

# THE EFFECT OF INSTITUTIONAL OWNERSHIP, AUDIT OPINION, KAP REPUTATION, MANAGEMENT CHANGES AND AUDIT DELAY ON AUDITOR SWITCHING

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**Abstract.** This study aims to determine the effect of institutional ownership, audit opinion, hood reputation, management turnover, and audit delay on auditor switching in manufacturing companies on the IDX in 2017-2020. This research is quantitative descriptive. The population in this study are manufacturing companies listed on the Indonesia Stock Exchange in 2017-2020. This sampling used the purposive sampling method with the number of samples obtained as many as 123 companies. The data analysis technique used is logistic regression analysis (logistic regression). The study results show that institutional ownership, reputation, and audit delay partially have a significant effect on auditor switching. In contrast, audit opinion and management change partially have no considerable impact on auditor switching. However, simultaneously institutional ownership, audit opinion, hood reputation, management turnover, and audit delay significantly affect auditor switching.

**Keywords:** institutional ownership; audit opinion; KAP reputation; management change; audit delay auditor switching.

## INTRODUCTION

Auditor switching is the change of auditors, and Public Accounting Firms (KAP) carried out by the client company. Auditor switching is crucial for a company because it can overcome the emergence of declining audit quality due to the long relationship between the auditor and the client company ([Sari et al., 2018](#)). Auditor switching is mandatory or voluntary.

In Indonesia, the phenomenon of auditor switching has occurred in the last three years from mining sector companies listed on the Indonesia Stock Exchange (IDX), namely in 2015 there were 32 companies, in 2016 there were 40 companies, and in 2017 there were 40 companies. While companies that changed auditors in 2015 were 11 companies, in 2016, there were five companies. In 2017 eight companies changed auditors. In 2015 there were ten companies; in 2016, there were eight companies; in 2017, there were five companies ([Hestyarningsih et al., 2020](#)).

According to the Minister of Finance Regulation Number 17/PMK.01/2008 concerning "Public Accountant Services." This regulation stipulates that the provision of general audit services on financial statements of an entity is carried out by a Public Accounting Firm for a maximum of six consecutive financial years and a public accountant for a maximum of three consecutive financial years ([Susan & Trisnawati, 2011](#)). Several factors influence auditor switching, including institutional ownership, audit opinion, reputation, management change, and audit delay.

The first factor affecting auditor

switching is institutional ownership. Institutional ownership is ownership of company shares owned by institutional investors. According to ([Sutedi, 2012](#)) institutional investors include banks, insurance companies, pension funds, investment companies, and other institutions, stating that the increase in demand for audit quality is determined by institutional share ownership. This impetus has led to a request for better quality auditors, resulting in auditor switching Rahmawati, 2011 in ([Robbitasari & Wiratmaja, 2013](#)).

The second factor that influences auditor switching is audit opinion. An audit opinion is a statement of opinion expressed by an auditor to assess the fairness of the audited financial statements. The statement of opinion can be in the form of an unqualified opinion or in addition to an unqualified opinion ([Putra & Suryanawa, 2016](#)).

The third factor that influences auditor switching is the reputation of the hood. According to the Minister of Finance Decree No. 70/KMK.017/1999 dated October 4, 1999, a public accounting firm is an institution with a permit from the minister of finance as a place for public accountants to carry out their duties. A company will look for a general accounting firm with high credibility (quality, capability, or power to generate confidence) high on the financial statements in the eyes of the users of those financial statements ([Pawitri & Yadnyana, 2015](#)).

The fourth factor that affects auditor switching is the change of management.

Change of management is the change of the board of directors or Chief Executive Officer (CEO) caused by the General Meeting of Shareholders' (GMS) decision or the management quit of their own accord. When there is a change of management in a company, it can be followed by changes in accounting, finance, and the selection of KAP. The administration will look for a public accounting firm in line with its accounting policies and reporting ([Computri & Sugiyanto](#), 2018).

