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The Effect of Audit Quality, Tenure of Audit to Audit Lag Report with Specialized Industry of Auditors as a Moderating Variable

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Abstract: This research aimed to analyze the effect of audit quality and audit tenure on audit report lag with auditor industry specialization as a moderating variable empirical study on the enterprise - manufacturing companies listed in Indonesia Stock Exchange in 2013- 2014. Hasil from this study showed that audit tenure has influence on audit report lag. Audit quality has a significant influence on audit report lag. auditor industry specialization significant effect on relations audit tenure and audit report lag with the direction of the positive coefficient. auditor industry specialization does not significantly influence relationship quality audit and audit report lag negative direction.

Keyword: Audit report lag, tenure audit, quality audit, specialization auditor, profitability, size

INTRODUCTION

The growing amount of companies that do go public fluctuated from 1997 until 2012. A decrease in the number of companies going public in 1999 and 2005 due to the financial crisis that occurred in Indonesia at that time so the company does not want to take the risk of going public during the crisis. But after the first monetary crisis in 1999 and the financial crisis in 2005, an outline of a company that does go public showed a positive trend or ascending. It can be seen only in 1997 there were 282 companies went public in the year 2012 to achieve a drastic increase by 459 companies gone public, while in 2016 the total companies listed in the Indonesia Stock Exchange reached 525 listed companies.

The company went public in Indonesia are required to submit financial statements audited by a public accountant. This is based on the Decision of the Chairman of Bapepam regulation No. X.K.6, for companies that go public, the company is obliged to publish financial statements audited by independent auditors. The regulation states: "Public Company that its registration statement has become effective shall submit an annual report to Bapepam and LK maximum of 4 months after the end of the fiscal year". Based on these

regulations can be concluded that the liability of companies going public is to present audited financial statements. This resulted in an increase in the development of companies going public also followed the development of the increase in demand for audits of financial statements. Growth of demand shows responsibility audit of public accountants in providing audit services also support the management responsibilities.

Audit quality is generally defined as the possibility of an auditor to detect and report material misstatements that occurred in the financial statements of the client company [1]. The possibility that an auditor's report material misstatements that occurred in the financial statements of the company's clients depend on auditor independence. An auditor is required to be able to produce high quality work. This is caused auditor has a great responsibility towards the parties interested in the financial statements of a company, including the public.

[2] argues that long-standing relationships between auditors and their clients will have an impact on the incidence of closeness between them where it can affect the independence of the auditor in detecting and reporting of material misstatement in the financial statements of the client company so will reduce the quality of the audit. By using discretionary accruals approach they conclude that the auditor-client relationship has a negative effect on audit quality. In contrast to the conclusions expressed by [2], [3] found that the rotation of the Public Accounting Firm will not improve audit quality. Given the costs used from the beginning of the engagement between the auditor and the client, so in this case for rotation on auditor-auditors, the company will issue expenses that are not essential for the firm as well as for the company and produce minimal benefit. In a study (Jackson & Roebuck, 2008), concluded that audit quality is increased when linked with the length of the auditor-client relationship when is proxy by going concern opinion and have no effect if it is proxy by discretionary accruals. Therefore, [3] supports the theory that the longer the auditor and client relationships, the quality audit reporting will increase along with the increasing competence of auditors on client performance.

Constraints in achieving the timeliness of financial reports according to [4] is an increase in the number of public companies in Indonesia and the third general standard which requires auditing audit carried out carefully, thoroughly, and gather the evidence is sufficient. Pham (2014) states that if the financial reporting is not timely will affect the decisions that are uncertain. If the financial statements interfere in decision-making, the financial statements have been loss of quality and is considered to have lost relevance [5]. According to [6] when the investor does not receive financial reports on time will make the bad news that the company has a poor performance and a sign will have a negative abnormal return on investment returns.

