Conference Paper

Corporate Governance Mechanism, Firm Size and Its Effects on Acceptance of Qualified Audit Opinion

Dhini Suryandari and Ega Andhika

Department Accounting, Economics Faculty, Semarang State University - Indonesia

Abstract

This study aims to examine the effect of internal and external corporate governance mechanisms that are proxied by the size of the independent commissioners, the audit committee's educational background, the proportion of institutional ownership, audit quality, and company size factors towards acceptance of qualified audit opinion. The population in this study is the infrastructure, utilities and transportation sectors listed in the Indonesia Stock Exchange in 2013-2017. Based on the purposive sampling method, it obtained 120 analytical units from the sample data. The analysis used in this study is logistic regression analysis. The results of this study found that if the size of the company which calculated based on total assets had a negative influence on the acceptance of qualified audit opinion. On the other hand, the element of Good Corporate Governance in the form of independent commissioners, audit committee, institutional ownership, and audit quality has no effect on the acceptance of qualified audit opinion. The conclusion of this study is the presence of the company's internal support body are not able to influence the company's accounting for the better.

Keywords: good corporate governance, qualified audit opinion, firm size

Corresponding Author:
Dhini Suryandari
dhini.surya@mail.unnes.ac.id

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1. Introduction

The Capital Market and Financial Institution Supervisory Board (BAPEPAM-LK), as government institution whose task to fostering, regulating and supervising capital market activities in Indonesia through Bapepam regulation Number: 80/PM/1996 has obliged every public listed company registered in the Indonesian Capital Market to submit their financial statement annually to the public. The financial statements are used as media for the stakeholder such as investors for economic decision making. Because of its function as a supporter in decision making, the fairness and reliability of financial statements are needed. The presence of an independent auditor can provide assurance services to improve the quality of information from financial statements (Mulyadi, 2002).

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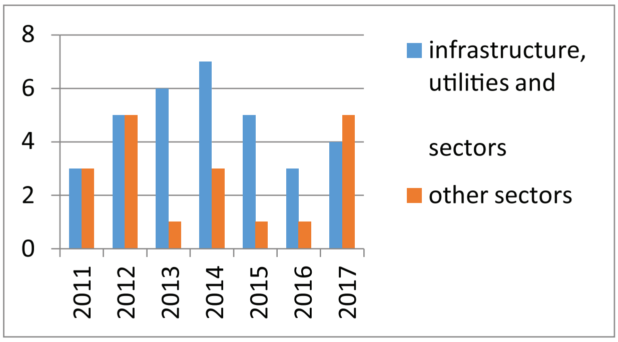
Agoes, (2017) states there are two type of audit opinion, opinion without modification and opinion with modification. Opinion without modification consist of unqualified opinion and unqualified opinion with emphasis of matter. Modification opinion are consist of qualified opinion, disclaimer opinion, and adverse opinion. Unqualified audit opinion is audit opinion that expected to be accept by the company. However, some conditions require the auditor to make modifications to the opinions that he gives. Qualified audit opinion is one of modification audit opinion that is often accepted by company. The acceptance of qualified audit opinion has its own implication to the company who obtain it. Companies who obtain qualified opinions generally experience a decline in stock prices (Wicaksono & Rahaja., 2012). That situation indicates a decline of investor's trust to investing. In addition, the company will be difficult to obtain loans from outside parties and increase collateral requirements because company reports are deemed not to indicate the true condition of the company (Chen *et al,* 2012).

The company sector whose often receives qualified audit opinions are dominated by the infrastructure, utilities, and transportation sectors. Data obtained by researchers from 2011 to 2017 shows a number where the sector has the highest number of qualified opinion recipients compared to other sectors. The highest number occurred in 2014 where seven of ten company who receive the qualified opinion are came from the infrastructure, utilities, and transportation sectors. On the other hand, that sector is one of the sectors with the highest interest of investor to invest in beside the manufacturing sector. According to data from the Investment Coordinating Board (BKPM) in 2018, the infrastructure, utilities and transportation sectors are one of the sectors with the highest investment interest with a portion of 13.2% of total investment, both Foreign Investment (PMA) and Domestic Investment (PMDN) with investment value from January to September 2018 reaching Rp. 70.7 trillion (detik finance).

Table 1: lists the recipients of qualified opinions in 2011-2017.



