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The Influence of Auditor Switching, Size of Public Accounting Office, and Company Size on Audit Delay in Automotive Companies on the Indonesia Stock Exchange, 2017 to 2021

Febriyanti Eka Sari, Joko Suyono
Department of Accounting, Narotama University,
Jl. Arif Rachman Hakim No.51, 60117, Surabaya, Indonesia
Febriyanties2702@gmail.com, Joko.suyono@narotama.ac.id

Abstract

This study aims to analyze the effect of auditor switching, the size of a public accounting firm and company size on audit delays in automotive companies on the Indonesia Stock Exchange in 2017 - 2021. This study uses a quantitative approach using secondary data in the form of financial reports for automotive companies listed on the stock exchange. Indonesia Effect from 2017 to 2021. The sample selection technique used in this study used a purposive sampling approach, the number of samples used in this study were 44 samples. In this research the results of testing the first hypothesis (H1) show that auditor switching has an effect on audit delay, the results of testing the second hypothesis (H2) show that KAP size does not affect audit delay, The results of testing the third hypothesis (H3) show that company size has an effect on audit delay, The results of testing the fourth hypothesis (H4) show that auditor switching, KAP size and company size simultaneously influence audit delay. In this study, the difficulty of the problem lies in the independent variables used, namely auditor switching, the size of the public accounting firm and the size of the company. The dependent variable used is audit delay. In this study, researchers used automotive companies listed on the Indonesia Stock Exchange from 2017 to 2021. This research is expected to provide information and insight regarding the effect of auditor switching, the size of the public accounting firm and the size of the company on audit delay. This Paper is Original Research paper

Keyword:

Audit Delay, Auditor Switching, Company Size, KAP Size

1. Introduction

In accordance with Article 1 paragraph 7 of the Law of the Republic of Indonesia Number 8 of 1995, a go public company whose shares have been listed on the Indonesian Stock Exchange needs to have the principle of transparency. The principle of transparency in question is that companies need to provide and provide accurate and timely information regarding all material matters in the business they carry out. This is intended as a consideration in making decisions related to capital that will be carried out by external parties, especially investors. In providing transparency by a company going public, it is necessary to present Financial Reports that are presented in a fair, quality and timely manner. Quality financial reports are financial reports that include several characteristics such as easy to understand, relevant, reliable and comparable IAI (2016). In proving that the financial statements presented are of good quality, an independent auditor is needed to examine and prove this. According to Arens et al., (2017), an auditor is a person whose job is to provide an opinion regarding the suitability of the company's financial statements with applicable accounting principles, whether in the form of fairness in all material respects, the financial position of the results of operations, or related to cash flows from the company audited. Based on this, the auditor has obligations and responsibilities in terms of auditing the financial statements of a go public company listed on the Indonesia Stock Exchange in accordance with the auditor's guidelines, namely the Professional Standards for Public Accountants (SPAP) and accounting principles that apply to the Statement of Financial Accounting Standards (PSAK). The length of time it takes for the auditor to carry out the audit process to produce an audit report is called audit delay, where this time span is measured based on the closing date of the book until the results of the audit report are published. Based on this definition, the delay in the auditor's time in completing the results of the audit report will cause audit delay.

There is a phenomenon that occurs in one of the automotive companies, namely PT. Nipress, Tbk (NIPS), whose shares have not been traded since July 1 2019 since the company was suspended because the company was late in submitting financial reports to the stock exchange (www.cnbcindonesia.com). The Indonesia Stock Exchange (IDX) temporarily suspended the trading of PT. Nipress, Tbk. (NIPS) because there are doubts regarding business continuity. Based on the announcement reported by the IDX, the Exchange also asked

stakeholders to always pay attention to any information disclosure submitted by Nipress. So far, Nipress has not reported its 2018 Financial Report. The Exchange had asked for an explanation from the battery manufacturing company on January 30, 2020. After a week, Nipress replied that the 2018 financial statements were still in the process of being audited at the subsidiary. Reporting was hampered by changing the public accounting firm and there was a delay in the audit process (www.market.bisnis.com).

1. Switching Auditors

According to Rozi et al., (2022) Auditor switching is a change or replacement of a public accounting firm by a company either because of the company's own decision or because of government regulations. Auditor switching is something that must be done by companies and is stated in the Decree of the Minister of Finance (KMK) No. 17/PMK.01/2008 concerning Public Accountant Services. New public accountants generally require a longer time to complete the financial statement audit process because they require adaptation to the company, including the characteristics of the client's business and the system implemented by the client company.

