Journal of Economics, Finance and Management Studies

ISSN (print): 2644-0490, ISSN (online): 2644-0504

Volume 6 Issue 4 April 2023

Article DOI: 10.47191/jefms/v6-i4-16, Impact Factor: 7.144

Page No. 1532-1536

The Nexus between Auditor Switching and Audit Opinion on Audit Report

Kurnia

Department of Accounting, Sekolah Tinggi Ilmu Ekonomi Indonesia

ABSTRACT: The purpose of this study is to analyze the influence of Auditor Switching and Audit Opinions on Audit Report Lag. The data in this study uses secondary data in the form of an audited annual Financial Statement from banking companies listed on the Indonesia Stock Exchange in 2019-2021 by taking data accessed through the official IDX website, namely www.idx.co.id. Based on predetermined criteria, the data obtained was 126 total samples consisting of 42 companies in financial statements for 3 years. Analyze the data in this study using Descriptive Statistical Analysis, Correlation Coefficient Test, T Significance Test, Multicholinearity Test, Determination Coefficient Test, and Multiple Linear Regression Analysis. The test results showed that Auditor Switching had no effect on Audit Report Lag, and Audit Opinion had no effect on Audit Report Lag.

KEYWORDS: Auditor Switching, Audit Opinion, Audit Report Lag.

BACKGROUND

Service companies are companies whose activities sell or provide services or services to other parties or the public. Examples of service companies are banking, insurance, transportation, communication, advocacy companies and so on. A company going public or in the business world is often called an Initial Public Offering (IPO) is a form of offering shares from a company to the wider community (public) to own it. Thus the company's shares will be listed on the Indonesia Stock Exchange.Every service company going public that is listed on the Indonesia Stock Exchange is required to submit financial statements that have been audited by an independent auditor or a Public Accounting Firm (KAP). Financial reports are reports that contain financial information about a company. The financial reports issued by the company are the results of the accounting process which are intended as a means of communicating financial information, especially to external parties.The objective of an audit of financial statements is to express an opinion on the fairness in all material respects, the financial position, results of operations and cash flows are in accordance with generally accepted accounting principles in Indonesia. Fairness is assessed based on the assertions contained in each element presented in the financial statements.

The phenomenon related to Auditor Switching described by Kompas (2019) occurs in the company PT. Garuda Indonesia who committed a violation in compiling financial reports, PT. Garuda Indonesia was subject to sanctions and the Financial Services Authorization (OJK) requested that the company conduct auditor switching. Another thing that can affect audit report lag is audit opinion. Audit opinion is a statement given by the external auditor on the financial statements being audited. According to Andini (2020) an audit opinion is a statement issued by the auditor regarding the fairness of the client's financial statements which are carried out in accordance with auditing standards and auditor findings. According to Effendi and Ulhaq (2021), the auditor's opinion serves to indicate whether the financial statements prepared are in accordance with applicable financial reporting standards. Therefore, the auditing process carried out may take more time to obtain the expected information.

The phenomenon that occurs regarding the audit opinion at iPT. Garuda Indonesia TBK which is one of the companies controlled by the Indonesian Stock Exchange (IDX). IDX gave a notation to PT Garuda Indonesia Tbk. There are several things written in the notation, namely the 2020 financial report where a disclaimer's opinion was received and the company's delay in submitting the annual financial report. Cause Garuda Indonesia will be put under special surveillance in the next period. This is because PT Garuda Indonesia has only submitted financial reports on July 17, 2021, so it has passed the review period. (BUSINESS COIL, 2021)

There have been many studies conducted to examine Audit Report Lag and there are differences in research results that lead to rapid research. i Like the research conducted by Aulia Wednesdayana (2020), Ningsih and Agustina (2019) concluded that

Auditor Switching has no significant effect on Audit Report Lag. whereas research conducted by Novi Nurma Lisa (2020), Yanthi, Merawati and Munidewi (2020), concluded that Auditor Switching has a significant effect on Auditi Report Lag.

Whereas in the audit opinion variable, there are several researchers who obtained various research results including research conducted by Nada Athaya (2021), Ningsih and Agustina (2019) concluded that audit opinion has no effect on audit report lag. iMeanwhile, research conducted by Nifi Imaniar (2020), Nur Mu'afiah (2020), Ega Yunisha (2021) audit opinion has an effect on audit report lag.

