



**The Effect of Auditor Switching, Profit Loss And Total Assets on Audit
Report Lag**
(Empirical Study of Manufacturing Companies Listed on The IDX for 2016-2020)

Rumsiah¹, Tati Rosyati²

^{1,2} Fakultas Ekonomi dan Bisnis Universitas Pamulang

Email: rumsiah359@gmail.com

Article Info

Article History:

Received: 12 March 2022

Revised: 18 March 2022

Published: March 2022

e-ISSN: 2623-2324

p-ISSN: 2654-2528

DOI: 10.5281/zenodo.6427099

Abstract:

This study aims to determine: (1) The simultaneous effect of auditor turnover, income and total assets on audit report lag, (2) Effect of auditor turnover on audit report lag, (3) Effect of profit and loss on audit report lag, (4) The effect of total assets on audit report lag. The effect of auditor turnover, profit and loss and total assets on audit report lag in manufacturing companies listed on the Indonesia Stock Exchange in 2016-2020. This type of research is a quantitative research with a causal method. Samples were taken using purposive sampling technique. The sample consists of 345 data from 69 manufacturing sector companies listed on the 2016-2020 BEI. The data analysis technique used is descriptive statistics and panel data regression using Eviews 9.0. Based on the results, it shows that auditor turnover, income and total assets simultaneously affect audit report lag, auditor turnover does not affect audit report lag, profit and loss affects audit report lag, total assets have no effect on audit report lag.

Keywords: auditor turnover, profit and loss, total assets, audit report lag.

INTRODUCTION

Financial reports are one of the communication media that must be understood objectively and relevantly. Audit reporting is a fact by analyzing it first. Bapempam and LK have issued regulations to avoid unnecessary delays in reporting. In the decision of Bapempam and LK Number: KEP-431/BL/2012 requires every company to submit an audited annual financial report no later than 120 days after the company's books are closed. Decisions that have been issued by Bapempam-LK apply to companies listed on the Indonesia Stock Exchange (Butarbutar & Hadiprajitno, 2017). According to (Ginanjari, 2018) company restrictions on delays in submitting financial statements can result in a decrease in investor confidence in management, because this can affect the level of buying and selling shares on the capital

market. The delay in issuing the financial statements indicates that there is a problem in the company's financial statements, because they must have more time in the audit process.

According to Fadrul & Astuti (2019), audit report lag is the time difference between the date of the financial statements and the date of issuance of the audited financial statements. The financial report itself is a means of information about the financial condition of a company which can be useful for its users in making a decision. Dyer and M Hugh in Alfiani and Nurmala (2020) there are 3 (three) delay criteria to see the timeliness in their research, namely:

a) Preliminary lag

Represents the number of days interval between the end of the fiscal year and the date of receipt of the predecessor financial statements by the capital market.

b) Auditor's report lag

It is the interval between the end of the fiscal year and the date stated in the auditor's report.

c) Total lag

It is the interval between the end of the fiscal year and the date of receipt of the published annual report by the market.

The change of auditors has been regulated by the government in the Decree of the Minister of Finance No. 17/PMK.01/2008 regarding Public Accounting Services. The regulation states that the provision of general audit services on financial statements based on an entity is carried out by KAP for a maximum of 6 (six) consecutive years and by a Public Accountant for a maximum of 3 (three) consecutive years (Widiyati, Shanti, & Kurnia, 2016). According to Mulyadi (2002) in (Gaol & Sitohang, 2020) clients who change their auditors for no apparent reason may be due to the client's dissatisfaction with the services provided by the old auditor.

The income statement has an important role, namely, as a measuring tool for the efficiency of the company's management and the company's survival in the future (Wardiyah, 2017). In companies that have recorded profits, it will indicate that the company has been successful in obtaining profits and the amount of profit will be very influential in the timeliness of the auditing process.

Total assets can measure the company's ability to manage financial statements, where the company has strong internal control and the ability to pressure auditors to complete audit work in a timely manner. According to (Effendi, 2020) said that the larger the assets owned, the smaller the level of audit report lag. This is because the company will always feel cared for in every business activity and financial report by investors. The relationship between company size and audit report lag is that the greater the assets, the more capital invested, the more sales, the more money circulation, and the greater the market capacity, the greater the recognition in the community (Liwe et al, 2018; mewa et al 2019).

