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Audit Delay and Its Determining Factors

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Abstract
This study aims to analyze the effect of company size and audit committee on audit delay. This study uses a quantitative approach, the type of data used is quantitative data in the form of financial reporting period data, total assets, total audit committee and total board of commissioners. The population in this study are banking companies listed on the Indonesia Stock Exchange. Samples were taken using a purposive technique so that the results obtained were 37 companies with an observation period from 2019-2021. The results of the study show that firm size has a negative and significant effect on audit delay. This means that the larger the size of a company, the faster the company reports its financial condition. Meanwhile, the audit committee has a positive but not significant effect. This means that the size of the audit committee does not really affect company policy in reporting.

Keywords: audit delay; company size; audit committee; financial report; accounting, ols

1. Introduction

1.1 Background

The rapid development of technology provides a challenge for companies to provide accurate information in order to compete with other companies, especially in providing the information needed by its users in making policies. Every company that goes public must provide information related to business activities in the form of financial reports, then must submit it to the Otoritas Jasa Keuangan (OJK). [14].

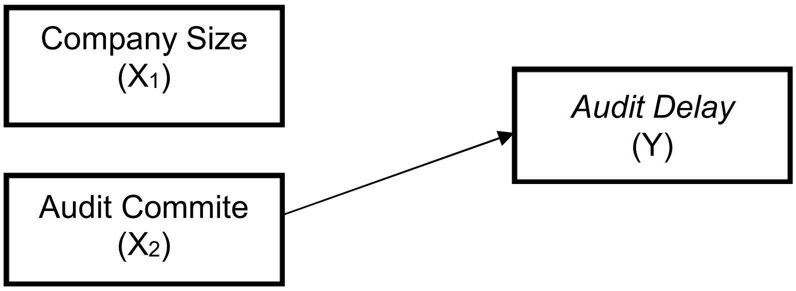
Timely submission of financial reports can provide more value to the company, especially regarding the quality of financial reports [1]. The financial reports submitted are audited financial reports which cause problems with differences in the timing of submission of financial reports, the difference in time used to complete the audit is known as audit delay. [2].

Company size is a scale that determines the size of a company that can be calculated from the amount of total assets, total sales, total income, and others that reflect the wealth owned by the company [3]. Therefore, according to [4] it is stated that the greater the company's wealth, the shorter the time for submitting financial reports, this is because the company can provide large compensation to reduce audit delay. The results of research conducted by [5] stated that company size had a negative effect on audit delay, while different results were found by [6] which stated that company size had no effect on audit delay.

The audit committee is a factor affecting audit delay. The audit committee has a role in assisting the duties and responsibilities of the board of commissioners to monitor audit implementation and oversee the company's internal management [7]. Members of the audit committee consist of at least 3 (three) members. The results of the study which stated that the audit committee had an effect on audit delay were found in [8], whereas according to the results of research by [9] stated that the audit committee had no effect on audit delay.

1.2 Conceptual framework

Fig 1. Conceptual Frameworks



1.3 Hypothesis Development

Large companies have the ability to provide large compensation and have good internal controls, besides that strict supervision by users of financial statements causes pressure to complete financial reports more quickly than small companies. According to the statement put forward by [10] company size has a negative and significant effect on audit delay. In the research conducted, it was found that the larger the size of the company, the shorter the audit time. In addition, based on the results of previous research and the formulation of the problems raised, the research hypothesis is as follows:

H1: Firm size has a negative and significant effect on audit delay

The audit committee is formed by the board of commissioners which has a role in overseeing and evaluating the internal condition of the company and assisting in the process of submitting financial reports. The company has an audit committee consisting of an independent board of commissioners and external parties who have expertise and capabilities in accounting and are independent.

Research conducted by [11] stated that the audit committee has a positive and significant influence on audit delay. This means that the more the proportion of audit committees, the longer the audit time, because the formation of audit committees cannot play a major role in reducing audit delay and the formation of audit committees is not in accordance with company expectations. Therefore, based on the formulation of the problem and relevant previous research, the hypothesis proposed in this study is as follows:

H2: The audit committee has a positive and significant effect on audit delay

2. Research Methods

The data used in this research is quantitative data derived from the company's annual financial reports that have been published. The data source in this study is secondary data obtained from the annual financial reports of companies listed on the Indonesia Stock Exchange (IDX).

2.1 Populations and Samples

The population of this study is banking companies listed on the Indonesia Stock Exchange (IDX). The sample selection in this study was selected by purposive sampling method (determination of the sample with certain considerations and selected based on certain criteria), namely the selected sample of 37 banking companies with an observation period of three years so that a total sample of 111 companies was obtained. In the data processing, all existing samples are used because they fulfill the classical assumption test.

2.2 Operational Definition and Variable Measurement

Audit delay is the time required to complete an audit of financial statements as measured by the length of days needed by independent auditors to complete audit reports from December 31 to the date stated in the audited financial statements [12]. This variable is calculated by the following formula:

Audit Delay = Audited Financial Report Date – Company Book Closing Date

Company size is a scale in determining the size of a company which can be known from the wealth owned by the company, for example through total assets, total income, stock market value, and so on during one period [3]. The variable company size affects the speed of submitting financial reports. Company size can be measured by:

Company Size = Ln (Total Assets)

The audit committee is a committee formed by the board of commissioners and is responsible for helping carry out the functions and duties of the board of commissioners [13]. The measurement of the audit committee in this study is by using the proportion of audit committees obtained through a comparison of the number of audit committees with the number of commissioners. The audit committee is measured by the following formula.

$$Audit\ Commite\ Proportion = \frac{\text{Total Audit Commitee}}{\text{Total Biard of Commisioners}}$$

3. Estimation Result

3.1 Results

Table 1. Descriptive Statistics

Descriptive Statistics

	N	Min	Max	Mean	Std. Deviation
Company Size	111	3.33	3.56	3.4520	.05520
Audit Commitee	111	-.84	.69	-.1992	.38088
Audit Delay	111	2.89	4.95	4.0746	.54861
Valid N (listwise)	111				

Based on the descriptive statistics presented in table 1, the average value of the firm size variable is 3.4520 with a standard deviation of 0.05520. For the audit committee variable, the average value is -0.1992 with a standard deviation of 0.38088. Meanwhile, the audit delay variable has an average value of 4.0746 with a standard deviation of 0.54861.

