



The Effect of Audit Fee, Kap Reputation, Financial Distress and Profitability on Auditor Change in Consumption Goods Sector Companies Listed on The Indonesia Stock Exchange in 2018-2021

Pengaruh Audit Fee, Reputasi Kap, Financial Distress, dan Rentabilitas Terhadap Pergantian Auditor pada Perusahaan Sektor Barang Konsumsi Yang Terdaftar di Bursa Efek Indonesia Tahun 2018-2021

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Abstract

This study is entitled the effect of audit fees, reputational hoods, financial distress, and profitability on auditor turnover in consumer goods sector companies listed on the Indonesia Stock Exchange in 2018-2021. The purpose of this study was to find out how the influence of audit fees, reputation of the hood, financial distress, and earnings on auditor turnover. This study uses logistic regression by analyzing the factors that have occurred. This study uses secondary data with a population of 52 companies and a sample of 23 companies, namely companies in the consumer goods sector on the IDX. This study yielded interesting findings, including audit fees and financial distress which had a significant effect on auditor turnover. Meanwhile, the variables of reputation, cap, and profitability have no effect on auditor turnover. The impact of the results of this study is the determination of the variables used by 37.5%, there are still 62.5% of other variables that can be used as further research such as corporate governance variables, operational complexity, ownership structure.

Keywords: Audit Fee, Auditor Turnover, Financial Distress, Earnings, and KAP Reputation

Abstrak

Penelitian ini berjudul pengaruh audit fee, reputasi kap, financial distress, dan rentabilitas terhadap pergantian auditor pada perusahaan sektor barang konsumsi yang terdaftar di Bursa Efek Indonesia tahun 2018-2021. Tujuan penelitian ini adalah untuk mengetahui bagaimana pengaruh audit fee, reputasi kap, financial distress, dan rentabilitas terhadap pergantian auditor. Penelitian ini menggunakan regresi logistik dengan menganalisis faktor yang sudah terjadi. Penelitian ini menggunakan data sekunder dengan populasi 52 perusahaan dan sampel 23 perusahaan yaitu perusahaan sektor barang konsumsi BEI. Penelitian ini menghasilkan penemuan yang menarik diantaranya yaitu audit fee, dan financial distress berpengaruh signifikan terhadap pergantian auditor. Sedangkan variabel reputasi kap, dan rentabilitas tidak berpengaruh terhadap pergantian auditor. Dampak dari hasil penelitian ini adalah determinasi dari variable yang digunakan sebesar 37,5%, masih terdapat 62,5% variable lain yang dapat dijadikan penelitian selanjutnya seperti variabel corporate governance, kompleksitas operasi, struktur kepemilikan.

Kata Kunci : *Audit Fee, Financial Distress, Pergantian Auditor, Rentabilitas dan Reputasi KAP*

1. INTRODUCTION

The financial report is a report that describes the financial position of the results of an accounting process during a certain period which is used as a communication tool for interested parties [1]. Financial reports prepared by management have the potential to be influenced by management's personal interests. Therefore, the services of an independent auditor are needed to increase the reliability of financial reports and convince company owners that the financial statements are presented fairly. Examinations carried out by the

auditor must be objective and independent of the information presented in the financial statements so that reliable financial information can be obtained as material for consideration in making decisions [2].

In Indonesia, the government has regulated the obligation to replace a Public Accounting Firm (KAP) through Minister of Finance Decree No. 359/kKMK.06/2003, refined by Minister of Finance Regulation No. 17/PMK.01/2008 concerning restrictions on the practice of public accountants, which are expected to maintain auditor independence so that audit quality becomes higher. However, Sumarwoto (2006) further states that in a mandatory rotation environment, it is still possible for companies to rotate KAP voluntarily. Voluntary KAP rotation at the initiative of the company is possible because the company wants to find a KAP that fulfills its interests [3]. In this case the change of auditors is possible with several considerations of the company and other external influences.

