audit process effectively and efficiently. This is in line with previous research [13], [42], [43] showing that audit delay can affect the change of auditors in companies for the next year's financial reporting. A slow audit process tends to have many things that must be considered and researched, so the process becomes slow [40].

The Effect of Financial Distress on Auditor Switching

The results of the test conducted on the sample financial statements of energy companies in 2019-2021 listed on the IDX showed that the negative logistic regression coefficient figure was -0.227 with a significance level of 0.009. From the test, it can be said that financial distress affects switching auditors. In situations like these, companies may need to replace auditors with public accounting firms that are more experienced in handling difficult financial situations. Companies can seek auditors with specialized expertise in the field of financial restructuring and financial planning[44]. Therefore, companies should consider the decision carefully and choose a public accounting firm that can help the company overcome financial problems as well as have a good reputation in the field of auditing. It is important for companies to consider audit risks and company reputation before deciding to switch auditors when experiencing financial distress. In this case, agency theory can explain that clients act to maximize their profits in situations of financial distress, while auditors act to ensure the integrity and objectivity of the audit report. Clients may seek out new auditors who can provide them with a more favorable audit opinion, whereas auditors may reject audit assignments that may affect the integrity of their audit reports. These results are in line with the findings of several previous researchers [31],[9] revealing that financial distress affects switching auditors. Financial difficulties are a symbol of bankruptcy in a company. This is because the company's cash flow is insufficient to redeem debts and loans from the Bank. That way, companies are obliged to take steps to prevent bankruptcy, through reducing

operational costs and cutting unnecessary expenses. This is based on companies that are hit by financial distress tend to select the change of auditors[45]. The decision to switch auditors should be based on careful consideration and not solely on reasons of cost or financial risk alone. Companies should consider the auditor's reputation, their expertise and experience in the relevant industry and business, and the quality of the services provided. The company must also ensure that the replacement of auditors is carried out in a timely manner and in accordance with applicable regulations.

The Reputation of The Public Accounting Firm Moderates The Influence of The Audit Opinion on The Switching Auditor.

The results of the sample test of the 2019-2021 financial statements of energy companies listed on the IDX showed a positive regression coefficient of 0.1 at a significance level of 0.006 which means greater than 0.05 ($\alpha = 5\%$). From the data, it was concluded that H_0 was rejected and H_4 was accepted. So it can be concluded that the auditor's reputation can strengthen the influence of audit opinions on switching auditors. In a situation where a public accounting firm has a good reputation, it will tend to be more difficult for the company to replace the auditor when it gets an audit opinion that does not meet expectations, because the company will feel that the public accounting firm provides a quality and reliable audit opinion. Therefore, it is important for companies to consider the reputation of a public accounting firm before deciding to switch auditors when they get an audit opinion that does not meet expectations. On the other hand, public accounting firms need to pay attention to the quality of audit opinions given to clients in order to maintain their reputation in the eyes of the company and the public. Agency theory assumes that there is an agency relationship between the company's management and the shareholders, where the management acts as an agent representing the interests of the shareholders. In this context, KAP acts as an independent third party appointed by shareholders to verify the financial statements and provide an audit opinion on the correctness of the financial statements. A good KAP reputation can reduce agency risk between the company's management and shareholders, so a bad audit opinion will not have a major impact on shareholders' decision to retain KAP as their auditor. Conversely, if the KAP has a bad reputation, shareholders will be more likely to consider replacing the KAP as their auditor after a bad audit opinion occurs. The same results were also obtained with previous research that the reputation of KAP was able to moderate audit opinions on switching auditors [23].

The Reputation of Public Accounting Firms Weakens The Influence of Audit Delays on Auditor Switching.

