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The Effect of Institutional Ownership, Return on Asset and Audit Opinion on Auditor Switching in Energy Sector Companies Listed on The Indonesia Stock Exchange

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A B S T R A C T

Research are caried out with the purpose to find out the impact of institutional ownership, return on asset and audit opinion on auditor switching. the company in the Sektor energi that listed in Bursa efek indonesia become the focus of the population, year 2019 to 2023 are the range for deciding the sample. Method to decide the sample are purposive sampling, 20 company are deem suited, be 100 sample that can be used. logistic regression analysis are the analitical tool processed using SPSS 29. The result on this research show that only return on asset that have an significant impact on auditor switching, for institutional ownership and audit opinion don't sicnifacntly impact auditor switching.

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INTRODUCTION

Companies engaged in the energy sector are companies that hold large profits, this invites many parties who want to multiply their wealth by investing capital and investing. In investing there must always be a risk that must be faced, to minimize the risk of the investing party and maintain trust, information is needed that is published by the company in the form of financial reports.

Financial statements must be audited to be credible, the parties who audit the financial statements are auditors, auditors are third parties who have no direct interest or personal relationship with the audited entity. They are tasked with providing an objective opinion on the fairness of the financial statements prepared by the company's management (Kieso,2019), Independent auditors provide an important layer of assurance to stakeholders by ensuring that a company's financial statements are not misleading and have been thoroughly audited (Sharma,2020)

Independence is one of the characteristics that an auditor must have, to ensure that the auditor does not have a relationship with the audited client, a regulation is made regarding the limits on how long an auditor can audit an entity's financial statements, one of which is POJK No. 13 of 2017 which stipulates that auditors can only audit one entity for 3 years, then the company must replace the auditor according to existing regulations.

This auditor change is called auditor switching, auditor switching is divided into two mandatory and voluntary, mandatory according to existing rules and voluntary changes that occur due to other factors (Keviana, 2020). These factors can provide additional information on why the decision to change auditor and what the purpose of this auditor switching is.

Factors that can influence auditor switching can be investor related, client related and auditor related factors Prasetyo (2020). The number of shares invested greatly illustrates investor related factors. A high level of institutional ownership can increase pressure on companies to change auditors if there are concerns about the integrity or quality of the audit performed by the current auditor (Li, 2020). High institutional ownership can influence auditor switching decisions by requiring companies to choose auditors who have a good reputation and can provide assurance of the quality of financial statements (Liu ,2020)

The profit obtained by a company are very much needed information, therefore Return on assets which can show the company's profits can describe client-related factors, company with low ROA tending to change auditors more often to find auditors who can provide better advice or analysis to improve their financial performance (Chen, 2020), in contrast companies with high ROA may want to change auditors to maintain strong growth and ensure that audits are carried out in a way that supports their growth strategy (Zhang, 2022)

For auditor related factors, the most striking is the opinion that will be given by the auditor, the audit opinion itself can be negative or positive, clearly the company wants a positive opinion. Negative audit opinions, for example, opinions stating material uncertainty or material adjustments to financial statements are often the main trigger for companies to consider changing auditors (Yang, 2020)

This study can provide empirical findings that can justify how institutional ownership, return on assets and audit opinion impacted auditor switching, the results of the study can also provide information for future research and also companies regarding factors that can have an effect on decision to change auditors.

The explanation above shows that this study focuses on the influence of institutional ownership, return on assets and audit opinion on auditor switching by making energy sector companies listed on the Indonesian Stock Exchange the focus of the sample.

LITERATURE REVIEW

Agency theory is a condition where the agent and the principal of the company make a contract where the agent must maximize profit for the principal. Jensen and Meckling (1976) stated that agency theory describes the cooperative relationship between the agent and the principal. In order to achieve maximum profit, the agent wants to show a large profit with low risk, the agent may do auditor switching if the auditor provides an audit that is not in accordance with the goal of achieving maximum profit, the principal can also see the audit report that determines the decision to continue the cooperation

Institutional Ownership

Institutional ownership is the ownership of shares owned by an institution or companies outside of the place of investment or government institutions. (Runtu et al., 2019). Based on agency theory, increasing institutional ownership will reduce agency costs, institutional shareholders can increase supervision of management. The higher the institutional ownership, the more influence and control can apply to the company, so that agency costs within the company can be reduced. Institutional investors have a strong interest in ensuring the integrity of the company's financial statements to protect the value of their investments (Monks et el., 2019). Institutional ownership impacted auditor switching (Vidianti, 2023).