Earned the precision, accuracy and audit expertise will be obtained with the duration of the audit engagement with clients. The long duration of the engagement with the client auditor's work in examining the financial statements referred to the audit Tenure. In this study is the determination of audit tenure as a KAP according to research conducted by [7] in [8]. According to [9] in [8] suggests that increasing Tenure audit the auditor's understanding of the operation, business risk, as well as the company's accounting system will also increase resulting in a more efficient audit process. Conversely, if the auditor perform the audit engagement in new clients, the timing of the audit will be longer. This is due to the auditors need more time to adapt to the recording, operational activities, internal controls, as well as the working papers of the last period the company at the beginning of the engagement, [8]–[10].

Auditors referred to as a specialization in an industry where the auditor has attended trainings that focus on a particular industry. In addition, the auditor who has plenty of experience conducting audits and concentrated in a particular industry may also be referred to as a specialist auditor [11] in [12]. [7], [12] prove that the auditors are predicated industry specialists can complete audits faster than the auditor who is not a specialist by their industry-specific knowledge of an industry that play a significant role in the completion of the audit process. The results of the study [7] then the underlying consideration of the negative effects of Tenure audit of the timing of audit can be strengthened if the audit of financial statements conducted by the auditor of industry specialists.

Based on the description and several studies have noted previously, researchers interested in conducting research on “The Effect of Audit Quality, Audit Tenure lag to Audit report The Auditor Industry Specialization As Variable Moderation” by using the research object manufacturing company in 2013-2014. The formulation of the problem in this research is to determine the relationship of the quality of the audit to the audit report lag; audit tenure relation to the audit report lag; relationships auditor industry specialization moderate the relationship between audit tenure and audit report lag; relationships auditor industry specialization moderate the relationship between audit quality and audit report lag. While the benefits and empirically purpose is to examine and obtain empirical evidence of the relationship quality audit, audit tenure on audit report lag with auditor industry specialization as a moderating variable.

THEORITICAL REVIEW AND DEVELOPMENT HYPOTHESIS

Theoretical Review

(a) The quality of the audit to the audit report lag

Research on audit quality refers to research conducted by [13]. According to [13] states that the total delay is measured using the length of time the company’s fiscal year-end date show a significant effect on audit quality in a positive way. It is basing this study to indicate if the longer audit delay or postponement of the publication of the financial statements, it means the longer the duration of the completion of the audit (ARL) is getting longer. This may indicate that the relationship of the timing of the audit which may affect the length of audit quality is getting better. The period of audit affect the accuracy of financial reporting. According to Afolabi (2007) in the study [13] states that the three main criteria used in evaluating the quality of financial statements of the timeliness, reliability and comparability.

H1: Audit Quality lag effect on Audit report

(b) Tenure Audit to the relationship Audit Report Lag

Research by [9] audit tenure variables are divided into two categories: first, the short tenure is when the auditor during the tenure of less than or equal to 9 years. The results of descriptive statistics that the average - average audit report lag (ARL) is for 59.36 days, while the average - average tenure the company’s auditor for 10 years. Hypothesis test results show the tenure of audit services and non - audit has a negative correlation with the audit report lag (ARL). Based on empirical evidence that has been obtained in the study explained that short tenure coefficients are statistically significant and positive for 4 years in a period of 6 years of research. Other studies that have been done, [7], produced evidence that the tenure of audit

shorter generate audit report lag (ARL) is longer, but this study did not focus on the variable tenure audit as the main variable in the study.

Based on previous studies on the effect of audit tenure on audit report lag (ARL) produces differences in the results. According to [9] argues that the variable audit a longer tenure will further improve the efficiency of the audit. The research indicates that the relationship tenure audit and audit report lag relationship negatively. The longer tenure auditors will audit resulted in more and more experience and knowledge about the characteristics of the client and his client's business operations. This will create efficiencies that increase so that the time required in the completion of the audit of the financial statements will be more quickly resolved in other words the audit report lag (ARL) is getting shorter.

H2: Tenure audit report lag effect on Audit Report Lag

(c) Auditor Industry Specialization to the relationship audit tenure and audit report lag

Research conducted by [7] about the influence of specialization auditor Research conducted by [7] about the influence of specialist auditor of the industry on the audit report lag (ARL), the company's listing on the New Zealand Stock Exchange (ZX) in the period 2004 to 2005. In that study Multivariate analysis using research methods. The result shows that companies - companies audited by the auditor of industry specialists to produce an audit report lag (ARL) five days faster than companies audited by the audit is not an industry specialist.

