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THE EFFECT OF AUDIT OPINION, REPUTATION OF PUBLIC ACCOUNTING FIRM ON AUDIT DELAY WITH AUDIT TENURE AS MODERATION IN INDONESIAN MANUFACTURING COMPANIES

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Abstract

This study aims to analyze audit opinion and KAP reputation that affect audit delay with audit tenure as a moderator in manufacturing companies listed on the Indonesia Stock Exchange in 2018 – 2020. In this study, audit opinion and KAP reputation are independent variables, and audit delay is a variable. dependent, tenure audit as a moderating variable.

The population of this research is all manufacturing companies listed on the Indonesia Stock Exchange in 2018 – 2020. The total sample used is 135 companies which were determined through purposive sampling. The data analysis technique used is multiple linear analysis techniques with the help of the IBM SPSS 25 program.

The results of this study indicate that audit opinion has no effect on audit delay. KAP reputation affects audit delay. Audit tenure does not moderate the effect of audit opinion on audit delay. Audit tenure does not moderate the effect of KAP's reputation on audit delay.

Keyword :

Audit Opinion; Reputation of Public Accounting Firm; Audit Tenure; Audit Delay

INTRODUCTION

Financial reports are one of the company's outputs that are informed to internal and external parties of the company which contain information about the company's financial performance. For external parties, financial reports are used to support decision making related to companies, especially for investment. For companies that listed on the Indonesia Stock Exchange, the financial statements presented must be audited. The analysis and examination produced by an auditor is presented in an audit report. According to Mulyadi, 2013 states that the audit report is the media used by the auditor and the public so that the report must be prepared with standard sentences. The audit report will support the accuracy of the company's financial statements so that it will convince internal and external parties of the company as a basis for decisions.

The financial statements presented by the company must go through an audit stage which is carried out by the auditors under the supervision of an audit committee formed by the board of commissioners. According to the Indonesian Financial Accounting Standards (PSAK: 2009), concerning the basic framework for preparing and presenting financial statements, that financial reports must meet four quality characteristics that make financial report information useful for a large number of users, these four characteristics include: understandable, relevant, reliable, and comparable.

In the audit process sometimes experience audit delay problems. Audit delay can be defined as the difference in length of time between the end of the company's fiscal year and the date stated in the independent auditor's report (Priyadi, 2016). Financial statement information that is not immediately available can cause investors to be compelled to investigate alternative sources of information and undervalue the company (Knechel and Payne, 2001 in Jeva, 2014). However, information that is published too quickly without relevance is also no better than wrong information, because both of these can have consequences for investment decisions taken due to a lack of basis. Information published as an announcement will be a signal for investors in investment decisions.

In Indonesia, regulations have been established regarding the maximum time limit required for companies to submit audited financial reports to stakeholders. This regulation is stipulated through the Indonesian Financial Services Authority (OJK) Regulation Number: /POJK.04/20 CHAPTER III article 6 requires every issuer or public company to submit an annual report as referred to in article 1 to the financial services authority no later than 4 (four) months after the financial year ends. The annual report as referred to in Article 6 must be submitted in the form of a physical document of at least 2 (two) copies, one of which is in the original form and a copy of the electronic document (www.ojk.go.id).

Several factors that influence audit delay have been extensively studied in several previous studies, including company size, level of profitability, size of a public accounting firm, length of time as a client of a public accounting firm, audit opinion, audit tenure, fraudulent financial reporting and auditor industry specialization. The direction of the relationship between these factors is a very strong positive relationship with audit delay. This phenomenon occurs because the process of providing a qualified opinion involves negotiations with clients, consultation with more senior audit partners and expansion of the scope of the audit.

Kadek Dian Prisma Yanthi, et al (2020) stated that audit opinion has no effect on audit delay, while research by Tanggor Sihombing (2021) states that audit opinion has a significant effect on audit delay. Dina Anggraeni Susesti and Endah Tri Wahyuningtyas (2021) state that the reputation of a public accounting firm has no effect on audit delay, while Ni Komang Mita Abdina Sari and Edy Sujana (2021) state that the reputation of a public accounting firm has an influence on audit delay. Putri

Intan Prastiwi, Dewi Saptantiah Puji Astuti and Fadjar Harimurti (2018) show that audit tenure moderates auditor reputation and audit delay. Iskandar, Suriadi and Annisa Nauli Sinaga (2021) state that audit tenure is not a variable that can strengthen or weaken the relationship between audit opinion and audit delay.