2. Size of Public Accounting Firm (KAP)

According to Putra et al., (2020) the size of the KAP is a reflection of the size of the Public Accounting Firm, the larger the Public Accounting Firm, the higher the quality of the audit it produces, so companies will change auditors from small KAPs to auditors from large KAPs to improve their reputation and quality of financial reports. An auditor who works at a Public Accountant Office (KAP) must have a variety of strict criteria. Based on the Statement of Auditing Standards (PSA), auditors who work in Public Accounting Firms (KAP) must have competence as evidenced through a certificate of passing the public accountant certification exam, auditors must also have independence, have a high level of professionalism, have adequate planning and proper supervision which means having good planning skills, being able to understand the company structure and existing internal controls, being able to understand the Financial Accounting Standards (SAK) that apply properly, understanding the guidelines of public accountants listed in the SPAP (Public Accountant Professional Standards), and understand and be able to implement the code of ethics of a public accountant.

3. Company Size

According to Hartono (2017:282) company size is a scale in which the size of the company can be classified according to various ways (total assets, log size, stock market value, etc.). Company scale is a measure used to reflect the size of a company based on the company's total assets. The bigger the assets, the more capital invested, the more sales, the more money circulation and the bigger the market capitalization, the bigger it is known in society.

4. Audit Delays

Audit delay is the length of time for auditing to be completed, which is calculated from the date the financial year ends up to the date contained in the audit report. Provisions in the publication of financial reports in accordance with the regulations of the Financial Services Authority Regulation Number 29/POJK.04/2016, Regarding the Annual Report of Issuers or Public Companies states that companies or issuers are required to present financial statements that have been audited by a Public Accounting Firm, which then the financial statements published at least accompanied by an independent auditor's report no later than 120 days or no later than the end of the fourth month after the end of the financial year.

5. Research Framework

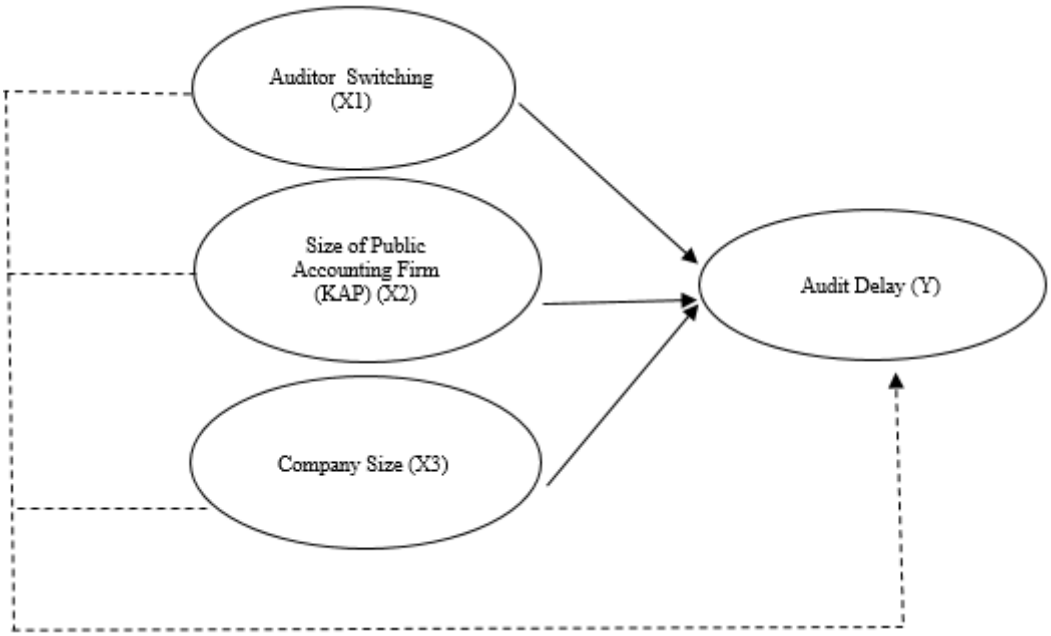

Figure 1 : Research Framework

Note :

_____ = Partial

---------- = Simultaneous

From the model above, the research hypothesis is arranged as follows :

H1 : Auditor Switching Has A Partial Influence On Audit Delay

H2 : The Size Of The Public Accounting Firm (Kap) Has A Partial Effect On Audit Delay

H3 : Company Size Has A Partial Influence On Audit Delay

H4 : Auditor Switching, Size Of Public Accounting Firm (Kap), And Company Size Simultaneously Influence Audit Delay.

