East Asian Journal of Multidisciplinary Research (EAJMR)
Vol. 3, No.8, 2024 : 3591 - 3608

The Influence of Regulation, Audit Delay, Audit Fees, and Firm Size on Auditor Switching in Transportation and Logistics Entities Listed on The Idx from 2018 to 2022

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A R T I C L E I N F O

Keywords: Regulation, Audit Delay, Audit Fees, Firm Size, Auditor Turnover

Received : 14, July
Revised : 27, July
Accepted : 28, August

A B S T R A C T

This study aims to demonstrate the impact of regulations, audit delay, audit fees, and firm size on auditor switching. The subjects of this observation are transportation and logistics entities listed on the Indonesia Stock Exchange during the period 2018-2022. The sampling method used is purposive sampling, resulting in 55 observation samples. The analysis in this study employs logistic regression analysis. The tool used is Eviews version 13. The results of the study prove that the variables of regulation, audit delay, audit fees, and firm size do not influence auditor turnover individually. However, when tested together, these variables collectively influence auditor turnover with a percentage of 31.6%, while the remaining 68.4% is explained by variables other than those observed.

DOI prefix: https://doi.org/10.55927/eajmr.v3i8.10330
ISSN-E: 2828 - 1519
https://journal.formosapublisher.org/index.php/eajmr

INTRODUCTION

Indonesia is a country experiencing favorable economic development phases. Economic growth can be seen in the increasing number of listed companies on the Indonesia Stock Exchange each year. Entities listed on the IDX are required to report financial statements. The presentation of financial statements is a form of transparency and corporate accountability. Financial statements depict the financial condition of a company, serving as a source of information for users of financial reports (Martha et al., 2021).

The Financial Services Authority (OJK) Regulation No. 29/POJK.04/2016 stipulates that the annual financial statements of entities, along with the independent audit report of public companies, must be submitted to the OJK and publicly disclosed no later than April 30 following the financial year-end. Published financial statements must be comprehensive, fair, reliable, and not misleading to users. Therefore, financial statements must adhere to applicable financial accounting standards and be audited by independent auditors and public accounting firms authorized to conduct audits (Sumardi & Sujiman, 2022).

According to Arkaputra & Hidayah, (2022), an audit is a regular and accurate examination of financial statements. The presentation of financial statements is a form of transparency and corporate accountability, as well as a record-keeping process aimed at enabling independent auditors to issue opinions on the financial statements in accordance with the company's circumstances. During the financial statement audit process, auditors must maintain a professional and independent stance. To uphold audit independence, audit rotation is implemented.

Audit rotation involves the rotation of auditors or public accounting firms (KAP) to preserve auditor independence. Government Regulation of the Republic of Indonesia Number 20 of 2015 on Public Accountants Implementation Article 11 paragraph 1 states that the provision of examination services based on historical financial data of a company by public accountants (AP) is regulated for a maximum of 5 consecutive fiscal years. This policy was refined by Financial Services Authority Regulation No. 13/POJK.03/2017, which stipulates that the use of examination services based on annual historical financial data from AP is regulated for a maximum of 3 consecutive years, subject to the evaluation of the audit committee after 2 (two) consecutive reporting financial years do not use audit services for annual historical financial information from the same public accountant.

The Financial Services Authority's regulations explicitly limit the use of AP and KAP services. However, in reality, many companies still exceed these limits in their utilization of AP and KAP services. This situation can lead to a special relationship between auditors and entities that may affect the independence of both parties. A prolonged relationship between auditors and clients can foster cooperation in manipulating financial statements, resulting in audit findings and assessments that do not align with the company's actual conditions (Milo & Muhammad, 2022).

