THE INFLUENCE OF EDUCATIONAL BACKGROUND, AUDITOR TENURE, AND AUDITOR PROFESSIONAL PROFICIENCY TO AUDIT DELAY

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Abstract— The purpose of this study is to obtain empirical evidences about the influence of educational background, auditor tenure and auditor professional proficiency to audit delay. This study used sample of all local government districts and cities in Southeast Sulawesi, Indonesia, as many as 13 local governments. Secondary data of this study was obtained from Supreme Audit Board of Southeast Sulawesi representation in Indonesia from 2012-2014. Statistical method which is used to test hypothesis is multiple linear regression analysis.
This study showed that educational background and auditor tenure have significant influence to audit delay, while auditor professional proficiency did not have significant influence to audit delay. Simultaneous testing showed that educational background,auditor tenure, and auditor professional proficiency have significant influence to audit`delay.

Keywords— Educational Background, Auditor Tenure, Auditor Professional Proficiency, Audit Delay.

I. INTRODUCTION

The purpose of government financial reporting is to provide useful information for users in assessing accountability and make a decision making about economic, social and political problems. Based on Indonesian Government Regulation No. 8 of 2006 on financial reporting and government authority performance stated that financial statements is a form of public financial management accountability during the period. Furthermore, Government Accounting Standard (SAP) No. 71 of 2010 confirms that financial statements must be relevant in order to meet qualitative characteristics. The relevant significance means that all information in government financial reports should be presented in a timely. It is really important because government has responsibility to communicate how public resources are managed. To fulfill the timeliness of financial reports, managers and auditors are expected to minimize audit delay (Johnson, 1998). Audit delay refers to the length of time to deliver financial statements which is measured by the closing of the fiscal year's financial report until the completion of audited financial statements by Independent auditor (Rustiarini and Sugiarti, 2013).

Laws and regulations in Indonesia have a set of the rule concerning the period of implementation of financial reporting and inspection of such reporting, among others are the Regulation of the Minister of Home Affairs No. 13 of 2006 regarding the Guidelines for Management of Local Finances and Law No. 15 of the year 2004 about the Audit of the Management and Accountability of the State Finance. Both of the regulations require the head of regions (governor/regent/mayor) to convey the Local Government Financial Report (LGFR) to the Supreme Audit Institution within "three months" after the fiscal year ends. Meanwhile, no later than "two months" after the report is received from the local government, the Supreme Audit Institution should submit Audit Report of Local Government Financial Report to the Regional House of Representatives. In the structure of government in Indonesia, BPK is external auditor which its duty is to perform audit include performance, financial and specific intent audit in accordance with State Financial Audit Standards.

Audit in the public sector is an effort to control of governmental management activity. Delay in distributes financial statement to BPK will cause delay in audit by external auditor. Yuliati et al. (2015) identified the delayed cause of financial statements completion in public organization in Indonesia. The results concluded that the main problem of financial report's delay due to internal and external causes which coming from organization itself. Internal problem related with insufficient capacity of human resources to make financial report. The finding is consistent with the previous study by Nilawati (2009) in respect to delayed expenditure accountability report in 9 SKPD of local government in Lampung Tengah Regency. She argued that one of the main cause of low quality of human resources is employees educational background.

Many researchs about audit delay have been conducted in private sector, but it is limited to government institution both in state and local government. In this paper, we consider local government as a subject research with respect to the data showed that local government is very slow to submit financial statements to the Supreme Audit Institution of Republic of Indonesia in 2014. Cagle et

al.(2014) studied audit report timeliness of united states local government using ordinary least squares (OLS) regression and logistic regression method to estimate the effects of several variables including expertise to audit delay. They suggested that auditor expertise should decreased audit delay. It is reinforced by Lase and Sutaryo's results (2014) that the auditor professional proficiency should be improved to shrink audit delay. The other auditor characteristic that contribute to minimize audit delay is auditor's educational background. Lee and Jahng (2008) also examined the linkage of auditor tenure and audit delay, but they are unable to find evidence that auditor tenure has significant effect to audit delay. However, auditor tenure is believed to improve audit quality (Ghosh and Moon, 2005).

