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THE EFFECT OF KAP REPUTATION, AUDITOR TURNOVER, AND FINANCIAL DISTRESS ON AUDIT DELAY

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ABSTRACT

This study aims to determine the effect of KAP reputation, auditor turnover and financial distress on audit delay in coal mining companies listed on the Indonesia Stock Exchange in 2015-2019. This type of research is quantitative research and uses secondary data in the form of audited financial reports obtained from the official website of the IDX. The population in this study is the coal mining sub-sector companies listed on the Indonesia Stock Exchange in 2015-2019 as many as 22 companies with the sample selection technique using purposive sampling method and obtained 14 sample companies with a period of 5 years so that the analyzed data amounted to 70 data. The analysis technique used is multiple linear regression analysis with the help of the Eviews 9 program. The results show that simultaneously the reputation of KAP, auditor turnover and financial distress have a significant effect on audit delay. Partially financial distress has a significant positive effect on audit delay. Meanwhile, KAP reputation and auditor turnover have no effect on audit delay.

Keywords: Audit delay, KAP reputation, auditor turnover, financial distress.

1. INTRODUCTION

The world's investment activities are currently growing rapidly, especially in Indonesia with the increase in funding activity on the Indonesia Stock Exchange by investors and the increasing growth activity of companies that go public on the Indonesia Stock Exchange, especially in the mining sector and other sectors. Companies that are listed and go public on the Indonesia Stock Exchange, have an obligation to publish their annual reports every year, which is one of the requirements for companies to obtain funding on the Indonesia Stock Exchange. This is based on the Decree of the Chairman of Bapepam-LK Number: KEP-431/BL/2012 which was stipulated on August 1, 2012 Rule Number XK6 concerning the submission of periodic financial reports of issuers or public companies must be accompanied by an audited report by a public accountant in the context of auditing financial statements public accountants do. In this case, the financial statements made by the company must be relevant and reliable and can be accounted for and easy to understand. This is based on the Statement of Financial Accounting Standards (PSAK). In this case, one of the important aspects in financial reports is the timeliness of timelines (Verawati & Wirakusuma, 2016). The audit of financial statements is carried out to provide assurance on the reliability of the financial statements presented by management based on Generally Accepted Accounting Principles (GAAP). In this case, the audit of financial statements by public accountants must be based on the Public Accountant Auditing Standards (SPAP) so as to improve the quality of the information produced so that the information produced can

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provide benefits to users of financial statements. This is based on the Financial Services Authority Regulation Number: 29/POJK.04/2016 concerning the submission of the issuer's annual report that the issuer's annual report must be accompanied by an audit report and submitted to the OJK no later than the end of the fourth month after the end of the company's fiscal year as of December 31.

Delays in submitting financial statements can reduce their relevance and reduce the quality of information and have a negative impact on the company both directly and indirectly. In this case, investors will indirectly respond to delays as a bad signal given by the company. Directly, for example on the IDX, companies that are late in submitting annual financial reports that do not comply with the regulations of the Financial Services Authority are subject to administrative sanctions and fines. In 2019 as many as 24 issuers were sanctioned by the stock exchange authorities in the form of written sanctions II and a fine of Rp. 50 million for being late in submitting audited financial reports (Ayuningtyas, 2019). That one of the factors causing the reduced relevance of financial statement information is the timely submission of reports. This is because there are several factors including KAP reputation, auditor turnover and financial distress. According to Verawati & Wirakusuma (2016) KAP reputation has a negative effect on audit delay but contrary to Lestari et al. (2017) that KAP reputation has no effect on audit delay and according to Praptika & Rasmini (2016) auditor turnover has a positive effect on audit delay and then according to Praptika & Rasmini (2016) financial distress has a positive effect on audit delay. This study will focus on seeing whether the reputation of KAP has an effect on audit delay, and whether auditor turnover has an effect on audit delay, then whether financial distress has an effect on audit delay.