Data on the financial reports of transportation and logistics companies listed on the Indonesia Stock Exchange shows that there are still many companies that use public accounting firms that exceed the applicable provisions. The data is presented in the following table:

Table 1 Data on KAP Use of Transportation and Logistics Companies

Company Code	Length of use of KAP		
	Less than 3 years	3-5 Years	Over 5 Years
	TAXI	GIAA	ASSA
		LRNA	BPTR
		HELI	BIRD
		JAYA	BLTA
		MIRA	CMPP
		SAPX	SDMU
		SMDR	
		TRUK	
Total	1	8	6

Source: IDX data

Based on Table 1, it depicts the number of companies that underwent auditor switching among transportation and logistics entities listed on the IDX. Out of 15 companies, 6 were found to have violated regulations issued by the OJK. These data indicate a low level of awareness among companies regarding their obligations. Government regulations strictly limit the use of AP and KAP services to 3 consecutive years, aiming to restrict sustained relationships between auditors and entities that could impact phenomena are still prevalent among Indonesian publicly listed companies. Cases often involve dissatisfaction with audit opinions, prompting companies to change auditors. For audit outcomes and auditor independence.

Auditor switching instance, PT Garuda Indonesia Tbk (GIAA) switched auditors in 2019 due to disagreements over the auditor's opinion, revealing discrepancies in its 2018 financial statements regarding profits from PT Mahata Aero Teknologi, which were actually receivables under a 15-year agreement. This incident involved AP Kasner Sirumapea and KAP Tanubrata, Susanto, Fahmi, Bambang, and associates. Consequently, the Minister of Finance imposed a 12-month license suspension, while the OJK fined the directors and commissioners of PT Garuda Indonesia Tbk Rp. 100 million each. Additionally, the IDX imposed a fine of Rp. 250 million on PT Garuda Indonesia Tbk.

Auditor switching occurs through two methods: mandatory and voluntary. Mandatory rotation follows government policies, whereas voluntary rotation occurs at a company's discretion without specific regulations. Voluntary auditor switching is influenced by dissatisfaction with audit results, audit failures, or auditor resignations. Factors such as audit delay, audit fees, and firm size also influence voluntary auditor switching (Simalango & Siagian, 2022).

Audit delay refers to the duration from the financial year-end to the issuance of financial statements (Sumardi & Sujiman, 2022). For instance, AirAsia Indonesia Tbk (CMPP) experienced a delay in submitting audited financial statements in 2019, taking 209 days, exceeding the OJK's 120-day deadline. Such delays lead to untimely disclosure of financial information to the public and can adversely affect stock market prices. Studies by Stevani & Siagian (2020), Anggadi & Triyanto (2022), and Mardasari & Triyanto (2020) suggest that audit delay impacts auditor switching, while Sumardi & Sujiman (2022), Widyanti et al. (2023), and Chikita Rizky et al. (2022) argue otherwise, finding no significant impact.

Another suspected factor influencing auditor switching is audit fees, which are the fees paid to auditors for their services (Widyanti et al., 2023) . If audit costs exceed management-set standards, entities may opt for auditors with standard fees, supporting the decision for audit rotation. Studies by Afidah & Candrawati (2023) and Elva Marisa N et al. (2022) find that audit fees influence audit rotation, contrasting with findings by Fauziah et al. (2023) and Kristina (2021), suggesting no impact.

Firm size is also a factor influencing auditor switching, defined by the size of a company's assets (Stevani & Siagian, 2020). Larger companies attract investor interest and are perceived to have higher sales and cash flow, leading to increased market capitalization and public recognition. Studies by Arkaputra & Hidayah (2022) and Mulyaningsih et al. (2020) show that firm size affects auditor switching, while Nuraulia (2019) finds no significant impact.

This observation builds upon the study by Stevani & Siagian (2020), which investigated the Influence of Audit Delay, Audit Fees, and Firm Size on Auditor Switching in Consumer Goods Industry Entities Listed on the IDX from 2016 to 2019. The novelty of this research lies in adding one more variable, which is regulation.

Based on the background and cases observed, the author was motivated to conduct a study titled "The Influence of Regulation, Audit Delay, Audit Fees, and Firm Size on Auditor Switching in Transportation and Logistics Entities Listed on the IDX from 2018 to 2022". The aim of this study is to demonstrate that regulation, audit delay, audit fees, and firm size impact Auditor Switching.