The fifth factor that affects auditor Switching is an audit delay. Audit delay is the delay in audit completion time calculated from the closing date of the financial year until the auditor signs the audit report. The length of audit delay causes delays in the publication of audited financial statements that affect investor responses that the company is in unfavorable condition ([Widajantie & Dewi](#), 2020).

The difference between this study and previous research lies in the population and its independent variables. Based on the background described above, the authors are interested in researching these problems with the research title "The influence of institutional ownership, audit opinion, hood reputation, management turnover and audit delay on auditor switching based on Empirical study on manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2017-2020.

The reason the author chose the title of this research is that he wants to know, test, and learn whether institutional ownership, audit opinion, the reputation of the hood,

management turnover, and audit delay can affect or not affect auditor switching in manufacturing companies with mandatory auditor rotation conditions, namely the existence of the Minister of Finance Regulation. No.17/PMK.01/2008.

## **METHOD**

This study uses a quantitative approach, namely an analytical research approach that focuses more on numerical data processed by a statistical system in an associative form with a research design that examines how the influence of institutional ownership, audit opinion, reputation, management turnover, and audit delay on auditor switching in manufacturing companies listed on the Indonesia Stock Exchange (IDX) 2017-2020.

### **A. Data Sources**

This study uses secondary data from the annual financial statements and manufacturing company in 2017 - 2020 are available on the official website of Indonesia Stock Exchange is [www.IDX.co.id](http://www.IDX.co.id).

### **B. Population & Sample**

The population in this study are manufacturing companies listed on the Indonesia Stock Exchange in 2017-2020.

The sample used in this study is a manufacturing company listed on the Indonesia Stock Exchange in 2017-2020, which was taken using a purposive sampling method. The sampling process based on predetermined criteria is as follows:

**Table 1.** Sampling

No	Criteria	Number
1	The manufacturing company listed on the Indonesia Stock Exchange in the 2017-2020 period.	180
2	Manufacturing companies that do not publish annual <i>reports</i> complete in the 2017-2020 period.	(42)
3	Manufacturing companies that were <i>delisted</i> from the IDX during the 2017-2020 period.	(15)
Number of Observations studied		123

## Definitions of Operational and Measurement of Variables

**Table 2.** Operational Definitions and Measurement of Variables

Types of Variables	Definition of	Indicator	Scale
Auditor Switching (Y)	Auditor switching is a change of auditor or public accounting firm (KAP) carried out by a client company ( <a href="#">Udayani &amp; Badera, 2017</a> ).	A dummy variable measures auditor was switching in this study. If the company performs auditor switching, it is given a value of 1. Meanwhile, if the company does not perform auditor switching, it is given a value of 0 ( <a href="#">Sari et al., 2018</a> ).	Nominal
Institutional Ownership (X1)	Institutional Ownership is ownership of company shares owned by institutional investors. Institutional investors include banks, insurance companies, pension funds, investment companies, and other institutional ownership ( <a href="#">Putri &amp; Putra, 2017</a> ).	$KI = \frac{SI}{SB} \times 100 \%$ Information : KI: Institutional Ownership SI: Number of shares owned by institutional SB: Total share capital of the company outstanding	Nominal
Open Audit (X2)	The audit opinion is a statement of opinion the auditor gives in assessing the fairness of the company's financial statements audited ( <a href="#">Anisma et al., 2014</a> ).	The measurement of this audit opinion variable uses a dummy variable. If the company receives an unqualified opinion, it is given a value of 1, while if the company gets anything other than an unqualified opinion, it is given a value of 0 ( <a href="#">Putra &amp; Suryanawa, 2016</a> ).	Nominal
Reputation of KAPs (X3) The	reputations of KAPs affiliated with the Big Four are considered better than those not affiliated with the Big Four ( <a href="#">Wahono &amp; Setyadi, 2014</a> ).	This variable is a dummy variable. If the company is affiliated with KAP Big 4, it is given a value of 1, while if the company is not affiliated with KAP Big 4, it is given a	Nominal

		value of 0 (Susanto, 2015).	
Change of Management (X4)	Change of management is a change made by the company's directors due to the general meeting of shareholders (GMS), or the directors quit of their own accord ( <a href="#">Computri &amp; Sugiyanto, 2018</a> ).	This variable is a dummy variable. If the company changes the directors or CEO, then it is given a value of 1 while if the company does not alter the directors or CEO, it is given a value of 0 ( <a href="#">Sofiana et al., 2018</a> ).	Nominal
Audit Delay (X5)	Audit Delay is the length of time to complete the audit measured using an interval scale ( <a href="#">Widajantie &amp; Dewi, 2020</a> ).	Audit Delay = Audit Report Date - Financial Year Close Date.	Nominal