H1: Institutional Ownership has a significant effect on auditor switching

Return On Asset

Return on assets (ROA) is a financial ratio of a company that is related to the probability of making a profit at a certain level of income, assets and capital in certain circumstances, and is one of the proxies for client reputation that shows high or low ROA values describe the company's effectiveness in managing assets and also better business opportunities. According to agency theory, depending on the high or low ROA, management needs to adjust the audit fee that can be issued so that the auditor can be replaced (Wea et al., 2015). High ROA companies want to switch auditors because new auditors may be able to explore new opportunities and can manage high risks with rapid growth. ROA has an effect on auditor switching (Inneke et al., 2023).

H2: Return on Assets has a significant effect on auditor switching.

Audit Opinion

An audit opinion is a statement that reflects an auditor's judgment about the accuracy of a client's financial statements. Based on agency theory, there are differences in interests between the principal and the agent (Mulyadi, 2014), the selection of auditors by the company can be influenced by management's desire to maintain an audit opinion that supports the company's internal interests (Soewarno, 2022). Auditor changes are often triggered by dissatisfaction with the audit opinion given, audit opinion has a significant positive effect on auditor switching (Ribka & Nurkholis, 2024).

H3: Audit opinion has a significant effect on auditor switching.

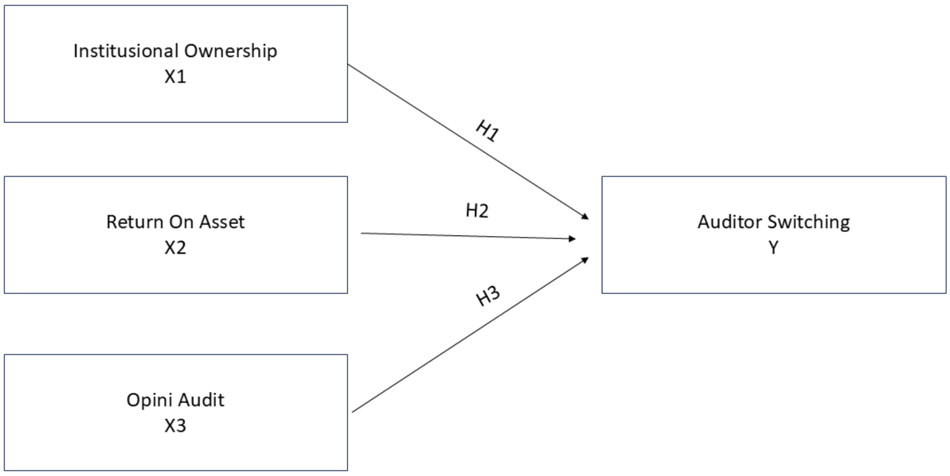

Figure 1. Conceptual Framework

METHODOLOGY

This study uses a quantitative approach, energy sector companies listed on the Indonesian Stock Exchange in 2019 to 2023 which are the focus of this study population. Purposive sampling technique is used in sample selection, with the criteria of energy sector companies listed consecutively during 2019-2023, companies that publish annual financial statements that have been audited consecutively during 2019 - 2023, companies that make a decision to do an auditor switching under 3 years in the period 2019 - 2023. The data used are secondary data obtained from the annual report and the company's official website. The analysis technique used is logistic regression which is managed using spss 29.

RESEARCH RESULT

Descriptive Analysis

Descriptive statistical analysis is an analysis that produces an average value (mean), the highest value (maximum), the lowest value (minimum) and standard deviation which is a description of the variables in the study. In this study, institutional ownership, return on assets, audit opinion and auditor switching are seen in the minimum value, maximum average and standard deviation.