THEORETICAL REVIEW

Agency theory

The issue of conflicting interests between agents and principals has led to the emergence of agency theory. Agency theory, as described by Jensen and Meckling (1976), focuses on the delegation of authority and the relationship between agents and principals in performing specific collaborative tasks on behalf of the principal under a valid contractual agreement (Dewi et al., 2023). Principals and agents have differing perspectives and needs. Shareholders expect returns and profits on their investments, while managers seek bonuses and incentives based on their performance (Martha et al., 2021). This gives rise to agency problems or conflicts arising from self-interest. Due to these conflicting interests, a third party is needed to mediate between managers and shareholders. Independent auditors serve as this third party mediator in the conflict by examining financial statements and issuing opinions on them based on the true state of the company (Zulfikar & Waharini, 2019).

Regulation

Financial Services Authority Regulation No. 9 of 2023 states that the use of services provided by public accountants (AP) and public accounting firms (KAP) is limited to a maximum of 5 consecutive years with a cooling-off period of 2 consecutive years. This regulation refines Financial Services Authority Regulation No. 13/POJK.03/2017, which limits the use of audit services for annual historical financial information by AP to a maximum of 3 consecutive years and mandates KAP rotation based on audit committee considerations which is based on the suitability of the audit carried out by the AP or KAP with applicable audit standards, adequacy of flied work time, assessment of the scope of services provided and the adequacy of sampling tests, and recommendations for improvements provided by the AP and KAP.

This study adopts Financial Services Authority Regulation No. 13/POJK.03/2017 because it governs the rotation of public accounting firms during the research period from 2018 to 2022. Regulatory measures in audit rotation play a crucial role in reducing potential conflicts of interest, enhancing objectivity in the audit process, and minimizing the risk of excessive dependence between auditors and clients. With government policies on audit rotation in place, it is expected to foster a healthier and more professional audit environment (La et al., 2017).

Audit Delay

Audit delay is the timeframe required by auditors to complete the audit process of financial statements, calculated from the financial year-end on December 31st to the issuance date of the audited financial statements. Prolonged audit delays can result in late submission of audited financial statements. Such delays lead to decreased investor confidence in investing. Investors assume that delayed reporting signals poor company health. Timely submission of audit delays would benefit financial statement users (Chikita Rizky et al., 2022).

Audit Fees

Audit fees refer to the compensation received by auditors for audit services rendered. The determination of audit fees is agreed upon before the audit process begins based on a contractual agreement between auditors and client entities. The amount of fees is measured based on risk, complexity of service delivery, required skill level, and the fee structure of the public accounting firm (Ngulya & Nurcahya, 2023).

Firm Size

Firm size refers to the magnitude of a company's assets within an entity, reflecting the wealth size owned by the company. The more assets a company owns, the larger its size. Firm size serves as a benchmark for investors to invest. Entities with high total assets demonstrate the ability to maintain economic stability, reflecting good growth prospects in the future (Yanti & Wijaya, 2020).

Audit Switching

Soraya & Haridhi (2017) define audit rotation as the change of auditors or public accounting firms intended to enhance auditor independence and the quality of financial statements. Audit rotation is approximated with a dummy variable, where 1 indicates that the entity has undergone audit rotation, while 0 indicates no audit rotation has been conducted.

Hypothesis Development

The Influence of Regulations on Auditor Switching

Regulation is a rule established by the government or other supervisory authorities to govern auditor rotation aimed at enhancing transparency, independence, and integrity in the audit process. In this study, regulation closely relates to auditor switching. The purpose of regulation is to restrict auditor movements and reduce the level of financial statement manipulation. Additionally, regulations serve to mitigate agency costs arising from conflicts of interest between managers and shareholders, who have differing perspectives and interests.

With clear policies on auditor rotation, a healthier audit environment is expected to be fostered. However, regulatory instability forces companies to adjust their policies to comply with government regulations. Consequently, some entities still fail to adhere to government policies, leading to cases of financial statement manipulation and auditor opinions that do not reflect the true condition of the company. Such cases can harm investors who have invested in these entities (Fitriany et al., 2016).

H1: Regulation impacts auditor rotation.