In the case of auditor switching at PT Hanson International Tbk (MYRX) and its AP (Public Accountant) and KAP, namely KAP Purwanto, Sungkoro and Surja (Members of Ernst and Young Global Limited / EY) Late last month, the Financial Services Authority (OJK) decided to impose sanctions on Sherly Jakom from KAP Purwanto, Sungkoro and Surja for violating capital market laws and the code of ethics for the public accounting profession. As a result, Sherly's Certificate of Registration (STTD) was frozen for 1 year. The imposition of the sanction was related to the revenue overstatement of IDR 613 billion for the 2016 period annual financial reports (LKT) at PT Hanson International Tbk (MYRX) (cnbcindonesia.com). Seeing the news, the company made a change of auditors due to several factors, namely the declining reputation of an auditor, spreading public share ownership, too long tenure audit engagements, delays in the publication of financial reports, and a decrease or increase in company sales so that the company decided to replace with the new KAP services.

Auditor change is a transfer of auditors or Public Accounting Firm (KAP) carried out by the client company. Auditor replacement according to Arens et al, (2012: 81) is "Management's decision to replace the auditor in order to obtain better quality services. Auditor switching is a behavior carried out by companies to change auditors (KAP) [4].

audit fee is the product of the unit price and the quantity of audit services requested by the management of the audited company [5]. According to Mulyadi (2016: 63) audit fees are fees received by public accountants after carrying out audit services, in the form of rewards or wages[6]. Meanwhile, according to Sukrisno Agoes (2012: 46) audit fees are a form of remuneration that the auditor provides to clients, and the amount of member fees can vary depending on the risk of the assignment, the complexity of the services provided, the level of expertise required to carry out these services, and the auditor receiving the fee [7]. with higher quality will plan a higher quality audit compared to a smaller audit fee.

Auditor reputation shows the level of credibility of an auditor. The reputation of a Public Accounting Firm (KAP) is a KAP that has quality in auditing financial statements that can affect stock prices, both during initial public offerings (IPO) and after the company is listed on the stock exchange [8].

Financial distress is a condition in which a company's finances are in an unhealthy or critical state. Financial distress has a close relationship with company bankruptcy, because financial conditions that experience a decline are at risk of bankruptcy [9].

According to Pirmatua Sirait (2017: 139) Profitability is as follows: Profitability or profitability of the company to obtain comprehensive profits, converting sales into profits and cash flow. According to Irham Fahmi (2014: 81) the definition of Profitability is as follows: Profitability is used to measure the effectiveness of management as a whole which is indicated by the size of the profit level obtained in relation to sales and investment [10].

2. MATERIALS AND METHOD

2.1. Research design

This research is a quantitative research and includes a causal study. In a causal study the researcher is interested in explaining one or more factors that cause a problem. Causal design aims to analyze the relationships that occur between one variable and another or how a variable affects other variables. This study examines the effect of audit fees, cap reputation, financial distress, and profitability on auditor turnover.

2.2. Population and Sample

1. Population

The population in this study are consumer goods sector companies listed on the Indonesia Stock Exchange (IDX) accessed through the official website of the Indonesia Stock Exchange, namely www.idx.co.id. The data taken is the company's annual report from 2018-2022 (4 years). The total population in this study is 52 consumer goods sector companies listed on the IDX in 2018-2022.

2. Sample

The sample selection in this study used nonprobability sampling with a purposive sampling technique, so there were 23 companies that met the criteria as samples in this study. Meanwhile, the amount of observation data used in this study was during 2018-2021 or for 4 periods, namely 92 observation data. The following table lists the names of companies in the consumer goods sector that can be used as samples in this study.

2.3. Data analysis technique

1. Descriptive statistics

Descriptive statistics are used to provide a description of a data in terms of the average (mean), standard deviation (standard deviation), and maximum-minimum. The mean is used to estimate the average size of the population that is estimated from the sample. The standard deviation is used to assess the average dispersion of the sample.

2. Assessing the Overall Model (Overall Model Fit)

According to Ghozali (2013: 340) the first step is to assess the overall fit of the model to the data. Several statistical tests are given to assess this [11]. The hypothesis for assessing model fit is:

H₀ : The hypothesized model is fit with the data

H_A : The hypothesized model does not fit the data

3. Testing the Feasibility of the Regression Model

The feasibility of the regression model was assessed using Hosmer and Lemeshow's Goodness of Fit Test. Hosmer and Lemeshow's Goodness of Fit Test tests the null hypothesis that the empirical data fits or fits the model (there is no difference between the model and the data so that the model can be said to be fit).

