



THE EFFECT OF THE AUDIT QUALITY ON THE EXTEND OF VOLUNTARY SHARI'A DISCLOSURE

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ABSTRACT

The purpose of the study was to obtain empirical evidence regarding the effect of the Audit Quality on the Extend of Voluntary Shari'a Disclosure. This research is a field research using a quantitative descriptive approach using a purposive sampling method from companies listed on the Indonesia Stock Exchange in 2018. There are 22 companies that meet the criteria as research samples. The results showed that the Audit Quality had no effect on the Extend of Voluntary Shari'a Disclosure.

Keywords: audit quality; extend of voluntary shari'a disclosure; stakeholder theory

INTRODUCTION

The Annual Report is a form of communication between the company and investors. Various interested parties and decision makers need information in annual reports through disclosures provided to accurately find out the growth, strength, prospects, risks and other information about a corporation (Iskandar & Monica, 2021). For parties outside the company's management, financial reports are a possible window of information. they see the condition of the company. The extent to which information can be obtained will depend on the level of disclosure of the relevant financial statements (Intan & Dwi, 2006).

Companies, especially those listed on the capital market or companies that are often called go public companies, are required to be more transparent in disclosing information about their companies. Where this information must be submitted to the institution that oversees it, namely the Financial Services Authority or OJK. Information disclosed by companies that go public can be in the form of financial reports (Dien & Ifatahul, 2016). Voluntary disclosure is disclosure of information that exceeds the minimum requirements of applicable reporting standards and is not mandatory. Therefore, generally the company's management will consider the benefits and costs that will arise from such disclosure. However, it is hoped that this openness can fulfill the availability of information needed by various interested parties (Rahmat, 2016).

There are several factors that influence the quality of voluntary disclosure that have been examined in previous studies. In Riesanti's research (2009) proved that Audit Quality by using the services of the big four KAPs is able to reveal more financial report information. Having an audit can be useful for interested parties or stakeholders in verifying the validity of financial reports from management. Audit quality can be proxied by the size of the Public Accounting Firm or KAP, known as the big four and non-big four KAPs. Where the big four KAPs have higher audit quality than non-big four KAPs (Murtato, et.al. 2014).

Several previous studies have conducted audit quality research on the extent of voluntary disclosure as a whole. Most of the Audit Quality research is related to one part of voluntary disclosure such as Corporate Social Responsibility and other Social Responsibility

Information Disclosures. Even so, there are studies that show a negative effect. This study aims to obtain empirical evidence and examine the audit quality of Extended Voluntary Sharia Disclosures in the 2018 annual reports of companies listed on the Indonesia Stock Exchange (IDX).

LITERATURE REVIEW

Stakeholder Theory

Stakeholder theory says that a company is not an entity that only operates for its own sake, but must also be able to provide benefits to its stakeholders. The existence of a company is strongly influenced by the support provided by company stakeholders (Imam and Anis, 2007). Gray stated that social and environmental responsibility is the responsibility of the business world to be accountable to all stakeholders, not only to shareholders (Gray, 1995). The purpose of stakeholder theory itself is to create added value for stakeholders, because the sustainability of the company is supported by stakeholders (Bayu, 2017). Stakeholders have the right to know other information that the company voluntarily discloses. So that what the company does is not only aimed at meeting the interests and needs of the company itself but also must be able to provide benefits to stakeholders (stakeholder theory) (Agus, 2011).

Voluntary Shariah Disclosure

Voluntary disclosure is defined as disclosure that is not legally required, but will provide added value for reporting and assist parties who need further information about the company (Wardani, 2012). Voluntary Disclosure is a disclosure that the company can make freely in accordance with the company's interests that are considered relevant and supportive in making economic decisions that will be taken by users of annual information (Adhi, 2012). Voluntary Shariah Disclosure is the disclosure of information from financial statements related to sharia compliance in a company with a list of disclosure items that are not contained in Bapepam Decree No: KEP-347/BL/2012 concerning Presentation and Disclosure of Financial Statements of Issuers or Public Companies.

Audit Quality

Audit quality is defined as an assessment of the auditor's ability to reduce bias errors and misstatements and improve the quality of reported accounting data (Christiani and Nugrahanti, 2014). Purnomo and Bernawati (2020), define audit quality as the opportunity or possibility of the auditor identifying and reporting significant errors. According to Ahmadi and Bouri (2017), KAPs with big four status are more likely to be associated with companies that provide better disclosures. They argue that auditors with big four status maintain their independence and reputation better by setting stricter and broader disclosure standards to avoid mistakes that can damage their reputation. This is in line with other research which says that the size of the big four KAPs influences greater disclosure (Liu et al. 2018).

METHOD

This research is a field research using a descriptive quantitative approach with data analysis techniques using multiple linear regression analysis. The sample selection using the purposive sampling method was obtained by 22 companies that received Good Corporate Governance scores from companies listed on the Indonesia Stock Exchange in 2018. Testing the data using SPSS 16.0 software.

