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The Influences of Management Changes, Financial Distress, and Reputation of Accounting Firm on Voluntary Auditor Switching at Agriculture Companies in IDX

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Abstract. Producing a relevant and reliable of company financial report needs an involvement of independent third party such as public accountant or external auditor. In Indonesia, the regulation on auditor independence is stipulated by Peraturan Pemerintah No. 20 of 2015 on Public Accountant Practices. Based on this regulation, mandatory auditor switching must be made after five consecutive fiscal years. Currently, Peraturan Otoritas Jasa Keuangan No. 13/POJK.03/2017 on Public Accountant Services in Financial Services Activities states that the mandatory auditor switching must be conducted after three consecutive fiscal years.

In practice, there are many companies that make auditors switching before the predetermined period of time. This voluntary auditor switching can be caused by the motivation of the company as auditee and the auditor. This research studies three factors influence on the voluntary auditor switching namely, management changes, financial distress, and reputation of public accountant firm.

The method of this research is hypothetico-deductive method. The sample selection was done by purposive sampling technique with the sample of 15 agricultural companies listed on IDX during 2013 – 2017. This study uses binary logistic regression analysis because the dependent variable has dichotomous scale while the independent variables are in metrics and non metrics.

Based on the result of binary logistic regression analysis in this research, management change and financial distress have a significant effect on voluntary auditor switching. Meanwhile, the reputation of the accounting firm has no significant influence on the voluntary auditor switching. The simultaneous test shows that management change, financial distress, and accounting firm's reputation affect the voluntary auditor switching significantly in concurrent.

Keywords: voluntary auditor switching, management change, financial distress, reputation of accounting firm