If the statistical value of the Hosmer and Lemeshow's Goodness of Fit Test is equal to or less than 0.05 then the null hypothesis is rejected, which means that there is a significant difference between the model and the observed value so that the Goodness fit model is not good because the model cannot predict the observed value.

4. Multicollinearity Test

A good regression model is a regression with no strong correlation between the independent variables. This test uses a correlation matrix between independent variables. If the independent variables are correlated, then these variables are not orthogonal. Orthogonal variables are independent variables whose correlation values among independent variables are equal to zero[11].

5. Coefficient of Determination (Nagelkerke R Square)

According to Ghozali (2013: 341), Cox and Snell's R Square is a measure that tries to imitate the size of R² in multiple regression based on likelihood estimation techniques with a maximum value of less than 1 (one), making it difficult to interpret. Nagelkerke's R square is a modification of the Cox coefficient and Snell to ensure that the value varies from 0 (zero) to 1 (one)[11].

6. Formed Logistic Regression Model

The analysis used in this study is logistic regression analysis, namely by looking at the effect of audit fees, going concern opinions, financial distress, and profitability on auditor changes. The regression model in this study can be formulated as follows:

$$\text{SWITCH} = b_0 + b_1\text{FEE} + b_2\text{RKAP} + b_3\text{FD} + b_4\text{PF} + e \quad (1)$$

Information :

SWITCH	: auditor switching (auditor switching)
b ₀	: constant
b ₁ -b ₄	: regression coefficient
FEE	: Audit Fee
RKAP	: KAP reputation
FD	: Financial Distress
PF	: Profitability (Rentability)
e	: error

7. Research Hypothesis Testing

Parameter estimation uses Maximun Likelihood Estimation (MLE).

$$H_0 = b_1 = b_2 = b_3 = \dots = b_i = 0$$

$$H_0 \neq b_1 \neq b_2 \neq b_3 \neq \dots \neq b_i \neq 0$$

The null hypothesis states that the independent variable (x) has no effect on the response variable that is considered (in) the population). Testing the hypothesis is carried out using $\alpha = 5\%$. The decision making rule is:

1. If the probability value (sig.) $< \alpha = 5\%$ then the alternative hypothesis is supported.
2. If the probability value (sig.) $> \alpha = 5\%$ then the alternative hypothesis is not supported.

3. RESULTS AND DISCUSSION

3.1. Descriptive statistics

Table 1. Results of Descriptive Statistics

	Descriptive Statistics				
	N	Minimum	Maximum	Mean	Std. Deviation
Auditor Change	92	0	1	.54	.501
Audit Fees	92	19.0520	23.6410	21.010524	1.1345175
KAP's reputation	92	0	1	.47	.502
Financial Distress	92	-2.1273	3.8248	.895539	.8641144
Profitability	92	-.2140	1.3776	.125037	.1878769
Valid N (listwise)	92				

Source: SPSS Processed Data 26, 2022

Based on Table 1, the auditor turnover variable (Y) shows the lowest value of 0 which occurred in Akasha Wira International Tbk (ADES) in 2018-2019, the highest value of 1 which occurred in Akasha Wira International Tbk (ADES) in 2020-2021, with an average value of 0.54, and a standard deviation value of 0.501. The results of these data explain that companies that have a value of more than 0.54 will tend to change auditors.

3.2. Assessing the Overall Model (Overall Model Fit)

Table 2. Overall Model Fit Test Results

-2Log likelihood awal (block number = 0)	126,843
-2Log likelihood akhir (block number = 1)	96,580

Source: SPSS Processed Data 26, 2022

Based on Table 2 obtained from the results of the regression analysis shows that the initial -2Log likelihood value (block number = 0) before being included in the independent variable is 126.843. After the four independent variables were entered, the final -2Log likelihood value (block number = 1) decreased to 96.580. The difference between the initial -2Log likelihood and the final -2Log likelihood shows a decrease of 40.263. It can be concluded that the initial -2Log likelihood value (block number = 0) is greater than the final -2Log likelihood value (block number = 1), resulting in a decrease. This indicates that the hypothesized models are fit with the data, so that the addition of independent variables to the model indicates that the regression model is getting better.