## Research Model

### Model Logistic Regression

This study uses a logistic regression analysis model (logistic regression) to analyze the effect of the independent variable on the dependent variable. Logistic regression in this study is suitable for use on categorical (nominal or numerical) dependent variables with the regression equation model to be tested as follows:

$$\ln \text{ SWITCH} / (1 - \text{SWITCH}) = + 1\text{KI} + 2\text{OPINI} + 3\text{REP KAP} + 4\text{CEO} + \beta 5\text{AUDLY} + \varepsilon$$

Description:

SWITCH Ln / (1-SWITCH): Probability perform switching Auditor

$\alpha$ : Constants

$\beta 1$ -  $\beta 5$ : The regression coefficient

Of independent variable

KI: Institutional Ownership

OPINION: Opinion Audit

Firm REP: Reputation KAP

CEO: Substitution Management:

AUD Audit Delay

$\varepsilon$ : Error

### The Multicollinearity Test

The multicollinearity test aims to test whether there is a correlation between the independent variables in the regression model. A good regression model should not correlate with independent variables. The existence of multicollinearity can be seen from the tolerance or variance inflation factor (VIF) value. If the tolerance value is more than 10% or VIF is less than 10%, it is said that there is no

multicollinearity.

### Simultaneous Hypothesis Testing (F Test)

Simultaneous test or F test is used to determine whether there is a joint influence between the independent variable (X) on the dependent variable (Y). The F test can be done by comparing f arithmetic with f table with the following criteria:

H0 is accepted if  $F_{\text{count}} < F_{\text{table}}$  and significant  $> 0.05$

H1 is accepted if  $F_{\text{count}} > F_{\text{table}}$  and significant  $< 0.05$

### Partial Hypothesis Testing (T-test)

A Partial test or t-test is used to show how far the influence of one independent variable is individually in explaining the dependent variable. The criteria as guidelines for the T-test are as follows:

H0 is accepted if  $T_{\text{count}} < T_{\text{table}}$  and significant  $>$

H1 is accepted if  $T_{\text{count}} > T_{\text{table}}$  and significant  $< 0.05$

## RESULTS AND DISCUSSION

### Research Results

#### Descriptive Statistics

Descriptive Statistics are used to provide an overview or description of the data seen from the average, standard deviation (standard deviation), and maximum-minimum in the study. The number of independent and dependent variables is 492 data. The results of the descriptive statistics of this study can be seen in the following table:

**Table 3.** Descriptive Statistics Descriptive Statistics

	Mini	Maxi	Mean	Std.Deviation
Institutional Ownership	377.54	2.13	71.6772	0.31792
Audit Opinion	0	1.00	0.9898	0.10040
Reputation hood	0	1.00	0.7982	0.4082
management turnover	27	182	86.4248	24.36126
Audit delay	0	1.00	0.1138	0.31792
Auditor switching	0	1.00	0.1138	0.31792
Valid N (listwise)	492			

Source: SPSS output version 28

- 1) Switching Auditors the dependent variable, and the amount of data 492 has a minimum number of 0 and a maximum of 1. The mean value is 0.1138, and the standard deviation is 0.31792.
- 2) The institutional ownership variable with 492 data has a minimum number of 2.13 and a maximum of 377.54. The mean value is 71.6772, and the standard deviation is 0.31792.
- 3) The audit opinion variable with 492 data has a minimum of 0 and a maximum of 1. The mean value is 0.9898, and the standard deviation is 0.10040.
- 4) The hood reputation variable with 492 data has a minimum number of 0 and a

maximum of 1. The mean value is 0.3577, and the standard deviation is 0.47892.

