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THE EFFECT OF PROFITABILITY, SOLVENCY AND COMPANY SIZE ON AUDIT DELAY

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ABSTRACT

This study aims to determine the effect of profitability, solvency and company size on audit delay in manufacturing companies listed in Indonesia Stock Exchange periode 2015-2019. Profitability measures using Return On Asset, solvency using Debt to Asset Ratio and company size using the natural logarithm of Total Asset. This type of research is quantitative research with secondary data, namely audited annual financial report and independent auditor reports from manufacturing companies listed on the Indonesia Stock Exchange in 2015-2019. The sampling technique used purposive sampling, with a sample of 40 companies. The data analysis technique used multiple linear regression analysis. The results of this study partially show that profitability and solvency have significant effect on audit delay, while firm size has no significant effect on audit delay. The results of this study simultaneously show that profitability, solvency, and firm size have a significant effect on audit delay.

***Keywords**: Profitability; Solvency; Company Size; Audit Delay.*

INTRODUCTION

In Indonesia, public companies have grown rapidly as indicated by the increasing number of companies on the Indonesia Stock Exchange. This increase has created competition between companies to find investors as a source of funds needed so that companies can survive and continue. The company's annual report is a form of company communication to the public, especially investors. Based on the regulation of the Financial Services Authority (OJK) Number 29/POJK.04/2016 “issuers or public companies are required to submit an annual report to the Financial Services Authority no later than the end of the fourth month after the financial year ends”. The annual report is required to contain audited financial statements.

In this kind of competition, companies must try to present financial reports more quickly and accurately. The financial statements must meet the relevant characteristics. If it can be presented in a timely manner then the information is said to be relevant (Hery, 2016). The quality of financial statement information is influenced by the timeliness of preparation and submission. If it is delivered late, it will increase the uncertainty in decision making because of the unavailability of information when it is needed by the user. Information that is late to submit causes the level of investor confidence to decrease (Sari & Mulyani, 2019).

In addition, the submission of the company's financial statements to the public provides information to the market that can be responded to as a good or bad signal. The public considers the delay in the presentation of financial statements as a bad signal for the health of the company. According to signaling theory, it is explained that the signal conveyed affects the company's stock price, namely it can increase if the signal indicates good news and if it indicates bad news, it can make the stock price decrease (Dewangga & Laksito, 2015).

On the other hand, the fulfillment of fieldwork standards has an impact on the length of reporting of audit results. When carrying out the audit, audit examinations often encounter many obstacles, such as the number of transactions that are large and complicated to audit, as well as poor internal control. Management errors tend to be carried out by companies with poor health conditions and result in disruption of profit levels and company viability (Sari & Mulyani, 2019). This makes the audit delay longer because more accuracy and precision are required when conducting an audit. According to (Harjanto, 2017) "audit delay is the length or time span of audit completion measured from the closing date of the financial year to the date of issuance of the audit report". Referring to III-F Kep-00085/BEI/10-2011, sanctions will be imposed by the Indonesia Stock Exchange on companies that exceed the deadline for submitting audited financial reports. Although regulations have been tightened, there are still many public companies whose annual financial reports are late in submitting. It is proven by the phenomenon of late submission of annual financial reports which always occurs every year.

The first factor that may affect audit delay is profitability, namely the ratio of measuring the ability to generate profits in a company (Saemargani & Mustikawati, 2015). High profitability makes the company expect the audit to be completed quickly because it wants to immediately notify the good news to stakeholders for use in decision making. Research by (Nurlis, 2018) states that profitability has an effect on audit delay, while (Cahyati & Anita, 2019) states that it has no effect.

Furthermore, the solvency factor is the ratio of measuring the company's ability to pay off its obligations (Kartika, 2011). High solvency will be bad news that describes the bad condition of the company. Complicated audit procedures and the discovery of more complex evidence make auditing relatively more time consuming for companies with high debt amounts. According to (Okalesa, 2018) states that there is an effect of solvency on audit delay, while according to (Alfiani & Nurmala, 2020) there is none.

Another factor is the size of the company. Usually, in the eyes of the public, large-scale companies have a good image and tend to be stricter in financial reporting so that they do not experience delays. According to (Sayidah, 2018) state that there is an effect of company size on audit delay, while according to (Sari & Mulyani, 2019) there is no.

METHOD

The type of research is quantitative and the characteristics of the problem are included in causal associative research. Secondary data sources are audit reports, audited annual financial reports, and other documents as references such as books and journals. The analysis technique uses multiple linear regression. The population in this study are manufacturing companies listed on the Indonesia Stock Exchange for the period 2015 – 2019 with a sample of 40 companies obtained through purposive sampling with the provisions of manufacturing companies on the IDX: (1) Registered 2015-2019. (2) Registered before January 1, 2015. (3) Issued the audited annual financial report as well as the complete audit report and presented the information in it clearly during the 2015-2019 period. (4) Never experienced an audit delay exceeding the time limit for the issuance of the annual report during the 2015-2019 period.

RESULT AND DISCUSSION

Result

A. Normality Test

Table 1. One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		200
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	7.20234972
Most Extreme Differences	Absolute	.056
	Positive	.056
	Negative	-.050
Test Statistic		.056
Asymp. Sig. (2-tailed)		.200[c,d]

Source: Results of Research Data (2021)

The significance value is 0.200 > 0.05, which means that the data is normally distributed.

