Analysis of Determinants of Audit Delay in Indonesia

Case Study Property and Real Estate Companies Listed on the Indonesia Stock Exchange Period 2016–2020

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Abstract. The study's goal is to examine the variables influencing audit delay in Indonesia. Operating profit, firm age, auditor opinion, and auditor repute are among the deciding elements. The study employs a quantitative methodology using secondary data. Companies in the real estate and property sectors that are listed on the Indonesia Stock Exchange make up the research population. Purposive sampling was utilized in the sample process, which produced 16 firms. Regression analysis is the analytical technique employed. The findings indicate that audit delay in the property and real estate sector companies listed on the Indonesian stock market for the years 2016 to 2020 is influenced by auditor reputation. In the property and real estate sector companies listed on the Indonesian Stock Exchange in the years 2016 to 2020, operating earnings and auditor reputation had an impact on audit delay. Audit delay is impacted negatively by operating profit. The auditor's standing, meanwhile, has a favorable impact onaudit delay. As for two other variables, namely age of the company and audit opinion, has no effect on audit delay.

Keywords: Company Profit · Company Age · Auditor Opinion · Auditor Reputation · Audit Delay

1 Introduction

Companies compete with each other in grabbing the attention of investors, especially between go public companies. It is undeniable that the purpose of the company to register itself as a go public company is to obtain funds from investors as a support for its business. From the side of investors themselves, before giving funds, they certainly want information from firm in the form of financial information which is believed to be able to be further analyzed whether the industry deserves to be given capital. In this kind of competition, the industry is required to work harder, faster, and carefully in presenting its financial information data.

Go public companies listed on the Indonesia Stock Exchange are required to submit annual financial reports accompanied by information on audit results by an independent

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auditor at Bapepam-LK and announce to the public no later than the end of the third month (90 days) from the end of the company's accounting period [1]. If it exceeds the end of the third month, it can be said that there is an audit delay.

Conceptually, audit delay is the period of time required by the auditor in auditing client's financial statements starting from the end date of the financial statement preparation period until the issuance of the audit report. Audit delays have occurred in several issuers such as PT Bakrieland Development Tbk (ELTY) which is one of the issuers that has been included in the list of property and real estate sectors known for 5 consecutive years for 5 years starting from 2015–2019 late in providing information related to the results of its financial reports, resulting in audit delays. There are also sanctions that were given in 2018 for not providing an annual report and not paying compensation for delays of Rp. 150,000,000.00 [2].

Previous studies have tried to examine several variables that expected to affect audit delay and resulted varied findings. These factors include operating profit, audit reputation, company size, audit tenure, profitability, solvency, KAP size, auditor opinion and company age. The results of research by [3] demonstrate that audit delay is significantly impacted by the variable auditor opinion and not by the size or age of the organization. [4] found that firm size and auditor reputation factors had a negative effect on audit delay, while firm complexity and financial distress had a positive effect on audit delay. [1] explain that profitability and KAP size variable have no effect on audit delay, solvency varieble has a positive effect while firm size variable has a negative effect on audit delay. [5] found that factor of operating profit had a negative effect on audit delay, while audit reputation variable showed a positive effect on audit delay. As for the size of the company and audit tenure variables have no effect on audit delay.

Based on the previous inconsistent findings, the writer is interested in conducting another research with the title "Analysis of Determinants of Audit Delay in Indonesia (Case Study Property and Real Estate Companies Listed on the Indonesia Stock Exchange Period 2016–2020)". The research problem is formulated as follows: Do several factors including operating profit, company age, auditor's opinion and auditor's reputation affect audit delay? The purpose of this research is to find out empirically whether there is an influence of factors, namely operating profit, company age, auditor's opinion and auditor reputation on audit delay, especially in the case of property and real estate companies listed on the Indonesia Stock Exchange.

2 Development of Research Hypotheses

The existence of audit delay in general can be approached by signal theory. Signal theory assumes that management has more information about the company, then tries to convey it to parties outside the company including shareholders (investors). Regarding this information, investors need to analyze and conclude all possible signals shown by managers. If investors don't analyze these signals, they won't be able to take any benefit. Therefore every signal given by management must be interpreted properly [6]. Related to this research, audit delay, which is a signal of delay in submitting the company's financial statements, is information that has negative indications. In fact, for investors, financial statements information issued by company management is needed to make decisions

whether the company deserves capital or not. Therefore, it is necessary to analyze the factors that affect the audit delay such as operating profit, age of the company, auditor opinion and auditor reputation.

2.1 Operating Profit

The length of time that the company's audited financial accounts are submitted can logically depend on the situation of the company's profit or loss (audit delay). Losing companies frequently attempt to delay the submission of audited financial results or request that the auditor extend the audit period. Contrarily, profitable businesses frequently deliver timely submissions of their audited financial accounts as they believe that this will satisfy investors [7] and [8] found that the effect of profit and loss information on audit delay [5]. Based on the explanation, the first hypothesis can be formulated as follows:

H1: Operating Profit affects audit delay

2.2 Company Age

The age of the company is the duration of the establishment of a company or the length of time the company has worked [9]. The longer the company is established, the bigger the company will be. The size of the company occurs through expansion, either by establishing new factories or by opening new branches. This makes the process of preparing financial statements more complex which will have an impact on the length of the audit completion period [3] found audit delay was significantly affected by the age of the company. Follow the description above, the second hypothesis can be formulated as follows:

H2: Company age affects audit delay

2.3 Auditor Opinion

Logically, the auditor opinion has an influence on audit delay. Companies that receive an unqualified opinion tend to try to submit audited financial statements on time or even shorter. This is because a fair opinion without exception is considered as good information (news) which will be responded positively by investors. Meanwhile, companies that receive opinions other than fair without exception will submit their audited financial statements longer. The reason is the audit granting process will involve negotiating with the client and consulting with a more senior audit partner can also result in a negative investor response. They found audit opinion had a effect on audit delay. Follow the explanation above, the third hypothesis can be formulated as follows:

H3: Auditor opinion affects audit delay

2.4 Auditor Reputation

Auditor reputation shown by auditors at KAPs affiliated with big KAPs (KAP Big Four) logically affects audit delay. Auditors at KAPs affiliated with the Big Four usually have better competence, expertise, and abilities than auditors at KAPs not affiliated with the Big Four. The auditors usually have a more structured audit management. This makes the audit time taken will be faster, so that the companies will have a shorter tome for audit delay. [5] found that auditor reputation effects on audit delay. From the explanation above, the fourth hypothesis can be arranged as follows:

H4: Auditor reputation affects audit delay

3 Method

Type of the study is an associative study with a quantitative approach. An associative study is a study that means identifying the impact or also the relationship between 2 or more variables [10]. There are two variables namely the independent variables (operating profit, company age, auditor opinion, and auditor's reputation) and the dependent variable (audit delay). The population uses 77 firm of real estate and property sectors listed on the Indonesian stock exchange for period 2016–2020. There are 6 property and real estate companies that match criteria for the sample and 80 observations data. The data are obtained from audited financial statement annual reports of property and real estate companies listed IDX for period 2016–2020. Also, author carry out library to support the theories in this study.

4 Results and Discussion

4.1 Overview of Research Data

See Table 1.

Table 1. Descriptive Statistic

Variable	Minimum	Maximum	Mean	Std. Deviation
Audit Delay	41.00	147.00	78.1250	23.08947
Operating Profit	18502546881	506239566973	920481944865,9	914747498001.620
Company Age	3.00	48.00	31.9375	10.87599
Auditor opinion	–	–	–	–
Auditor reputation	–	–	–	–

4.2 Results

Results of hypothesis testing is shown in second Table 2 (F test results), third Table 3 (t test results) and Table 4 (coefficient of determination).

4.3 Discussion

4.3.1 Operating Profit

Operating profit variable values from the hypothesis test have a sig. value of 0.006, which is less than 0.05. This demonstrates that operating income affects audit delay. Due to the fact that the t-value (−2.822) indicates a negative direction, the hypothesis that operational profit influences audit delay is accepted.

These findings support the hypothesis that an increase in operational profit boosts a company's capacity to ensure sustainability. The length of the audit process can vary depending on how much operating profit the company generates. A company's strong operating profit is not a justification for delaying the release of its audited financial

Table 2. F-test

Model	Sum of Squares	Df	Mean of Square	F	Sig.
Regression	10784.187	4	2696.047	6.453	000b
Residual	31332.563	75	417.768		
Total	42116.750	79			

Table 3. t-test

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	237.648	53.774		4.419	.000
Company Age	.327	.231	.154	1.415	.161
Auditor's opinion	−20.418	11.095	−.194	−1.840	.070
Auditor's reputation	25.093	5.802	.488	4.325	.000
Operating Profit	−5.847	2.072	−.330	−2.822	.006

Table 4. Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.506	.256	.216	20.43936

accounts. Profit is a valuable indicator for users, preventing audit delays. Results demonstrate an inverse link between operating profit and audit delay, with a negative influence on operating profit and a shorter audit delay when operating profit is large.

4.3.2 Company Age

Results of the hypothesis test show that score level of the company age variable is 0.161, which is higher than 0.05, so the age of company does not affect on audit delay. t-value (1.415) indicates a positive direction, the t- value can be concluded that the age of the company did not have a significant negative effect on audit delay and therefore the second hypothesis is rejected. The result proves that there is no effect of company age on audit delay in the property and real estate industry in the 2016–2020 period.

The results are in line with Patinaja and Siahainenia (2020) who conclude that age of company has no effect on the length of audit process. The result can be interpreted because of complexity of preparing financial statements, companies that have been running for a long time cannot provide guarantees that audits can be completed faster.

4.3.3 Auditor Opinion

The results of hypothesis testing which show that significance level of the auditor opinion variable is 0.070 greater than 0.05. The significance level indicating that the auditor opinion has no effect on audit delay. The t- value of −1.840 indicates that the auditor opinion did not significantly extend the audit process.

The results show that there is no effect of auditor opinion on audit delay in property and real estate company in the 2016–2020 period. If it is observed from descriptive statistical analysis, in general, the auditor's view is worth 0.95 which is almost close to the value of 1, so that in general property and real estate companies in the 2016–2020 period obtains an unqualified opinion. Obtaining an unqualified audit opinion leads to lowering the percentage of audit delay formation.

4.3.4 Auditor Reputation

Auditor reputation affects on audit delay. The affecting shows that the sig level of auditor reputation variable is 0.000 which is lower than 0.05. Audit delay is positively correlated with auditor reputation, indicated by the positive direction of the t-value of 4.325.

This result is in line with the concept that auditors from KAPs with good reputations are expected to be able to carry out audits more efficiently and have higher flexibility (Astuti, 2019). A positive value can be interpreted that better property and real estate companies for 2016–2020 period are affiliated and audited by auditors from reputable KAPs, the longer the audit process will be due to more complex audit activities. The results are in line with Artana et al. (2021) and Astuti (2019) which show auditor reputation affects audit delay.

5 Conclusion

The study found that operating profit and auditor reputation variables affect audit delay in property and real estate sectors listed on the Indonesian stock exchange in 2016–2020

period. As for the other two variables, namely the age of the company and the audit opinion, does not affect the audit delay.

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