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Factors that Affect Audit Delay in Companies at LQ 45

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ABSTRACT

This study aims to examine the effect of total assets, return on assets (ROA), debt to asset ratio (DAR), and auditor's opinion on audit delay. The population used in this study is LQ 45 companies listed on the Indonesia Stock Exchange (IDX) for the 2016-2019 period. The number of samples used is 25 companies. The sampling method in this research is purposive sampling. Based on the predetermined sample criteria, the total sample of this research is 100 companies. The type of data used is secondary taken from the company's financial statements. The analysis technique used in this research is multiple linear regression. The results of the analysis in this study indicate that total assets, return on assets (ROA), debt to asset ratio (DAR) affect audit delay. Audi delay is getting smaller when the company receives pressure from stakeholders. Large companies and those with debt will receive more attention from stakeholders. When profits make the company want to publish its financial statements to related parties immediately. The auditor will remain professional in running the business so that there is no impact from the opinion given by the audit delay.

INTRODUCTION

The increasing number of companies listed on the capital market resulted in an increase in the demand for audit services by a public accounting firm. This is because companies that have gone public are required to publish audited annual financial reports. Financial statements are one of the information used by potential investors, potential creditors, and users of financial statements for decision making.

Based on Financial Services Authority Regulation Number 29/PJOK.04/2016 concerning Annual Reports of Issuers or Public Companies, issuers or public companies are required to submit an annual report to OJK no later than the end of the fourth month (120 days) after the financial year ends. However, regulation number 29/PJOK.04/2016 issued by OJK has not been fully complied with by the company. The company's non-compliance in submitting financial reports can be seen from the late submission of audited financial statements. The length of time in the completion of audited financial statements is called audit delay. Audit delay is measured based on the number of days required to obtain an independent auditor's report on the annual financial statement audit.

One of the companies that experienced delays in annual financial reporting was PT Bakrieland Development Tbk (ELTY), where PT Bakrieland Development Tbk received sanctions from the IDX for not submitting its 2018 financial statements and not paying late fees. So IDX decided to temporarily stop trading ELTY shares and imposed an additional fine of IDR 150 million (cnbindonesia.com).

Research on firm size with audit delay conducted by Adiraya & Sayidah (2018) states that firm size has a significant positive effect on audit delay. Then Firliana & Sulasmiyati (2017), Fadly & Novita (2017), Kharissa & Saifi (2018), Utami et al., (2018) and Khoufi & Khoufi (2018) state that company size has a significant negative effect on audit delay because audit report is an integral part of the annual report to the shareholder and large companies have large resource so they are able to put pressure to present annual report on time. Meanwhile, Fatmawati (2017) states that company size has no effect on audit delay.

Research on profitability on audit delay has inconsistent results. Fatmawati (2017), Mulya & Kristianti (2021) states that profitability has a significant positive effect on audit delay because if the profit of the company is getting bigger, the scope of the audit assignment will be the wider the testing by the auditor will be. Auditors need full confidence in the profit that the company gets, therefore the audit process will take lon-

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ger. Utami et al., (2018) and Hidayat & Ginting (2019) stated that profitability has a significant negative effect on audit delay the greater the company's profitability, the quicker the company will report the audited financial statements because profitability is considered a good sign for investors. Meanwhile, Firliana & Sulasmiyati (2017), Kharissa & Saifi (2018), Adiraya & Sayidah (2018) and Anita & Cahyati (2019) state that profitability has no effect on audit delay.

Research on solvency also has inconsistent results. Firliana & Sulasmiyati (2017) state that solvency has a significant positive effect on audit delay. Fatmawati (2017), and Kharissa & Saifi (2018) state that solvency has a significant negative effect on audit delay. Meanwhile, Adiraya & Sayidah (2018) and Anita & Cahyati (2019) stated that solvency had no effect on audit delay.

Another factor that still has inconsistent results is research on auditor opinions. Anita & Cahyati (2019) stated that the auditor's opinion had a significant negative effect on audit delay. Meanwhile Fatmawati (2017), Fadly & Novita (2017), Adiraya & Sayidah (2018) and Utami et al., (2018) state that the auditor's opinion has no effect on audit delay.

This study aims to analyze the effect of total assets, return on assets (ROA), debt to asset ratio (DAR), and auditor's opinion. The novelty contained in this study is the period of the year used, namely 2016-2019.

