

The effect of management change, audit opinion, and financial distress on auditor switching

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ABSTRACT

To avoid undesirable things related to auditor independence, some companies take an action to make mandatory auditor switching, but on the other hand, many other companies make voluntary auditor switching. This study, therefore, aims to find out empirical evidence related to the factors, such as management changes, audit opinion, and financial distress, which affect the manufacturing companies to do voluntary auditor switching. The data used in this research are consumer goods industry sector companies listed on the Indonesia Stock Exchange during 2011-2015. A total of 33 manufacturing companies are used as the sample. Analysis method used is logistic regression analysis. Overall, the finding shows that there is no significant evidence that management change, audit opinion, and financial distress have an effect on auditor switching. Suggestion for the future research is to extend survey area coverage and to add more variables that can influence auditor switching.

ABSTRAK

Untuk menghindari hal yang tidak diinginkan terkait dengan independensi auditor, beberapa perusahaan mengambil tindakan untuk membuat wajib auditor switching, tetapi di sisi lain, banyak perusahaan lain membuat auditor beralih sukarela. Penelitian ini, oleh karena itu, bertujuan untuk mengetahui bukti empiris yang berkaitan dengan faktor-faktor, seperti perubahan manajemen, opini audit, dan kesulitan keuangan, yang mempengaruhi perusahaan manufaktur untuk melakukan auditor switching yang sukarela. Data yang digunakan dalam penelitian ini adalah perusahaan sektor industri barang konsumsi yang terdaftar di Bursa Efek Indonesia selama tahun 2011-2015. Sebanyak 33 perusahaan manufaktur digunakan sebagai sampel. Metode analisis yang digunakan adalah analisis regresi logistik. Secara keseluruhan, temuan menunjukkan bahwa tidak ada bukti yang signifikan bahwa perubahan manajemen, opini audit, dan kesulitan keuangan memiliki efek pada auditor switching. Saran untuk penelitian masa depan adalah untuk memperluas cakupan area survei dan menambahkan lebih banyak variabel yang dapat mempengaruhi auditor switching.

1. INTRODUCTION

To maintain his professional attitude and independence, an auditor is expected not to have a close relationship with his clients. The long and close relationship between the auditor and his client is feared to have a negative effect on the level of auditor independence in providing an audit opinion. For this reason, it is necessary to have regulations regarding the obligation of switching auditor. Indonesia has made a regulation regarding the auditor switching with the issuance of Regulation of the Minister of

Finance of the Republic of Indonesia Number 17/PMK.01/2008 article 3 concerning "Public Accountant Services" which obliges to switch its Public Accounting Firm after conducting audits for six consecutive years by the same Public Accounting Firm and three consecutive years by the same auditor to the same client (article 3 paragraph 1). In addition, Public Accounting Firm may receive assignments again after one year of the book he does not provide general audit services on the client's financial statements (article 3 paragraphs 2 and 3).

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In addition to the government regulations that require auditor switching, there are also several other factors that can affect a company to make changes to its auditors. As is the case covered by detik.com on Monday, May 25, 2015, that is, at one of the investment companies, PT Inovisi Infracom Tbk (INVS) in Jakarta, which had to receive a suspension of trading of shares by the Indonesia Stock Exchange (IDX) because there were many errors found in the company's financial performance report for the third quarter of 2014. The impact of this case is that PT Inovisi Infracom Tbk must make changes to its Public Accounting Firm and auditor, which was originally carried out by Public Accounting Firm Jamaludin, Ardi, Sukimto, and colleagues at the 2013 financial statement audit, which then had to be replaced by Kreston International (Hendrawinata, Eddy Siddharta, Tanzil, and colleagues) to audit the company's financial statements for the 2014 financial year so that the quality of the delivery of financial statements could improve in accordance with the applicable regulations and standards. Thus, the quality of the audit provided by an auditor either directly or indirectly will also affect the company to maintain or even make changes to its auditors.

