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Effect of Profitability, Audit Quality and Company Size on Audit Opinion Going Concern With Audit Lag as Intervening Variable

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A B S T R A C T

The purpose of this study is to examine the effect of profitability, audit quality and company size on going concern audit opinions with audit lag as an intervening variable in basic and chemical industrial companies listed on the Indonesia Stock Exchange in 2017-2019, with a population of 80 companies and 31 samples. by using purposive sampling with the following criteria: basic and chemical industrial companies listed on the Indonesia Stock Exchange during 2017-2019 and not deleting, issuing complete reports, experiencing profits during 2017-2019. The research method uses quantitative methods and path analysis. And the results obtained that profitability and audit quality partially affect audit lag and audit quality has no effect on audit lag. And profitability, audit quality and company size partially affect going concern audit opinion, audit lag has no effect on going concern audit opinion, and audit lag is an intervening variable between the dependent and independent variables.

1. Introduction

The difficulty of the early economy and the widespread outbreak of the covid-19 virus caused many companies to be unable to maintain their companies because auditors did not dare to express their opinions in truth. According to Widyantari, 2011 the factors that cause going concern audit opinion are liquidity, profitability, company size, audit quality and audit lag.

Profitability itself is often used as a benchmark for the survival of the company, if the company continues to lose money, it must be questioned about the company's ability. The auditor himself can measure it through the financial statements provided by the company.

In general, many companies consider that auditors who are Big 4 KAPs have reliable audit quality, both in terms of data confidentiality, integrity and the interpretation of their own auditors. Therefore, the auditor should give confidence to every customer and examine the report properly and honestly.

The auditor himself must also be able to complete the financial statements in accordance with the time set, if there is a time period that exceeds the specified, of course there are some problems. Both the size of the company is too large, causing delays in collecting existing files, internal or external problems . Therefore, the auditor should have an effective and efficient way to be able to complete his duties properly and correctly.

As happened at PT. Multicon Indrajaya Terminal was declared bankrupt due to alleged failure to pay its obligations, even though Multicon itself was believed to be able to pay off its obligations by offering an offer for their company's assets, but upon closer inspection it turned out that Multicon was unable to settle these obligations so it had to be declared bankrupt. (Source: Bisnis.com by Deliana Pradhita, 13 February 2018).

2. Literature review

2.1 The Effect of Profitability, Audit Quality and Company Size on Audit Lag

According to Mustikawati (2015), if the profit measured by the number of assets is large, it allows a long time to examine the financial statements because of the large size of the company. If you use KAP Big 4 it will reduce the possibility of delays.

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2.2 Effect of Profitability, Audit Quality, Company Size and Audit Lag on Going Concern Audit Opinion

According to Kurniawati and Murti (2017) if the company experiences profits, the company's ability is large. Of course, with the quality of audits from Big 4 KAPs, they will be able to detect this problem and sudden changes can also experience this opinion and auditors are needed to symmetrically share information with both parties. (Murti & Anam: 2016).

2.3 conceptual framework

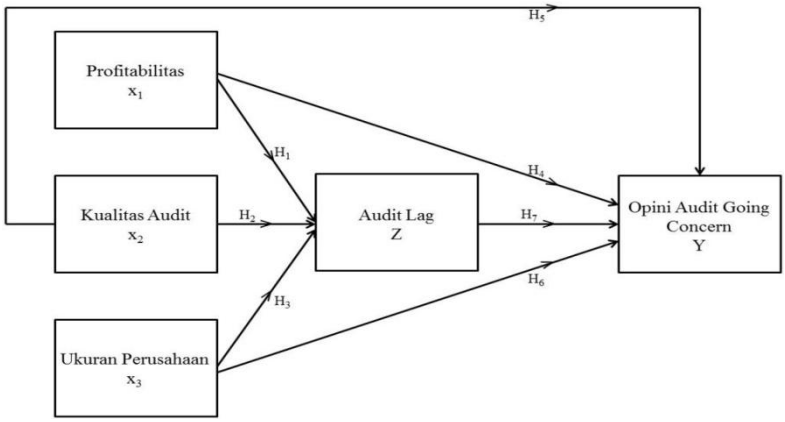

Fig 1. conceptual framework

3. Research methods

This research was conducted on Basic and Chemical Industry companies listed on the Indonesia Stock Exchange, using the 2017-2019 period, using quantitative methods and path analysis. Samples were collected by purposive sampling method. The following are the criteria for taking the population and samples:

Table 1.
Population and Sample

No	Criteria	amount
1	Basic and Chemical Industry Companies listed on the Indonesia Stock Exchange during the 2017-2019 period.	80
2	Basic and Chemical Industry Companies that experienced delisting during the 2017-2019 period.	0
3	Basic and Chemical Industry Companies that did not issue financial reports and auditors during the 2017-2019 period.	(30)
4	Basic and Chemical Industry Companies that experienced losses and did not use the rupiah currency during the 2017-2019 period.	(19)
	Number of Samples	31
	Number of Samples for 3 years	93

3.1 Descriptive Statistical Analysis

According to Ghozali (2011: 19) descriptive statistics show the data described by looking at the mean, std deviation, N, max, and min values. This analysis is a descriptive technique that provides information about the data held and does not intend to test hypotheses.

3.2 Variables in the Equation

This test is to determine the significant value of the independent variable on the dependent variable. This test is often called the Wald's test. On the basis of decision making. If the value of Sig < means that the hypothesis is accepted and vice versa if the value of Sig < means that the hypothesis is rejected.

3.3 Path Analysis Test

According to Ghozali (2013: 249) states that aPath analysis is an extension of multiple linear analysis. What path analysis does is determine the pattern of relationships between three or more variables and cannot be used to conclude in the form of agreeing or rejecting an imaginary causality hypothesis.

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4. Results and Discussion

Table 2.
Descriptive Statistics

	N	Minimum	Maximum	mean	Std. Deviation
Profitability (X1)	93	.0013	.1646	.053668	.0369739
Company Size (X3)	93	16.8640	30.3690	23.926559	4.1965466
Audit Lag (Z)	93	32.00	150.00	81.8710	17.64889
Valid N (listwise)	93				

Source: SPSS Processed Results (2021)

Based on the results of the table above as follows:

a. The X1 variable has a minimum value of 0.0013, namely the LION company in 2019; the maximum is 0.1646, namely CPIN companies in 2018; the average is 0.053668; with a Std Deviation of 0.0369739, which is lower than the average indicating that the data tends to be homogeneous.
b. The X3 variable has a minimum value of 16.8640, namely the JPFA company in 2017; the maximum is 30.3690 i.e. WSBP companies in 2019; the average is 23.926559; with a standard deviation of 4.1965466, which is lower than the average indicating that the data tend to be homogeneous.
c. Variable Z has a minimum value of 32.00 days, namely the ARNA company in 2018; the maximum is 150.00 days, namely PICO companies in 2019; the average is 81.8710 days; with a standard deviation of 17.64889, which is lower than the average indicating that the data tends to be homogeneous.

4.1 Descriptive Statistics of X2, Z, and Y variables based on each category

Audit Quality (X2)		**Audit Lag (Z)**		**Going Concern (Y)**	
Category	**f(%)**	**Category**	**f(%)**	**Category**	**f(%)**
Non KAP Big Four	52 (55.9%)	Audit lag	12 (12.9%)	Unqualified non going concern	65 (69.9%)
KAP Big Four	41 (44.1%)	On time	81 (87.1%)	Unqualified going concern	28 (30.1%)
Total	93 (100.0%)		93 (100.0%)		93 (100.0%)

Source: SPSS Processed Results (2021)

Table 3
Variables in the Equation

Variable	B	SE	Wald	df	Sig.	Exp(B)
Profitability (X1)	-2.468	6.681	.136	1	.712	.085
Audit Quality (X2)	1.073	.534	4040	1	.044	2,925
Company Size (X3)	-124	.067	3.426	1	.064	1.132
Audit Lag (Z)	2,200	1,136	3,749	1	.053	9.021
Constant	-6.201	2,313	7.186	1	.007	.002

a. Variable(s) entered on step 1: X1, X2, X3, Z.

