

## **AUDIT OPINION IMPACT ON AUDITOR SWITCHING IN INDONESIAN STOCK EXCHANGE MANUFACTURING FIRMS PERIOD 2018-2022**

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### **ABSTRACT**

*This study investigates the impact of audit opinion on auditor switching within the manufacturing sector of companies listed on the Indonesia Stock Exchange from 2018 to 2022. Employing a quantitative descriptive approach, secondary data extracted from annual reports constitutes the research material. Logistic regression analysis serves as the data analysis model. The findings indicate that, according to statistical tests, audit opinion does not exhibit a significant partial effect on auditor switching among manufacturing sector companies listed on the Indonesia Stock Exchange during the specified period*

*Keywords: Audit Opinion; Auditor Switching; Manufacturing Companies*

### **INTRODUCTION**

The profession of accounting public influenced by the public development company in general. The more public companies, the more services of public accountant needed (Puspitasari and Budiman, 2022). Increased in Public Accounting Firms (KAP) can give rivalry between one KAP and another KAP that give a possible for company to move from KAP one to another KAP (Dimiyati, F. F., Andrianto, W. A., & Sari, R. 2020). KAP compete to get client (company) with endeavoring a best audit services.

Case of voluntary auditor switching started with finance scandal

of Enron company in the United States in 2000 which is involved the Chief Executive Officer (CEO), Commissioner, Audit Committee, Internal Auditor and External Auditor. At the moment it was KAP Arthur Andersen who was the External Auditor. KAP Arthur Andersen is one of the Big 5 KAPs at the moment that. KAP Arthur Andersen did task auditing Enron's finances during almost 20 years. Consequence from finances scandal that be done, KAP Arthur Andersen collapses, and is formed rule of The Sarbanes Oxley Act (SOX) in (Kusuma, H., & Farida, D. 2019). Minister of Finance (Indonesia) also

issued regulations that regulate the period of work of KAP in a company with a decree from the Minister of Finance Number: 17/PMK.01/2022 Article 3 Paragraph 1 which states that giving general audit services on finance report carried out by KAP for a maximum of 6 (six) years book successively and by a Public Accountant for a maximum of 3 (three) years book in a row.

The companies that want a high quality in result of finance report as well as to keep its independence must be done by an auditor rotation (Al-Ebel, A., Baatwah, S., & Al-Musali, M. (2020). In agency theory, the independent auditor plays a role as a mediator agents principal that have different interests. Independent auditors also functioning in reducing the cost of emerging agency cause by the selfish behavior by the agent (manager). So, to prevent disappearance of the independence for the auditor, the government can arrange obligation in the auditor rotation (Coram & Wang, 2021). Auditor rotation is an auditor turnover regulation that must be carried out by the company, with the objective of

producing high quality and enforce auditor independence.

The Auditor switching shows its implications towards the credibility of a finances report and monitoring costs from the management 's activity (Arfamaini, 2022). Mandatory auditor switching is limited by the regulations established by the government, so there is a different case with the voluntary auditor switching. Voluntary auditor switching influenced by several factors such as audit opinion, this is because the companies that have accept the opinion is must without exceptions, have feel satisfied with reception of opinion, so that there is no need to switch to another new KAP (Barua, A., Lennox, C., & Raghunandan, A. 2020). Because opinion qualified will possibly reflect in a negative way from a practices of finance reporting management, the management preference is a "clean" opinion (Stephanie, 2017). The manager will be looking for a new auditor when their reputation has been tarnished (Sun, J., Wang, J., Kent, P., & Qi, B., 2020).

## **RESEARCH METHOD**

In this research the independent variable is audit opinion, meanwhile the dependent variable is auditor

switching. This study uses a descriptive method with a quantitative approach. Population in this study are 182 companies of manufacturers sector that listed on the Indonesia Stock Exchange in 2018-2022 with 910 annual reports. The sampling technique used is non-probability sampling with the method of purposive sampling. The reason for using the purposive sampling because of, there is not all the sample own appropriate criteria with what have be determined by the researcher. Therefore, the researcher set a few consideration or criteria that must be fulfilled in the sampling, namely:

1. Companies of manufacturers sector that listed on the Indonesian Stock Exchange in 2018-2022.
2. Companies of manufacturers sector that presents annual report 2018-2022.
3. Companies of manufacturers sector that have complete data for 2018-2022.
4. Companies of manufacturers sector that do the auditor switching in accordance with applicable regulations of year 2018-2022.

**Table 1. Sample Criteria**

No.	Criteria	Amount
1	Companies of manufacturers sector that listed on the Indonesian Stock Exchange in 2018-2022.	182
2	Companies of manufacturers sector that listed on the Indonesian Stock Exchange in 2018-2022.	(43)
3	Companies of manufacturers sector that have complete data for 2018-2022.	(31)
4	Companies of manufacturers sector that do the auditor switching in accordance with applicable regulations of year 2018-2022.	(67)
Company that complies the criteria		41
Amount sample used in the research (41 x 5)		205

So, there are 41 samples (company) used in this research. Data used in this study is secondary data. Secondary data sourced from the annual report of the company. Analysis regression logistics used as a data analysis model in this research.

**Table 2. List of Sample (Company)**

No.	Stock code	No.	Stock code
1	SMCB	21	BUDI
2	MLBI	22	PICO
3	JPFA	23	ALMI
4	CTBN	24	JKSW
5	LPIN	25	TIRT
6	RMBA	26	BTON
7	HDTX	27	UNITS
8	TRST	28	IIKP
9	ALKA	29	TIME
10	INCH	30	IGAR
11	EKAD	31	NIKL
12	PBRX	32	ALDO

13	ERTX	33	STEEL
14	SMGR	34	TRIS
15	KBLM	35	ALTO
16	ESTI	36	WTON
17	MIIA	37	CINT
18	LMPI	38	KAEF
19	SPMA	39	BTEK
20	KIAS	40	STAR
		41	MGNA

## RESULT AND DISCUSSION

The t-test results for the audit opinion (independent variable) demonstrated a significant level of 0.358, which exceeds 0.05. This suggests that the variable does not significantly influence the dependent variable, which is the auditor switching in manufacturing companies listed on the Indonesian Stock Exchange between 2018 and 2022. This finding aligns with Wardani's study (2019), which also concluded that audit opinion does not significantly impact auditor switching. Hence, the act of auditor switching within these companies is not primarily driven by the audit opinion provided in the annual financial reports. This can be attributed to some of the sampled large companies receiving a reasonable opinion without exceptions, complying with existing regulations. Instances where companies receive opinions other than reasonable opinions without exceptions may result in tarnishing the

company's image in the eyes of external parties, thereby leading to a tendency to retain their original auditor. Moreover, as per Lai, K. W. (2019), the audit opinion's alignment with established standards indicates no significant influence on auditor switching.

## CONCLUSION

After conducting statistical tests and extensive discussions on the impact of audit opinion on auditor switching within the manufacturing sector companies listed on the Indonesian Stock Exchange from 2018 to 2022, the researcher concludes: "Audit opinions do not significantly impact auditor switching among manufacturing sector companies listed on the Indonesian Stock Exchange between 2018 and 2022."

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