This is very interesting to study because there are several opinions regarding the factors that affect the auditor switching in Indonesia in addition to the existence of research gap or differences from several previous studies. The research gap can be seen from the results of research regarding the effect of management changes on the reasons for the company to perform auditor switching. In the variable of management changes, there are differences in the results of studies conducted by Pratini and Astika (2013) and Ahmed et al. (2000) that management changes affect auditor switching with research conducted by Astrini and Muid (2013) which states that management changes do not affect auditor switching. In addition to the variable of management changes, there are other variables that experience differences or gaps from the results of research conducted by previous researchers, such as variable of audit opinion and variable of financial distress experienced by the company.

In the audit opinion variable there are differences in the results of research conducted by Srimindarti (2006) which states that audit opinion affects the auditor switching with the results of studies conducted by Pratini and Astika (2013) and Astrini and Muid (2013) which state that audit opinion has no effect on auditor switching. Whereas, in the variable of financial distress there are differences in the results of studies conducted by Pratini and Astika

(2013) and Srimindarti (2006) which state that financial distress affect auditor switching with the results of the studies conducted by Astuti and Ramantha (2014), Astrini and Muid (2013), and Prastiwi and Wilsya (2009) which state that financial distress does not affect auditor switching. Some of the research gaps that have been described above can be used as a reason why some of these variables deserve to be re-examined. Therefore, the author conduct research on auditor switching in manufacturing companies, especially in the consumer goods industry sector, listed on the Indonesia Stock Exchange (IDX) in 2011-2015.

The author uses the research population in the consumer goods industry with the reason that there have been many previous studies examining manufacturing companies, but only few that have focused on the consumer goods industry sector. While the reason why the author uses the data from 2011 to 2015 is because the author wants the renewal of research on the topic.

2. THEORETICAL FRAMEWORK AND HYPOTHESIS

Agency Theory

Agency theory developed by Jensen and Meckling (1976) describes the conflict of interest between management (agent) and owner or shareholder (principal). Suwardjono (2013: 485) states that agency theory is the relationship between principals and agents in which agents act on behalf of and for the interests of principals. And for their actions, the agents receive certain rewards. The relationship is usually stated in the contract. A contract is said to be efficient if the contract can encourage the parties involved to carry out what is agreed and not cause many conflicts or disputes in it.

The owner or shareholder gives trust to management to manage company assets and provide reports periodically. The Principal expects all operations carried out by the management to run well. But things that are expected to run harmoniously may cause some conflicts or obstacles in the implementation, such as 1) the management deliberately misuses the report made so that it still looks good to maintain the trust given by the principal; 2) the management wants to show that its performance seems successful by making financial statements look good with a view to getting appreciation from the principal. Therefore, to bridge the conflict between agents and principals, it is necessary to employ an independent third party, namely the auditor.

Auditor has a very important role to assess the fairness of financial statements and the ability of the

company to survive (Srimindarti 2006). The results of the auditor's assessment or which is often referred to as the opinion is a measure of whether the company has a good performance or not. Good company performance is the expectation of the management. The expectation then drives the management to choose a public accounting firm and a qualified auditor (Pratini and Astika 2013). Therefore, management requires good cooperation with the auditor so that the opinions issued by the auditor will be in accordance with the management's wishes. Thus, if this does not materialize, it will be one reason that encourages management in the GMS to make changes to existing auditors with other auditors who are better able to realize the management's wishes. The description above can be used as a reason why agency theory is the basis of the theory used in this study.

Research Hypotheses

Management change is a change in the board of directors conducted by the company. In general, the new management will apply the new accounting rules and methods, thus requiring good cooperation with the auditor which is expected to be in accordance with management's wishes. The existence of interest factor is one of the triggers for the company to make auditor shifting. In other words, if the company changes the board of directors, both directors and commissioners, it will cause changes in policies within the company. Therefore, Pratini and Astika (2013) state that if there is a change in management, either directly or indirectly, it will encourage the auditor to be in line with its reporting and accounting policies. Based on this statement, the proposed hypothesis is:

H1: Management change has an effect on auditor switching.