Research conducted by [7] thus in this study indicates that the auditor industry specialization affected relations audit tenure and audit report lag. Effect of audit tenure on audit report lag would be strengthened if the audit of financial statements conducted by the auditor industry specialization. The longer the tenure of audit makes the auditor an understanding of the characteristics of its clients more and more businesses that create efficiency audit and make audit report lag is getting shorter. This will further support if the company is a client of the auditor of industry specialists.

The process of completing the audit of the financial statements will be faster or in other words, the shorter the lag audit report because the auditor is predicated specialists have the knowledge and understanding that is more significant to specific industries. Auditors who have a deep understanding of a specific field that will create efficiency audit that auditor industry specialization faster than its auditor completed the audit of the non-specialist. [14].

H3: Auditor industry specialization affected relations audit tenure and audit report lag (ARL)

(d) Auditor industry specialization to the relationship of audit quality and audit report lag

Previous studies conducted on the effect of industry specialist auditors to improving the quality audit one of which is the research [15] regarding the industry specialist auditor tenure KAP affected relations with the earnings quality is proxy by discretionary accruals and income coefficients. The study found that public accounting firm clients using specialist auditors showed lower discretionary accruals and earnings response coefficients are higher than non-specialist auditors clients.

Other research by [16] also found no effect of moderating auditor and industry specialists explained that the shorter the tenure KAP improve audit quality. Based on numerous studies that existed before, it can indicate that the auditor of industry specialists to contribute in support of increasing audit quality.

Auditor in Public Accountant who has the insight and knowledge not only about the auditing and accounting but also the characteristics of the client's industry. For example in the audit process manufacturing companies have the same principle with the insurance company, but the nature of the business, accounting principles, accounting systems and tax regulations which may differ. If the Auditor in Public Accountant has a more profound understanding will create efficiency audit. This impact completion of the audit process will be faster so that the audit report lag is getting shorter and audit quality would be much better. [8]

H4: Auditor industry specialization effect on relationship quality audit and audit report lag (ARL)

MODEL AND HYPOTHESIS DEVELOPMENT

This study aimed to examine the effect of audit quality, audit tenure on audit report lag with auditor industry specialization as a moderating variable. As this study is done determines the relationship between the quality of the audit, audit tenure with the audit report as a variable lag liaison auditor industry specialization so that the delivery of audit reports of companies can be implemented in a timely and carried out by auditors who have the ability. Based on the description that has been stated previously, the hypothesis in this study, as follows:

H1 : Quality audits affect the audit report lag

H2 : Tenure Audit to the relationship Audit Report Lag

H3 : Auditor industry specialization moderate the relationship between audit quality and audit report lag

H4 : Auditor industry specialization moderate the relationship between audit tenure and audit report lag