Based on the explanations described above and the guidelines for research that has been done previously regarding the variables mentioned above previously, this researcher is interested in re-examining the variance that affects audit report lag with the title "The effect of auditor turnover, profit and loss and total assets on audit report lag".

Based on the description, the hypothesis proposed is as follows:

- H1: It is suspected that there is a simultaneous effect of auditor turnover, profit and loss and total assets on audit report lag.
- H2: It is suspected that there is an effect of changing auditors on audit report lag
- H3: It is suspected that there is an effect of profit and loss on audit report lag
- H4: It is suspected that there is an effect of total assets on audit report lag

RESEARCH METHODS

This research was conducted on manufacturing companies listed on the Indonesia Stock Exchange in the 2016-2020 period through the official website www.idx.co.id. This research was conducted in November 2021–March 2022. The data source used is secondary data from the annual financial reports of manufacturing companies which have been downloaded through the BEI website (www.idx.co.id).

Audit reporting lag is measured quantitatively from the closing date of the financial year to the date stated in the independent audit report. The data unit used is the number of days and can be formulated as follows:

$$\text{Audit report lag} = \text{Audit Report Date} - \text{Book Close Date}$$

Companies that are audited by a different auditor from the previous year either obligatory or voluntary are given a code of 1, while companies that are audited by the same auditor as the previous year are coded 0. Whether there is a change of auditors in the current year can be seen in the name of the auditor in the previous year.

This profit and loss uses a dummy variable, where companies that earn profits are given a dummy code of 1, while companies that experience losses receive a dummy code of 0.

Total assets or can be said to be the size of the company, which can be defined as the size of a company as measured by looking at the total number of company assets and then in the natural logarithm.

The population in this study are manufacturing companies on the IDX for the 2016-2020 period and the data used are annual financial statements. Sampling used in this research is purposive sampling, namely by taking a sampling technique that is in accordance with certain criteria. The criteria to be used in sampling are:

- a. Manufacturing Companies listed on the IDX in a row during the 2016-2020 period.
- b. The financial statements ending on December 31 are complete with notes to the financial statements.
- c. Manufacturing companies that use Rupiah in their financial statements.

The analytical tool used in this study is panel data regression analysis. Panel data is a combination of time series and cross-section data so that it requires a special data tabulation format (Gozali & Ratmono, 2020) using E-views 0.9.

RESEARCH RESULTS AND DISCUSSION

Based on predetermined criteria, there are 195 populations and in it there are 69 manufacturing companies that match the criteria, so the total data obtained is 345 financial statement data.

Descriptive Statistical Analysis

Data processing in this descriptive test will show the results of the average, maximum, minimum, and standard deviation values to describe the research variables, namely the dependent variable is the Audit Report Lag, the independent variables are Auditor Change, Profit and Loss and Total Assets.

From the tables above, the overall statistical descriptive test is obtained as follows:

Table 1. Descriptive Statistics Test

	ARL	PA	LR	TA
Mean	89.42609	0.113043	0.811594	28.23563
Median	83.00000	0.000000	1.000000	28.30923
Maximum	766.0000	1.000000	1.000000	33.49453
Minimum	13.00000	0.000000	0.000000	21.39870
Std. Dev.	53.89563	0.317106	0.391604	2.212596
Skewness	7.161179	2.444096	-1.593686	-0.652177
Kurtosis	79.17707	6.973605	3.539835	4.515558
Jarque-Bera	86366.08	570.4568	150.2297	57.47487
Probability	0.000000	0.000000	0.000000	0.000000
Sum	30852.00	39.00000	280.0000	9741.291
Sum Sq. Dev.	999230.4	34.59130	52.75362	1684.080
Observations	345	345	345	345

Source: Eviews Data Processing Version 9.0

The results show that the audit report lag variable (ARL) has a minimum value of 13,000000 and a maximum value of 766,0000, the average value (mean) is 89,42609 and the standard deviation is 53,89563. The sample company with the highest audit report lag is PT FKS Food Sejahtera Tbk, while the sample company with the lowest audit report lag is PT Magna Investama Mandiri Tbk.

