THE EFFECT OF LEVERAGE, PUBLIC ACCOUNTING FIRM REPUTATION, COMPANY SIZE ON AUDIT OPINION AND AUDIT DELAY

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THE EFFECT OF LEVERAGE, PUBLIC ACCOUNTING FIRM REPUTATION, COMPANY SIZE ON AUDIT OPINION AND AUDIT DELAY

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ABSTRACT: This study aims to explore the correlation between leverage, Public Accounting Firm (KAP) reputation, and company scale in the context of audit opinion and audit delay. The aim is to assess that the assessment of the audit opinion given by the auditor regarding the suitability of the financial statements should be the main focus for the auditor in preventing delays in the audit process. In the 2020-2022 time span, there are 32 companies in the transportation sector listed on the Indonesia Stock Exchange (IDX), but only 20 companies meet the predetermined criteria. Therefore, the number of samples used in this study was 60 companies. Data analysis was carried out using the SmartPLS method by testing the Outer Model and Inner Model. The results showed that leverage and company size have a significant effect on audit opinion, while KAP reputation does not show a significant effect. Leverage is also proven to have a significant effect on audit delay, while KAP reputation and company size do not show a significant impact on audit delay.

Keywords-Audit, Public Accounting Firm, Financial Statements, Audit Delay

I. INTRODUCTION

With the increasing number of companies conducting initial public offerings (go public) in Indonesia, it indicates an increase in activity on the Indonesia Stock Exchange (IDX). Companies that go public have the responsibility to present financial statements in accordance with Financial Accounting Standards (SAK) and have been audited by a public accountant registered with the Financial Services Authority (OJK). Therefore, the presentation of financial statements is very important for companies that go public because audits of financial statements are becoming increasingly vital for parties who use information from these financial statements.

The success of the information provided to interested parties will be beneficial if the information is presented accurately and on time when needed by users of financial statements. However, if the financial statements are not accurate or not submitted on time, then the value of the information will lose its benefits for users of the financial statements. One of the main obstacles in presenting relevant financial statements is the timeliness of presentation. Delays in the presentation of financial statements have a negative impact on market response. The significance of financial statements is also questioned if there is a delay in their presentation. Almost every year, there are companies that do not submit audited financial reports in accordance with the regulations set by the Indonesia Stock Exchange.

There is a phenomenon related to audit delay on June 11, 2021, where 88 issuers have not submitted audited financial reports for the financial period ending December 31, 2020 (cnbcindonesia.com, June 11, 2021). In 2022, there was an increase in the number of companies that did not submit audited financial statements to the Indonesia Stock Exchange (IDX) for the financial period ending December 31, 2021, namely 91 companies (cnbcindonesia.com, dated May 13, 2022), this number increased from the previous year. Although according to the IDX report, audited financial statements should be submitted no later than the end of the third month after the date of the audited financial statements. This refers to the phenomenon of late submission of financial statements that occurred again in 2023, with 61 companies yet to submit financial statements for the period ending December 31, 2022. The stock exchange authority issued written warnings to these companies in response to the delays. If the companies still do not submit audited financial statements, the IDX may temporarily suspend trading in the shares of these companies. This phenomenon attracts attention because it relates to the regularity of financial report submission, which reflects the quality of reported information as well as the level of compliance with applicable regulations.

Audit delay can be explained as the period of time between the closing of the company's books until the completion of the audit examination by an independent auditor on an entity (Meini, et al., 2022). Based on previous research, several factors are thought to affect audit delay in companies, including leverage, KAP reputation, company size, and audit opinion.

From this context, I as the author am interested in conducting research with the title "The Effect of Leverage, KAP Reputation, Company Size on Audit Opinion and Audit Delay: Case Study on Transportation Sector Companies Listed on the Indonesia Stock Exchange in 2020-2022".

II. RESEARCH METHOD

The research method applied is a quantitative approach using secondary data, which is information obtained from other sources. The focus of this study is to examine how independent variables such as Leverage, Reputation of the Public Accounting Firm (KAP), and Company Size affect the dependent variable, namely Audit Delay through Audit Opinion as mediation. The population that is the object of this study consists of companies in the transportation sector listed on the Indonesia Stock Exchange (IDX) in the 2020-2022 period. Sampling was carried out using purposive sampling method with a total sample size of 20 companies, which in total reached 60. The data used in this study are secondary data taken from the website www.idxac.id, especially audited financial reports from companies in the transportation sector in the 2020-2022 time span. To analyze the data, the Smart-PLS technique is used.