The studies above are the results of previous research which showed results that were not the same or inconsistent because of differences in the independent variables, dependent variables and moderated variables studied. So that there is still an opportunity for the author to conduct research. The reason the author wants to discuss audit delay is because audit delay is a very important factor for timeliness in submitting financial reports to the public. This research also takes empirical studies in manufacturing companies listed on the Indonesia Stock Exchange because manufacturing companies are large-scale companies when compared to other companies.

Based on the description of the research gap above, this study aims to find out and analyze: 1) does audit opinion affect audit delay?; 2) Does the reputation of the Public Accounting Firm affect audit delay?; 3) Does the tenure audit strengthen the effect of audit opinion on audit delay?; 4) Does the tenure audit strengthen the influence of the reputation of the Public Accounting Firm on audit delay?

LITERATURE REVIEW

Effect of Audit Opinion on Audit Delay

The auditor's opinion is the conclusion of the audit process carried out by independent auditors on financial reports prepared by management in all material respects in accordance with generally accepted accounting principles. For internal and external parties of the company, the auditor's opinion on the financial statements can be used as a benchmark and to determine the company's performance during a certain period so that it can be used as a basis for decision making. Companies that receive this type of qualified opinion will show a relatively long audit delay, because the process of giving an audit opinion involves negotiations with clients, consulting with more senior audit partners or other technical staff and expanding the scope of the audit. Meanwhile, companies that receive an unqualified opinion tend to have shorter audit delays, where an unqualified opinion is considered good news, so the company will not delay the pub. In research conducted by Tanggor Sihombing (2021), it shows that audit opinion has an influence on audit delay. From the results of previous research it can be formulated that the hypothesis is as follows:
H1 : opini audit memiliki pengaruh terhadap *Audit Delay*

Effect of Reputation of Public Accounting Firm on Audit Delay

The reputation of a Public Accounting Firm affiliated with the Big 4 is assumed to have more experience because it has a greater number of clients and a wider variety of clients so that it is more influential than a small Public Accounting Firm (Public Accounting Firm not affiliated with the Big 4) so that it is considered to produce quality audits better. Financial information and company performance will be more reliable if you have used the services of a Public Accounting Firm (Saputri 2012). Public accounting firms that are affiliated with the big 4s complete their audits earlier than those that do not (Lee 2008) and companies that have a good reputation will tend to have shorter audit delays (Parahita, 2016). In research conducted by Ni Komang Mita Abdina Sari and Edy Sujana (2021), it shows that the reputation of a public accounting firm has a significant influence on audit delay. Based on the description above, the hypothesis can be formulated as follows:
H2: The reputation of the Public Accounting Firm has a significant influence on Audit Delay

Effect of Audit Opinion on Audit Delay with Tenure Audit as Moderation

To avoid conflicts between principals and agents regarding information asymmetry, a manager must provide information in accordance with PSAK regarding audited financial reports, because this greatly influences the assessment of whether the company is good or not. Audit tenure is the term of the engagement that exists between a public accounting firm and the same auditee. The lower the disclosure of the company's inability to maintain its business continuity, it will affect the company's audit opinion (Junaidi and Hartno, 2010). In Iskandar's research, Suriadi and Annisa Nauli Sinaga (2021) state that audit tenure is not a variable that cannot strengthen or weaken the relationship between audit opinion and audit delay. Based on the above assumptions, the following hypothesis can be formulated:
H3: audit tenure does not moderate the effect of audit opinion on audit delay

The Effect of Reputation of Public Accounting Firm on Audit Delay With Tenure Audit as Moderation

Audit tenure is a period of engagement or cooperation between the auditor and the auditee in which it can create an emotional connection between the two parties, thus the longer the cooperative relationship carried out by both parties, the better the emotional relationship so that the reputation of the auditor increases with the number of clients who have a good emotional connection. Because it can make it easier for the auditor to audit financial statements so that the submission of financial reports can be on time and can reduce audit delay time. On the other hand, the length of time an audit works with an auditee can lead to unprofessionalism of an auditor, therefore an audit only has a period of 3 consecutive years in auditing the company's financial statements and the reputation of a Public Accounting Firm affiliated with the big 4 is taken into account. In research conducted by Putri Intan Prastiwi, Dewi Saptantiah Puji Astuti and Fadjar Harimurti (2018) stated that audit tenure moderates KAP reputation and audit delay. Based on the description above, the hypothesis can be formulated as follows:
H4: tenure audits do not moderate the effect of KAP's reputation on audit delay

CONCEPTUAL FRAMEWORK

Based on previous literature reviews, the relationship between variables in this study can be shown in Figure 1. In this model the dependent variable is audit delay, the independent variable is audit opinion and the reputation of a public accounting firm, while the moderating variable is tenure audit.

