Analysis of the influence of audit characteristics, company characteristics, and audit committee on auditor replacement in companies listed on the Indonesia Stock Exchange

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ABSTRACT
This research was conducted with the aim of analyzing the effect of audit characteristics, company characteristics and audit committee on auditor turnover. The sample of companies used in this study were 453 companies listed on the Indonesia Stock Exchange from 2015 to 2019. The audit characteristic classification variables are auditor reputation and audit opinion. The variables for categorizing company characteristics are financial distress, change of management, and leverage. The data obtained were then processed using the SPSS program. The results showed that the auditor's reputation and profitability had a significant effect on auditor switching, while financial difficulties, management changes, audit opinion, audit committee, and leverage had no significant effect on auditor switching.

INTRODUCTION
Company is an organization incorporated as a legal entity or non-legal entity established with the aim of making a profit, by marketing or producing goods or services to meet consumer needs. The company is considered to be able to operate for a long period of time is one of the fulfillment of the assumptions contained in accounting, namely the assumption of going concern. The company's proven good performance is certainly in line with the assumption of viability as described above. This attracts investors to carry out investment activities.

Good company performance can be assessed from the company's financial statements. Financial reports are a means of delivering information related to the company's performance to those in need. The information contained in financial statements can be used to predict, compare and evaluate the company's ability to generate profits. This makes all companies compete to provide financial reports according to standards in order to attract investors.

The company in maintaining the reliability of the financial statements is required to change auditors. Based on Indonesian government regulations, the limitation of audit services in "Government Regulation Number 20 of 2015 concerning restrictions on audit services where the provision of audit services on historical financial information performed by auditors on an entity is limited to a maximum of 5 (five) consecutive financial years". This causes the company to have to change auditors every 5 years or do it voluntarily. Change of auditor is an exchange of auditors who have performed audit assignments on a company.

Companies in changing auditors are influenced by two factors, namely due to established regulations or voluntarily. Companies in making voluntary auditor changes certainly have reasons that underlie the decision. This is what makes researchers conduct research on auditor turnover.

RESEARCH METHOD
Research design
This research is classified as a comparative causal research where research activities seek to find a causal relationship that occurs. This research is classified as historical research because the researcher explores the facts needed as the object of research from past financial report data. The data collection
technique uses secondary data, which is indirect data collection. Secondary data in the form of historical financial reports published in written form

Object of research
The object of the research is the audited financial statements of companies listed on the IDX. Purposive sampling method is the method used in taking research samples, namely the sample is selected with certain criteria. The criteria referred to in this study are:
1. Companies that publish audited financial reports and attach independent audit reports for five consecutive years from the 2014-2019 period listed on the IDX.
2. Financial reports must be able to provide data to measure independent variables.

Variable Operational Definition
1. Change of Auditor
   The dependent variable in the form of auditor turnover is measured using a nominal scale or a categorical scale (dummy variable). The measurement of auditor turnover used in this study adopts the measurement of auditor turnover studied by Kusuma and Farida (2019) taken from Aroh et al. (2017) with the following criteria:
   Auditor turnover = one (1) if the company changes auditors from the previous year.
   Auditor turnover = zero (0) when the company does not change auditors from the previous year.

2. Auditor Reputation
   Based on Fauziyyah et al., (2019), auditor reputation describes KAP benchmarks which are classified into two groups. The measurement of the reputation of the auditors selected in this study adopted the measurement of Kusuma and Farida (2019) taken from Sari and Widanaputra (2016) with the following criteria:
   Auditor reputation = one (1) if the company is affiliated with KAP big four from the previous year.
   Auditor reputation = zero (0) if the company is not affiliated with the big four KAP from the previous year.

3. Financial Difficulties
   The company is said to be experiencing financial difficulties when the company fails or is not sufficient in fulfilling its obligations as a debtor because the company is still experiencing a period of crisis, is not healthy, lacks or does not have sufficient funds to continue its business. The use of measurement of financial difficulties in this study uses a ratio scale. This study adopts the measurement of financial difficulties from Kusuma and Farida (2019) taken from Sari and Widanaputra (2016) with the following criteria:
   \[ \text{DER} = \frac{\text{Total Debt}}{\text{Total Equity}} \]

4. Management Change
   Change of management occurs when the company replaces the board of directors due to its own will or based on the decision of the shareholders' meeting. If the company changes the board of directors, the change will have an impact on the company's own policies. The composition of the board of directors is shown in the notes to the company's financial statements. The measurement of management change in this study takes the measurement of management change from Kusuma and Farida (2019) taken from Luthfiyanti (2016) with the following criteria:
   Change of Management = one (1) if the company experienced a change in the composition of the company's directors from the previous year.
   Change of Management = zero (0) if the company does not experience a change in the composition of the company's directors from the previous year.