The results of the test on the sample of financial statements for 2019-2021 of energy companies listed on the IDX showed a negative regression coefficient of -0.001 at a significance level of 0.01, namely. H_0 greater than 0.05 ($\alpha = 5\%$). This shows that H_0 is rejected and H_5 is accepted. So it can be concluded that the auditor's reputation weakens the influence of audit delay on switching auditors. Research shows that companies that

work with reputable KAP tend to be more patient in waiting for the audit to be completed than companies that work with KAP with a poor reputation. In addition, companies may be more likely to retain their auditors despite audit delays if they believe that the KAP is working properly and can provide accurate and timely audits. According to agency theory, the relationship between a company and an auditor is an agency relationship in which a company hires an auditor as an agent to conduct their financial audits. In agency relationships, trust and control are two important elements. Companies must trust that their auditors will provide accurate and timely audits, while auditors must have control over the audit work carried out. In addition, agency theory also states that the cost of replacing an agent or auditor must be carefully considered. The cost of replacing an auditor includes time costs and financial costs, such as the cost of training a new auditor, the cost of re-examining the results of previous audits, and the cost of transition. Therefore, if the KAP is in good standing, the company may consider the high cost of replacing the auditor and prefer to retain their auditor despite the audit delay. This is in line with previous research which stated that the reputation of KAP is able to moderate audit delays for switching auditors [17]. This is because the company seeks to maintain the quality of financial statements by preferring the big four KAP which has better audit quality than the non-big four KAP and to maintain the company's reputation in the eyes of financial statement users [23], [46].

The Reputation of The Public Accounting Firm Does Not Moderate The Influence of Financial Distress on Auditor Switching.

According to the sixth hypothesis, the auditor reputation variable does not moderate the influence of financial distress on auditor turnover. The results of testing a sample of financial statements of energy companies listed on the IDX in 2019-2021 showed a positive regression coefficient of -0.015 with a significance level of 0.597 greater than 0.05 ($\alpha = 5\%$). This indicates that H0 is accepted and H6 is rejected. The reputation of the KAP does not affect the company's decision to change auditors when the company experiences financial problems or financial distress. Several studies have shown that there is a positive relationship between financial distress and auditor switching. This means that the greater the financial problems faced by the company, the higher the likelihood that the company will change auditors. However, even though KAP has a good reputation, it cannot always prevent auditor turnover due to financial distress. In such a situation, the company may focus more on the cheaper audit costs than the reputation of the KAP when selecting a new auditor. Therefore, it can be concluded that the auditor's reputation cannot moderate the influence of financial distress on switching auditors. In agency theory, the KAP acts as a principal who controls the actions of the auditor as an agent. Therefore, KAP must ensure that their auditors adhere to high standards of ethics and integrity in completing audits and prevent unethical practices that can cause financial distress conditions in the audited clients. KAP must also establish an effective internal supervision and control system to minimize the risk of unethical practices or violations of accounting standards. This is supported by the results of previous research which found that the reputation of KAP was not able to moderate

financial distress in switching auditors. The results of hypothesis testing show that the third hypothesis (H6) was rejected, because the auditor's reputation did not succeed in strengthening or weakening the relationship between financial distress and auditor switching. This shows that both auditors affiliated with The Big 4 KAP and non-The Big 4 will still pay attention to the financial distress conditions that the company is facing, especially in this case is the comparison between total debt or liabilities with total assets owned by the company [47], [10].

Conclusion

Fundamental Finding: The study reveals that audit opinions, audit delays, and financial distress significantly influence auditor switching, with KAP reputation moderating the impact of audit opinions and delays but not financial distress. **Implication:** These findings suggest that companies should carefully evaluate audit opinions and delays when considering auditor changes, particularly focusing on the reputation of their current public accounting firm to ensure audit quality and timely financial reporting. **Limitation:** The research is limited by its three-year timeframe and focus exclusively on energy companies, which may restrict the generalizability of the results. **Further Research:** Future studies should extend the timeframe and include a broader range of industries to enhance the understanding of auditor switching dynamics. Additionally, incorporating a wider array of financial and non-financial variables could provide a more comprehensive view of the factors influencing auditor decisions.

