

INFLUENCE OF AUDITOR TURNOVER, KAP REPUTATION, AUDIT OPINION ON AUDIT DELAY WITH AUDIT LAG AS INTERVENING VARIABLE

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ABSTRACT

Financial reports are a tool that is used as a measuring tool that is used as a basis for a company's decision making. Quality and timeliness in financial reports can be used as a reference and investor confidence if the company can provide accurate, clear, and precise information and information that can be compared with other indicators. The purpose of this study is to find out the effect of auditor turnover, KAP reputation, audit opinion on audit delay with audit lag as an intervening variable (case studies on consumer goods companies registered with IDX period 2018-2019). This study used secondary data in the form of annual company reports and independent audit reports with a sample of 43 companies from the population of consumer goods companies registered with the IDX in 2018-2019. Data collection techniques use library study methods (data documentation) from secondary data sources. Data analysis techniques use multiple linear regression analysis and SPSS 25.0 software. The results showed that the auditor turnover, KAP reputation, and audit opinion did not affect audit delay, while audit lag could not mediate audit opinion against audit delay. The advice for future research is to be able to add other research variables that are factors that influence audit delay, as well as to research audit lag as a mediation variable.

Keywords: Audit delay, auditor turnover, KAP reputation, audit opinion, audit lag

1) INTRODUCTION

Financial reports are the result of an accounting process that provides information about the company's financial condition to account for the company's performance for decision making (Rahardi et al., 2021). The results of the analysis of these financial reports can be used by managers and organizations to evaluate their performance. Therefore, to be able to find out the financial position of a company and the results achieved by the company, it is necessary to issue a financial report from the company.

The Financial Services Authority (OJK) issued regulation No.44 /POJK/.04/2016 concerning the Submission of Periodic Financial Reports of Issuers and Public Companies. This regulation states that annual financial reports must be accompanied by an accountant's report in the context of an audit of financial reports, and must be submitted to the OJK and announced to the public no later than the end of the third month after the date of the company's annual financial reports. OJK requires public companies to report audited financial statements within 60 to 90 days after the closing of the accounting period.

The regulation is not sufficient to make the company timely in submitting the report, therefore it is indicated that there is a problem in the financial reports. Based on information from the Indonesia Stock Exchange (IDX), there are 10 companies that had not submitted financial reports in 2018 and there are 42 companies that had not submitted annual financial reports (www.idx.co.id). With the delay, the IDX decided to impose sanctions on late companies. The sanctions imposed by IDX for this delay are in the form of a written warning II and a fine of Rp. 50 million.

This delay can be caused by many things, such as the length of the company's book closing and the increased audit risk. This can lead to a lengthy audit process and provide inaccuracy in the submission of financial reports and result in audit delays. Audit delay is the length of days required by the auditor to complete the audit work measured from the closing date of the financial year to the date of issuance of the audit report (Pattiasina, 2017). Audit delays will occur if the auditors take too long to complete their work. The auditors extend their work for the reason that audit quality standards can be increased according to the Public Accounting Professional Standards (SPAP). However, over time it will develop a bad issue for the company.

Factors causing audit delay are auditor turnover, public accounting firm (KAP) reputation, and audit opinion. Auditor turnover is the completion of the old auditor's relationship with the company, and a new auditor is appointed as a replacement (Mu'afiah, 2020). The company replaces the auditor due to client dissatisfaction with the performance of the old auditor or the expiration of the agreed work contract. Previous research on auditor turnover on audit delay shows the results of auditor turnover have a positive effect on audit delay (Verawati & Wirakusuma, 2016). It can be concluded that if the company changes its auditor, the audit process will be longer and result in audit delay. In contrast to other studies, the results of auditor turnover did not affect audit delay (Siahaan et al., 2019). These results explain that the audit process is not determined by the auditor turnover because the auditors maintain the reputation and good name of the Public Accounting Firm or the possibility of maximizing the audit process (Wijasari & Wirajaya, 2021).