2. LITERATURE REVIEW

Theoretical basis

Agency Theory

Agency theory is a theory that regulates the relationship between the agent of the company manager and the principal as the owner or shareholder who is bound in a work contract between the company manager and the principal. through the presentation of financial statements that have been audited by an independent auditor. According to Jensen & Meckling (1976) in Sari and Priyadi (2016) that the need for a work contract as a way of Agency theory to regulate the rights and obligations of each party. In this case, one thing that needs to be considered in implementing Agency theory is audit delay (Inayah, 2017).

Stakeholder Theory

According to Freeman (1984) in Praptika and Rasmini (2016) states that the company is an organ that relates to other parties, both inside and outside the company and all operational activities carried out by the company. That the stakeholders have an important role in the survival of the company both inside and outside the company in order to achieve the company's goals through timely financial reporting so that the information produced is good and useful for its users, namely the principal or interested stakeholders.

KAP reputation

According to Sari & Priyadi (2016) Public Accounting Firm is a form of organization or Public Accountant body that obtains permits in accordance with the laws and regulations that are engaged in providing professional services in the practice of Public Accountants. Meanwhile, KAP reputation is the identity and achievement of Public Accounting Firms affiliated with big four and big four KAPs in Indonesia.

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Auditor Turnover

According to Yanthi et al (2020) auditor replacement is an action taken by a company the company terminates the employment relationship with the old auditor and replaces it with a new auditor. That the change of auditors is the change of auditors for the current year and the previous year (Praptika and Rasmini, 2016). There are two auditor shifts, namely changes and mandatory changes due to regulations. Based on government regulation no. 20 of 2015 Article 11 paragraph 1 provides financial information services by public accountants for a maximum of 5 consecutive years where by KAP there are no restrictions.

Financial Distress

Financial distress is an important aspect of the company to know the performance of management and to know the company's finances and predict the company's life for the possibility of bankruptcy. According to Praptika and Rasmini (2016) Financial difficulties are a condition where the company is in an unhealthy condition and experiencing financial difficulties, namely where the company is experiencing financial difficulties to fulfill its obligations.

Audit Delay

According to Alfian & Nurmala (2020) Audit delay is the time span for completing the report that has been audited by the auditor by looking at the difference in days from the closing date of the financial year to the issuance of the audited financial statements. The length of the inspection period that is not in accordance with the provisions of the Financial Services Authority is considered a reporting delay. Based on the explanation above, audit delay is the period of audit or required by the auditor to complete the audit.

3. RESEARCH METHOD

Types of research

The research used is descriptive quantitative research, namely data in the form of numbers so that statistical analysis is carried out based on the facts of the influence of KAP reputation, auditor turnover and financial distress on audit delay in coal sub-sector mining companies listed on the Stock Exchange. Indonesian Securities in 2015-2019.

Research sites

This research was conducted on coal sub-sector mining companies listed on the Indonesia Stock Exchange in 2015-2019. The data used are secondary data on the financial statements of coal mining companies listed on the Indonesia Stock Exchange in 2015-2019 which were obtained based on the official website of the Indonesia Stock Exchange as follows: www.idx.co.id

Research sites

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Audit Delay

Audit delay is measured quantitatively in the number of days, which is calculated from the date of the closing year per December 31 until the audit opinion report is signed (Praptika & Rasmini, 2016).

$AUDY = \text{Audit report date} - \text{Financial Statement Date}$

KAP reputation

KAP reputation in this study is proxied by big four and non big four KAPs using dummy variables (Verawati & Wirakusuma, 2016). If the KAP is big four, it is coded as dummy 1 and non-bigfour dummy 0.

Auditor Turnover

Auditor turnover is proxied by changing and not changing auditors who audit companies using dummy variables (Siahan et al, 2019). Switching dummy 1 doesn't change dummy 0.

Financial Distress

Financial distress is proxied by the debt to asset ratio by looking at the proportion of total debt to total assets (Inayah, 2017).

$DAR = \frac{\text{Total liabilities}}{\text{Total assets}} \times 100\%$

Population and Sample

Population

The population in this study were all mining companies listed on the IDX in 2015-2019 as many as 22 companies.