RESEARCH METHOD

The sample of this research is 311 manufacturing companies listed on the Indonesia Stock Exchange during 2018-2020. The sample selection used a purposive sampling method, with the following criteria:

1. Manufacturing companies listed on the Indonesia Stock Exchange during the 2018-2020 period.
2. Companies that do not publish company financial statements and have been audited consistently and completely by independent auditors (KAP) since 2018
3. Companies that do not publish company financial statements and have been audited by independent auditors (KAP) consistently and completely from 2019
4. Companies that do not publish company financial statements and have been audited by independent auditors (KAP) consistently and completely from 2020
5. Companies that do not use the rupiah currency in the company's financial statements

The data analysis technique used in this study is a multiple linear regression analysis method. Before carrying out multiple linear regression analysis, it is necessary to ensure that the data has passed the classical assumption test, including the normality test, heteroscedasticity test, multicollinearity test, and anticorrelation test. After the assumption test was carried out, it was confirmed that the research data met the classical assumptions.

RESULT AND DISCUSSION

Table 1 below shows the test results using the multiple regression method.

Table 1. Multiple Linear Regression Test Results

	Unstandardized Coefficients		t	Sig.
	B	Std. Error		
Constant	4.923	.282	17.475	.000
Opini	-.441	.283	-1.560	.120
Reputation	-.213	.087	-2.459	.015
Tenure	-.125	.154	-.814	.416
Opini.Tenure	.095	.155	.614	.540
KAP.Tenure	.054	.056	.972	.332
Adjusted R Square	0,054			
Dependent Variable	Audit Delay			

Sources : output spss 25 (2022)

The results of the multiple linear regression test in table 1 show the regression equation as follows:

$$\mathrm{Delay} = 4.923 - 0{,}441\mathrm{Opini} - 0{,}213\mathrm{Reputation} - 0{,}125\mathrm{Tenure} + 0{,}095\mathrm{Opini.Tenure} + 0{,}054\mathrm{Reputation.Tenure} + e$$

Where: Delay = Audit delay; Opinion = audit opinion; Reputation = Reputation of Public Accounting Firm; Tenure = Audit Tenure

The regression equation above shows the relationship between the independent variables and the dependent variable partially, from the above equation it can be concluded that a constant value of 4.923 indicates the magnitude of the audit delay coefficient in manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2020 period, which is not influenced by audit opinion, public accounting firm reputation, and audit tenure.

The audit opinion regression coefficient is -0.441. These results indicate that if the audit opinion value increases by 1% assuming other variables are zero (0), then the tendency for audit delay in the manufacturing sector will decrease by -0.441.

The value of the regression coefficient for the reputation of a public accounting firm is -0.213. This means that the reputation value of public accounting firms increases by 1% assuming other variables are zero (0), then the tendency for audit delay in the manufacturing sector will decrease by -0.213.

The value of the tenure audit regression coefficient is -0.125. This can be interpreted that the tenure audit value increases by 1% assuming other variables are zero (0), then the tendency for audit delay in the manufacturing sector will decrease by -0.125.

Opinion.Tenure regression coefficient value of 0.095. This means that the Opinion.Tenure value increases by 1% assuming the other variables are zero (0), then the tendency for audit delay in the manufacturing sector will increase by 0.095.

Reputation.Tenure regression coefficient value is 0.054. This means that the Reputation.Tenure value increases by 1% assuming the other variables are zero (0), then the tendency for audit delay in the manufacturing sector will increase by 0.054.

Based on the results in the table above, an adjusted R square value of 0.070 or 7% is also obtained. This means that the independent variable affects the dependent variable by 7%. The rest comes from other variables that are outside the research variables.

Relations between Variables

Testing the effect of audit opinion on audit delay produces a sig value of more than 0.05 (sig > 0.05) then H1 is rejected. So it can be concluded that the audit opinion variable has no effect on audit delay. The results of this study agree with the research of Kadek Dian Prisma Yanthi, et al (2020), which states that audit opinion has no effect on audit delay. The auditor's objective is to provide an opinion on the financial statements. In carrying out an audit, an auditor has an obligation to obtain sufficient and competent audit evidence in order to support a decision about the fairness of presentation in the financial statements. Therefore the audit opinion has no effect on audit delay, this is because the auditor has worked professionally. So that any audit opinion issued by the auditor will not affect the length of time for completing the audit.

