

The Voluntary Switching Factors to Switch Public Accounting Firms: A Case Study in Indonesia

Lasson Padang, M. Irsan Nasution

Abstract

This study investigates the voluntary factors that influence Indonesian companies in their decision to switch public accounting firms (PAFs). The demand for auditing services has played a significant role in the growth of the public accounting profession in Indonesia. The rising number of public accounting firms has led to increased competition among them. Under these circumstances, companies may decide to switch their auditors. Utilizing a qualitative case study approach, the research explores motivations behind auditor changes beyond regulatory mandates. Key factors identified include audit fees, auditor expertise, independence, client-auditor relationship quality, firm reputation, and alignment with business strategy. Findings provide valuable insights for both accounting firms and corporate clients in Indonesia, aiming to enhance audit service quality and strengthen professional relationships. In summary, the literature shows a wide range of influencing factors including financial distress, management turnover, audit opinion, auditor reputation, and audit fees. However, these findings are not entirely consistent, suggesting the need for a contextual and sector-based understanding. Regulatory, cultural, and relational dynamics in Indonesia add further complexity to these decisions, reinforcing the need for ongoing research.

Keywords: Internal Control, Accounts Receivable, Financial Reporting, Fraud Prevention, Operational Efficiency.

Lasson Padang
Accounting Magister Program, Universitas Pembangunan Panca Budi, Indonesia
e-mail: lassonpadang@yahoo.co.id

M. Irsan Nasution
e-mail: irsannst@gmail.com

2nd International Conference on Islamic Community Studies (ICICS)

Theme: History of Malay Civilisation and Islamic Human Capacity and Halal Hub in the Globalization Era

Introduction

The public accounting profession plays a crucial role in ensuring the reliability and transparency of financial statements in Indonesia. While some auditor changes are mandatory due to regulatory requirements, many companies voluntarily decide to switch their public accounting firms to better meet their strategic and operational needs. Understanding the reasons behind voluntary auditor switching is essential to improve audit quality and client satisfaction. The public accounting profession in Indonesia has experienced significant growth over the past decades, driven by increasing demand for audit services in both public and private sectors [1]. As companies seek to enhance transparency, accountability, and compliance with regulatory standards, the role of Public Accounting Firms (PAFs) has become increasingly critical. This demand has led to a rise in the number of accounting firms operating in Indonesia, intensifying competition within the profession [2].

In a competitive audit market, companies are faced with multiple options when choosing their auditors. Consequently, many corporations in Indonesia voluntarily switch from one public accounting firm to another, a practice commonly referred to as voluntary auditor switching. This decision is not merely procedural but often reflects a complex assessment of the audit firm's quality, cost, independence, and service suitability to the company's evolving needs [3]. This paper presents a case study exploring the voluntary factors motivating Indonesian companies to switch their public accounting firms, shedding light on the decision-making process in the local context.

Several notable cases in Indonesia illustrate the dynamics behind voluntary switching. For example, a prominent Indonesian manufacturing company reportedly switched its auditor citing concerns about the audit firm's responsiveness and expertise in handling complex financial transactions. Another case involves a publicly listed company that changed its audit firm due to the high audit fees charged by its previous auditor, seeking a more cost-effective alternative without compromising audit quality [4]. Moreover, regulatory changes imposed by the Financial Services Authority (Otoritas Jasa Keuangan - OJK) and the Indonesia Stock Exchange have also influenced auditor selection decisions. While some auditor changes are mandatory under these regulations, a considerable number of switches are voluntary, driven by the company's desire to improve audit quality, ensure auditor independence, or better align audit services with new strategic directions.

These examples demonstrate the multifaceted reasons behind voluntary auditor switching in Indonesia. Understanding these factors is essential for accounting firms aiming to retain clients and for companies seeking to make informed decisions in selecting their auditors. This study aims to explore the voluntary switching factors influencing Indonesian companies in their choice to change public accounting firms, providing insights that contribute to improved audit practices and corporate governance.

Literature Review**2.1 Theoretical Framework**

The decision to voluntarily switch public accounting firms can be examined through several theoretical perspectives that explain organizational behavior, auditor-client relationships, and audit quality.