Audit opinion is the last stage in the audit process (Tuanakotta 2013: 505). Audit opinion can be defined as a statement issued by the auditor to assess the feasibility of the audited financial statements of the company. In general, companies will tend to change their auditors if the opinion that they get on the fairness of their financial statements is a qualified audit opinion. In some previous studies, it was successful in proving that qualified audit opinion was one of the factors that caused the company to change its auditors, although there was no evidence that the company would get a better opinion after making the auditor switching. Therefore, companies that obtain opinions other than unqualified audit opinions such as qualified audit opinions and do not give opinions tend to conduct auditor switching

(Astrini and Muid 2013). Based on this statement, the proposed hypothesis is:

H2: Audit opinion has an effect on auditor switching.

Financial distress experienced by the company is one of the factors that can affect the company to replace its auditor for financial reasons. Some previous studies states that companies that experience bankruptcy tend to be more frequent to perform auditor switching than those that do not experience bankruptcy or companies with good financial conditions (KAP Schwartz and Soo 1995 in Astrini and Muid 2013). Companies that experience bankruptcy have a low ratio and unhealthy financial position. Therefore, they tend to involve auditors who have a high level of independence with the aim of increasing the confidence of shareholders and creditors (Kida 1980 in Srimindarti 2006). Thus, the auditors who have clients with financial distress will have a shorter term of office than the auditors who have clients with healthy financial conditions. Based on this statement, the proposed hypothesis is:

H3: Financial distress has an effect on auditor switching.

3. RESEARCH METHOD

Research Design

This study was conducted to examine the effect of management change, audit opinion, and financial distress on auditor switching in manufacturing companies, especially in the consumer goods industry sector, listed on the Indonesia Stock Exchange (IDX) in 2011-2015. The author uses the research population in the consumer goods industry with the reason that there have been many previous studies examining manufacturing companies, but only few that focused on conducting research on the consumer goods industry sector. Meanwhile, the author uses data from 2011 to 2015 because the author wants an update.

The data used in this study are secondary data, that is, the data that are previously available such as audited financial statements that can be obtained from the official website of the Indonesia Stock Exchange. The variables used in this study are management change, audit opinion, and financial distress as independent variables, and auditor switching as the dependent variable. The reason for the writer to use the independent variable is because in previous studies there were still many different research results. Some studies state that it has a significant effect on the dependent variable, but some other studies state that there is no effect on the dependent variable. Therefore, the author intends to solve the

gap on some of the differences in the results of previous studies. Data analysis techniques used in this study include descriptive analysis and logistic regression analysis.

Operational Definition and Variable Measurement

Dependent Variable

Auditor Switching

Auditor switching is a behavior carried out by a company to change auditor. There are two reasons that cause the company to make auditor switching. The first is mandatory, which is caused by government regulations that require auditor switching. The second is voluntary, which is caused by factors other than government regulations that require the auditor switching.

In this study, the variable of auditor switching can be seen from the independent auditor's opinion page on the audited financial statements of the company. This variable is measured using dummy variable by looking at the name of the auditor who audited the financial statements this year and then comparing with the name of the auditor who audited the financial statements in the previous year. If the client company replaces the auditor or KAP, then a value of 1 is given, whereas if the client's company does not perform auditor switching, then the value is 0.

Independent Variables

Management Change

Management change is a change in the board of directors conducted by the company because the management has stopped working due to their own will or due to the decision of the meeting. So, the shareholders must make change to new management resulting in changes in policies in the company, such as in accounting, finance or in the case of the election of Public Accounting Firm and its auditors. In general, the new management will apply the new accounting rules and methods, thus requiring good cooperation with the auditor, which is expected to be in accordance with management's wishes. The existence of interest factor is one of the triggers for the company to make auditor switching.

The variable of management change in this study is only devoted to the change that occurs to the main director only, whose data can be seen from the audited financial statements of the company. Measurement of the variable of management change in this study is conducted using dummy variable. If the client's company makes management change, then the value is 1. Meanwhile, if the client's compa-

ny does not make management change, the value is 0.

