



Factors Affecting Voluntary Switching of Public Accounting Firms: What is the Role of Auditor Reputation?

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ABSTRACT

Purpose : The research examines the effects of audit opinion, company growth, and financial distress on voluntary public accountant firms' switching, with the auditor's reputation acting as a moderating variable.

Method : Voluntary Public Accountant Firms Switching and Audit Opinion in this study are measured using dummy variables. Company Growth is measured through a proxy of sales changes, and Financial Distress is gauged using the Debt-to-Equity Ratio. The study uses a purposive sampling method and secondary data from 76 companies in the ASEAN 5 region, Japan, and Australia, all falling under the Consumer Staples sector in the S&P Capital IQ, during 2013-2022. The study uses a regression logistic model.

Findings : The research indicates that audit opinion, company growth, and financial distress do not significantly impact voluntary public accountant firms' switching. The study also demonstrates that an Auditor's Reputation cannot moderate the impact of Audit Opinion, Company Growth, and Financial Distress on Voluntary Public Accountant Firms Switching.

Novelty : Employing two periods of auditor switching, each spanning five years, to comprehensively examine the voluntary auditor switching phenomenon.

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INTRODUCTION

Kasmir (2019) Asserts that Financial Statements attain a favorable status when they adhere to relevant presentation standards. According to Arens et al. (2020), auditing is a professional discipline performed by an auditor who systematically collects evidence and assesses the integrity of information presented in financial reports. Prolonged auditor-client relationships may detrimentally impact audit quality (Simalango & Siagian, 2022). In 2023, a case of bias in the relationship between an auditor and a client emerged involving WAL, a company audited by the Public Accountant Firm KNMT from 2014 to 2019. The company was found guilty of manipulating financial statements. As a result, the Financial Services Authority revoked KNMT's registration certificate in response to performance violations. This case highlights the importance of auditor rotation, or switching, to prevent bias and ensure the relevance and quality of financial reporting. Auditor Switching, or auditor rotation, is the deliberate alteration of auditors or Public Accountant Firms examining a company's financial statements for a specific fiscal year. Beyond being obligatory due to governmental mandates, such changes can also be initiated voluntarily. External factors, such as the auditor and internal factors within the company or client, can prompt voluntary auditor changes (Aini & Aufa, 2023).

In Indonesia, the process of changing auditors is governed by Government Regulation Number 20 of 2015, obligating entities to undergo audits of their financial reports by a public accountant for a maximum duration of five consecutive years (Government Regulation Number 20 of 2015, 2015). Under the auspices of the Securities and Exchange Commission, the Philippines mandates the rotation of external auditors every five years (Medina, 2023). According to regulations established by The Stock Exchange of Thailand in 2019, Thailand mandates companies listed on the stock exchange to change their auditors every five years (Suttipun, 2021). In Malaysia, audit rotation is regulated by The Malaysian Institute of Accountants. According to Paragraph 290.151 in the Institute's By-Laws, entities with public interest must rotate audits every five years (Safrihana et al., 2020).

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Following the Singapore Standards on Auditing, as outlined in SSQC1.A14, Singapore mandates the rotation of auditors over five years. Specifically, for companies listed on the Singapore Exchange, the regulatory framework dictates that the audit partner overseeing the company must undergo rotation every five years (Teo, 2018). Japan, guided by the Japan Institute of Certified Public Accountants 2008 and The Certified Public Accountant Act, enforces a regulation stipulating that an audit partner cannot serve as the primary partner for a company for more than five consecutive years, effective from accounting periods after April 1, 2008 (Takeda, 2021). Australia similarly regulates audit rotation, per the Audit Partner Rotation Requirement outlined in the Technical Staff Question & Staff Answer released by the Accounting Professional & Ethical Standards Board. These regulations specify that Engagement Partners and EQCR Partners can only provide services in the same role for five consecutive years (Apesb, 2019).

The voluntary change of auditors is permissible within the framework of company policy. Such changes can be executed without a specific cause, and various considerations may prompt this decision, including the audit opinion, financial distress, and the company's growth trajectory (Darmayanti et al., 2021). Companies may opt for auditor rotation if they receive an opinion incongruent with their expectations. This underscores the pivotal role that the quality of audit opinions plays in influencing management's choice to change auditors (Tjahjono & Khairunissa, 2021). Moreover, as an entity expands, auditors may be changed if the current auditor cannot meet the company's evolving needs (Tampubolon, 2023). Entities facing financial distress are inclined to receive modified audit opinions and such opinions can catalyze management to contemplate implementing a policy for changing auditors (Safrihana et al., 2020). The association of higher audit quality with a reputable Public Accountant Firm contributes to enhanced confidence in the reliability of economic information in the entity's financial statements. A robust reputation bolsters a company's market development and growth and is a supportive factor. The trust and confidence a company fosters through selecting a reputable Certified Public Accountant (CPA) firm can positively impact its image among investors, stakeholders, and the broader market. Consequently, the strategic decision to maintain or select a CPA firm with a strong reputation aligns with the company's growth and sustainability objectives (Syafdinal et al., 2020).