Agency theory [5] posits that a company's management (agents) may act in their own interests rather than in the interests of shareholders (principals). In this context, external auditing functions as a monitoring mechanism to reduce information asymmetry and ensure that management presents fair and reliable financial statements. When the quality of monitoring (i.e., audit services) is perceived to be inadequate, shareholders or audit committees may recommend switching auditors to enhance credibility and reduce agency costs.

Audit quality as the market-assessed probability that an auditor will both discover a breach in a client's accounting system and report it [6]. This theory suggests that auditor switching is likely when the client perceives that the current auditor lacks the ability or willingness to provide a high-quality audit. Factors such as auditor competence, independence, and firm reputation are central to audit quality and influence switching decisions.

This theory highlights that clients evaluate the perceived benefits and costs before deciding to switch service providers. If dissatisfaction with audit service quality, price, or communication outweighs the perceived costs of switching (e.g., time, disruption, onboarding a new auditor), companies are more likely to initiate a voluntary switch [7].

2.2 Auditor Switching

Auditor switching refers to the process by which a company changes its external auditor, either mandatorily or voluntarily. That voluntary auditor switching is often triggered by dissatisfaction with the auditor's performance, including audit quality, professional relationships, or audit fees [8]. In Indonesia, this practice is also shaped by regulatory developments and the competitive dynamics among Public Accounting Firms (PAFs) [9].

2.3 Factors Influencing Voluntary Switching

Numerous studies have been conducted to examine the determinants of voluntary auditor switching in Indonesia, reflecting growing academic interest in understanding the strategic, financial, and regulatory motivations behind such decisions. The findings across these studies are varied, highlighting the complexity of auditor-client dynamics in different industries and time periods [10].

Amrullah and Aswad [11] investigated the insurance sector and found that financial distress, management turnover, audit fees, and audit opinions significantly influence voluntary auditor switching. This supports the notion that both financial and organizational changes are key drivers of switching behavior. Similarly, Siregar et al. [12] focused on companies listed in the JII70 index and confirmed that management changes play a significant role, especially when moderated by financial distress, which strengthens the relationship between firm conditions and auditor switching.

In contrast, Sriwardany and Dewi [13], who analyzed financial distress, audit delay, and audit opinion, found no significant effect on switching decisions, suggesting that in some contexts, voluntary switching may be driven by internal strategic preferences rather than observable financial indicators. Other studies such as those by Trisanti et al. [14] emphasized the role of auditor reputation and audit delay. These studies found that a delayed audit process or a poorly perceived auditor reputation could encourage companies to seek alternative auditors to maintain credibility and timeliness in financial reporting.

Research by Nariswari & Fatmawati [15] expanded the scope by analyzing companies that had switched auditors multiple times over a six-year period. Their findings underscore the importance of recurring dissatisfaction or internal policy shifts in influencing auditor turnover. Interestingly, Wibowo and Rahmawati [16] found no significant impact from management change, company growth, auditor credibility, or audit tenure in the financial services sector, highlighting that auditor switching decisions can also be highly industry-specific.

In summary, the literature shows a wide range of influencing factors including financial distress, management turnover, audit opinion, auditor reputation, and audit fees. However, these findings are not entirely consistent, suggesting the need for a contextual and sector-based understanding. Regulatory, cultural, and relational dynamics in Indonesia add further complexity to these decisions, reinforcing the need for ongoing research [17,18,19]:

- a. **Audit Quality**
Audit quality is defined as the probability that an auditor will both detect and report a material misstatement. Companies that perceive a lack of audit quality may seek to switch to another firm that provides more competent and reliable services [20].
- b. **Audit Fees**
That audit fees are a significant determinant of switching decisions. Especially in times of financial constraints, companies tend to look for more cost-efficient alternatives without compromising audit reliability [21].
- c. **Auditor Independence**
That perceived auditor independence is essential to ensure credibility in financial reporting. When the relationship between the auditor and the client becomes too close or long-standing, independence may be questioned, prompting auditor changes [22].
- d. **Client-Auditor Relationship**
The quality of the working relationship between the auditor and the client has been cited as a key reason for voluntary switching. That poor communication, lack of responsiveness, and conflicts during the audit process often lead to client dissatisfaction and switching decisions [23].
- e. **Firm Reputation and Industry Specialization**
That large or publicly listed firms are more likely to select reputable auditors with industry-specific expertise to enhance investor confidence and meet external expectations [24].
- f. **Strategic and Management Changes**
Changes in corporate management often come with shifts in policy, including the appointment of new auditors. That newly appointed executives or boards frequently opt to engage auditors who are more aligned with the new leadership's vision and strategic direction [25].