2. Methodology

1. Types Of Research

The type of research used in this research is quantitative. According to Sugiyono (2017:19) The quantitative approach is a research method based on the philosophy of positivism, used to research certain populations or samples, sampling techniques are generally carried out randomly, data collection uses research instruments, data analysis is quantitative/statistical with the purpose of testing the hypotheses that have been set. The population studied in this study is all automotive companies that have gone public on the Indonesian Stock Exchange. The sample is part of the number and characteristics possessed by the population. The sample in this study uses automotive companies listed on the Indonesia Stock Exchange in 2017 – 2021. The sampling technique used is Purposive Sampling, which is a sample collection technique with certain considerations (Sugiyono, 2017: 85), while the criteria set by the researcher are as follows following:

1. Automotive companies that have been listed on the Indonesia Stock Exchange (IDX) during the 2017-2021 period.
2. Automotive companies that publish audited financial reports for the 2017-2021 period.
3. Automotive companies that use the rupiah currency for the 2017-2021 period.

2. Data Types and Sources

The type of data used is quantitative data and the data source used in this research is secondary data. Secondary data is an indirect data source that provides data to data collectors, for example through other people or through documents Sugiyono (2017:187) Secondary data in this study is in the form of published financial report data.

3. Variable Operational Definitions

The operational definitions of several variables used in this study are:

1) Dependent Variable

a. Audit Delay (Y)

According to Rozi et al., (2022) Audit delay is the time span needed by the auditor to audit the company's financial statements from the closing date of the company's books, until the issuance of the audit report. The formula used is:

Audit delay = Audit Report Date – Financial report date (31 December 20XX)

2) Independent Variables

a. Switching Auditors (X1)

According to Rozi et al., (2022) Auditor switching is a condition in which the company's collaboration with the previous Public Accountant ends and is then replaced by a new auditor. The auditor switching variable in this study uses a dummy variable, namely 1 if there is a change of public accountant and 0 if there is no change in public accountant.

b. Public Accounting Firm Size (X2)

According to Putra et al., (2020) The size of the KAP is a reflection of the size of the Public Accounting Firm, the larger the Public Accounting Firm, the higher the quality of the audit it produces, so companies will change auditors from small KAPs to auditors from large KAPs to improve their reputation and quality of financial reports. According to Suryaningsih & Nugraha (2018) KAP size is the size of the KAP by grouping KAPs into KAPs affiliated with the Big Four KAPs. The size of KAP is measured using a Dummy Variable where companies that use KAP Big Four are given a score of 1 and companies that do not use non-Big Four KAPs are given a score of 0.

c. Company Size (X3)

According to Rozi et al., (2022) Company size is the size of a company which is assessed based on the amount of wealth (total assets) owned by the company. The formula used is:

Size = Ln (Total Assets)

3. Results And Discussion

1. Descriptive statistics

Descriptive statistics can provide an overview or description in a data obtained from the average value (mean), standard deviation, variance, maximum and minimum (Ghozali, 2016).

Table 1. Descriptive statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Audit delay	44	1,71	2,15	1,9074	0,11487
Auditor switching	44	0,00	1,00	0,3864	0,49254
Ukuran KAP	44	0,00	1,00	0,5682	0,50106
Ukuran Perusahaan	44	26,31	33,54	29,4917	2,00022

Based on table 1 above, it describes the descriptive variables statistically in this study. The minimum is the smallest value from a series of observations, the maximum is the largest value from a series of observations, the mean is the average value of all data, while the standard deviation is the square root of the difference between the data values and the average divided by the number of data.

a. Audit Delays

Audit delay has a mean value of 1.9074 and a standard deviation (std deviation) of 0.11487. the minimum value during the observation period is 1.71. While the maximum value in the observation period is 2.15.

b. Switching auditors

Auditor switching has a mean value of 0.3864 and a standard deviation (std deviation) of 0.49254. the minimum value during the observation period is 0.00. While the maximum value in the observation period is 1.00.

c. KAP size

KAP size has a mean value of 0.5682 and a standard deviation (std deviation) of 0.50106. the minimum value during the observation period is 0.00. While the maximum value in the observation period is 1.00.

d. Company Size

Firm size has a mean value of 29.4917 and a standard deviation (std deviation) of 2.00022. the minimum value during the observation period is 26.31. While the maximum value in the observation period is 33.54.