Although many countries have implemented regulations related to auditor rotation, there is still ongoing debate about the influence of factors on a company's decision to switch auditors voluntarily. This research aims to determine whether Audit Opinion, Company Growth, and Financial Distress influence Voluntary Public Accountant Firms Switching and examine the Auditor's Reputation's moderating effect on the relationship between these factors and Voluntary Public Accountant Firms Switching. This research stands out for its originality due to its cross-country analysis of auditor rotation practices across ASEAN-5 countries, Japan, and Australia. This comparative study includes developed and developing nations within the Asia-Pacific region, examining how variations in regulations and accounting standards impact voluntary auditor switching. Specifically, it contrasts Japan and Australia, developed nations, with the ASEAN countries, which are developing nations. This study's unique focus on the consumer staples sector, a stable industry with consistent demand, enhances its relevance. This research spans a decade (2013-2022) and provides a thorough view of long-term trends. Furthermore, it introduces a novel perspective by exploring the moderating role of auditor reputation.

Agency theory is a contractual arrangement establishing a connection between an agent and a principal. Principals are individuals or entities that engage and authorize agents to make decisions on their behalf, effectively serving as an extension of the principal. In this context, the agent typically represents the company's management, while the principal is the company's shareholders (Jensen & Meckling, 1976) show its relationship to the 'separation and control' issue, investigate the nature of the agency costs generated by the existence of debt and outside equity, demonstrate who bears these costs and why, and investigate the Pareto optimality of their existence. We also provide a new definition of the firm, and show how our analysis of the factors influencing the creation and issuance of debt and equity claims is a special case of the supply side of the completeness of markets problem. The directors of such [joint-stock] companies, however, being the managers rather of other people's money than of their own, it cannot well be expected, that they should watch over it with the same anxious vigilance with which the partners in a private copartnership frequently watch over their own. Like the stewards of a rich man, they are apt to consider attention to small matters as not for their master's honour, and very easily give themselves a dispensation from having it. Negligence and profusion, therefore, must always prevail, more or less, in the management of the affairs of such a company. Adam Smith. *The Wealth of Nations*, 1776, Cannan Edition (Modern Library, New York, 1937). External auditors, acting as impartial third parties, play a crucial role in auditing. Their responsibility involves scrutinizing financial reports prepared by a company and slated for external publication. This serves as a mechanism for external monitoring of management performance. After the audit, the external auditor is expected to furnish a report to the principal, offering insights into the economic condition of the business entity. Audits play a pivotal role in providing additional assurance regarding the accuracy, compliance, and credibility of the financial data presented in the report. Consequently, audits enhance the confidence and trust of stakeholders relying on the information (Kreipl et al., 2014).

Signal theory encompasses a conceptual framework elucidating how individuals or organizations utilize signals or cues to communicate information. Within this framework, those with access to diverse information types make deliberate decisions to transmit signals to other parties. The sender retains control over the decision to emit

a signal, while the recipient plays a crucial role in interpreting its meaning within the given context (Connelly et al., 2011). In the context of corporate behavior, signal theory elucidates the phenomenon of companies changing auditors as a strategic means of conveying information to the public about their organizational health through the credibility of financial reports, which are produced using the reputation of the auditor recognized by the public (Qomari & Suryandari, 2019).

The issuance of an audit opinion plays a pivotal role in shaping the dynamics between a company and its auditor. An unqualified opinion fosters increased confidence in the quality of the audit, thereby reinforcing the likelihood that management will opt to sustain the ongoing relationship with the endorsing auditor. Conversely, when a business entity receives an opinion other than unqualified, the propensity to engage in auditor changes rises. This is attributed to the potential erosion of trust in the quality and integrity of the preceding audit conducted by the incumbent auditor. Corroborating this viewpoint, research by Tjahjono and Khairunissa (2021) reveals a positive and substantial correlation between audit opinion outcomes and auditor switching.