LITERATURE REVIEW

Auditor switching

Auditor switching is the replacement of auditors and KAPis carried out by client companies. Ningsih and Agustina (2019), said that auditor switching is a transfer of KAPi made by client companies. The factors that cause this practice to occur can come from both the client and the auditor himself. Auditor switching can occur obligatory (mandatory) or voluntary (voluntary). According to Effendi and Anwar (2021), auditor switching is carried out by companies as a way to maintain the objectivity and independence of auditors and to increase public trust in audit services due to long engagement times. To increase the independence of an auditor, the government issued regulations to regulate audit rotation (auditor switching).

Audit Opinion

Audit opinion is the opinion of the auditor regarding the fairness of the financial statements prepared by management and is the responsibility of management (Rimadani, 2018). Opinions or opinions given by the auditor can be a benchmark used by decision makers as a means of making decisions. Effendi and Ulhaq (2021: 2) state that the audit opinion is an opinion given by the auditor regarding whether the financial reports presented are in accordance with applicable standards and regulations. The auditor who gives the opinion must be an independent and competent auditor in order to achieve good audit quality.

Audit Report Lags

Auditi Report Lag is the period of time used and used to carry out audits of financial reports which are calculated from the end of the financial year to the date of publication of the audit report (Grace Ruth Nathania, 2022). The length of time for working on an audit report can result in financial reports in a company not being presented on time. The quality of the information contained in the financial statements may decrease due to delays.

Types of Switching Auditors

There are two types of auditor switching that can occur, namely:

1. Auditor switching mandatory (compulsory)

The change of auditors carried out by the company is due to regulations in force that require companies to change auditors on a regular basis.

2. Auditor switching voluntarily (voluntarily)

The change of auditors carried out by the company is due to management decisions outside the applicable regulations.

Regulations Related to Auditor switching

Initially in Indonesia, the obligation to rotate auditors was regulated in

Decree of the Minister of Finance of the Republic of Indonesia Number 423/KMK.06/2002 article 6 which states that the provision of general audit services on the financial statements of an entity can be carried out by a KAP for a maximum of 5 (five) consecutive financial years and by a Public Accountant for a maximum of 3 (three) consecutive financial years.2

Then the government issued Minister of Finance Regulation (PMK) No. 17/PMK.01/2008 regarding Public Accountant services. In article 3 paragraph (1) it is explained that a KAP may only audit a company for a maximum of 6 consecutive financial years. Meanwhile, the Public Accountant (AP) in the KAP is allowed to audit for a maximum of 3 consecutive financial years

Audit Opinion

a. Definition and Purpose of Audit

Auditing is a systematic process of objectively obtaining and evaluating evidence relating to assertions about economic actions and events to measure the degree of conformity between these assertions and established criteria, then communicating the results to interested parties.5

According to the Indonesian Institute of Certified Public Accountants, auditing is an objective examination of the financial statements of a company or other organization with the aim of determining whether the financial statements present fairly in all material respects, the financial position and results of operations or that person. From the explanation put forward above, it can be concluded that there are at least three elements in auditing, namely:

1. The auditor in carrying out the examination must be independent and objective.
2. The auditor must have sufficient evidence to support his opinion on the fairness of the client's financial statements. Proof can obtained through observation, inspection, submission of questions and
confirm objectively.
3. The auditor must submit the results of his work in the form
audit report.

The purpose of a financial statement audit is to provide an opinion on the fairness of the financial statements prepared by the client. In giving an opinion the auditor must be supported by sufficient audit evidence obtained during the audit process. In carrying out the audit process, the auditor must be guided by the professional standards of public accountants issued by the Indonesian Institute of Certified Public Accountants (IAPI).6

b. Types of Audits

Audits can generally be grouped into five types, namely: 7

1. Audit of financial statements

An audit of financial statements is carried out to determine whether the client's financial statements as a whole are in accordance with applicable accounting standards. The financial statements to be audited usually include the statement of financial position, statement of comprehensive income, statement of changes in equity, and statement of cash flows, including accounting policies and other explanatory information.

2. Internal control audits

An internal control audit is conducted to provide an opinion regarding the effectiveness of the client's internal controls. Because the objectives and tasks involved in carrying out internal control audits and financial statement audits are interrelated, then auditing standards for public companies require integrated auditing over internal control and financial reports.