References

- [1]. P. R. Milgrom and J. Roberts, "Economics, Organization and Management (MEFI)," Books, 1992.
- [2]. R. Ricka, "The Influence of Going Concern Opinions, Management Change, Auditor Reputation, Financial Distress and Audit Fees on Switching Auditors (Study on Manufacturing Companies Listed on the Stock Exchange in 2015-2019)," Thesis, 2021.
- [3]. C. Putri, Karlina Oktaviana Drs. Atwal Arifin, M.Si., Akt., "The Effect of Audit Opinion Going Concern and Audit Delay on Switching Auditors with KAP Reputation as a Moderation Variable (Empirical Study on Manufacturing Companies Listed on the IDX for the 2013-2016 Period)," Thesis, 2018.
- [4]. I. CNN, "SNP Finance Case, Two Public Accounting Firms Allegedly Guilty," CNN Indonesia, 2018. <https://www.cnnindonesia.com/ekonomi/20180926072123-78-333248/kasus-snp-finance-dua-kantor-akuntan-publik-diduga-bersalah>
- [5]. Admin of Merdeka News Online, "Examining Violations of the Code of Ethics of the Accounting Profession in the Case of PT Garuda Indonesia's Financial Statements," December 10, 2021, 2021. <https://www.beritamerdekaonline.com/2021/12/menilik-pelanggaran-kode-etik-profesi-akuntan-dalam-kasus-laporan-keuangan-pt-garuda-indonesia/>
- [6]. L. U. Rifky, "Internal Management Conflicts Arise - Bapepam Sniffs There is Financial Misappropriation in the Bakrie Group," Neraca's Economic Daily, 2012.

<https://www.neraca.co.id/article/19651/konflik-internal-manajemen-muncul-bapepam-endus-ada-penyelewengan-keuangan-di-grup-bakrie>

- [7]. N. Muaqilah, A. R. Mus, and A. Nurwanah, "The Effect of Financial Distress, Audit Opinion, Management Change and Hood Size on Auditor Switching (Study on State-Owned Companies Listed on the Indonesia Stock Exchange)," *Invoice J. Accounting Science.*, vol. 3, no. 1, p. 145–158, 2021, doi: 10.26618/inv.v3i1.4978.
- [8]. A. Sarumaha, I. L. Manik, and W. A. Ginting, "The Effect of Financial Distress, Client Company Size and KAP Size on Auditor Change in the Consumer Goods Industry Sector on the IDX," *Accountable*, vol. 17, no. 2, p. 181–188, 2020.
- [9]. C. Prihatini Canjaya, "The Effect of Audit Opinions, Financial Distress, and Management Changes on Lid Switching in State-Owned Companies Listed on the Indonesia Stock Exchange in 2016-2019," Thesis, p. 13, 2020, [Online]. Available on: <http://repository.buddhidharma.ac.id/607/>
- [10]. P. A. P. Sima and I. D. N. Badera, "Auditor's Reputation as a Moderator of the Influence of Financial Distress and Audit Fees on Auditor Switching Faculty of Economics and Business, Udayana University (Udayana University), Bali, Indonesia email: simaputri@yahoo.co.id / Phone: + 6287862002293 Faculty of Economics and Bus," *E-Journal of Accounting. Udayana University*, vol. 24, p. 58–86, 2018.
- [11]. N. Rahmitasari and A. Syarief, "The Effect of Management Change, Financial Distress, Audit Opinion, and Audit Delay on Auditor Switching in Manufac," vol. 1, no. 2, p. 421–429, 2021.
- [12]. Capital Market and Financial Institutions Supervisory Agency, "Bapepam and LK Regulation Number Kep-431/BL/2012 concerning the Submission of Annual Reports of Issuers or Public Companies.," Ministry. Money. Republic of Indonesia., p. 1, 2012, [Online]. Available on: <https://www.ojk.go.id/id/regulasi/Documents/Pages/BAPEPAM-tentang-Penyampaian-Laporan-Tahunan-Emiten-atau-Perusahaan-Publik/X.K.6.pdf>
- [13]. H. Romli, R. A. Pebriani, and F. M. K. Putri, "The Effect of Management Change, Audit Delay, and Financial Distress on Switching Auditors in Banking Companies Listed on the IDX in 2015-2019," *J. Business, Management, and Economy.*, vol. 3, no. 2, p. 56– 64, 2022, doi: 10.47747/jbme.v3i2.730.
- [14]. R. R. Ikmal, "Financial Distress as a Moderator of the Influence of Audit Opinions, Reputation of Public Accounting Firms and Audit Fees on Auditor Switching," Thesis, p. 1–20, 2018.
- [15]. N. Pawitri and K. Yadnyana, "The Effect of Audit Delay, Audit Opinion, Auditor Reputation and Management Change on Voluntary Auditor Switching," *E-Journal of Accountants. Udayana University*, vol. 10, no. 1, p. 214–228, 2017.
- [16]. S. Supriyanto and H. Rachmawati, "Analysis of the Influence of Audit Characteristics, Company Characteristics, and the Proportion of Independent

Commissioners on the Exchange of Auditors in Companies Listed on the Indonesia Stock Exchange," *Glob. Financ. Account. J.*, vol. 5, no. 2, p. 50, 2021, doi: 10.37253/gfa.v5i2.6043.