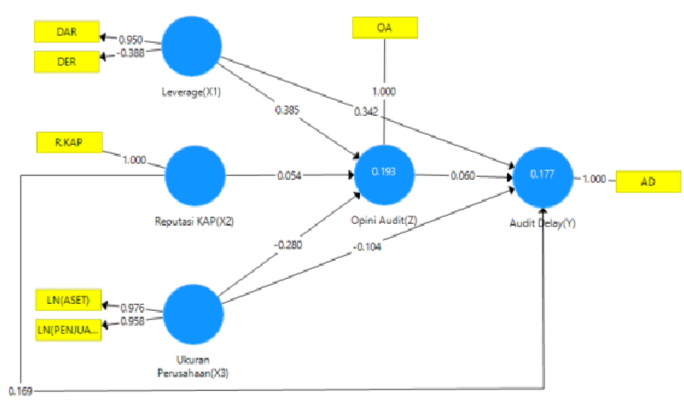
III. RESULT AND DISCUSSION

Table 1. Company Sample

NO	KODE	NAMA PERUSAHAAN
1	AKSI	Mineral Sumberdaya Mandiri Tbk
2	ASSA	Adi Sarana Armada Tbk.
3	BIRD	Blue Bird Tbk.
4	BPTR	Batavia Prosperindo Trans Tbk.
5	CMPP	AirAsia Indonesia Tbk.
6	HAIS	Hasnur Internasional Shipping
7	HELI	Jaya Trishindo Tbk.
8	IMJS	Indomobil Multi Jasa Tbk.
9	LRNA	Eka Sari Lorena Transport Tbk.
10	MIRA	Mitra International Resources
11	MITI	Mitra Investindo Tbk.
12	PPGL	Prima Globalindo Logistik Tbk
13	PURA	Putra Rajawali Kencana Tbk.
14	SDMU	Sidomulyo Selaras Tbk.
15	SAFE	Steady Safe Tbk
16	SAPX	Satria Antaran Prima Tbk.
17	TAXI	Express Transindo Utama Tbk.
18	TRUK	Guna Timur Raya Tbk.
19	TMAS	Temas Tbk.
20	WEHA	Transportasi Indonesia Tbk

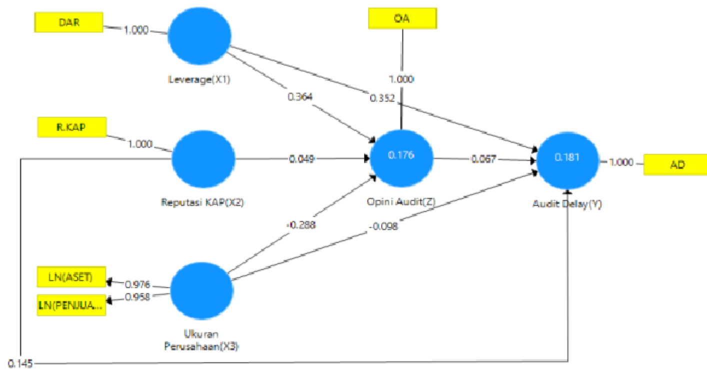
Source: Data IDX

1. Outer Model



Picture 1. *Outer Model* before dropping

After conducting the outer model test to measure the success of the indicators in explaining the latent variables. The results show that in the leverage variable (X1) only the Debt to Asset (DAR) indicator retains its quality in describing the leverage variable. Then in the KAP reputation variable, company size, audit opinion and audit delay there are no missing or eliminated indicators. This indicates that the indicator retains its quality in understanding and describing the variable.



Picture 2. Outer Model after dropping

2. Covergent validity

An indicator is considered to have good convergent validity if the outer loading value is> 0.7.

Table 2. ***Outer Loadings***

Variabel	Indikator	Outer Loading
Leverage (X1)	DAR	1.000
KAP Reputation (X2)	KAP Reputation	1.000
Company Size (X3)	Total Assets	0.976
	Total Sales	0.958
Audit Opinion (Z)	Audit Opinion	1.000
Audit Delay (Y)	Audit Delay	1.000

Sumber: data diolah *Smart-PLS*

3. Discriminant Validity

An indicator is considered successful in discriminant validity if the cross loading value on the variable indicator is the highest compared to other variables.

Table 3. Cross Loading

	Audit Delay(Y)	Leverage(X1)	Opini Audit(Z)	Reputasi KAP(...	Ukuran Perusa...
AD	1.000	0.412	0.198	0.194	0.057
DAR	0.412	1.000	0.337	0.365	0.157
LN(ASET)	0.097	0.194	-0.196	0.786	0.976
LN(PENJUALAN)	0.001	0.098	-0.173	0.717	0.958
OA	0.198	0.337	1.000	-0.043	-0.192
R.KAP	0.194	0.365	-0.043	1.000	0.781

Source: data processed Smart-PLS

Apart from evaluating cross loading, discriminant validity can also be strengthened by checking the Average Variant Extracted (AVE) value of each indicator, which is required to be> 0.5.

