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Research Article

The Company Size Effect and Leverage On Delay of Audit (Study On Corporates of Manufacturing Listed at The Idx In 2016-2018)

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Abstract

The purpose of this study was to determine the effect of firm size and leverage on audit delay. This research is motivated by the case of delays in the submission of financial statements to companies listed on the Indonesia Stock Exchange which have an impact on the decline in investor confidence in the company. The research method used is the explanatory method. The independent variables in this study are firm size and leverage, while the dependent variable is audit delay. The data used is secondary data, obtained through the company's annual financial report data as the object of research. The sample in this study were 37 companies from the population as many as 111 companies. Hypothesis testing was done by using multiple linear regression analysis using the IBM SPSS Statistics 20 program. The results showed that firm size and leverage had an effect on audit delay.

Keywords

Audit Delay, Company Size, Leverage

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Background

Manufacturing company is a processing industry, which is a business that converts / processes materials of raw into semi-finished goods or finished goods that have added value, which is done mechanically with machines, or without using machines (manual) (Badan Pusat Statistik, 2010). Corporates of manufacturing listed at the IDX consist of 3 industrial sectors, namely the basic and chemical sector, the consumer goods sector, and the various industrial sector (www.idx.co.id,2020). The miscellaneous industry sector is one part of the manufacturing sector in Indonesia. All sub-sectors in the various industries are producers of basic consumer products. The products produced are consumptive and people like so that producers in this industry have a high level of sales which has an impact on the growth of this industrial sector (Nurfaizi, 2017:1). One of the indicators is the company's financial statements.

Reports of Financial published to the people through the Indonesia Stock Exchange (IDX) must first be tested for fairness through an audit process. Auditing's an investigation carried out systematically and critically, by a party of independent, on the statements of financial that have been set by management, accordance with supporting evidence and records of accounting, with the objective of capable to provide a result or opinion concerning the financial statements fairness (Agoes, 2011). Companies must submit their financial statements of company to the authority of financial services after had audited by an auditor, and have a time limit that has been determined in the laws made by the authority of financial services.

Regarding audit delay, from the attachment to the Capital Market and Financial Institutions Supervisory Agency Chairman Decree Number: KEP-346/BL/2011 about the sending of periodic issuers financial reports or companies of public. This regulation denotes that the financial report of annual must be accompanied by an accountant's report and submitted not more than third month end (90 days) which is then updated with the issuance of Regulation of OJK Number 29 / POJK.04/2016 which reads: Article 7 (1) Public Corporate or Issuers are need to send a Report of Annual to the OJK no exceed the fourth month after the end of the financial year end. (2) At the time that the Report of Annual is there to stakeholders before the end of the Annual Report sending period as referred to in paragraph (1), the Report of Annual must be send to the OJK at the same day as the Annual Report availability for stakeholders. (3) At the time that the Corporate of Public or Issuer gains a statement of effective for the first time at the time after the economies year ends up to the end for submitting the Report of Annual as referred to in paragraph (1), the Public Corporate or Issuer must send a report of annual to the OJK no more than on the time of summons for the annual GMS. (4) The report of annual sent to the OJK as referred to in paragraph (3) may not comply with the provisions on the form and content of the Report of Annual.

Delay of audit as the time span of completion between the audit report and the annual financial report, calculated based on the amount of days required to complete the independent audit report starting at the date of closing of 31 December until the time of issuance of the audit of independent report the time denoted in the auditor's report of independent (Aryanti & Theresia, 2005) The time span in the middle the closing date of the book and the reporting time of the statements of financial. The longer the Delay of Audit range, the less timely it is. Timeliness is one of the requirements for the relevance and reliability of the presentation of statements of financial, but in the application of timely notification there are many obstacles. To see the timeliness, usually a study looks at the timeliness of reporting (Lubis, 2015). The lengthy the delay of audit, the lengthy the auditor will complete his work of audit. Audit delay is influenced by several factors including external and internal factors of the company.

Factors of internal are that come from internal the company itself, there are many various internal factors that can affect audit delay. Corporate size is based on the company size a which is calculated by the wealth or total assets own by a corporate. The size of the corporate can be saw by the large assets of total that affect the timeliness of submitting the corporate's financial statements. (Febrianty, 2011). Large-scale companies have a good perspective at the view of the people and are usually closely monitored by interested parties. Large companies slant to be under pressure to immediately report statements of financial so that they are delivered on time. The grester the measure of the corporate, the smaller the delay of audit. This shows that large companies have good internal control, adequate resources and accounting staff, as well as sophisticated information systems so as to accelerate the presentation of financial statements and can shorten the audit delay range (Murti & Widhiyani, July 2016).