Table 1. Statistic Descriptive Institutional Ownership, Return on Asset, Audit Opinion 2019-2023

	N	Minimum	Maximum	Mean	Std. Deviation
INSTITUTIONAL OWNERSHIP	100	.00	.98	.6978	.22590
RETURN ON ASSET	100	-.58	.69	.0551	.16476
AUDIT OPINION	100	0	1	.92	.273
AUDITOR SWITCHING	100	0	1	.29	.456

Based on table 1 0.00 are the minimum value, 0,98 the maximum value, and 0.6978 the average value for Institutional ownership with the standard deviation 0,22590. For return on assets -0.58 are the minimum value and a maximum value of 0.69. The average value is 0.0551, for the standard deviation value of the return on assets variable is 0.16476. The audit opinion indicates that the lowest value for companies receiving opinions other than unqualified is 0, while companies that receive unqualified opinions have a maximum value of 1. The average score stands at 0.92, with a standard deviation of 0.273. The minimum value for auditor switching is also 0, which is observed in companies that do not engage in switching auditors, and the maximum value of 1 is seen in those that do switch auditors. The average for the dependent variable is 0.29, accompanied by a standard deviation of 0.456.

Overall Model Test

The Overall Model Test is used to assess whether the model fits the data, considered fit if the value of -2loglikelihood block zero is greater than block 1. A decrease in -2 Log Likelihood indicates that the regression model is getting better. Ghozali (2021)

Table 2. Overall Model Test Result

	Value
2Log likelihood awal (block number = 0)	120,494
-2Log likelihood akhir (block number = 1)	107,779

Based on Table 2, the results show that the model fits the data as seen from the -2log likelihood value of the final block which is smaller than the first block 120.494 > 107.779.

Goodness of Fit Test

The sosmer and lemeshow's goodness of fit test, which is determined by the profitability value, is used to evaluate the viability of the regression model. The null hypothesis that the empirical data fits the model is tested by Hosmer and

Lemeshow's Goodness of Fit Test; if there is no discernible discrepancy between the model and the data, the model is said to be fit. (Ghozali, 2021). If the value > 0.05 then there is no significant difference between the data and the model, then the model can be used to predict the observation value.

Table 3. Goodness of Fit Test Result

Chi-Square	DF	Sig
12,523	8	0,129

Based from Table 3, the test results show that the profitability value is greater than the significance value, namely 0.129 ≥ 0.05, with this the model is declared capable of predicting the observation value.

Nagelkerke's R Square

Nagelkere's will show how much can the independent varible describe the dependent variable. The value of nagelkerke r square is shown in the decimal number that can be turned into a percentage form so that it is easy interpret (Ghozali, 2021)

Logistic Regression Model

The analysis used in this study is binary logistic regression analysis, this analysis looks at the influence of institutional ownership, return on assets, and audit opinion on auditor switching in energy sector companies for the period 2019-2023.

Table 4. Regresi Logistic

	B	S.E.	Wald	df	Sig.	Exp(B)
INSTITUtIONAL OWNERSHIP	1.336	1.150	1.351	1	.245	.263
RETURN ON ASSET	-6.070	2.037	8.877	1	.003	432.705
AUDIT OPINION	1.238	.844	2.150	1	.143	.290
Constant	-.753	1.056	.509	1	.476	2.123

Auditor Switching = -0.753 + 1.336 INSTITUTIONAL OWNERSHIP - 6.070 RETURN ON ASSET + 1.238 AUDIT OPINION + e (1)

The results of the analysis show that institutional ownership and audit opinion have positive values, while return on assets have negative values with a fixed auditor switching value of -0.753.

Hypothesis Test

In testing the hypothesis using the Wald test, see whether the independent variable is able to influence the independent variable. The independent variable can influence the dependent variable if tcount < ttable and p-value < 0.05. If the results are appropriate then the hypothesis (H0) is accepted and if not appropriate the hypothesis (H0) is rejected.

DF= N (100) +K (3) +I (1) (2)

The Df value of 96 is 1,98498. Referring to table 4, the first hypothesis (H1) posited that institutional ownership significantly impacts auditor switching. The findings from the Wald test indicate that the t count exceeds the t table (1.98498 > 1.351) and the P-value is greater than or equal to α (0.245 ⩾ 0.05). From these results, we can conclude that H1 is rejected, meaning that institutional ownership does not significantly influence auditor switching.

