

## **FACTORS AFFECTING AUDIT DELAY IN BANKING COMPANIES IN INDONESIA**

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### **ABSTRACT**

This study aims to determine the factors that cause audit delay in banking companies listed on the Indonesia Stock Exchange. The variable that distinguishes this research from the others is the audit committee variable as a new indicator. Overall, there are 5 assessment indicators in this study consisting of firm size variable, company profit/loss variable, auditor opinion variable, audit committee variable, and KAP size variable. The population consists of banking companies in Indonesia that are listed on the Indonesia Stock Exchange with a sample of 30 companies with a sampling technique of purposive sampling. The analysis used in this study is multiple linear regression analysis, which is in the form of panel data. This study indicates that the variables of KAP size and company profit/loss have a significant effect on audit delay. While the variables of the audit committee, auditor's opinion, and firm size have no significant effect on audit delay.

**Keywords:** Audit Delay, Indonesia Stock Exchange, Audit Committee, and Banking Companies

### **ABSTRAK**

Penelitian ini bertujuan untuk mengetahui faktor-faktor yang menyebabkan terjadinya *audit delay* pada perusahaan perbankan yang terdaftar di Bursa Efek Indonesia. Adapun variabel yang membedakan penelitian ini dengan yang lainnya ialah pada variabel komite audit sebagai indikator baru. secara keseluruhan terdapat 5 indikator penilaian dalam penelitian ini yang terdiri dari variabel ukuran perusahaan, variabel laba/rugi perusahaan, variabel opini auditor, variabel komite audit dan variabel ukuran KAP. Adapun populasi terdiri dari perusahaan perbankan di Indonesia yang terdaftar di Bursa Efek Indonesia dengan sampel pilihan berjumlah 30 perusahaan dengan teknik pengambilan sampel berupa *purposive sampling*. Analisis yang digunakan dalam penelitian ini ialah analisis regresi linier berganda, yaitu berupa data panel. Adapun hasil dari penelitian ini menunjukkan bahwa variabel ukuran KAP dan laba/rugi perusahaan berpengaruh secara signifikan terhadap *audit delay*. Sedangkan yang variabel komite audit, opini auditor, dan ukuran perusahaan tidak berpengaruh secara signifikan terhadap *audit delay*.

**Kata Kunci:** Audit Delay, Bursa Efek Indonesia, Komite Audit, dan Perusahaan Perbankan.

## **INTRODUCTION**

Indonesia is a large country with an abundance of publicly traded companies and continues to experience significant development. The go public company is required to submit financial reports according to financial accounting standards that have been checked and audited by a public accountant registered with the capital market supervisory agency (BAPEPAM). This financial report is needed by investors to assess the company's performance (Puspitasari dan Sari 2012). Financial reports provide important information that is needed and useful for various parties, including investors (Yendrawati dan Rokhman 2008). The sustainability of a company is fully supported by the existence of financial reports. In general, the financial statements that are usually displayed consist of an income statement, balance sheet report, change in equity report, cash flow statement, and notes to financial statements. The presentation of an appropriate and quality report can be used as material in deciding by an interested party.

Referring to the regulations regarding the capital market as stipulated in Law no. 8 of 1995 states that companies that have been registered are required to submit financial reports according to applicable regulations periodically to BAPEPAM and announce them to the public. Financial reports that experience delays in reporting, BAPEPAM as the authority can provide administrative sanctions to the company according to the provisions. According to (Siti Kurnia Rahayu dan Ely Suhayati 2010), punctuality is the availability of information in the form of financial reports and can be used in making decisions before the financial statements lose their strength due to time. The financial report will be even less valuable if it has exceeded a very long time limit according to regulations.