5. Audit Opinion
   Statement of opinion issued by the auditor as an assessment of the fairness of a financial report. The company will want the auditor to assess and provide an appropriate opinion on its financial statements. The measurement of audit opinion in this study was adopted from the measurement of Kusuma and Farida (2019) taken from Luthfiyanti (2016) with the following criteria:
   Audit opinion = one (1) if the company gets an unqualified opinion within a certain period.
   Audit opinion = zero (0) if the company received other than an unqualified opinion within a certain period.

6. Profitability
   Profitability is defined as the company's ability to generate profits which is measured by using a percentage unit to assess the extent to which the company can generate revenue through sales, assets and equity. If the company's profitability increases, it can be interpreted that the company is more effective in managing company assets in generating profits. The benchmark for profitability uses the ROA (Return on Asset) change ratio. The benchmark for profitability is based on Kusuma and Farida (2019) measurements taken from Arsh and Anisykurfitlah (2015) with the following criteria:
   \[ \text{ROA} = \frac{\text{Net Income}}{\text{Total Asset}} \]
7. Audit Committee

The audit committee is an agency or organization established by the commissioners to assist the commissioners in carrying out their assignments. The audit committee has an important role for the company and is independent. The main task of the audit committee is to check, review, and evaluate the company's financial statements issued by internal and external parties of the company. This audit committee variable was measured using a dummy variable. This measurement is taken from the measurement of Kasih and Puspitasari (2017) with the following criteria:

- Audit committee = one (1) if the company changes the audit committee from the previous year.
- Audit committee = zero (0) if the company does not change the audit committee from the previous year.

8. Leverage

Leverage or leverage ratio is a ratio that describes the percentage of debt that has been issued by the company. This ratio can measure the capability of a company in fulfilling the company's obligations or debts. A company is said to have a high level of leverage when the total assets owned by the company are less than the company's debt. The measurement of this leverage variable is taken from the measurement of Husnimubaroq (2019) with the following criteria:

\[
\text{Leverage} = \frac{\text{Total Debt}}{\text{Total Asset}}
\]

Data Analysis Method

1. Descriptive Statistics

Descriptive statistics is a data collection method whose role is to describe or present a useful estimate of the object under study. Descriptive statistics in research can be said as a process of changing research data so that they are easy to understand and interpret. Descriptive analysis serves to provide estimates of the independent variables. The results of the analysis will provide information on the minimum, maximum, average value, and standard deviation.

2. Outlier Test

Outliers are data that is much different from most of the other data from the group, so it needs to be discarded because the data can be biased if there are outliers. The Z-Score test is one way that can be used to remove outlier data. Determination of outliers is determined by the number of samples, namely: If the number of samples is < 80, then the observations with Z-score > 2.5 or < -2.5. If the number of samples > 80, then the observation with Z-score > 3 or < -3.

3. Multicollinearity Test

Multicollinearity test to ascertain whether there is a relationship between independent variables in a regression model. The regression model is a good model if there is no relationship. The VIF value is less than 10 and the tolerance is not more than 0.1, meaning the research model is free from multicollinearity.

4. Nagelkerke R Square test

The Nagelkerke R Square test was carried out to measure the percentage of model fit. The results of the Nagelkerke R Square test show that the higher the percentage obtained, the higher the model can explain the independent variables.

5. Hosmer Test and Lemershow Test

This test is used to test whether the model is right or not. Appropriate if there is no difference between the model and the data. Value of Sig. <0.05 then there is a significant difference between the model and the observation value, which means the model cannot predict the observation value. If the value of Sig> 0.05 otherwise.

6. Test Variables in Equation (Wald)

The significance value is the value seen in this test. The significance value if < 0.05 then the variable has a significant effect on the dependent variable and vice versa if the significance value > 0.05 means that the variable has no significant effect on the dependent variable.

