DOI: https://doi.org/10.38035/sjam.v1i3
Received: 23 October 2023, **Revised:** 12 November 2023, **Publish:** 06 December 2023
https://creativecommons.org/licenses/by/4.0/

Factors Affecting Audit Delay in Manufacturing Companies Listed on the Indonesia Stock Exchange

Fitri[1], Muji Gunarto[2]
[1]Student at the Faculty of Economics, Universitas Terbuka, email:fitricaiyan@gmail.com
[2]Lecturer at Universitas Bina Darma, email: mgunarto@binadarma.ac.id

Corresponding author: Fitri[1]

Abstract: This research aims to demonstrate and validate the connections between profitability (X1), solvency (X2), auditor's reputation (X3), audit committee (X4), audit opinions (X5), and company size (X6) in relation to audit delay (Y1). Audit delay is gauged by the duration from the completion of the audit following the fiscal year's end to the issuance of an independent auditor's report. The study focuses on companies listed on the Indonesian Stock Exchange between 2014 and 2018, applying specific selection criteria. Following tests and analysis, the author concludes that profitability, solvency, company size, audit committee, auditor's reputation, and audit opinion collectively impact audit delay.

Keywords: Profitability, Solvency, Company Size, Audit Delay, Auditor's reputation, Audit committee, Audit opinions, Audit delay.

INTRODUCTION

Background of the problem.

Progress in the capital markets sector has also been followed by more and more companies joining the BEI (Indonesian Stock Exchange) so that they are called open companies (going public). Companies on the IDX list must attach financial reports every year that have been evaluated so that they can be seen by stakeholders and other potential investors. The report must be evaluated by an independent auditor so that the contents of the existing financial reports are guaranteed to comply with existing regulations.

Financial reports that have been evaluated show the quality of the report and increase the confidence of potential investors in analyzing the company's financial condition based on the report. One of the objectives of financial reports is to provide adequate data for parties who need it, these parties are divided into two, namely internal and external. An example for external parties who need financial reports is investors to find out the actual condition of the company in monetary terms from the perspective of numbers (Fahmi, 2014).

Similar provisions also appear in the latest regulations from the Financial Services Authority (OJK) No. 20/POJK.04/2016 which stipulates that each entity is obliged to collect

annual financial reports together with the auditor's report to the OJK and announce them to the public no later than 120 days after the end of the year's closing date.(OJK, 2015). Entities or companies that violate this regulation will be subject to administrative sanctions. This is also stated in the 1995 government regulation No. 45 Chapter ,000 of the total.

BEI has regulations governing the submission of company financial reports to BEI where companies that do not follow these rules will be suspended. Suspension, namely temporary dismissal from the IDX, will be imposed on companies that do not submit their financial reports. There are still some listed companies on the IDX that are late in submitting their financial reports, this is proven by the period 31 December 2015, there were 18 listed companies on the IDX that were suspended.

Delays in publishing company financial reports can be caused by audit delays. Audit delay is the time difference in the completion of the annual report evaluation process by the auditor which can be seen through the time span of the financial report date, namely generally December 31 until the date of the audit opinion on the audited financial report from the independent auditor (Novitasari, 2018), similar things were also expressed byKurniawan (2015).

To fortify the theory under examination, exploring the relationship and impact among variables – profitability, solvency, auditor reputation, audit committee, audit opinion, and company size – in relation to audit delay, relevant articles are pivotal. These articles provide insights into how these factors interplay and can aid in constructing hypotheses regarding their influence on audit delay. Based on the background thenwriting purposeThis article is to build a hypothesis for further research, namely to formulate:1) There is a significant influence between profitability andaudit delays. 2)There is a significant influence between solvency and audit delays. 3) There is a significant influence between the reputation of a public accounting firm andaudit delays. 4) There is a significant influence between the audit committee andaudit delays. 5)There is a significant influence between audit opinion andaudit delays. 6)There is a significant influence between company size andaudit delays. 7) There is a significant influence between profitability, solvency, reputation of a public accounting firm, audit committee, audit opinion and company size simultaneously onaudit delays

METHOD

Testing will use a quantitative approach, namely by focusing on research by testing theories against the benchmarks of various variables in research, using data analysis with statistical procedures. If we look at it from the perspective of the characteristics of the problem, the research carried out is included in historical research or commonly known as historical research because the data used as the research object is the entity's financial information in the past.