Impact of Audit Delay on Auditor Switching

According to Sumardi & Sujiman (2022), audit delay is the time period auditors require to complete the audit process of financial statements from the financial year-end to the audit issuance date. Whether quick or prolonged, audit delays are influenced by the complexity that necessitates longer audit durations. Audit delays can affect the timely submission of audited financial statements. If auditors exceed their mandated timeframe, it can result in delayed submission to the capital market, causing agency problems where principals require relevant and timely information for investment decisions. Delayed information suggests poor company performance, dissuading principals from investing and prompting companies to initiate auditor rotation.

Observations by Stevani & Siagian (2020) demonstrate that audit delay impacts auditor rotation, indicating that the longer auditors take, the greater the likelihood of delayed presentation of audited financial statements, thus

prompting entities to rotate auditors. Supporting studies by Anggadi & Triyanto (2022) and Mardasari & Triyanto (2020) reinforce the notion that audit delay affects auditor rotation. Based on these findings, the formulation of this observational hypothesis is:
H2: Audit delay impacts auditor switching.

Impact of Audit Fees on Auditor Switching

Widyanti et al. (2023) define audit fees as the compensation paid by entities to auditors for their audit services, determined based on the assignment's risk, service complexity, required expertise, and the public accounting firm's fee structure. Agency theory suggests that agents act in their self-interest, inversely affecting principal expectations. Thus, agents may seek to lower costs by switching to auditors with lower fees. Maintaining high-cost auditors can escalate agency costs, potentially worsening the company's financial condition. Therefore, agent decisions significantly influence company conditions. Research by Afidah & Candrawati (2023) indicates that audit fees impact auditor switching, underscoring that high audit costs prompt companies to rotate auditors. This finding is supported by Elva Marisa N et al. (2022). Based on these findings, the formulation of this observational hypothesis is:
H3: Audit fees impact auditor switching.

Impact of Firm Size on Auditor Switching

Stevani & Siagian (2020) define firm size as the magnitude of assets held by an entity, representing the company's wealth size. Firm size is a benchmark for investor consideration. Larger entities necessitate more experienced auditors due to increased operational complexity and separation of management and ownership functions, requiring auditors capable of minimizing agency costs.

Research by Mulyaningsih et al. (2020) indicates that firm size impacts rotation, suggesting that higher entity values correspond with auditor rotation. This is because entities strive to align their value with the quality of auditors employed. This finding is supported by Anggadi & Triyanto (2022). Based on these findings, the formulation of this observational hypothesis is:
H4: Firm size impacts auditor switching

CONCEPTUAL FRAMEWORK

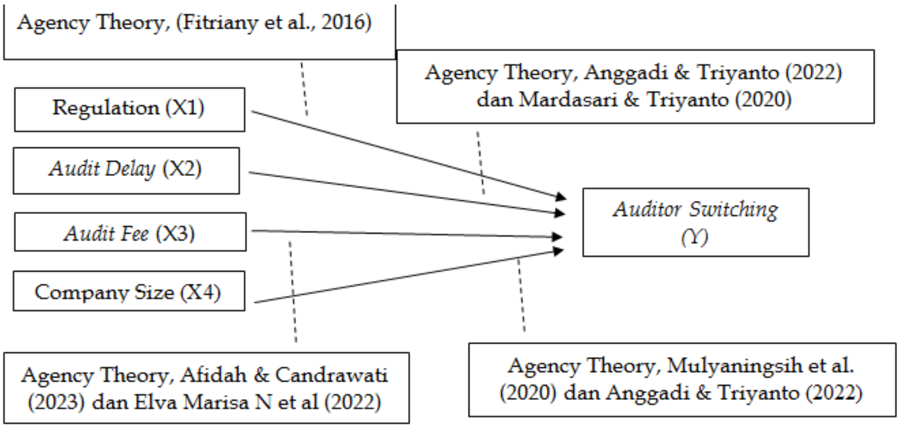

Figure 1 Conceptual Framework of Research

METHODOLOGY

Types of research

This research employs a quantitative approach with an associative research design. According to Sugiyono (2013), associative research aims to explore the relationship between two or more variables, focusing on understanding the extent of the impact of independent variables: regulation, audit delay, audit fees, and firm size on the dependent variable: auditor switching among transportation and logistics companies listed on the Indonesia Stock Exchange (IDX) from 2018 to 2022. The data utilized in this study are secondary data. Data collection techniques involve documentation by gathering annual financial report data published by transportation and logistics entities from 2018 to 2022, accessed through the official IDX website at www.idx.ac.id.

