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Corporate Size, Performance and Governance can affect the Audit Delay?

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Abstract

The purpose of this research is to find the effect of firm size, financial performance, and good corporate governance on audit delay. The research was carried out using consumer goods industrial sector companies listed on the IDX from 2017 to 2019. The data used is secondary data and is obtained in the report of each company. The research method is carried out with a quantitative approach which is analyzed using multiple regression analysis. There are 52 companies in the consumer goods industry sector that are used as samples for a period of 3 years. The results of this study prove that; Firm size has a negative and insignificant effect; financial performance has a significant positive effect; and Good Corporate Governance have a negative and significant effect.

Keywords
company size; financial performance; good corporate governance; audit delay

I. Introduction

Financial statements are included as a major tool for conducting assessments and measurements of a company's performance and are useful when carrying out decision making and being an instrument that provides information to describe the financial condition of a company for parties using these financial statements, such as investors. The financial statements are required to be presented in accordance with the time specified so as not to reduce the function of the financial statements(Rajagukguk, 2019). Generally, financial statements in a company are made in units of the accounting period to be previously presented to the auditor, the preparation of financial statements in a period is calculated from January 1 to December 31. The recording of financial statements must be presented as soon as possible after the accounting period is complete. Based on PSAK (Statement of Financial Accounting Standards Number 1 Paragraph 38, it says if the usefulness of financial statements decreases if financial statements are not provided within the specified period, the problem is due to ongoing delays which result in the information obtained will reduce the level of relevance of the financial statements in question.

The delay in the presentation of financial statements will have an effect on audit reporting, which can be seen in how long it takes to carry out the audit process, the longer the audit time is known as the definition of audit delay. Audit delay is the time span in carrying out the audit which is calculated from the closing of the books each year until the date of publication of the audit report(Putri & Suryani, 2018). Audit delay will affect the accuracy of the information disseminated and will reduce the usefulness of the financial statements.

There are several phenomena that indicate that the company is obliged to pay more attention to the performance of the late presentation of financial statements (audit delay) and will have a bad impact on the company due to the company's delay in presenting internal

financial reports so that the entire process of implementing the audit of financial statements by the Public Accounting Firm becomes late. This problem was obtained from information about issuers that received sanctions from the IDX.

Table 1. The Problems was Obtained from Information about Issuers that Received Sanctions from IDX

Phenomenon	Source, Year
APEX faced delays in presenting its financial statements which resulted in sanctions being imposed by the IDX. The delay was due to problems with payment of obligations to a creditor up to the court stage, and the company suffered huge losses, as well as unfavorable financial condition with negative book value of equity.	CNBC Indonesia(2019)
PT. Sugih Energy Tbk in the mining sector faced delays in submitting its 2018 financial reports due to the incomplete investigative audit. This was caused by the discovery of internal problems that made the office temporarily detained, another thing was operational development problems.	IPOTNEWS,(2020)
PT. Mega Persada (ENRG) experienced delays in presenting its financial reports, resulting in sanctions and warnings from the IDX. ENRG has failed three times to hold the EGMS (Extraordinary General Meeting of Shareholders) agenda due to the absence of a quorum of attendance.	Cash id., (2019)

Cases regarding delays in the presentation of financial statements that are influenced by internal factors appear in the size of the company (how the assets in the company are referred to), because the small or large capacity of the assets will have an influence on the submission of financial statements. Then the ownership structure, Good Corporate Governance (GCG), the company's capability to earn profits, revenue, company complexity, the company's capability to pay its obligations, and various extraordinary items in the financial statements based on the way the company's management is used as an internal factor in a state of audit delay.

There are various previous studies that identify internal factors that can influence audit delay, one of which was carried out by Rajagukguk.(2019), this study examines the effect of firm size on audit delay. The size of the company shows the size of a company that is assessed based on the assets of the company in question. From Rajagukguk's research, it was found that the larger the total assets of the company, the shorter the audit delay, then the smaller companies that have asset values in the company, the longer the presentation will be.

The accuracy when presenting financial statements is influenced by the presence of optimal corporate governance practices. The corporate governance structure has four elements of measurement indicators, namely fairness, transparency, responsibility, and accountability so that the speed and accuracy of the submission of financial reports appear to stakeholders and shareholders who are quick in making decisions so as to minimize audit delays.