Research is also categorized as research with a comparative causal method or known as causal comparative research because this research will test the existence of causal relationships between variables which test the ability of significance as a result of research or generalization (Indriantoro & Supomo, 2013). Research sources will be obtained through the official BEI portal in accordance with the company's financial reports and also carried out from the official portal of entities that have been registered with the BEI. With sitewww.idx.co.id can be accessed annually published financial reports.

The software helps with data testing, namely SPSS with the abbreviation Statistical Package for Social Sciences well as Eviews10 with the function of understanding the relationship and impact of dependent and independent variables. Steps in data analysis include data analysis in descriptive statistics, tests outliers, panel regression to obtain the best model based on test results Chow, test Hausman, F test, and T test.

RESULTS AND DISCUSSION

Results

Based on the background, objectives and methods, the results of this article are as follows:

Audit Delay

Study Ashton et al. (1987)sayaudit delaysis the time interval for completing an audit starting from the end of the company's fiscal year until the audit report is issued. In general it is calledaudit delaysis the time span or length of time for completing the evaluation of the audit report which is measured from the closing date of the annual book until the appearance of the audit report.

The quality of audit report information is determined by the length of timeaudit delayswhich can be said, the longer it is given, the more information will beout of dateand can indicate that the financial reports are of poor quality. Other opinions also come fromHossain and Taylor (1998)which stated that the audit delay was considered as the time difference from the closing of the entity's accounting year to the date of the auditor's report, so in other words it could be said that the audit delay would be longer if the audit of a company's financial reports was carried out by an auditor who was slow in completing the evaluation of the financial reports.

Based on Bapepam Decree No. XK2 Attachment No. Kep-346/BL/2011 concerning Mandatory Submission of Information, states that late submission of financial reports will go through the stages of sanctions, namely:

1. Written warning, I
2. 2 written warnings and sanctions worth Rp. 50,000,000, -
3. 3 written warnings and additional sanctions worth Rp. 150,000,000, -
4. Suspension

The measure of audit delay is in number of days and quantitatively, which means the length of the adjustment period or the period starting from the date of the closing year until the date of the audit report from the independent auditor. For example, a company's financial report for the 2018 period closed its books on December 31 2018, whereas the audit report was filled in on March 24 2019, so it can be said that this company had an audit delay of 83 days.

Audit Delay= Audit Report Date – Financial Report Date

This Sustainable Investment Preference has been studied by many previous researchers, including: (Arindita, TA, & Yunita, EA (2023), Chen, C., Jia, H., Xu, Y., & Ziebart, D. (2022), Yulianto, KI (2021), Bahri, S., & Amnia, R. (2020), .

Profitability

Profitability is the entity's capability in a certain period to gain profits from activity sources such as trade, number of employees, amount of wealth or capital itself (Sartono, 2010).

Profitability ratio is a reasonable comparison to measure an entity's ability to gain profits (Cashmere, 2014). This profitability ratio will produce a measure of the level of effectiveness of an entity's management. Profitability can be measured through various methods, namely return on equity (ROE), return on sales (ROS), gross profit margin, return on capital employed (ROCE), return on investment (ROI), earnings per share (EPS).), net profit margin (net profit margin), and return on assets (ROA).

High profitability will be characterized by the company's ability to generate higher profits for the company. According toMcHugh (1980)Companies that experience profits will usually be earlier when reporting their financial reports for evaluation because these entities want good news to be received more quickly by users of financial reports, whereas this condition is the opposite for companies with losses.