- 5) The management turnover variable with 492 data has a minimum of 0 and a maximum of 1. The mean value is 0.3191, and the standard deviation is 0.46660.
- 6) The audit delay variable with a minimum of 27 and a maximum of 182. The mean value is 86.4248, and the standard deviation is 24.36126.

### Multicollinearity Test

**Table 4.** Multicollinearity Test

Model	Coefficients	
	Tolerance	VIF
Institutional Ownership	,958	1,044
Audit opinion	,982	1,018
reputation	,940	1,063
Managemen nt change	,942	1,062
Audit delay	,974	1,026

Source: SPSS output results Version 28

### Dependent switching

From the results of the data in the table, it can be concluded that there are no symptoms of multicollinearity between each independent variable (Institutional Ownership, Audit Opinion, KAP Reputation, Management Change, and Audit Delay). as seen from the Tolerance value greater than 10% and the VIF value less than 10 %.

### Assessing Model Fit (Overall Model Fit)

The statistics used to assess model fit



are based on the -2 log-likelihood function. The likelihood of this model is the probability that the hypothesized model describes the input model. The statistical

model of -2LogL can be explained through the following steps:

**Table 5.** -2Log Likelihood Initial Block 0: Beginning Block

Iteration History <sup>a,b,c</sup>			
Iteration		-2 Log likelihood d	Coefficients
			Constant
Step 0	1	363,317	-1,545
	2	349,080	-1,973
	3	348,760	- 2,050
	4	348,760	-2,052
	5	348,760	-2,052

a. Constant is included in the model.

b. Initial -2 Log-Likelihood: 348,760

c. Estimation terminated at iteration number 5 because parameter estimates changed by less than 001.

Source: SPSS Version 28 output results

**Table 6.** -2Log Likelihood End

Block 1: Method = Enter

Iteration History <sup>a,b,c,d</sup>								
		-2 Log likelihood	Coefficients					
Iteration			Constant	KI	audit opinion	hood reputati on	management turnover	audit delay
Step	1	350.876	-1.868,	004	-, 378	-,	332,183,	005
	2	330.353	-2.482,	007	-, 628	-,	688,344,	008
	3	329.092	-2.645,	008	-, 694	-,	902,413,	009
	4	329.078	-2.661,	008	-, 697	-,	935,420,	009
	5	329.078	-2.661,	008	-, 697	-,	936,420,	009

a. Method: Enter

b. Constant is included in the model.

c. Initial -2 Log-Likelihood: 348,760

d. Estimation terminated at iteration number 5 because parameter estimates changed by less than .001.

Source: SPSS Version 28 Output Results

Based on the SPSS output results in the table above, the -2LogL value for block number 0 is 348,760 entering the, and after five independent variables, the -2LogL value for block number 1 is 329.078. This -2LogL decrease can be interpreted as the addition of an independent variable which shows that it can improve model fit and a better regression model.

### Testing the Feasibility of the Data Model

**Table 7.** Results of the Hosmer and Lemeshow Test

Hosmer and Lemeshow Test			
Step	Chi-square	df	Sig.
1	4.569	8	803

Source: SPSS output Version 28

From the above results, the SPSS output has a Chi-square calculate with the worth of 4.569, degree of freedom = 8, and sig. 0.803. The result of Chi-square  $X^2$  count is 4,569, then Chi-square  $X^2$  tables that are obtained are worth 9,487 ( $X^2$ count <  $X^2$ table), sig. of 0.803, which is greater than 0.005. It can conclude that this logistic regression model is acceptable.