According to table 3, the second hypothesis (H2) posits that Return on Assets significantly influences auditor switching. The results from the Wald test indicate that the t statistic exceeds the t critical value (1.98498 < 8.877), with a P-value less than or equal to the significance level (0.003 ⩽ 0.05). From these findings, it can be concluded that H2 is accepted, meaning that Return on Assets significantly impacts auditor switching.

Third hypothesis (H3) stated that audit opinion has a significant effect on auditor switching. From the results of the Wald test obtained, the value obtained shows tcount> ttable (1.98498> 2.150) P-value ≥ α (0.143 ≥ 0.05). Based on the test results, it can be concluded that H3 is rejected or in other words, audit opinion does not have a significant effect on auditor switching.

DISCUSSION

The results of the analysis show that institutional ownership and audit opinion do not have a significant effect on auditor switching, in contrast to return on assets which shows a significant effect on auditor switching.

The Effect of Institutional Ownership on Auditor Switching

The first hypothesis (Ha1) postulates that institutional ownership significantly influences auditor switching; however, the analysis results indicate that this hypothesis is neither supported nor accepted. Institutional ownership does not significantly impact auditor switching, suggesting that the involvement of institutional investors in energy sector firms does not affect the decision to switch auditors. These findings align with the research conducted by Diana (2018), which similarly concluded that Institutional Ownership does not significantly influence Auditor Switching. In contrast, this study's results conflict with earlier studies by Hayati (2021) and Setianingsih (2022), which established that Institutional Ownership does have a significant impact on auditors.

The Effect of Return on Assets on Auditor Switching

Second hypothesis (Ha2) states that Return on Assets has a significant effect on auditor switching, according to the results of the analysis this hypothesis is supported or accepted. So return on assets has a significant effect on auditor switching, this shows that in energy sector companies the level of profitability or return on assets can be an indicator or signal of auditor change. Investors want auditors who can provide transparency and accuracy in financial reports, so that the principal pressures management to find another auditor because the auditor is considered incapable and does not meet the desired audit quality. The results of this study support the research conducted by (Inneke et al., 2023) which found that ROA has a significant effect on auditor switching and also the research conducted by (Nursiam, 2023). However, the results of this study contradict the research conducted by (Septiani, 2021) namely that ROA does not have a significant effect on Auditor Switching.

The Effect of Audit Opinion on Auditor Switching

Third hypothesis (Ha3) states that Audit Opinion have a significant effect on auditor switching, according to the results of the analysis this hypothesis is not supported or rejected. So, audit opinion does not have a significant effect on Auditor Switching. According to the existing data, more than 90% get an unqualified opinion, it can be concluded that even though the opinion obtained is unqualified, energy sector companies still carry out auditor switching, which means that the opinion given does not influence the decision to change auditors. This study is contrary to research conducted by (Ridhasyah 2021), (Muslimah, 2022) which states that audit opinion has a significant effect on Auditor Switching. However, the study is in line with research conducted by (Hayati, 2022) and (Herawati, 2022) which found that Audit Opinion has no significant effect on Auditor Switching.

CONCLUSIONS AND RECOMMENDATIONS

In accordance with the research results obtained, it is concluded that only return on assets has a significant negative effect on auditor switching, for institutional ownership and audit opinion do not have a significant effect. Decreasing return on assets is a sign that the management of energy sector companies will conduct auditor switching, ROA describes the situation, with the company's condition, the management can consider conducting Auditor Switching to get an auditor who can maintain investor trust in the management of the company and also get an auditor who can balance the company's condition. The agent will look for an auditor who can provide better audit quality services than the previous auditor to increase the trust of investors and other parties who benefit from the audited report, the agent also wants to maintain the company's image in the eyes of investors where the agent wants an auditor who can provide audit services and profitable opinions when the company's ROA is decreasing. The company must be able to maximize the total assets owned to increase the company's sales, so there is no need to change its auditor.

ADVANCED RESEARCH

This study only took samples from energy sector companies that have not been able to describe the factors that influence Auditor Switching in full, the data was also only taken from 2019 to 2023. From the Rsquare figures obtained, the selected variables can only describe 17% of the dependent variables, there are still many other variables that can be studied.

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