Similarly, findings from a study by Wati (2020) underscore the affirmative impact of audit opinions on decisions related to auditor switching. Considering the insights, this research proposes that the influence of audit opinion extends to voluntary Public Accountant Firms switching. The hypothesis guiding this research is expressed as follows:

H₁: Audit Opinion Negatively Influences Voluntary Public Accountant Firms Switching

Sustainable corporate growth enhancement is imperative for public and private entities to ensure enduring viability in the industrial market. The company aspires to elicit a favorable response from the market through a strategic shift in auditors called Auditor Switching. Opting for replacing auditors affiliated with a reputable Public Accountant Firm is anticipated to enhance the company's standing among investors, positively impacting overall corporate growth. In cases where the incumbent auditor fails to deliver high-quality audit outcomes aligned with the company's growth trajectory, management will proactively engage a superior auditor (Ikhsan et al., 2022). This strategic move aligns with the findings of research by Manto & Manda (2018), which underscore the positive correlation between Company Growth and Auditor Switching. Considering previous research outcomes, this study posits and advocates for the proposition that Company Growth indeed exerts a positive impact on the voluntary switching of Public Accountant Firms, leading to the formulation of the following hypothesis:

H₂: Company Growth Positively Influences Voluntary Public Accountant Firms Switching

The business uncertainty faced by organizations undergoing financial challenges and the prospect of bankruptcy is a pivotal factor motivating companies to alter their Public Accountant Firm. This decision-making process aligns with the fundamental tenets of agency theory, wherein management strategically opts for Public Accountant Firm replacement in harmony with the financial difficulties of the organization, aiming to avoid disproportionately high audit costs (Syafidinal et al., 2020). This perspective resonates with the findings of Elisabeth (2021), elucidating a positive correlation between the degree of financial distress experienced by a business organization and the likelihood of initiating auditor switching. Considering the preceding, this study posits and advances that Financial Distress influences the Voluntary Switching of Public Accountant Firms. The corresponding hypothesis is articulated as follows:

H₃: Financial Distress Positively Influences Voluntary Public Accountant Firms Switching

By signal theory, companies undergo auditor changes as a strategic means to communicate a specific signal to the public, intending to capture the attention of investors. Management's selection of an auditor involves carefully considering various factors, including the auditor's reputation, which holds significant weight. It is observed that a company tends to experience a negative impact on its share price when the audit opinion deviates from an unqualified status (Bagherpour et al., 2010). Building upon the insights from Syafidinal et al. (2020), it becomes evident that a more substantial audit reputation correlates with an increased likelihood of audit rotation. This association is explained by the expectation that auditors with a commendable reputation are more likely to provide higher-quality opinions.

This research indicates that the better the reputation of an auditor, the more likely a company is to replace them. This occurs because companies that receive an audit opinion other than "unqualified" may wish to improve their image in the eyes of the public and investors by selecting a more reputable auditor. Consequently, the auditor's reputation strengthens the relationship between a less favorable audit opinion and the company's decision to change auditors, as companies seek to send a positive signal by choosing a more renowned and respected auditor. Therefore, the hypothesis under consideration is as follows:

H₄: Auditor's Reputation Strengthens the Influence of Audit Opinion on Voluntary Public Accountant Firms Switching

Auditors' reputation significantly influences auditing firms' turnover as a company grows. As a company undergoes growth and development, its operational complexity increases. Consequently, managerial requirements necessitate auditors with substantial experience to navigate and support the growing intricacies of the company.

(Suryandari & Dwiyantri, 2020). These observations align with the findings of Tampubolon (2023), who posited that expanding companies often seek to replace auditors with a higher caliber to enhance the company's confidence, attract investors, and secure public trust.

Moreover, a reputable auditor is perceived as having a better capability to handle complex and high-stakes audits, supporting the company's strategic goals and compliance requirements. This is particularly crucial for companies aiming to maintain rigorous financial transparency and integrity standards, which can be vital for sustaining investor confidence and ensuring regulatory compliance. The transition to a more reputable auditor is not merely a matter of seeking higher quality audits but also a strategic move to reinforce the company's credibility and reputation in the market. Therefore, the hypothesis guiding this research is formulated as follows:

H₅: Auditor's Reputation Strengthens the Influence of Company Growth on Voluntary Public Accountant Firms Switching

The financial health of a company significantly influences decisions regarding auditor changes. Companies grappling with substantial financial challenges, such as financial distress, often opt for a change in auditors, expecting to secure a more favorable audit opinion. In such situations, there is a heightened likelihood of selecting Public Accountant Firms from the distinguished Big 4 category as replacement auditors. These Public Accountant Firms are perceived to possess the capability to deliver higher-quality audit opinions (Safriliana et al., 2020). By choosing a reputable auditor, a company can enhance its credibility and potentially mitigate negative perceptions, thereby maintaining or even boosting investor confidence. This aligns with the idea that choosing a well-known and respected audit firm, such as those in the Big 4, is a positive signal about the company's financial stability and management quality. Research conducted by Zarefar et al. (2019) indicates that companies undergoing financial distress are more prone to receiving concerned opinions. Consequently, management tends to replace auditors who are unwilling to provide such opinions, as this would convey a negative signal to investors. In other words, the auditor's reputation can strengthen the relationship between financial distress and the decision to voluntarily replace auditors, as companies experiencing financial difficulties tend to seek auditors who can provide a more favorable opinion and enhance their credibility in the eyes of investors. Therefore, the hypothesis in this study is formulated as follows:

H₆: Auditor's Reputation Strengthens the Influence of Financial Distress on Voluntary Public Accountant Firms Switching

RESEARCH METHODS

This study investigates the business and financial practices of a distinct population within the ASEAN-5 member countries: Indonesia, Malaysia, Singapore, Thailand, the Philippines, Japan, and Australia. The targeted population consists of publicly listed companies, commonly called public companies, traded on stock exchanges. The selection of this population aims to yield a comprehensive understanding of regional business dynamics within the proposed analytical framework. Drawing from the consumer staples sector, the companies in focus are sourced from S&P Capital IQ, covering the period from 2013 to 2022. Focusing on the consumer staples sector is a strategic choice due to its production of essential goods that maintain demand even in economic downturns. Analyzing publicly listed companies within this sector reveals insights into their consistent revenue streams and stable financial practices. This offers a clear perspective on business dynamics across the ASEAN-5 and other participating countries. Furthermore, the well-documented financial practices of consumer staples firms enhance the robustness and comparability of the study's findings.

The research methodology employs a purposive sampling approach, aligning with Sugiyono's (2009) Purposive sampling is defined as a deliberate selection process based on specific factors. The criteria for selecting research samples include incorporating public category companies listed on stock exchanges in ASEAN-5 countries, Japan, and Australia, with accessible data on S&P Capital IQ. Additionally, companies that changed Public Accountant Firms during 2013-2022 are identified and classified into two sub-periods: 2013-2017 and 2018-2022. To further re-

Table 1. Research Sample

| Information | Total |
|--|-------|
| Companies in ASEAN 5 countries, Japan and Australia, operating in the Consumer Staples sector are listed on S&P Capital IQ | 718 |
| Companies that made voluntary auditor changes in the 2013-2017 and 2018-2022 periods | 197 |
| Companies that have incomplete financial data on S&P Capital IQ | (116) |
| <i>Outlier</i> | (5) |
| Total companies in the research sample | 76 |
| Research period | 10 |
| Total Company Observations (Sample x Period) | 760 |

Source: Processed by Researcher (2023)

Table 2. Operational Variable

| Variable | Definition | Formula | Source |
|---|---|---|---------------------------------|
| Dependent Variable | | | |
| Voluntary Public Accountant Firms Switching (VPAFS) | The voluntary decision by a company's management to change or replace the public accountant firm that audits the company | 1 = Companies that change Public Accountant Firms 0 = Companies that do not change Public Accountant Firms | (Safriliana et al., 2020) |
| Independent Variables | | | |
| Audit Opinion (AO) | A statement issued by an independent auditor after reviewing a company's financial statements | 1 = Company receiving a modified opinion 0 = Company receiving an unqualified opinion | (Liu et al., 2018) |
| Company Growth (CG) | The increase in a company's size, market share, revenue, or other key business metrics over time | $(\text{Net Sales}_t - \text{Net Sales}_{t-1}) / (\text{Net Sales}_{t-1})$ | (Tjahjono & Khairunissa, 2021) |
| Financial Distress (FD) | A situation where a company is struggling to meet their financial obligations | $(\text{Total Debt}) / (\text{Total Equity}) \times 100\%$ | (Darmayanti et al., 2021) |
| Moderating Variable | | | |
| Auditor's Reputation (AR) | The perception and trustworthiness of an audit firm or individual auditor by clients, investors, regulators, and the public | 1 = Auditor from the Big 4 category 0 = Auditor from the Non-Big 4 category | (Qomari & Suryandari, 2019) |
| Control Variables | | | |
| Company Size (COMPSZ) | The scale or magnitude of a business, often measured using various metrics to assess its scope, capacity, and market presence | $\text{Ln}(\text{Total Assets})$ | (Ali et al., 2022) |
| Company Age (COMPAG) | The number of years a company has existed | $\text{Year of Research} - \text{Year of Company Establishment}$ | (Fan & Wang, 2021) |
| GDP Growth (GDP) | The increase in a country's Gross Domestic Product (GDP) over a specific period | $(\text{GDP}_y - \text{GDP}_{y-1}) / (\text{GDP}_{y-1})$ | (Charalambakis & Garrett, 2018) |
| Inflation Rate (INFL) | The mean escalation in the prices of goods and services within a country over a specific duration | $\text{Consumer Price Index (CPI)} = (\text{CPI}_t - \text{CPI}_{t-1}) / (\text{CPI}_{t-1})$ | (Fernando, 2023) |

fine the sample, consideration is given to companies that published audited financial reports and completed annual reports for the entire 2013-2022 period (Table 1).