Audit Opinion

Audit opinion is an opinion expressed and given by the auditor in assessing the fairness of the financial statements of the client's company in all material matters based on the suitability of the preparation of financial statements using generally accepted accounting principles. Audit opinions can be classified into four: unqualified opinion, qualified opinion, adverse opinions, and disclaimer of opinion.

The variable of audit opinion in this study is measured using dummy variables. If the company gets an opinion other than unqualified, the value is 1, whereas if the company gets an unqualified opinion, the value is 0.

Financial Distress

Financial distress is a condition in which a company experiences a difficult period in finance. This is marked by the inability of the company to pay all or part of its obligations, especially short-term liabilities, caused by several factors. First, because the company does not have funds at all; second, the company still has funds but at the due time of the payment, the company does not have cash funds, so the company must do various methods such as selling securities, selling inventory, collecting receivables, and other things. In other words, financial distress is a situation where the company is in a difficult financial condition or even tends to have the possibility of bankruptcy.

In this study, the variable of financial distress is measured using the bankruptcy analysis of the Grover G-Score model, with the following formula:

$$G\text{-score} = 1.650X1 + 3.404X3 - 0.016ROA + 0.057. \quad (1)$$

Where:

$X1$ = working capital/total assets.

$X3$ = earning before interest and taxes/total assets.

ROA = net income/total assets.

Under condition:

$G\text{-Score} > 0.01 \rightarrow$ included in the safe zone

$-0.02 < G\text{-Score} < 0.01 \rightarrow$ included in the "gray" zone

$G\text{-Score} < -0.02 \rightarrow$ included in the danger zone of bankruptcy.

Population, Sample and Sampling Technique

The population in this study is manufacturing companies, particularly in the consumer goods industry sector, listed on the Indonesia Stock Exchange (IDX) during the period 2011-2015, consisting of 40 companies.

The sample is determined using sampling

Table 1
The Frequency of Auditor Switching

	Frequency	Percentage	Valid Percentage	Cumulative Percent
Non-Auditor Switching	83	50.3	50.3	50.3
Auditor Switching	82	49.7	49.7	100
Total	165	100	100	

Source: Processed Secondary Data (2016).

Table 2
The Frequency of Management Change

	Frequency	Percentage	Valid Percentage	Cumulative Percent
Non-Management Change	146	88.5	88.5	88.5
Management Change	19	11.5	11.5	100
Total	165	100	100	

Source: Processed Secondary Data (2016).

Table 3
The Frequency of Auditor Opinion

	Frequency	Percentage	Valid Percentage	Cumulative Percent
Unqualified Opinion	161	97.6	97.6	97.6
Non-Unqualified Opinion	4	2.4	2.4	100
Total	165	100	100	

Source: Processed Secondary Data (2016).

census technique, that is, a sampling technique conducted by testing the entire population. The sampling technique is taken because the population is very small. However, of the 40 manufacturing companies in the consumer goods industry sub-sector, only 33 companies are listed and presented complete financial statements on the IDX in the period 2011-2015. Therefore, the researcher only focuses on the 33 companies.

4. DATA ANALYSIS AND DISCUSSION

Data Analysis

Descriptive Statistics

Table 1 shows that the variable of auditor switching has two categories. The first category is the absence of auditor changes, or coded (0), and the second category is the existence of auditor switching, or coded (1). Based on the results of the frequency in the table, it shows that the data for companies that do not perform auditor switching are 83, or 50.3%, while the data for companies that carried out the auditor switching are 82, or 49.7%. From these results it can be seen that the number of sample data of companies that do not make auditor switching is more than the sample data of companies that make auditor switching, but the number does not have a significant difference because the number of data of the companies that do not make auditor switching and the number of data of the companies that make auditor switching only have one data difference. Thus, it

can still be said to be balanced.