The reputation of a public accounting firm (KAP) can affect audit delay. The provision of relevant information can be seen from the accuracy and reliability of the financial reports. KAP that have a good reputation are KAPs that have alliances with KAPs such as the Big Four. Compared to Non-Big Four KAPs, the audits carried out by Big Four KAPs can be completed earlier (Verawati & Wirakusuma, 2016). Big Four KAP skills can expedite the audit process, therefore audit delay can be reduced (Wijasari & Wirajaya, 2021). Previous research stated that KAP reputation had a negative effect on audit delay (Verawati & Wirakusuma, 2016). These results explain that if the issuer or company is audited by a KAP affiliated with the big four, it will shorten the audit delay. In contrast to other studies, KAP reputation does not affect audit delay (Angruningrum & Wirakusuma, 2013). These results explain that companies audited by the Big Four and Non-Big Four KAPs will not extend the audit delay.

The last factor that affects audit delay is audit opinion. An audit opinion is a report given by public accountants as a result of their assessment of the fairness of the financial reports presented by the company (Verawati & Wirakusuma, 2016). The company is declared healthy if it gets an Unqualified Opinion, therefore it can minimize audit delay. Meanwhile, if the company receives an opinion other than Unqualified Opinion, it can be said that it will experience a long audit delay (Verawati & Wirakusuma, 2016). Based on previous research, audit opinion has a significant positive effect on audit delay (Mu'afiah, 2020). These results explain that giving an opinion involves negotiating with clients, and consulting with more senior partners and expanding the scope of the audit, therefore the company will get an unqualified opinion. It is different from research that audit opinion does not affect audit delay (Verawati & Wirakusuma,

2016). These results explain the length of the audit process will not necessarily get an unqualified opinion.

This study is a development of research conducted by (Pattiasina, 2017) which examines auditor quality, company size, number of audit committees, the complexity of company operations on audit delay and audit opinion that is intervened by audit lag. In contrast to previous studies, this study uses auditor turnover, KAP reputation and audit opinion as independent variables. In this study, audit report lag is used as an intervening variable. For the effect of audit opinion on audit delay with audit report lag as an intervening variable, refer to the research conducted by (Pattiasina, 2017).

The purpose of this study was to determine the effect of auditor turnover, KAP reputation and audit opinion on audit delay with audit lag as an intervening variable. The contribution of this research is expected to be used as a reference and can provide considerations for making decisions for investors regarding the quality of the company's financial reports. Based on the above explanation and different previous studies, the researcher compiled a study entitled "**The Effect of Auditor turnover, KAP Reputation, Audit Opinion on Audit Delay with Audit Lag as an intervening variable**".

Problem Formulation

Based on the above introduction, the formulation of the problem in this study are follows:

1. Does auditor turnover affect audit delay?
2. Does KAP's reputation affect audit delay?
3. Does audit opinion affect audit delay?
4. Can audit lag mediate the effect of audit opinion on audit delay?

Literature Reviews

Signalling Theory

Signal theory was first proposed by Michael Spence in 1973 in his research entitled Job Market Signaling (Sihombing, 2021). Signal theory talks about how companies provide information about themselves to external parties, these signals explain what management does in realizing the owner's wishes. Signal theory can be the basis for knowing the condition of a company, which can be seen from the timeliness of the company in issuing its financial reports. If the company publishes its financial reports on time, it indicates that the company is in good condition. However, the longer the audit delay range experienced by the company, it causes a decrease in the quality of the information presented as well as indicates that the company's condition is not good, therefore it is late in presenting its financial reports.

Audit Delay

Audit delay is a very important thing and must be considered by a company. Audit delay is the number of days required by the auditor to complete the audit work, which is measured from the closing date of the financial year to the date of issuance of the audit report. Another definition of audit delay is the length of time for the completion of the audit from the end of the company's fiscal year to the date of the audit report issued (Kartika, 2009). The occurrence of audit delay is a bad assumption for a company because it will have an impact on the quality of the company's financial reports, the slower the company completes its financial reports, the longer the possibility of audit delay in the company. In this study, audit delay can be calculated on the number of days starting from the closing date of the book to the date listed in the independent audit report (Pattiasina, 2017).

Auditor Turnover

Auditor turnover is the completion of the old auditor's relationship with the company, and a new auditor is appointed as a replacement (Mu'afiah, 2020). The company replaces the auditor due to client dissatisfaction with the performance of the old auditor or the expiration of the agreed work contract. The auditor turnover in the company will have an impact on the lengthening of the auditing process which also results in delays in the submission of audited financial reports (Verawati & Wirakusuma, 2016), compared to the company that did not change their auditor. This delay can give a signal to investors, which results in delays in investment. Therefore, the relationship between auditor turnover and audit delay has a positive effect. These results are in line with research conducted by (Verawati & Wirakusuma, 2016) with the results of auditor turnover having a positive effect on audit delay, these results prove that new auditors tend to take longer to audit. Based on the explanation above, the following hypothesis is obtained:

H1: Auditor turnover has a positive and significant effect on audit delay.