This study employed the logistic regression method to examine the formulated hypotheses. Ghozali (2018) Defines logistic regression as a statistical tool for evaluating the association between dependent and independent variables. This analytical approach facilitates a logistical understanding of the impact of independent variables on the dependent variable, offering comprehensive insights into variable relationships. The application of the logistic regression model in this study is particularly pertinent due to the nature of the dependent variable, which involves using a dummy variable or binary code. Dummy variables represent only two possible values, typically 0 and 1. Employing the logistic regression model enables researchers to discern and analyze the influence of independent variables on categorical or binary dependent variables, resulting in more nuanced and informative analysis outcomes, aligning with the characteristics of the data employed in the study (Dechow et al., 2011). In the context of this research, the dependent variable tested is Voluntary Public Accountant Firms Switching. In contrast, the independent variables include Audit Opinion, Company Growth, and Financial Distress. Control variables, such as company size, company age, GDP growth, and inflation rate, were also tested and integrated into the research model (Table 2).

Table 3. Descriptive Statistical Analysis

| Variable | Observation | Mean | Std. Dev | Min | Max |
|----------|-------------|---------|----------|----------|---------|
| VPAFS | 760 | 0.1579 | 0.3649 | 0 | 1 |
| AO | 760 | 0.2132 | 0.4099 | 0 | 1 |
| CG | 760 | 0.0632 | 0.2143 | -0.6286 | 1.8716 |
| FD | 760 | 0.8625 | 1.7680 | -31.7726 | 17.3078 |
| AR | 760 | 0.4592 | 0.4986 | 0 | 1 |
| COMPSZ | 760 | 15.0184 | 1.4825 | 12.1694 | 19.3227 |
| COMPAG | 760 | 55.9210 | 35.1937 | 9 | 198 |
| GDP | 760 | 0.0164 | 0.0750 | -0.1690 | 0.2164 |
| INFL | 760 | 0.0194 | 0.0190 | -0.0114 | 0.0660 |

Source: Stata 17 Data Processing (2023)

The research model is structured as follows:

$$VPAFS_{it} = \beta_0 + \beta_1 AO_{it} + \beta_2 CG_{it} + \beta_3 FD_{it} + \beta_4 AR_{it} + \beta_5 COMPSZ_{it} + \beta_6 COMPAG_{it} + \beta_7 GDP_{it} + \beta_8 INFL_{it} + e \dots\dots\dots 1$$

$$VPAFS_{it} = \beta_0 + \beta_1 AO_{it} + \beta_2 CG_{it} + \beta_3 FD_{it} + \beta_4 AR_{it} + \beta_5 AO \times AR_{it} + \beta_6 CG \times AR_{it} + \beta_7 FD \times AR_{it} + \beta_8 COMPSZ_{it} + \beta_9 COMPAG_{it} + \beta_{10} GDP_{it} + \beta_{11} INFL_{it} + e \dots\dots 2$$

Table 4. Pairwise Correlation Test

| Variables | VPAFS | AO | CG | FD | AOxAR | CGxAR | FDxAR | COMPZ | COMPAG | GDP | INFL |
|-----------|-----------|-----------|------------|-----------|-----------|------------|-----------|-----------|-----------|-----------|------|
| VPAFS | 1 | | | | | | | | | | |
| AO | 0.0301 | 1 | | | | | | | | | |
| CG | -0.0428 | 0.0154 | 1 | | | | | | | | |
| FD | 0.0685* | -0.0416 | -0.0805* | 1 | | | | | | | |
| AOxAR | -0.0538 | 0.6215*** | 0.0341 | -0.0413 | 1 | | | | | | |
| CGxAR | -0.0561 | 0.0171 | 0.6036*** | -0.0111 | 0.1235*** | 1 | | | | | |
| FDxAR | -0.0878** | -0.0258 | 0.0477 | 0.2031*** | 0.1652*** | 0.1825*** | 1 | | | | |
| COMPSZ | -0.036 | -0.0584 | 0.0297 | -0.0717** | 0.0919** | 0.0827** | 0.1416*** | 1 | | | |
| COMPAG | -0.0105 | -0.0475 | -0.0971*** | -0.0741** | 0.0089 | -0.1039*** | 0.0148 | 0.4958*** | 1 | | |
| GDP | -0.0119 | 0.0049 | 0.2275*** | -0.0709* | -0.0308 | 0.1535*** | 0.0275 | -0.0334 | -0.0857** | 1 | |
| INFL | -0.0477 | 0.1440*** | 0.1389*** | -0.0677* | -0.0118 | 0.1998*** | -0.0496 | -0.0599* | -0.0591 | 0.1399*** | 1 |