If the company believes that there is unfavorable information in the financial statements that will be related to earnings quality, the company will tend to delay reporting the financial statements (Ahmad & Abidin, 2009). The announcement of a loss will make the company think more about the impact that will arise from the announcement and public auditors will increase their caution.

ProfitabilityThis has been studied by many previous researchers, including:(Santoso, EB, & Salim, SN (2023, January) , Aydoğmuş, M., GÜLAY, G., & ERGUN, K. (2022) , Forero-Quintero, J. F et al., (2022)Kamarudin, Ismail, Yaacob and Abu Bakar (2018).

Solvency

According toSunyoto (2014)Solvency or leverage ratio is the ability of an entity to ensure that all of the entity's obligations, both long and short term, can be paid off both when the company is in liquidation and when the company is running normally. One of the ratios when measuring solvency is the debt-to-equity ratio (DER). The DER ratio will move in a straight line with the company's financial risk level, meaning that if a company's financial risk is high, the DER ratio will also be high. Apart from the debt-to-equity ratio, solvency can also be measured using the debt to asset ratio, tangible assets debt coverage, debt ratio, times interest earned ratio.

This solvency has been studied by many previous researchers, including:(Karina, A., & Kusumawardhani, F. (2023) Devi, CM (2022). Bahri, S., & Amnia, R. (2020).

Reputation of the Public Accounting Firm

KAP services are needed to convey company performance information or financial reports that are submitted carefully and can be trusted, and the credibility/integrity of these reports can be improved. With a good reputation and name, KAP will increase the reliability of audited reports. For example, KAPs that are affiliated with large and universal KAPs which have the popular title, namely The Big Four, this situation is thought to be because large KAPs generally have a larger number of employees, as a result, evaluation procedures run more efficiently and effectively.

StudyIskandar and Trisnawati (2010)get results if the KAP's reputation has a negative impact on audit delay, meaning that audit delays that occur in companies that submit their financial reports for review by large KAPs get shorter audit delays than companies reviewed by KAPs other than those affiliated with The Big Four. Compared to non-Big Four KAPs, The Big Four KAPs are said to be more competent(Yuliyanti, 2011).

RKAP's reputationThis has been studied by many previous researchers, including:(Litt, B., Tanyi, P., & Weidenmier Watson, M. (2023), Phillips, K., & Sutandi, S. (2022), Rothenberg, N. R. (2020).

Audit Committee

Based on government regulations issued namely BAPEPAM-LK No. IX.1.5 Companies on the IDX list must have at least 3 members of the audit committee with an independent chairman as commissioner while the others are external members who stand alone or are independent. The audit committee has several tasks, namely, to evaluate the audit results to take into account the ability and feasibility of internal supervision as well as reviewing the progress of preparing financial reports, and also monitoring the planning.

Audit committeeIt has been studied by many previous researchers, including:Qualified (2011),Wijaya (2012) Shukeri and Nelson (2012)

Audit Opinion

An auditor is an independent party who expresses an opinion on the fairness of the financial statements examined in an entity's financial statements. The following are five possible types of report opinion statements by independent auditors(Mulyadi, 2002):

a. Unqualified statement.
b. An unqualified statement plus explanatory language.
c. Fair statement with exceptions.
d. Unreasonable statement.
e. Statements do not provide an opinion.

Che-Ahmad and Abidin (2009)explained that if an entity obtains an opinion other than an unqualified opinion, it tends to have an impact on audit delay days which tend to be longer because logically there will be time and effort sacrificed when the audit results take longer to complete. It can be said that there are indications showing symptoms that negotiations with the client have occurred.

Audit Opinion has been studied by many previous researchers, including:(Tantawy, SM, & Moussa, T. (2023), Mulyadi, R., Octavianti, S., & Sulistiana, I. (2022) Darmayanti, N., Africa, LA, & Mildawati, T. (2021).