3.3. Testing the Feasibility of the Regression Model

Table 3. Goodness of Fit Test results

Step	Hosmer and Lemeshow Test		
	Chi-square	df	Sig.
1	10.698	8	.219

Source: SPSS Processed Data 26, 2022

Based on the results in Table 3, it can be seen that the significant value of the hosmer and lemeshow test is 0.219 which is greater than 0.05 with the hosmer and lemeshow statistic value of 10.698. A significant value greater than 0.05 explains that the model is able to predict the value of its observations or it can be said that the model is acceptable because it matches the observed data.

Multicollinearity Test

Table 4. Multicollinearity Test Results

Correlation Matrix				
	Audit Fee	Reputasi KAP	Financial Distress	Rentabilitas
Step 1				
Audit Fees	1.000	-.470	.115	.009
KAP's reputation	-.470	1.000	.233	-.136
Financial Distress	.115	.233	1.000	.419
Profitability	.009	-.136	.419	1.000

Source: SPSS Processed Data 26, 2022

Based on the results in Table 4 it can be seen that all the correlations between the independent variables do not have a value of more than 0.8. This means that in this regression model there is no multicollinearity or in this model there is no correlation between the independent variables.

3.4. Testing the Coefficient of Determination (Nagelkerke R Square)

Table 5. Determination Coefficient Results

Model Summary			
Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	96.580 ^a	.280	.375

a. Estimation terminated at iteration number 7 because parameter estimates changed by less than .001.

Source: SPSS Processed Data 26, 2022

Table 5 shows the Nagelkerke R Square value of 0.375, this number will be converted to a percent form, which means that the percentage of the ability of the independent variable used to explain its effect on the dependent variable. Then the contribution of the variable audit fee, KAP reputation, financial distress, and profitability in this study explains 37.5% of the variation in the auditor turnover variable. While the remaining 62.5% is influenced by other variables not measured in this regression model, other factors that might explain the effect of the auditor turnover variable based on previous studies are operational complexity, liquidity, ownership structure, etc.

3.5. Logistic Regression Analysis

Table 6. Logistic Regression Results

Variables in the Equation							
		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a	Audit Fees	.649	.295	4.858	1	.028	1.914
	KAP's reputation	.752	.636	1.399	1	.237	2.122
	Financial Distress	1.620	.548	8.759	1	.003	5.056
	Profitability	3.907	2.985	1.713	1	.191	49.738
	Constant	-15.458	6.100	6.422	1	.011	.000

a. Variable(s) entered on step 1: Audit Fee, Reputasi KAP, Financial Distress, Rentabilitas .

Source: SPSS Processed Data 26, 2022

Based on the results in Table 6, the logistic regression equation in this study is as follows:

$$Y = -15,458 + 0,649X_{1it} + 0,752X_{2it} + 1,620X_{3it} + 3,907X_{4it} + e_{it} \quad (2)$$

3.6. Discussion

3.6.1. Effect of Audit Fee on Auditor Turnover

The first hypothesis put forward is that audit fees for auditor changes in consumer goods sector companies listed on the Indonesia Stock Exchange (IDX) in 2018-2021, the results of the logistic regression analysis show a probability audit fee value of 0.028 is smaller than 0.05, which means that audit fees have an effect on auditor turnover.

These results explain that the larger the audit fee will influence and increase the occurrence of auditor changes in consumer goods sector companies listed on the Indonesia Stock Exchange in 2018-2021. This is because the company will change the auditor if the fee offered is high and look for an auditor with a lower audit fee so it doesn't add to the company's burden. Relatively high audit fees encourage companies to change

auditors because no agreement is reached between the company and the auditors. The higher the fee proposed by the company, the greater the chance of changing auditors.