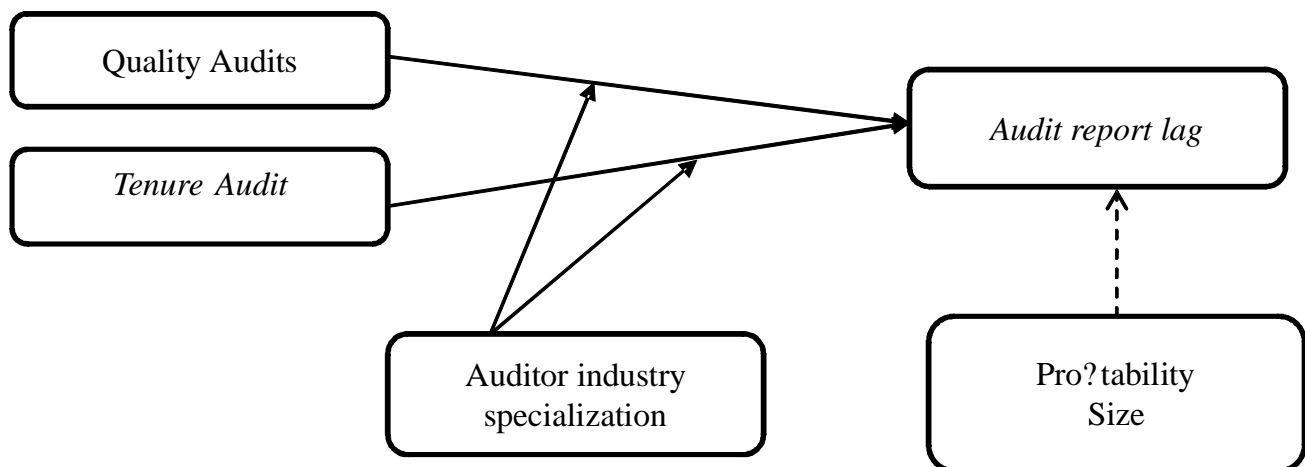


Figure 1: Conceptual Framework

RESEARCH METHODOLOGY

This research was conducted by testing hypotheses to explain the relationship between the dependent variable in this study Audit Report Lag (AUD_LAG), the independent variable in this study drive quality Audit (KAit) and Tenure Audit (TENUREit), moderating variables in this study Specialization Auditor Industry (SPECit) and control variables in this study Profitability (ROAit) and Company Size (SIZEit).

The research method according to [17] is basically a scientific way to get data with a specific purpose and usefulness. Methods This study discusses some of the things that include variables of the study, the operational definition of variables, way of measuring variables, the determination of the population and samples, types and sources of data, methods of data collection and analysis methods.

POPULATION AND SAMPLING TECHNIQUES

The population is the sum of the whole group of individuals, events that attracted the attention of researchers to be studied or investigated. The population used in this study is a non-financial companies listed on the Indonesian Stock Exchange (BEI) in 2013 and 2014. The time range of data collection were chosen because they are relevant to the research and publicly traded companies are also increasingly publish annual reports to include the data the audit report lag and the profile of the audit Committee. This study uses a sampling technique by purposive sampling method. Samples were selected through random sampling method based on certain criteria, namely:

1. The Company has been listed on the Indonesia Stock Exchange (BEI) in 2013 and 2014
2. Companies that publish annual reports and financial statements in the years 2013 to 2014
3. Companies that use Rupiah in the financial statements and annual reports.

ANALYSIS METHOD

This study uses the classical assumption test before testing the hypotheses on the main regression model. Therefore, the basic assumption requires regression analysis. This test is also known as BLUE (Best Linear Unbiased Estimator) the purpose of this test is used to avoid multicollinearity, heteroscedasticity and autocorrelation.

Measurement and analysis of the development of hypotheses on the relationship of independent variables and the dependent variable based on the regression model. This study was analyzed using multiple regression model to see how much influence the Quality Audit on audit report lag, tenure audit of the audit report lag, Specialized industry audit moderate the relationship between tenure audit and audit report lag and specialties industry auditor moderate the relationship quality audit and audit report lag. The hypothesis states that the audit report lag (ARL) as the independent variables used in this study. According to this research refers to research that has been done by [9] in [8] with the addition and subtraction of relevant variables used in this study.

In model 1 is expressed audit tenure and audit quality adversely affect the audit report lag relationship (ARL). Tests on model 1 to identify the value and probability $\hat{\alpha}_1$ is as follows:

$$ARL_{it} = \alpha_0 + \beta_1 TENURE_{it} + \beta_2 KA_{it} + \beta_3 ROA_{it} + \beta_4 SIZE_{it} + \epsilon_{it}$$

In model 2 states the auditor industry specialization affected relations audit tenure and audit quality in the audit report lag (ARL) is negative or positive. The test model 2 by identifying value and probability $\hat{\alpha}_2$ as follows:

$$ARL_{it} = \alpha_0 + \beta_1 TENURE_{it} + \beta_2 KA_{it} + \beta_3 ROA_{it} + \beta_4 SIZE_{it} + \beta_5 TEN * SPEC_{it} + \beta_6 KA * SPEC_{it} + \epsilon_{it}$$

RESULTS AND DISCUSSION

Hypothesis testing is done by multivariate analysis using multiple linear analysis. Table 1 shows the test results of each - each independent variable which is predicted to affect the audit report lag that audit quality and audit tenure. Table 1 shows that audit tenure variables have a significance value of 0.277. This shows that the significance value of 0.277 is below 0.10. This shows the significant influence of variables audit tenure on audit report lag at the level of 10%. Unstandardized coefficients (B) is used to indicate a positive or negative influence. Value unstandardized coefficients (B) audit tenure variables in Table 1 shows the unstandardized coefficients (B) has a value of 8564 which means a positive effect. Based on this first hypothesis is accepted that states tenure audit harmful impact on audit report lag.

