



# Analysis of Factors Affecting Audit Report Lag of Financial Sector Companies Listed on the Indonesia Stock Exchange

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## ABSTRACT

The survival of the company always survives with the timeliness of financial reports. When financial reporting occurs, it will prevent investors or creditors from making decisions. This study aims to test and obtain empirical evidence regarding the influence of company size, company age, solvency, size of KAP, auditor opinion on financial sector companies listed on the Indonesia Stock Exchange in 2017-2019. The research population is all financial sector companies listed on the Indonesia Stock Exchange in 2017-2019. The sample in this study were 222 obtained based on purposive sampling technique. The analysis technique used is Multiple Linear Regression Analysis. The results showed that company size and KAP size had a negative effect on audit reports, while company age, solvency, and auditor opinion had no effect on audit report lag.

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## 1. Introduction

Financial reports are indispensable for investors and creditors or interested parties to make decisions. Financial statements must be presented in a timely manner so that the decisions taken can be useful before the available information loses its ability to influence or make a difference in making decisions (Suwardjono, 2010: 128). Publication of audited financial statements is very important as useful information for interested parties. The effect of audit report lag supports the benefits of audited financial statement information, so that a significant object for further research is the factors that affect audit report lag.

Many factors can affect the auditreport lag on a company. The size of the company reflects the scope or extent of the company in carrying out its operations. The larger the size of the company, the longer the audit report lag experienced by the company, because of the complexity of the audit conducted by the auditor and the more transactions that occur in it.

The influence of the company's age factor on the auditreport lags. Older companies tend to be more skilled in gathering, processing and generating information when needed because the company already has sufficient experience. This will speed up the audit process, so that the audited financial statements can be published on time.

The influence of solvency factors on auditreport lags. Solvency measures the level of company assets that have been financed by the use of debt. Solvency is the ability of a company to pay all its debts, both short term and long term. The influence of KAP size factor on audit report lag. KAPs that are affiliated with the big four firms tend to complete their audit tasks faster than non-the big four firms, because in terms of examination they are required to maintain the reputation of the office and maintain auditing time so as not to exceed the specified time so as not to reduce their competence in the eyes of the client.

The influence of the auditor's opinion factor on the auditreport lags. Companies that receive opinions other than unqualified opinions have a longer audit report lag than companies that receive unqualified opinions. This is due to conflicts between auditors and companies that can contribute to delays in the issuance of financial statements. So the auditor spends time and effort to perform additional audit processes.



Based on this description, the problem in this study is whether company size, company age, solvency, KAP size, auditor opinion affect audit report lag on the Indonesia Stock Exchange for the 2017-2019 period. The purpose of this study is to determine and examine the effect of firm size, firm age, solvency, KAP size, auditor's opinion on audit report lag on the Indonesia Stock Exchange for the period 2017-2019. The results of this study are expected to be used as material for consideration and input for financial sector companies and other interested parties.

## 2. Methods

This research was conducted on companies that are included in the financial sector companies listed on the Indonesia Stock Exchange for the 2017-2019 period by accessing the website www.idx.co.id. The object of this research is the annual report on financial sector companies listed on the Indonesia Stock Exchange for the 2017-2019 period. To avoid errors in interpreting and understanding the variables, it is necessary to provide operational definitions of these variables, namely: Company size (Size) is a form of scale used to describe the size of a company expressed in total assets owned by the company. company. The age of the company (Age) is the length of time a company exists, develops, and survives. In this research,

$$\text{Company age} = \text{Year of observation} - \text{year of establishment} \dots\dots\dots (1)$$

Solvency (Solv) is the ability of a company to meet long-term obligations (Hanafi and Halim 2012: 79). Calculate the debt ratio using debt to total assets. This ratio measures how much funds are provided by creditors, the higher the debt to total assets, the greater the amount of debt used to generate profits for this company and the greater the risk faced by the company. According to Hanafi and Halim (2012: 79), the solvency ratio can be measured by the following formula.

$$\text{Debt to total assets} = \frac{\text{Total Debt}}{\text{Total Asset}} \dots\dots\dots (2)$$

