THE INFLUENCE OF COMPANY PERFORMANCE ELEMENT, AUDITOR'S REPUTATION AND REPEAT AUDIT TO LENGTH OF AUDIT

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ABSTRACT
This research aims to analyze the influence of company performance elements, auditor reputation and repeat audit on audit duration. The length of the audit is measured from the closing date of the financial year to the date the audit report was issued. The data used in this study are secondary data and sample selection using a purposive sampling method which consists of 320 companies listed on the Indonesia Stock Exchange (BEI) and publishes financial statements consistently in the 2014-2018 period. The method of analysis of this study uses multiple linear regression analysis. Based on the estimation results used it can be seen that only the auditor's reputation variable has no significant effect on the length of the audit, while the other variables are proven to have significant influence as follows: (i) Profitability has a significant negative effect on the length of the audit, (ii) Solvency has a positive influence and significant to the length of the audit, (iii) the size of the company has a negative and significant effect on the length of the audit, (iv) repeat audit has a negative and significant effect on the length of the audit.
Keywords: Length of audit, profitability, solvency, company size, auditor reputation, repeat audit

INTRODUCTION

Economic growth is increasing from year to year. One of the biggest contributors to the national economy is the manufacturing industry as the largest contributor to Indonesia's gross domestic product (Ridwan, 2018). This growth encourages companies to increase and develop their businesses so that they need capital or *investment*. This development effort is carried out by *going public* or *initial public offering* (IPO), namely by registering companies on the Indonesia Stock Exchange (IDX) to open company access to long-term funding or *investment* (GoPublik, 2020).

The investors before investing will check the company's performance, one of which is the company's financial statements. Company performance is a parameter used to assess the overall success of the company in achieving strategic goals that have been set through selected strategic initiatives (Mulyadi, 2007). Measurement of company performance includes profitability, solvency and company size.

Investors and potential investors in the capital market really need accounting information that management reports have high integrity, the indicator is the auditor's reputation used by a company to examine its financial statements. The financial statements provide important information about the company for those who need it, namely creditors, shareholders, and management. Given the importance of company information in decision making, the timeliness of reporting plays a high and valuable role for those in need.

The length of the audit is the audit time gap, which is the time required by the auditor to produce an audit report on the performance of a company's financial statements. This audit gap is calculated from the difference between the date of the company's annual financial statements up to the date of the audit report issued by KAP (Halim, 2007). The length of the audit is the length of time for the completion of the audit measured from the closing date of the financial year to the date the audit report was issued.

The obligation of companies that have *gone public* is to publish financial reports that have been prepared with financial accounting standards and have been audited by public accountants. The auditor has a big responsibility and of course, this makes the auditor work more professionally. One of the criteria for auditor professionalism appears in the timeliness of the delivery of audited reports (Subekti and Wulandari, 2004).

Caslaw and Kaplan (1991) state that *timeliness of* reporting is an important qualitative attribute in financial statements so that financial statements must be accurate and timely (*disclosure*) so that information in financial statements can be useful for its users for economic analysis and decision making.

Malaysia is one of the countries that provide rules for audit research. Che-Ahmad and Abidin (2008) stated that the average length of an audit of a Malaysian company was longer than that of a western country. Multivariate analysis shows that the director's share ownership, total assets, number of subsidiaries, type of audit company, audit opinion and *return on equity* are important determinants of the length of the audit (Che-Ahmad and Abidin, 2008).

Hasan (2012) conducted a study that examined company size, profitability, solvency, auditor's opinion and the size of the Public Accounting Firm. The results of his research show that profitability, auditor opinion, and the size of the Public Accounting Firm are significantly negatively related to the length of the audit.

According to Vuko and Cular (2014), the existence of an audit committee, profitability and *leverage* are statistically significant determinants of the length of the audit in Croatia. The audit report date is the date on which the auditor has obtained sufficient and appropriate audit evidence to support the opinion, including evidence that all financial statements have been prepared.

Based on the description above, it is known that the accuracy of the delivery of financial statements is very important especially for users of financial information in predicting and making decisions. So that the duration of the audit is very crucial because it affects the results of investor decisions. In addition, the

manufacturing industry is the most important industry in Indonesia, so research on "The Effect of Elements of Company Performance, Auditor Reputation and *Repeat Audit* on the Length of Audit" needs to be done.