Sample

The sample selection in this study used the purposive sampling method, namely deliberately taking certain samples that were in accordance with certain properties and characteristics (Inayah 2017). Samples in the research of coal sub-sector mining companies listed on the IDX in 2015-2019 were 14 companies

Data analysis technique

The data analysis technique used statistical analysis methods. Statistical analysis aims to obtain relevant information contained in the data and use the results to solve research problems. The analysis used is multiple linear regression analysis with the help of the Eviews 9 program.

4. RESULT AND DISCUSSION

Overview of Research Objects

The object of this research is the coal sub-sector mining company on the BEI in 2015-2019 as many as 22 companies with a sample selection technique using purposive sampling technique and obtained 14 companies so that the data obtained is 70 data which is the result of the number of samples multiplied by the research period from 2015 to 2019 (5 Years X 14 Sample Companies).

Table 4.1 Sample Description

No	Criteria	Criteria Violation	Accumulation
1	Coal sub-sector mining companies on the IDX for the 2015-2019 period	0	22
2	Companies that publish audited financial statements for the 2015-2019 period	(5)	17
3	Companies that present financial statements in US Dollars	(3)	14
4	Companies that have information according to the needs of research variables	(0)	14
Total Research Sample			14
Total research sample for 5 years		(5 x 14)	70

Data source: Secondary processed 2021

Research results

Descriptive Statistics Test

The following are the results of descriptive statistics with a total of 70 data from coal mining sub-sector companies listed on the IDX for the 2015-2019 period as follows:

Table 4.2 Descriptive Statistical Test

	AUDY	RKAP	PA	FD
Mean	75.62857	0.642857	0.528571	0.502172
Median	74.00000	1.000000	1.000000	0.419720
Maximum	273.0000	1.000000	1.000000	1.897679
Minimum	39.00000	0.000000	0.000000	0.097790
Std. Dev.	31.04423	0.482617	0.502787	0.337665
Skewness	3.918594	-0.596285	-0.114473	1.982239
Kurtosis	24.85864	1.355556	1.013104	8.589050
Jarque-Bera	1572.730	12.03539	11.66717	136.9508
Probability	0.000000	0.002435	0.002928	0.000000
Sum	5294.000	45.00000	37.00000	35.15203
Sum Sq. Dev.	66498.34	16.07143	17.44286	7.867237
Observations	70	70	70	70

Data source: Output Eviews 9 processed 2021

Panel Data Regression Model Test

Chow test

Table 4.3 Chow test

Redundant Fixed Effects Tests			
Equation: Untitled			
Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	2.404903	(13,53)	0.0126
Cross-section Chi-square	32.456181	13	0.0021

Data source: Output Eviews 9 processed 2021

The results of the Chow test show the probability value of cross-section F of 0.0126 <0.05, which means that H0 is rejected and H1. So it can be concluded that the right model is the fixed effect model.

Hausman test

Table 4.4 Hausman test

Correlated Random Effects - Hausman Test Equation: Untitled Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	3.352992	3	0.3403

Data source: Output Eviews 9 processed 2021

Hausman test results show a random cross section value of $0.3403 > 0.05$, which means H_0 is accepted and H_1 is rejected. So it can be concluded that the right model in the Hausman test is the random effect mode.

Lagrange Multiplier Test

Table 4.5 Lagrange Multiplier Test

Residual Cross-Section Dependence Test Null hypothesis: No cross-section dependence (correlation) in weighted residuals Equation: Untitled Periods included: 5 Cross-sections included: 14 Total panel observations: 70 Note: non-zero cross-section means detected in data Cross-section means were removed during computation of correlations			
Test	Statistic	d.f.	Prob.
Breusch-Pagan LM	143.5574	91	0.0004
Pesaran scaled LM	2.858064		0.0043
Pesaran CD	0.273526		0.7844