This research is based on two theories. The first theory is agency theory which states that an indication of audit delay for companies requires agency fees to restore investor confidence. Auditors are parties who are considered to be able to bridge the interests between shareholders and managers (Elvienne & Apriwenni, 2019). While the second theory, namely signal theory, assumes that this theory provides space for investors to know the decisions they will make. In relation to ROA, DAR, and Total Assets of the company which show a variable value, thus providing information to investors in providing an assessment of a company (Elvienne & Apriwenni, 2019).

Total assets are used as a calculation of the size of the company. According to Kharissa & Saifi (2018), the larger the size of the company, the shorter the audit delay and vice versa. This is due to several factors, namely the management of large-scale companies that tend to be given incentives to reduce audit delays because these companies are closely monitored by investors, capital supervisors, and the government. This is supported by research by Firliana & Sulasmiyati (2017) and Fadly & Novita (2017) which state that total assets have an effect on audit delay.

H_1: Total Assets affect audit delay

Return On Assets (ROA) is a ratio used to measure performance to generate profits based on certain asset levels (Kharissa & Saifi, 2018). Return On Assets (ROA) has comprehensive properties, which can be used to measure product efficiency, capital use efficiency, and sales efficiency. The company will not delay in submitting information that contains good news regarding the company's financial statements. Therefore, companies that are better able to generate profits will be faster in submitting financial reports and experience shorter audit delays (Kharissa & Saifi, 2018). This is supported by research by Fatmawati (2017) and Kharissa & Saifi (2018).

H_2: Return on assets (ROA) has an effect on audit delay

Debt to Asset Ratio (DAR) according to Kasmir (2016) is a debt ratio used to measure the ratio between total debt and total assets. The process of auditing debt is relatively longer than auditing equity, so it can extend the audit completion time which is called audit delay. A high level of DAR will make the auditor more careful in conducting the audit, because this can trigger the risk of loss from the company, causing the audit delay to be longer.

A high level of DAR can also speed up the submission of audited financial reports. The high level of debt to asset ratio (DAR) causes the company's failure to repay loans to be high. If there is a failure then the company will experience pressure. Because large companies are supervised by various parties such as investors and creditors, therefore the company will try to speed up publishing audited financial statements so that it can reassure investors that their risk in return on capital is low (Kharissa & Saifi, 2018).

This is supported by the research of Firliana & Sulasmiyati (2017) and Fatmawati (2017) which states that the debt to asset ratio (DAR) has an effect on audit delay.

H_3: Debt to asset ratio (DAR) has an effect on audit delay

Auditor Opinion is an opinion issued by an independent auditor on the company's financial statements that have been audited (Fatmawati, 2017). Companies that get opinions other than unqualified opinions tend to take a long time to publish financial statements because auditors need time to negotiate with clients and consult with more senior auditors (Sartim & Surto, 2018). This is supported by research by Anita & Cahyati (2019) which states that the auditor's opinion has an effect on audit delay.

H_4: Auditor's opinion has an effect on audit delay

RESEARCH METHODS

This research is a quantitative research using secondary data. The research population is all LQ-45 companies listed on the Indonesia Stock Exchange (IDX) for the 2016-2019 period. The sample used in this study as many as 25 companies were taken using purposive sampling method. The sample selection procedure is shown in table 1. The variables used in this study are 1 dependent variable and 4 independent variables. The operational definitions of the variables used in this study are shown in table 2.

The data collection model uses the documentati-

Table 1. Sample Selection Procedure

No	Criteria	Outside Criteria	Total
1	LQ 45 companies listed on the IDX for the 2016-2019 period	-	63
2	Companies that are not consistently listed in the LQ 45 index on the IDX for the 2016-2019 period	(33)	30
3	LQ 45 companies that use foreign currency in financial statements	(4)	26
4	Companies that do not publish complete financial reports along with independent audit reports and do not have complete research data consistently in the 2016-2019 period	(1)	25
Number of Samples			25
Total Years of Observation			4
Total Units of Analysis (25 companies x 4 periods)			100

Source: Data processed, 2020

on method through secondary data in the form of LQ 45 company financial statements which are accessed through the Indonesia Stock Exchange (IDX) website, www.idx.co.id. The analytical technique used in this research is descriptive statistical analysis. Equation 1 shows the linear regression formula in this study.