THEORETICAL AND DEVELOPMENT HYPOTHESES

Theory of Compliance

According to Sulistiyo (2010), there are two basic perspectives in the sociological literature on adherence to the law, that is instrumental and normative. The instrumental perspective assumes the whole person is driven by personal interests and responses to changes in incentives, and penalties related to behavior. The normative perspective deals with what people consider to be moral and contrary to their personal interests.

Theory Agency

Jensen and Meckling (1976) describe the agency theory as the relationship between the agent (management) and the principal (owner). Principals in this case are represented by the shareholders' demand accountability of agents represented by the manager through the reporting of financial information. The agent acts as the party that has the authority to make decisions, while the principal is the party that evaluates.

Profitability

Companies that have higher profitability require faster time in auditing financial statements. This is due to the necessity to deliver the good news as soon as possible to the public. This was also conveyed by Imam Trianto, R. Adri Satriawan and Yuneita Anisma (2014) who conducted research on mining companies listed on the Indonesia Stock Exchange in 2014 whose research results have proven that profitability has a significant effect on the length of the audit.

Based on this description, the following hypothesis is formulated:

H1: Profitability has a negative effect on the Length of Audit

Solvency

Solvency is often called the leverage ratio. LeverageThe company shows how much equity is available to provide collateral for the company's total debt, both current and long-term debt. The effective use of debt will increase the company's income and equity (Munawir, 2001). The greater the level of *leverage* shows the greater the risk in payment of a corporate debt.

The high debt to equity ratio reflects the high financial risk and the company is experiencing financial difficulties which is bad news that will affect the company's condition in the eyes of the public. The management will try to reduce the *debt to equity ratio* as low as possible so that it tends to delay the delivery of financial statements that contain bad news (Utami, 2006). The higher the ratio of debt to capital, the longer the delay in submission of audited financial statements.

Based on the description, the following hypothesis is formulated:

H2: Solvency has a positive effect on the Length of Audit

Company

Size Company size can be seen from the total assets owned by the company. The larger the scale of a company, the time to complete the audit process will be faster than smaller companies. This is because large-scale company management tends to be given incentives to reduce the length of the audit because the company is closely monitored by investors, capital supervisors, and the government. Therefore, large-scale companies tend to experience higher external pressure to announce audit reports earlier.

Rachmawati research results (2008), showed that the size of the company has a significant influence on the length of the audit where the larger the size of the company, the shorter the length of the audit. Vice versa, the smaller the size of the company, the longer the length of the audit. This is because the internal control system of large companies is better so as to reduce the level of error in the preparation of financial statements that make it easier for auditors to audit financial statements.
Based on the description, the following hypothesis is formulated:
H3: Firm Size negatively influences the Length ofAudit

Auditor Reputation
The auditor's reputation is measured by the size of the Public Accountant Firm which is divided into public accounting firms that are in the top four, in this case, *the big four* and public accounting firms *non the big four*. The public accounting firm *big four* generally has more resources so that it can conduct audits more quickly and efficiently. This supports the opinion that companies audited by public accounting firms *the Big Four* tend to complete their audits more quickly when compared to companies audited by public accounting firms *non-big four*.

Auditor's reputation can be known from the size of the audit company that conducts audits of annual financial statements, relying on whether the Public Accounting Firm (KAP) is affiliated with *the big four* or not. Lestari (2010) mentions the absence of a significant positive relationship between the length of the audit and the quality of the auditor, Rachmawati (2008) shows a positive correlation between the two things.

The available literature explains that large KAPs, in this case *the big four*, tend to more quickly complete the audit tasks they receive when compared to *non-big four*. The choice of a KAP *big four* by a company is a signal that the company's financial statements are more reliable and credible compared to companies that do not use KAP *the big four*. This is because the KAP of *the big four* has a large number of employees, can audit more efficiently and effectively, has a flexible schedule that allows it to complete audits on time, and has a stronger drive to complete the audit more quickly to maintain its reputation. the reputation they must maintain.
Based on this description, the following hypothesis can be formulated:
H4: Auditor's reputation negatively influences the Length ofAudit

Repeat Audit

if the company chooses an auditor who is more likely to agree on the company's accounting practices and methods. If the company meets with a new auditor this year, it is different from the past auditor who might have understood the financial aspects of the company, allowing the new auditor to be totally blind about the company.