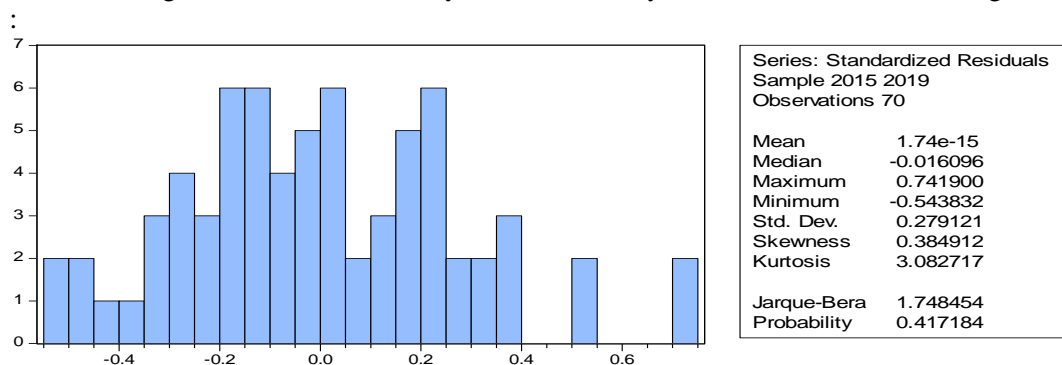
Data source: Output Eviews 9 processed 2021

The results of the lagrange multiplier test above show that the Breusch-Pagan LM value is $0.0004 < 0.05$, which means H_0 is rejected and H_1 is accepted, which means that the appropriate model used is the random effect model (REM). Based on the panel data regression selection test, it can be concluded that the appropriate model used in panel data regression is the random effect model (REM).

Classic assumption test

Normality tes

The following results of the normality test of this study can be seen in the following table :



Data source: Output Eviews 9 processed 2021

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On the results of the normality test, the researchers treated the data by transforming the data into the form of a natural logarithm. Data that are not normally distributed can be treated with data treatment by transforming the data into natural logarithmic form (LN) so that the data is normally distributed (Ghozali, 2013). In this case, the researcher transforms the dependent variable (LOGY). The results of the normality test above after treatment showed the jarque fallow value of 1.748454 and the jarque fallow probability of 0.417184 and the chi-square table value of 7.815 from 3 independent variables and a significance level of 0.05, which means the jarque-fallow value of $1.748454 < \text{chi-square table } 7.815$ and jarque-fall probability $0.417184 > 0.05$. which means that H_0 is accepted and H_a is rejected and the data is normally distributed.

Multicollinearity Test

The results of the multicollinearity test of this study can be seen in the following table :

Table 4.6 Multicollinearity Test

	RKAP	PA	FD
RKAP	1.000000	-0.008499	-0.122123
PA	-0.008499	1.000000	0.714715
FD	-0.122123	0.714715	1.000000

Data source: Output Eviews 9 processed 2021

The results of the multicollinearity test above show that the coefficient value of each variable is less than 0.90, namely KAP reputation with auditor turnover -0.008499, and KAP reputation with financial distress -0.122123 and financial distress with auditor turnover 0.714715, which means that the data in the study is free from multicollinearity problems.

Heteroscedasticity Test

The following results of the heteroscedasticity test of this study can be seen in the following table:

Table 4.7 Heteroscedasticity Test

Heteroskedasticity Test: Harvey			
F-statistic	0.736981	Prob. F(3,66)	0.5337
Obs*R-squaredh	2.268933	Prob. Chi-Square(3)	0.5185
Scaled explained SS	1.713168	Prob. Chi-Square(3)	0.6340

Data source: Output Eviews 9 processed 2021

The results of the heteroscedasticity test in research using the Harvey test show that the probability value of Obs*R-Squaredh 0.5185 is greater than 0.05 or $0.5185 > 0.05$, which means that the data is free from heteroscedasticity problems.

Autocorrelation Test

The following are the results of the autocorrelation test of this study as follows :

Table 4.8 Autocorrelation Test

Weighted Statistics			
R-squared	0.132427	Mean dependent var	1.709701
Adjusted R-squared	0.092992	S.D. dependent var	0.221083
S.E. of regression	0.210552	Sum squared resid	2.925932
F-statistic	3.358094	Durbin-Watson stat	1.556015
Prob(F-statistic)	0.023919		

Data source: Output Eviews 9 processed 2021

The results of the autocorrelation test show that the D-W value is between -2 to +2,

namely $-2 < 1.556015 < 2$, which means that there is no autocorrelation in the regression model..