The auditor turnover variable (PA) obtained a minimum value of 0.000000, the maximum value of 1.000000, the average value (mean) of 0.113043 and the standard deviation of 0.317106. The sample company that changed auditors 3 times during the 2016-2020 research period was PT Ekadharma International Tbk.

The profit and loss variable (LR) has a minimum value of 0.000000, the maximum value is 1.000000, the average value (mean) is 0.811594 and the standard deviation is 0.391604. Based on the number of samples, 69 companies on average earned a profit of 81% seen from the company's after-tax profit. The variable total assets (TA) has a minimum value of 21.39870, a maximum value of 33.49453, an average value (mean) of 28.23563 and a standard deviation of 2.212596. The sample company that has more assets is PT Astra Otoparts Tbk, while the company that has lower assets is PT Berlina Tbk.

Panel Data Regression Model Estimation

There are several methods commonly used in estimating the panel data regression model in this study, namely the common effect model (CEM) approach, fixed effect model (FEM), and random effect model. (REM).

1. Common Effect Model (CEM)

The simplest technique for estimating panel data is simply to combine time series and cross section data.

2. Fixed Effect Model (FEM)

Fixed Effect Model (FEM) is a technique for estimating panel data using dummy variables to capture differences in intercepts.

3. Random Effect Model (REM)

Random Effect Model (REM) is an estimation method of panel data regression model using the assumption of constant slope and different intercepts between time and between individuals. This model is also often called the error component model. The right model used to estimate the Random Effect Model (REM) is the Generalized Least Square (GLS) as the estimator because it can increase the efficiency of the Least Square estimation.

Panel Data Model Testing

In determining the right data model to be used in managing panel data, three tests can be carried out, namely:

1. Chow Test

The Chow test is a test to determine between the common effect models or the most appropriate Fixed effect model in estimating panel data:

Table2. Chow Test

Redundant Fixed Effects Tests			
Equation: MODEL_FEM			
Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	4.101243	(68,273)	0.0000
Cross-section Chi-square	242.834110	68	0.0000

Source: Eviews Data Processing Version 9.0

Table 2 shows that the probability value on the F-test is 0.000 and the Chi-Square value is 0.000. Both values are smaller than 0.05, so it can be concluded that the model follows the fixed effect model.

2. Hausman Test

The Hausman test is a statistical test to choose the most appropriate fixed effect model or random effect model to use. If the random cross-section probability value < significant value ($\alpha = 0.05$). The results of the Hausman test can be seen in the following table:

Table 3. Hausman Test

Correlated Random Effects - Hausman Test			
Equation: MODEL_REM			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	3.425392	3	0.3306

Source: Eviews Data Processing Version 9.0

Based on table 4.3, it shows that the probability value on the Chi-Square F-test is 0.3306. This value is greater than 0.05 so it can be concluded that the model follows the random effect model.

3. Lagrange Multiplier Test

Lagrange multiplier test is used to determine which model is more appropriate between common effects and random effects. If the value of both < significant value ($\alpha = 0.05$). The results of the lagrange multiplier test can be seen from the following table:

Table 4. Lagrange Multiplier Test

Lagrange Multiplier Tests for Random Effects			
Null hypotheses: No effects			
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives			
	Cross-section	Test Hypothesis Time	Both
Breusch-Pagan	95.87659 (0.0000)	0.017311 (0.8953)	95.89390 (0.0000)

Source: Eviews Data Processing Version 9.0

Based on table 4.4, it shows that the value of both is 0.000. This value is smaller than 0.05 so it can be concluded that the model follows the random effect model. The best model in this study is the random effect model, so there is no need to test the classical assumptions (Sari & Mulyani, 2019).