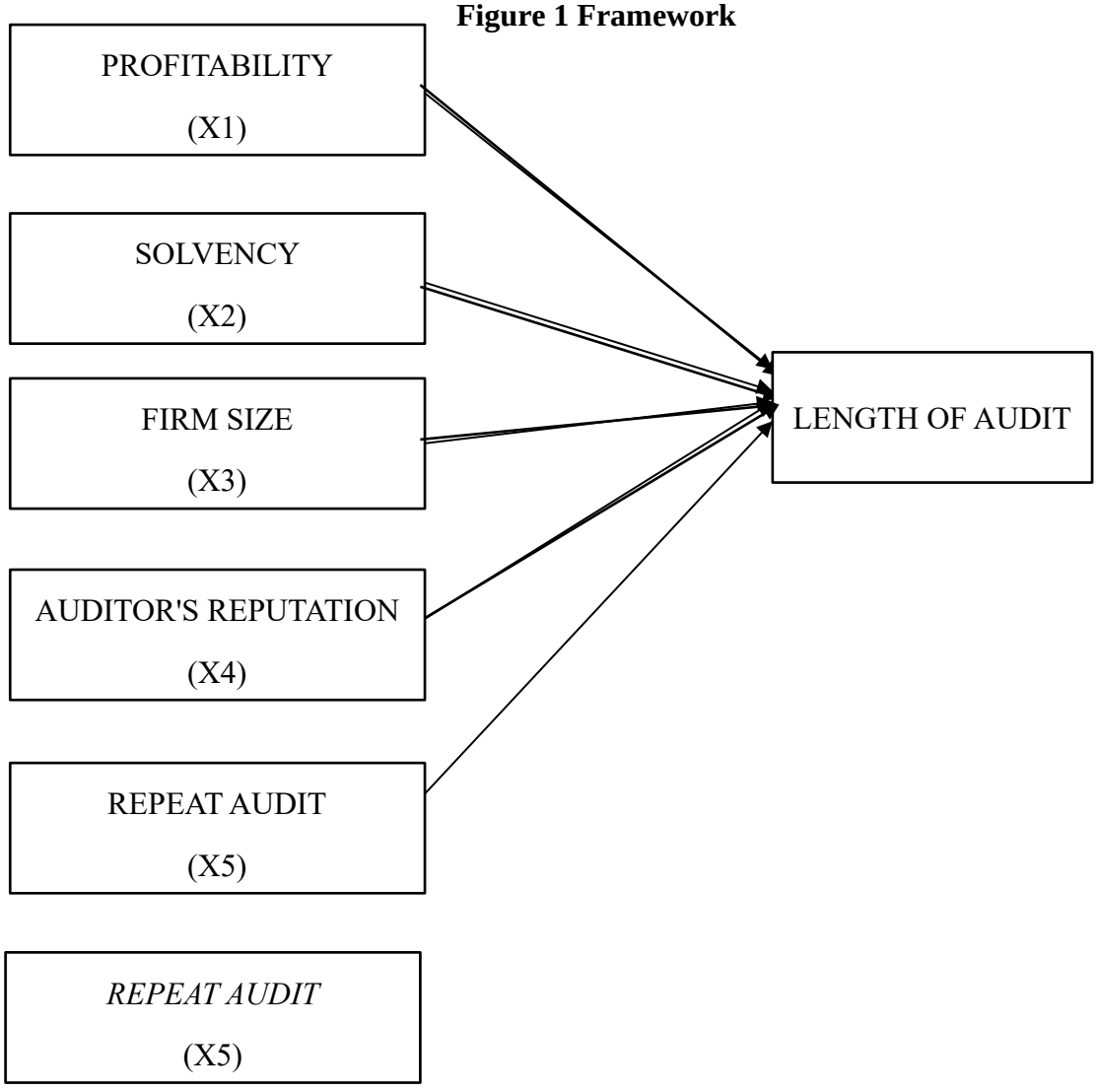
Then the choice to *repeat audit*, or choose an auditor who has done an audit last year to re-audit for the year concerned will be the first choice for the company. Especially if the results of their opinion last year were quite good and the price of assignments for this year is also quite fitting in the company's budget.
Based on the description, the hypothesis can be formulated as follows:

H5: Repeat Audit negatively affects the Length of Audit

Framework for Thinking

Based on the influence of the independent variables on the dependent variable outlined above, the theoretical framework can be described as follows:

Figure 1 Framework



METHODS

Population and sample

The population in this study were manufacturing companies listed on the Indonesia Stock Exchange from 2014 to 2018. Sampling in this study was carried out using a purposive sampling method, ie samples selected from a number of populations that met certain criteria and were considered to be able to represent.