Panel Data Multiple Linear Regression Test Result

The following are the results of the multiple linear regression analysis of the Panel Data of this study as follows :

Table 4.9 Multiple Linear Regression Analysis Panel Data

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.093807	0.110610	37.01105	0.0000
RKAP	-0.099883	0.237135	-0.421207	0.6750
PA	0.032777	0.101957	0.321481	0.7489
FD	0.385539	0.171156	2.252564	0.0276
Effects Specification				
			S.D.	Rho
Cross-section random			0.219540	0.5119
Idiosyncratic random			0.214386	0.4881
Weighted Statistics				
R-squared	0.132427	Mean dependent var	1.709701	
Adjusted R-squared	0.092992	S.D. dependent var	0.221083	
S.E. of regression	0.210552	Sum squared resid	2.925932	
F-statistic	3.358094	Durbin-Watson stat	1.556015	
Prob(F-statistic)	0.023919			

Data source: Output Eviews 9 processed 2021

Test the coefficient of determination R2

The results of the coefficient of determination test show that the Adjusted R-square value is 0.092992, which means that only 9.29% of the variation in the audit delay variable can be explained by the independent variables of KAP reputation, auditor turnover and financial distress, while the remaining 90.72% is explained by other variables not examined in this research model.

F Statistic Test (Simultaneous)

Based on the results of the hypothesis test F above, the f-count value is $3.358094 > f$ table 2.74 and the probability f is $0.023919 < 0.05$, which means that H1 is accepted. So the reputation of KAP, auditor turnover and financial distress simultaneously have a significant effect on audit delay.

t . Statistical Test (Partial)

Effect of KAP reputation on audit delay

KAP reputation has a t-count value of $-0.421207 < t$ -table 1.996 and a probability t of $0.6750 > 0.05$, which means that H1 is rejected. So the reputation of KAP has no effect on audit delay.

Effect of auditor turnover on audit delay

Auditor turnover has a t-count value of $0.321481 < t$ -table 1.996 probability t $0.7489 > 0.05$ which means H2 is rejected. So the change of auditors has no effect on audit delay.

The effect of financial distress on audit delay.

Financial distress has a t-count value of $2.252564 > t$ -table 1.996 and a probability of

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0.0276 <0.05, which means that H3 is accepted. So financial distress has a significant positive effect on audit delay.

5. CONCLUSION

Based on the research that has been done, it can be concluded that the KAP reputation has no effect on audit delay. This study supports research conducted (Lestari et al, 1917) that KAPs affiliated with Bigfour do not necessarily have shorter audit periods because every KAP in Indonesia refers to the same auditing standards, namely the same auditing standards, namely the Public Accountant Auditing Standards (SPAP).), and have the same good quality, as evidenced by the KAP Permit issued by the Ministry of Finance of the Republic of Indonesia, both KAP affiliated with KAP bigfour and non-bigfour. Change of auditors does not affect audit delay. The results of this study support research conducted by (Siahan et al, 2019), (Perangin-angin, 2019) and (Yanthi et al, 2020) which state that auditor turnover has no effect on audit delay, that even though there is a change of auditors in the company, The new audit plan can be prepared properly because the audit planning in the company is carried out before the end of the company's financial year and before the end of the company's work contract with the old auditor. This shows that if there is a change of auditors, the new auditors can still carry out audit planning well in the audit process so that it does not affect the length of the audit process. Financial distress has a significant positive effect on audit delay. This shows that when the value of the financial distress ratio is high, the audit delay value will be greater so that the audit delay will be longer. This study supports research conducted by (Praptika & Rasmini, 2016) and (Oktaviani & Ariyanto, 2019) which state that financial distress has a significant positive effect on audit delay, namely that financial distress conditions will provide several signals, including bad news and good news. In this case, financial distress is bad news for companies and auditors and can increase audit risk, especially on control risk and detection risk. With this increased risk, the auditor will improve risk assessment, precisely at the time of audit planning, namely before conducting the audit process so that it has an impact on the audit process which results in the length of the audit process and the longer audit delay.

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