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EFFECT OF AUDIT TENURE AND AUDITOR SWITCHING ON AUDIT DELAY WITH AUDITOR SPECIALIZATION AS MODERATING VARIABLE

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ABSTRACT

The purpose of this study was to determine the effect of audit tenure and auditor switching on audit delay with auditor specialization as a moderating variable. This study is a quantitative study using secondary data with a sample of 23 consumer goods sub-sector companies listed on the Indonesia Stock Exchange (IDX). The data collection method is done by accessing the company's financial statements published by the Indonesia Stock Exchange. The data obtained were then processed using SPSS. This analysis includes classical assumption test (data normality test, multicollinearity test and heteroscedasticity test), statistical test (F test, t test and R2 test) and moderating regression analysis (MRA). Based on the results of the tests carried out, it shows that the F test of the multiple linear regression equation model is appropriate (Fit) that there is a significant effect between audit tenure and auditor switching on audit delay. While the t test, audit tenure has no significant effect on audit delay, audit switching has a significant effect on audit delay, auditor specialization as a moderating variable cannot moderate or weaken the relationship between audit tenure and audit switching.

KEYWORDS Audit Tenure, Auditor Switching, Audit Delay, Spesialisasi Auditor

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INTRODUCTION

In the last decade, Indonesia's finances have been growing rapidly. This statement is supported by the increasing number of publicly listed companies on the Indonesia Stock Exchange (IDX) or the Indonesia Stock Exchange (IDX). This is evidenced by the increasing number of local companies that are developing and expanding in order to compete to go public. The rapid growth in the number of companies listed on the capital market has an impact on increasing demand for audits of financial statements by independent auditors. Financial statements are the end result of the accounting process that can be used as a communication tool between business people. Financial statements contain records of a company's financial information in an accounting period that can be used to describe the company's performance in that period. Timeliness in publishing audited financial statements on a regular basis provides relevant information for users.

Based on the Decree of the Financial Services Authority Regulation Number 29/POJK.04/2016 concerning the Annual Report of Issuers or Public Companies (State Gazette of the Republic of Indonesia Year 2016 Number 150, Supplement to the State Gazette of the Republic of Indonesia Number 5911), states that public companies in Indonesia are required to submit financial reports accompanied by an accountant's report and submitted to the Financial Services Authority (OJK) and announced to the public no later than the end of the third month after the end of the financial year (https://www.ojk.go.id/). The OJK and the Indonesia Stock Exchange (IDX) set quite strict regulations regarding the quality, quantity, and timeliness of the submission of financial reports. In compliance with regulations, this audit is also carried out to provide confidence to shareholders or principals on the financial statements presented by managers or companies (Tunggal & Lusmeida, 2019).

The auditor as an independent external party is in charge of assessing that the financial statements have been presented according to reality, without any manipulation, so that the decisions made by the shareholders are correct and do not harm the investors themselves. Auditors have a very important role to reduce information risk, this is the reason why companies need audit services (Soori & Arezoo, 2020). Auditors in carrying out audits on financial statements must be carried out based on the Professional Standards of Public Accountants, especially on the third standard of field work regarding the accuracy and thoroughness of the audit with the collection of adequate evidence. The obligation to meet this standard results in the time required to complete the audit of financial statements based on the time it takes the auditor to understand the company in order to meet the applicable professional standards (RAHAYU, FAKHRURROZI, & PUTRA, 2018). The time difference between the date of the fiscal financial statements and the date of the independent auditor's report indicates the length of time the auditor has completed the audit. This time difference is often called audit delay (Rustiarini, 2013).

Audit delay is the range of time required for the completion of the audit which is measured from the end date of the fiscal financial statements to the date of the audited report (Super & Shil, 2019). The longer the auditor completes his audit work, the longer the audit delay. The auditor must be able to estimate the length of time for completion of the audit to be able to publish the audit report in a timely manner. Timeliness of the submission of financial statements is one of the qualitative characteristics of information that is useful to support the relevance of information. The main thing that happened was that the audit delay was caused by an audit process that took time. The audit process that results in a long audit delay can be caused by events within the company, such as companies experiencing losses that tend to take longer for the auditor to start the audit process than usual (Fujianti & Satria, 2020).

A long audit delay will have a negative impact on firm value. Companies that publish audited financial statements to the market are expected to provide information that will provide a response as a signal that can have an impact on company value. Timely presentation of financial statements is also a strategic aspect to gain a competitive advantage in supporting the success of a company, and build a better corporate image in the eyes of the public, which is expected to lead to public trust in the quality of information presented by the company (Christina et al., 2018).