Table 4. Average Variant Extracted (AVE)

	Average Variance Extracted (AVE)
Leverage (X1)	1.000
KAP Reputation (X2)	1.000
Company Size (X3)	0.935
Audit Opinion (Z)	1.000
Audit Delay(Y)	1.000

Source: data processed Smart-PLS

A variable can be considered to meet composite reliability if it has a composite reliability value> 0.06.

Table 5. Composite Reliability

	Composite reliability (rho_a)	Composite reliability (rho_c)
Leverage (X1)	1.000	1.000
KAP Reputation (X2)	1.000	1.000
Company Size (X3)	0.932	0.966
Audit Opinion (Z)	1.000	1.000
Audit Delay(Y)	1.000	1.000

Source: data processed Smart-PLS

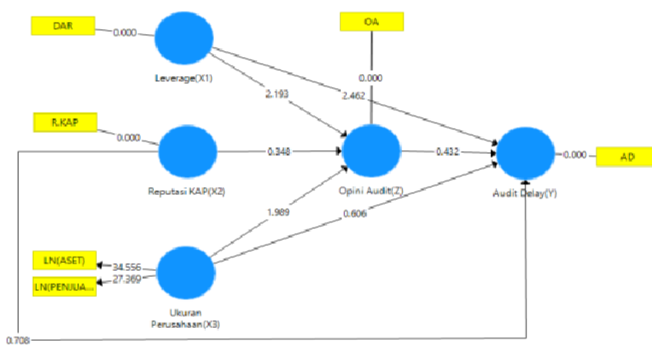
The reliability test with composite reliability above can be strengthened by using the Cronbach's Alpha value. A variable can be considered reliable or meet Cronbach's Alpha if it has a value> 0.6.

Table 6. Cronbach's Alpha

	Cronbach's Alpha
Leverage (X1)	1.000
KAP Reputation (X2)	1.000
Company Size (X3)	0.932
Audit Opinion (Z)	1.000
Audit Delay(Y)	1.000

Source: data processed Smart-PLS

4. Inner Model



Picture 3. *Inner model*

5. ***Uji Path Coefficient***

The path coefficient assessment illustrates the extent of the impact provided by the independent variable on the dependent variable. Conversely, the coefficient of determination (R-Square) measures the extent to which endogenous variables are influenced by other variables (Ghozali, 2014). Based on the structural model diagram depicted in the previous figure, it can be seen that the largest path coefficient value shows the effect of leverage (X1) on audit delay (Y), which is 2.462. Furthermore, the second largest path coefficient value shows the effect of leverage (X1) on audit opinion (Z), which is 2.193. The smallest influence is seen in the effect of KAP reputation (X2) on audit opinion (Z), which is 0.348.

6. Uji R-Square

After processing the data using Smart-PLS version 3 software, the R-Square value is obtained as follows:

Table 7. R-Square

	R Square	R Square Adjus...
Audit Delay(Y)	0.181	0.121
Opini Audit(Z)	0.176	0.132

Source: data processed Smart-PLS

From the table above, it can be concluded that the R-Square value for the Audit Opinion (Z) variable is 0.181. This value indicates that about 18.1% of the variation in Audit Opinion (Z) can be explained by Leverage, KAP Reputation, and Company Size. Meanwhile, the R-Square for the Audit Delay (Y) variable is 0.176, which means that about 17.6% of the variation in Audit Delay can be explained by Leverage, KAP Reputation, and Company Size.

Hypothesis Test
From the test results it can be concluded that of the 7 hypotheses proposed in this study, 3 hypotheses are accepted because they have a significant effect, which is indicated by a P-value below 0.05. Conversely, 4 hypotheses are rejected because they do not have a significant effect, as seen from the P-value that exceeds 0.05. Therefore, this study supports 3 hypotheses and rejects 4 hypotheses. The conceptual framework of the hypothesis test results is described as follows:

H1: Leverage has a significant effect on Audit Opinion
The initial value of Original Sample (O) is 0.364 with P-Values of 0.029, which is below 0.05 and significantly indicated by the t-statistic value of 2.193 > 1.962. The low P-Values indicate that the Leverage Effect significantly affects the Audit Opinion. Based on the results of hypothesis testing, it can be concluded that H1 is accepted and significant. This implies that auditors consider leverage as a crucial factor when issuing audit opinions because most of the funds obtained are mainly allocated to fulfill obligations, thus causing a decrease in profits. This is in line with the research findings of Kusuma Indrawati Halim (2021) which indicate that Leverage does have an effect on Audit Opinions.