The urgency of timely financial reports in making a decision makes audit delay a major factor in the delay in a financial report. According to (Abdul Halim 2008), audit delay is the time difference between closing the book and reporting according to a predetermined time. Less time is needed, the financial report is classified as good and the results of the report can be used. Timeliness strongly supports the relevance and reliability of the presentation of a financial report, but in reality, there are so many obstacles (Abdul Halim 2008). Many factors cause audit delays, both from internal

and external companies. Internal company factors include company profit and loss, total revenue, industry type, electronic data, and the complexity of financial reports, company operations, and company size. When external factors affect audit delay, among others: the quality of the auditors and their opinions. Apart from the above factors, other factors influence audit delay, namely the audit committee.

According to (Kusumawardani 2013) in his research states that the size of a company can be determined from the total assets of a company. This statement is complemented by (Kartika 2011) in his research that he explained that the size of the company does not have a significant impact on audit delay. The size of a company does not have an impact on audit delay directly because the size of the company is assessed using total assets which are more stable than the level of sales and market value. The results of the research above are very different from the findings of (Yuliyanti 2011), he explained that the size of a company has a significant impact on audit delay. This case is influenced by the company's internal control system. The bigger a company, the better the company's internal control system.

Another research related to the company's profit and loss factor was carried out by (Utari Hilmi dan Syaiful Ali 2008) in his research it was found that the profit or loss of a company indicates the company's success in gaining profits so that profits can be categorized as good company news. This has a significant impact on audit delay. The greater the profit of a company, the shorter the audit delay for the company and the faster the reporting. And vice versa, if the company experiences a loss, the slower the company's audit delay will be. The external factors that affect audit delay our audit opinion. The audit opinion is an auditor's opinion and view on the fairness of a financial report. Regarding audit opinion, there is a study from (Widosari 2012), in his research, Widosari revealed that audit opinion has a very positive effect on the length of audit delay, especially companies that are in the qualified opinion category.

Another study that examines the audit committee conducted by (Sa 2011), explains that the existence of an audit committee in a company can and can accelerate the auditing process, this is because the company's internal control system can facilitate the task of an auditor in the auditing process of financial statements. There have not been so many studies related to audit committees, especially those that are

directly related to the causes of audit delays. This is where the difference and renewal from previous research are by including audit committee indicators as a factor causing audit delay. The public accounting firm is an institution that is tasked with being the home for public accountants so that work can be completed and which is directly authorized by the minister of finance. There are two categories of public accounting firms, namely: the big four and non-big four public accounting firms. This public accounting firm will affect the audit delay. An auditor who works professionally which is realized by working faster and more efficiently usually works at the big four public accounting firm, according to the viewpoint (Indra dan Arisudhana 2012). The big four public accounting firm is considered better than the non-big four public accounting firm because the auditors are more professional at work. The purpose of this paper is to analyse the audit delay factor in banking companies listed on the Indonesia Stock Exchange.

## **RESEARCH METHODS**

This research is explanatory. Research that explains the correlation and influence of one or more variables with other variables. Therefore, explanatory research requires a hypothesis and a sample. The purpose of this study is to test the hypothesis and explain the relationship between the variables studied in the form of company size, company profit/loss, auditor opinion, audit committee, and KAP size as the independent variable and the dependent variable is audit delay. The type of data used in this study is secondary data obtained from the IDX website. The data is in the form of financial reports. Besides, other secondary data used as support in this study were obtained from books, journals, articles, and other literature related to the theme of this research. This study then uses data analysis methods using panel data using the program reviews. E-views are used to analyze panel data, especially regression. There are three models commonly used to analyze panel data in regression techniques, namely: Polled Last Square, Fixed Effect, and Random Effect.

