CHAPTER I

INTRODUCTION

1.1 Research Background

Financial statements are one of the most crucial instruments for ensuring a company's long-term sustainability, particularly for companies that have gone public. The growing number of public companies listed on the stock exchange has resulted in a rise in the number of requests for audit services from public accounting firms. This is because publicly listed companies are required to publish their audited annual financial statements as a source of information for external parties, including investors. Timely financial reporting decreases information asymmetry and improves investors' ability to get accounting information without having to search for other resources (Basuony et al., 2016).

The goal of financial statement preparation, according to IAS 1—Presentation of Financial Statements, is to provide information on a company's financial position, financial performance, and cash flows that is valuable to a wide variety of users in making economic decisions. Financial statements are crucial for analyzing, forecasting, and making investment decisions; thus, they should be issued on time and include reliable information. A company may engage an auditor to analyze financial statements in order to increase users' trust in them.

Auditing, on the other hand, is a time-consuming job, therefore earnings reports and financial statements are occasionally delayed. The market reaction may be affected as a result of the delay in these financial statements. The longer the delay period, the less relevant the financial statements will be. This occurs because investors often view late financial reporting as a negative indicator of a company's health. The time it takes an auditor to complete the auditing process is measured from the closing date to the date the auditor's report is published in the company's financial statements. The duration of the audit delay may be determined using the time required by the auditor to complete the auditing procedure and the availability of data from management. The audit delay duration is proportionate to the amount of work accomplished by the auditor. This means that the longer it takes the auditor to finish the audit work, the longer the audit will be delayed.

The need of timely financial statement delivery has resulted in the implementation of regulations by the Indonesia Financial Services Authority or OJK (previously Bapepam-LK), which is Regulation No. 29/POJK.04/2016: Article 7 paragraph 1 concerning Issuers or Public Companies, publishes mandatory audited annual financial reports with a deadline of 120 days from the end of the fiscal year until the date of submission of audited financial statements to OJK, publishes financial statements accompanied by an audit opinion by a Public Accountant registered with the Financial services authority. The regulation also specifies the consequences of an audit delay, which include written warnings, penalties, restrictions and freezing of business activity, revocation of business licenses, cancellation of approval, and cancellation of registration. Therefore, auditors carry a great deal of responsibility, which requires that they perform more professionally.

Given the significance of the time period for completing the audit of financial statements, known as audit delay, as a factor affecting the timeliness of financial statement submission as well as the informative value of financial statements for users of financial statements, it is reasonable to conclude that audit delay is an object that requires further investigation. Several research on audit delay have been conducted, both in Indonesia and overseas. The following study is a continuation of prior studies that came to findings on the factors that influence audit delay. Lestari and Nuryatno (2018) discovers that audit delay is affected by several factors, including firm size, leverage, and audit opinion. The findings of research conducted by Lai et al. (2020) proves that auditee's size, type of audit opinion, and debt to leverage ratio affect audit delay. Based on the research conducted by Maggy and Diana

(2018), solvability is the most significant factor that affects audit delay, meanwhile profitability, audit committee, and the size of public accounting firms have a minor negative connection with audit delay. Putri et al. (2022) states that audit committee has an effect on audit delay, meanwhile company size, profitability, company age, solvency, and audit opinion do not affect audit audit delay.

According to the above description, there is a research gap from prior studies, demonstrating the range of study findings on the factors that cause audit delay. This variation might be attributed to differences in the evaluation of the independent factors employed in the study. The size of the company, profitability, solvency, type of auditor's opinion, and auditor's reputation will all be re-examined in this research. This study differs from past studies in that it uses the most recent LQ45 companies from 2018 to 2020 as the research sample.

The author chose companies that are part of the LQ45 index as the sample items for this research. The reason for selecting companies that are members of the LQ45 index is that LQ45 companies are liquid, which means that their shares are actively traded, and they also have the top rating among all companies listed on the Indonesia Stock Exchange (IDX). Despite the fact that many research on audit delay in businesses listed on the IDX have been conducted, the conclusions are still widely diverse. These research results may change due to differences in the group of independent variables, differences in the samples examined, differences in observation periods, and differences in the research methodology used.

Based on the background information provided above, the suggested research is titled "Factors Influencing Audit Delay in LQ45 Companies Listed on the Indonesia Stock Exchange (IDX)."

1.2 Problem Statement

This study is intended to determine the factors that affect audit delay on LQ45 companies listed on the Indonesia Stock Exchange (IDX) during 2018, 2019, and 2020. The factors that will be tested in this study are company size, company profitability, solvency, auditor's opinion, and auditor's reputation. As a result, the following issues will be investigated in this research:

1. Does company size affect audit delay?
2. Does company profitability affect audit delay?
3. Does company solvency affect audit delay?
4. Does auditor's opinion affect audit delay?
5. Does auditor's reputation affect audit delay?

1.3 Research Objectives

The objectives to be achieved in this research are:

1. To determine the influence of company size on audit delay.
2. To determine the influence of profitability on audit delay.
3. To determine the influence of solvency on audit delay.
4. To determine the influence of auditor's opinion on audit delay.
5. To determine the influence of auditor's reputation on audit delay.

1.4 Research Benefits

This study is expected to provide the following benefits:

1. For the researcher

These research findings are intended to give insight and knowledge, as well as experimentally verify that company size, profitability, solvency, and auditor’s opinion affect audit delay.

2. For the academics

   These research finding are intended to provide a description of the factors that influence audit delay in Indonesia, which are company size, profitability, solvency, and auditor’s opinion, according to this study, including empirical information that can be utilized to support future study.

3. For the auditors

   These research findings are intended to help in identifying factors that contribute to audit delays, which are company size, profitability, solvency, and auditor’s opinion, in order to enhance performance, which has an influence on the exact time of financial reporting.

4. For the government

   These research findings can be used as suggestions in doing audit work in order to minimize the audit period and increase efficiency and effectiveness by recognizing the major elements influencing audit delay.

1.5 The Scope of Research

This study aims to identify factors that influence audit delay in companies listed on the Indonesia Stock Exchange (IDX) and included in the LQ45 index. The data was obtained from 2018 to 2020. This study focuses on the factors that may cause audit delay, such as company size, profitability, solvency, auditor’s opinion, and auditor’s reputation.

1.6 Writing Systematic

CHAPTER I: INTRODUCTION

The first chapter explains the general description of the research to be carried out along with the formulation of the problem, objectives, benefits and systematic writing of this research.

CHAPTER II: LITERATURE REVIEW

The second chapter explains about theoretical basis related to the research topic, previous research, conceptual framework, and hypothesis development to test the relationship between variables in this study.

CHAPTER III: RESEARCH METHODOLOGY

The third chapter describes the research methodology consisting of an explanation of the research design, population and sample of the research, operational definition and measurement of research variables, the sources used, the data collection methods used, as well as data analysis technique.

CHAPTER IV: RESULTS AND DISCUSSION

The fourth chapter presents the findings of data analysis and hypothesis testing, together with the discussion.

CHAPTER V: CONCLUSION

The last chapter is closed by conclusion, limitations of this research, and suggestions for future research.