Company Size

Company size can be calculated using various methods, namely total assets, amount of taxes paid, investment value, amount of added value, capital turnover, production output, production equipment, market control, total employees, breadth of business network, total sales, market capitalization and so on.

The size of the company division is divided into several types in researchSuwito and Herawaty (2005), namely:

1. Large firm (large companies)
2. Medium firm (medium company)
3. Small firms (small company)

Company sizeThis has been studied by many previous researchers, including:Afify (2009),Wang and Song (2006).

Results of Review of Relevant Articles

Reviewing relevant articles as a basis for establishing research hypotheses by explaining the results of previous research, explaining similarities and differences with the research plan. Many studies have been conducted regarding the factors that cause audit delays in various countries. McHugh (1980) conducted research focusing on solvency and profitability as independent variables influencing audit delay. Other studies, such as Halim (2000), Christian (2004), (Trianto, 2006), Agustina and Aldie (2011), Wafa and Hegazy (2011), Hersugondo and Kartika (2013), Hardika (2013), Sunyoto (2014), Meanwhile, research with profitability variables is in the research Fagbemi and Uadiale (2011), Abdul (2011), Hashim and Rahman (2011), (Iyoha, 2012), (Modugu, 2012), GAT (2015).

Regarding the audit opinion variable, Ashton, Willingham and Elliott (1987) conducted relevant research. Other studies exploring this variable include Subekti (2005), Wang and Song (2006), (Kartika, 2009) , Iskandar and Trisnawati (2010), Turel (2010) , Helwan (2011), and Shultoni (2012)

Furthermore, studies investigating the auditor reputation variable include Owusu and Leventis (2006), Al-Ajmi (2008), Iyoha (2012), Subekti (2005), Ahmad and Abidin (2009), Iskandar and Trisnawati, (2010), Turel (2010), Al-Ghanem and Mohamed (2011), Hersugondo and Kartika (2013)

Discussion

Based on theoretical studies, the discussion of this literature review article is to review relevant articles, analyze the influence between variables and create a conceptual thinking research plan:

Influence of Pprofitability against Audit Delay

Profitability is the ability of a business to generate profits or profits from its operations. It reflects the efficiency and ability of a business to generate revenues that are greater than the costs incurred. In essence, profitability measures how well a company generates profits from its business activities.

Investors have an interest in profitability analysis because this ratio review can explain the level of effectiveness of all administrative procedures in generating profits for the company.

The situation shows Companies with a good level of profit will produce audit delays that tend to be shorter when compared to companies with a loss condition because every company of course avoids delays in providing information with good news content so that investors and interested parties will be more confident in the company because profit is one of the indicators that indicate the success of the company's effectiveness. This condition is of course related to the final results for decision making on various policies in the current period.

There are other studies that show the results of a significant impact on profitability on audit delay, namely research fromMcHugh (1980),Kallamu, Ashikin and Saat (2015) Leventis and Weetman (2004),Al-Ajmi (2008),Afify (2009),Khasharmeh (2010),Mouna (2013),Efobi and Okougbo (2014),Ahmad, Mohamed and Nelson (2016),Hamidi and Rasouli (2016), as well asKamarudin, Ismail, Yaacob and Abu Bakar (2018).

Influence Solvency Against Audit Delay

Solvency refers to the ability of an entity or individual to fulfill its financial obligations, especially in the context of paying the debt it has. This reflects the extent to which the assets owned can cover existing liabilities. The higher the solvency, the more capable the entity is of meeting its debts.

Financial difficulties are a bad thing that can have an impact on a company's reputation in society. The tendency of management to delay financial reporting that contains bad notifications. Auditors will also need a longer period of time when evaluating financial reports with high solvency ratios.

Research fromAhmad and Kamarudin (2003), Lee and Jahng (2008),Kartika (2009) ,Ahmad and Abidin (2009), AndLianto and Kusuma (2010)shows that solvency has a significant positive relationship with audit delay.