## **RESULT AND DISCUSSION**

### **A. Description of Research Object**

Go public companies are parties that take an important position in financial activities in the Indonesian Capital Market today. The selected sample in this study are companies engaged in the financial sector and listed on the IDX, starting from 2014 to 2016 with a total of 30 (thirty) companies. The selection procedure that is carried out is as follows:

### **B. Simultaneous F-Test Result Analysis**

Simultaneous F test is run to test whether the independent variables simultaneously or together have a significant effect on the dependent variable. With the provisions of decision making, if the simultaneous F probability value  $< 0.05$  with a significant level of 5%, then  $H_0$  is rejected, which means that the independent variable has a significant effect on the dependent variable together. However, if the probability F statistical value  $> 0.05$  with a significant level of 5%, then  $H_0$  is accepted, which means that the independent variable does not have a significant effect on the dependent variable together. The following are hypotheses and alternative hypotheses for the simultaneous F test, namely:

$H_0$ : company size, company profit or loss, auditor's opinion, audit committee, and firm size simultaneously do not affect audit delay.

$H_1$ : company size, company profit or loss, auditor's opinion, audit committee, and firm size simultaneously affect audit delay.

**Table 1. Procedure and Results of Company Sample Selection**

No	Information	2014–2016
1	Financial sector companies listed on the IDX 2014-2016	40
2	Financial sector companies that publish financial reports as of December 31 Complete data for the last 3 years (2014 - 2016)	30
3	Data Samples	30
4	Total Observations (30 × 3 Years)	90

Source: Secondary data processed in 2017

**Table 2: Results of the F Test Regression (Simultaneous)**

Weighted Statistics			
R-squared	0.177590	Mean dependent var	35.48678
Adjusted R-squared	0.128637	S.D. dependent var	10.09284
S.E. of regression	9.421343	Sum squared resid	7455.983
F-statistic	3.627767	Durbin-Watson stat	1.961522
Prob(F-statistic)	0.005084		

Referring to the above results shown in table 2, it can be understood that the significant value is 0.005084 while  $\alpha = 0.05$ , the significant value is  $0.005084 > \alpha = 0.05$  means that  $H_0$  is accepted. This illustrates that the variables of the size of the company, company profit, and loss, auditor opinion, audit committee, size of KAP simultaneously do not affect audit delay in financial sector companies listed on the Indonesia Stock Exchange 2014-2016.

### **C. Discussion**

The broad population in this study is the financial sector listed on the Indonesia Stock Exchange. The results of the sample selection through the purposive sampling method have been selected as many as 30 financial sector companies listed on the Indonesia Stock Exchange in 2014-2016. The data in this study uses panel data which is a combination of cross-sections because it consists of 30 companies and time series because this study takes a period of time for the last 3 years. Based on the results of research based on the results of the problem formulation and data processing, the hypothesis test results can be seen as follows:

**Table 3: Hypothesis Test Results**

	<b>Hypothesis</b>	<b>Explanation of the Results</b>	<b>Results</b>
H1	The size of the company affects audit delay	Company size does not affect audit delay	Rejected significantly 0.4295 > 0.05
H2	Profit or loss affects audit delay	Company profit or loss has a significant effect on audit delay	Received significantly 0.0187 < 0.05
H3	Auditor's opinion affects audit delay	Auditor's opinion has no significant effect on audit delay	Rejected significant 0.4345 > 0.05
H4	The number of members of the audit committee harms audit delay	The audit committee does not have a significant effect on audit delay	Rejected significant 0.0444 < 0.05
H5	KAP size has an effect on audit delay	KAP size has a significant effect on audit delay	Accepted with significant 0.0014 < 0.05

Source: Secondary data processed in 2017.

The first hypothesis proposed by the researcher is that the size of a company affects audit delay. Referring to the test results on financial sector companies, company size has a probability value (p-value) of  $0.4295 > \alpha = 0.05$  and a coefficient value of -1.181840. After testing it can be proven that the first hypothesis is rejected with the results of the study that company size does not affect audit delay. The length of time required in the audit delay process and the audit report is not determined by the size of a company. This is inversely proportional to the existing theory. Delays in submitting financial reports can be experienced by large and small companies. Referring to the results above suggests that there are 13 companies that have a size larger than the average, namely: Bank Artos Indonesia Tbk, Bank Central Asia Tbk, Bank Capital Indonesia Tbk, Bank Victoria Tbk, Bank Panin Dubai Syariah Tbk, Bank Negara Indonesia (Persero) Tbk, Bank Tabungan Negara (Persero) Tbk, Bhakti Capital Indonesia Tbk, Bank Sinarmas Tbk, Bank Mayapada Internasional Tbk, Bank Yudha Bhakti Tbk, Bank Jtrust Indonesia Tbk and Bank Mestika Tbk. While the rest are companies that are below average.