3. Compliance audits

Compliance audits are conducted to determine the extent to which rules, policies, laws, agreements or government regulations have been complied with by the entity being audited.

4. Operational audits

Operational audit is carried out to review (systematically) some or all of the organization's activities in order to evaluate whether the available resources have been used effectively and efficiently.

5. Forensic audits

Forensic audits are conducted to detect or prevent fraudulent activity.

Hypothesis

Audit Report Lag is the time span used incomplete the audit of financial statements measured from the closing date of the company's annual book, namely December 31 to the date the audit report was signed by auditors. The auditor only has a maximum of 90 days to conduct an examination before the financial statements are published to the OJK. The complexity of the audit process experienced by the auditor affects the length of the audit report lag. Research conducted by Yunisha (2021), states that auditor switching has a positive effect on audit report lag because the company that performs auditor switching has not been able to choose which auditor is professional in auditing the company's financial statements so that it can lead to an inaccurate process of examining the client company's financial statements. The same results were also obtained in research conducted by Pinatih and Sukartha (2017), which showed that auditor switching had a significant effect on audit report lag. Based on the description above, it can be concluded that the first hypothesis in this research is:

H1: Auditor Switching has an effect on Auditi Report Lag.

The Effect of Auditi Opinion on Auditi Report Lag

Audit opinion is a statement or opinion given by the auditor on a company financial report. SPAP states that there are 4 types of audit opinion, namely unqualified opinion, qualified opinion, adverse opinion and the auditor does not give an opinion (disclaimer). iEvery company wants to get an unqualified opinion from the auditor. An unqualified opinion is recognized as the best opinion because it indicates that the company has good financial statements, position, shares and credibility and is free from material errors. research conducted by Nifi Imaniar (2020), Nur Mu'afiah (2020), Ega Yunisha (2021) shows that auditee opinion has an effect on audit report lag. Based on the description above, it can be concluded that the second hypothesis in this study is:
H2: Audit Opinion has an effect on Audit Report Lag

METHOD

Data Types and Sources

This study uses a quantitative method, in which the researcher wants to know how much influence the Auditor Switching (X1) and Auditi Opinion (X2) have on Audit Report Lag (Y) in financial sector companies in the banking sub-sector listed on the Indonesia Stock Exchange in from 2019 to 2021. The data used by the authors in this study is in the form of secondary data, namely data from annual financial reports published by banking companies on the Indonesia Stock Exchange from 2019 to 2021 or can be obtained from the official website of the Indonesia Stock Exchange, namely www.idx.co.id

Population and Sample

To obtain data for this study, the authors used populations and samples that will be studied in manufacturing companies in the banking sector listed on the IDX for the 2019-2021 period. The total sample in this study was 126 which consisted of 42 companies in 3 years of financial statements.

RESULTS AND DISCUSSIONS

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	48,826	11,859		4,117	,000		
	Auditor Switching	14,091	7,838	,186	1,798	,075	,739	1,353
	Opini Audit	19,351	11,543	,173	1,676	,096	,739	1,353

a. Dependent Variable: Audit Report Lag

The table above informs the multiple regression equation model using the SPSS 26 software tool. The regression equation formula in this study is:

$Yi = \alpha + i\beta 1.\ X1i + \beta 2.X2i$

$Yi = 48.826 + 14.091X1 + 19.351X2$

From the regression equation above, it can be concluded that:

1) The constant value (α) is 48.826 with a positive sign indicating that the auditor switching variable (X1) and audit opinion (X2) are considered constant, so the value of the audit report lag variable (Y) is 48.826.

2) The regression coefficient value of the auditor switching variable (X1) is 14.091 with a positive sign indicating that if the auditor switching value increases, the audit report lag variable value will also increase.

3) The regression coefficient value of the audit opinion variable (X2) is 19.351 with a positive sign indicating that if the audit opinion value increases, the audit report lag value will increase.