Source: Stata 17 Data Processing (2023)

***, **, *, significant at the level of 0.01(1%), 0.05(5%), dan 0.10(10%) respectively.

Table 5. Model Test Results

| Type of Test | Basic Decision Making | Result of Model 1 | Result of Model 2 | Conclusion |
|--------------------------|--|--|--|--|
| The Goodness-of-Fit Test | 5% significance level | 0.4316 | 0.4050 | Good Fits |
| Log Likelihood Test | Consistent improvement across iterations | Iteration 0: -331.48337 Iteration 1: -320.61783 Iteration 2: -320.32492 Iteration 3: -320.32454 Iteration 4: -320.32454 | Iteration 0: -331.48337 Iteration 1: -320.14418 Iteration 2: -319.70192 Iteration 3: -319.70099 Iteration 4: -319.70099 | Good Fits |
| Pseudo R-Square Test | | 0.0337 | 0.0355 | Each model explains 3.37% and 3.55% of the variation in the data, respectively |
| LR Chi-Square | 10%, 5%, or 1% significance level | 0.0044 | 0.0147 | A strong relationship between the independent and dependent variables in both models |

RESULTS AND DISCUSSIONS

Based on the descriptive statistical analysis (Table 3), this research utilized 760 observation samples over a ten-year period (2013-2022), encompassing 76 companies. The distribution of research sample data per country meeting the research criteria is as follows: 13 companies from Indonesia, 22 companies from Malaysia, 2 companies from Singapore, 17 companies from Thailand, 3 companies from the Philippines, 16 companies from Japan, and 3 companies from Australia. The correlation analysis (Table 4) reveals a correlation coefficient of 0.0685 between the Financial Distress variable and Voluntary Public Accountant Firms Switching, with a significance level of 0.10 (10%). These findings suggest a positive correlation between the independent variable, Financial Distress, and the dependent variable, Voluntary Public Accountant firm switching. Specifically, an escalation in the level of financial distress in companies is associated with an increased likelihood of voluntary turnover in Public Accountant Firms. Conversely, the analysis of the relationship between the Financial Distress variable and Company Growth identifies a correlation coefficient of -0.0805, with a significance level of 0.10 (10%). These results indicate a negative correlation between the independent variable, Financial Distress, and the dependent variable, Company Growth. In simpler terms, an elevation in the level of financial distress within a company is linked to a corresponding decline in company growth.

The goodness-of-fit test shows in model test result (Table 5) reveal a probability result ($> \chi^2$) of 0.4316, corresponding to 43.16% for Model 1. Similarly, for Model 2, the Goodness-of-Fit Test yields a probability result ($> \chi^2$) of 0.4050, equivalent to 40.50%. These findings suggest that, at a 5% significance level, the Pearson test does not attain statistical significance. Consequently, it is inferred that Models 1 and 2 in this study do not exhibit a statistically significant incongruity between the observational data and the employed logistic regression model. Put differently, within the context of this research, the model is deemed adequate for providing an accurate estimation of the observed results. The observed augmentation in the log-likelihood value may be construed as indicative of the logistic regression models, as applied to Model 1 and Model 2 in this study, demonstrating a commendable degree of appropriateness for the utilized observational data. This suggests that the model exhibits a proficient capacity to elucidate and incorporate information derived from observational data. The Pseudo R-Square results in the logistic regression models for Model 1 and Model 2 of the study were 0.0337 and 0.0355, respectively, representing 3.37% and 3.55% equivalently. This metric signifies the extent to which the independent variable can account for

Table 6. Model Classification Test – Model 1 & Model 2

| Observed | Model 1 | | | Model 2 | | |
|--------------------|-----------|---------------|-----------|-----------|---------------|-----------|
| | Switching | Not Switching | % Correct | Switching | Not Switching | % Correct |
| Switching | 0 | 1 | 0.00% | 1 | 1 | 50.00% |
| Not Switching | 120 | 639 | 84.19% | 119 | 639 | 84.30% |
| Overall Percentage | | | 84.08% | | | 84.21% |

Source: Stata 17 Data Processing (2023)

