International Economic Conference of Business and Accounting
Vol. No. | Month Year
E-ISSN …………

Audit Delay Analysis: The Influence Of Financial Distress, Leverage, And Management Change

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ABSTRACT

Audit Delay is the time interval for completion of the audit measured from the closing date of the financial year, until the opinion of the financial statements audited by the independent auditor has been signed. In Indonesia, there are still many companies that are late in reporting financial reports on time. The Financial Services Authority (OJK) stipulates that financial reports must be published immediately a maximum of 90 days from the end of the fiscal year. The audit delay phenomenon could be due to a lack of relevance in the financial statements presented to investors. This study aims to determine how much financial distress, leverage, and management changes can affect audit delay in all manufacturing companies listed on the Indonesia stock exchange in 2019-2021 both partially and simultaneously. The approach used in this research is a quantitative approach. The sample selection in this study used the exhibitive sampling method, and obtained 18 companies for 3 years (2019-2021), so that the total sample was 54 samples. The data analysis technique in this study used linear regression analysis. The results of this study indicate that the financial grieving variable has a negative effect on audit delay, while the capital and management variables have no effect on audit delay.

Keywords : *Audit Delay ; Change of Management ; Financial Distress ; Leverage* ; *Change of Management*

I. INTRODUCTION

Financial statements are structured presentations that describe the financial position resulting from the accounting process during a certain period to convey information to interested parties (IAI, 2015). Financial statements must also be prepared in accordance with applicable Financial Accounting Standards (SAK) and have been audited by an external auditor. The purpose of financial reporting is used for the accountability of a company because it can be a reference for users in making decisions. These decisions can be used by users to make decisions in investing.

According to POJK No. 37 / POJK.03 / 2019 concerning transparency and publication of bank reports, the financial statements must have the same quality as the financial statements in the previous year's period. The Financial Services Authority (OJK) and the Indonesia Stock Exchange (IDX) stipulate that there are strict regulations regarding the quality, quantity and timeliness of financial report submission. Companies that have gone public must submit their financial statements and audit opinions to the Capital Market Supervisory Agency (BAPEPAM). This requires the timeliness of the completion of financial reports so as not to cause delays in the publication of financial reports at BAPEPAM. In the decision letter of the board of directors of the Indonesia Stock Exchange (IDX) No. Kep-00015 / BEI / 01-2021 it is written that the deadline for submitting annual financial reports is no later than the end of the third month (3) or for 90 days from the end of the fiscal year. This provision applies to all companies listed on the Indonesia Stock Exchange (IDX), without exception manufacturing companies.

In the announcement of the submission of audited financial statements No : Peng-LK-0005-7/BEI.PP1-3/06-2021, dated June 10, 2021, which states that there are 88 companies that have not submitted audited financial reports ending December 31, 2020. While 46 of them are manufacturing companies. The delay in the publication of these financial statements indicates that there are problems that occur in the company which results in an increase in the length of the audit completion (Puryati, 2020).

This study aims to determine the effect of financial distress, leverage, and management changes on audit delay. The period in this study is 2019-2021 because in that year there was a phenomenon of increasing manufacturing companies that were late in reporting their financial statements.

According to Jensen & Meckling (1976), agency arises when the contractual relationship between the owner of capital (principal), namely the investor and the manager (agent) is difficult to create due to conflicting interests. The differences owned by the principal and agent can cause problems known as information asymmetry. Information asymmetry occurs when there is an unequal distribution of information between the two. This theory explains that the auditor functions as an independent verifier of the financial statements presented by the company to investors. This theory is closely related to audit delay, if the publication of financial statements is not on time, it will cause the value of information in the financial statements to decrease. The reduction in information will cause information asymmetry. In this case, timeliness can also be seen as a way to reduce information asymmetry and reduce the opportunity to spread rumors about the company's financial health and performance.

The first factor that affects audit delay is Financial Distress (Praptika & Rasmini, 2016). Financial Distress is a condition where the company is experiencing difficulties in operating cash flow that is insufficient to meet current obligations (Ross. A Westerfield Randolph W, 2003). This factor can affect audit delay because if this condition occurs it can increase the risk of independent auditors, because this will cause the financial statement audit process to take longer.

