



Determinants of audit delay in Indonesian companies: empirical evidence

Determinantes del retraso de la auditoría en empresas indonesias: evidencia empírica

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Received: 30/09/2019 • Approved: 11/01/2020 • Published 07/02/2020

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ABSTRACT:

This study aims to examine the effect of leverage, company size, public accountant size, and opinion on the Audit Delay of manufacturing companies on the Indonesia Stock Exchange. The research methodology used is a quantitative method. Hypothesis analysis using Multiple Regression. Findings from several regression models indicate that Audit Delay is influenced by the size of public accountants, and audit delay does not affect leverage, company size and audit opinion. The implications of these results are recommended to improve the effectiveness and efficiency of audit performance and all available research to contribute to the auditor literature in developing countries

Keywords: Leverage, Company Size, Public Accountant Size, Audit Delay

RESUMEN:

Este estudio tiene como objetivo examinar el efecto del apalancamiento, el tamaño de la empresa, el tamaño del contador público y la opinión sobre el retraso de auditoría de las empresas manufactureras en la Bolsa de Indonesia. La metodología de investigación utilizada es un método cuantitativo. Análisis de hipótesis mediante regresión múltiple. Los resultados de varios modelos de regresión indican que el retraso de la auditoría está influenciado por el tamaño de los contadores públicos, no afecta el apalancamiento, el tamaño de la empresa y la opinión de la auditoría. Se recomiendan las implicaciones de estos resultados para mejorar la efectividad y eficiencia del desempeño de la auditoría y toda la investigación disponible para contribuir a la literatura del auditor en los países en desarrollo.

Palabras clave: apalancamiento, tamaño de la empresa, tamaño del contador público, retraso de auditoría

1. Introduction

Time difference issue between the date of financial statement and the date of audit opinion in financial statements indicates the length of time audit is completed by the auditor. This time difference in auditing is often named with audit delay, in other studies, audit delay is also called the term audit duration (Asthana, 2014), (Alfraih, 2016), (Harjoto, Laksmana, & Lee, 2015), (Suryanto, 2016), (Turer & Tuncay, 2016), audit report lag (Walker & Hay, 2013), (Dao & Pham,

2014), (Habib & Uddin, 2011), (Lee, Yonsei, & Jahng, 2008), (Hassan & Ain, 2016), and audit reporting lead time (Lehtinen, 2013), (Alias, 1994). This study will investigate the factors that cause the length of audit delay

Professional Standards for Public Accountants from the Indonesian Institute of Accountants (2001) describe the field work standards that govern procedures for completing work such as planning needs for activities to be carried out, have an adequate understanding of the internal control structure and the collection of competent evidence obtained through inspection, observation, submitting questions and confirmations as a basis for expressing opinions on financial statements. Auditing standard compliance by auditors can have an impact on improving the quality of auditor's results and the length of the audit report completion, this condition can lead to a dilemma for the auditor.

Audit delay always occurs in every audited company, but so far no one has discussed audit delay in depth, even though several studies have been conducted. The studies that have been carried out sometimes produce different results among researchers with one another. This research was conducted because of the inconsistencies of the results of previous studies regarding the factors that affect audit delay. Such inconsistencies are included in the study (Asthana, 2014) which shows that the profit or loss factor of a business has a statistically significant effect on audit delay, this is consistent with research (Johnson, 1998) (Che-Ahmad & Abidin, 2008), (Anuar & Kamarudin, 2003), (Yaacob & Che-Ahmad, 2012) in Malaysia, (Che-Ahmad & Abidin, 2008) in Pakistan, (Asthana, 2014) in USA, (Suryanto, 2016) in Indonesia, (Turer & Tuncay, 2016) in Turkey, (Imam, Uddin Ahmed, & Hasan Khan, 2001) in Bangladesh, (Modugu, Eragbhe, & Ikhatua, 2012) in Nigerian.

Firm size is the most frequently examined factor, in research (Asthana, 2014), (Asthana, 2014), (Alfrah, 2016), (Astuti & Kusharyanti, 2013), (Harjoto et al., 2015), (Turer & Tuncay, 2016), succeeded in proving that firm size affects the length of audit delay. They succeeded in proving that company size affects the length of audit delay. Besides these inconsistencies, the factors that influence audit delay are interesting issues to study, because research on audit delay has not been done so much in Indonesia (Suryanto, 2016).

This research was conducted on manufacturing companies listing in Indonesia Stock Exchange for 2011 to 2017 period, this study is limited to analyzing how long the average audit delay is for public companies included in the study. In addition, this study will also examine the effect of Leverage, Company Size, and Size of Public Accountant Office on audit delay on manufacturing companies that go public in Indonesia Stock Exchange for 2011 until 2017 period.