RESULTS

Descriptive Statistics

The frequency distribution of the Audit Quality (AQ) variable is shown in table 1, as follows:

Tabel 1
Frequency Distribution Of Audit Quality

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Non Big Four	8	36.4	36.4	36.4
	Big Four	14	63.6	63.6	100.0

Table 1, it is known that 22 samples of companies that use non-big four KAPs are 36.4% or 8 companies, while companies that use big four KAPs are 63.6% or 14 companies.

Hypothesis Testing Regression Analysis

This analysis was conducted to test the research hypothesis that had been formulated previously, namely to determine the effect of the variable Audit Quality on Extended Voluntary Shariah Disclosure. Then it can be seen that the results of the regression analysis show that Audit Quality has a negative effect on Voluntary Sharia Extension in companies listed on the Indonesia Stock Exchange of -0.130, meaning that if the Audit Quality is getting better, the better. reduce the occurrence of Expansion of Voluntary Sharia Disclosures.

Partial Statistical Test (T Test)

It is known that the coefficient value is -0.130 with a significant level of influence of the variable X1 on Y which is equal to $0.03 < 0.05$ and the t-count value is $-2.348 < t_{table} 2.101$ so it can be concluded that H3 is rejected which means that there is a negative influence of the Audit Quality variable on Extent of Voluntary Sharia Disclosure.

DISCUSSION

Effect of Audit Quality on Extend of Voluntary Shari'a Disclosure

The results of the study prove that Audit Quality has a negative and significant effect on the Expansion of Sharia Voluntary Disclosures. Audit quality variables proxied by Public Accounting Firms that are affiliated with the big four and those that are not affiliated with the big four (non-big four) cannot affect the extent of sharia voluntary disclosure. The Public Accounting Firms affiliated with the big four are the four largest international accounting and professional services firms, which handle the majority of audit work for public and private companies. KAP is affiliated with the big four, namely KAP Price Waterhouse Coopers which is affiliated with KAP Tanudiredja, Wibisana & Rekan. Second, the Public Accountant Firm Deloitte Touche Thomatsu Limited which is affiliated with the Public Accountant Office Osman Bing Satrio. Third, the Ernst & Young Public Accounting Firm is affiliated with the Public Accounting Firm Purwantono, Suhermandan Surja (PSS). Fourth, the Public Accounting Firm KPMG (Klyneld Peat Marwick Geordeler) which is affiliated with the Public Accounting Firm Sidharta and Widjaja.

In theory, the financial statements of companies audited by the big four Public Accounting Firms (KAP) should be of higher quality than the financial statements audited by non-big four KAPs. It is believed that the four major KAPs will provide audit services that are more independent and transparent in disclosing misstatements presented in the company's financial statements. The four major KAPs will maintain their reputation as the best company that will provide quality services while maintaining accounting principles and standards and their code of ethics (Lennox, 2004). Auditing is a means for parties with an interest in the company

(stakeholders) to verify the validity of financial reports prepared by management (Murtato et. al. 2014). This is because the financial reports provided by the company show the level of performance achieved by the company in managing its resources to provide added value for stakeholders (Dody, 2012).

Basically the measurement of Audit Quality is determined through the specialization of the auditor who audits the company. Companies audited by specialist auditors are expected to be able to disclose financial information more broadly because they have better experience and reputation in auditing certain industries so that they can be better and will encourage wider disclosure in financial statements. This makes companies prioritize mandatory disclosures in their annual financial reports, so they do not pay attention to the extent of sharia voluntary disclosures within the company. This research is in line with the findings of Erwanti and Haryanto (2017) that audits have a negative effect on voluntary disclosure. Audit quality is the possibility of an auditor or examining accountant finding irregularities in the accounting system of a unit or institution, then reporting them in an audit report. The probability of fraud discovery depends on the technical ability of the auditor which can be seen from the experience of the auditor, education, professionalism and the company's audit structure. While the possibility of reporting fraud in the audit report depends on the independence of the auditor in maintaining his mental attitude.

In contrast to Riesanti's research (2009) that audit quality proxied by the big four tax accounting firms has a real influence on the level of voluntary disclosure. Likewise with the research of Wiryawan and Budiantara (2011), Hapsoro (2012) and Murtanto et. al (2014) where audit quality has a positive effect on voluntary disclosure represented by Corporate Social Responsibility.

CONCLUSION

Based on the description of the research results and discussion of the Extent of Voluntary Shariah Disclosure, it can be concluded that Audit Quality has a negative and significant effect on Voluntary Shariah Disclosure. Audit Quality is the possibility of an auditor or examining accountant finding irregularities in the accounting system of a unit or institution, then reporting them in an audit report. This makes companies prioritize mandatory disclosures in their annual financial reports, so they do not pay attention to the extent of sharia voluntary disclosures within the company.

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