Table 7. Hypothesis Test – Model 1 & Model 2

| VPAFS | Coefficient | Std. err. | z | P> z | Conclusion |
|-------------------------|-------------|-----------|-------|--------|------------|
| AO (H ₁) | 0.2572311 | 0.2442325 | 1.05 | 0.292 | Rejected |
| CG (H ₂) | -0.3871484 | 0.5099453 | -0.76 | 0.448 | Rejected |
| FD (H ₃) | 0.0805757 | 0.0633867 | 1.27 | 0.204 | Rejected |
| AR | -0.8347091 | 0.2282387 | -3.66 | 0.000 | |
| AOxAR (H ₄) | -0.4296168 | 0.5369286 | -0.80 | 0.424 | Rejected |
| CGxAR (H ₅) | -0.0292975 | 1.15574 | -0.03 | 0.980 | Rejected |
| FDxAR (H ₆) | -0.1986648 | 0.2435135 | -0.82 | 0.415 | Rejected |

Source: Stata 17 Data Processing (2023)

Dependent Variable: VPAFS; Period:2013–2022

***, **, *, significant at the significance level of 0.01(1%), 0.05(5%), and 0.10(10%) respectively.

variations in the dependent variable within the context of this study. In Model 1 of the LR Chi-Square, the study indicates that the Prob > Chi-Square value is below the designated significance threshold, specifically 0.01 or 1%. Consequently, it can be inferred that the independent variable holds statistical significance at a significance level of 0.01 or 1%. Conversely, in Model 2, the analysis reveals that the Prob > Chi-Square value falls below the specified significance threshold of 0.05 or 5%. Consequently, it can be interpreted that the independent variable exhibits statistical significance at a significance level of 5%. This observation underscores a robust relationship between the independent and dependent variables within the framework of this logistic regression model. In the model classification test (Table 6), Model 1 predicts no companies will switch Public Accountant Firms and correctly identifies 84.19% of non-switching companies. Model 2 predicts up to 50% will switch, with 50% accuracy for switchers and 84.30% for non-switchers. Overall, Model 1 has 84.08% accuracy and Model 2 has 84.21%.

Audit Opinion Does Not Affect The Voluntary Switching of Public Accountant Firms

The results of this study (Table 7) indicate that audit opinion does not significantly impact a company's decision to switch Public Accountant Firms voluntarily. This suggests that changes in audit opinion, such as unfavorable opinions, do not sufficiently influence companies to change their auditors. This phenomenon may be related to the tendency of new auditors to rely on previous audit reports as a basis for evaluation, which could lead companies to prefer continuing with their existing auditors. This study supports earlier findings from research by Riyanto et al. (2021), Darmayanti et al. (2021), and Tampubolon (2023), which demonstrate that audit opinion does not significantly affect a company's decision to change auditors. These findings are consistent with those studies, concluding that audit opinion is not a primary factor in auditor change decisions. However, the results of this study contrast with research by Safriliana et al. (2020) and Tjahjono & Khairunissa (2021), which suggest that audit opinion can positively influence the decision to switch auditors. The differences in findings may be due to contextual factors, varying research methodologies, or differences in sample characteristics, highlighting the need for further research to understand the complexities of factors affecting auditor change decisions.

Company Growth Does Not Affect The Voluntary Switching of Public Accountant Firms

Based on hypothesis test (Table 7), this study reveals that Company Growth does not significantly impact a company's decision to switch Public Accountant Firms voluntarily. This suggests that growth, as measured by the Company Growth variable, does not substantially influence the decision to change auditors. This finding aligns with research by Prihandoko & Supriyati (2020), which concluded that company growth does not significantly affect auditor change decisions, with auditor quality being a more relevant factor. Similarly, Tjahjono & Khairunissa (2021) support this finding, noting that client company growth does not significantly impact auditor switching decisions. This is partly due to minimal growth rates and satisfactory audit services from existing firms. Descriptive statistical analysis in this study shows an average growth rate of only 0.06% among the sample companies, suggesting that low growth might explain the lack of impact on auditor switching. This result is consistent with findings by Nursiam et al. (2022), Tampubolon (2023), and Tjahjono & Khairunissa (2021), reinforcing the notion that Company Growth does not significantly motivate or affect auditor change decisions. However, this contrasts with Wati (2020), who found a significant impact of Company Growth on auditor switching. The discrepancy may be due to differences in research methodology, sample characteristics, or contextual factors, highlighting the need for further investigation into the factors influencing the relationship between Company Growth and auditor change decisions.