Influence Reputation of the Public Accounting Firm Against Audit Delay

Public Accounting Firm (KAP) is an institution that provides professional services related to accounting, auditing, consulting and financial-related services to their clients. KAP's reputation is very important because it reflects the quality, integrity, expertise and reliability in providing these services. This can affect the trust of clients and the general public in the financial information submitted by KAP and can have an impact on long-term relationships with clients and the company's image in the eyes of the public.

Punctuality tends to occur due to having a more elastic or flexible schedule and having the motivation to maintain a good name by completing a shorter audit process. This condition supports the greater the KAP will bein being able to issue better audit quality.

S Sohn and K Chung (2011),Ilaboya (2014),Al-Tahat (2015), AndAyemere and Elijah (2015)which in research shows that there is a significant positive influence between KAP reputation and audit delay.

Influence Audit Committee Against Audit Delay

An audit committee is a team or group that is responsible for ensuring that accounting practices and audit processes in an organization run well. They monitor financial reports, evaluate compliance with regulations, and ensure that financial risks are managed properly.

KreThe reliability and integrity of a financial report can be increased by the existence of an audit committee. The position of the audit committee in the company is predicted to be able to make the work of independent auditors easier due to the company's good internal controls such as reducing the level of management fraud, reducing incorrect accounting disclosures, reducing incorrect accounting measurements and illegal activities. This condition shows that the possibility of audit delays can be reduced by having an audit committee.

Audit delays becomes shorter as the number of audit committees increases. This condition indicates that the increasing number of audit committees tends to cause financial reports to be evaluated in accordance with the general provisions that have been established because the control methods for processing financial reports are better..Research resultQualified (2011),Wijaya (2012) Shukeri and Nelson (2012) Between the audit committee and audit delay, the results show that there is a negative influence.

InfluenceAudit Opinion Against Audit Delay

An auditor's opinion is a response regarding the fairness of a financial report. Based onFinancial Accounting Standards Board of the Indonesian Institute of Accountants (2009)The main objective of the audit process is so that the company's financial reports that have been evaluated can be given a fairness opinion. Management definitely wants an unqualified opinion on the company's financial reports.

A long time may also indicate that the auditor consulted with more experienced audit colleagues or technical workers to expand the scope of the audit. Longer audit delays are also caused by companies viewing opinions other than unqualified as bad news, which ultimately causes the audit process to be slowed down. Apart from this, if a company receives an unfair opinion, the auditor is required to provide evidence or factual data that can support his findings.

These results are in line with the results of other studies studiedAshton et al. (1987),Che-Ahmad and Abidin (2009),McLelland and Giroux (2000),Ahmad and Kamarudin (2003),Lee and Jahng (2008),Wang and Song (2006),Owusu-Ansah and Leventis (2006),Moradzadehfard (2012), AndAbdullah (2012).

InfluenceCompany Size Against Audit Delay

Company size refers to various metrics or parameters used to assess or measure the dimensions, scale, or scope of a company. This could include the number of employees, annual revenue, assets owned, market share, or even the social impact produced by the company.

The time to determine whether a company is in the large or small group in the company size variable is based on the amount of wealth the company owns. The amount of wealth owned by large companies tends to be greater, and their financial reports will be submitted more quickly, which means audit delay days tend to be shorter than for small companies. This condition is because large companies usually have more complete data sources, greater sophistication in their information systems, stronger control systems, more accounting staff and investors and regulators who will carry out supervision and receive public attention.

Management in large-scale companies has a stronger motivation to ensure that the company's audit delay rate is small. Large companies are generally more closely scrutinized by regulators, labor unions and investors.

