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## Abstract

This study aims to examine the factors that affect audit delay of financial reports on the manufacturing companies listed in the Indonesia Stock Exchange. The examined factors of this research are profitability, solvability and firm size as the independent variables while audit delay as the dependent variable. Audit delay measured from the year of closure years of the book to the date issued the audit report. The sample in this research was secondary data and selected by using purposive sampling method consisting of 246 companies listed in the Indonesia Stock Exchange (IDX) and submitted financial reports consistently in the period 2013-2015. The analysis method of this research used multiple regression analysis.The result of this research showed that profitability and firm size had negative influence to audit delay. Meanwhile solvability did not have any effect to audit delay.

**Keyword:** audit delay, profitability, solvability and firm size

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# Analysis of Factors Affecting the Audit Delay in Manufacturing Companies Listedi Indonesia Stock Exchange in 2013-2015

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## ABSTRACT

*This study aims to examine the factors that affect audit delay of financial reports on the manufacturing companies listed in the Indonesia Stock Exchange. The examined factors of this research are profitability, solvability and firm size as the independent variables while audit delay as the dependent variable. Audit delay measured from the year of closure years of the book to the date issued the audit report. The sample in this research was secondary data and selected by using purposive sampling method consisting of 246 companies listed in the Indonesia Stock Exchange (IDX) and submitted financial reports consistently in the period 2013-2015. The analysis method of this research used multiple regression analysis.The result of this research showed that profitability and firm size had negative influence to audit delay. Meanwhile solvability did not have any effect to audit delay.*

**Keywords:** audit delay, profitability, solvability and firm size

## INTRODUCTION

Financial reporting is a way to convey the available information and economic measurement of the available resources and the performance of the various parties who have an interest in such information. The main element in financial reporting is the financial report itself. The financial statements are the final process of the accounting process that is designed to provide information to potential investors, potential creditors, and users of financial statements for decision making. For management, the financial statements are used as consideration for the company's management for the coming period.

Audit delay is the gap in time of the audit, ie the time required by the auditors to produce an audit report on the financial statements of a company's performance. This audit time gap is calculated from the difference between the date of the company's annual financial statements up to the date of the audit report issued by the KAP. This is consistent with the definition Halim (2007) Audit delay is defined as the length of time measured from the completion of the audit closing date of the financial year until the date of issuance of the audit report.

Delays in the publication of periodic financial statements will have an impact on the level of decision uncertainty based on published information (Iskandar and Trisnawati, 2010). Subekti and Widiyanti (2004), show that late earnings announcements cause negative abnormal returns while faster earnings announcements cause the opposite. A delay in financial reporting is indirectly interpreted by investors as a bad signal for the company. Investors will consider the delay in financial reporting a bad sign for the health of the company so that it will also hurt market reaction.

According to Trianto (2006), standard fieldwork includes a statement that the audit must be carried out with careful planning and collection of sufficient evidentiary tools. This sometimes causes the length of an audit process to be carried out so that the publication of the expected financial statements as soon as possible is too late.

Hasan (2012) conducted a study that examined company size, profitability, solvency, auditor's opinion and the size of a Public Accounting Firm. Significant research results are profitability, auditor opinion, the size of the Public Accounting Firm which is negatively related to audit delay. Widosari (2012) conducted a study that examined the quality of auditors, auditor's opinion, company size, number of audit committees and the complexity of the company's operations. Research results indicate that the quality of the auditor and the auditor's opinion that negatively related to the audit delay.

According to research by Kartika (2009), the factors that affect audit delayinclude the size of the company, profit/loss surgery, opinions, level of profitability, and reputation of the auditor. The results showed that the time of completion of the audit tends to be shorter if the size of the company becomes larger, experienced a profit and get an unqualified opinion.

Based on the description above, it is known that the accuracy of the delivery of financial statements is very important especially for users of financial information in predicting and making decisions. This makes the writer is interested to continue the previous research thesis entitled"Analysis of Factors Affecting Audit Delay in Manufacturing Companies Listed in Indonesia Stock Exchange Year2013-2015".

## THEORETICAL AND DEVELOPMENTHYPOTHESES

### TheoryCompliance

According to Sulistiyo (2010), there are two basic perspectives in the sociological literature on adherence to the law, that is instrumental and normative. The instrumental perspective assumes the whole person is driven by personal interests and responses to changes in incentives, and penalties related to behavior. The normative perspective deals with what people consider to be moral and contrary to their personal interests.

### Theory Agency

Jensen and Meckling (1976) describe the agency theory as the relationship between the agent (management) and the principal (owner). Principals in this case represented by the shareholders demand accountability of agents represented by the manager through the reporting of financial information. The agent acts as the party that has the authority to make decisions, while the principal is the party that evaluates.

**Profitability**

Wirakusuma (2004) stated that the company reported a loss may ask the auditor to set the time of the audit longer than usual. Conversely, when the company reported higher earnings, the company expects the audited financial statements can be resolved as soon as possible so that *good news* can be delivered immediately to investors and other interested parties.