The total debt used in assessing the company's solvency level is the total debt owned by the company, namely short-term debt and long-term debt. The size of the KAP (KAP), can be seen by which KAP audits the company's financial statements. KAP is classified into two, namely KAP the big four and KAP non the big four. In this study, KAPs affiliated with KAP the big four were given a dummy score of 1 and KAPs not affiliated with KAP the big four were given a dummy score of 0. Auditor's opinion (Opinion) is an opinion given by an independent auditor on the fairness of the financial statements of the company being audited. . In this study, the auditor's opinion is classified into two, namely unqualified income given a dummy value of 1 and other than unqualified income given a dummy value of 0. The data collection method used in this research is the documentation method. The data analysis technique used in this study is multiple linear regression with the following regression equation.

$$\text{ARL} = \alpha + \beta_1\text{Size} + \beta_2\text{Age} + \beta_3\text{Solv} + \beta_4\text{KAP} + \beta_5\text{Opini} + \varepsilon \dots\dots\dots(1)$$

Information :

- ARL = audit report lag
- A = constant
- $\beta_1 - \beta_5$  = regression coefficient
- Size = company size
- Age = age of company
- Solv = solvency (Total Debt/Total Assets)
- KAP = KAP size (dummy)
- Opinion = auditor's opinion
- $\varepsilon$  = error

## 3. Results and Analysis

Descriptive statistical analysis is used to describe or explain data on research variables based on the number of samples, the average value (mean), standard deviation, maximum value, and minimum value. The results of descriptive statistical analysis can be seen in Table



**Table 1**  
Descriptive Statistics Test Results

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Size	222	2.E11	1.E15	7.66E13	2.234E14
age	222	3	124	40.91	19,976
Solv	222	0	1	.67	.247
HOOD	222	0	1	.44	.498
Opinion	222	0	1	.59	.492
ARL	222	13	155	70.05	27,414
Valid N (listwise)	222				

Based on the table above shows the results of the lowest value, highest value, mean and standard deviation of each variable, namely Company Size, Company Age, Solvency, KAP Size, Auditor Opinion, and Audit Report Lag.

### 3.1 Hypothesis Partial Regression Coefficient Test (t-test)

The individual parameter significance test (t test) aims to measure how far the influence of one independent variable individually in explaining the variation of the dependent variable (Ghozali, 2016:98).

**Table 2.**  
t test analysis results

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	90.981	5,741		15,849	,000
	Size	-3.802E-14	,000	-,310	-4,384	,000
	age	-,133	0.090	-,097	-1.485	139
	Solv	-7,218	6,796	-,065	-1.062	,289
	HOOD	-11,991	3,791	-,218	-3.163	,002
	Opinion	-4.104	3,625	-,074	-1.132	,259

### 3.2 Discussion

#### a. The Effect of Company Size on Audit Report Lag.

Based on the results of testing the first hypothesis (H1), it shows that the significance value of the firm size variable (Size) is 0.000 which is smaller than 0.05 and the negative coefficient value (-3.802E-14) means that firm size has a negative effect on audit report lag so that H1 is accepted. , meaning that the larger the size of the company, the shorter the audit delay. Company size is a function of the speed of financial reporting because the larger a company, the faster it will report because the company has more sources of information. This means that the greater the company's assets, the shorter the audit report lag. The results of this study are in line with research conducted by Sari (2014), Pramaharja (2015), Manda, et al (2016), Megayanti (2016),

#### b. The Effect of Company Age on the Length of Auditing.

Based on the results of testing the second hypothesis (H2), the significance value of the company age variable (Age) is 0.139, which is greater than 0.05 and the negative coefficient value (-0.133) means that the age of the company has no effect on audit report lag so that H2 is rejected, which means how much the length of time a company has been registered on the IDX does not become the auditor's reference in completing the audit. The auditor has planned the audit before carrying out the audit so that the audit can be completed on time. The results of this study are in line with research conducted by Puspatama (2014), Hasuti, et al (2017), which states that company age has no effect on audit report lag.