The second hypothesis in this study, the company profit or loss variable harms audit delay. After testing it can be proven that the second hypothesis is accepted by the results of the research that the company's profit or loss affects audit delay. The proxy used is the total amount of net income by the company resulting in a significant level of  $0.0187 < 0.05$  and a coefficient of -1.128060. Referring to this test, it is known that the significant value is less than 0.05, so it can be concluded that the company's profit/loss has a significant effect on audit delay. The results of this study are

consistent with the research (Ahmad dan Kamarudin 2003), which shows that company profit/loss has a positive effect on audit delay. This means that companies that provide good news in the form of profits tend not to experience long audit delays compared to companies that provide bad news in the form of losses. Companies that lose money will experience a longer audit delay. At least for 2 reasons why a company that experiences losses will tend to experience long audit delays. First, the company will delay due to bad news in the form of losses. Both companies experienced financial failure or management fraud.

The third hypothesis in this study that the auditor's opinion variable does not have a significant effect on audit delay. After testing using the Eviews 8 program, a coefficient of 6.436669 is obtained and a significance value of  $0.4345 > 0.05$ , this means that the auditor's opinion variable does not have a significant effect on audit delay. The results of this study are by (Robert H Ashton, John J Willingham, dan Robert K. Elliott 1987), which states that the audit delay will be longer if the company accepts a qualified opinion. The qualified process stage is time-consuming as it involves negotiations with clients, consultation with auditors and the scope of the audit extends.

The fourth hypothesis in this study that the audit committee variable does not have a significant effect on audit delay. Based on the test results in research on financial sector companies, the audit committee has a probability level (p-value) of  $0.0444 < 0.05$  and a coefficient value of 10.64296. Comparing the t-value with the t-table shows that the audit committee variable does not have a positive effect on audit delay.

The fifth hypothesis in this study is the variable size of KAP. where the KAP variable has a significant effect on audit delay. According to the test results above, that the variable of KAP size has a probability level (p-value) of  $0.0014 < 0.05$  and a coefficient value of -20,81548. These results indicate that the KAP size variable has a significant effect on audit delay. Referring to previous research conducted by (Indra dan Arisudhana 2012), the size of KAP has a significant effect on audit delay. Where if a company uses the big four KAP the company will speed up the preparation of its financial statements. Based on the description above, it can be stated that 75% of the



companies audited by the big four KAP are able to complete financial statements in less than 90 days that are affiliated with the big four do not use the services of the big four KAP. Companies that do not use KAP services cannot complete the examination in less than 90 days. Meanwhile, companies that use KAP services complete them on time.

## **CONCLUSION**

Based on the results of the test and discussion above regarding audit delay in banking companies listed on the Indonesia Stock Exchange, the following conclusions can be drawn:

1. The firm size variable. After testing it can be proven that the first hypothesis is rejected with the results of the study that company size does not affect audit delay.
2. The company's profit or loss variable. After testing it can be proven that the second hypothesis is accepted by the results of the research that the company's profit or loss affects audit delay.
3. Auditor opinion variable. After testing using the Eviews 8 program, it was found that the auditor's opinion variable had no significant effect on audit delay.
4. Audit committee variables. After testing, it was found that the audit committee variable did not have a positive effect on audit delay.
5. Variable Size of KAP. Based on the test results, it was found that the KAP size variable had a significant effect on audit delay.

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