Table 2 shows that the variable of management change has two categories. The first category is the absence of management change, or coded (0), and the second category is the presence of management change, or coded (1). Based on the results of the frequency, the number of companies that do not make management change is 146 companies or 88.5%, while the number of companies that make management change is 19 companies or 11.5%. This means that most sample companies do not make management changes.

Table 3 shows that the variable of audit opinion has two categories. The first category is an unqualified opinion, or coded (0), and the second category is other than unqualified opinion, or coded (1). Based on the results of the frequency, the number of companies that get unqualified opinion is 161 companies or 97.6%, while the companies that get opinions other than unqualified is 4 companies or 2.4%. This means most sample companies get unqualified opinions on their financial statements.

Table 4 is the result of descriptive statistical analysis for the variable of financial distress. The table shows that the minimum value is -0.516 and the maximum value is 3.041. Based on these values it is known that there is a difference between the maximum value and the minimum of 3.557, which means that there is a considerable difference between the maximum value and the minimum value

Table 4
Descriptive Statistics of Financial Distress

	N	Min	Max	Mean	Std. Deviation
Financial Distress	165	-0.516	3.041	1.08812	0.681861
Valid N	165				

Source: Primary Secondary Data (2016).

Table 5
Block 0 : Beginning Block

Iteration	-2 Log likelihood
1	228.733
2	228.733

Source: Processed Secondary Data (2016).

Table 6
Block 1 : Method = Enter

Iteration	-2 Log likelihood
1	226.139
2	226.129
3	226.129
4	226.129

Source: Processed Secondary Data (2016).

in the sample used for the variable of financial distress. The mean value of 165 data of financial distress of the companies that are made samples in this study is 1.08812 with a standard deviation value of 0.681861, which means that there is a level of data variation of 0.681861 in the variable of financial difficulties, or in other words, the data is homogeneous data.

The minimum value of the variable of financial distress is -0.516, which is the value of the calculation of Grover's bankruptcy analysis (G-Score) at PT. Bentoel Internasional Investama Tbk. in 2014 which was predicted to go bankrupt. The maximum value of the variable of company size is 3.041 which is the value of the calculation of Grover's bankruptcy analysis (G-Score) at PT. Multi Bintang Indonesia Tbk. in 2013 which was predicted to be safe from bankruptcy. Meanwhile, the mean value of 1.08812 means that most of the companies used as samples are companies that have a healthy financial condition or do not experience financial distress.

Logistic Regression Analysis

Overall Model Fit

Overall Model Fit in Logistic Regression is done by assessing the number -2 Log Likelihood in the beginning block (Block Number = 0) and the number -2 Log Likelihood in the final block (Block Number = 1). If there is a decrease in the value of the number -2 Log Likelihood, it shows a good regression model. Here are the results of the Logistic Regression test,

which shows the value of -2 Log Likelihood.

From Table 5 and 6, it can be seen that the value of -2 Log Likelihood in the beginning block (Block Number = 0) is 228.733 and the value of -2 Log Likelihood in the final block (Block Number = 1) is 226,139 which means that there is a decrease in value -2 Log Likelihood amounting to 2.594 and simultaneously shows that the regression model used in this study is good.

Goodness of Fit

The next step is to test the feasibility of the regression model (Goodness of Fit) of the data. The hypothesis used to assess the Goodness of Fit is:

H0: The model hypothesized fits the data.

Ha: The model hypothesized does not fit the data.

If the probability value is > 0.05 , then H0 is accepted, whereas if the probability value is ≤ 0.05 , then H0 is rejected. The feasibility of the regression model in this study is tested using Hosmer and Lemeshow's Goodness of Fit Test, which is measured from the Chi-square value in the Hosmer and Lemeshow Test table (see Table 7).

Table 7 shows that the value of the feasibility of the regression model which is seen from the Chi-square value is 9.049 with a significance level of 0.338. The t count value of Chi-square is 9.049 with df value = 8 which is smaller than the t table value of Chi-square of 15.507, or $9.049 < 15.507$. In addition, a significance value of 0.338 is greater than the alpha value of 0.05, or $0.338 > 0.05$ which means that the

Table 7
Hosmer and Lemeshow Test

Step	Chi-Square	Df.	Sig.
1	9.049	8	0.338

Source: Processed Secondary Data (2016).