Population and Sample

The population for this study includes transportation and logistics entities listed on the Indonesia Stock Exchange from 2018 to 2022, totaling 30 companies. The sampling method used in this study is purposive sampling, selecting 11 companies over a 5-year period based on specific criteria: being listed transportation and logistics companies on the Indonesia Stock Exchange from 2018 to 2022, entities that have submitted annual reports during the period, and financial reports that provide clear and comprehensive data on the auditing firm, total assets, audit fees, and audit issuance dates.

Table 2 Sample Criteria

No	Description	Amount
1	Transportation and logistics entities listed on the Indonesia Stock Exchange for the 2018-2022 period	30
2	Transportation and logistics entities that do not submit annual reports for the 2018-2022 period	(12)

	Transportation and logistics entities that submit annual reports for the 2018-2022 period	18
3	Transportation and logistics entities that do not have complete data covering all independent variables for 2018-2022	(7)
4	Transportation and logistics entities that meet the sample criteria	11
	The number of research samples is 5 years x 11	55

Data Analysis Technique

The data analysis technique aims to test how the independent variables influence the dependent variable. The data analysis technique utilizes logistic regression analysis using EViews 13 software. Logistic regression analysis aims to determine the extent to which the independent variables affect the dependent variable (Sulistiyani & Zulaikha, 2022). The dependent variable used is auditor switching, while the independent variables are regulation, audit delay, audit cost, and company size. The logistic regression equation for this analysis is as follows:

$$\boxed{AS = \alpha + \beta 1AD + \beta 2AF + \beta 3UP + \varepsilon}$$

Explanation:
AS : auditor switching,
α : Constant,
β1 : Regression coefficient of Audit Delay variable,
AD : Audit Delay,
β2 : Regression coefficient of Audit Cost variable,
AF : Audit Cost,
β3 : Regression coefficient of Company Size variable,
UP : Company Size,
ε : Error term

In the data testing method, it includes Descriptive Statistical Test, Logistic Regression Test, Hypothesis Testing: Hosmer and Lemeshow test, Overall Model Fit Test, Coefficient of Determination Test (R2), Simultaneous Test (F), and Partial Test (t).

RESULTS

Descriptive Statistics

Descriptive statistics is a technique used to analyze data by explaining the existing data and is not intended to provide a comprehensive summary. This method involves gathering, summarizing, and presenting data in a clear system. In descriptive statistics for this observation, it details the minimum, maximum, mean value, and standard deviation. The findings of the descriptive statistical test are presented in the following table:

Table 4 Results of Descriptive Statistical Analysis

	N	Minimun	Maximum	Mean	Std. Deviation
Audit Delay	55	59.00	209.0	101.4	34.3
Audit Fee	55	13.2	28.2	21.4	3.1
Ukuran Perusahaan	55	18.1	32.8	26.7	3.1
Valid N (listwise)	55				

Source: Eviews Processing Results, 2024

Tabel 5 Variabel dummy

Variable	Period	Worth 0	Worth 1
Regulation	2018	9	2
	2019	9	2
	2020	9	2
	2021	9	2
	2022	9	2
Total		45	10
Auditor Switching	2018	10	1
	2019	10	1
	2020	10	1
	2021	10	1
	2022	10	1
Total		50	5

Source: Processed data, 2024

In Table 4, descriptive statistical tests provide explanations of the minimum, maximum, mean, and standard deviation values for all variables studied, based on a sample size of 55 observation data points. Variable Audit Delay (X2) The minimum value for Audit Delay is 59 days, indicating the shortest time taken for audit delay, observed in PT Berlian Laju Tanker Tbk (BLTA) in 2018. The maximum value is 209 days, indicating the longest time taken for audit delay, observed in PT AirAsia Indonesia Tbk (CMPP) in 2019. The mean Audit Delay is 101.4 days, with a standard deviation of 34.3. The lower standard deviation compared to the mean indicates that the average is an effective representation of the data.