- [17]. A. G. Muntuan and J. Y. Hutapea, "The Effect of Audit Opinion Going Concern and Audit Delay on Switching Auditors with KAP Reputation as a Moderating Variable in the Consumer Non-Cyclicals Sector in 2017-2021," *J. Sci. Mandalika*, vol. 3, no. 7, p. 929–938, 2022.
- [18]. Jerlika and Sitompul, "Factors Affecting Audit Delay in Banking Companies Listed on the Indonesia Stock Exchange in 2017-2019," 2020.
- [19]. Supriyanto and Leviana, "Analysis of the Influence of Audit Characteristics, Company Characteristics, and Audit Tenure on the Replacement of KAP in Companies Listed on the Indonesia Stock Exchange," *J. Akunt.*, 2021.
- [20]. I. F. Purba, "The Effect of Management Change, Finance Distress, Auditor's Opinion, KAP Size and Client Size on the Change of Public Accounting Firm: An Empirical Study on Companies Listed on the Indonesia Stock Exchange in 2012-2016," *Journal*, 2019.
- [21]. M. H. Ginting, H. Jafar, and F. Safriandi, "The Effect of Audit Opinions, Management Changes, Hood Size and Client Company Size on Switching Auditors in
- [22]. Companies in Various Industries Listed on the Indonesia Stock Exchange in 2018-2020," *BONANZA J. Ilm. Economist. Business and Finance.*, vol. 2, no. 2, p. 49–56, 2022, doi: 10.54123/bonanza.v2i2.193.
- [23]. S. Mazdina Dwi Astuty, Wisnu Julianto, "The Effect of Management Change, Cap Size, Financial Distress, and Company Growth on Auditor Switching," *Vol. 2*, p. 1118–1134, 2021.
- [24]. I. D. M. Sukadana and M. G. Wirakusuma, "The Reputation of Public Accounting Firms Moderating Audit Opinions on Going Concern and Audit Delay Against Switching Auditors," *Journal*, Vol. 16, 2016.
- [25]. I. P. Lubis, L. Fujianti, and R. Amyulianthy, "The Effect of KAP Size, Company Size and Profit Management on the Integrity of Financial Statements," *Ultim. Account.*, vol. 10, no. 2, p. 138–149, 2019, doi: 10.31937/accounting.v10i2.993.
- [26]. F. M. Ruroh and D. Rahmawati, "The Effect of Management Change, Financial Difficulties, Cap Size, and Audit Delay on Auditor Switching Case Study on Manufacturing Companies Listed on the Indonesia Stock Exchange of the Year," *Nominal, Barom. Ris. Accountant. and Manaj.*, vol. 5, no. 2, p. 68–80, 2016, doi: 10.21831/nominal.v5i2.11726.
- [27]. A. . G. W. Mahantara, "Factors Influencing the Change of Public Accounting Firms in Companies Listed on the Indonesia Stock Exchange," 2013.