The second factor that can affect audit delay is leverage. Leverage is a condition where the company uses assets and funds that have a fixed burden, which means that the source of funds comes from loans that have interest which will increase the potential profits of shareholders (Dianova et al., 2018). High leverage indicates that the company is experiencing high financial risk because the company is financed with debt (Fujianti & Satria, 2020). So, companies that experience difficulties in fulfilling their obligations tend to delay the publication of their financial statements.

Another factor that affects audit delay is Management Change. Management change is an effort to change made by the company so that the company's conditions develop and get better. Management changes occur because the existing management structure in the company is not going well, so that the condition of the company can be said to continue to decline. Then, the change of directors or Chief Executive Officer (CEO) is decided at the General Meeting of Shareholders (GMS). The change of directors or CEO automatically changes management policy. In policy changes, when the company's condition is not good, it can hinder the timeliness of financial reporting.

Population and Sample

The method used in determining the sample for this research is using purposive sampling method. According to Sugiyono (2016: 85), purposive sampling is a technique used for data collection by selecting several specific considerations. Determination of sampling based on considerations as follows:

a. Manufacturing companies that are listed on the Indonesia Stock Exchange consecutively in 2019-2021.
b. Companies that actively publish their financial reports consecutively in 2019-2021.
c. Companies that use rupiah currency.
d. Companies that experience audit delay consecutively in 2019-2021.

Dependent Variable
Audit Delay (Y)

Audit Delay is the time distance between the date of the financial report and the date of the independent auditor's opinion in the financial report which indicates the length of time the audit is completed by the auditor (Siahaan et al., 2019). The following are indicators of audit delay, (Utami 2008: 4):

$$\textit{Audit Delay} = \text{Tanggal Laporan Audit} - \text{Tanggal Laporan Keuangan}$$

Independent Variable
Financial Distress (X1)

Indicators of financial distress can be shown from several things, namely that the company has a negative profit (net income) for two consecutive years, a reduction or failure to pay dividends at all, as well as an increase in debt for two consecutive years (Salim & Ismudjoikoi, 2021). The measurement of financial distress uses the Altman Z-Score method:

$$Z = 1.2X_1 + 1.4X_2 + 3.3X_3 + 0.6X_4 + 1.0X_5$$

Where:
X_1 = Net Working Capital / Total Asset
X_2 = Retained Earnings / Total Assets
X_3 = Earnings Before Interest and Taxes / Total Assets
X_4 = Market Value of Shares and Preferred
X_5 = Sales / Total Assets

Leverage (X2)

The level of leverage is a measurement of the company's ability to fulfill financial obligations, both short-term and long-term financial obligations (Diviantoi, 2009). Debt to asset ratio is formulated as follows:

$$DAR = \frac{\text{Total Hutang}}{\text{Total Aset}}$$

DAR = Debt to Asset Ratio

Total Debt = The amount of debt in the relevant yea

Total Asset = The range of aseit in the year under review

Change of Management (X3)

Description	Total
Population: Manufacturing companies listed on the IDX in 2019-2021	164
Companies that are not listed on the IDX consecutively from 2019-2021	(3)
Companies that did not submit their financial statements in 2019-2021	(5)
Companies that do not use rupiah currency	(24)
Companies that do not experience Audit Delay in a row from 2019-2021	(114)
Research Sample (18x3 Years)	**54**

Management change is a change of director or chief executive officer caused by the General Meeting of Shareholders (GMS) due to poor management of the company. In this research, companies that change management are given a value of one (1) while those that do not change management are given a value of zero (0).

Data Analysis Technique

The data collection method in this study uses the financial statements of companies listed on the Indonesia Stock Exchange (BEiI) for 2019-2021. In this study, data analysis was carried out, namely descriptive statistics, classical assumption tests, and hypothesis testing.