This timeliness is related to signal theory, that companies that publish financial reports on time are able to give positive signals to the market, so that investors will give a positive response to the company. If the company's signal informs the good news, it can increase the company's stock price. Conversely, when the company is late in publishing financial statements, investors will assume that there is bad news in the company and the market will give a negative reaction to the company which has an impact on stock prices (Felia & Kartika, 2020). Based on this phenomenon, to control the market reaction on firm value, the company is expected to be able to control the occurrence of audit delay.

Audit tenure is indicated as one of the factors that can affect audit delay. Audit tenure is the length of the engagement period for a public accounting firm (KAP) in providing audit services to its clients. Audit tenure can increase understanding and experience in studying company characteristics (Felia & Kartika, 2020). Geiger and Raghunandan (2002) in their research found that audit failures often occur in the first year of the engagement between the auditor and the company when establishing a relationship because it takes a longer time for the auditor to adjust to the company's records, operational systems, and working papers during the period. then when just bonding with clients. Rahayu (2012) along with the length of time the auditor conducts an audit of a particular client, the auditor is able to better understand the condition of the company, the company's business risks, and the accounting system used by the company, thus being able to obtain a more effective and efficient audit process. Permata (2013) concluded that increasing audit tenure has a negative effect on the delivery of financial statement information or a short audit delay.

In addition to the effect of audit tenure, there are several studies which state that the occurrence of auditor switching also has an influence on the occurrence of audit delay. Auditor switching is an action taken by the company where the company disconnects the old and replaces it with a new auditor (Syakti, Hidayati, & Siregar, 2021). Changes in auditors are also indicated to cause audit delays. Companies that experience a change of auditor will auditor appoint a new auditor, where it takes quite a long time for the new auditor to recognize the characteristics of the client's business and the system in it (Tambunan, 2018). Auditor switching can cause audit delay because there is a possibility that the substitute auditor may not be able to complete his audit task on time (Rustiarini, 2013). Auditor switching has a positive influence on audit delay, this is due to the fact that the company has not been able to determine a new auditor as a substitute auditor who is competent and has specialized knowledge in his field based on the needs of each company, causing the process of completing the audit of financial statements to be unable. implemented in a timely manner (Rustiarini and Sugiarti, 2013).

A longer term or tenure and the absence of auditor turnover will provide auditors with more knowledge about the client's business. This more knowledge will make it easier for the auditor to prepare the audit program to be carried out so as to speed up the audit process (Khatana et al., 2019). This condition will be strengthened if a company is audited by a public accounting firm that has a predicate as an industry specialization. Sarwoko and Agoes, (2014) specialist auditors are auditors who have received training and have long experience, most of which concentrate on the client's specific business and industry, and have in-depth knowledge and understanding of company activities, specific accounting and auditing guidelines, which are it is important to conduct a high quality audit. Auditors are categorized as industry specialists if they have many clients in the same industry (Andreas, Niebuhr, & Ringwald, 2012). Auditors who have many clients in the same industry have better knowledge and understanding of internal control, business risk, and audit risk in the industry compared to auditors who do not have specialization (Setiawan and Fitriany, 2011). Auditors with industry specialization will more quickly detect errors in their industry specialization than outside the industry (Amoah, Owusu, & Adjei, 2002). Audits conducted by auditors who have industry specialists tend to be of higher quality, because the audit team and/or public accounting firms have industry-specific expertise (Carcello and Nagy, 2002). Industrial specialization auditors have the ability to detect errors and have better experience than non-specialized industry auditors (Christiani and Nugrahanti, 2014). Auditor services from KAP with a good reputation can increase the credibility of financial reports (Aji & Sutikno, 2015). Habib and Bhuiyan (2011) concluded that an auditor who has the title as an industrial specialization auditor is able to start the audit process more faster and complete the audit faster when compared to non-industry-specialized auditors, this is because these auditors have specific skills and knowledge about an industry that will play a significant role in completing the audit process. If the auditor has participated and conducted training that focuses on a particular sub-industry, the auditor is called a specialist in that industry. Industry specialization auditors are able to understand more specifically in certain industries because they are obtained from experience or special training in auditing a particular industry so as to minimize audit delays (Rahadianto, 2012).

