# THE EFFECT OF AUDIT OPINION AND PUBLIC ACCOUNTING FIRM REPUTATION ON AUDIT DELAY (EMPIRICAL STUDY OF MANUFACTURING COMPANIES ON THE IDX 2017-2020)

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**Abstract:** The purpose of this study was to examine the effect of audit opinion and KAP's reputation on audit delay. The basic population of this research is all manufacture companies registered on IDX during the 2017 - 2020 period The method used is descriptive statistical method, while the data used is secondary data. Sampling in this study using non-probability purposive sampling. The results of the study show that audit opinion has no significant effect on audit delay, KAP's reputation has a significant effect on audit delay and audit opinion and KAP's reputation simultaneously have an effect on audit delay.

**Keywords:** Audit delay, audit opinion and reputation of the Public Accounting

## I. INTRODUCTION

Financial reports are the main means used by companies to convey corporate financial information to outside parties (Hambalii, 2017). Information contained in financial reports is said to be useful if it is presented in an accurate and timely manner, that is, when it is needed by the investor (Nurjanah, 2017).

Audit delay is the audit completion process, starting from the closing date of the company's books, namely 31 December to the date listed in the independent audit report for the said company (Liwe 2018). Audit delay is the auditor's ability to complete the audit report in a timely manner from the end of the financial year to the date the report is issued. The better and more qualified an auditor is, the less likely an audit delay will occur. Things that can affect this are company size, audit committee, audit opinion, and KAP size (Putri, AP, 2021)

Regarding the phenomenon of audit completion of financial reports, this includes a list of the number of audit delays from 2017 to 2020 for manufacturing companies listed on the IDX.

**Tabel 1. List of Number of *Audit delay***

| No. | Year | Total (Average) |
|-----|------|-----------------|
| 1 | 2017 | 81 hari |
| 2 | 2018 | 82 hari |
| 3 | 2019 | 93 hari |
| 4 | 2020 | 102 hari |

The table above explains the increase and decrease in the average number of audit completed financial reports for manufacturing companies registered on the IDX in 2017 to 2020. In 2017 the average number of audit completed financial statements has increased to 81 days, in 2018 the average number of financial report audit completions

has increased to 82 days, and in 2019 the average number of financial report audit completions has increased to 93 days. In 2020 the average number of audit completions has increased to 102 days.

Factors that can lead to lengthy audit completion times or audit delays are audit opinion. Companies that receive reasonable opinions with exceptions will experience longer audit completion times, this is caused because the audit audit process will involve negotiations with clients as well as consulting with more senior audit partners. Apart from companies that receive unqualified opinion, for the time of audit completion, it is likely that the audit report will be more independent because the company will not delay the publication of financial reports that contain good quality (Wardhani, 2020).

The audit conducted by (Eilvadini, 2017) audit opinion with KAP Reputation as a variable moderation does not affect audit delays or delays in submitting audit reports, because auditors from any KAP will apply the same audit implementation standards in terms of auditing. This opinion will not affect the length of time the audit report is submitted.

Therefore, the purpose of scientific writing is to provide an overview of how audit opinion and public accounting firm reputation affect audit delay. In an manufacture company. Thus, the formulation of the problem in this study is as follows:

1. Does audit opinion affect audit delay?
2. Does KAP's reputation affect audit delay?
3. Does audit opinion and KAP's reputation affect audit delay?

## II. RESEARCH METHODS

In this population survey, all companies in the infrastructure sector are listed on the Indonesia Stock Exchange (IDX) between 2017 and 2020. Sampling was carried out using purposive sampling where sampling is based on certain facts which can be explained as follows:

1. Infrastructure companies listed on the Indonesia Stock Exchange (IDX) in 2017-2020
2. Companies that publish financial reports / annual reports consecutively during the period 2017 – 2020.
3. Manufacturing companies that use rupiah currency in their financial reports.

The current study uses an annual time series from 2017 to 2020. Information was collected using the documentary method from various research sources and financial reports of manufacture companies on the Indonesia Stock Exchange for the period 2017-2020. This research is in the form of quantitative data using secondary data. Although the analysis technique used is multiple linear analysis.