Financial Distress Does Not Affect The Voluntary Switching of Public Accountant Firms

Based on hypothesis test (Table 7), this study reveals that Financial Distress does not significantly influence a company's decision to switch Public Accountant Firms voluntarily. This suggests that the level of financial difficul-

ty, as measured by the Financial Distress variable, does not substantially impact motivating or affecting a company's decision to change auditors voluntarily. This finding adds to our understanding of the factors influencing auditor change decisions, particularly in the context of financial distress. It implies that other variables or factors might play a more significant role in shaping such choices. While Safriliana et al. (2020) found that companies experiencing financial distress are more likely to receive modified audit opinions and potentially switch auditors, Wulandari et al. (2019) showed that even with auditor changes, the audit opinions are often consistent with the company's financial condition. Furthermore, Tjahjono & Khairunissa (2021) noted that switching auditors incurs higher costs and can affect the company's cash flow, especially during financial distress. This study's findings align with previous research by Tampubolon (2023), Nursiam et al. (2022), and Riyanto et al. (2021), confirming that financial distress does not significantly impact auditor change decisions. However, these findings differ from studies by Wati (2020), Prihandoko & Supriyati (2020), and Darmayanti et al. (2021), which indicated that financial distress does affect auditor switching decisions. These discrepancies may arise from variations in research methodologies, sample characteristics, or other contextual factors influencing the relationship between financial distress and auditor switching.

The Auditor's Reputation Does Not Moderate The Effect of Audit Opinion on Voluntary Public Accountant Firms Switching

The finding indicates that the Auditor's Reputation neither strengthens nor weakens the link between Audit Opinion and a company's decision to change Public Accountant Firms voluntarily. Consequently, auditor reputation does not affect the significance of the relationship between audit opinion and the decision to switch auditors. These results do not support agency theory or signalling theory, which suggests that companies might change auditors to enhance investor interest by considering the auditor's reputation. Agency theory posits that companies select reputable auditors to reduce agency conflicts and boost investor confidence, while signalling theory argues that hiring high-performing auditors is a positive signal to investors. The study's findings reveal that auditor reputation does not significantly influence auditor change decisions within Audit Opinion. Moreover, the results suggest that investors may react negatively to stock prices if a company receives an audit opinion other than an unqualified opinion (Bagherpour et al., 2010).

The Auditor's Reputation Does Not Moderate The Effect of Company Growth on Voluntary Public Accountant Firms Switching

This study indicates that the Auditor's Reputation does not significantly weaken or strengthen the link between Company Growth and the decision to change auditors. Thus, within the scope of this study, auditor reputation does not substantially influence the relationship between company growth and auditor switching decisions. These findings are consistent with research by Nursiam et al. (2022), which suggests that growing companies often retain their auditors, particularly if the auditor's reputation or quality meets management's needs. This is supported by the descriptive statistics showing that 45% of the sample companies were audited by Big 4 firms, reflecting a preference for reputable auditors. In contrast, the findings diverge from Tampubolon (2023), which suggests that growing companies tend to switch to higher-quality auditors to attract investors and enhance public trust. This discrepancy may be due to differences in sample characteristics, research methods, or market and industry contexts affecting decision-making dynamics.

The Auditor's Reputation Does Not Moderate The Effect of Financial Distress on Voluntary Public Accountant Firms Switching

This study reveals that the Auditor's Reputation does not significantly moderate the impact of Financial Distress on the voluntary switching of Public Accountant Firms. This suggests that Auditor's Reputation does not weaken or strengthen the relationship between Financial Distress and a company's decision to change auditors. Consequently, in this study, auditor reputation does not significantly alter how financial distress influences auditor change decisions. These findings are consistent with Wulandari et al. (2019), which affirm that auditor reputation, whether Big 4 or non-Big 4, does not significantly impact audit opinions, especially in financial distress. The study also challenges the signalling theory, which posits that companies select well-regarded auditors to signal positive information to investors or the public. Instead, it suggests that, in financial distress, auditor selection decisions may be more influenced by internal considerations or company-specific factors rather than efforts to signal positivity to external parties.

CONCLUSIONS

This research reveals that Audit Opinion, Company Growth, and Financial Distress do not significantly influence the voluntary switching of Public Accountant Firms in the ASEAN 5 Region, Japan, and Australia. Additionally, the auditor's reputation does not affect this decision. These findings contradict the hypotheses suggesting these factors would have a significant impact. This research has two main limitations: it relies on data from companies in the Company Staples sector, as reported by S&P Capital IQ, covering the period from 2013 to 2022; and it

measures Financial Distress solely using the debt-to-equity ratio. To address these limitations, future research could explore alternative measures for Financial Distress, such as the Altman Z-Score or Zmijewski Score, consider additional variables that might influence voluntary Public Accountant Firm switching, and investigate other business sectors to compare results across different industries.

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