Table 8
Model Summary

Step	Nagelkerke R Square
1	0.021

Source: Processed Secondary Data (2016).

Table 9
Regression Coefficient Test Results

	B	Sig.
Management Change	-0.245	0.626
Audit Opinion	-1.002	0.393
Financial Distress	-0.251	0.288
Constant	0.310	0.298

Source: Processed Secondary Data (2016).

existing logistic regression model is feasible to be used in the subsequent analysis.

Coefficient of Determination (Nagelkerke R Square)

The coefficient of determination (Nagelkerke R Square) aims to find out the extent to which the combination of independent variables is able to explain the dependent variable. The size of Nagelkerke R Square is almost similar to the size of R² in multiple regression tests. If the value is close to one, it means that the independent variable can explain the information needed to predict the variation of the dependent variable. The coefficient of determination can be obtained from the data calculation using Logistic Regression in the Summary Model table (see Table 8).

From the Table 8, it can be seen that the value of Nagelkerke R Square is 0.021. This illustrates that the variability of the dependent variable has a predictive power of 2.1% which is explained by three independent variables consisting of management changes, audit opinions, and financial distress. Meanwhile, the remaining 97.9% is explained by other variables outside this model or other variables not used in this study.

Based on the Table 9, the Logistic Regression equation that is formed is:

$$\text{Auditor Switching} = 0.310 \text{ constant} - 0.245 \text{ PerMan} - 1.002 \text{ Opinion} - 0.251 \text{ KK} + e.$$

From the Logistic Regression equation above, it can be interpreted as follows:

1. A constant value of 0.310 states that if the inde-

pendent variables (management change, audit opinion, and financial distress) are considered constant or zero, the auditor switching occurring in manufacturing companies, especially the consumer goods industry, listed on the Indonesia Stock Exchange (IDX) period 2011-2015 will increase by 0.310 percent

2. The value of management change of -0.245 shows a negative relationship, which means that every increase of 1 percent of the variable of management change, the auditor switching in manufacturing companies, especially the consumer goods industry sector, listed on the Indonesia Stock Exchange (IDX) period 2011-2015, will decrease by 0.245 percent assuming that other variables are considered constant
3. The value of audit opinion of -1.002 indicates a negative relationship, which means that every increase of 1 percent of the audit opinion variable, the auditor switching occurring in manufacturing companies, especially the consumer goods industry sector listed on the Indonesia Stock Exchange (IDX) for the period 2011-2015, will decrease by 1.002 percent assuming that other variables are considered constant.
4. The value of financial distress of -0.251 indicates a negative relationship, which means that every increase of 1 percent of the variable of financial distress), the auditor switching occurring in manufacturing companies, especially the consumer goods industry sector listed on the Indonesia Stock Exchange (IDX) in the period 2011-2015, will decrease by 0.251 percent assuming

that other variables are considered constant.

Hypotheses Testing

The Effect of Management Change on Auditor Switching

The first hypothesis in this study states that management change has an effect on auditor switching. In the regression coefficient test table, it can be seen that the statistical probability value (Sig.) of the variable of management change is 0.626 which is greater than 0.05, so H1 in this study is rejected. Thus, this indicates that management change has no effect on auditor switching.

The Effect of Audit Opinion on Auditor Switching

The second hypothesis in this study states that audit opinion has an effect of auditor switching. In the table of the results of regression coefficient test, it can be seen that the statistical probability value (Sig.) of the variable of audit opinion is 0.393 which is greater than 0.05, so H2 in this study is rejected. Thus, this indicates that the audit opinion has no effect on auditor switching.