One of the causes of acceptance qualified opinion is because of weak corporate governance implementation in the company. Sutedi (2011) divide corporate governance

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element into two, there are internal mechanism consist of board of director, commissioners, audit committee, labor and management, the second one is external mechanism consist of investor, ownership structure, public accountant and law institutions. According to Skousen, Smith, & Wright (2009) The highest fraud case is happened in company with weak corporate governance systems. Furthermore Kartikasari & Setiawan (2008) also states that the weakness of corporate governance is indicates the failure of financial statements to achieve their objectives on providing the information needs of users, where financial reports fail to present real facts about the actual economic conditions of the company. Meanwhile the company on that sector had complete corporate governance mechanism and audited by independent audit company, furthermore the company also had increasing of asset year by year. So this condition become the phenomenon gap in this research between the theory and the reality.

Research on the influence of corporate governance has been done before, but it still shows inconsistency in results. Research of Habib (2013), Li, Song, & Wong (2008), Sultanoglu *et al* (2018), and Abdoli & Pourkazemi, (2014) revealed that corporate governance elements influence the acceptance of qualified opinion. The opposite results are expressed by Baygi & Najariyan (2010) which states there is no influence. Related to the size of the company Farinha & Viana (2006) disclose if there is no influence at all regarding the size of the company on accepting qualified opinion. On the contrary, Ballesta & García (2005) and Baygi & Najariyan (2010) disclose if there is a connection between the size of a company and the tendency to accept qualified opinion.

Therefore there is a need for a study that discusses this matter, in order to find out the cause of the increase received of qualified opinion by this sector. This research is needed because there are differences between theory and facts in the field and previous research has not been able to provide consistent results. This study aims to determine the factors that lead to the acceptance of qualified opinion from the non-financial factor by company's internal GC mechanism because those who are responsible for the financial report of the company and external GC mechanism as the one who control management performance, and to know the company's size ability to influence acceptance of qualified audit opinion.

Jensen & Meckling (1976) on his article entitled "Theory of the firm: Managerial behavior, agency costs, and ownership structure" explains if agency relationships are contracts where one or more people (principals) govern other people (agents) to do a service on behalf of the principal and authorize the agent to make the best decision for the principal. The agent is authorized by the principal to carry out the company's operations, so that the agent will knows more information than the principal. This condition creates unbalance information (asymmetric information). The impact of asymmetric information can lead to a moral hazard where the agent uses the superiority of information for his own benefit at the assumption that the agent is opportunistic which tends to take advantage of himself, so that the people try to modify the company's financial statements for the benefit of individuals and groups.

Stakeholder theory states that a company is not an entity that only operates for its own interests, but must provide benefits to stakeholders. Thus, the existence of a company is strongly influenced by the support given by the company's stakeholders to the company. The kind of support that most needed by the company is financial support. Funding support can be obtained by the company if the investor or creditor believes that the company can provide returns to them. This trust will grow by looking at the financial statements audited by an independent auditor. If the opinion obtained by the company is a qualified opinion, funding support possibly will decrease.

Based on the point of view of the agency theory stated that the agency conflict in the company can be overcome at the expense of agency costs. This expenditure is intended to control, measure, and monitor the actions of management in making policies regarding the company. One of these controls is through the formation of an independent board of commissioners, as well as according to stakeholder theory where independent commissioners are part of a company that must take part in fulfilling stakeholder interest. According to the National Committee on Governance (2006) define independent commissioners as members of the board of commissioners who are not affiliated with directors, board members of other commissioners and controlling shareholders.

Zatun & Kiswanto (2015) states that the existence of a proportion of independent commissioners can reduce information asymmetry between management and stakeholders. This is because the existence of independent commissioners will provide more effective supervision of management, so managers are reluctant to be risk takers in making decisions, and will prefer to be risk averse so that opportunistic actions will be less. When the board of commissioners consists of many people who have affiliation with the company, they tend to be required to accept all policy decisions set by the company without consider to the interests of other stakeholders. So the presence of more independent commissioners will provide better quality control and minority interests will be fulfilled.