This result is in line with research from Ni Luh and I Wayan (2014) which states that audit fees have an effect on auditor turnover. This result is also not in line with the results of research from Ida Bagus, I Dewa and Putu Diah (2021) which states that audit fees have no effect on auditor turnover

3.6.2. Effect of KAP Reputation on Auditor Turnover

The second hypothesis put forward is that the reputation of the hood on auditor turnover in consumer goods sector companies listed on the Indonesia Stock Exchange (IDX) in 2018-2021, the results of the logistic regression analysis show that the probability value of the reputation of the hood is 0.237 greater than 0.05, which means reputation hood has no effect on auditor turnover. Based on these results the second hypothesis (H2) which states that reputation has no effect on auditor turnover is rejected.

These results explain that the size of the KAP's reputation will not affect the occurrence of auditor changes in consumer goods sector companies listed on the Indonesia Stock Exchange in 2018-2021. This is because KAP's reputation is not a dimension that has a major contribution in influencing auditor turnover in the company. KAP reputation is not a dimension or a factor that encourages company managers to change auditors. So there is no tendency to change auditors (Angraini, 2013).

These results are in line with research from Wanda, Jullie J, and I Gede (2019) which states that KAP reputation has no effect on auditor turnover. This result is also not in line with the results of research from Dicky Arisudhana (2017) which states that KAP reputation has an effect on auditor turnover.

3.6.3. Effect of Financial Distress on Auditor Turnover

The third hypothesis put forward is that financial distress is related to auditor turnover in consumer goods sector companies listed on the Indonesia Stock Exchange (IDX) in 2018-2021, the results of the logistic regression analysis show that the probability value of financial distress is 0.003 less than 0.05, which means that financial distress has an effect on auditor turnover. Based on these results the third hypothesis (H3) which states financial distress has an effect on auditor turnover is accepted.

These results explain that greater financial distress will affect and increase the occurrence of auditor changes in consumer goods sector companies listed on the Indonesia Stock Exchange in 2018-2021. This is because too high costs incurred for auditing financial statements can trigger financial distress. This can be caused by the high audit fees charged to the company, while the company's condition is unstable when experiencing financial distress. The company prefers to switch to a new auditor who can provide audit services at a not too high cost, so that the company can still afford it. Thus, companies that are experiencing financial distress will adjust the amount of costs incurred to pay for auditor services (Ida Bagus, I Dewa and Putu Diah 2021).

These results are in line with research from Ida Bagus, I dewa and Putu Diah (2021) which states that financial distress has an effect on auditor turnover. This result is also not in line with the results of research from Ni Luh and I Wayan (2014) which states that financial distress has no effect on auditor turnover

3.6.4. The Effect of Earnings on Auditor Turnover

The fourth hypothesis put forward is that the profitability of changing auditors in consumer goods sector companies listed on the Indonesia Stock Exchange (IDX) in 2018-2021, the results of the logistic regression analysis show a profitability probability value of 0.191 greater than 0.05, which means that profitability has no effect to a change of auditors. Based on these results the fourth hypothesis (H4) which states that profitability has no effect on auditor turnover is rejected.

These results explain that the size of profitability will not affect the occurrence of auditor changes in consumer goods sector companies listed on the Indonesia Stock Exchange in 2018-2021. This is because companies that experience increased profits in a certain period are not one of the things for companies to consider in changing auditors. These results are in line with research from I Wayan Deva (2014) which states that profitability has no effect on auditor turnover. This result is also not in line with the results of research from Sri Maryani, Novita Weningtyas and Lili Safrida (2016) which states that earnings have an effect on auditor turnover.

4. CONCLUSION

Audit fees have a significant effect on auditor turnover. These results explain that the larger the audit fee will influence and increase the occurrence of auditor turnover in consumer goods sector companies listed on the Indonesia Stock Exchange in 2018-2021. KAP reputation has no significant effect on auditor turnover. These results explain that the size of the KAP's reputation will not affect the occurrence of auditor changes in consumer goods sector companies listed on the Indonesia Stock Exchange in 2018-2021. Financial distress has a significant effect on auditor turnover. These results explain that greater financial distress will affect and increase the occurrence of auditor turnover in consumer goods sector companies listed on the Indonesia

Stock Exchange in 2018-2021. Profitability has no significant effect on auditor turnover. These results explain that the size of profitability will not affect the occurrence of auditor changes in consumer goods sector companies listed on the Indonesia Stock Exchange in 2018-2021.

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