Due to the issues being discussed earlier, this study is designed to meet three objectives.

1. To obtain empirical evidence the effect of educational background to audit delay significantly.
2. To obtain empirical evidence the effect of auditor tenure to audit delay significantly.
3. To obtain empirical evidence the effect of auditor professional proficiency to audit delay significantly

II. LITERATUR REVIEW

A. Agency Theory

Theoritical framework used in this study is agency theory. The research of agency theory is developed not only in the company but also in public sector. According to Lane (2003a), agency theory can be applied in public organization. Agency theory is a theory that explains the relationship between agents as those who manage the company and the principal as the owner, both are bound in a contract. The owner or principal is the party that runs the management activities and decision-making (Jensen and Meckling, 1976). In the public sector, agency problems arise from contractual relation between government as an agent who manage public resources and society (in local government represented by Regional House of Representatives / DPRD) as the party gives the authority for them. Bergman and Lane (1990) argued that the contractual connection prinsipal-agent is important approach to analyze public policy commitments.

B. Audit Delay

In other studies, audit delay is also called the duration of the audit, audit leadtime (Owusu-Ansah, 2008) and audit report lag (Lee and Jahng,2008; Al Bhoor and Khamees, 2016). Refer to Merritt (2010) and Mead (2011) in Cagle et al. (2014), each study established audit delay, measured as the number of days from the government entity's fiscal year end to the date on the audit report. The longer audit delay causes the timeliness of financial reports on the wane. As a result, the information in financial reports lose its capacity to influence decisions. In this study, the measurement of audit delay based on the time from the date of Local Government Financial Statements (LGFS) accepted by the Supreme Audit Institution (SAI) until the date of Audit Report of LGFS was submitted to the Regional House of Representatives. The measurement is more appropriate in Indonesia because Government Regulation Home Affairs No. 13 of 2006 and Act No.15 of 2004 had separated a clear period between submission of financial statements of the local government to the Supreme Audit Institution and the period of audit by the Supreme Audit Institution. As noted previously, based on both the regulation, the period of submission of financial statements of the local government to the Supreme Audit Agency is three months after the fiscal year ends and the audit period financial statements of local government financial report is two months since the local government financial report accepted.

C. Educational Background

Auditor quality are required to be higher than the executive, so auditor can perform an assessment of the observance of implementing the applicable standards, and it can be achieved if the auditor has the educational background to the area to be examined. In the State Financial Auditing Standards (SPKN) has clearly confirmed that auditor who carries out the audit should have expertise in accounting and auditing, as well as understand the generally accepted accounting principles and related to the audited entity. Understanding of accounting can be acquired through formal education, non-formal training and short courses. Auditors who have a background in accounting education will more easily understand government accounting and government accounting standards (SAP) because they already have a basic knowledge of accounting.

D. Auditor Tenure

Tenure is one of proxy for measuring the quality of the audit. Fitriany (2011) in Primadita, I. (2012) states that the competence and independence of auditors can be measured from the tenure. Based on research Ashton et al., (1987), Lee et al., (2011) examined the relationship tenure audit and audit report lag on the scope of a larger study of the research in 2000 and 2005 to companies that are clients of various Public Accounting Firm (PAF) in the United States. The study concluded that long-tenure audit related to the higher efficiency of the audit. Auditor tenure refers to the number of auditing assignments by auditor on the same local government. With the assignment repeatedly, the auditor has a lot of experience so that it becomes more familiar with the business operations and

reporting issues, so auditor will improve the quality of audits, thus reducing audit delay. For the assignment of recurring auditor could affect the timeliness in the examination of financial statements. Almutairi et al., (2009) explain that the longer the tenure can lead to the decrease of auditor independence, improve customer satisfaction and reduce the objectivity of the auditor. Almutairi et al., (2009) measures tenure as the number of consecutive years of auditor relationship with the client. Payne and Jensen (2002) in their study on the effect of the characteristics of an audit of the audit delay in the municipality argued that as the auditor tenure increases with clients, the ability to facilitate the preparation of financial statements which should increase rapidly. Li (2007) stated that the auditor tenure has a negative correlation with conservatism audit caused recurring auditor performing the examination has been familiar with the auditee to the auditor to have an attitude of trust over. Such attitudes can make the auditor reduces audit sample and ignore some audit procedures. Based on the description above, it can be formulated as the following research hypothesis.