Research conducted by Farinha & Viana (2006) and Baygi & Najariyan (2010) mentioning their results that the independent board of commissioners has a negative influence on the acceptance of qualified opinion. There is research that gets the opposite results where Japarudin & Achmad (2012) found evidence that the independent board of commissioners had no influence on the acceptance of qualified opinion. Referring to rationality and research that has not shown consistent results, the hypotheses that the researchers propose are as follows:

H1: Independent commissioners have a negative influence on the acceptance of qualified opinions

According to the National Committee on Good Corporate Governance (2002) Audit committee is a committee consisting of one or more members of the board of commissioners and can ask outsiders with various skills, experience, and other qualities needed to achieve the objectives of the audit committee. The audit committee is a bridge that is under the commissioner but does not have any execution authority because it is only limited to the board of commissioners' aids. Even so, the existence of an audit committee is quite reasonable in influencing the opinions obtained by the company from the auditor, because it fits one of the functions of the audit committee itself as a supervisor in making financial statements.

Based on the *Indonesian Institute of Audit Committee,* the main task of the audit committee as principle is to assist the Board of Commissioners in carrying out the supervisory function. This includes a review of the company's internal control system, the quality of financial statements, and the effectiveness of the internal audit function. The presence of an audit committee is expected to be able to encourage management to be able to produce reliable and relevant information which indirectly suppresses opportunism as well to minimize agency conflict. The existence of an audit committee in the internal structure of the company will make it easier for the company to present reasonable financial reports so that unqualified opinions will be accepted, especially if the members of the committee have an accounting or financial education background.

Research conducted by Japarudin & Achmad (2012) shows the results that the audit committee has no effect on the acceptance of qualified opinion, but research conducted by Farinha & Viana (2006) and Suárez *et al* (2010) shows the opposite results where there is an influence between audit committee and acceptance of qualified opinions. So that the hypothesis that the researcher submits is as follows:

H2: The Audit Committee has a negative effect on the acceptance of qualified opinions

Agency theory states that agency conflicts between principals and agents will arise when there is a gap in welfare between the management of the company (agent) and the owner of the capital (principal). The agency problem can lead to the emergence of opportunist attitudes from managers who focus on personal gain and harm shareholders. To overcome this, it is necessary for parties from outside the company who are able to provide control over management actions so that they do not harm the shareholders. Institutional ownership is one of the main corporate governance mechanisms that can be used to reduce the agency problem (Jensen & Meckling, 1976). Institutional ownership can be interpreted as ownership shares held by the government, foreign investors, insurance companies, and banks that have a greater role in the supervision of the company management (Dewi & Jati, 2014).

Institutions tend to be more active in conducting oversight because of the amount of funds invested and the expectation of future profits. High ownership also makes institutions have more voting rights in companies, so they will take part in company related decision making, where they will consider the interests of shareholders. High capital participation will motivate managers to maintain investor trust in order to keep investing in the company. The necessity of managers to give a sense of trust to investors will affect the behavior of ma nager, they will tend to be more careful in making decisions and provide high quality results of accountability.

Previous research conducted by Hermanto (2015) found a negative relationship between the proportion of independent ownership with the quality of earnings management which is one indication of the company obtaining qualified opinion and research from Japarudin & Achmad (2012) found evidence that there was no effect between institutional ownership and acceptance of opinion. Viewed from research that is still not widely studied. So the hypothesis that the researcher proposed is:

H3: Institutional ownership has a negative effect on the acceptance of qualified opinions

In stakeholder theory is mention if the company will provide the best service for stakeholders to maintain trust and get support from stakeholders. One of the services that can be provided is in the form of the quality of the financial statements that released by company. The auditor as the party who providing assurance of financial report has its own different qualities. Large public accounting firm that already have high public trust will be associated with qualify accounting firm. Audit quality is the possibility of the auditor finding errors or violations in an accounting system. Audit quality can also be describe as a description or characteristic of audit practices and results in accordance with professional standards and audit standards. Audit quality is often measured by how large the public accountant is.

Public accounting firm reputation relates to the good name that they have in the public eye. Reputation is a very important thing to have so the accounting firm will make every effort to maintain its reputation. The auditor will be more careful in giving his opinion so that there is no mistake in the opinion polling. To minimize errors in giving opinions, the auditor will carry out a more complex test so that the discovery of manipulations will be greater to be found so that a modified opinion will be accepted by the client. In addition, high independence is inherent in auditors from large public accounting firm, independence means that auditors are able to express exceptions in financial statements and avoid the influence of other parties. Large public accounting firm have many clients and high income, this affects the independence of public accounting firm, where they have a low economic dependence on clients. This condition will avoid the occurrence of shopping opinions or opinion purchases desired by management. So the tendency to get unqualified opinion will be lower.

