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Empirical Study on the Effect of Financial Distress, Audit Delay, and Audit Opinion on Auditor Switching in Indonesia's Financial Sector

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ABSTRACT

This research aims to analyze and test the influence of Financial Distress, Audit Delay, and Audit Opinion on Auditor Switching. This research method uses a quantitative type of research. The type and source of data in this research is secondary data in the form of financial reports of companies listed on the Indonesia Stock Exchange (IDX) for 2020-2023. The sampling technique used a purposive sampling method to obtain 61 samples of observation data. Data processing in this research used IBM SPSS (Statistical Product and Service Solution) version 25 software. The results of this research explain that financial distress has a positive effect on auditor switching, audit delay has no effect on auditor switching, and audit opinion has a positive effect on auditor switching. This research contributes to the literature by providing empirical insights into the factors influencing auditor switching in the financial sector, which can help improve corporate governance and auditing practices. Financial Distress may lead companies to switch auditors to regain investor trust, Audit Delay could signal inefficiencies affecting auditor retention, and Audit Opinion can shape stakeholders' perceptions, influencing auditor selection decisions

Keywords: Financial Distress, Audit Delay, Audit Opinion, Auditor Switching

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1. Introduction

The replacement of auditors of public accounting firms carried out by a company is called auditor switching, aiming to maintain independence, objectivity, and public trust (Rahmitasari et al., 2021). There are two types of switching auditors, namely mandatory and voluntary. Mandatory auditor switching is a consequence of the implementation of applicable regulations with the aim of increasing the independence of auditors. Meanwhile, voluntary auditor switching occurs when a company decides to change its public accounting firm, even though it has not passed the assignment period regulated by the government.

The phenomenon related to switching auditors in Indonesia, namely PT. WanaArtha Life Insurance (WanaArtha Life). This company committed a criminal act of money laundering, the insurance company's business license was revoked by the OJK. This happens because the company cannot close debts with its assets, either through capital deposits by controlling shareholders or by requesting investors. The manipulation of financial statements by PT WanaArtha Life caused the OJK to sanction the relevant auditors, including public accountants Nunu Nurdiaman and Jenly Hendrawan from Crowe Indonesia, whose licenses were revoked. Nunu was also sanctioned by the Ministry of Finance to freeze his permit for 15 months. The Public Accounting Firm of Kosasih, Nurdiaman, Mulyadi, Cahyo, and Partners, who were auditors of WanaArtha Life's reports from 2014-2019, also received sanctions. This case shows the need for switching auditors to maintain the independence of auditors (Octaviano, 2023).

In this context, when a company experiences a financial crisis and is on the verge of bankruptcy, the views of people who have interests inside and outside the company will be influenced by the company's financial condition. Therefore, the company improves all subjective judgments and is careful when

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