Hypothesis test

From the conclusions in the selection of the estimation model with the random effect model, then the hypothesis test using the random effect model is as follows:

Table 5. Results of Multiple Regression Analysis Random Effect Model

Dependent Variable: ARL				
Method: Panel EGLS (Cross-section random effects)				
Date: 02/10/22 Time: 20:16				
Sample: 2016 2020				
Periods included: 5				
Cross-sections included: 69				
Total panel (balanced) observations: 345				
Swamy and Arora estimator of component variances				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	198.2334	55.99110	3.540445	0.0005
PA	3.250977	7.537887	0.431285	0.6665
LR	-26.11671	7.187825	-3.633465	0.0003
TA	-3.115875	1.993918	-1.562690	0.1191
Effects Specification			S.D.	Rho
Cross-section random			32.40057	0.3875
Idiosyncratic random			40.73121	0.6125
Weighted Statistics				
R-squared	0.049348	Mean dependent var	43.82429	
Adjusted R-squared	0.040985	S.D. dependent var	41.61839	
S.E. of regression	40.75661	Sum squared resid	566435.5	
F-statistic	5.900422	Durbin-Watson stat	1.758540	
Prob(F-statistic)	0.000618			
Unweighted Statistics				
R-squared	0.079718	Mean dependent var	89.42609	
Sum squared resid	919574.0	Durbin-Watson stat	1.083218	

Source: Eviews Data Processing Version 9.0

Based on the table above, the regression model equations between the dependent variable (audit report lag) and the independent variables (auditor turnover, income and total assets) are obtained as follows:

$$ARL = 198.2334 + 3.250977X_1 - 26.11671X_2 - 3.115875X_3$$

The regression equation above can be explained that:

1. The constant of 198.2334 indicates that without the influence of the independent variables, namely auditor turnover, profit and loss, and total assets, the audit report lag will be worth 198.2334.
2. The X₁ coefficient obtained is 3.250977, indicating that the auditor turnover variable increases by one unit by assuming that other variables are zero, then the audit report lag will increase by 3.250977.

3. The X2 coefficient obtained is -26.11671, indicating that the profit and loss variable has increased by one unit by assuming that the other variables are zero, so the audit report lag has decreased by -26.11671.
4. The X3 coefficient obtained is - 3.115875 indicating that the total asset variable increases by one unit by assuming that other variables are zero, then the audit report lag has decreased by - 3.115875.

Koefisien Determinasi (*Adjusted R Square*)

Based on the results from table 4.5, it is explained that the value of the Adjusted R-Square is 0.040985. This shows that the audit report lag variable cannot explain the independent variables (auditor turnover, profit and loss and total assets) of 4.09%. While the rest ($100\% - 4.09\% = 95.91\%$) is explained by other variables outside the regression of this study.

F test (Simultaneous)

Based on the results from table 4.5, it explains that the Prob (Fstatistic) of 0.000618 is smaller than 0.05 so it can be concluded that the independent variables (auditor turnover, income and total assets) have a simultaneous effect on audit report lag..

T Test (Partial)

Based on the results of statistical data processing in table 4.5, it can be seen that auditor turnover, profit and loss and total assets on partial audit hassle lag are as follows::

a. Effect of Audit Change on Audit Report Lag.

The test results with panel data regression analysis show the probability of auditor turnover > significant value ($0.6665 > 0.05$), then the second hypothesis is rejected. So it can be concluded that auditor turnover has no significant effect on audit report lag.

b. Effect of Profit and Loss on Audit Report Lag.

The test results with panel data regression analysis showed the probability of profit and loss < significant value ($0.0003 < 0.05$), then the hypothesis was accepted. So it can be concluded that profit and loss has a significant effect on audit report lag.

c. Effect of Total Assets on Audit Report Lag.