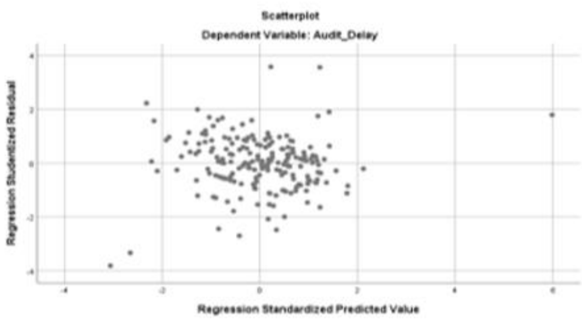
B. Multicollinearity Test

Table 2. Multicollinearity Test

Model		Collinearity Statistic	
		Tolerance	VIF
1.	(Constant)		
	Profitabilitas	.869	1.161
	Solvabilitas	.840	1.190
	Ukuran Perusahaan	.848	1.180

Tolerance value > 0.1 and VIF value < 10, then there is no multicollinearity.

C. Heteroscedasticity Test



Picture 1

The graph shows that there is no heteroscedasticity because the pattern formed is irregular, and the points are scattered at the bottom and top of the number 0 on the Y axis.

Table 3. Heteroscedasticity Test

Model		Sig.
1.	(Constant)	.350
	Profitabilitas	.077
	Solvabilitas	.447
	Ukuran Perusahaan	.961

Significance value > 0.05 then there is no heteroscedasticity.

D. Heteroscedasticity Test

Table 4. Heteroscedasticity Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.518[a]	.268	.257	7.257	1.860

The results for dw are 1.860 and du 1.7990. The test results meet the equation 1.7990 < 1.860 < 2.201 so that there is no autocorrelation.

E. Multiple Linear Regression Test

Table 6. Multiple Linear Regression Test

Variabel	B	T	Sig.	Description
(Constant)	82.714	8.941	.000	
Profitabilitas	-.608	-6.770	.000	Signifikan
Solvabilitas	.079	2.722	.007	Signifikan
Ukuran Perusahaan	-.068	-.203	.839	Tidak Signifikan
F Hitung			23.905	
R^2			.268	
Adjusted R^2			.257	
Sig.			.000[b]	

Audit delay = 82.714 - 0.608 Profitability + 0.079 Solvency - 0.068 Company Size + e

F. T Test

The significance value of profitability is 0.000, solvency is 0.007 and firm size is 0.839. So profitability and solvency have a significant effect on audit delay because the significance value is < 0.05, while firm size has no significant effect on audit delay because the significance value is > 0.05.

G. F Test

Profitability, solvency and firm size have a significant effect on audit delay because the significance value is 0.000 <0.05.

H. Coefficient of Determination

The result of Adjusted R2 is 0.257, which means that 25.7% of the dependent variable can be explained by the three independent variables studied, while the remaining 74.3% is influenced by other factors not examined in this study.

Discussion

A. **The Effect of Profitability on Audit Delay**

Profitability has a significant effect on audit delay, the same as research by (Alfiani & Nurmala, 2020). The ability to generate profits of a company is measured using a profitability ratio. The company's efficiency and management performance can also be shown from the large profitability. This means that high profitability is good news experienced by the company. High profitability (good news) owned by companies tends to make them want to quickly complete the audit and will not delay the submission of their financial statements to attract investors to invest. In accordance with the signal theory where good news is a good signal to be announced to the public that can increase the company's stock price. Therefore, in companies with high profitability, the audit delay tends to be short so that they can immediately convey the good news to interested parties such as investors.

B. The Effect of Solvency on Audit Delay

Solvency has a significant effect on audit delay, according to (Okalesa, 2018) research. The large financial risk is the impact arising from the high solvency of the company. The amount of financial risk is an indication that the company is experiencing financial difficulties. This shows that high solvency is bad news experienced by the company. Companies that experience high solvency tend to delay the submission of their financial statements because it is a bad signal that can lower the company's stock price. In addition, high solvency will increase the company's tendency to suffer losses. To ensure the fairness of the financial statements, the process of auditing accounts payable will take time because the auditor must look for the causes of high debt, confirm related parties and collect more competent evidence. Companies with poor financial health can also occur due to mismanagement and fraud. Thus, the auditor becomes more careful and careful in auditing because it involves the survival of the company. Thus, audit delay tends to be longer for companies with high solvency.

C. The Effect of Firm Size on Audit Delay

Firm size does not have a significant effect on audit delay, the same as the research by (Sari & Mulyani, 2019). One way to measure it is using Total Assets. To shorten the audit delay, both the management of large and small companies can get an incentive. In addition, small companies can also complete their audits faster because they have good quality Human Resources and systems such as information systems and internal controls. All companies are also closely monitored where their financial reports can be easily accessed by interested parties. Thus, all companies have the same pressure to submit financial reports within the stipulated time limit.

CONCLUSION

Profitability has a significant effect on audit delay in manufacturing companies listed on the Indonesia Stock Exchange for the 2015-2019 period. Solvency has a significant effect on audit delay in manufacturing companies listed on the Indonesia Stock Exchange for the 2015-2019 period. Company size has no significant effect on audit delay in manufacturing companies listed on the Indonesia Stock Exchange for the 2015-2019 period. Profitability, solvency and firm size have a significant effect on audit delay in manufacturing companies listed on the Indonesia Stock Exchange for the 2015-2019 period.

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