### Research Data Analysis Model

#### 1. Logistic Regression Analysis Logistic

regression analysis is used to determine whether there is an influence between the independent variables on the dependent variable. The results of this test can be seen in the following:

**Table 8.** Results of the Logistics Regression Analysis of

	B	SE	Wald	df	Sig.	Exp (B)
Institutional Ownership	,008	,003	4,940	1	,026	1,008
Audit opinion reputation	,697	1,145	,370	1	,543	,498
Change of management	-	,360	Cap6,752	1	,009	,392
Audit delay	,420	,310	1,832	1	,176	1,522
Constant	-2,661	1,217	4,781	1	,029	,070

Source: SPSS output results Version 28

From the table above, the logistic regression equation can be formed as follows:

$$\ln \frac{SWITCH}{1-SWITCH} = -2.661 + 0,008KI - 0.697OPINION - 0.936 REP KAP + 0,420CEO + 0,009AUDLY + e$$

Interpretation of the regression equation above is as follows:

a) Constants

Constants of -2.661, which means if there is no institutional ownership, audit opinion, hood reputation, management change, and audit delay, there will be no auditor change in manufacturing companies on the IDX. Then the probability is considered 0.

b) Institutional Ownership =0,008

The regression coefficient of the Institutional Ownership variable is 0.008 (positive value) that every time there is an increase in institutional ownership, it will allow a change of auditors in

manufacturing companies on the IDX. The probability is 0.008.

c) Audit Opinion = - 0.697

The regression coefficient of the audit opinion variable is - 0.697 (negative value), which means that for every increase in the audit opinion variable by 1 unit, there will be a decrease in auditor turnover in manufacturing companies on the IDX by 0.697 units. Then the Probability is considered 0.

d) Reputation of Kap = - 0,936

The regression coefficient of the hood reputation variable is - 0,936 (negative value), which means that for every increase in the hood reputation variable by 1 unit, there will be a decrease in auditor turnover in manufacturing companies on the IDX 0,936 units. So the probability is considered 0.

e) Substitution Management =0,420

The regression coefficient of the management turnover variable is 0,420 (positive value), which means that every case of replacement of management will allow the change of auditor in manufacturing companies in BEI. Then the probability is 0.420.

f) Audit Delay =0.009

The regression coefficient of the audit delay variable is 0.009 (positive value), which means that every time there is an audit delay, it will allow a change of auditors in manufacturing companies on the IDX. Then the probability is 0.009.

## 2. Coefficient of Determination

Testing the coefficient of determination can be seen from the value of Nagelkerke R Square. Testing the coefficient of determination

determines how much the independent variable can influence the dependent variable. Results of output Nagelkerke R Square can be seen in the following table:

**Table 9.** Coefficient of Determination

Model Summary			
Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	329.078 <sup>A</sup>		039,077

Estimation terminated at iteration number 5 Because the parameter estimates changed by less than 001.

*Source: SPSS Version 28 Output Results*

From the SPSS output results above, it can see that the Cox & Snell R Square value is 0.039 and Nagelkerke R Square is 0.077, which indicates that the ability of the independent variable (auditor switching) in explaining the dependent variable (institutional ownership), audit opinion, hood reputation, management change, and audit delay) in this study amounted to 0.077 or 7.7%, and there were 92.3% which explained other dependent variables outside this research model.

## 3. Simultaneous Hypothesis Testing (F Test)

Simultaneous hypothesis-testing can be seen in the Omnibus Of Test Model Coefficient. The basis for the decision is if the probability value (sig.) > 0.05, then H0 is accepted, and if the probability value (sig.) < 0.05, then H1 is accepted. The results of the

simultaneous test output can be seen in the following table:

**Table 10.** Simultaneous Test Results (F Test)

Omnibus Tests of Model Coefficients			
	Chi-square	df	Sig.
Step 1	19,682	5	,001
Block	19,682	5	,001
Model	19,682	5	,001

Source: SPSS Version 28 Output Results

Based on the SPSS output results above, the calculated Chi-square value is 19.682, and the significant weight is 0.001. The development of the Chi-square  $X^2$  count is 19,682. The chi-square  $X^2$  table obtained is 11,070 ( $X^2_{count} > X^2_{table}$ ), the value of sig. of 0.001 is smaller than 0.005. It can conclude that institutional ownership, audit opinion, hood reputation, management turnover, and audit delay simultaneously significantly affect auditor switching in manufacturing companies on the 2017-2020 BEI.