E. Auditor Professional Proficiency

According to (Mulyadi, 2002) stated that the achievement of professional competence will require a high standard of general education followed by specific education, training and professional test in subjects (tasks) that is relevant and also their work experience. The auditor's professional proficiency refers to the auditor's expertise is demonstrated through certification expertise in the field of accounting recognition of the professional capabilities of an auditor. The first general standard statement on the State Auditing Standards (SPKN) requires the examiner should collectively have sufficient professional skills to perform the audit. Hutchison and Fleischman (2003) explains that the accountant skills certification indicates competence implies the necessary accounting knowledge or specialized knowledge plus adherence to professional standards. The auditor's professional proficiency refers to the auditor's expertise is demonstrated through certification expertise in the field of accounting recognition of the professional capabilities of an auditor. An auditor who holds a professional certification in the field of audit is expected to have better skills. Skills are better audit enables an audit can be implemented on time. This is consistent with research Schelker (2012) in his research on the relationship with financial performance expertise auditor states in the United States. He found that the state requires that auditors must have at least a CPA certification, spending and debt that has less and has a higher debt rating than the states that do not require the certification for auditors. Therefore, hypothesis formulation is as follows:

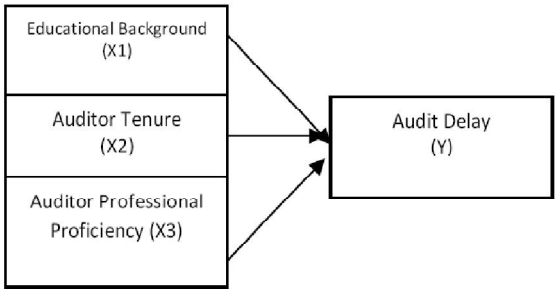


Figure 1. Conceptual Framework

Hyphotesis :

H1: Educational background in accounting influences audit delay

H2 : Auditor tenure influences audit delay

H3 : Auditor professional proficiency influences audit delay

III. METHOD

Data used in this research was quantitative data sourced from the Supreme Audit Institution of Republic of Indonesia Representative Southeast Sulawesi. Secondary data were the Audit Progress Report of Local Government Financial Report (LKPD) over the period 2012-2014, the employee report, and the Letter of Audit Task. Total population in this study were all counties and cities of Southeast Sulawesi as many as 13 local governments. To test hypotesis used multiple linier regression model with the equation is defined as follows :

$$AUDTIME = \beta 0 + \beta 1EDU + \beta 2TENR + \beta 3PROF + \varepsilon$$

Description :

AUDTIME : Audit Delay

EDU : Educational background

TENR : Auditor tenure

PROF : Auditor professional proficiency

β2, β3,...β9: Regression coefficient

ε : Error

Table 1. Variable Measurement

Variable	Acronym	Measurement
Audit Delay	AUDTIME	Dummy variable, 1 = audit time ≤ 2 months and 0 = audit time ≥ 2 months. Time audit is the number of days from the date of distribution of LKPD to BPK until the date of submission audit report of financial statements to DPRD
Educational Background	EDU	The percentage of auditor numbers who have accounting educational background
Auditor Tenure	TENR	The percentage of auditor numbers who have conducted audit in two consecutive years to the same entities in the inspection team
Auditor Professional Proficiency	PROF	The percentage of auditor numbers who have professional certificate to total auditor in one inspection team

IV. RESULTS AND DISCUSSION

Before conducting hypothesis testing, normality test was conducted using P-Plot Chart. In P-Plot chart below, it was seen clearly that dissemination of dots following the line of a diagonal axis. It can be said that data was normally distributed.