Table 1 shows that the variable quality of the audit has a significance value of 0.003. This shows that the significance value of 0.003 was below 0.05. This meant that the significant effect of the variable quality of the audit to the audit report lag. Unstandardized coefficients (B) is used to indicate a positive or negatively. Value unstandardized coefficients (B) audit quality variables in Table 1 have a value of 16 199, which means a positive effect. Based on this second hypothesis is accepted that certify the quality audit positive effect on audit report lag.

Table 1
Significance Test t Model 1

<i>Model</i>	<i>Unstandardized Coefficients</i>		<i>Standardized Coefficients</i>	<i>t</i>	<i>Sig</i>
	<i>B</i>	<i>Std Error</i>	<i>Beta</i>		
1 (Constant)	189.352	38.607		4.905	.003
Tenure Audit	8.564	7.163	.386	1.196	.277
Audit Quality	16.199	13.739	.422	1.179	.283
ROA	939.710	768.468	.525	1.223	.267
SIZE	-7.726	3.319	-.902	-2.328	.059

Table 2 shows the assay results from the interaction of moderating variables that auditor industry specialization predicted effect on audit quality and audit relationships tenure on audit report lag. In Table 2 shows the results of testing the effect of industry specialization auditor to audit relationship tenure (TENURE_SPEC) and audit report lag. Based on table 2 t value (TENURE_SPEC) amounted to 1,423. Value significance (TENURE_SPEC) has a value of 0.100. The significance value is above 0.05, which means that there is significant variables auditor industry specialization to the relationship audit tenure and audit report lag. Value unstandardized coefficients (B) variable (TENURE_SPEC) in table 2 has a value of 13 853, which means a positive effect. Based on this third hypothesis is accepted that states the auditor industry specialization affected relations audit tenure and audit report lag.

In Table 2 shows the results of testing the effect of auditor industry specialization to the relationship of audit quality and audit report lag (KA_SPEC). Based on table 6 t value (KA_SPEC) amounted to 2,356. Significance variables (KA_SPEC) has a value of 0.100. The significance value (KA_SPEC) is located above 0.05, which means that the significant effect of the variable auditor industry specialization to the

relationship of audit quality and audit report lag. Value unstandardized coefficients (B) (KA_SPEC) in table 2 has a value of 44 265, which means a positive effect. Based on this fourth hypothesis is accepted that states the auditor industry specialization effect on relationship quality audit and audit report lag negatively.

Table 2
Significance Test t Model 2

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig
	B	Std Error	Beta		
2 (Constant)	179.311	29.095		6.163	.009
Hubungan Perikatan	9.796	5.868	.442	1.669	.194
Kualitas Audit	.116	15.882	.003	.007	.995
ROA	833.793	561.745	.466	1.484	.234
SIZE	-5.637	2.653	-.658	-2.124	.124
Spesialisasi Auditor	-61.677	20.202	-1.607	-3.053	.055
KA_SPEC	44.265	18.786	1.194	2.356	.100
TEN_SPEC	13.853	9.737	.625	1.423	.250

CONCLUSION

These results indicate that audit tenure has a significant influence on the audit report lag negative direction. Tenure Audit longer have the audit report lag shorter. Regression test results obtained results of that audit quality has a significant influence on the audit report lag with positive direction. Audit quality has audit report lag is longer. The results also showed that the auditor industry specialization significant effect on relations audit tenure and audit report lag with the direction of the positive coefficient. It is clear that the longer the tenure audit and backed by the auditor industry specialization will shorten audit report lag. These results indicate that the auditor industry specialization does not significantly influence relationship quality audit and audit report lag the negative direction.

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