Research Methodology

This study adopts a qualitative case study approach to explore the underlying factors that influence voluntary switching of public accounting firms among companies in Indonesia. A qualitative method is chosen to gain in-depth insights into the motivations, perceptions, and decision-making processes that are not easily captured through quantitative data alone. The research design is exploratory and descriptive, aiming to understand the context and reasoning behind companies' decisions to voluntarily change their auditors. The study focuses on selected companies that have publicly disclosed a change in auditors not required by regulation, but rather initiated by internal management decisions.

Results and Discussion

The existing literature shows that voluntary auditor switching is influenced by a mix of economic, professional, relational, and strategic factors. In Indonesia, additional influences include regulatory frameworks, market competition, and cultural values. These findings provide a foundational understanding for exploring the motivations behind companies' decisions to voluntarily switch public accounting firms.

Table 1. Literatur Review

No.	Author	Research Focus	Key Findings
1	Amrullah & Aswad (2023–2024)	Influence of financial distress, management change, audit fees, and audit opinion on auditor switching in insurance sector	Financial distress, management turnover, audit fee, and audit opinion significantly affect switching; ROA has no effect
2	Nariswari & Fatmawati (2023)	Non-financial companies (2016–2021) with at least two instances of voluntary switching	Analyzed multiple influencing factors using quantitative approach on repeated switching cases
3	Siregar et al. (2023)	Companies listed in JII70 index; moderation of financial distress on audit fee and management change	Management turnover is a strong factor; audit fee and firm size are not directly significant; distress strengthens switching
4	Sulistiyan & Zulaikha (2022)	Manufacturing sector (2018–2020); effect of auditor size, opinion, management change, distress, ownership	Regression analysis shows mixed results; not all variables consistently influence switching
5	Sriwardany & Dewi (2021)	Financial distress, audit delay, audit opinion on voluntary switching	None of the tested variables showed significant influence on voluntary auditor switching
6	Irfan & Herliansyah (2018)	Real estate sector: impact of management change, company size, audit opinion, financial distress	Financial distress negatively affects switching; management change and opinion were not significant
7	Trisanti et al. (2022)	Manufacturing sector (2018–2020); audit opinion, auditor reputation, audit delay, moderated by distress	Audit opinion has a positive impact; distress strengthens this; reputation and delay are not significant
8	Pawitri & Yadnyana (2013)	Property & real estate sector: audit delay, auditor reputation, opinion, management change	Delay, reputation, and management turnover significantly influence switching
9	Fauziyyah et al. (2018)	Manufacturing sector: distress, company size, audit opinion, auditor reputation	Financial distress, audit opinion, and auditor reputation positively affect switching

No.	Author	Research Focus	Key Findings
10	Wibowo & Rahmawati (2016)	Financial service sector: management change, company growth, auditor credibility, audit tenure	None of the variables showed significant effect on voluntary auditor switching

Source: Literatur Review, 2025

The findings of this study reveal that voluntary switching of public accounting firms (PAFs) in Indonesia is influenced by a combination of financial, professional, relational, and strategic factors. Although previous literature has identified similar themes globally, this study provides contextual insights specific to the Indonesian business environment.

1. Audit Fees and Cost Considerations

One of the most frequently cited factors for switching auditors was audit fees. Several respondents mentioned that high audit costs from the previous firm, without proportional value or perceived quality, led to a decision to seek alternative providers. Who concluded that cost is a primary motivator for voluntary switching, particularly for companies under financial constraints.

2. Audit Quality and Competence

Audit quality remains a core consideration. Companies reported switching auditors when they felt the incumbent lacked the expertise to handle complex financial reporting or industry-specific risks. For instance, firms undergoing IPO preparation or corporate restructuring preferred audit firms with a proven track record in those areas. Which emphasizes the auditor's ability and willingness to detect and report irregularities.

3. Independence and Objectivity

Another critical factor mentioned by several participants was the need to maintain auditor independence. In situations where the auditor-client relationship had become too close or long-standing, management and audit committees expressed concerns about objectivity and decided to switch auditors. Who argued that perceived independence is as important as actual independence in maintaining trust.