Leverage is also the factors of internal that can impact audit delay, leverage can affect the audit completion time which in turn'll impact the period of time the company publishes its audited statements of financial. large leverage show that the corporate is in financial trouble. (Februanty, 2011). leverage is calculated based on the debt to total assets ratio of the company, the larger the result, the largerer the risk of financial for creditors and shareholders.

From on the previous description, it can be denoting that the accuracy of financial reporting is needed to ensure the quality of the report. And from several previous studies on audit delay that have been carried out by identifying the factor-factor that impact delay of audit. Therefore, researchers are interested in re-examining the factors that influence audit delay because previous studies still show inconsistent results. The difference in the middle this study and previous study is that the object of this study is the various industrial sector corporates of manufacturing listed at the IDX and the year of research.

Formulation of the problem

From the research that has been described, the research problem is as follows: Do company size and leverage affect delay of audit incorporates of manufacturing listed on the IDX for the 2016-2018 period.

Audit Delay

Audit delay's the date span for completing the annual statement of financial audit, calculated based on the number of days need to gain an audit report of independent on the annual statement of financial audit, at the closing time of the corporate's financial year, which is 31 December, until the time noted on the auditor's report of independent (Aryanti & Theresa, 2005). The date span in the middle the closing time of the book and the reporting time of the statements of financial. The longer the Delay of Audit range, the less timely it is. Timeliness is one of the requirements for the relevance and reliability of the presentation of statements of financial, but in the application of timely reported there are many obstacles. To see the timeliness, usually a study looks at the timeliness of reporting (Lubis, 2015).

Company Size

Company size is a level where the corporate size can be categorized based to several ways, including using the amount of wealth (assets of total), value of stock market, market value, number of sales in one year of sales period, number of employees, and total fixed book value corporate. At this research assessed by using the assets of total have by the corporate, meaning that the size of a company is determined from the total assets owned by the corporate.

Company Size Measurement Method

According to Febrianty (2011) using total assets to calculate the scale of a corporate. The outcomes of this research show that the scale of the company has an effect of significant on audit delay in trading corporates listed on the IDX which are acceptable.

Large-scale corporates have a good perspective in the view of the people and are usually closely monitored by interested parties. Large companies slant to be under pressure to immediately report statements of financial so that they are delivered on time. The greater the scale of the corporate, the shorter the delay of audit. This shows that large companies have good internal control, adequate resources and accounting staff, as well as sophisticated information systems so as to accelerate the presentation of statements of financial and can shorten the audit delay range. (Murti & Widhiyani, July 2016).

Leverage

Rate of leverage is a measurement of the corporate's capability to fulfill obligations of financial, both long-term and short-term. The measurement of the leverage level at this research use the ratio of debt to total asset. Debt to Total Assets pictures the debt to total assets ratio, which looks at the company's capability to fulfill all its debts (both long-term debt and short-term debt) from

the corporate's assets. This ratio of debt to assets shows the health of the corporate.
Ratio of leverage is a ratio used to calculated the degree to which the corporate's assets financed with debt. That is, how many debts must be create by the corporate based to its assets. It's said that the ratio of leverage is used to calculate both the short and long term. The leverage concept is significant for investors in making valuation of stock considerations because investors usually tend to avoid the risk. (Silvia, 2013: 258)
According to Febrianty (2011) there's a relationship of positive between leverage and delay of audit. A high debt to assets ratio gives a signal that the company is in financial trouble. Usually, the corporate will minimize the risk by delaying the announcement of its statements of financial and delaying the work of audit. This gives a signal to the people that the corporate is at a large rate of risk.

Framework

Firm Size Effect on Delay of Audit

Great-scale corporates have a great perspective in the view of the people and are usually closely monitored by interested parties. Large companies tend to be under pressure to immediately report statements of financial so that they are delivered on time. The greater the scale of the corporate, the shorter the delay of audit. This shows that large companies have good internal control, adequate resources and accounting staff, as well as sophisticated information systems so as to accelerate the presentation of statements of financial and can shorten the audit delay range. (Murti & Widhiyani, July 2016)
Bigger companies get more attention from the public than little corporates. Therefore, great corporates tend to keep the corporate's perspective in the view of the people, to keep that view, large companies try to send reports of financial in at the time (Dyer and McHugh cited by Ceacilia Srimindarti, 2008: 19).

Effect of Leverage on Audit Delay

According to Febrianty (2011) find a connection of positive for leverage and delay of audit. A high debt to assets ratio gives a signal that the company is in financial trouble. Usually, the corporate will minimize the risk by delaying the announcement of its statements of financial and delaying the work of audit. This gives a signal to the people that the corporate is at a large risk rate.