The criteria for the companies sampled in this study are:

1. Manufacturing companies listed on the IDX consistently from 2014 to 2018 and were never delisted during that time period.
2. Manufacturing companies that publish financial statements that display data that support the analysis of factors that affect the length of the audit from 2014 to 2018.
3. Manufacturing companies use rupiah in their financial statement data.

Data and Sources of Data

Types of data used in this study include secondary data. Secondary data is a type of research data obtained indirectly by researchers through intermediary media. Secondary data is generally in the form of evidence, historical records or reports that have been compiled for publication or not published.

This study uses secondary data obtained from the Indonesia Stock Exchange website www.idx.co.id. The data in question is an annual report from manufacturing companies listed on the Indonesia Stock Exchange for the period 2014-2018 which contains complete information needed in this study.

Variable and Measurement of Variables

Table 1 Measurement

Variable	Measurement variable
Length of audit	Date audit report minus the date of the financial statements
Profitability	total net revenue divided by total assets multiplied by 100%
Solvency	Total debt divided by total capital multiplied by 100%
Company Size	logarithm natural total assets Ln (total assets)
Auditor reputation	Dummy big four and non-big four KAP
Repeat Audit	Dummy The same KAP from the previous year and that is not the same

The Data Test

the technique of multiple linear regression analysis is used to test the effect of independent variables more than two variables on variables dependent. The regression equation in this study can be formulated as follows:

$$Y = \alpha + \beta_1 \text{ Profit} + \beta_2 \text{ Solv} + \beta_3 \text{ CompanySize} + \beta_4 \text{Reputation} + \beta_5 \text{ Repeat} + e$$

Description:

Y = length of the audit

α = Constant

Profit = Profitability

Solv = Solvency

Company Size = Company size

Reputation = Auditor reputation

Repeat = Repeat audit

β_1 - β_5 = regression coefficient of each variable independent

E = error term

DISCUSSION AND ANALYSIS

Sampling

of the existing population, the sample used in this study is as follows.

Table 2 Sample Research Period 2014-2018

Criteria	Number
of Manufacturing Companies listed on the IDX in 2018	163
Companies not listed on the IDX since at least 2014	(99)
Number of sample companies	64
Number of observation years	5
Number of observations sampled during the study period	320

Source : www.idx.co.id,the data processed in the year (2020)

Hypothesis Testing

The Descriptive Statistics

purpose of the statistical description is to provide a brief description of the research variables. The description of the research variables is explained using the minimum, maximum, mean, and standard deviation of each variable. Some variables in this study use indicators based on previous research and other relevant references. The variables used in the analysis "Effect of Elements of Company Performance, Auditor Reputation and Repeat Audit on the Length of Audit" are divided into two, namely the dependent variable and the independent variable. For the dependent variable is the length of the audit, while for the independent variable is profitability measured by *return on assets* (ROA), solvency measured by *debt to*

equity ratio (DER), company size as measured by *LN total assets*, auditor reputation, and *repeat audits*. More specifically, a further explanation regarding statistics can be seen in the following table.

Table 3 Descriptive Statistics

Variable	Obs	Mean	Std. Dev	Min	Max
Number of Audit Days	320	79.14	15.62	32.00	191.00
ROA	320	0.04	0.10	-0.55	0.36
DER	320	1.17	1.87	-8.34	11.10
Company Size	320	14.70	1.76	6.48	19.66
Auditor Reputation	320	0.42	0.50	0.00	1.00
Repeat Audit	320	0.78	0.41	0.00	1.00

Source: Processed Results STATA, 2020.

Based on descriptive statistics table 3, it can be seen that each variable has a number of variables of 320 observations.