Source: SSPS Processed Results (2021)

From the test results on the significance of the model, it can be seen that if the P-value of the Wald test (Sig) <0.05, it can be concluded that:

a. Profitability variable (X1) sig wald value 0.712 > 0.05 then Ho is accepted, meaning that Profitability Variable (X1) does not have a significant partial effect on the Going Concern Audit Opinion variable (Y).
b. Audit Quality Variable (X2) sig wald value 0.044 <0.05 then H1 is accepted, meaning that the Audit Quality Variable (X2) has a significant partial effect on the Going Concern Audit Opinion variable (Y)
c. Firm Size Variable (X3) sig wald value 0.064 > 0.05 then Ho is accepted, meaning that the Firm Size Variable (X3) does not have a significant partial effect on the Going Concern Audit Opinion variable (Y)
d. Audit Lag Variable (Z) sig wald value 0.053 > 0.05 then Ho is accepted, meaning that the Audit Lag Variable (Z) does not have a significant partial effect on the Going Concern Audit Opinion variable (Y)

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4.2 Path Analysis Test

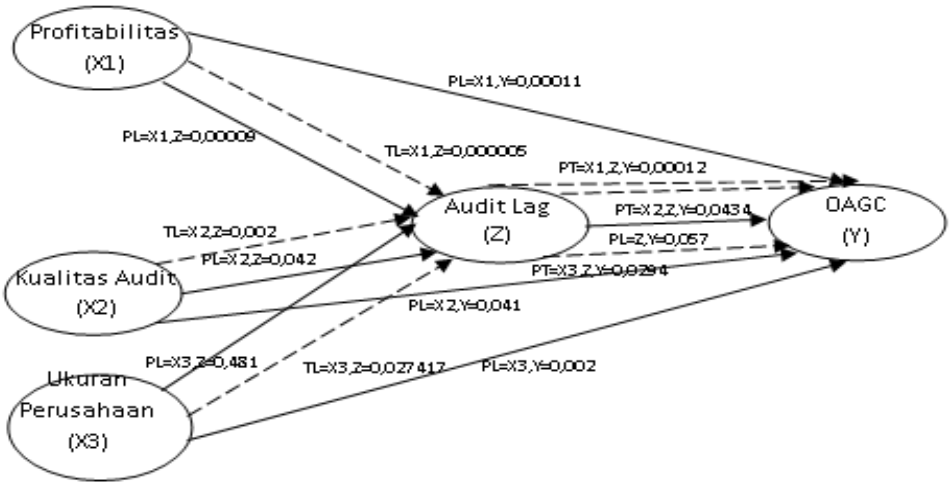

Fig. 2 Path Analysis Test

Information:
OT: Direct Influence (with full line)
SL: Indirect Effect (with dotted line)
PT: Total influence

4.3 Discussion

a. Effect of Profitability on Audit Lag

Based on the results of the tests carried out above, it can be seen that the Profitability value (X1) on Audit Lag (Z) has a value of 0.00009 < from 0.05 so it can be concluded that Profitability has a significant effect on Audit Lag, which means the higher the profit, the higher the profit. plenty of time to do the audit. This is in line with research conducted by Pitalokan & Suzanl (2015).

b. Effect of Audit Quality on Audit Lag

Based on the results of the tests carried out above, it can be concluded that Audit Quality (X2) has a significant influence on Audit Lag (Z) with a sig value of 0.042 < from 0.05. These results are in line with research conducted by Hasan (2016), where good audit quality will reduce audit delays.