2. Significant test (F test / Simultaneous test)

The F test (Simultaneous Test) is to test how the independent variables jointly influence the dependent variable. In testing the hypothesis, the first step that must be taken by researchers is to know the basis for making decisions in the F Test (simultaneous). There are methods used in the basis of decision making, namely as follows:

1. If the Significance value (Sig.), <0.05 then there is a joint effect of the independent variable (X) on the dependent variable (Y). Hypothesis accepted.
2. If the Significance value (Sig.), > 0.05 then there is no joint effect of the independent variable (X) on the dependent variable (Y). The hypothesis is rejected.

Table 2. Anova

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.207	3	.069	7.668	.000b
	Residual	.360	40	.009		
	Total	.567	43			

Based on table 2 with a 5% confidence level, the results of testing the fourth hypothesis (H4) show that auditor switching, KAP size and company size simultaneously influence audit delay. This can be seen from the 5% confidence level, so that the α value is smaller than the tsign value (0.05 > 0.000). Thus the test shows that H4 is accepted.

3. Significant test (t test / Partial test)

The t test (Partial Test) is to test how the effect of each independent variable is partially on the dependent variable. In testing the hypothesis, the first step that must be taken by researchers is to know the basis for making decisions in the t (partial) test. There are ways that are used in the basis of decision making, namely as follows:

1. If the Significance value (Sig.), <0.05 then there is an influence of the independent variable (X) on the dependent variable (Y). Hypothesis accepted.
2. If the Significance value (Sig.), > 0.05 then there is no effect of the independent variable (X) on the dependent variable (Y). The hypothesis is rejected.

Table 3. Multiple Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.603	.328		7.934	.000		
	Auditor switching	.064	.030	.273	2.130	.039	.964	1.037
	KAP Size	-.020	.047	-.087	-.427	.672	.384	2.605
	Company Size	-.024	.012	-.418	-2.046	.047	.379	2.636

Based on table 3 the results of the t test on the independent variables can be explained in detail as follows:

1. Auditor switching affects audit delay

Based on table 3 with a 5% confidence level, the results of testing the first hypothesis (H1) show that auditor switching has an effect on audit delay. This can be seen from the 5% confidence level, so that the α value is smaller than the tsign value (0.05 > 0.039). Thus the test shows that H1 is accepted. This is because auditor switching is the replacement of a Public Accountant by a client company. The auditing process will take longer than if the auditor continues to accept assignments so that it will have an impact on delaying the submission of audited financial reports.

2. KAP size has no effect on audit delay

Based on table 3 with a 5% confidence level, the results of testing the second hypothesis (H2) show that KAP size has no effect on audit delay. This can be seen from the 5% confidence level, so that the α value is greater than the tsign value (0.05 <0.672). Thus the test shows that H2 is rejected. This is because all Big Four and non BIG Four KAPs carry out the audit process in accordance with audit principles that are in accordance with SPAP, besides that in line with increasingly fierce competition, all KAPs, both affiliated with the Big Four and not affiliated with the Big Four, of course always try to show high professionalism. Thus the size of the Public Accounting Firm has no influence on the occurrence of audit delay.

3. Company size has an effect on audit delay

Based on table 3 with a 5% confidence level, the results of testing the third hypothesis (H3) show that company size has an effect on audit delay. This can be seen from the 5% confidence level, so that the α value is smaller than the tsign value (0.05 > 0.047). Thus the test shows that H3 is accepted. This is because the bigger the company, the faster the company will report the results of audited financial statements because the company has many sources of information and has a good internal control system so that it can reduce the level of errors in preparing financial statements which makes it easier for auditors to audit financial statements.

4. Conclusion

Based on the results of the research that has been done, several conclusions can be drawn, namely

1. Accepted Hypothesis
   a. In this study the results of testing the first hypothesis (H1) show that auditor switching has an effect on audit delay.
   b. The results of testing the third hypothesis (H3) show that company size has an effect on audit delay
   c. The results of testing the fourth hypothesis (H4) show that auditor switching, KAP size and company size simultaneously influence audit delay

2. The Rejected Hypothesis
   a. In this study the results of testing the second hypothesis (H2) show that KAP size does not affect audit delay.

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