Statistical Tests

Table 4 Results of Estimated Effects of Elements of Company Performance, Auditor Reputation and Repeat Audit to Length of Audit

Dependent Variables: Length of Audit	Coefficient
Constant	106,951 (0,000) ***0.000)
Profitability (ROA)	-31,887 (0.005) **
Solvency (DER)DER)	0.4100.410 ((0.088) *
Company Size	-1.628 (0.020) **
Auditor Reputation	4,099 0.250
Audit Repeat	-6,046 (0.062) *
R-squared	0.086
Prob> F	0.002

Note: printed numbers in parentheses are prob values. t statistics that have been adapted to *robust standard errors*, alpha value 10% *; alpha value 5% **, alpha value 1% ***

Source: STATA processed product, 2020.

T Test

Testing the significance of independent variables partially through statistical tests t using 95 percent confidence level (α = 5 percent) and 9 percent confidence level (α = 10 percent). The estimation results are shown in Table 4.3. Based on Table 4.3 it can be seen that the ROA variable has a *p-value* of 0.005 <value of *alpha* 0.05and has a negative coefficient direction, so it can be concluded that ROA partially has significant influence with a negative direction on the length of the audit.

Furthermore, DER partially has a significant and positive influence on the length of the audit because it has a *p-value* of 0.088 <value of *alpha* 0.10and with a positive coefficient direction.

Then, Company Size has a *p-value* of 0.020 <value of *alpha* 0.05and with a negative direction, so that the Company Size variable partially has a significant effect and with a negative direction on the length of the audit.

The last variable that has a significant influence is *repeat audit* with a negative direction because it has a *p-value* of 0.062 <value of *alpha* 0.10 and with a negative coefficient direction. The auditor's reputation variable apparently did not have a significant effect on the length of the audit. This can be seen from the *p-value* of 0.250>value of *alpha* 0.05.

F Test

Testing the influence of all independent variables through the statistical test F using a 95 percent confidence level (α = 51 percent), Based on the regression results obtained Prob> Fp-value of 0.0016 <alpha value 0.01, so that together the independent variables, i.e. (i) profitability measured by return on assets (ROA), (ii) solvency measured by debt to equity ratio (DER); (iii) Company size as measured by LN total assets, (iv) auditor reputation, and (v) repeat audits significantly influence the dependent variable (length of audit) (Table 4.3).

Determination Coefficient Test (Goodness of Fit)

Testing the ability of the model to explain the variation of the dependent variable produces R2 of 0.0863. This means that the regression model can explain the variation of the TFT Indonesian TPT industry by 8.6 percent, while the rest is explained by other variables outside the model used in this study

CONCLUSION AND RECOMMENDATIONS

Conclusion

This study examines the effects of profitability, solvency, company size, auditor reputation, and repeat audits on the length of time for audit completion in manufacturing companies listed on the Indonesia Stock Exchange in the period 2014 to 2018. This study uses a multiple linear regression model with panel data and uses an amethod random effect based on robust standard errors. Based on the estimation results used, the conclusions of this study are as follows.

1. Profitability, as measured by return on assets (ROA), has a negative effect on the length of the audit, which means that if the company has a greater ROA then the time needed to conduct an audit will be shorter.
2. Debt to equity ratio (DER) to the length of the audit has a positive and significant effect. This means that if the company has a DER that is relatively larger than other companies, the time needed to conduct an audit will be longer.
3. Company size has a negative and significant effect on the length of the audit, which means that for larger company size, the audit time will be shorter.
4. The auditor's reputation has no effect on the length of the audit, which means that the Big Four KAP and non-Big Four KAP relatively need the same time in handling the audit report.
5. Repeat audits have a negative and significant effect on the length of the audit, which means that if the company reappoints the same auditor from the previous year, the time required to conduct the audit will be relatively shorter.

Suggestion

Taking into account the results of the analysis, conclusions and limitations that have been put forward, this study provides suggestions for further research as follows.

1. Further research can use other sectors or all sectors of companies listed on the IDX, so they can find out the comparison of the audit duration in each company studied.
2. Future studies can propose other variables than in this study that is thought to affect the length of the audit.
3. Future studies can use longer periods of time and greater observation so that the data that are the object of estimation become more representative of the phenomena that exist.

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