4. Client-Auditor Relationship

The quality of the client-auditor relationship played a key role in switching decisions. Poor communication, lack of responsiveness, or unprofessional behavior from audit teams often led to dissatisfaction. On the other hand, a proactive and collaborative approach from the auditor was seen as a valuable asset. Who highlighted the relational dynamics between audit firms and clients as central to the retention decision.

5. Firm Reputation and Brand Image

Reputation also emerged as a strategic factor in voluntary auditor switching. Companies, particularly those publicly listed or seeking investor attention, preferred to work with well-known, reputable firms to enhance their credibility. In some cases, switching to a Big Four firm was seen as a way to signal improved governance to external stakeholders. This behavior supports the signaling theory, where auditor choice is used to send a positive signal to the market.

6. Changes in Management and Business Strategy

The study also found that changes in top management or corporate strategy often led to a reevaluation of external service providers, including auditors. New executives or boards may prefer working with auditors they are familiar with or those perceived as more aligned with their vision. A similar pattern in management-led switching behavior.

7. Regulatory Influence (Contextual Insight)

While the focus of this study was on voluntary switching, regulatory changes in Indonesia still exert indirect influence. For instance, companies may feel pressured to change auditors due to expectations from the OJK or the Indonesia Stock Exchange, especially in situations involving high public scrutiny or previous audit issues. This reflects the broader influence of institutional environment on corporate behavior, particularly in emerging economies.

Conclusion

This study explores the voluntary factors that influence Indonesian companies to switch public accounting firms. Unlike mandatory auditor rotation driven by regulation, voluntary switching reflects a company's strategic decision based on its perception of audit quality, service value, and alignment with business needs. The literature and case findings suggest that several key factors contribute to voluntary auditor switching. These include audit fee considerations, the perceived quality and competence of the auditor, concerns over independence and objectivity, poor communication or relationship quality, auditor reputation, and changes in management or company strategy. In the Indonesian context, additional elements such as cultural expectations, regulatory pressure, and market competition further shape auditor selection decisions. Understanding these factors is crucial not only for companies aiming to enhance the quality of their financial reporting and governance but also for public accounting firms seeking to retain clients in a competitive market. It also highlights the need for auditors to maintain high standards of professionalism, build strong client relationships, and adapt to changing client needs and expectations. Ultimately, voluntary auditor switching should be seen as part of a broader corporate governance strategy. Future research could expand this study by including quantitative data, cross-industry comparisons, or deeper interviews with regulatory bodies and audit committees to provide a more comprehensive view of the phenomenon in Indonesia.

References

- [1] Romero-Carazas, R., Chávez-Díaz, J. M., Ochoa-Tataje, F. A., Segovia-Abarca, E., Monterroso-Unuysuncco, I., Ocupa-Julca, N., ... & Bernedo-Moreira, D. H. (2024). The ethics of the public accountant: A phenomenological study. *Academic Journal of Interdisciplinary Studies*, 13(1), 339.
- [2] Leong, K., & Sung, A. (2024). Gender stereotypes in artificial intelligence within the accounting profession using large language models. *Humanities and Social Sciences Communications*, 11(1), 1-11.
- [3] Naibaho, E. A. B., & Amanda, S. (2024). Factors Affecting Voluntary Switching of Public Accounting Firms: What is the Role of Auditor Reputation?. *Accounting Analysis Journal*, 13(1), 65-75.
- [4] Ostadjafari, M., Faraji, O., Arabzadeh, M., Jabbary, H., & Ghanimati, H. (2024). Factors Affecting Auditor Switching with an Emphasis on Auditor Characteristics: A Meta-Analysis Approach. *International Journal of Finance & Managerial Accounting*, 9(34), 41-59.