II. RESULTS AND DISCUSSION

Table 1. Research Sample

N		54
Normal Parameters[a,b]	Mean	0,0000000
	Std. Deviation	21,15770001
Most Extreme Differences	Absolute	0,077
	Positive	0,077
	Negative	-0,054
Test Statistic		0,077
Asymp. Sig. (2-tailed)		,200[c,d]

Source: data processed by author, 2023

Descriptive Statistic

According to Ghoizali (2018), the purpose of descriptive statistics is to study the characteristics of the sample used and describe the variables in the study. The following is a descriptive statistical description of each variable for the sample companies as a whole:

Table 1. Hasil Uji Statistik Deskriptif

	N	Min	Max	Mean	Std
FD	54	0,36	6,36	2,1185	1,18347
LV	54	0,15	0,91	0,4459	0,18121
PM	54	0,00	1,00	0,0741	0,26435
AD	54	91,00	189,00	129,2593	23,73771
Valid N (listwise)	54				

Source : data processed by SPSS, 2023

Classical Assumption Test

Normality Test

The normality test is carried out to see whether the regression model of the related variables and the bias has a normal distribution or not. Researcher will use the Kolmogorov Smirnov test which can be seen in the table below:

Table 2. Normality Test Results

Source : data processed by SPSS, 2023

Based on the normality test on the K-S test, the Sig value is obtained. 0.200> 0.05, which means that the regression model fulfills the assumption of normality.

Multicollinearity Test

Table 3. Multicollinearity Test Results

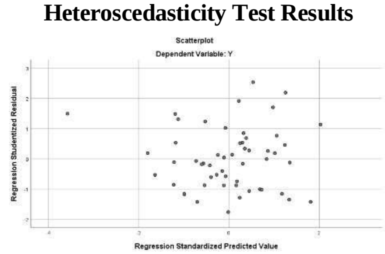
Model	Collinearity Statistics	
	Tolerance	VIF
Financial Distress	0,643	1,555
Leverage	0,633	1,579
Pergantian Manajemen	0,980	1,021

Source : data processed by SPSS, 2023

Based on table 3, it can be concluded that the VIF value is less than 10 and tolerance is more than 0.10, so it can be concluded that the three variables are free from multicollinearity problems.

Heteroscedasticity Test

Image. 1
Heteroscedasticity Test Results



Source : data processed by SPSS, 2023

The data shows that the points on the Y axis are scattered both above and below the number 0, which means that testing using Scatterplots does not have symptoms of heteroscedasticity.

Autocorrelation Test

Table 4. Autocorrelation Test Results

Model	Durbin-Watson
1	1,970

Source : data processed by SPSS, 2023

Based on table 4 the dW value is 1.970. This value will then be compared with the value of the table that uses the Durbin-Watsoin (DW) table α = 5% with a total sample size of 54 (N) and the number of variables in this study as many as 3 variables, then (K = 3), the number 1.680 is obtained from the dW table. Based on the results then put into the formula dU < dW < 4-dU (1.680 < 1.970 < 2.320). So, it can be concluded that there is no autoimmunization.

Hypothesis Test

T-test

Table 5. T-Test Results

Variabel	t	Sig.
Financial Distress	-3.379	.001
Leverage	-1.466	.149
Management Change	.704	.485

Source : data processed by SPSS, 2023

Hypothesis 1 (**H_1**): The Effect of Financial Distress on Audit Delay

The results of hypothesis testing show that the t count for financial distress is -3.379 and the profitability value is 0.001. Df 51 obtained a t table value of 2.007 so that the value of t> t table namely -3.379> -2.007 and profitability 0.001 < 0.05. The test results show that there is a negative and significant influence between financial distress (X1) on audit delay (Y).

Hypothesis 1 (**H_2**): Leverage Effect on Audit Delay

The results of hypothesis testing show that the t count for leverage is -1.466

and the Sig. value is 0.149. Df 51 obtained a t table value of 2.007 so that the t value < t table, namely -1.466 < -2.007 and profitability 0.149> 0.05. The test results show that leverage (X2) has no effect on audit delay (Y).