RESULTS AND DISCUSSIONS

Descriptive statistics provide an overview or description of a data seen from the minimum, maximum, mean, and standard deviation values shown in table 3. The value of the Kolmogorov-Smirnov normality test is

Table 3. Descriptive Statistical Analysis Results

	N	Min	Max	Mean	Std Dev
Audit Delay	100	15	108	60.09	21.623
Total assets	100	15.3884	21.072	18.0015	1.516
ROA	100	0.0007	0.467	0.1039	0.105
DAR	100	0.1331	0.911	0.5129	0.229
Auditor's Opinion	100	0	1	0.64	0.482

Source: Data processed, 2020

0.200 > 0.05 which indicates that the data is normally distributed. The multicollinearity test value shows that there is no multicollinearity because it has a tolerance value of 0.10 and a VIF value of 10.

The autocorrelation test showed that the Durbin-Watson value was 1.954. Where du<dw<4-du (1,758 < 1,954 < 2,242) so it can be concluded that there is no autocorrelation. Meanwhile, the heteroscedasticity test used the spearman's rho test which showed that the significance value of all independent variables was greater than 0.05. So it can be said that there is no symptom of heteroscedasticity in the regression model.

The coefficient of determination or R^2 shows a result of 0.498 or 49.8%. It means that the research model is able to explain 49.8% of the variation of the independent variables, namely total assets, ROA, DAR, and auditor's opinion. While 50.2% is explained by other variables. The results of hypothesis testing are described in table 4 and equation 2.

$$\textbf{Audit Delay} = \alpha + \beta_1\text{Total Assets} + \beta_2\text{ROA} + \beta_3\text{DAR} + \beta_4\text{Auditor's Opinion} + e \quad ....1$$

$$\textbf{Audit Delay} = 176.877 - 5.194\text{Total Assets} - 44.615\text{ROA} - 43.900\text{DAR} + 6.029\text{Auditor's Opinion} \quad ....2$$

Table 2. Variable Operational Definition

Variable	Definition	Measurement
Audit Delay	The difference between the closed financial statements and the date of the audit opinion in the financial statements that identify the length of time for completion of the audit conducted by the auditor (Kharissa & Saifi, 2018)	*Audit Delay* = Audit Report Date – Financial Report Date (Kharissa & Saifi, 2018)
Total assets	Indicator on company size, which shows the size of the company (Kharissa & Saifi, 2018)	Total Assets = LN (Kharissa & Saifi, 2018)
ROA	The company's ability to use the asset or asset function to earn a profit (Kharissa & Saifi, 2018)	ROA = Net Income/Total Assets (Kharissa & Saifi, 2018)
DAR	Measurement of how much the company's debt affects asset processing (Kharissa & Saifi, 2018)	DAR = Total Debt/Total Assets (Kharissa & Saifi, 2018)
Auditor's Opinion	Opinions issued by independent auditors on the company's audited financial statements (Fatmawati, 2017)	Using a dummy variable, the sample that gets an unqualified opinion will be given a code of 1, while those who get a non-qualifield opinion will be given a code of 0 (Fatmawati, 2017)

Source: Data processed, 2020

Effect of Total Assets on Audit Delay

The effect of total assets on audit delay shows a negative and significant correlation. This shows that the greater the total assets owned by the company, the less audit delay. Companies with large total assets will complete the audit process faster than companies with small total assets. This is because large companies have big responsibilities and get attention or are supervised by capital supervisors, investors, and the government compared to companies with small total assets (Rahayu & Suryono, 2016). As well as facing pressure from external parties to immediately publish audited financial statements early. This study explains that if the total assets owned by the company are high, it must immediately publish the results of its audited financial statements. Because this is good news and is in line with signal theory. This research is in line with research conducted by Firliana & Sulasmiyati (2017), Fadly & Novita (2017), Kharissa & Saifi (2018) and Utami et al (2018) which state that total assets have a significant negative effect on audit delay.

Effect of ROA on Audit Delay

ROA has a significant negative effect on audit delay. This shows that the greater the return on assets (ROA), the less audit delay. Companies that have a high ROA value want to immediately convey good news to stakeholders, while companies that have a low ROA value will get bad news and will tend to be not on time in submitting their financial reports (Octafilia & Utari, 2019). The company's ability to generate profits based on assets owned has an influence on the period of submission of audited financial statements (Eksandy, 2017). There are several companies that experience an increase in profit which causes the publication of financial statements to be faster. Because there are demands from interested parties, it can spur companies to communicate audited financial statements more quickly. Companies with a high level of profitability tend to accelerate the publication of financial statements, because this is good news that will increase the value of the company in the eyes of interested parties. This result is in line with signal theory.(Suparsada & Putri, 2017). Carslaw & Kaplan (1991) suggested that auditing of a company with a high proportion of debt to assets consumes more time than a company with a relatively low proportion of debt.