Research conducted by Nindita & Siregar (2012) agreed to find that audit quality did not affect the quality of earnings management. Other research conducted by Li *et al* (2008) and Habib (2013) found that there was positive influence between audit quality and acceptance of qualified opinion. So the hypothesis proposed by researchers is as follows:

H4: The quality of the audit has a positive effect on the acceptance of qualified opinion

Firm size is grouping companies based on the size of the value of assets and sales (Muhammad & Suzan 2015). On stakeholder theory, explained if management will strive to provide the best service for stakeholders to get support from stakeholders. One of the services provided by management is the presentation of financial statement information. Management will try to present the financial statements as well as possible so they will not lose the support of both capital and credit from stakeholders.

The larger company usually will be followed by the better internal control that is owned, so the possibility of obtaining unqualified opinion is higher. Because of the large amount of assets owned, large companies tend to be more selective in choosing their workers to maintain their performance to be optimal, with the quality of their human resources and complete organizational structure making the quality of information produced better. With the increasing value of the company and the positive profits earned each year, large companies tend to avoid financial difficulties because they have gained high public trust. This condition minimizes the management's actions to manipulate financial statements such as income smoothing practices where the actions is one of the reason auditor on giving qualified opinion.

Research conducted by Suárez *et al* (2010) states that the size of the company negatively influences the acceptance of modified opinion, something similar was revealed in the research of Sultanoglu *et al* (2018). While studies of Farinha & Viana (2006) showing the opposite result. So the hypothesis that the researchers propose is as follows:

H5: Size of company negatively affect the reception qualified opinnion

2. Research Method

This type of research is quantitative research with the design of hypothesis testing studies. This research is used to describe the causal relationship to the situation described in the variable and become the basis of a general conclusion.

The population of this study is all infrastructure, utilities and transportation sectors listed on the Indonesia Stock Exchange (IDX) from 2013-2017 with a total of 280 companies. The sampling technique is done by purposive sampling method and produce 120 analysis unit. The sampling process is as follows:

TABLE 2: Sample Selection Process.

Purposive Sampling	Number of Issuers
All infrastructure, utility and transportation sector companies are listed on the IDX	280
Companies that have not IPO / do not issue annual reports / do not publish audited financial statements	(62)
Companies that not have audit committees or do not display audit committee profiles	(18)
Financial reports and annual reports are not presented in rupiah	(76)
Companies with book closing dates not on December 31 Companies that get opinions other than unqualified, qualified, unqualified with	(1)
explanatory paragraph	(3)
Unit of Analysis	120

Source: Data Processed 2019

The variables used in this study consisted of the dependent variable in the form of acceptance of qualified opinion and the independent variables consisting of corporate governance mechanisms internal and external and company size. Internal corporate governance mechanisms are proxy by independent commissioners, and audit committee, as well as corporate governance mechanisms external proxy by institutional ownership and audit quality.

Table 3: Variable Operational Definitions.

Variable	Definition	Measurement / Indicator
Qualified Opinion	Opinions obtained by the company for its financial report.	Qualified Opinion is rated 1 while non- Qualified opinions are given a value of 0 (Japarudin & Achmad, 2012)
Independent Board of Commissioners	Board of Commissioners that not affiliated with management, other members of the board of commissioners and controlling shareholders, and free from business relationships or other relationships that can affect their ability to act independently or act solely in the interests of the company (National Governance Policy Committee, 2006)	Using the number of independent commissioners seen from the annual reports of each company. (Agustia, 2013).
Audit Committee	Audit committee is a committee formed by the board of commissioners to carry out the task of overseeing the management of the company. (Agustia, 2013)	Measurement: (Mutmainnah & Wardhani, 2013)
Institutional Ownership	Institutional Ownership can be interpreted as ownership shares by the government, foreign investors, insurance companies, and banks that have a greater role in the supervision of the management company.	Measurement: (Japarudin & Achmad, 2012)
Audit Quality	Audit quality is the ability of an auditor to detect misstatements in a company's financial statements.	Dummy variable 1 for big ten public accounting firm and 0 for non-big ten. (Habib, 2013)
Company Size	Company size is the size of a company that is measured by the amount of total assets or wealth owned by a company. (Muhammad & Suzan, 2015)	Company size = Ln (total assets) (Sultanoglu et al., 2018)