KAP Reputation

KAP Reputation is a business entity that is licensed by the minister to provide services other than insurance services (PMK No. 25/PMK.01/2014). The reputation of the public accounting firm can also affect audit delay. The provision of relevant information can be seen from the accuracy and reliability of the financial reports. KAPs that have a good reputation are in alliance with the Big Four KAPs. Compared to Non-Big Four KAPs, the audits carried out by Big Four KAPs can be completed earlier (Verawati & Wirakusuma, 2016). Companies that use the Big Four KAPs are considered capable of giving signals to investors, which has an impact on a good assessment of the company. Therefore, the relationship between KAP reputation and audit delay has a negative effect. This is in line with a study conducted by (Verawati & Wirakusuma, 2016) which found that the results of the reputation of the KAP audit delay were negatively affected by the results of the reputation of the KAP. Therefore, the short time required to submit audited financial reports is influenced by the high reputation of the KAP, therefore the probability of audit delay is reduced. Based on the description above, the following hypothesis is obtained:

H2: KAP reputation has a negative and significant effect on audit delay.

Audit Opinion

An audit opinion is a report given by registered public accountants as a result of their assessment of the fairness of the financial reports presented by the company (Verawati & Wirakusuma, 2016). There are five types of audit report opinions issued by auditors: (1) Unqualified Opinion, (2) Unqualified Opinion report with Explanatory Language, (3) Qualified Opinion, (4) Adverse Opinion, and (5) Disclaimer of Opinion (Agoes, 2011). The company is declared healthy if it gets an Unqualified Opinion, therefore it can minimize audit delay. Meanwhile, if the company receives an opinion other than Unqualified Opinion, it can be said that it will experience a long audit delay (Verawati & Wirakusuma, 2016). Opinions except Unqualified Opinion can provide a signal to stakeholders, which will have an impact on the existence of unfavourable conditions for the company. Therefore, it can be said that the auditor's opinion has a positive effect on audit delay (Kartika, 2009). The results of this study state that if the company gets an opinion other than an unqualified opinion, it will result in a long audit delay. Based on the description above, the following hypothesis is obtained:

H3: Auditor's opinion has a positive and significant effect on audit delay.

Audit Lag

Audit lag is the period of time between the end date of a company's fiscal year and the date stated in the financial statements (Lee & Jahng, 2008). Audit report lag can also be interpreted as the length of time the audit completion period is ready for publication (Sari & Muhsin, 2017).

Audit report lag is used as a determinant of the process to provide accounting information to the public by providing the value of information from audited financial statements (Sari & Muhsin, 2017). This will affect the accuracy of the publication of annual financial statements in a timely manner. Audit opinion is the auditor's conclusion based on the results of the audit. The more bad opinion received by the company, the longer the audited financial statements are published (Sari & Muhsin, 2017). Financial statements submitted are not timely, describing companies that do not comply with regulations. While audit report lag is the duration of the length of completion of the audit as measured from the closing date of the fiscal year / end of the fiscal year to the date of issuance of audited financial statements (Pattiasina, 2017). The company is said to be healthy if it gets an Opinion Unqualifiend opinion so as to minimize audit delays. Previous research suggested that the audit opinion had no effect on audit delay after including the mediation variable (audit lag) (Pattiasina, 2017), so the author formulated the following hypothesis:

H4: Audit opinion affects audit delay with audit lag as intervening variable

Frame of Mind

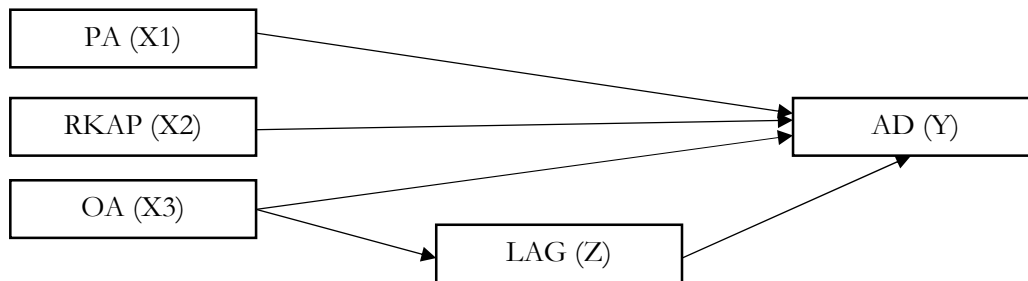


Figure 1. Research Hypothesis

2) METHODS

This research is quantitative research using secondary data obtained from the IDX website. The research was conducted on Consumer Goods companies for the period 2018-2019. The dependent variable in this study is audit delay as measured by the date of the Audit Report until the Close Date of the Financial Reports. The independent variable of the study is auditor turnover measured using a dummy, which gives a number 0 for companies that did not change auditors, and number 1 for companies that change auditors. Furthermore, the KAP reputation variable is measured by a dummy, which gives a number 0 for companies with non-big four KAPs, and number 1 for big four companies. The audit opinion variable is measured by dummy, which is number 0 for companies with opinions other than unqualified opinion, and number 1 for unqualified opinion. And enhance an intervening variable, namely audit lag as measured by the time difference between the date of the financial reports and the date of the audit opinion in the financial reports. The sampling technique was carried out by purposive sampling with the following criteria:

1. Manufacturing Companies in the Consumer Goods Industry Sector listed on the IDX for the period 2018 – 2019.
2. Companies that issue reports successively during the study period.
3. Company's financial reports that have been audited.

The data analysis technique in this study used multiple linear regression analysis using SPSS 25.0. The following multiple linear regression model used in this study is as follows:

$$AD = \alpha + \beta_1 \cdot PA + \beta_2 \cdot RKAP + \beta_3 \cdot OA + LAG + \varepsilon \quad (1)$$

Description :

AD = Audit Delay

α = Constant

PA = Auditor Turnover

RKAP = KAP Reputation

OA = Audit Opinion

LAG = Audit Lag

β = Regression Coefficient

ε = Other Factor (Disturbing Factor)

Furthermore, regression analysis of the mediating variable was carried out using the causal step method. Regression analysis of mediating variables using the causal step method was developed by Baron and Kenny (1986). To understand mediation testing using this method, the equation is as follows:

$$\text{Equality I : } Y = \alpha_1 + Cx \quad (2)$$

$$\text{Equality II : } M = \alpha_2 + aX \quad (3)$$

$$\text{Equality III : } Y = \alpha + cX + bM \quad (4)$$

3) RESULTS

Descriptive Statistics

Descriptive statistical analysis is a statistical test used to provide an overview and description of the data by looking at the average value (mean), standard deviation (standard deviation), minimum value and maximum value. Following are the results of the descriptive statistical analysis:

Table 1. Descriptive Statistics
Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
PA	57	,00	1,00	3,00	,0526	,22528
RKAP	57	,00	1,00	17,00	,2982	,46155
OA	57	,00	1,00	47,00	,8246	,38372
AD	57	66,00	100,00	4640,00	81,4035	7,14608
LAG	57	24,00	144,00	4123,00	72,3333	41,72543
Valid N (listwise)	57					

Source: Data Processing, 2021

The data above shows a minimum audit delay value of 66 days, a maximum of 100 days, with an average value of 81.4035 and a standard deviation of 7.14608.

Classic assumption test

This research has fulfilled the classical assumption test which includes normality test, multicollinearity test, autocorrelation test and heteroscedasticity test. This means that this

research can be continued to test the hypothesis, namely the T-test and the mediating variable test.

T-test

Table 2. T-test Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	82,921	2,722		30,461	,000
PA	4,042	5,063	,127	,798	,428
RKAP	,556	2,124	,036	,262	,795
OA	-2,299	2,918	-,123	-,788	,434

a. Dependent Variable: Audit Delay

Source: Data Processing, 2021

Based on table 2, it can be seen that the result of the auditor turnover variable on audit delay is a significant value of $0.141 > 0.05$. Thus, the change of auditors does not affect audit delay and it is concluded that **H1 is rejected**. The results of the KAP's reputation on audit delay is a significance value of $0.795 > 0.05$. Thus, the reputation of KAP does not affect audit delay and it is concluded that **H2 is rejected**. The result of the audit opinion hypothesis test on audit delay is that the significance value is $0.434 > 0.05$. Thus, the audit opinion does not affect audit delay and it is concluded that **H3 is rejected**.