H2: KAP reputation has a significant effect on Audit Opinion
The Original Sample (O) value is 0.049 with P-Values of 0.728, which is above 0.05 and does not show significance, as indicated by the t-statistic value of 0.348 < 1.962. The high P-Values indicate that KAP Reputation has no significant effect on Audit Opinions. Based on the results of hypothesis testing, it can be concluded that H2 is rejected and insignificant. This indicates that relying on the reputation of Big Four or non-Big Four KAP does not guarantee the issuance of an audit opinion. This strengthens the research findings of Melinda and Trisnadi Wijaya (2021) which show that KAP Reputation has no effect on Audit Opinions.

H3: Company size has a significant effect on Audit Opinion
The original sample (O) value is -0.288, indicating a negative relationship between the two variables. The P-Values are 0.047, which is below 0.05 and indicates a level of significance, as indicated by the t-statistic value of 1.989 > 1.962. The low P-Values indicate that Company Size has a significant effect on Audit Opinions. Thus, based on the results of hypothesis testing, it can be concluded that H3 is accepted and significant. This shows that complying with relevant financial accounting standards by reporting total sales and total assets to the auditor will improve the quality of financial statements. Auditors further have confidence that sizable companies generally exhibit effective management practices. This is in line with the findings of research conducted by Amami et al. in 2021 which indicates that company size has an effect on audit opinion.

H4: Leverage has a significant effect on Audit Delay
The original sample (O) value is 0.352, indicating a positive relationship between the two variables. The P-Values value of 0.014, which is below 0.05, indicates the level of significance, according to the t-statistic value of 2.462> 1.962. Low P-Values indicate that Leverage has a significant effect on Audit Delay. Based on the results of hypothesis testing, it can be concluded that H4 is accepted and significant. This shows that the proportion of debt to assets has an impact on audit delay, because high leverage signals an unfavorable situation for the company, encouraging them to make corrections to the financial statements before publication. The findings of this study are consistent with previous research (Ferisha et al., 2022) which states that Leverage affects Audit Delay.

H5: KAP reputation has a significant effect on Audit Delay
The original sample (O) value is 0.352, indicating a positive relationship between the two variables. The P-Values value of 0.014, which is below 0.05, indicates the level of significance, according to the t-statistic value of 2.462> 1.962. This P-Values value indicates that Leverage has a significant effect on Audit Delay. Thus, from the results of hypothesis testing, it can be concluded that H4 is accepted and significant. This finding indicates that the proportion of debt to assets has an impact on audit delay because there are negative implications associated with high leverage in the company. Therefore, companies are required to make improvements to their financial statements before they are submitted to the public. This result is in line with previous research (Ferisha et al., 2022) which confirms that leverage has a direct influence on the occurrence of audit delays.

H6: Company size has a significant effect on Audit Delay
The original sample (O) value is -0.098 indicating a negative relationship between the two variables. P-values of 0.545, higher than 0.05, indicate insignificance, in line with the t-statistic value of 0.606 < 1.962. The high P-Values indicate that Company Size has no significant effect on Audit Delay. Thus, from the results of hypothesis testing, it can be concluded that H6 is not proven and has no significance. Auditors also believe that in the process of being examined by the auditor, the amount of assets and sales of a company will be treated consistently in accordance with the procedures set out in the professional standards of public accountants. The results of these findings are in line with the results of research conducted by (Dika, et al., 2022) which states that the company size factor has no impact on audit delay.

H7: Audit Opinion has a significant effect on Audit Delay
The original sample (O) value is 0.067, indicating a positive relationship between the two variables. The P-Values of 0.666, higher than 0.05, indicate insignificance, in line with the t-statistic value of 0.432 < 1.962. High P-Values indicate that Audit Opinion has no significant effect on Audit Delay. Thus, based on the results of hypothesis testing, it can be concluded that H7 is rejected and insignificant. This is because the type of opinion given by an independent auditor can be good or bad news for company

performance. However, this is not a determining factor in determining how long the submission of financial reports will take. This is in line with research (Wardani et al., 2020) that audit opinion has no effect on audit delay.

IV. CONCLUSIONS

Based on the previous data analysis, it can be concluded that leverage and company size have a significant effect on audit opinion, while KAP reputation does not show a significant effect on audit opinion. Leverage also has a significant effect on audit delay, but KAP reputation, company size, and audit opinion do not significantly affect audit delay. Suggestions for future research are to investigate other variables beyond the variables already considered to obtain more diverse results that can describe other factors that may affect audit delay. In addition, adding a wider observation period and sample than this study may also be useful.

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