The results of the research by Wiguna (2012) show that tenure of KAP has a significant positive effect on audit delay. Another case in the research of Rustiarini and Mita (2013) the results of the study show that auditor turnover has a positive effect on audit delay while the length of time assignment (audit tenure) has no effect on audit delay. The results of Dewi's research (2014) show that audit tenure has a significant negative effect on audit delay, where the longer the audit tenure, the auditor can gain more knowledge and experience in auditing about the characteristics of clients and their client's business operational systems which can increase audit efficiency. Different results from research by Rahayu (2012) and Mariani (2015) show that audit tenure has a significant positive effect on audit delay. The reason is because the independence factor of the auditor in the auditing process can be reduced. The longer the bond with the client, the auditor is able to create a more intense closeness with the client. This can provide an opportunity for the KAP and the auditor to prolong or extend the time in completing the audit. The research results from Putra and Sukirman (2014) show that auditor switching has no effect on audit delay. The results are the same as the research by Wiryakriyana and Widhiyani (2017) which states that auditor switching has no effect on audit delay.

The inconsistency of previous research examining the effect of audit tenure and auditor switching on audit delay raises the suspicion of moderating variables (strengthening or weakening) the relationship between these variables. Where in the research of Ratnaningsih and Dwirandra (2016) found that auditor industry specialization moderates the effect of auditor turnover on audit delay. Therefore, this study was conducted to re-examine the variables related to audit tenure and auditor switching on audit delay, with auditor specialization as a moderating variable. The object of research used in this study is a manufacturing company in the consumer goods industry sector listed on the IDX for the 2016-2020 period. The reason the researcher chooses manufacturing companies in the consumer goods industrial sector as the object of research is because companies engaged in manufacturing companies in the consumer goods industry sector are quite attractive to investors because it has been proven through the resilience of the manufacturing sector, especially supported by the consumer goods sector, which grew 28%. . This increase is the second highest increase out of 10 existing sectors. In addition, the consumer goods industry sector can indirectly represent the level of community consumption. There is also another reason for choosing this sector because the consumer goods sector companies because sales from this sector are stable and consumption goods are a basic element of the needs of human life. Stocks from these issuers will be an option because they still offer upside potential. With stable sales, it will be easier and more focused to look at the factors that affect audit quality without looking at other factors such as consumer tastes and substitute goods. Based on the background and research gap above, the researcher wants to examine the audit delay variable which is tested for its influence on audit tenure and auditor switching with auditor specialization as moderating variable.

RESEARCH METHOD

The research data analysis model was carried out using descriptive analysis techniques, classical assumption tests, F tests, t tests and Moderating Regression Analysis (MRA). Moderated Regression Analysis (MRA) is an analytical technique that aims to test the strength of the relationship or the influence of the independent variable on the dependent variable. The theory that underlies this research is the contingency theory. The strength of the relationship or the influence of the independent variable on the contingent dependent variable or depending on the moderating variable. Technically, the MRA stage is to test the effect of the independent variable on the dependent first and then form a moderating variable which is then tested for its effect on the dependent variable. The dependent variable in this study is audit delay. While the independent variables include: audit tenure and auditor switching with moderating variables of auditor specialization.

Determination of the population in this study, namely manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange (IDX) for the 2016-2020 period, amounting to 51 companies. Observation list of manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange (IDX) for the 2016-2020 period. And the sample is the Manufacturing Company of the Consumer Goods Industry Sector in this study totaling 23 companies.

RESULT AND DISCUSSION

A. Hypothesis Test

First Hypothesis

The effect of audit tenure (X1) on audit delay (Y).

the significance value of audit tenure is 0.085 > 0.05, then Ho is accepted and Ha is rejected, then the audit tenure variable (X1) does not have a partially significant effect on audit delay (Y).

Second Hypothesis

Effect of Auditor switching (X2) on audit delay (Y).

the significance value of auditor switching is 0.010 < 0.05, then Ho is rejected and Ha is accepted, then the auditor switching variable (X2) has a partially significant effect on audit delay (Y).

Third Hypothesis

Auditor specialization moderates the effect of audit tenure on audit delay

the moderating significance value of one is 0.133 > 0.05, then Ho is accepted and Ha is rejected, then the auditor specialization variable cannot moderate the effect of audit tenure (X1) on audit delay (Y).

Fourth Hypothesis

Auditor specialization moderates the effect of auditor switching on audit delay. the second moderating significance value is 0.950 > 0.05, then Ho is accepted and Ha is rejected, then the auditor specialization variable cannot moderate the effect of audit switching (X2) on audit delay (Y).