Mediation Variable Test

1. First equation

Based on table 2, the first equation shows that the sig value is $0.434 > 0.05$, therefore it can be concluded that the audit opinion does not affect audit delay.

2. Second equation

Table 3. Second Equation Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	42,100	12,534		3,359	,001
OA	36,666	13,804	,337	2,656	,010

A. Dependent Variable: LAG

Source: Data Processing, 2021

Based on table 3, shows that the sig value is $0.010 < 0.05$, therefore it can be concluded that audit opinion has a positive and significant effect on audit lag.

3. Third equation

Table 4. Third Equation Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		

(Constant)	83,140	2,451		33,918	,000
OA	-4,523	2,612	-,243	-1,732	,089
LAG	,028	,024	,161	1,147	,256

A. Dependent Variable: AD

Source: Data Processing, 2021

Based on table 4, in the third equation the audit opinion on audit delay by entering the audit lag variable. The sig value of audit opinion on audit delay is $0.089 < 0.05$, indicating that there is an effect of audit opinion on audit delay. While the sig audit lag value on audit delay is $0.256 > 0.05$, therefore audit lag does not affect audit delay. Thus the audit opinion does not affect audit delay with audit lag as an intervening variable and it is concluded that **H4 is rejected**.

4) DISCUSSION

Effect of Auditor Turnover on Audit Delay

The auditor turnover variable does not affect audit delay. These results indicate that the speed of the audit process is not caused by a change of auditors, because the auditors can maintain their reputation and maximize the audit process. This is following the fact that PT. Inti Agri Resource Tbk and PT. Prima Cakrawala Abadi Tbk, made a change of auditors in 2018, however had no effect with a long audit delay. This study is in line with research conducted by (Siahaan et al., 2019) with the results of auditor turnover did not affect audit delay, but contrary to research conducted by (Verawati & Wirakusuma, 2016) which states that auditor turnover has a positive and significant effect on audit delay.

Effect of KAP's Reputation on Audit Delay

KAP reputation variable does not affect audit delay. These results indicate that the size of the KAP reputation does not affect the occurrence of long audit delays because the KAP maximizes the audit process of the company. This is following the fact that PT. Akasha Wira International Tbk and PT Budi Starch & Sweetener Tbk are affiliated with the Non-Big Four Public Accounting Firms, however, there is no indication of a long audit delay. These results are in line with research conducted by (Angruningrum & Wirakusuma, 2013), which states that KAP reputation does not affect audit delay, but contrary to research conducted by (Verawati & Wirakusuma, 2016) which states that KAP reputation has a negative effect on audit delay.

Effect of Audit Opinion on Audit Delay

The audit opinion variable does not affect audit delay. These results indicate that the type of auditor's opinion is good news or bad news on the managerial performance of a company, and is not a determining factor in the timeliness of audit reporting. This is following the fact that PT. Bumi Teknoculture and PT. Delta Djakarta received an opinion other than an unqualified opinion but there was no long audit delay. This is in line with research conducted by (Verawati & Wirakusuma, 2016), which states that the auditor's opinion issued to the company does not affect audit delay, but contrary to research conducted by (Mu'afiah, 2020) which states that audit opinion has a significant positive effect on audit delay.

Audit Lag mediates the effect of Audit Opinion on Audit Delay

The audit lag variable is not able to mediate the effect of audit opinion on audit delay because audit opinion does not affect audit delay. Meanwhile, audit lag on audit delay has no effect. Thus the audit opinion does not affect the audit delay with the audit. These results are in line with research conducted by (Pattiasina, 2017) which states that audit lag is not able to mediate audit opinion on audit delay.

Conclusion

Based on the results of data analysis and discussions that have been carried out, it can be concluded that auditor turnover, KAP reputation, and audit opinion have no effect on audit delay, and audit lag is not able to mediate the effect of audit opinion on audit delay.

Suggestion

Based on the research that has been done, the suggestion from this researcher is to enhance research variables such as corporate governance mechanisms to get different results. As well as enhance a research period and enhance a larger population such as manufacturing companies. This study has limitations, namely, the audit lag variable only mediates audit opinion, and the research period is limited to 2018-2019.

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