One of the reasons is the fact that a company with a high proportion of debt to total assets tends to be associated with financial distress and ultimately the greater likelihood of bankruptcy. In this study, the proportion of long-term debt (excluding deferred tax) to total equity is included in the model. The amount of long-term debt may also raise the agency costs as suggested by Jensen & Meckling (1976) and this is likely to increase the audit efforts and hence, the length of the audit engagement. The higher percentage of ROA gives positive signal to related parties such as investor. Givoly & Palmon (1982) stated that time accuracy and announcement delay of annual profit are affected by the content of financial statement. Companies that announce higher profit tend to issue the financial report on time. In contrast, companies which announce loss would be less punctual in releasing and reporting their financial information, thus makes delay in audit report.These results are in line with research conducted by Utami et al (2018) which states that ROA has a significant negative effect on audit delay.

Effect of DAR on Audit Delay

DAR has a significant negative effect on audit delay. This shows that companies with large DAR levels will tend to speed up the process of auditing financial statements. High DAR levels lead to the company's failure to repay loans. If there is a failure to repay debt, the company will experience pressure. Pressure arises when large amounts of debt are monitored by creditors. Because large companies will be supervised by various interested parties such as investors and creditors. So from that the company will try to speed up in publishing its audited financial statements so that it can convince investors that the level of risk in the return on capital is low. Financial distress is proxied with total debt to asset ratio (Azhar, 2015). The higher the total debt to asset ratio, the higher the likelihood of the company experiencing financial distress because the total debt is greater than the total assets (Zulaikha, 2014). This logistic regression is used to test whether the probability occurrence of the dependent variable can be explained by the independent variable.The results of this study are in line with research conducted by Fatmawati (2017) and Kharissa & Saifi (2018) which states that DAR has a significant negative effect on audit delay.

Effect of Auditor's Opinion on Audit Delay

Auditor's opinion has no effect on audit delay. The opinion on the financial statements given by the auditor cannot be viewed as a determining factor for audit delay. This is because any opinion given by the auditor will be based on a professional, thorough and careful audit. So that the auditor will continue to work profes-

Table 4. Hypothesis Test Results

No	Hypothesis	Coefficient Regression	Significance	Results
1.	H_1: Total assets have a significant negative effect on audit delay	-5.194	0.002	Accepted
2.	H_2: Return on assets has a significant negative effect on audit delay	-44.615	0.017	Accepted
3.	H_3: Debt to asset ratio has a significant negative effect on audit delay	-43.900	0.000	Accepted
4.	H_4: Auditor's opinion has an effect on audit delay	6.029	0.74	Rejected

Source: Data processed, 2020

sionally in various conditions and the audit opinion generated from the examination will not slow down the audit completion time. Because the auditor is the party who can bridge the interests between the shareholders and managers in line with agency theory(Elvienne & Apriwenni, 2020). These results are in line with research conducted by Fadly & Novita (2017), Fatmawati (2017), Adiraya & Sayidah (2018) and Utami et al (2018) which state that auditor's opinion has no effect on audit delay.

CONCLUSIONS

Based on the partial test results in this study, it can be formulated that total assets, ROA, DAR and auditor's opinion have a joint effect on audit delay. Based on the test results, it is known that total assets, ROA and DAR have a significant negative effect on audit delay, while the auditor's opinion has no significant effect on audit delay. Companies with large sizes will face enormous external pressures so that that audit delays will be slight. Profitable companies want to provide good news more quickly to their stakeholders. The enormous debt puts the company under pressure to immediately publish financial statements to give confidence that the company is in good condition. The audit opinion reflects the professionalism of the auditor, and no auditor will slow down the completion of the audit

Based on the results and conclusions of this study, several suggestions can be made. First, further researchers can expand the independent variable as a factor that affects the dependent variable other than the variables used in this study, so that the results obtained can explain the variation of the dependent variable. Second, further researchers are also expected to be able to expand the year of observation so that the results obtained can show a more accurate prediction of the length of audit delay.

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