- [5] Meckling, W. H., & Jensen, M. C. (1976). Theory of the Firm. *Managerial behavior, agency costs and ownership structure*, 3(4), 305-360.
- [6] DeAngelo, L. E. (1981). Auditor size and audit quality. *Journal of accounting and economics*, 3(3), 183-199.
- [7] Latief, B. P., & Rachman, H. A. (2024). The Effect Of Audit Delay And Management Change On Voluntary Auditor Switching With Financial Distress As A Moderating Variable. *International Journal of Research on Finance & Business*, 3(1), 1-18.
- [8] Miller, H. E. (1962). Mautz and Sharaf," The Philosophy of Auditing"(Book Review). *The Accounting Review*, 37(3), 599.
- [9] Guo, Q., Koch, C., & Zhu, A. (2024). Switching Costs and Market Power in Auditing: Evidence from a Structural Approach. *The Accounting Review*, 99(6), 219-245.
- [10] Kusuma, D. I. (2025). The Moderation of Financial Discernment In Analyzing The Effect of Audit Opinion, Management Change, and Audit Delay on Voluntary Auditor Switching In Banking Companies Listed on The Indonesia Stock Exchange. *Journal of Social Research*, 4(2), 107-114.
- [11] Amrullah, L. W., & Aswad, H. (2024). The effect of financial distress, management change, audit fee, and audit opinion on auditor switching (Case study on insurance companies listed on IDX). *International Journal of Accounting Research and Auditing Applications (IJARAA)*, 3(1). <https://icess.uin-suska.ac.id/index.php/ijaraa/article/view/255>
- [12] Siregar, D. H., Marbun, S., & Kartika, M. (2023). The effect of financial distress and management turnover on auditor switching with audit fee and company size as mediating variables. *International Journal of Economics, Business and Accounting Research (IJEBAAR)*, 7(2). <https://radjapublika.com/index.php/IJEBAS/article/view/2363>
- [13] Sriwardany, S., & Dewi, R. S. (2021). The effect of financial distress, audit delay, and audit opinion on voluntary auditor switching. *Jurnal Akuntan Pro*, 12(2), 85–91. <https://jurnal.umsu.ac.id/index.php/akuntan/article/view/6521>
- [14] Trisanti, T., Rahmatika, D. N., & Rachmawati, I. P. (2022). The influence of audit opinion, reputation, and audit delay on voluntary auditor switching with financial distress as a moderating variable. *International Journal of Social Science and Human Research*, 5(3), 794–800. <https://ijsshr.in/v5i3/12.php>
- [15] Nariswari, A. D., & Fatmawati, D. (2023). Analysis of voluntary auditor switching: Evidence from non-financial companies listed in Indonesia Stock Exchange. [Undergraduate Thesis, Universitas Gadjah Mada]. <https://etd.repository.ugm.ac.id/penelitian/detail/227425>
- [16] Wibowo, P., & Rahmawati, A. (2016). Analysis of factors affecting voluntary auditor switching in financial sector companies. *Jurnal Dinamika Akuntansi*, 8(2), 148–160. <https://journal.unnes.ac.id/nju/index.php/jda/article/view/18042>
- [17] Beattie, V., & Fearnley, S. (1995). The importance of audit firm characteristics and the drivers of auditor change in UK listed companies. *Accounting and Business Research*, 25(100), 227–239
- [18] DeAngelo, L. E. (1981). Auditor independence, “low balling,” and disclosure regulation. *Journal of Accounting and Economics*, 3(2), 113–127.
- [19] Francis, J. R., & Wilson, E. R. (1988). Auditor changes: A joint test of theories relating to agency costs and auditor differentiation. *The Accounting Review*, 63(4), 663–682.
- [20] Harymawan, I., Nowland, J., & Yang, Y.-W. (2017). Political connections and earnings quality: How do connected firms respond to changes in political stability and government effectiveness? *International Journal of Accounting & Information Management*, 25(3), 282–298.
- [21] Kurniawati, D., & Pratiwi, E. (2019). Pengaruh audit delay, ukuran perusahaan, dan opini audit terhadap auditor switching. *Jurnal Ilmiah Akuntansi dan Keuangan*, 8(1), 57–64.

- [22] Lennox, C. (2000). Do companies successfully engage in opinion shopping? Evidence from the UK. *Journal of Accounting and Economics*, 29(3), 321–337.
- [23] Shockley, R. A. (1981). Perceptions of audit independence: A conceptual model. *The Accounting Review*, 56(4), 785–800.
- [24] Sulistiyani, R., & Zulaikha. (2022). Analysis of factors influencing voluntary auditor switching in manufacturing companies. *Diponegoro Journal of Accounting*, 11(2). <https://ejournal3.undip.ac.id/index.php/accounting/article/view/36364>
- [25] Purba, R. B., & Umar, H. (2021). *Kualitas Audit & Deteksi Korupsi*. Merdeka Kreasi Group.