High and low profitability long or fast affect financial reporting as research conducted by Yugo Trianto (2006) on company publicly traded listed on the Indonesia Stock Exchange in 2004, the research results have shown that profitability has a significant influence audit delay.
Based on these descriptions then formulated the following hypotheses:
**H1: Profitability negatively affect the Audit Delay**

**Solvency**

Solvency is often called *a* leverage ratio.leverageCompany shows how much equity is available to provide collateral for total corporate debt both current and long-term debt. Effective use of debt will increase the company's income and equity (Munawir, 2001). The greater the level of *leverage* indicates the amount of risk in the payment of a corporate debt.

The high debt to equity ratio reflects the high financial risk and the company is experiencing financial difficulties which is bad news that will affect the company's condition in the eyes of the public. The management will try to suppress the debt toequity ratio as low as possible so that tends to delay the submission of financial statements that contain bad news (Utami, 2006). The higher the ratio of debt to capital, the longer the delay in submission of audited financial statements.
Based on these descriptions then formulated the following hypotheses:
**H2: Solvency positive effect on Audit Delay**

**Company Size**

Company Size can that of total assets owned by the company.The basis of the relationship between firm size and audit delay is a big company will complete its audit faster than smaller companies, this is caused by several factors: the company's management of large-scale tends to be given incentives to reduce audit delay is because the company is closely monitored by investors, capital supervisor, and the government. Therefore, large-scale companies tend to experience higher external pressure to announce audit reports earlier.

Rachmawati Sistya's research results (2008: 8), indicate that company size has an influence significantly the audit delay, which means that the bigger the company the shorter the audit delay and conversely the smaller the size of the company getting longer eat auditdelay. This is due to the improved internal control system of large companies so as to reduce the level of errors in the preparation of financial statements that make it easier for auditors to audit financial statements.

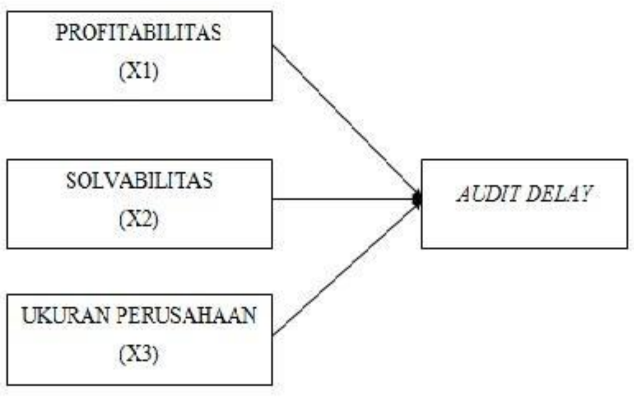
Based on these descriptions then formulated the following hypotheses:

**H3: Company Size negatively affect the Audit Delay**

**Framework**

Under the influence of the independent variable on the dependent variable that has been described above, it can be described the framework of theoretical thought as follows:

**Figure 1 Framework**




## METHODS

**Population and sample**

population in this research is manufacturing companies listed in Indonesia Stock Exchange in 2013 to 2015. the sample in this research is done by using a method, purposive sampling the sample selected from a population that meets certain criteria and is considered to represent.

Criteria companies sampled in this study are:

1. Manufacturing companies listed on the Stock Exchange consistently from 2013 to 2015 and was never in the delisting in the period.
2. Manufacturing companies that publish financial statements that show data that supports the analysis of the factors that affect audit delay from 2013 to 2015.
3. The manufacturing company uses the rupiah currency in its financial statement data.

**Data and Sources of Data**

The data used in this study included secondary data. Secondary data is a type of research data obtained indirectly by researchers through intermediary media. Secondary data is generally in the form of evidence, historical records or reports that have been compiled for publication or not published.

This study uses secondary data obtained from the Indonesia Stock Exchange website www.idx.co.id.The data in question is the annual reportof the companies listed in Indonesia Stock Exchange period 2013-2015, which contains the complete information required in this study.

**Variable and Measurement of Variables**

**Table 1 Measurement**

| Variable | Measurement variable |
|---|---|
| *Audit Delay* | Date audit report minus the date of the financial statements |
| Profitability of | total net revenue divided by total assets multiplied by 100% |
| Solvency | Total debt divided by total capital multiplied by 100% |
| Company Size | logarithm natural total assets Ln (total assets) |

**test Data**

this study was designed to obtain empirical evidence about the effect of profitability, solvency, and size of the company audit delay. This study using multiple linear regression with the help of software SPSS application program assistance(StatisticalProduct and Service Solutions) 22.

Linear Regression equation:

$$\mathbf{Y} = \boldsymbol{\alpha} + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \boldsymbol{e}$$

Description:

Y = *audit delay*

α = constant

$x_1$ = profitability

$x_2$ = solvency

$x_3$ = size companies

$\beta_{1-3}$ = Regression coefficient of each independent variable

*E* = Error term

## DISCUSSION AND ANALYSIS

**Sampling**

Of the existing population, the sample used in this study is as follows.