The Effect of Financial Distress on Auditor Switching

The third hypothesis in this study states that financial distress experienced by company has an effect on auditor switching. In the table of the results of regression coefficient test, it can be seen that the value of statistical probability (Sig.) of the variable of financial distress is 0.288 which is greater than 0.05, so H3 in this study is rejected. Thus, this shows that financial distress has no effect on auditor switching.

Discussion

The Effect of Management Change on Auditor Switching

Management change is a change in the board of directors conducted by the company because the management has stopped working due to their own will or due to the decision of the meeting, so that shareholders must make changes to new management resulting in changes in policies in the company such as in accounting, finance or in the case of the election of Public Accounting Firm and its auditors. In general, the new management will apply the new accounting rules and methods, thus requiring good cooperation with the auditor, which is expected to be in accordance with management's wishes. The existence of interest factor is one of the triggers for the company to make auditor switching. The variable of management change is meas-

ured by using a dummy variable where if the client's company changes management, the value is 1, whereas if the client's company does not change management, the value is 0.

From the results of the study, it shows that management change has no effect on auditor switching. The researcher believes that the change of management within the company is not always followed by a policy in the auditor switching, because the accounting policies and reporting conducted by the old auditor can still be harmonized with the new management policy in the company by conducting a negotiation or re-agreement between the two parties. This phenomenon is closely related to the state of public companies in Indonesia where most of their ownership is controlled and managed by the family business. Therefore, the management change occurring in the company does not always affect the auditor switching.

In addition, this is also supported by the results of the existing descriptive analysis. From the results of the descriptive analysis, shows that most of the companies used in the sample of this study do not make management changes. However, the number of companies that performed auditor switching when compared to the number of companies that did not perform auditor switching was still relatively balanced. Therefore, when viewed from the number, it is seen that the company's activities in conducting auditor switching are not affected by the management change within the company.

Previous studies conducted by Pratini and Astika (2013) and Ahmed et al. (2000) show that management change has an influence on auditor switching, so this study does not support the results of the two studies. On the other hand, this study supports studies conducted by Astrini and Muid (2013) and Kawijaya and Juniarti (2002) because this study shows the same results that management change does not have an effect on auditor switching.

The Effect of Audit Opinion on Auditor Switching

Audit opinion is an opinion expressed and given by the auditor in assessing the fairness of the financial statements of the client's company or the company audited, in all material matters, based on the suitability of the preparation of financial statements using generally accepted accounting principles. Audit opinion can be classified into four: unqualified opinion, qualified opinion, adverse opinion, and disclaimer of opinion. Some companies usually want to be seen that their performance looks good in order to maintain the trust of shareholders and creditors. So, some companies hope that the opi-

nions they receive are good opinions, that is, unqualified opinions. Thus, companies that obtain opinions other than unqualified audit opinion, such as qualified audit opinion or disclaimer of opinion, tend to perform auditor switching. The variable of audit opinion is measured using a dummy variable where if the client's company gets unqualified opinion, the value is 0, whereas if the client's company gets an opinion other than unqualified opinion, the value is 1.

From the results of the study, it shows audit opinion audit opinion has no effect on auditor switching. The researcher believes that the audit opinion received by the company is not always followed by an auditor switching. This is because every time the company perform auditor switching, the company must re-introduce how the new auditor's accounting policies and reporting are done. Likewise for auditors, it takes them a long time to make adjustment in order to understand everything about the client's business. Therefore, if the company gets an opinion other than unqualified opinion, it is likely that the company will not replace its auditor directly, but the company will prefer to improve its operations and accounting reporting system to produce financial statements that are free from material misstatement. Thus, if the company gets an opinion other than unqualified opinion, it does not always have an effect on auditor switching.

This is also supported by the results of a descriptive analysis, which state that most companies get an unqualified opinion, but there are still many companies that make changes to their auditors. From the results it can be seen that the factors that cause the company to make auditor switching is not because the company gets an opinion other than unqualified opinion, but there are other factors that influence the company to make an auditor shifting even though the opinion it gets has is a good opinion, or unqualified opinion.