The research that the researcher carried out was guided by the research conducted by Rajagukguk(2019), Ancient(2018), and Ratnawati & Nursiam(2017). The differentiator in this study is secondary data researchers in the consumer materials industry sector, because in several phenomena that have occurred many companies in the food industry sector have faced delays in annual financial reporting which caused companies to receive sanctions to fines from the stock exchange. Based on the explanation that the researcher has explained, it makes researchers feel interested in carrying out research and is entitled "The Effect of Company Size, Financial Performance, and Good Governance on Audit Delay in Consumer Goods Industrial Sector Companies Listed on the Stock Exchange in 2017-2019".

II. Review of Literature

2.1 Agency Theory

Agency theory was first developed and introduced by Jensen and Meckling (1976), in it describes the systematic control in a company, there is a relationship between agents and principals in a company and the discovery of separation of ownership with processing or management of various sources contained in the company. The auditor is a party who is believed to be the intermediary of interests between the principal and the agent with audited financial statements in a timely manner is the end result of the accounting process that carries out the presentation of information to assist related parties when making decisions by the principal and it is believed that the financial statements provided are of high quality reliable and relevant (Ancient, 2018).

2.2 Signal Theory

Signaling theory (signal theory) is a firm value optimal effort. Signal theory was proposed by Ross (1977) in Morris(1987)This theory is used as a stage carried out by company management which is intended for investors who discuss management's views on prospects in the future period.(Brigham, Eugene, Houston, & Joel F., 2013).

2.3 Audit Delay

Audit delay included in an event of audit delays caused by the completion of the audit which took a long time to exceed the presentation limit of the company's audited annual financial statements that had been determined by the IDX. The IDX Policy Number Kep-306/BEJ/07-2004 states that companies must report on audited financial reports annually no later than 90 days or the end of the third month.

2.4 Company Size

Company size is the size of the small or large categorization of a company in various ways, for example it appears in total sales, market capitalization, or total assets, which in large companies are more consistent in the presentation of financial reporting when compared with small companies. (Ifda, 2019). The larger the size of a company, the audit delay will shorten the submission of audited financial statements, and vice versa (Rajagukguk, 2019). In the current economic development, manufacturing companies are required to be able to compete in the industrial world (Afiezan, 2020). The existence of the company can grow and be sustainable and the company gets a positive image from the wider community (Saleh, 2019). The increase in the value of the company's shares, the higher the company value, the higher it will be (Katharina, 2021.

Agency theory describes the presence of a conflict of interest between shareholders and managers, because top management in large companies is more difficult to supervise the company because large companies tend to have a lot of monitoring costs and agents when compared with small companies. (Kurniawan & Laksito, 2015). Therefore, large companies seek to compensate for loss of control and minimize supervision costs by using strong internal controls and audit systems.

Generally, large companies have optimal control systems. Companies that are large in size are more likely to put pressure on auditors to speed up their work (Eksandy, 2017). Large companies will distribute their financial statements faster if a comparison is made with small companies. This is because large companies are being watched carefully by the government, creditors, supervisors, and investors. Signal theory also explains that large companies will get higher pressure to speed up the presentation of their financial statements (Clarisa & Pangarep, 2019). If a company faces a loss, it will be a signal to the auditor regarding high audit risk.

Companies that face financial distress will force management to delay the submission of debt reports and other reports related to financial reporting.

2.5 Financial Performance

Company performance is included in the overall business process by making sacrifices to various resources in terms of company finances or human resources. Increased company performance can be seen in the company's active activities in getting the maximum possible profit. Profits and profits obtained will vary depending on the size of the company it owns (Moerdiyanti, 2010).

Financial performance is a measure of the success of a company, the better financial performance of a company will increase the success of the company. Good financial performance is good news for companies, because it indicates companies tend to present financial reports more quickly. Meanwhile, poor financial performance will make a company tend to extend the audit delay time. Financial performance has an influence in determining how long it takes to present the financial statements by the audit (Goldyanta, Feryanto, & Ardini, 2020).

2.6 Good Corporate Governance (GCG)

GCG in the company has a structure that determines a goal, inputs for achieving goals, and monitoring the performance of a company. The goal to be achieved by a company must have a conflict between the principal and the agent due to information asymmetry barriers, therefore it is necessary to have a GCG system to determine the authority of the manager and equalize the information obtained by the owner and manager (Swami & Latrini, 2013). Companies that implement GCG well, the management of the company will be better (Ancient, 2018).