Study Owusu (2000),Che-Ahmad and Abidin (2009)AndMcHugh (1980), obtained the results of a significant relationship between company size and audit delay. This is due to several possibilities, namely the first, that usually large-scale companies will have greater wealth and

be more reliable in terms of capabilities, making them able to complete shorter financial reports to independent auditors. Secondly, in general companies have good internal supervision, which can prevent the risk of errors in the submission of financial reports. This condition shortens the time for auditing financial reports by auditors.

Research conceptual framework

Based on the problem formulation, discussion and relevant research, a conceptual framework for this article has been developed as shown in Figure 1 below.

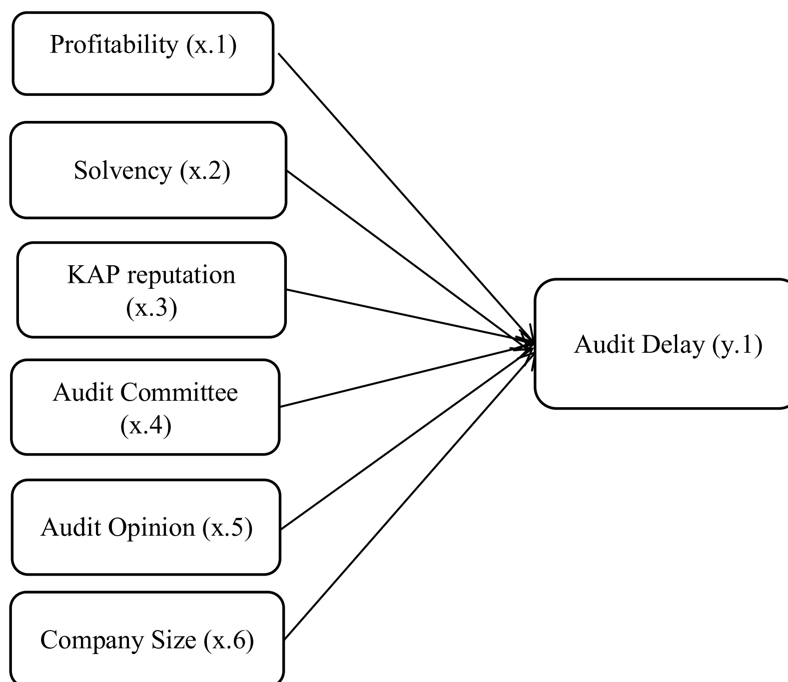

Figure 1: Conceptual Framework

Based on the conceptual framework drawing above, then: Profitability, solvency, company size, audit committee, audit reputation, and audit opinions have an influence onaudit delays. Apart from the three exogenous variables that influence audit delays, there are many other variables.

CONCLUSION

Based on the objectives, results and discussion, the conclusion of this article is to formulate a hypothesis for further research, namely:1) There is a significant influence between profitability and audit delays. 2)There is a significant influence between solvency andaudit delays. 3) There is a significant influence between the reputation of a public accounting firm andaudit delays. 4)There is a significant influence between the audit committee andaudit delays. 5)There is a significant influence between audit opinion andaudit delays. 6)There is a significant influence between company size andaudit delays. 7) There is a significant influence between profitability, solvency, reputation of a public accounting firm, audit committee, audit opinion and company size simultaneously on audit delays

REFERENCES

Ahmad, R. A. R., & Kamarudin, K. A. Bin. (2003). Audit delay and the timeliness of corporate reporting. Contemporary Accounting Research, 5(2), 2–18. https://doi.org/10.1111/j.1911-3846.1989.tb00732.x

A Sartono. (2010). manajemen keuangan teori dan aplikasi. Yogyakarta: BPFE.

Aydoğmuş, M., GÜLAY, G., & ERGUN, K. (2022). Impact of ESG performance on firm value and profitability.Borsa Istanbul Review.

Arindita, TA, & Yunita, EA (2023). The Influence of Profit and Loss, Bankruptcy Prediction, and Industry Type, on Audit Delay.JIBEMA: Journal of Business, Economics, Management and Accounting, 1(1), 54-65.