Hypothesis 3 (H_3): The Effect of Management Change on Audit Delay

The hypothesis test results show that the t-count result for management change is 0.704 and the profitability value is 0.485. Df 51 dipeiroileih t table value of 2.007 so that the value of t count < t table is 0.721 < 2.007 and profitability 0.85 > 0.05. The test results show that management change (X3) has no effect on audit delay (Y).

F-test

Table 6. F-Test Results

Source : data processed by SPSS, 2023

Based on the results of the f-test, it is known that f count> f table is 4.190> 2.79 (Df 50 & k = 3) and the amount of significance shows 0.01 <0.05. So this shows that the variable independen *financial distres* (X1), leverage (X2), and management change (X3) simultaneously have an effect on the dependent variable audit delay (Y).

R^2-test

Table 6. R^2-test result

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate
1	.448[a]	.201	.153	21.847

Source : data processed by SPSS, 2023

The R value is a symbol of coefficient. In the table above, the coefficient value is 0.448. This value can be interpreted that the relationship between the two research variables is in the moderate category. Through the table above, the R Square value or the Coefficient of Determination (KD) is also obtained, which shows how good the regression model created by the interaction of the basic variables and the dependent variables is. The value of KD is 0.201. So it can be interpreted that the variable variable X has a contribution of 20.1% to the variable Y.

DISCUSSION

The Effect of Financial Distress on Audit Delay

Model	F	Sig.
1	4.190	.010[b]

Financial distress has a Sig. value of 0.001 smaller than α = 0.05 with a count value of -3.379, it can be said that the financial distress variable has a negative and significant effect on the audit delay variable. Then it can be concluded that H_1 is accepted. This means that high financial distress shortens the audit delay. Even though the company is experiencing financial distress, the company can still submit audited financial statement information on time. This negative effect result is evidenced by the higher the Z-Score value, the shorter the audit delay will be. The mean value of companies that have a Z-Score value of 2.11> 1.81 indicates that the companies from this sample are in a vulnerable condition and it cannot be determined whether the company is bankrupt or not. The high proportion of financial difficulties in the company can raise concerns for auditors. Auditors do not want the company to experience financial distress and also audit delay. So, in this condition of financial difficulty, internal auditors increase audit risk, namely control risk that can overcome obstacles in accordance with predetermined procedures before the financial statements are audited by external auditors. Thus, the process of completing the audit of financial statements does not take too much time even though the company is experiencing financial difficulties and can shorten the audit delay.

The Effect of Leverage on Audit Delay

Leverage value t-count -1.466 with a Sig. value of 0.149 where this value is more than the value of $\alpha = 0.05$, this indicates that the leverage variable has no effect on audit delay. So it can be concluded that H_2 is rejected. The calculation of the leverage ratio in this study uses the DAR formula. DAR is calculated by dividing total debt by total assets. However, the results of this study indicate that companies that have a large or small DAR will still minimize audit delay to convince shareholders and creditors that the company remains in good condition. A low level of leverage indicates that management can manage company finances efficiently, and company funds originating from debt are used to generate returns, so that the company has no difficulty paying off its obligations. So that the level of debt owned does not affect the time span required to complete the audit of financial statements.

The Effect of Leverage on Audit Delay

Based on the hypothesis test results, the Sig. value of the management change variable is 0.485, which is more than $\alpha = 0.05$ and the count value is around 0.704. The hypothesis proposed is not the same as the results of the research conducted, namely that management changes affect audit delay. So it can be concluded that H_3 is rejected. Based on the existing calculations on the dummy variable, there were 4 companies that made management changes while 14 companies did not make management changes. In the annual report sample, companies that make management changes in this research sample do not change the application of accounting rules and methods, so they do not have a significant impact on the financial statement audit process. The audit process will continue according to the audit standards and the time period stated in the engagement letter.

CONCLUSION

Based on the results of data analysis and discussion related to the problems and objectives of the research, it can be concluded as follows:

1. Financial distress has a negative and significant effect on the Indonesian edified exchange (IDX) on audit delay in manufacturing companies listed in 2019-2021.
2. Leverage has no effect on audit delay in manufacturing companies listed on the Indonesian stock exchange (IDX) in 2019-2021.
3. Management change has no effect on audit delay in manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2019-2021.

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