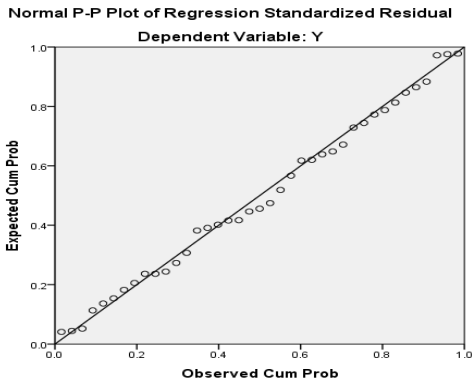


Figure 2

Relationship between variables in this study is tested using F statistic test and T-Test. F-test is used to know the effect simultaneously as seen in the table below.

Table 2
Simultaneously Testing

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	41.731	3	13.910	5.112	.005[b]
	Residual	95.243	35	2.721		
	Total	136.974	38			

Table 3. Partially TestingCoefficients[a]

Model	Unstandardized Coefficients		standardized Coefficients	t	Sig
	B	Std. Error	B		
(Constant)	52.598	.911		57.759	.000
X1	-.028	.012	-.322	-2.258	.030
X2	-.042	.014	-.423	-3.003	.005
X3	.020	.015	.192	1.345	.187

a. Dependent Variable: Y
b. Predictors: (Constant), X3, X2, X1

Table 3 shows that there is negative and significant effect of educational background and auditor tenure to audit delay partially, whereas auditor professional proficiency have a positive relation to audit delay but not significant. Furthermore, the result on table 3 can be built the model equation :

$$AUDTIME = \beta 0 + \beta 1 EDU + \beta 2 TENR + \beta 3 PROF + \varepsilon$$
$$= 52.589 - 0.028\ EDU - 0.042\ TENR + 0.20\ PROF$$

The negative and significant relationship between educational background and audit delay indicates that educational background in accounting can avoid long delays audit. It means that the good quality in accounting education who have being owned by auditors will increase their knowledge of the audit tasks. Expertise in the field of accounting is a necessity for an auditor to audit in every account of local government financial statements. In fact, the average 60% auditors in districts and cities government in Southeast Sulawesi have educational background in accounting. This finding supports Lase and Sutaryo (2014) research which confirmed that educational background affect audit delay.

Hypothesis 2 in this study can be proved with the significant is 0,005 (table 3). It indicates that auditor tenure has negative and significant effect to audit delay. Auditor tenure refers to the frequency assignments of auditor which is repeatedly performed on the same local government. There are two perspectives of auditor tenure. First, the longer auditor tenure can lead to the decrease of auditor independence because there is a possibility in tight relationship with clients, so auditor will be less objective in conducting audit of financial report. Second, the longer auditor tenure will increase auditor's experience, so auditor can perform audit tasks more efficient. This finding support Payne and Jensen (2002) research.

The result of t-test for hypothesis 3 shows that auditor professional proficiency has insignificant effect to audit delay. It indicates that audit process The audit process will continue well even though the audit team did not have a professional certification. Related to audit reporting, the subsequent audited financial statements is not much different from the previous audited financial statements. In fact, the number of auditors in this study who have professional certificates only 27%, despite that it does not become an obstacle in the process of audit. This is evidenced by the time of audit tasks is average 2 months (50 days).

CONCLUSIONS

Timeliness of financial reporting becomes an interesting research because it effects quality financial reporting. In local government, audited financial report provides information on public resources management so how important to provide financial statements in a timely. The result of statistical test using multiple linear regression model showed that educational background has significant effect to audit delay. This is shown by an average of 60% auditor in Southeast Sulawesi have educational background in accounting, so as to contribute in audit process efficiently. Assignment Repeats are carried out by the auditor also significantly influence audit delay. This is indicated by an average of 25% of auditors conducting an audit repeatedly to the same entities will assist in the completion of the audit process timely. While, auditor professional

proficiency has not significant effect to audit delay. Number of the auditors without professional certificates did not extend the time limit of the audit process. Nevertheless, auditor experience with different educational backgrounds can complete in audit assignments. In reality, the process of an audit conducted in accordance with the specified time that is 2 months

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