c. Effect of Firm Size on Audit Lag

Based on the test results above, it can be seen that Company Size (X3) has no significant effect on Audit Lag (Z), because the sig value is 0.481 > from 0.05. The results of Candra's research (2015), state that there is no influence of company size on audit lag. The size of the company has its own pressure for financial statements.

d. Effect of Profitability on Going Concern Audit Opinion

Based on the test results above, it can be seen that Profitability (X1) has a significant effect on Going Concern Audit Opinion (Y) with a sig value of 0.00011 < from 0.05 with the intention that if the company's profitability is higher, the OAGC will not be issued by the auditor. This is in line with research conducted by Kristiana (2012).

e. Effect of Audit Quality on Going Concern Audit Opinion

Based on the test results above, it can be seen that Audit Quality (X2) has a significant influence on Going Concern Audit Opinion (Y) with a sig value of 0.041 <from 0.05, which means that if the audit quality is good, the OAGC is likely to be given if it is true that the company exists. is experiencing OAGC. This is in line with research conducted by Murtin & Anam (2016).

f. Effect of Company Size on Going Concern Audit Opinion

Based on the test results above, it can be seen that Company Size (X3) has a significant effect on Going Concern Audit Opinion (Y), with a sig value of 0.002 < from 0.05, which means that the size of the company, whether large or small, cannot be separated from OACG. This is in line with research conducted by R Akbar (2019).

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g. Effect of Audit Lag on Going Concern Audit Opinion

Based on the test results above, it can be seen that the Audit Lag (Z) has no significant effect on the Going Concern Audit Opinion (Y), with a sig value of 0.057 > from 0.05. An auditor completing his audit has no effect on receiving a going concern audit opinion (Widyantari 2011).

h. Effect of Profitability, Audit Quality and Company Size on Going Concern Audit Opinion on Audit Lag as an intervening variable

Based on the results of the research above, it can be seen that X1 on Y must go through Z first in order to get a total effect of 0.00012 where the total effect is greater than the direct effect. In other words, Audit Lag is an intervening variable between Profitability (X1) and Audit Opinion Going Concern (Y).

Based on the results of the research above, it can be seen that X2 on Y must go through Z first in order to obtain a total effect of 0.0434 where the total effect has a greater value than the direct effect. In other words, Audit Lag is an intervening variable between Audit Quality (X2) and Audit Opinion Going Concern (Y).

Based on the results of the research above, it can be seen that X3 on Y must go through Z first in order to obtain a total effect of 0.0294 where the total effect has a greater value than the direct influence value. In other words, Audit Lag is an intervening variable between Company Size (X3) and Audit Opinion Going Concern (Y).

5. Conclusion

Based on the results of this study, it is concluded:

a. Profitability has a significant effect on audit lag in basic and chemical industrial sector companies listed on the stock exchange in 2017-2019.
b. Audit quality has a significant effect on Audit Lag in basic and chemical industry sector companies listed on the 2017-2019 stock exchange.
c. Company size has no significant effect on Audit Lag in basic and chemical industrial sector companies listed on the stock exchange in 2017-2019.
d. Profitability has a significant effect on Going Concern Audit Opinions on basic and chemical industrial sector companies listed on the 2017-2019 stock exchange.
e. Audit quality has a significant effect on Going Concern Audit Opinions on basic and chemical industrial sector companies listed on the 2017-2019 stock exchange.
f. Company size has a significant effect on Going Concern Audit Opinions on basic and chemical industrial sector companies listed on the stock exchange in 2017-2019.
g. *Audit lag* does not significantly affect the Going Concern Audit Opinion on basic and chemical industrial sector companies listed on the 2017-2019 stock exchange.
h. *Audit lag* is an intervening variable on profitability, audit quality and company size in basic and chemical industrial sector companies listed on the 2017-2019 stock exchange.

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