## III. RESULTS AND DISCUSSION

**Statistic Descriptive**

**Table 2, Descriptive Statistics Results Descriptive Statistics**

**Tabel 2. Descriptive Statistics Results**

|  | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| OPINI AUDIT | 136 | 3,00 | 4,00 | 3,8529 | ,35547 |
| REPUTASI KAP | 136 | ,00 | 1,00 | ,3309 | ,47227 |
| AUDIT DELAY | 136 | 69,00 | 99,00 | 83,0294 | 6,01842 |
| Valid N (listwise) | 136 |  |  |  |  |

The sample data used in this study was 136. Based on table 5.1 it shows that the audit delay variable explains that the N value is 136, the minimum value or lowest value is 69, the maximum value or highest value is 99 and the

average value (mean) is 83.02 while the standard deviation value is 6.018. The audit opinion variable explains that the N value is 136, the minimum value or lowest value is 3 and the maximum value or highest value is 4 and the average value (mean) is 3.85, while the standard deviation value is 0.355. The KAP reputation variable explains that the N value is 136, the minimum value or lowest value is 0.00. The maximum value or highest value is 1 and the average value (mean) is 0.33, while the standard deviation value is 0.472.

**Classic hypothesis test**

The classic hypothesis test analyzes the state of the existing data to determine which analytical model should be used. The classic hypothesis test performed is as follows:

**Multicollinearity test**

This method tests the tolerance value or variance inflation factor (VIF) where the limit is. Methods that can be used to test multicollinearity are tolerance value tests with a cutoff of 0.10 and a variance inflation factor (VIF) cutoff of 10 (Hair et al., 1998). From Table 4 below it can be seen that there was no multicollinearity in this study because the tolerance value was greater than 0.1 and the VIF was less than 10.

**Table 3.  Multicollinearity Test**

**Coefficients[a]**

| Model | Unstandardized Coefficients | | Standardized Coefficients | | | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|
| | B | Std. Error | Beta | t | Sig. | Tolerance | VIF |
| (Constant) | 86,006 | 5,553 | | 15,487 | ,000 | | |
| OPINI AUDIT | -,999 | 1,435 | -,059 | -,696 | ,488 | ,999 | 1,001 |
| REPUTASI KAP | 2,633 | 1,080 | ,207 | 2,438 | ,016 | ,999 | 1,001 |

a. Dependent Variable: AUDIT DELAY

**Normality Test**

Based on Table 4 below, the residual values of all regression models show a normal distribution, because the significance level indicates a significance above 0.05.

**Table 4, Normality Test Results One-Sample Kolmogorov-Smirnov Test**

**One-Sample Kolmogorov-Smirnov Test**

| | | Unstandardized Residual |
|---|---|---|
| N | | 136 |
| Normal Parameters[a,b] | Mean | ,0000000 |
| | Std. Deviation | 5,87984637 |
| Most Extreme Differences | Absolute | ,074 |
| | Positive | ,053 |
| | Negative | -,074 |
| Test Statistic | | ,074 |
| Asymp. Sig. (2-tailed) | | ,064[c] |

a. Test distribution is Normal.
b. Calculated from data.
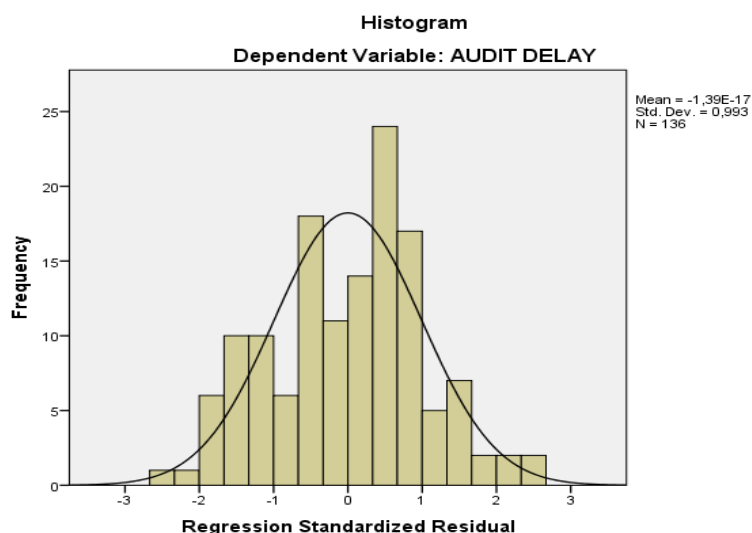c. Lilliefors Significance Correction.