Variable Audit Fee (X3) The minimum Audit Fee is 13.2, borne by PT Express Transindo Utama Tbk (TAXI) in 2022. The maximum Audit Fee is 28.2, borne by PT Garuda Indonesia Tbk (GIAA) in 2022. The mean Audit Fee is 21.4, with a standard deviation of 3.1. The lower standard deviation compared to the mean suggests that the average is a good representation of the data.

Variable Company Size (X4) The minimum Company Size is 18.1, indicating the smallest total assets, held by PT Express Transindo Utama Tbk (TAXI) in 2022. The maximum Company Size is 32.8, indicating the largest total assets, held by PT Garuda Indonesia Tbk (GIAA) in 2020. The mean Company Size is 26.7, with a standard deviation of 3.1. The higher standard deviation compared to the mean suggests that the average is an effective representation of the data.

Based on Table 5, the following information is derived regarding the variables Regulation (X1) and Auditor Switching (Y), which is proxied using a dummy variable. For Regulation (X1): Out of 55 samples, 45 companies did not comply with the applicable regulations. Only 10 companies adhered to government regulations regarding auditor rotation. Specifically, PT Eka Sari Lorena Transport Tbk (LRNA) and PT Express Transindo Utama Tbk (TAXI) adhered to the regulation over the 5-year period. For Auditor Switching (Y): Out of 55 samples, 50 companies did not engage in auditor switching, while 5 companies did rotate their auditors. This indicates that fewer entities engaged in auditor rotation compared to those that did not. These findings illustrate the descriptive statistics and distribution of variables related to auditor switching and its influencing factors in the observed companies within the specified period.

Regression Fit Test (Goodness of Fit Test)

The Goodness of Fit Test for regression (Hosmer and Lemeshow test) is used to assess the adequacy of the model. The test aims to test the null hypothesis (H0). The null hypothesis is accepted if the Prob value > 0.05, indicating that the empirical data fit the model or the model is considered to be fit.

Table 6 Hosmer and Lemeshow test

H-L Statistic	14.9254	Prob. Chi-Sq(8)	0.0606

Source: Processed data, Eviews 2024

Based on the findings in Table 6 of the regression feasibility testing (Goodness of Fit Test) using the Hosmer and Lemeshow test, the result shows that the H-L Statistic is 14.9254 with a relevant probability value of 0.0606. The obtained probability value is greater than 0.05, hence it can be concluded that the utilized model is adequate or the model is considered FIT, which means the null hypothesis is accepted.

Test the Overall Model (Overall Model Fit)

In the likelihood ratio (LR) statistical test experiment, the aim is to demonstrate the impact of independent variables on the dependent variable.

Table 7 Likelihood ratio test results

LR statistic	10.58965	Avg. log likelihood	-0.208367
Prob(LR statistic)	0.031584		

Source: Processed data, Eviews 2024

Based on the analysis in Table 7, the Prob (LR statistic) value is found to be 0.031584. Since this finding is lower than 0.05, it can be concluded that the independent variable significantly influences the dependent variable simultaneously.

Coefficient of Determination Test (Nagelkerke's R Square)

Table 8 McFadden's R2

McFadden R-squared	0.316015	Mean dependent var	0.090909
S.D. dependent var	0.290129	S.E. of regression	0.251080

Source: Processed data, Eviews 2024

The analysis in Table 8 depicts the findings of the examination of the McFadden's R-squared coefficient with a value of 0.316015. This finding demonstrates that the variability of the dependent variable can be explained. The variability of the independent variable accounts for 31.6%, while the remaining 68.4% is explained by other variables outside of those observed.