Research Hypothesis

From the explanation of the research paradigm and framework, the research hypothesis proposed as a temporary solution to the research problem formulation is as follows:

H_1 : Company size has an impact on delay of audit incorporates of manufacturing listed at the IDX (2016-2018)
H_2 : Leverage has an impact on delay of audit incorporates of manufacturing listed at the IDX (2016-2018)
H_3: Company size and leverage have an impact on delay of audit incorporates of manufacturing listed at the IDX (2016-2018)

Research Methods

This research type is a comparative causal study using an approach of quantitative. Research based on data on audited statements of financial of companies of manufacturing listed at the IDX in 2016-2018. The secondary data used at this research are the financial statements of companies in 2016-2018 gained from the IDX by searching at the IDX's website of official, namely www.idx.co.id.
This study population used the statements of financial of corporates of manufacturing listed at the IDX in 2016 – 2018. The selection of sample in the method of purposive sampling was based on several criteria that were think to have a near relationship with the criteria existing people, in other

words the sample taken is adjusted to several characteristic that are applied by on the study objectives (Margono, 2004: 128). This sample research uses the statements of financial of corporates of manufacturing listed at the IDX for the period 2016 – 2018.

Discussion

The Firm Size Effect on Delay of Audit

Based on the tests carried out, the outcomes research conducted by this researcher indicate that corporate scale has a negative and significant effect on delay of audit. This study is unsimilar to study run by Wiryakriyana & Widhiyani (2017) which states that corporate scale has no impact on delay of audit, this views that the scale of the corporate will not affect delay of audit.
This research is similar with study run by Ketut Dian Puspitasari and Made Yeni Latrini (2014) and Andi Kartika (2011). Which denotes that the size of the company has a negative and effect of significant on delay of audit, which denotes that the greater the company size, the smaller the delay of audit and conversely, the smaller the company scale, the greater the audit delay. So, the higher the size of the company, the lower the audit delay because large-scale companies or large total assets're nearly observed by government, investors, and creditors so that they have to face larger outside pressure to send audited statements of financial earlier so as not to arouse suspicion. interested parties.

Effect of Leverage on Delay of Audit

From the tests carried out, the results of the study that were tested by the researchers denotes that leverage had an insignificant effect and negative on delay of audit. The outcomes of this research unsimilar the results of study by Angruningrum & Wirakusuma (2013), which denotes that leverage has an effect of significant positive on delay of audit, which means that if the corporates has a large ratio of leverage, the company's loss risk will uprise. Then to gain trust in the corporate's statements of financial, the auditor will uprise his discretion so that the delay of audit distance will be distant.
This study is similar with study run by Dina Adi Pramita (2017), which denotes that leverage has a negative and insignificant impact on delay of audit, this views that the level of leverage of a corporate has no impact on the process of audit. This allows corporates that have both large and low level of leverage will not affect audit delay, so the high and low levels of leverage are only to convince and increase trust to shareholders and creditors that the company remains in a healthy condition and the proportion of ratio of debt to asset is high. not be the main signal to show the company's poor financial health.

Firm Size Effect and Leverage on Delay of Audit

From the outcomes of the study above, it can be deduced that corporate scale and leverage affect with simultaneously delay of audit cause the greater the scale of the corporate will get greater pressure to report its statements of financial to the public, and usually companies will reduce risk by delaying the publication of their financial statements and taking time in work of audit.
Testing of hypothesis that has been done shows that the Leverage and Firm Size variables of, affect Delay of Audit by 13% and 87% are affected by other variables not examined at this research. The outcomes of this research in force the outcomes of study run by Febrianty (2011) which shows that corporate scale and leverage simultaneously impact Delay of Audit, and research conducted by Andi Kartika (2011) which shows that KAP quality and auditor opinion simultaneously affect Audit Delay.

Conclusion

From the study outcomes as follows:

1. Company size (X1) has an effect of significant negative on Delay of Audit in manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2016-2018. This shows that the larger

the manufacturing company, the smaller the possibility of audit delay, while the smaller the manufacturing company, the greater the possibility of audit delay.

2. Leverage (X2) has an effect of negative and insignificant on Delay of Audit in manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2016-2018. Leverage does not affect the length of audit delay, because manufacturing companies that have both high and low levels of leverage are only to convince and increase confidence in shareholders and creditors that the company remains in a healthy condition and a large section of ratio of debt to asset is not the main signal to show health. bad company finances.

3. Leverage and Size of Corporate together have an effect of significant on Delay of Audit in manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2016-2018.

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