#### 4. Partial Hypothesis Testing (T-Test)

Partial hypothesis testing can be seen in Variables in the Equation. The basis for the decision is if the p-value  $> 0.05$ , then  $H_1$  is rejected, and if the p-value  $< 0.05$ , then  $H_0$  is accepted. The results of the partial test output can be seen in the following table:

**Table 11.** Partial Test Results (T-test)

	B	SE	Wald	df	Sig.	Exp (B)
Institutional Ownership	,008	,003	4,940	1	,026	1,008

Audit opinion reputation	,697	1,145	,370	1	,543	,498
Change of management	-,936	,360	Cap6,1	1	,009	,392
Audit delay					752	
Constant	,420	,310	1,832	1	,176	1,522
	,009	,005	4,162	1	,041	1,009
	-2,661	1,217	4,781	1	,029	,070

Source: SPSS output results Version 28

The t-test results show that Institutional Ownership as the first variable ( $X_1$ ) with significant results or p-value 0.026 is smaller than 0.05, then  $H_0$  is rejected, and  $H_1$  is accepted, so that partially institutional ownership has a significant effect on Auditor Switching in manufacturing companies on the Indonesia Stock Exchange 2017-2020.

Audit opinion as to the second variable ( $X_2$ ) with significant results or p-value 0.543 greater than 0.05 then  $H_0$  is accepted, and  $H_1$  is rejected so that partially audit opinion has no significant effect on Auditor Switching in manufacturing companies on the Indonesia Stock Exchange 2017-2020.

The reputation of the hood as the third variable ( $X_3$ ) with significant results or p-value of 0.009 less than 0.05, then  $H_0$  is rejected and  $H_1$  is accepted so that partially the reputation of the hood has a significant effect on Auditor Switching in manufacturing companies on the Indonesia Stock Exchange 2017-2020.

Change of management as the fourth variable ( $X_4$ ) with significant results or p-value 0.176 greater than 0.05 then  $H_0$  is accepted and  $H_1$  is rejected so that partially the change in management has no significant effect on Auditor Switching in manufacturing companies on the Indonesia Stock Exchange 2017-2020.

Audit delay as the fifth variable (X5) with significant results or p-value 0.041 less than 0.05 then H0 is rejected and H1 is accepted so that partially audit delay has a significant effect on Auditor Switching in manufacturing companies on the Indonesia Stock Exchange 2017-2020.

## Discussion of Research Results

### 1. The Effect of Institutional Ownership on Auditor Switching

The first hypothesis in this study showed significant results or p-value 0.026 smaller than 0.05. So this hypothesis states that institutional ownership partially affects auditor switching in manufacturing companies. This happens because a company with concentrated institutional ownership will protect its ownership rights, so it has the power to determine company policies, one of which is whether or not it is necessary to conduct auditor switching. As the number of majority shareholders, institutional ownership tends to use their power for personal or group interests. If these shareholders have conflicts/problems with auditors or Public Accounting Firms (KAP) conducting company audits, they will do auditor switching.

This result is supported by previous studies by (Sari et al., 2018) and (Dejan & Nurbaiti, 2020), which state that institutional ownership partially affects auditor switching.

### 2. The Effect of Audit Opinion on Auditor Switching

The second hypothesis in this study

showed significant results or a p-value of 0.543 greater than 0.05. So this hypothesis states that the audit opinion partially does not affect auditor switching in manufacturing companies. This research shows that the 492 sample companies studied obtained an unqualified opinion, so the company was satisfied with the statement obtained, which made the company not change auditors. When a company receives an idea other than complete, the company will not necessarily change the auditor because if the company changes the auditor, it will not necessarily provide an opinion following the wishes of the management.

This result is supported by previous studies conducted by (Rahmi et al., 2019) and (Widajantie & Dewi, 2020), which state that audit opinion partially does not affect auditor switching.