Table 9 F Test

LR statistic	10.58965	Avg. log likelihood	-0.208367
Prob(LR statistic)	0.031584		

Source: Processed data, Eviews 2024

The results of the test in Table 9 depict an LR statistic value of 10.589 with a Prob (LR statistic) value of 0.031, which is lower than 0.05. This indicates that the independent variables—regulation, audit delay, audit fee, and company size—collectively have a simultaneous effect on the dependent variable, auditor switching.

Partial Test (t Test)

Table 10 t test

Variable	Coefficient	Std. Error	z-Statistic	Prob.
C	-1.214952	2.723579	-0.446087	0.6555
Regulation	1.559742	0.916259	1.702294	0.0887
Audit Delay	0.001796	0.009320	0. 192714	0.8472
Audit Fee	0.004505	0.420103	0.010724	0.9914
Company Size	-0.038395	0.375558	-0.102233	0.9186

Source: Processed data, Eviews 2024

Based on Table 10, the results obtained from the z-Statistic test are as follows Variable X1 has a z-Statistic value of 1.702294 with a significance probability (Prob.) value of 0.0887 (>0.05). Therefore, it can be concluded that variable X1 does not have an impact on variable Y. Variable X2 has a z-Statistic value of 0.192714 with a significance probability (Prob.) value of 0.8472 (>0.05). Hence, it can be concluded that variable X2 does not affect variable Y. Variable X3 has a z-Statistic value of 0.010724 with a significance probability (Prob.) value of 0.9914 (>0.05). This suggests that variable X3 does not influence variable Y. Variable X4 has a z-Statistic value of -0.102233 with a significance probability (Prob.) value of 0.9186 (>0.05). Therefore, it can be interpreted that variable X4 does not impact variable Y.

Logistic Regression Equation

Table 11 Logistic Regression Equation

Variable	Coefficient	Std. Error	z-Statistic	Prob.
C	-1.214952	2.723579	-0.446087	0.6555
Regulatio	1.559742	0.916259	1.702294	0.0887
Audit Delay	0.001796	0.009320	0. 192714	0.8472
Audit Fee	0.004505	0.420103	0.010724	0.9914
Company Size	-0.038395	0.375558	-0.102233	0.9186

Source: Processed data, Eviews 2024

Based on the data in table 11, a logistic regression equation is formed, namely:

$$Y = -1.214 + 1.559X_1 + 0.001X_2 + 0.004X_3 – 0.038X_4$$

The Logistic Regression equation is as follows: the obtained constant value is -1.214, which can be interpreted as when the independent variable increases by one unit on average, the dependent variable will decrease by -1.214 units. The regression coefficient value for variable X1 is 1.559, meaning that if variable X1 increases, variable Y will also increase by 1.559 units. The regression coefficient value for variable X2 is 0.001, indicating that if variable X2 increases, variable Y will increase by 0.001 units. The regression coefficient value for variable X3 is 0.004, meaning that if variable X3 increases, variable Y will increase by 0.004 units. The regression coefficient value for variable X4 is -0.038, therefore, if variable X4 increases, variable Y will decrease by -0.038 units.

DISCUSSION

The Influence of Regulations on Auditor Switching

The first hypothesis in this study examines the extent to which regulations influence auditor switching, measured by how compliant companies are with government regulations as stipulated in OJK Regulation No. 13/POJK.03/2017. This regulation limits the consecutive utilization of annual financial information audit services from the same Public Accountant (AP) to a maximum of 3 years and mandates auditor rotation based on audit committee evaluations. The hypothesis testing results showed a z-Statistic value of 1.702 with a significance probability (Prob.) of 0.0887. Since the Prob. value is higher than 0.05, it indicates that regulations do not significantly impact auditor switching. This leads to the rejection of the first hypothesis, suggesting that many entities do not comply with the government-issued policies. If a significance level of 0.10 were used (with Prob. value of 0.0887), the first hypothesis would be accepted in this observation. However, given the study's adherence to a significance level of 0.05, out of 55 samples studied, only 10 samples adhered to the auditor rotation regulation. The low compliance with regulations can lead to issues between principals and agents who may have different perspectives and interests.