Bahri, S., & Amnia, R. (2020). Effects of Company Size, Profitability, Solvability and Audit Opinion on Audit Delay.Journal of Auditing, Finance, and Forensic Accounting, 8(1), 27-35.

Chen, C., Jia, H., Xu, Y., & Ziebart, D. (2022). The effect of audit firm attributes on audit delay in the presence of financial reporting complexity.Managerial Auditing Journal, 37(2), 283-302.

Darmayanti, N., Africa, L.A., & Mildawati, T. (2021). The effect of audit opinion, financial distress, audit delay, change of management on auditor switching.International Journal of Economics and Finance Studies, 13(1), 173-193.

Devi, C. M. (2022). CORPORATE GOVERNANCE, PROFITABILITY, SOLVENCY, AND AUDIT REPORT LAG.SCIENTIFIC JOURNAL OF REFLECTION: Economics, Accounting, Management and Business, 5(1), 11-20.

Fahmi, I. (2014). Analisis Laporan Keuangan (Alfabeta). Bandung.

Forero-Quintero, J.F., Villafáfila-Robles, R., Barja-Martinez, S., Munné-Collado, I., Olivella-Rosell, P., & Montesinos-Miracle, D. (2022). Profitability analysis on demand-side flexibility: A review.Renewable and Sustainable Energy Reviews, 169, 112906.

indriantoro, n., & Supomo, B. (2013). metodologi penelitian bisnis untuk akuntansi dan manajemen. Yogyakarta: BPFE.

Karina, A., & Kusumawardhani, F. (2023). ANALYSIS OF SOLVABILITY, LIQUIDITY, AND COMPANY SIZE ON AUDIT DELAY WITH AUDIT QUALITY AS MODERATION.JRAK, 15(2), 209-218.

Litt, B., Tanyi, P., & Weidenmier Watson, M. (2023). Cybersecurity Breach at a Big 4 Accounting Firm: Effects on Auditor Reputation.Journal of Information Systems, 1-24.

McHugh, J. C. D. I. and A. J. (1980). The Timeliness of the Australian Annual Report: 1972-1977. Journal of Accounting Research, 18(2), 623. https://doi.org/10.2307/2490598

Mulyadi, R., Octavianti, S., & Sulistiana, I. (2022). The Effect of Company Size, Profitability, Solvency and Audit Opinion on Audit Delay.Journal of Applied Business, Taxation and Economics Research, 2(1), 100-113.

NOVITASARI, M. (2018). Analisis Faktor-Faktor Yang Mempengaruhi Audit Delay Dan Keterlambatan Publikasi Laporan Keuangan Pada Perusahaan Consumer Goods Yang Terdaftar Di Bursa Efek Indonesia. Jae (Jurnal Akuntansi Dan Ekonomi), 3(1), 63. https://doi.org/10.29407/jae.v3i1.12009

Phillips, K., & Sutandi, S. (2022). Effects of Company Size, Profitability and Auditor's Reputation on Audit Delay And its Impact on Abnormal Return.eCo-Buss, 5(1), 250-259.

Rothenberg, N. R. (2020). Auditor reputation concerns, legal liability, and standards.The Accounting Review, 95(3), 371-391.

Santoso, EB, & Salim, SN (2023, January). The influence of profitability, financial leverage, dividends, company size, institutional ownership, and business groups on case study income smoothing in non-financial companies listed on the IDX. InConference in Business, Accounting, and Management (CBAM) (Vol. 1, No. 1, pp. 185-213).

Tantawy, S. M., & Moussa, T. (2023). The effect of political connections on firms' auditor choice decisions and audit opinions: evidence from Egypt.Asian Review of Accounting, (ahead-of-print).

Yulianto, KI (2021). Factors that influence audit delay (case study on LQ-45 company listed on the Indonesia Stock Exchange 2016-2019).Journal of Economics and Business Letters, 1(3), 9-17.