RESULTS AND DISCUSSIONS

Descriptive statistics

Researchers in data collection using secondary data. The company's annual financial reports contained in the IDX for the period 2015 to 2019 are the objects of research used. The data obtained were then processed using the SPSS program. All information regarding the research sample taken from the entire population on the IDX is attached in Table 1 as follows:

<table>
<thead>
<tr>
<th>Table 1 Research Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information</td>
</tr>
<tr>
<td>Companies listed on the IDX</td>
</tr>
<tr>
<td>Companies that do not have annual reports for 5 consecutive years</td>
</tr>
<tr>
<td>Newly listed companies on the IDX after 2015</td>
</tr>
</tbody>
</table>
Companies categorized as sample 453 company
Research year 5 years
Total data for the period 2015-2019 2,265 data
Total outlier company data (185) data
Total company data tested 2,080 data


Table 2
Descriptive Statistics Test Results

<table>
<thead>
<tr>
<th>Variable</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial distress</td>
<td>-7.940</td>
<td>12.67</td>
<td>1.747</td>
<td>2.123</td>
</tr>
<tr>
<td>Profitability</td>
<td>-0.189</td>
<td>0.236</td>
<td>0.026</td>
<td>0/621</td>
</tr>
<tr>
<td>Leverage</td>
<td>0.005</td>
<td>1.243</td>
<td>0.496</td>
<td>0.231</td>
</tr>
</tbody>
</table>


Table 3
Dummy Variable Descriptive Statistics Test Results

<table>
<thead>
<tr>
<th>Variable</th>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditor Change</td>
<td>0 = No change of auditor</td>
<td>1.769</td>
<td>85%</td>
</tr>
<tr>
<td></td>
<td>1 = Change auditor</td>
<td>311</td>
<td>15%</td>
</tr>
<tr>
<td>Auditor Reputation</td>
<td>0 = Non big four</td>
<td>1.255</td>
<td>60%</td>
</tr>
<tr>
<td></td>
<td>1 = Big four</td>
<td>825</td>
<td>40%</td>
</tr>
<tr>
<td>Management Change</td>
<td>0 = No management changes</td>
<td>1.372</td>
<td>66%</td>
</tr>
<tr>
<td></td>
<td>1 = Make management changes</td>
<td>708</td>
<td>34%</td>
</tr>
<tr>
<td>Audit Opinion</td>
<td>0 = Other than unqualified</td>
<td>13</td>
<td>0.6%</td>
</tr>
<tr>
<td></td>
<td>1 = Unqualified</td>
<td>2.067</td>
<td>99.4%</td>
</tr>
<tr>
<td>Audit Committee</td>
<td>0 = Not changing the audit committee</td>
<td>1.500</td>
<td>72%</td>
</tr>
<tr>
<td></td>
<td>1 = Change the audit committee</td>
<td>580</td>
<td>28%</td>
</tr>
</tbody>
</table>


Regression Model Feasibility Test
The feasibility test of the regression model is needed to determine whether the model has been formed correctly. The results are said to be appropriate if they can determine whether the model is able to predict the model used so that the model is appropriate and acceptable. Hosmer and Lemeshow Test (Goodness of Fit Test) was conducted to test the feasibility of the regression model which can be measured from the Chi-Square value. The results of the feasibility of the regression model in this study are shown in Table 4

Table 4
Regression Model Sailing Test Results

<table>
<thead>
<tr>
<th>Step</th>
<th>Chi-square</th>
<th>df</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>11.874</td>
<td>8</td>
<td>0.157</td>
</tr>
</tbody>
</table>

Hypothesis Testing Model Summary

The coefficient of determination can be seen in Cox and Snell R Square and Nagelkerke R Square. The results of the coefficient of determination in this study are shown in Table 5.

Table 5
Model Hypothesis Test Results Summary

<table>
<thead>
<tr>
<th>Step</th>
<th>-2 Log likelihood</th>
<th>Cox and Snell R Square</th>
<th>Nagelkerke R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1678.910a</td>
<td>0.036</td>
<td>0.063</td>
</tr>
</tbody>
</table>


Table 5 shows the Nagelkerke R Square value of 0.063 which states that the independent variable explains its effect on the dependent variable by 6.3% while the other 93.7% cannot be explained by the variables contained in the model.

Multicollinearity Test

The absence of a strong relationship between independent variables reflects a good regression value. Table 6 describes the correlation between the independent variables in this study. The results of the multicollinearity test show results that are smaller than 10 so that there is no multicollinearity relationship that occurs between the independent variables.