The Influence of Audit Delay on Auditor Switching

The second hypothesis of this observation tests the extent to which audit delay influences audit rotation, measured by the duration of the audit completion process. A significantly delayed audit process can lead to delayed issuance of financial reports to the capital market. The hypothesis testing results showed a z-Statistic value of 0.192714 with a significance probability (Prob.) of 0.8472. Since the Prob. value is higher than 0.05, it indicates that audit delay does not impact auditor rotation. Therefore, the second hypothesis is rejected. This finding is consistent with observations made by Sumardi & Sujiman (2022), Widyanti et al. (2023), and Chikita Rizky et al. (2022), whose research found that audit delay does not influence auditor rotation. Whether an auditor delivers financial audit reports quickly or slowly does not act as a driving factor for entities to initiate audit rotation. This is because a junior auditor replacement often requires a significant amount of time to understand the entity and its environment, which does not guarantee that a new auditor can conclude the audit sooner than the previous auditor. These findings contrast with research by Stevani & Siagian (2020), Anggadi & Triyanto (2022), and Mardasari & Triyanto (2020), which found that audit delay does affect audit rotation.

The Effect of Audit Fees on Auditor Switching

The third hypothesis in this study examines the extent to which audit costs influence auditor switching, measured by the amount entities pay auditors for financial statement audit services. If audit costs exceed reasonable limits set by audit fee standards, entities may be prompted to rotate auditors. The hypothesis testing results showed a z-Statistic value of 0.010724 with a significance probability (Prob.) of 0.9914 (>0.05), indicating that audit costs are not associated with auditor rotation. Therefore, the third hypothesis is rejected. This means that regardless of the fee or remuneration set by the Public Accountant Office (KAP), it does not drive entities to change auditors. Entities compensate auditors based on accepted risk levels and the complexity of service provision. This observation aligns with findings from studies conducted by Fauziah et al. (2023) and Kristina (2021), which concluded that audit costs do not impact audit rotation. However, it contradicts observations by Afidah & Candrawati (2023) and Elva Marisa N et al. (2022), whose research indicated that audit costs do influence audit rotation.

The Influence of Company Size on Auditor Switching

The fourth hypothesis of this study examines the impact of company size on auditor turnover. Company size is defined by the amount of assets owned by an entity; generally, larger assets imply more complex audits, prompting entities to seek competent auditors. The hypothesis testing results indicated a z-Statistic value of -0.102233 with a significance probability (Prob.) of 0.9186 (>0.05), indicating that company size does not affect auditor turnover. Therefore, the fourth hypothesis is rejected. This finding demonstrates that larger companies are not significantly more likely to change auditors. This observation aligns with the findings of Nuraulia (2019), who argued that entities with larger sizes are less likely to undergo auditor turnover. However, it contradicts studies by Arkaputra & Hidayah (2022) and Mulyaningsih et al. (2020), which found that company size does impact auditor turnover.

CONCLUSIONS AND RECOMMENDATIONS

This study examines the impact of regulation, audit delay, audit costs, and company size on auditor turnover in transportation and logistics entities from 2018 to 2022, using a total of 55 research samples. After conducting experiments using a logistic regression model, it can be concluded that the independent variables do not individually influence the dependent variable. However, when tested simultaneously, the independent variables significantly affect auditor switching. This indicates that individually, the independent variables cannot affect the dependent variable, but collectively, they influence auditor switching. Based on the coefficient of determination R2 McFadden test result of 0.316015, this indicates that 31.6% of the variation in the independent variables can be explained, while the remaining 68.4% is explained by other variables outside those observed in the study.

FURTHER STUDY

This study has several limitations that should be noted by future researchers: the observations are limited to the variables studied, the study focuses on the transportation and logistics sector, hence the findings may not be applicable to other entities listed on the Indonesia Stock Exchange (BEI), voluntary audit rotation in this study only focuses on changes in Public Accounting Firms (KAP), and does not address changes in Audit Partners (AP), and the research period is limited to only 5 observation periods. Based on these limitations, future researchers are encouraged to explore other factors beyond those studied that may influence auditor turnover, both internal and external factors, expand the scope of the research, and investigate both KAP and AP turnover.

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