Testing the effect of the Public Accounting Firm's Reputation (X2) on audit delay produces a sig value of less than 0.05 (sig <0.05) then H2 is accepted, so it can be concluded that the Public Accounting Firm's Reputation has an effect on audit delay. The reputation of the public accounting firm affects audit delay because the indicator that determines the reputation of the auditor is the public accounting firm where the auditor works. In general, the majority of experienced auditors have better intuition in finding irregularities, the client will choose a Public Accounting Firm with a good reputation, so that this is consistent with the statement that auditor quality can reduce uncertainty. This theory is related to the reputation variable of the Public Accounting Firm, where this will affect the reputation of the Public Accounting Firm if the auditor does not disclose information related to the audited financial statements in a timely manner. The results of this study are in line with the results of Ni Komang Mita Abdina Sari and Edy Sujana's research (2021) which states that KAP reputation has a significant influence on audit delay.

Testing the effect of audit opinion on audit delay with audit tenure as moderator produces a sig value of more than 0.05 (sig > 0.05) so it can be concluded that audit tenure does not moderate the effect of audit opinion on audit delay. This result is in line with the results of research from Iskandar, Suriadi and Annisa Nauli Sinaga (2021) which states that audit tenure is not a variable that can strengthen or weaken the relationship between audit opinion and audit delay. The length of the company's relationship with the auditor has no effect on the acceptance of the audit opinion because the auditor has a code of ethics and does not want to lose his professionalism so as not to cause a loss of auditor independence. So a company whose ability to continue as a going concern is doubtful will still be given an audit opinion regardless of the length of the engagement. An auditor who has a long assignment with a client company may not necessarily be able to encourage the creation of good business knowledge. Assignment of auditors for quite a long time can actually cause the auditors to lack independence and professionalism in carrying out their duties. This of course causes the auditor to be unable to complete his obligations in a timely manner thereby reducing the timeliness of submission of audited financial reports.

Testing the effect of the reputation of the Public Accounting Firm on audit delay with audit tenure as a moderator (X2Z) produces a sig value of more than 0.05 (sig > 0.05) so it can be concluded that audit tenure does not moderate the effect of reputation of the Public Accounting Firm on audit delay. No matter how good the reputation of a public accounting firm and auditor, it will not affect the length of time the work agreement is made with the client. This is because even though the auditors and public accounting firms in charge have a good reputation, adequate human resources and technology, they already have standards that they must use in the audit process. And also in carrying out their duties they still uphold the attitude of independence and work according to applicable standards. This study has different results from previous studies. The results of this study are supported by research from Tanggor Sihombing (2021). However, this is not in line with research conducted by Putri Intan Prastiwi, Dewi Saptantiah Puji Astuti and Fadjar Harimurti (2018) which shows that audit tenure moderates the relationship between the reputation of a Public Accounting Firm and audit delay.

CONCLUSION

The purpose of this study is to examine and provide empirical evidence regarding the relationship between audit opinion and public accounting firm reputation on audit delays and audit tenure as moderator. Based on the results of data analysis on manufacturing companies listed on the Indonesia Stock Exchange in 2018 - 2020, the research results can be concluded as follows:

1. Audit opinion has no effect on audit delay in manufacturing companies listed on the Indonesia Stock Exchange in 2019-2020
2. The reputation of a public accounting firm (KAP) has an effect on audit delay in manufacturing companies listed on the Indonesia Stock Exchange in 2018-2020.
3. Tenure audits do not moderate the effect of audit opinion on audit delay in manufacturing companies listed on the Indonesia Stock Exchange in 2018 – 2020.
4. Tenure audits do not moderate the influence of the reputation of the Public Accounting Firm on audit delay in manufacturing companies listed on the Indonesia Stock Exchange in 2018 – 2020.

This study has several limitations, so that it can be used as material for consideration for future researchers in order to get better results. The limitations of this study are as follows:

1. The object of this research was only carried out on manufacturing companies listed on the Indonesian stock exchange in 2018 - 2020 so that they cannot generalize to various corporate sectors.
2. The variables used in this study are only three variables, namely audit opinion, reputation of the public accounting firm and audit tenure, while there are many other variables that can affect the occurrence of long audit delays.
3. The observation period in this study was relatively short because it was only three years (2018 - 2020), so the research results did not reflect the real phenomenon.

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