Base on Hypothesis development above, the research model is as follow:

The data used in this research is secondary data. Data collection techniques are carried out using the documentation method. Method of documentation is done by collecting secondary data in the form of audited financial statements and annual report of the official website at the address BEI www.idx.co.id. The data analysis technique

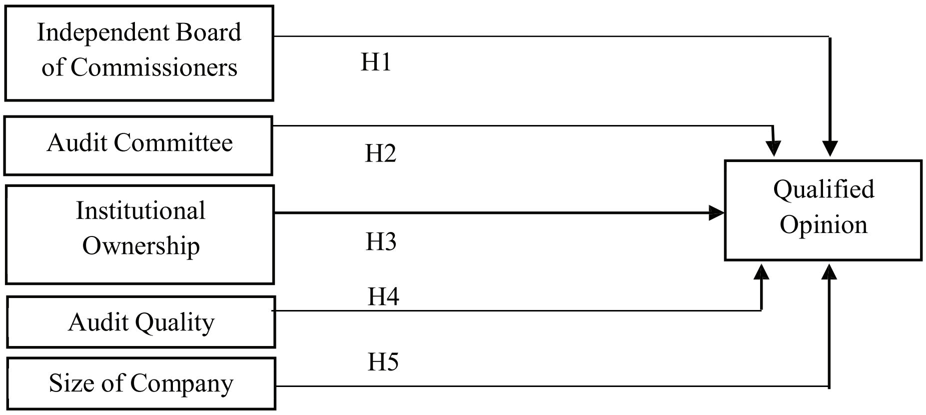

Figure 1: Research Model.

used in this study is descriptive statistical analysis and logistic regression analysis because the dependent variable is dichotomous.

3. Result and Discussion

3.1. Descriptive Statistic

Viewed from the *mean* value of the independent board of commissioners is 1,77 this means that in a company there are already 1 or 2 people as independent board of commissioners so that all companies have parties to accommodate the differences of interests between majority shareholders and minority shareholders. Their presence, which ranges from 30%, has met the regulations set by the regulator. The average audit committee is

78,32 which means more than half of the audit committee members have competencies related to accounting and finance. Accounting competencies and financial competencies are one of the competencies needed by the audit committee considering the roles and responsibilities of the audit committee itself.

The average score of institutional ownership is 66,31 this indicates the existence of good control carried out by institutions to oversee management performance. The audit quality variable has an average score of 0,73 this means that as many as 73% of companies in the analysis unit are audited by big ten audit firm. This shows that the company considers the quality of the public accounting firm to audit the company. The average score of company size is 28,71 which if interpreted into total assets is around 2 trillion rupiah. This indicates that the sample companies have a tendency as large companies. The results of the descriptive statistical test will be presented below:

Table 4: Descriptive Statistics Test Results.

	N	*Minimum*	*Maximum*	*Mean*
Independent Board of Commissioners	120	1	5	1.77
Audit Committee	120	33	100	78.32
Institutional Ownership	120	32	97	66.31
Quality of Audit	120	0	1	0.73
Company Size	120	22	32	28.71
Valid N *(listwise)*	120			

Source: Processed Data 2019

3.2. Regression Testing

In this study a regression test was conducted by several types of tests before hypotheses testing in the form of model test, feasibility test regression model, coefficient of determination, and multicollinearity test. The results of each of these tests will be shown in the table below.

Table 5: Regression Test Results.

No.	Test type	Test results	Explanation
1	Model Feasibility Test	Step 0 = 68.841 Step 1 = 42.773 Decrease = 26.068	The model matches the data
2	Feasibility Test Regression Model	Sig = 0.959 α = 0.05	The regression model is feasible to use
3	Coefficient of Determination	R^2 = 0.447	44.7% Independent variables are able to explain by dependent variable
4	Classification Table	93.3	The regression model can explain the dependent variable as big as 93.3%
5	Multicollinearity Test	0.61	There is no multicollinearity because it is below 0.9

Source: Data Processed 2019

3.3. Hypothesis Testing

This test is used to test the hypothesis of each independent variable on the dependent variable. The hypothesis is accepted if the significance score is less than 0.05. Hypothesis test results will be shown in the table below.

Table 6: Hypothesis Testing Results.