Hasil pengujian dengan analisis regresi data panel menunjukan probabilitas total aset > nilai significant ($0.1191 > 0.05$) then the hypothesis is rejected. So it can be concluded that total assets have no significant effect on audit report lag

CONCLUSION

Based on the results of the research described in the previous chapter, the following conclusions can be drawn:

1. Change of Auditor, Profit and Loss and Total Assets simultaneously affect the Audit Report Lag in manufacturing companies for the 2016-2020 period.
2. Auditor turnover has no significant effect on Audit Report Lag in manufacturing companies for the 2016-2020 period.
3. Profit and Loss has a significant effect on Audit Report Lag in manufacturing companies for the 2016-2020 period.
4. Total Assets have no effect on Audit Report Lag in manufacturing companies for the 2016-2020 period

BIBLIOGRAPHY

- Alfiani, D., & Nurmala, P. (2020). Pengaruh Ukuran Perusahaan, Profitabilitas, Solvabilitas, dan Reputasi Kantor Akuntan Publik terhadap Audit Delay. *Journal of Technopreneurship on Economics and Business Review*, 79-99.
- Ansofino, dkk. (2016). *Buku Ajar Ekonometrika*. Yogyakarta: DeePublish.
- Ayuningtyas Iza, M., & Ridwan, A. (2020). Pengaruh Profitabilitas, Likuiditas, Solvabilitas, Ukuran Perusahaan, dan Reputasi Akuntan Publik Terhadap Audit Report Lag. *Jurnal*

- Ilmu dan Riset Akuntansi*, Vol. 9 No.3, 1-21.
- Butarbutar, R., & Hadiprajitno, P. (2017). Analisis Faktor-Faktor Yang Berpengaruh Terhadap Audit Report Lag. *Diponegoro Jurnal of Accounting*, 1-12.
- Effendi, B. (2020). Urgensi Audit Delay: Antara Total Asset, Profitabilitas dan Fee Audit Pada Perusahaan Industri Manufaktur yang Terdaftar di Bursa Efek Indonesia. *Business Innovation and Enterpreneurship Journal*, Vol. 2 No. 2, 83-90.
- Eksandy, A. (2017, Juli-Desember). Pengaruh Ukuran Perusahaan, Solvabilitas, Profitabilitas dan Komite Audit terhadap Audit Delay. *Competitive Jurnal Akuntansi dan Keuangan*, Vol.1, No.2 E-ISSN 2549-791X, 1-15.
- Fadrul, & Astuti, S. (2019). Analisis Fakor-Faktor Yang Mempengaruhi Audit Report Lag . *Bilancia*, 45-56.
- Gaol, R., & Sitohang, M. (2020). pengaruh pergantian auditor, ukuran Kantor Akuntan Publik (KAP), solvabilitas dan umur perusahaan terhadap audit report lag. *JRAK*, 2443 - 1079.
- Ginanjari, Y. (2018). Analisis Fakor-Faktor Yang Mempengaruhi Audit Report Lag. *Jurnal Ilmiah Manajemen dan Akuntansi*, 22-31.
- Gozali, I., & Ratmono, D. (2020). *Analisis Multivariat dan Ekonometrika Eviews 10*. Semarang: Undip.
- Kasmir. (2015). *Analisis Laporan Keuangan*. Jakarta: PT RajaGrafindo Persada.
- Menajang, M., Elim, I., & Runtu, T. (2019, Juli). Analisis Pengaruh Ukuran Perusahaan, Profitabilitas dan Solvabilitas Terhadap Audit Report Lag. *Jurnal EMBA*, Vol. 7 No.3, 3478-3487.
- Napisah, L., & Ramadhani, V. (2020, Juli). Pengaruh Ukuran Perusahaan, Laba/Rugi Operasi dan Kepemilikan Publik terhadap Audit Delay Studi. *Jurnal Riset Akuntansi dan Bisnis*, Vol. 6 No. 2, 109-117.
- Sari, D., & Mulyani, E. (2019). Faktor-Faktor yang mempengaruhi Audit Delay. *Jurnal Eksplorasi Akuntansi*, Vol. 1 No.2(ISSN : 2656-3649), 646-665.
- Sugiyono. (2019). *Metode Penelitian Kuantitatif, kualitatif dan R&D*. Bandung: ALFABETA.
- Widiyati, Shanti, D., & Kurnia, Y. (2016). Pengaruh Pergantian Auditor, Komisaris Independen dan Leverage terhadap Integritas Laporan Keuangan. *Jurnal Ilmiah Akuntansi Universitas Pamulang*, 958-968.