

# CHAPTER I

## INTRODUCTION

### 1.1 Research Background

Activity in the Indonesia Stock Exchange is currently growing rapidly, as evidenced by increase in the number of issuers. This will certainly affect the increasing demand for audits of financial statements.

Based on (iasplus, n.d.) "The primary users of general purpose financial reporting are present and potential investors, lenders and other creditors, who use that information to make decisions about buying, selling or holding equity or debt instruments, providing or settling loans or other forms of credit, or exercising rights to vote on, or otherwise influence, management's actions that affect the use of the entity's economic resources". The information contained in the company's financial statements can be useful, if it is presented accurately and on time at the time needed by users of financial statements, such as creditors, investors, governments, the public and other parties as a basis for making a decision

The sooner the information of the financial report is published, the more useful it is for decision makers. On the other hand, if there is an unreasonable delay in financial reporting, the information obtained loses its relevance to decision making. Therefore, information must be presented as soon as possible as a basis for making financial decisions and to avoid delays in decision making.

The time difference between the date of the financial statements and the date of the audit report on the financial statements indicates the time required to complete the audit work. The statement is called Audit delay, Audit delay: namely "the time span of the annual financial statement audit, measured based on the number of days required to obtain an independent auditor's report on the company's annual financial statement

audit, from the closing date of the company's financial year, which is December 31, until the date stated in the independent auditor's report issued by the company defined as audit report lag (Putri et al., 2022).

A lot of research has been done on this audit delay. Like Fanny et al., (2015) examines the factors that affect the audit delay of financial statements in manufacturing companies listed on the Indonesia Stock Exchange. The factors studied in this study were profitability, solvency and firm size as independent variables, while audit delay was the dependent variable. The sample in this study is secondary data and was selected using a purposive sampling method consisting of 246 companies listed on the Indonesia Stock Exchange (IDX) and submitting financial statements consistently in the 2013-2015 period. The analysis method of this research uses multiple regression analysis. The results showed that profitability and firm size had a negative effect on audit delay. Meanwhile solvency has no effect on audit delay.

Meanwhile, research conducted by Efriyenty (2021) uses a population of manufacturing companies listed on the BEI for the 2015-2019 period which was selected by purposive sampling. The factors tested in this study are audit opinion, company size and KAP size. The results of this study indicate that audit opinion has no negative but not significant effect on audit delay, firm size has a negative but significant effect on audit delay, KAP size has no negative but not significant effect on audit delay.

Sugeng et al., (2021) examines the factors that cause audit delay in banking companies listed on the Indonesia Stock Exchange. There are 5 variables in this research, namely company size variable, company profit/loss variable, auditor opinion variable, audit committee variable and KAP size variable. Not much different from the research conducted by Efriyanti, Sugeng added 2 new variables. The population used is banking companies in Indonesia which are listed on the Indonesia Stock Exchange as

many as 30 companies in the period 2014-2016. The sampling technique was purposive sampling. The analysis used in this study is multiple linear regression analysis, which is in the form of panel data. The results of this study indicate that the variable size of KAP and the company's profit/loss have a significant effect on audit delay. Meanwhile, the variables of the audit committee, auditor's opinion, and firm size have no significant effect on audit delay.

And the research conducted by Muna & Lisiantara, (2021) aims to determine the factors that affect audit delay on manufacturing companies and financial companies listed on IDX. Muna's research includes quantitative research. The population of this study is all manufacturing and financial companies listed on IDX in 2018-2019. The results showed that the type of industry and the complexity of the company had a positive effect on audit delay, auditor opinion, KAP reputation and company size negatively affected audit delay, while profitability had no effect on audit delay.

Based on the description above, the researcher aims to determine the factors that affect audit delay in financial sector company listed on the Indonesia Stock Exchange from 2019 to 2020. This is motivated by several conditions, namely because the financial sector is a sector that is growing rapidly, especially Banking and financial sector companies have a great responsibility to the community in storing and managing money that has been entrusted to the community, so they have the responsibility to report financial statements in a timely manner, so that people continue to believe in investing their money in these companies.

The factors used in this study are the development of research Armand & Handoko, (2020) namely profitability, solvency and KAP size. The sample used in this study, which consisted of financial sector companies listed on the Indonesia Stock Exchange (IDX) between 2019-2020, is where the study differs from previous ones.

The company size, auditor opinion, company age, and audit committee were another new variable that was added by the researchers.

## **1.2 Problem Statement**

Based on the above background, this study will analyze Company Size, Profitability, Solvency, Auditor pinion, Company age, Audit Committee and KAP Size on Audit Delay in financial sector company listed on the Indonesia Stock Exchange (IDX) in 2019-2020:

1. Does the size of the company influence the audit delay?
2. Does profitability influence audit delay?
3. Does solvency influence audit delay?
4. Does the auditor's opinion influence audit delay?
5. Does the age of the company influence the audit delay?
6. Does the audit committee influence audit delay?
7. Does the KAP size influence audit delay?

## **1.3 Research Objectives**

Based on the formulation of the problem above, this study aims as follows:

1. To analyze the influence of company size on audit delay.
2. To analyze the influence of profitability on audit delay.
3. To analyze the influence of operating solvency on audit delay.
4. To analyze the influence of the auditor's opinion on audit delay.
5. To analyze the influence of company age on audit delay.
6. To analyze the influence of the audit committee on audit delay.
7. To analyze the influence of KAP size on the audit delay.

## **1.4 Research Benefits**

The following are the benefits of this research:

1. For auditors

The results of this research are expected to be considered by the auditors in conducting the audit so that the audit report can be completed on time according to the deadline set by the *Otoritas Jasa Keuangan* (OJK).

2. For the researcher

This research is a means to increase knowledge and insight into the application of theories obtained in college and fulfil the requirements to get a bachelor's degree in Accounting.

3. For further

For researchers, this research is expected to contribute to developing theories regarding the factors that influence audit delay.

## **1.5 Writing Systematic**

1. Chapter 1: Introduction

This chapter explains the problem's background, the problem statement, the research's objectives and benefits, as well as the research's systematic writing.

1. Chapter 2: Literature Review

This chapter explains the literature review in detail, including the theoretical base, previous research, and hypothesis development to describe the relationship between variables and the study hypothesis.

2. Chapter 3: Research Methodology

The type and source of data used, the research design, the data collection method used, the definition and measurement of sample variables, the population and sample size are all discussed in this chapter.

3. Chapter 4: Result and Analysis

This chapter discusses hypothesis testing and the results of these tests on the hypothesis that was stated.



#### 4. Chapter 5: Conclusion

Explain conclusions, research limitations, and recommendations for further research