**Figure 1. Data normality test diagram**

## Heteroscedasticity Test

The heteroscedasticity test aims to test whether the regression model does not have residual similarities from one observation period to another. In the absence of heteroscedasticity in a regression model, or commonly called homoscedasticity, it is tested using a scatterplot.
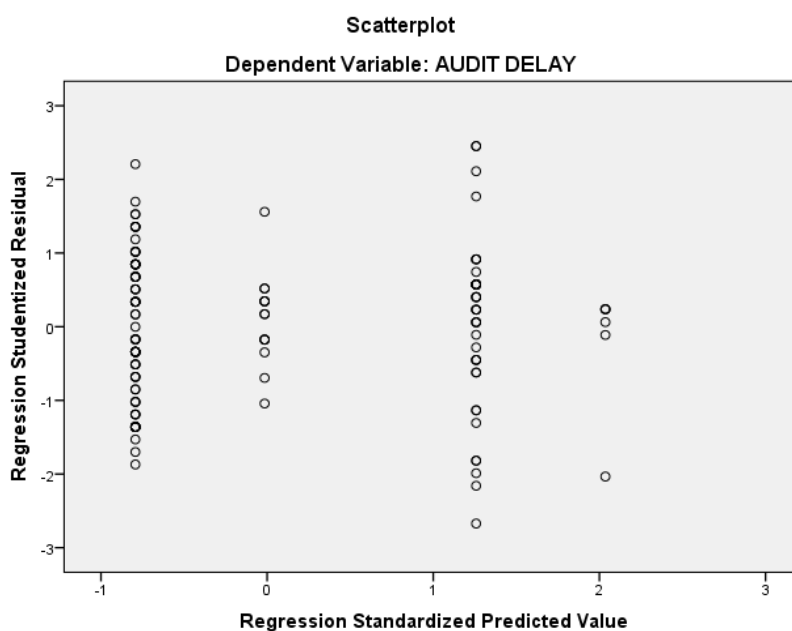


**Figure 2. Heteroscedasticity Test Results**

Based on the figure 2 above, the data points spread above and below or around the number 0, the data points do not gather, only above or below, the spread of data points does not form a wavy pattern, widens then narrows and widens again, and the spread of data points is not patterned. So it can be stated that there is no heteroscedasticity in the model, so the regression model is suitable for further analysis

## Autocorrelation Test

According to (Sunyoto, 2019: 98) "one measure in determining whether there is an autocorrelation problem is with the Durbin-Watson test (DW) with the following conditions:
a. There is a positive autocorrelation if the DW value is below -2 (DW < -2)
b. There is no autocorrelation if the DW value is between -2 and +2 or -2 < DW < +2
c. There is a negative autocorrelation if the DW value is above +2 or DW > +2".

### Table 5, Autocorrelation Test

**Model Summary[b]**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | ,213[a] | ,046 | ,031 | 5,92389 | 1,774 |

a. Predictors: (Constant), REPUTASI KAP, OPINI AUDIT
b. Dependent Variable: AUDIT DELAY

Based on the results of the autocorrelation statistical test in table 5 above, it can be seen that the autocorrelation test results with the Durbin – Watson test show a value of 1.774 where the number is between -2 to +2. So it can be concluded that the data in this study are free from autocorrelation.