No.	Hypothesis	B	Exp (β)	Sig.	α	Results
1	H1: independent commissioners board	0.998	2.687	0.176	0.05	H1 is rejected
	negatively affect the reception Qualified					
	opinion					
2	H2: The audit committee has a negative effect	0.033	1.034	0.153	0.05	H2 is rejected
	on the acceptance of Qualified opinion					
3	H3: Institutional Ownership has a negative	0.008	1.008	0.771	0.05	H2 is rejected
	effect on the acceptance of Qualified opinion					
4	H4: Audit quality has a positive effect on the	0.048	1.049	0.965	0.05	H3 is rejected
	acceptance of Qualified opinion					
5	H5: Company size has a negative effect on	-0.932	0,394	0.007	0.05	H5 Accepted
	the acceptance of Qualified opinion					

Source: Data processed 2019

3.4. The influence of the Independent Board of Commissioners on acceptance of Qualified Opinions

Independent board is a party who conduct surveillance and giving advice to the board of directors and executive of companies to reduce their opportunistic actions, so that the number of independent board should decrease the probability of accepting qualified opinions. But it turns out, in this study found opposite results, where the independent commissioner did not influence the acceptance of qualified opinion. This shows that the function of independent commissioners as supervisors of management has not been able to do their function effectively. This condition can be causes to the fact that the number of independent commissioners in the company is still small compared to affiliated commissioners, where affiliated commissioners tend to accept all decisions made by the company leaders and ignore minority stakeholders. The research data reflects this condition if you see the average number of independent commissioners in infrastructure, utilities, and transportation sectors only about 1.7 or only fulfill the minimum limit of the number of independent commissioners rule by the Indonesia Stock Exchange.

Another factor can be relate to the result of research is because of concentration ownership that happen in company would make the majority shareholder have big power to influence the company's decision include the selection of independent commissioners, where the shareholder will choose the independent commissioners member from person that they know well even if in the rule to choose independent co mmissioners suppose come from independent person. This condition make the independency of commissioners to supervise the management become not effective, this reasoning can be identify by the number of average ownership in company that reach 66%. The results are in line with research by Martínez & Fuentes (2007) who found if there is no influence of independent board of commissioners on acceptance of qualified opinion.

3.5. The influence of the Audit Committee on acceptance of Qualified Opinions

Based on agency theory, it is explained if in one company there will be a different interests between the management (agent) and the company owner (principal). This difference interest would create the information asymmetry condition known as agency problem. The presence of an audit committee where one of their main tasks is to assist the board of commissioners in providing supervision including a review of the company's internal control system, the quality of financial statements, and the effectiveness of the internal audit function, so it should be able to influence the acceptance of modified opinion by the auditor. The results of this study are not in line with the agency theory that has been previously revealed. This study show if the existence of an audit committee within the company has not been able to carry out its functions and roles to improve the quality of financial statements in order to minimize the acceptance of modification opinions especially with the accounting educational background, this condition happen because the existence of audit committee only limited to assist board of commissioners so they have not any authority on influence of acceptance qualified opinion.

It also reflects that the establishment of an audit committee by the company may only be done for regulatory compliance but not based on needs to establish Good corporate governance (GCG) in the company. This condition is reflected in the report on Good Corporate Governance by CLSA Asia Pacific Markets in 2004 (Kaihatu, 2006) which placed Indonesia at the bottom of the implementation of good corporate governance. The results of this study are in line with the research Japarudin & Achmad (2012) that mention the audit committee has no influence on the acceptance of modified opinion.

3.6. The influence of Institution ownership on acceptance of Qualified Opinions

Base on agency theory that has been state above, the institutional ownership can be strong mechanism to control the action of management. In this research result showing the backlash condition that the existence of institutional ownership have not influence to the acceptance of qualified opinion.

Institutional ownership cannot fully monitor company performance. Widhianningrum & Amah (2012) states that the higher institutional ownership causes an imbalance in determining the direction of company policy in the end will only benefit the majority shareholders (institutional ownership). This proves that institutional ownership does not have a direct influence on the acceptance of audit opinion. The majority shareholder (institutional ownership) is more focused on overseeing management's performance to produce maximum profits.

The score of descriptive analysis showing that average of institutional ownership is 66%, this number showing that the control of institutional given by institutional is already enough. But this condition didn't give any influence toward the acceptance of qualified opinion, this thing may happen because the position of institutional only become transient investor where the orientation only focus on short term profitability, not as intensive managerial supervisor or acting as sophisticated investor (Porter 1992 in Setiawan, 2009).