B. Discussion of Research Results

1. Effect of Tenure Audit on Audit Delay

The test results prove that there is no effect of audit tenure on audit delay. These results indicate that the significance of the t-test value of the audit tenure variable is greater than the alpha value with the coefficient value being negative. This indicates that audit tenure has no effect on audit delay. From the discussion above, it can be concluded that the length of the engagement period (audit tenure) is not necessarily a guarantee that there will be no audit delay. An auditor who has a long assignment with a client company may not necessarily encourage the creation of good business knowledge. Assignment of auditors for a long time can actually cause auditors to be less independent and professional in carrying out their duties. This of course causes the auditor to be unable to complete his obligations on time, thereby reducing the timely submission of audited financial statements. The results of this study are consistent with research conducted by Rustiarini and Sugiarti (2013), Praptika and Rasmini (2016) where audit tenure has a positive effect on audit delay. However, this result does not agree with research conducted by Dewi (2014), Ratnaningsih and Dwirandra (2016) which shows that audit tenure has a negative effect on audit delay.

2. Effect of Auditor Switching on Audit Delay

The test results prove that there is an effect of auditor switching on audit delay. These results indicate that the significance of the t-test value of the auditor switching variable is smaller than the alpha value with the coefficient value being positive. This indicates that auditor switching has an effect on audit delay. Auditor switching is a behavior carried out by companies to switch auditors either due to existing regulations or voluntarily. Auditor switching which is mandatory (mandatory) occurs because of government regulations that have been regulated in the Decree of the Minister of Finance No. 17/PMK.01/2008 concerning Public Accountant Services. Regulations that limit the contractual relationship between the auditor and the company as a client. While auditor switching is voluntary, the main concern is on the client side. When the client changes his auditor when there are no rules that require it (voluntary), what happens is one of two things, namely the auditor resigns or the auditor is fired by the client. This study has consistent results with research conducted by Rustiarini and Sugiarti (2013), Praptika and Rasmini (2016) where auditor switching has a positive effect on audit delay.

The results of this study have different results from research conducted by Putra and Sukirman (2014), Wiryakriyana and Widhiyani (2017) showing that auditor switching has no effect on audit delay.

3. Auditor Specialization Moderates Effect of Audit Tenure on Audit Delay

The third hypothesis states that auditor specialization moderates the negative effect of audit tenure on audit delay. The significance level of the t test for the moderating variable of auditor specialization has an effect on the relationship between audit tenure and audit delay, which is greater than the alpha value with the regression coefficient value being positive. This proves that auditor specialization cannot moderate the effect of audit tenure on audit delay. The results of this study agree with research by Rosyidi (2017) and Rahayu (2012) which show that the results of auditor specialization do not moderate the relationship between audit tenure and audit delay. Specialized auditors cannot maintain independence in carrying out audits. Auditors do not use professional skills in carrying out the audit process due to the personal interest of the client is one of the factors that prolongs the audit delay. The existence of such personal interests can cause interference with the independence of the auditor and can justify frauds occurring**.**

4. Auditor Specialization Moderates Effect of Auditor Switching on Audit Delay

The fourth hypothesis states that auditor specialization moderates the positive effect of auditor switching on audit delay. The significance level of the t test for the moderating variable of auditor specialization has an effect on the relationship between auditor switching on audit delay which is greater than the alpha value with the regression coefficient value being negative. This proves that auditor specialization cannot moderate the effect of auditor switching on audit delay. The occurrence of audit delay when an auditor change is carried out is mostly due to an auditor having to understand the characteristics of the company before carrying out the audit process. The results show that not all auditors with specialization predicate are able to detect material misstatements in the financial statements better and are not able to create an effective audit process. The results of this study are inconsistent with research conducted by Ratnaningsih and Dwirandra (2016) which showed that auditor specialization was able to moderate the effect of auditor switching on audit delay.

CONCLUSION

Based on the results of the research and discussion conducted, the following conclusions can be drawn: Audit tenure does not partially affect audit delay in consumer goods manufacturing sub-sector companies listed on the Indonesia Stock Exchange. With these results, the first hypothesis is rejected. Auditor switching partially affects audit delay in consumer goods manufacturing sub-sector companies listed on the Indonesia Stock Exchange. With these results, the second hypothesis is accepted. Auditor specialization partially cannot moderate the effect of audit tenure on audit delay in consumer goods sub-sector manufacturing companies listed on the Indonesia Stock Exchange. With these results, the third hypothesis is rejected. Auditor specialization partially cannot moderate the effect of auditor switching on audit delay in consumer goods sub-sector manufacturing companies listed on the Indonesia Stock Exchange. With these results, the fourth hypothesis is rejected.

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