Effect of Auditor Switching on Audit Report Lag

The first hypothesis in this study is a test to see whether auditor switching has an effect on audit report lag. Through the results of the tests that have been carried out above, it states that auditor switching has a coefficient of 14.091 with a significant level of 0.075 greater than 0.05. So it can be concluded that H1 is rejected, which means auditor switching does not affect audit report lag. The results of this study are in line with research conducted by Sastrawan, Perdhana & Toliang (2022) Auditor Switching has no effect on audit report lag. Auditor changes are usually carried out by the company three years in a row after the audited report is carried out by a similar auditor, so that the change of auditors can hinder the implementation of audit report lag. The results of the research above are different from the results conducted by Mahmuddin Syah Lubis, (2022) which states that auditor switching has an effect on audit report lag. In most cases, the decision to accept a client is made 6 to 9 months before the client's fiscal year ends. The new auditor must also carry out audit planning, which requires the development of a strategic audit for audit implementation and audit scope determination. Planning is essential for a successful audit engagement. Audit planning is usually done 3 to 6 months before the client's fiscal year ends. After accepting the client and planning the audit, the new auditor will perform audit tests and report findings starting at the end of the client's fiscal year.

The Nexus between Auditor Switching and Audit Opinion on Audit Report

Effect of Audit Opinion on Audit Report Lag

The second hypothesis in this research is to test whether audit opinion has an effect on audit report lag. Based on the results of the above tests, it states that audit opinion has a coefficient of 19.351 with a significant level of 0.096 greater than 0.05. Then the result states that H2 is rejected, which means the audit opinion has no effect on the audit report lag. The results of this study are in line with research conducted by Ni Made Sunarsih (2021) which found that the audit opinion given by the auditor has no effect on audit report lag. Not all companies that receive audit opinions other than fair opinions experience a lengthy audit process compared to companies that receive fair opinions. This is because the auditor has received sufficient evidence to strengthen his opinion, so that the results are issued in a timely manner.

CONCLUSION

The conclusion from the results of analysis and processing of data in research on the effect of auditor switching and audit opinion opinion on audit report lag, it can be concluded as follows:

1. The Audit Switching variable has no effect on Auditi Report Lag in Banking Companies that are registered on the IDX in 2019-2021. Because the auditor's switching in a company can be done long before the end of the fiscal year, so it will not interfere with the inspection process.

2. The auditee's opinion variable has no effect on audit reports again at banking companies that are registered on the IDX in 2019-2021. This is because the auditor has already worked professionally so that any results of the opinion issued by the auditor will not affect the duration of the audit completion process.

REFERENCES

1) Dewi, G., & Suputra, I. (2017, 11). Pengaruh Kompleksitas Operasi, Kontijensi, Pergantian Auditor pada Audit Report Lag dengan Spesialisasi Auditor Sebagai Pemoderasi. 21(2), 912-941.
2) Effendi, E., & Ulhaq, R. D. (2021). Pengaruh Audit Tenur, Reputasi Auditor, Ukuran Perusahaan Dan Komite Audit. (Abdul, Ed.) Indramayu: Penerbit Adab.
3) Fakri, I., & Taqwa, S. (2019). Pengaruh Karakteristik Komite Audit Terhadap Audit Report Lag (Studi Empiris pada Perusahaan Pertambangan yang Terdaftar di Bursa Efek Indonesia Tahun 2015-2017). doi:https://doi.org/10.24036/jea.v1i3.123
4) Halim, A. (2018). Auditing, Dasar-Dasar Audit Laporan Keuangan. Jilid 1(Edisi Revisi).
5) Imaniar, N. (2020). Pengaruh Ukuran Perusahaan, Laba Rugi, Leverage dan Opini Audit Terhadap Audit Report Lag (Pada Perusahaan Subsektor Makanan dan Minuman yang terdaftar di Bursa Efek Indonesia Tahun 2016-2019).
6) Junaidi, & Nurdiono. (2016). Kualitas Audit: Perspektif Opini Going Concern. Yogyakarta: Penerbit Andi.
7) Kurniawan, E. (2017). Faktor-Faktor yang Mempengaruhi Auditor Switching Pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia Periode 2014-2016. Retrieved from http://eprints.kwikkiangie.ac.id/id/eprint/2238
8) Lisa, N. N. (2020, November 23). Pengaruh Auditor Switching, Audit Tenure, Profitabilitas dan Ukuran Perusahaan Terhadap Audit Report Lag (Studi Empiris Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia Selama Periode 2017-2019). Retrieved from http://repository.stei.ac.id/id/eprint/1904