Previous research conducted by Srimindarti (2006) shows that audit opinion has an effect on auditor switching, so this research does not support the results of the research conducted by Srimindarti (2006). On the other hand, this study supports the studies conducted by Astrini and Muid (2013) and Pratini and Astika (2013) that audit opinion does not affect auditor switching.

The Effect of Financial Distress on Auditor Switching

Financial distress is fund difficulties experienced by the company, or in other words, the results of the company's operations cannot cover the existing lia-

bilities. The financial distress experienced by a company is one of the factors that can affect the company to make changes to auditors. Companies that experience bankruptcy tend to change auditors more often than companies that are not bankrupt or companies with good financial conditions because companies that have an unhealthy financial situation tend to involve auditors who have a high level of independence with the aim of increasing the confidence of shareholders and creditors. The variable of financial distress is measured using Grover's bankruptcy analysis (G-Score).

The results of this study show that financial distress has no effect on auditor switching. The researcher argues that the financial distress experienced by the company is not always followed by auditor switching. One of the reasons is because every time the company changes auditors, the company will of course requires a high start-up fee, while the company's financial condition is not stable when the company experiences financial distress. Therefore, the company management prefers using the existing funds to improve the financial condition that is not stable to using the existing funds for auditor switching. In addition, companies that often perform auditor switching will get negative perceptions from shareholders. So, the companies must always maintain the trust and positive perceptions of shareholders so that funds are still given to run the company's operations. Thus, the financial distress experienced by a company does not always affect the auditor switching.

This is also supported by the results of the descriptive analysis which states that most of the most companies used as samples in this study are companies that have a good financial condition or do not experience financial distress, but in fact there are still many companies that perform auditor switching. So, it can be seen that financial distress is not a factor that influences the company to make changes to its auditors, because even though the company does not experience financial distress, it turns out that the company continues to perform auditor switching. This may be influenced by other factors not addressed in this study.

Previous studies conducted by Pratini and Astika (2013) and Srimindarti (2006) show that financial distress has an influence on auditor switching, so this study does not support the results of the two studies. On the other hand, this study supports the studies conducted by Astuti and Ramantha (2014), Astrini and Muid (2013) and Prastiwi and Wilsya (2009) because they show the same results that financial distress does not affect auditor switching.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

This study aims to determine the effect of management change, audit opinion, and financial distress experienced by the company on auditor switching in manufacturing companies, especially the consumer goods industry sector, listed on the Indonesia Stock Exchange 2011-2015. There were 33 companies used as samples in this study, so that the total observation data was 165 which were then tested using logistic regression analysis. In accordance with the discussion described in the previous chapter, it can be drawn conclusion as follows:

1. The variable of management change has no significant effect on auditor switching. Management change has no effect on auditor switching, because as long as the policy made by the new management can still be adjusted to the existing auditor, the company does not need to make auditor switching.
2. The variable of audit opinion has no significant effect on auditor switching. The opinions received by the company cannot guarantee the change of auditor. This is because it will take a long time for the management and auditor to make adjustment to a new condition. So, if the company gets an opinion other than the unqualified opinion, the company will not directly replace the auditor.
3. The variable of financial distress has no significant effect on auditor switching. The financial distress experienced by the company cannot encourage the company to perform auditor switching. This is because the start-up costs that must be incurred by the company to find new auditors are very high, so it is better for the company to improve its financial condition.

This research has several limitations as follows:

1. Several companies were excluded from the sample because they did not provide complete information such as not publishing financial statements in full and successively during 2011-2015. In addition, this study only uses population in manufacturing companies, especially the consumer goods industry sector, so that the results cannot be generalized to other companies.
2. The data used to determine a company in conducting auditor switching is not distinguished between companies that perform mandatory auditor switching and the companies that perform voluntary auditor switching.

Due to some research limitations presented above, it is suggested that the next researchers use a larger population, such as all manufacturing companies listed on the Indonesia Stock Exchange, so that the results can be generalized to all companies and separate the data between the companies that make mandatory auditor switching and the companies that make voluntary auditor switching.

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