- [28]. A. N. Lius and A. Liani, "The Effect of Financial Distress and the Size of KAP on the Phenomenon of Auditor Change in the Indonesian Stock Exchange," *J. Ilm. Accountant. and Humanities*, vol. 8, no. 3, p. 277–287, 2018.
- [29]. Elva Marisa N, Kurnia Heriansyah, and Fathoni Zoebandi, "The Effect of Financial Distress, Audit Fees, Audit Opinions and Audit Delays on Auditor Switching (Empirical Study on Food and Beverage Companies Listed on the IDX in 2017-2020)," *J. Accountant. and Manaj. Business*, vol. 2, no. 2, p. 129–140, 2022, doi: 10.56127/era.v2i2.242.
- [30]. B. Luthfiyanti, "The Influence of Company Size, Audit Opinion, Management Change, KAP Size, and Audit Tenure on Auditor Switching," *J. Account.*, vol. 2, 2016.
- [31]. A. P. Robbitasari and I. D. N. Wiratmaja, "The Effect of Audit Opinion on Going Concern, Institutional Ownership and Audit Delay on Voluntary Auditor Switching." 2013.
- [32]. J. I. Manto and D. L. Manda, "The Effect of Financial Distress, Management Change and Hood Size on Auditor Switching," *Media Ris. Accounting, Auditing. Inf.*, vol. 18, no. 2, p. 135–152, 2018, doi: 10.25105/mraai.v18i2.3069.
- [33]. R. Sari, "The Effect of Corporate Social Responsibility on Profitability with Asset Utilization as a Moderation Variable (Study on Consumer Goods Industry Companies Listed on the IDX)," 2019.
- [34]. I. Ghozali, "Multivariate Analysis Application with IBM SPSS 21 Update PLS Regression Program. Semarang: Diponegoro University Press. Jakarta," Book, 2013.
- [35]. E. Apriyani, "The Effect of Company Size on Zakat Payment with Profitability as a Moderating Variable in Sharia Commercial Banks in Indonesia for the 2015-2018 Period. Thesis thesis, Indonesian College of Economics Jakarta.," Thesis, 2020.
- [36]. A. Chaniago, "The Effect of Profitability, Audit Quality, and Company Size on Audit Opinion Going Concern (Study on Manufacturing Companies in the Consumer Goods Industry Sector Listed on the Indonesia Stock Exchange in 2018-2021)," Thesis, 2021.
- [37]. M. Jepry, "The Influence of Professional Ethics, Independence, and Auditor Experience on Audit Quality," *Journal*, 2018.
- [38]. P. Priska Damai, "The Effect of Competence, Independence, and Professionalism on Professional Skepticism of Auditors in Public Accounting Firms (Kap)," thesis, 2020.
- [39]. M. E. S. Tjahjono and S. Khairunissa, "Audit Opinion, Financial Distress, Growth of Client Companies and Management Change Towards Switching Auditors," *J. Akunt.*, Vol. Vol 8. No., 2021.

- [41]. E. Angelina and P. Apriwenni, "The Effect of Audit Opinions, Corporate Complexity, and Financial Distress on Switching Auditors in Manufacturing Companies Listed on the Stock Exchange in 2014-2016," Journal, 2018.
- [42]. D. Vebriani, "The Effect of Profitability, Auditor's Opinion, and Reputation of the Kap on Audit Delay with Company Size as a Moderating Variable (Empirical Study of Companies in the Non-Primary Consumer Goods Sector Listed on the Indonesia Stock Exchange in 2018 – 2021)," Thesis, 2022.
- [43]. H. Andi Zalsa Junindra, "The Influence of Audit Committees, Audit Opinions, Audit Fees, and Institutional Ownership on Audit Report Lag (Empirical Study on Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX) in 2016-2020)," Other thesis, Univ. Darma Persada, 2022.
- [44]. K. H. Hidayati, "Teaching Writing To Efl Learners: An Investigation Of Challenges Confronted By Indonesian Teachers.," Langkawi J. Assoc. Arab. English, vol. 4(1), 2018.
- [45]. T. Naili and N. H. Primasari, "Audit Delay, Size of Public Accounting Firms, Financial Distress, Audit Opinions, and Size of Client Companies Towards Switching Auditors," J. Ilm. Accountant. Univ. Pamulang, vol. 8, no. 1, p. 63–74, 2020.
- [46]. S. Selviana and C. D. Wenny, "The Effect of Audit Tenure, Cap Size, and Auditor Change on the Integrity of Financial Statements (Empirical Study on Transportation Sector Companies Listed on the Indonesia Stock Exchange in 2017-2019)," Publ. Ris. Mhs. Accounting., vol. 2, no. 2, p. 169–183, 2021, doi: 10.35957/prima.v2i2.929.
- [47]. Fenny, I. Wendy, Stevanny, and T. T. U. Sipahutar, "The Influence of Financial Distress, Auditor Opinion and Management Change on Auditor Switching in Basic and Chemical Industry Companies on the Indonesia Stock Exchange," Journal, vol. volume 13, 2020.
- [48]. M. Elizabeth, S. Mayangsari, and P. Management, "The Effect of Management Change, Cap Size, Audit Delay on Auditor Switching," vol. 2, no. 2, p. 1653–1664, 2022.
- [49]. E. Wulandari, D. Cahyono, and N. Martiana, "Auditor Reputation as a Moderator of the Influence of Financial Distress and Audit Fees on Auditor Switching," Journal, vol. 8, 2019.