### 3. The Effect of KAP'S Reputation on Auditor Switching

The third hypothesis in this study shows significant results or a p-value of 0.009 smaller than 0.05. So this hypothesis states that the hood's reputation partially has a substantial effect on Auditor Switching in manufacturing companies on the Indonesia Stock Exchange 2017-2020. reputation partially shows that the company will choose a KAP with better quality to improve the quality of financial reports and the company's reputation for users of financial statements. The company will select a KAP affiliated with the Big 4 because it is considered to have a better reputation

and expertise. It is expected to create interest for parties who want to invest. Thus, companies that use non-Big 4 KAPs tend to replace their KAPs with Big 4 affiliated KAPs.

This result is supported by previous research conducted by ([Pawitri & Yadnyana](#), 2015), which states that auditor reputation partially affects auditor switching.

#### **4. The Effect of Management Changes on Auditor Switching**

The fourth hypothesis in this study shows significant results or a p-value of 0.176 greater than 0.05. So this hypothesis states that partial management changes have no significant effect on Auditor Switching in manufacturing companies on the Indonesia Stock Exchange 2017-2020. This happens because management changes are not always followed by changes in company policies, especially in KAP selection. This is because the new management feels that the previous management policy regarding KAP is good enough for the company. If the new administration wants to change the auditor, it is necessary to obtain approval at the General Meeting of Shareholders.

This result is supported by a previous study ([Astrini & Muid](#), 2013) which stated that partial management Changes did not affect auditor switching.

#### **5. Effect of Audit Delay on Auditor Switching**

The fifth hypothesis in this study

shows significant results, or a p-value of 0.041 is smaller than 0.05. So this hypothesis states that audit delay partially has a substantial effect on auditor switching in manufacturing companies on the Indonesia Stock Exchange 2017-2020. Audit delay is the time required by the auditor to audit the financial statements since the closing date of the company's books. The length of audit delay causes delays in the publication of the company's financial statements, which affect investor responses that the company's condition is not in good condition. This condition can cause the company to be late in obtaining additional funds to finance the company's operational activities, which causes the company to change auditors ([Hestyaningsih et al.](#), 2020).

This result is supported by previous research conducted by ([Arisudhana](#), 2017), which states that audit delay partially affects auditor switching.

#### **6. The Effect of Institutional Ownership, Audit Opinion, KAP Reputation, Management Change, Audit Delay on Auditor Switching**

The sixth hypothesis in this study shows the results of sig. of 0.001, and this is smaller than 0.005. So this hypothesis states that institutional ownership, audit opinion, hood reputation, management turnover, and audit delay simultaneously have a significant effect on auditor switching in manufacturing companies on the 2017-2020 BEI. The audit delay simultaneously shows that the occurrence of auditor changing in a company due to a large

amount of institutional ownership can affect the request for an audit opinion, the greater the number of institutional ownership, the greater the demand for receiving an unqualified opinion because the statement describes the state of the company in good condition. To get an idea that convinces shareholders, it is necessary to have a KAP with a good reputation and quality to give more trust to interested parties. The management is very concerned about the company's quality in choosing a KAP with a better reputation and expertise, which is later expected to create interest for investors. The investors will know the condition of the company is in a dire situation if the company is late in publishing financial statements to the capital market due to the audit delay carried out by the KAP so that the company will be late in obtaining additional funds to finance the company's operational activities. So that institutional ownership, audit opinion, KAP reputation, management change, and audit delay can simultaneously affect auditor switching.

## CONCLUSIONS

Based on the above discussion results, it can conclude that partially institutional ownership, hood reputation, and audit delay have a significant effect on auditor switching. Meanwhile, the audit opinion and management change partly have no considerable impact on auditor switching.

However, simultaneously institutional ownership, audit opinion, hood reputation, management turnover,

and audit delay substantially affect auditor switching. The magnitude of the coefficient of determination is 0.077, which indicates that 7.7% of auditor switching can only be explained by institutional ownership, audit Opinion, hood reputation, management, and audit turnover. In comparison, the remaining 92.3% explains other dependent variables outside this research model.

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