#### c. The Effect of Solvency on Audit Report Lag.

Based on the results of testing the third hypothesis (H3), the significance value of the solvency variable (Solv) is 0.289, which is greater than 0.05 and the coefficient is negative (-7.218). This means that solvency has no effect on audit report lag, so H3 is rejected. The results of this study indicate that the size of the debt

to total assets of a company does not determine the fast or slow completion of the financial statement audit. Even though the company has high debt obligations to creditors, it does not necessarily make the auditors audit longer. On the other hand, it may happen where the company's debt is high, it will be required to complete audited financial statements. The results of this study are in line with research conducted by Sumartini (2014), Puspatama (2014), and Hasuti, et al. (2017) which states that solvency has no effect on audit report lag.

**d. The Effect of KAP Size on Audit Report Lag.**

Based on the results of testing the fourth hypothesis (H4), the significance value of the KAP size variable (KAP) is 0.002, smaller than 0.05 and the negative coefficient value (-11.991) means that the KAP size has a negative effect on audit report lag so H4 is accepted. The existence of this negative influence is interpreted as the more companies use the Big Four KAP, the lower the company's tendency to experience audit report lag. This is because the Public Accounting Firms in collaboration with the Big Four KAPs have many and reliable auditors and employees, so they can work efficiently and speed up the audit process compared to non-Big Four KAPs. The results of this study are in line with research conducted by Sari (2014),

**e. Effect of Auditor's Opinion on Audit Report Lag.**

Based on the results of testing the fifth hypothesis (H5), the significance value of the auditor's opinion variable (Opinion) is 0.259, which is greater than 0.05 and the negative coefficient value (-4.104) means that the auditor's opinion has no effect on audit report lag so H5 is rejected. The audit opinion given by the auditor does not affect the speed of the audit report lag period. Audit opinion is the authority of the public accounting firm as an independent institution and is responsible to the public to issue opinions based on the audited financial statements. In this case, the management has no right to intervene in the auditor's opinion that has been issued by the public accounting firm even though the public accounting firm has received feed from the company being audited. Not all companies that get an opinion other than an unqualified opinion experience a longer audit process than companies that get an unqualified opinion. This is because the auditor has obtained sufficient evidence to strengthen his opinion that the company's financial statements do not meet the requirements for obtaining an unqualified opinion, so that companies that obtain an opinion other than an unqualified opinion can still report their audit results on time. The results of this study are in line with research conducted by Puspatama (2014), and Manda, et al (2016) which states that the auditor's opinion has no effect on audit report lag. This is because the auditor has obtained sufficient evidence to strengthen his opinion that the company's financial statements do not meet the requirements for obtaining an unqualified opinion, so that companies that obtain an opinion other than an unqualified opinion can still report their audit results on time. The results of this study are in line with research conducted by Puspatama (2014), and Manda, et al (2016) which states that the auditor's opinion has no effect on audit report lag. This is because the auditor has obtained sufficient evidence to strengthen his opinion that the company's financial statements do not meet the requirements for obtaining an unqualified opinion, so that companies that obtain an opinion other than an unqualified opinion can still report their audit results on time. The results of this study are in line with research conducted by Puspatama (2014), and Manda, et al (2016) which states that the auditor's opinion has no effect on audit report lag.

#### **4 Conclusion**

This study aims to analyze the effect of firm size, firm age, solvency, KAP size, auditor's opinion on audit report lag. The conclusions in this study are: Firm size has a negative effect on audit report lag. These results indicate that the larger the size of the company, the shorter the audit delay. Company age has no effect on audit report lag. These results indicate that how long the company has been registered is not a reference that the company is not able to report its audit report on time. Solvency has no effect on audit report lag. These results indicate that the size of the debt to total assets of a company does not determine the speed of completion of the financial statement audit. KAP size has a negative effect on audit report lag. These results indicate that the more companies use KAP Big Four, the lower the tendency for companies to experience audit report lag. Auditor's opinion has no effect on audit report lag. These results indicate that the audit opinion given by the auditor does not affect the speed of the audit report lag period.

Based on the results of the study and conclusions, the suggestions that can be submitted are as follows. Future researchers are expected to be able to develop their observation period so that they can produce more significant research than previous research. In this study, only a 3-year period is used, namely 2017-2019.

This study only shows four variables that were developed, where only the variables were firm size, firm age, solvency, KAP size, and auditor's opinion. The next researcher can consider other variables that are suspected to have an effect on audit report lag more precisely and are based on relevant theoretical foundations, such as profitability, profit/loss for the year, audit committee.

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