2. Methodology

Quantitative approach used in this study. Sugiyono (2010:13) defined that quantitative is a research method used in population or sample particularly, the sampling method usually use random sampling, research instrument used in collecting data, and the data analysis has quantitative or statistical characteristic in order to test the hypothesis that has been determined. This study uses a multiple regression analysis technique on a sample of manufacturing companies on the Indonesia Stock Exchange that publishes financial statements as of December 31 and actively trades shares during 2011 to 2017. The sampling method is purposive sampling.

2.1. Data Collecting Procedure

In order to learn about the sample of the research, the magnitude of the population applied in the study should also be understood. Population characteristics defined in this study are manufacturing companies in Indonesia Stock Exchange Muslim customers who have published financial report per 31 December and actively trade in shares at Indonesian Stock Exchange during 2011 until 2017. The selection of samples with these criteria aims to avoid bias caused by extreme differences, the sample of this study is a manufacturing company consisting of miscellaneous industries, basic industrial and chemicals companies and consumer goods industry companies. The number of manufacturing companies is eighty-two manufacturing companies.

The data used in this study are secondary data in the form of annual reports covering assets, total debt, net income of the company. Name of Public Accountant Office and independent auditor, type of opinion and date of completion of the audit. All data source requirements are obtained from the Capital Market Reference Center (PRPM) which is located on the Indonesia Stock Exchange for the period 2011 to 2017, direct access to www.bapepam.go.id and www.jsx.co.id, as well as from Indonesian Capital Market Directotory (ICMD), www.idx.co.id.

2.2. Measures

Audit delay (Y) is measured quantitatively in the number of days, starting from the closing date of company's financial year (December 31) to the date stated in the independent auditor's report (audited financial statements) using a ratio scale with day units. Leverage or Debt Equity Ratio is measured by dividing total debt with equity. The scale used is the ratio scale with percentage units. The formula is: Debt Equity Ratio = (Total Debt) / Equity X 100%, Company size is measured by the total assets owned by the company. The scale used is the ratio in units of rupiah. And size of Public Accounting Firm is measured using a dummy variable which is divided into 2 groups, namely the Public Accountant Office that partners with the Big Four is given a dummy code 1 and the Public Accountant Office that does not partner with the Big Four is given a dummy code 0.

3. Results

The data of this study have been analyzed through multiple regression technique, the measurement model included normality test and classic assumption test, hypothesis test and goodness of fit test. The measurement model that included normality and classic assumption test showed a good fit. For example, based on the results of the analysis it can be seen that the value of Kolmogorov Smimov from Unstandardized Residual in this study 3,637 with a degree of significance of 0,000 < 0,05 means that the data in this study are normally distributed. And overall from classical assumption testing, the results obtained that have been free from symptoms of multicollinearity with VIF values obtained no greater than 10, autocorrelation with the Durbin-Watson test statistic value of 0, 893 (close to 1) and heteroscedastity with (figure scatterplot) there are no points spread below and above the Y axis, and do not have a regular pattern.

Based on table 1 the results of multiple linear regression testing obtained the regression equation as follows:

$$Y = 77,846 + 0,016 X_1 + 0,000 X_2 - 5,608 D_1$$

Table 1
List of Summary of Regression Testing Results

Variable	Unstandardized Coefficient	Error Standard	Standardized Coefficient	t-value	Significance Level (P-value)
(Constant)	77,846	1,031		-75,507	,000
Leverage (X1)	,016	,112	,006	,142	,887
Company Size (X2)	,000	,000	-,009	-,227	,820
Size of Public Accounting Firm (D1)	-5,608	1,424	-,153	-3,938	,000
F	5,200 (P-value = 0,001a)				
R ²	0,023				
Adjusted R ²	0,019				
N	656				

After estimating the measurement model, the second stage is predicting the accuracy of the regression model by using the F test. Based on the results of the analysis it is known that the calculated F value is 5,200 with a significant level of 0.001a, because the significance level is less than 0.05, then the regression model produced in this study is by Audit Delay, Leverage, Company Size and Size of Public Accountant Office tested the truth.

And then the t test is used to test the Leverage variables, Company Size and Size of Public Accountants have a significant or partial effect on audit delay, the results of the t test through multiple linear regression analysis in this study can be seen in the table as follows:

Table 2
t Test Results

	t-value	Sig
Constants	-75,507	0,000
Leverage (X1)	0,142	0,887
Company Size (X2)	-0,227	0,820
Size of Public Accounting Firm (D1)	-3,938	0,000

The table above shows that the Leverage variable has t stats of 0.142 with a significant level of 0.887, because the probability value is > 0.05 (sig > 5%), the hypothesis in this study is rejected. This means that the Leverage variable has no significant effect on Audit Delay. The Company Size variable has tcount of -0.227 with a significant level of 0.820, because the probability value > 0.05 (sig > 5%), the hypothesis in this study is rejected. This means that the firm size variable does not significantly influence Audit Delay.