In agency theory, it describes the relationship between shareholders and managers that will trigger conflict, so that corporate governance is believed to be the best supervisory system so that the problems faced are reduced. In line with the appropriate audit time, the corporate governance system will minimize the risk of the company's audit business and result in reduced duties and time for auditors in carrying out their work (Sakka, Imen, & Jarboui, 2016).

2.7 Hypothesis

a. Effect of Firm Size on Audit Delay

The larger the company's assets, the smaller the possibility of an audit delay. This problem occurs because large companies have a better management system when compared to small companies, resulting in better submission of financial reports and making it easier for auditors to carry out audits.

H1: There is an effect of firm size on audit delay

b. Effect of Financial Performance on Audit Delay

Financial performance is a measure of the success of a company, the better financial performance of a company will increase the success of the company. Good financial performance is good news for companies, because it indicates companies tend to present financial reports more quickly. Meanwhile, poor financial performance will make a company tend to extend the audit delay time.

H2: There is an effect of financial performance on audit delay

c. Effect of Good Corporate Governance on Audit Delay

The implementation of good corporate governance will have an effect in conveying information to the market which will respond to whether there are negative or positive signals. This good or bad information will have an influence on the stock market, mainly on the company's stock price. Therefore, good GCG implementation will make it easier for auditors to carry out their work, so the tendency to reduce audit delay is even greater. The longer the audit period will affect the stock price to change unstable, so investors then interpret it as audit delay and the company's stock price becomes unstable.

H3: There is an effect of good corporate governance on audit delay

II. Research Methods

The researchers who carried out research used research methods with a quantitative approach and examined the effect of three independent variables on one dependent variable. The researcher uses multiple regression analysis techniques using the SPSS Statistic 26 IMB application media. The consumer goods industrial sector companies that are included in the IDX list from 2017 to 2019 are the samples that the researchers use with 52 companies in the sector.

Researchers use secondary data. Researchers use secondary data because the level of validation of the data is guaranteed so that it is credible to be used in research. The data is obtained from the annual report of the Consumer Materials Industry Companies that are included in the IDX list from 2017 to 2019.

III. Discussion

3.1 Results

a. Classic Assumption Test

In the implementation of data management, it is explained that for the multicollinearity test results obtained Tolerance: X1 (0.925); X2 (0.982); X3 (0.931) and VIF: X1 (1.082); X2 (1.018); X3 (1.074). From these data, it explains Tolerance X1, X2, and X3 > 0.100 and VIF X1, X2, and X3 < 10.00, which means that there are no multicollinearity symptoms in the data because all independent variables have Tolerance > 0.100 and VIF < 10.00.

In the results of the heteroscedasticity test of scatterplots data, it was found that in the histogram image there was no clear pattern in the scatterplot image. Based on the results of the heteroscedasticity test decision making scatterplots, it can be concluded that if there is no heteroscedasticity symptom in the data studied because the data points on the histogram are spread above and below the number 0 on the Y axis, it can be concluded that a good regression model allows to achieve.

In the results of the normality test of probability plot data, it is obtained that plotting data follows a diagonal line. Based on the results of the normality test decision making, it can be said that the data has a normal distribution because the plotting data follows a diagonal line.

b. Coefficient of Determination Test

Table 2. Coefficient of Determination Test

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.502a	.252	.237	51.00618	1,440

a. Predictors: (Constant), Good Corporate Governance, Financial Performance, Company Size

b. Dependent Variable: Audit Delay

It can be seen in the table above that the Adjusted R Square value or the coefficient of determination is 0.237 or equal to 23.7%. This means that all independent variables simultaneously have an effect on the dependent variable, namely audit delay of 23.7%. In addition, the remaining 76.3% is affected by variables that have not been used in the regression equation that the researcher uses.

c. F Test (Simultaneous)

Table 3. F Test (Simultaneous)

ANOVAa

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	133167195	3	44389,065	17.062	.000b
	Residual	395447,799	152	2601,630		
	Total	528614994	155			

a. Dependent Variable: Audit Delay
b. Predictors: (Constant), Good Corporate Governance, Financial Performance, Company Size