### Test the coefficient of determination (R2)

Through the test results of the coefficient of determination, the Adjusted R Square value is 0.031. This shows the ability of the independent variables, namely the variable audit opinion and reputation of the KAP dependent on audit delay of 3.1%, while the rest is explained by other variables outside this research model.

### Table 6, Determination test results

**Model Summary[b]**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | ,213[a] | ,046 | ,031 | 5,92389 | 1,774 |

a. Predictors: (Constant), REPUTASI KAP, OPINI AUDIT
b. Dependent Variable: AUDIT DELAY

### Simultaneous significance test (F-Test)

From Table 7 below, the F significance test shows that all independent variables as a whole can explain the dependent variable (profitability) significantly. The entire independent variable is said to affect the dependent variable if it has a significance value below 0.05

### Table 7, F test results

**ANOVA[a]**

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 222,582 | 2 | 111,291 | 3,171 | ,045[b] |
| | Residual | 4667,300 | 133 | 35,092 | | |
| | Total | 4889,882 | 135 | | | |

a. Dependent Variable: AUDIT DELAY
b. Predictors: (Constant), REPUTASI KAP, OPINI AUDIT

**Multiple linear regression**

Based on the results of the research hypothesis that there is a relationship between the independent variables and the dependent variable, making an analytical model requires multiple linear regression.

**Table 8, Multiple linear regression result**

**Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | | Tolerance | VIF |
| **1** | (Constant) | 86,006 | 5,553 | | 15,487 | ,000 | | |
| | OPINI AUDIT | -,999 | 1,435 | -,059 | -,696 | ,488 | ,999 | 1,001 |
| | REPUTASI KAP | 2,633 | 1,080 | ,207 | 2,438 | ,016 | ,999 | 1,001 |

a. Dependent Variable: AUDIT DELAY

**Test of Significance of Individual Parameters (t test)**

The independent variable is said to have an effect on the dependent variable if it has a significance value of less than 0.05.

**Table 9, Statistical Test Results t**

**Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| **1** | (Constant) | 86,006 | 5,553 | | 15,487 | ,000 |
| | OPINI AUDIT | -,999 | 1,435 | -,059 | -,696 | ,488 |
| | REPUTASI KAP | 2,633 | 1,080 | ,207 | 2,438 | ,016 |

a. Dependent Variable: AUDIT DELAY

Based on the table above it is known as follows:

1. Audit opinion has a significant value of 0.488 > 0.05. This shows that audit opinion has no significant effect on audit delay.
2. KAP's reputation has a significant value of 0.016 <0.05. This shows that KAP's reputation has a significant effect on audit delay.

**Effect of audit opinion on audit delay**

The results of the t-statistic test in Table 9 show audit opinion has a significant value of 0.488 > 0.05. This shows that audit opinion has no significant effect on audit delay

This shows that whatever the results of the opinion issued by the auditor are unqualified, unqualified, unqualified, adverse and disclaimer, the auditor uses the same procedures starting from the audit process to completion of audit reporting so that it does not affect the length of time auditing according to previous research by Sulmi,Hamrul and Nopiyanti (2020).

**Effect of KAP's reputation on audit delay**

The results of the t-statistic test in Table 9 show KAP's reputation has a significant value of 0.016 <0.05. This shows that KAP's reputation has a significant effect on audit delay.

This shows that the reputation of KAP is seen from the achievements and public trust held by the auditor on the big name that the auditor has. The auditor's reputation can be seen by the existence of the Big Four KAP in providing quality work quickly.This is in accordance with the author's initial hypothesis and previous research by Apriyanti and Rejeki (2021).

## IV. CONCLUSION

Based on the results of the analysis and discussion, the following conclusions can be drawn:

1.   Audit opinion does not affect audit delay.
2.   KAP's reputation has a significant effect on audit delay.
3.   Audit opinion and KAP's reputation simultaneously have an effect on audit delay.

**Implications**

Future researchers are advised to use a larger sample with more diverse characteristics from different industrial sectors and extend the research time.

**Research limitations**

In this study a single variable was used and the time limit was only 2017-2020. It is better to add other independent variables in further research which also affects audit delay and increases research time.

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