Variable Size of Public Accountant Office has a t count of -3.938 with a significant level of 0.000, because the probability value < 0.005 (sig < 5%), the hypothesis in this study is accepted. This means that there is a significant difference between the size of the Public Accounting Firm in partnership with The Big Four and the Public Accounting Firm that does not partner with The Big Four on Audit Delay.

4. Conclusions

Based on the results of the above tests with multiple linear regression, it is known the hypothesis that Leverage, Company Size and Size of Public Accountants influence Audit Delay, is true, while individually the Leverage and Company Size variables do not significantly influence Audit Delay, while the Size of Public Accountants has a significant effect on Audit Delay is proven to be true with the assumption that a large Public Accountant Office (Public Accounting Firm in collaboration with the International Public Accountant Office) has a strong incentive to complete the audit process faster so as to maintain their reputation, otherwise they may lose their reassignment as client auditors at next year. In addition, a large Public Accounting Firm has more Resources than a small Public Accountant Office, so that a large Public Accountant Office can work more efficiently and have flexibility. high scheduling to complete the audit on time compared to the small Public Accountant Office.

Firm size with total asset indicators has a large influence on Audit Delay, this effect is indicated by the greater the value of the company's assets, the shorter the Audit Delay, and vice versa large companies are expected to complete the audit process faster than small companies, this is caused by several factors, such as large-scale enterprise management tends to be given incentives to reduce Audit Delay because these companies are closely monitored by investors, capital supervisors and the government, in addition to large companies in general, have been good, making it easier for auditors to complete their work.

In general, a large Public Accountant Office (Public Accounting Firm in collaboration with the International Public Accountant Office) has a strong incentive to complete the audit process faster so as to maintain their reputation, otherwise they may lose their reassignment as client auditors in the coming year. In addition, a large Public Accountant Office has more resources than a small Public Accountant Office, so a large Public Accountant Office can work more efficiently and have high scheduling flexibility to complete audits on time compared to a small Public Accountant Office.

Audit completion from the closing date of the financial year to the date the audit report was signed for manufacturing companies on the Indonesia Stock Exchange in 2011 was an average of 75 days, in 2012 it was an average of 74 days, in 2013 it averaged over 76 days in 2014 was an average of 76 days and in 2007 was an average of 75 days and in 2015 was an average of 75 days and in 2016 was on average for 75 days, while for 2017 it averaged 75 days. So that the company went public on the Indonesia Stock Exchange

from the audit completion analysis for the 2011 observation period up to the 2017 period. The average audit settlement was 77 days.

Implication of result

Based on the results of testing with multiple linear regression, it can be seen that the hypothesis states that Leverage, Company Size and Size of Public Accountant have an effect on the Audit Delay, while individually Leverage and Company Size have no significant effect on Audit Delay, while the Size of Public Accounting Firm has significance influence on Audit Delay, especially for manufacturing companies that go public in Indonesia Stock Exchange for the period 2011 up to 2017 showed that the changes that occurred in Audit Delay especially in some manufacturing companies that go public in the Indonesia Stock Exchange for 2011 up to the 2017 period were influenced by factors that were not examined in this study.

In summary, the results of testing with multiple linear regression with variables Leverage, Company Size and Size of Public Accountants affect the validity of Audit Delay, while individually Leverage and Company Size variables do not significantly influence Audit Delay, while only the Size of Public Accountant Office influences Audit Delay is proven to be true with the assumption that a large Public Accounting Firm (Public Accounting Firm in collaboration with the International Public Accountant Office) has the ability to complete the audit process faster so as to maintain their reputation, otherwise they may lose their reassignment as client auditors at next year. In addition, a large Public Accountant Office has more resources than a small Public Accountant Office, so a large Public Accountant Office can work more efficiently and have high scheduling flexibility to complete audits on time compared to a small Public Accountant Office.

Limitations

This research has various limitations, including the amount of data and the type of sample of manufacturing companies that went public on the Indonesia Stock Exchange for the period 2011 to 2017 which was used, which only used eighty-two manufacturing companies multiplied by eight years which were 656 research samples. so the results of this study cannot be generalized to other types of companies because there are factors that cause differences in each type of business.

Conflict of Interests

The authors confirm that there is no conflict of interest to declare for this publication

Acknowledgement

The authors would like to express their thanks to the reviewers for their valuable suggestions towards the improvement of the paper

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Revista ESPACIOS. ISSN 0798 1015
Vol. 41 (Nº 03) Year 2020

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