The results of this study also indicate that regardless of the shares owned by the institution cannot overcome the actions of managers who manipulate financial statements that end with the acceptance of qualified opinion. This can happen because the institution still does not play an active role in overseeing fraudulent actions carried out by managers (Salim, Sofyan, & Fenny, 2017). The results of this study are also in line with previous studies conducted by Suárez *et al* (2010) that institutional ownership does not affect the acceptance of audit opinions.

3.7. The Influence of the Audit Quality on acceptance of Qualified Opinions

The stakeholder theory that have been state above explain that one of facilitate given to the stakeholder by company is with providing qualify public accounting firm to get trust from stakeholder, where the qualify accounting firm with measure of size of the accounting firm will provide more qualify auditing result and higher independence, so the possibility to accept of qualified opinion will be increase. In this study base on regression analysis showing there is no correlation between audit quality that proxy by size of public accounting firm and the qualified opinion.

Large-scale of public accounting firm tend to be more objective and independent of work, as well as more qualified individuals in carrying out the audit process, so the misstatements in financial statements will be easier to detect then the acceptance of qualified opinion becomes increasingly high. However, this study shows that there is no influence of public accounting firms reputation on the acceptance of qualified opinion. Public accounting firm affiliated or not affiliated with Big Ten will provide a qualified audit opinion if indeed the company fulfill the criteria to receive that opinion. This means that public accounting firm who affiliated with Big Ten and not affiliated with Big Ten have the same reputation of being able to maintain their independence. This phenomenon done by the auditor because the auditor is responsible itself for disclosing the conditions experienced by the company and auditor must follow the ethic cod of profession.

In addition, from the data analysis it also can be seen that as many 30% of the sample or about 40 companies in the sector are audited by non-big ten public accounting firm, these results indicate that there is an increase in the trust of current business entities towards the quality of auditors from small public accounting firm, business entities in this case might assume that large public accounting firm cannot necessarily guarantee given better audit quality, the large number of fraud cases committed by big public accounting firm like the case of Enron being audited by Arthur Andersen, who at that time is one of public accounting firm who had a great reputation. This result in line with research conducted by Nindita & Siregar (2012) who found evidence that if there was no influence from the size of public accounting firm on the ability to detect earnings management as one of misstatements of financial report.

3.8. The Influence of Firm Size on Acceptance of Qualified Opinions

Stakeholder theory explain the bigger of firm size the higher amount of stakeholder that involve in company as well. This situation will make management to serve all stakeholder better with purpose to keep the trust of stakeholder on giving support to company and also to keep public trust of reputation that have been got by the company. One of serve that will be given is with provide financial statement that free from misstatement.

The larger size of the company means greater accountability and increasingly competent of human resources. High accountability with increasingly competent resources will bring two choices, first increasingly quality of financial reports or non-transparent reporting and tend to cheat because the company wants to look ”good”. The tendency will be companies will try to present transparent and credible financial reports in order to maintain investor confidence to keep investing in their businesses, especially large companies who already have high public trust so they will try to maintain that reputation. In addition, high-asset companies tend to avoid problems of going concern so that it has a low tendency to manipulate financial statements..

Sultanoglu *et al.*, (2018) explain that companies with lower asset size, sales and income, have a bigger probability of receiving an audit modification opinion. Chang and Walter (1996) in Japarudin & Achmad (2012) found that companies receiving qualified audit opinions are companies that are small in size, less profitable, liquid and have large debt if compared to companies who receive non-qualified audit opinions. Research conducted by Baygi & Najariyan (2010) as well as research conducted by Suárez *et al* (2010) give the same results, that the size of the company negatively affects the acceptance of qualified opinion.

4. Conclution

The conclusion of this study is that the presence of corporate governance mechanisms from both inside represent by independence board of commissioners and audit committee as well outside represent by institutional ownership and audit quality has not been able to influence the quality of financial information presentation by management that will determine the type of audit opinion. In the other side, financial factor of firm size significantly negative influence toward the acceptance of qualified audit opinion.

Suggestions for further research are using another measure of qualitative of good corporate governance implementation by company for example the score of Good Corporate Perception Index (GCPI) that release by Indonesian Institute of Corporate Governance in every year. For the management to implement the corporate mechanism as optimum remember the importance of corporate governance element such as independence board of commissioner and audit committee to create good atmosphere in company.

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