Table 6
Multicollinearity Test Results

<table>
<thead>
<tr>
<th>Variabel</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td></td>
</tr>
<tr>
<td>Auditor Reputation</td>
<td>1.087</td>
</tr>
<tr>
<td>Financial distress</td>
<td>2.396</td>
</tr>
<tr>
<td>Management Change</td>
<td>1.053</td>
</tr>
<tr>
<td>Audit Opinion</td>
<td>1.008</td>
</tr>
<tr>
<td>Profitability</td>
<td>1.132</td>
</tr>
<tr>
<td>Audit Committee</td>
<td>1.042</td>
</tr>
<tr>
<td>Leverage</td>
<td>2.436</td>
</tr>
</tbody>
</table>


Test Results for Variables in the Equation

The purpose of the results of this test is to test and prove the effect of each independent variable on the dependent variable. The results of the t-test in Variables in the Equation are presented in Table 7.

Table 7
Variables in the Equation . Test Results

<table>
<thead>
<tr>
<th>Variabel</th>
<th>B</th>
<th>Sig</th>
<th>Penjelasan</th>
<th>Hipotesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditor Reputation</td>
<td>1.008</td>
<td>0.000</td>
<td>Sig Positif</td>
<td>Proven</td>
</tr>
<tr>
<td>Financial distress</td>
<td>0.075</td>
<td>0.083</td>
<td>Tidak Sig</td>
<td>Not proven</td>
</tr>
<tr>
<td>Management Change</td>
<td>-0.134</td>
<td>0.321</td>
<td>Tidak Sig</td>
<td>Not proven</td>
</tr>
<tr>
<td>Audit Opinion</td>
<td>0.873</td>
<td>0.136</td>
<td>Tidak Sig</td>
<td>Not proven</td>
</tr>
<tr>
<td>Profitability</td>
<td>-3.241</td>
<td>0.002</td>
<td>Sig Neg</td>
<td>Proven</td>
</tr>
<tr>
<td>Audit Committee</td>
<td>-0.203</td>
<td>0.148</td>
<td>Tidak Sig</td>
<td>Not proved</td>
</tr>
<tr>
<td>Leverage</td>
<td>-0.549</td>
<td>0.192</td>
<td>Tidak Sig</td>
<td>Not Proved</td>
</tr>
</tbody>
</table>


In table 7 it can be seen that the auditor's reputation has a significant positive effect, financial difficulties have no effect, changes in management have no effect, audit opinion has no effect, profitability has a significant negative effect, the audit committee has no significant effect and leverage has no effect on auditor turnover.

CONCLUSION

Auditor reputation has a significant positive effect on auditor turnover. The company chooses a small KAP auditor because the audit fee is relatively cheaper than the large auditor KAP. This is what underlies that the better the reputation of the auditor, the more companies do not change auditors. This result is supported by the research of Junaidi et al., (2015) and Apriyanti and Hartanty (2016).

Financial difficulties have no significant effect on auditor turnover. These results indicate that companies in financial crisis situations tend not to change auditors because expensive audit fees will hamper...
company funds. These results are consistent with the research of Kusrina (2008) and Aroh, Joseph Chike and Augustine, Odum (2018), Augusty and Wilopo (2019) & Winata and Aniswurililah, (2018).

Changes in management have no significant effect on auditor turnover. These results indicate that the company does not change auditors even though the company changes management because the company is satisfied if it gets an unqualified audit opinion so that the company does not see an interest in changing auditors. These results are in line with the research of Sari et al., (2018), Alansari and Badera (2016), Yudha et al., (2018), Andreas and Savitri (2019), K. Hidayati and Jatiningsih (2019), Yuliani et al., (2018).

Audit opinion has no significant effect on auditor turnover. The audit opinion issued by the auditor is not always the main reason the company considers changing the auditor. The company will continue to use the services of the old KAP if the company is satisfied with the audit opinion issued by the auditor. These results are in line with the research of Widnyani and RM (2018), Muhammad Fakhri (2018), and Restian et al., (2017).

Profitability has a significant negative effect on auditor turnover. This proves that the more profitable the company is, the more the company will retain its old auditor. The company has the opportunity to get a good opinion if it does not change auditors which will have an effect on the good name of the company in the eyes of investors. These results are in line with research by Mulyono and Majidah (2015) and Luypaert and Van Caneghem (2012).

Leverage has no significant effect on auditor turnover. The test results explain that companies that have high leverage, the lower the company's potential to change auditors. Consideration in changing auditors is a serious matter for the company because the old auditors have understood the condition of the company. Changing auditors certainly increases audit costs so that companies experiencing financial crises tend not to change auditors in order to minimize expenses. These results are consistent with research by Adli and Suryani (2019), Hutagulung (2018).

REFERENCES