**Table 2 Sample ResearchPeriod 2013-2015**

| Criteria | Total |
|---|---|
| Manufacturing Companies listed on the Stock Exchange in 2013-2015 | 145 |
| Companies that do not provide complete data | (63) |
| A total sample of companies | 82 |
| Number of years of observation | 3 |
| The number of observations that were sampled during the study period | 246 |

Source: www.idx.co.id,the data processed in the year (2017)

**hypothesis Testing**

**Table 3 Test Resultscoefficient of Determination**

**Model Summary**

| Model | R | R Square | Adjusted R Square | Std. An error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1, | 295A, | | 087,076 | 14.183454 | 1.816 |

a. Predictors: (Constant), LNASSET, SOLV, PROF

b. Dependent Variable: AD

Source: Data are processed in *SPSS 22*

The amount of adjusted $R^2$ is 0.076, which means 7.6% variation of the dependent variable can be explained by the variation of the independent variable. Therefore, it can be concluded that 7.6% *of audit delay* is affected by the variable profitability, solvency, and size of the company. While the remaining 92.4% is influenced by other variables besides the variables used in this study.

**Table 4 Results ofF Test Statistic**

**ANOVA**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 4652.022 | 3 | 1550.674 | 7.708, | 000b |
| | Residual | 48683.230 | 242 | 201.170 | | |
| | Total | 53335.252 | 245 | | | |

a. Dependent Variable: AD

b. Predictors: (Constant), LNASSET, SOLV, PROF

Source: Data are processed in SPSS 22

Furthermore, From the ANOVA test orF-test, the resulting calculated F value of 7.708 with 0.000 significance. Since the probability is much smaller than 0.05, it can be concluded that the variable profitability, solvency and size companies jointly influence audit delay.

**Table 5 Test Results Statistics t**

**Coefficients**

| Model | | unstandardized Coefficients | | Coefficients Standardized | | | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | T | Sig. | Tolerance | VIF |
| 1 | (Constant) | 100.430 | 8.074 | | | 12.439,000 | | |
| | PROF | -27.548 | 8.201 | -, 210 | -3.359, | | 001,964, | 1,037 |
| | SOLV | | 154,164, | | 058,940 , | | 348,998 | 1.002 |
| | LNASSET, | -1.445 | 559 | -, 161 | - | 2,583, | 010,966 | 1,035 |

a. Dependent Variable: AD

Source: Data are processed in SPSS 22

Based on Table 5 above it can be seen that the results of tests performed between the profitability variable have a value of t count equal to -3, 359 with sig 0, 001. sig value of 0.001 < 0.05 so that it can be concluded that the profitability variables significantly influence audit delay toward with a negative coefficient. Therefore, $H_{1,}$ which states there is a negative relationship between profitability audit delay**supported** accepted. The results of this study are consistent with research conducted Hasan (2012) who found a negative effect on the profitability of audit delay. High or low profitability affects the length or speed of submission of audited financial statements.

Testing the hypothesis that the second is a test of solvency influence audit delay indicates that these variables did not significantly affect audit delay. It can be seen from the value t count solvency variable that has a value of t-test for -0, 940 with sig0,348.Sig 0.348>0.05. This indicates that the higher the ratio of debt to capital can not cause the length of time for the submission of audited financial statements. Therefore, $H_2$ stated solvency positive effect on audit delay**not supported or rejected.**

The results are consistent with the results of research conducted by Yugo Trianto (2006) found no effect on the solvency of the audit delay. The company's ability to pay its debts with its equity can not be used as an indicator of the audit delay.

The third hypothesis testing which is testing the effect of board size company audit delay indicates that these variables significantly influence audit delay. It can be seen from the value t count variable sized companies that have a value of -2, 583 with sig0,010.Sig0,010<0.05 so that it can be concluded that the variable size of the company significantly affects audit delay with the direction of the negative coefficient.

Therefore, $H_3$ which states there is a negative relationship between the size of the company audit delay**supported or accepted.**

The results are consistent with the results Sistya Rachmawati (2008: 8), indicates that company size has an influence significantly on the audit delay, which means that the bigger the company the shorter audit delay and conversely the smaller the size of the company getting longer eat auditdelay. This is due to the improved internal control system of large companies so as to reduce the level of errors in the preparation of financial statements that make it easier for auditors to audit financial statements.

## CONCLUSION AND RECOMMENDATIONS

### Conclusion

This study aims to determine the effect of profitability, solvency, and the size of the company audit delay on manufacturing companies listed in Indonesia Stock Exchange in 2013 until 2015. From the results of tests performed in this study, obtained some conclusions as follows:

a. Profitability negatively affects audit delay. This shows that companies that have a higher level of profitability have a faster time to audit financial statements.
b. Solvency no effect on audit delay. This shows that the company's ability to meet its obligations through its equity can not be used as an indicator of the audit delay.
c. The size of the company negatively affects audit delay. It shows that the ownership of the total assets of the company can be an indicator of the audit delay.

## Suggestion

for further research to enhance the study were as follows:

1. The study further recommended adding other variables that affect audit delay.
2. Future studies are advised to consider using all companies listed on the Indonesia Stock Exchange as a study population.
3. Future studies can add to the number of year periods used as research samples.

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