Based on the table of results of the F test data above, it is found that the value of Sig. is worth 0.000 which means Sig. <0.05, on the basis of decision making on simultaneous testing, it can be concluded that the hypothesis is accepted. Firm size, financial performance, and good corporate governance variables have an influence on audit delay. Then the table F count shows the number 17.06 > F table worth 2.66, according to the basis of decision making, conclusions can be drawn if the hypothesis is accepted which implies that the independent variables simultaneously have an influence on audit delay.

d. t test (Partial)

Table 4. t test (Partial)

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	288,726	90,429		3.193	.002		
	Company Size	-3.686	2,788	-.096	-1.322	.188	.925	1.082

	Financial performance	.711	.132	.380	5.373	.000	.982	1.018
	Good Corporate Governance	-3.774	.760	-.361	-4.968	.000	.931	1.074

a. Dependent Variable: Audit Delay

Then in this study based on the t test in the table above, it can be determined the form of the equation is:

$$Y = 288.72 - 3.686X1 + 0.711X2 - 3.774X3$$

- The results of the multiple regression analysis test obtained a constant of 288.72 which states that without the presence of the influence of the independent variables, namely company size, financial performance, and good corporate governance, the audit delay will have a value of 288.72.
- The regression coefficient of firm size is -3.686 which states that the firm size variable gets an increase of one unit will reduce the audit delay variable of -3.686 by assuming that the other variables have a value of zero.
- The regression coefficient of financial performance is 0.711 which states that the firm size variable gets an increase of one unit, which will add an audit delay variable of 0.711 by assuming that the other variables have a value of zero.
- The regression coefficient for good corporate governance is -3.774 which states that the firm size variable gets an increase of one unit which will reduce the audit delay variable of -3.774 by assuming that the other variables have a value of zero.

3.2 Discussion

a. The Effect of Firm Size on Audit Delay

Based on the results of the statistical analysis described previously, it was found that firm size had a negative and insignificant effect on audit delay. From the results of the research, it is stated that simultaneously company size can have an effect on audit delay, but partially company size has a negative effect on audit delay and is not significant in influencing audit delay. It was concluded that the first hypothesis was rejected.

The identification of the research that the researchers carried out was that the firm size variable had no effect on audit delay in the consumer goods industrial sector companies that were included in the IDX list. The auditor when carrying out his duties professionally and in accordance with the rules determined by IAI regardless of the size of the company being audited. The results of the research that the researchers carried out were also in accordance with Eksandy's research (2017) which states that if the auditor audits a company with a small or large company size, it will still carry out its performance professionally to minimize audit delay. Financial performance has an influence in determining how long it takes in the presentation of financial statements by the audit.

b. Effect of Financial Performance on Audit Delay

Based on the results of the statistical analysis described previously, it was found that financial performance has a positive and significant effect on audit delay. From the results of the research, it is stated that simultaneously financial performance can have an influence on audit delay, and partially good corporate governance has a positive and significant effect on audit delay. It is concluded that the second hypothesis is accepted.

The identification of the research that the researchers carried out was that the financial performance variable had a significant effect on audit delay in the consumer goods industrial

sector companies that were included in the IDX list. The results found are in accordance with the research carried out (Goldyanta, Feryanto, & Ardini, 2020) which proves in his research that financial performance has an influence on audit delay.

c. The Effect of Good Corporate Governance on Audit Delay

Based on the results of the statistical analysis described previously, it was found that good corporate governance has a negative and significant effect on audit delay. From the results of the research, it is stated that simultaneously good corporate governance can have an influence on audit delay, and partially good corporate governance has a negative and significant effect on audit delay. It can be concluded that the third hypothesis is accepted.

The identification of the research that the researchers carried out was that the good corporate governance variable had a significant influence on audit delay in consumer goods industrial sector companies that were included in the IDX list. The research that the researcher carried out was supported by research carried out by Purba (2018) which says if a company that implements good corporate governance well will make the management of the company better so as to minimize the possibility of an audit delay taking place.

IV. Conclusion

Based on the results of the research analysis carried out by the researchers, it can be concluded that if the firm size variable does not affect the audit delay variable, then the financial performance variable and good corporate governance affect the audit delay variable. Suggestions for further research are to use and add other variables that the researcher does not use and also take advantage of research data with a longer period than what the researcher used in this study.

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