Table 2. Normality Test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		111
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.43440078
Most Extreme Differences	Absolute	.062
	Positive	.049
	Negative	-.062
Test Statistic		.062
Asymp. Sig. (2-tailed)		.200[c,d]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.

Based on the results of the normality test in table 2, it can be seen that the asymp. Sig is 0.200 which means it is greater than 0.05. Because this value is greater than 0.05, the data is normally distributed and can be used to carry out further tests.

Table 3. Multikolinearity Test

Coefficients[a]

Model		Collinearity Statistics Tolerance	VIF
1	Company Size	.659	1.518
	Audit Commite	.659	1.518

a. Dependent Variable: LN_Y

Based on the results of the multicollinearity test in table 3, shows that the regression model used does not correlate with the independent variables, this is because the tolerance value of the two variables is greater than 0.10 and the VIF value is less than 10.

Table 4. Heteroskedastisity Test

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.193	1.840		1.192	.236
	Company Size	-.542	.536	-.118	-1.012	.314
	Audit Commitee	-.148	.078	-.222	-1.906	.059

a. Dependent Variable: Abresid

Based on the results of the heteroscedasticity test in table 4, the significant value of the firm size variable was 0.314 and the audit committee was 0.059. Where the two values are greater than 0.05 it means that there is no heteroscedasticity problem.

Table 5. Autokorelation Test

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
	.466[a]	.217	.203	.39797	1.973

a. Predictors: (Constant), Company Size, Commitee Audit
b. Dependent Variable: *Audit Delay*

Based on the results of the autocorrelation test in table 5, shows the Durbin Watson value and the DU value obtained from the Durbin Watson table with a total data of 111 at a significant level so that it can be concluded that the data does not experience autocorrelation problems. This happens because the Durbin Watson value lies in the range of values du ≤ dw ≤ dl (4-du).

Table 6. Determination Test

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.611[a]	.373	.361	.43840

Based on the results of the determination test in table 6, it is known that the influenceof company size and audit committee on audit delay is based on the Adjusted R-Square value of 36.1%. This means that the remaining 63.9% is the amount of influence from othervariables that are not used in this research model.

Table 7. Simultaneous Test

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.350	2	6.175	32.128	.000[b]
	Residual	20.757	108	.192		
	Total	33.107	110			

Based on the results of the simultaneous test in table 7, it shows that the results of simultaneous testing of the independent variables on the dependent variable have a significant effect. This is indicated by the calculated F value of 32.128 with a significant value of 0.000, which means it is less than 0.05.

Table 8. Partial Test

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	22.277	3.206		6.950	.000
	Ukuran Perusahaan	-5.263	.933	-.529	-5.640	.000
	Komite Audit	.180	.135	.125	1.328	.187

Partially, it shows that company size has a significant effect on audit delay, this is shown by the B value of -5.263 and the P-value of 0.000 which is less than 0.05 so that this study is supported by the research results. Therefore, the first hypothesis in this study can be accepted. In contrast to the results of testing the audit committee as a factor that can determine the time of submission of financial reports. The calculation results show a B value of 0.180 with a P-value of 0.187 greater than 0.05, which means that the audit committee has no significant effect on audit delay. So the second hypothesis in this study was rejected.

3.2 Discussions

3.2.1 Effect of Company Size on Audit Delay

The results of this study indicate that firm size has a B value of 5.263 with a significance level of 0.000, which means that firm size harms audit delay. The results of this study are not in line with the research conducted by [6], which assumes that the size of the total assets owned by the company will still be examined in the same way by the auditor following the applicable procedures, as well as the pressure exerted on the company large or small is no different in financial reporting. This is because big or small companies are supervised by interested parties such as governments, investors, capital market supervisors, and so on. This research is in line with the results found b [10] which state that company size has a negative and significant effect on audit delay. This is because the delivery of financial reports to large companies is faster because of public responsibility and better internal controls to reduce audit delays.

3.2.2 Effect of the Audit Committee on Audit Delay

The results of this study indicate that the audit committee has a B value of 0.180 with a significance level of 0.187 which means that the audit committee has no significant effect on audit delay. The results of this study are not in line with research conducted by [11], because the number of audit committees does not play a major role in reducing audit inspection time, and in practice, audit committees are less effective in carrying out their duties to reduce audit delay. This research is in line with research conducted by [9] which states that the audit committee has no significant effect on audit delay.

4. Conclusion

Based on the results of research conducted on the effect of company size and audit committee on audit delay, the results differ from each independent variable to the dependent variable. Based on the results of previous tests, the conclusion that can be drawn is that company size has an effect on audit delay and audit committee has no effect on audit delay. The limitation of this research is that the companies used are only banking sector companies, further researchers are expected to be able to use other company sectors so that the results obtained have comparisons in measuring the factors that influence audit delay.

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