

CHAPTER I

INTRODUCTION

1.1 Background

One of the criteria of professionalism of auditors is timely submission of audit reports. Timeliness of companies in publishing financial reports to the general public and the OJK is also dependent on the timeliness of auditors in completing the work. Timeliness is influenced by the benefits of the financial statements themselves. The time difference between the date of the financial statements to the date of the audit opinion on the financial statements indicate about the length of time of completion of the audit work. The important thing noticed by the auditor of the financial statements on time or late and confidentiality of information on the financial statements is not leaked to other parties who are not competence to take effect. But in case the opposite is the case it will cause a delay in the benefits of the information presented become less and less accurate.

Today, the need for financial information a company becomes very important to make the decision to invest. Financial information can be obtained from various sources, one of which is the financial report. The financial statements have an important role in regulating the performance of a company. Information required by the parties concerned can be useful when presented accurately and precisely when it is needed by users of financial statements, but the information is no longer useful when not presented accurately and timely. It can be said that the value of

the timeliness of financial reporting is an important factor for the benefit of those statements.

The financial statements published by go public company reporting time should not exceed the provisions issued by BAPEPAM (renamed OJK) that is 90 days or at the end of the third month after the closing of the fiscal year. This is in accordance with the decision of BAPEPAM 36 / PM / 2003 regarding the obligation periodic report states that the annual financial statements accompanied by an auditor's report with unqualified opinion should be submitted to BAPEPAM no later than the end of three months (90 days) after the date of the financial statements. On the other hand, the audit process takes a long time because the audit process often there any barriers. Obstacles in the delivery of the timeliness of this in accordance with the Standards Public Accountant Examination especially on third standard which states that the audit should be carried out with great precision and accuracy as well as the collection of tools that sufficient evidence. This is what can cause published audited financial statements for longer than a predefined time. The existence of a time interval from the date of closing of the annual financial statements until the date specified in the independent auditor's report referred to the audit report lag or in some studies declared the audit delay.

Delay in these financial statements can have a negative impact on market reaction. The longer the period is delayed, the more doubt about the relevance of financial statements. This happens because in general investors consider financial reporting delay is a bad sign for the company's condition. The length of time of completion of the audit conducted by the auditor visits of the time difference with

the date of the financial statements audit opinion on the financial statements. The time difference is often called the audit delay.

Various audit delay research on this has been done, either from within or outside the country. The study is a continuation of previous studies which derive conclusions about the factors that affect audit delay. According to the study Ashton et al. (1987); Carslaw and Kaplan (1991); Subekti and Widiyanti (2004); and Wirakusuma (2004), large companies reported faster than small companies. In conclusion, the size of the company are factors that affect audit delay. Conversely in the study Kartika (2009), the size of the company has a negative effect on audit delay.

In research Kartika (2009), the audit delay is influenced by several things, including the size of the company, the income of the company, the auditor's opinion, profitability, and reputation of the auditor. While Marhayaacob and Ahmad in his research in 2012, see the audit delay of several factors, among others; adoption of FRS 138, size, debt ratio, loss, audit opinion, the number of the client company, mount fiscal year end, firm size, type of company (industrial-non industry), the proportion of independent director, CEO duality, the proportion of shares the block of independent (> 5 % of shares).

In a study conducted by Kartika (2011), which examines the effect of total assets, operating losses and profits, solvency, profitability, and the auditor's opinion indicates the auditor's reputation and solvency of total assets significantly influence audit delay.

Meanwhile research Yuanita and Satwiko (2012) who studied the effect size public accounting firm, possession income operations, profitability and solvency to

audit delay with the results of operating cash flow negative effect on audit delay while the size of the company, auditor's reputation, ownership, profitability, and solvency does not affect the audit delay.

Based on the above, the researchers intend to examine the phenomena that occur in the textile industry listed on Indonesian Stock Exchange in the period of 2011 to 2015. The reason for the selection of textile industry is the government has identified several industries that are vulnerable to the adverse effects on free competition in Southeast Asia. One of the most vulnerable sectors affected by MEA is the textile industry. Sectors that can be said to be prone to be affected by this MEA is the sector that has the industry's competitiveness is quite low and should be increased.

Based on the description above and the inconsistencies between previous studies, the researchers are interested in doing research titled **“ANALYSIS OF FACTORS AFFECTING AUDIT DELAY (Empirical Study on Textile Industry Listed on Indonesian Stock Exchange Period 2011 to 2015)”**.

1.2 Problem Formulation

The purpose of this study was to determine the factors that affect audit delay in financial reporting at the textile company listed on Indonesia Stock Exchange during the years 2011 to 2015 .As the factors examined in this study is the size of the company, the level of leverage, profit and loss announcement, the auditor's opinion and auditor's reputation.

Thus the problems to be studied in this research are :

1. Are there any affect of company size on audit delay in textile industry listed on Indonesian Stock Exchange during 2011 to 2015 ?

2. Are there any affect of level of leverage on audit delay in textile industry listed on Indonesian Stock Exchange during 2011 to 2015 ?
3. Are there any affect of profit and loss announcement on audit delay in textile industry listed on Indonesian Stock Exchange during 2011 to 2015 ?
4. Are there any affect of auditor's opinion on audit delay in textile industry listed on Indonesian Stock Exchange during 2011 to 2015 ?
5. Are there any affect of auditor's reputation on audit delay in textile industry listed on Indonesian Stock Exchange during 2011 to 2015 ?

1.3 Research Purposes

The research purposes of this study are :

1. Examine and obtain empirical evidence about company size significantly affect audit delay in textile industry listed on Indonesian Stock Exchange during 2011 to 2015
2. Examine and obtain empirical evidence about level of leverage significantly affect audit delay in textile industry listed on Indonesian Stock Exchange during 2011 to 2015
3. Examine and obtain empirical evidence about profit and loss announcement significantly affect audit delay in textile industry listed on Indonesian Stock Exchange during 2011 to 2015
4. Examine and obtain empirical evidence about auditor's opinion significantly affect audit delay in textile industry listed on Indonesian Stock Exchange during 2011 to 2015

5. Examine and obtain empirical evidence about auditor's reputation significantly affect audit delay in textile industry listed on Indonesian Stock Exchange during 2011 to 2015

1.4 Benefit of Research

The benefits of this research:

1. For Auditor: Help identify factors that influence audit delay so as to optimize the performance of which will have an impact on the timeliness of financial reporting.
2. For Academic: Provide a description of the factors that affect audit delay in Indonesia, where the empirical evidence that can be used as additional insights in subsequent research.
3. For Investors: Provides an overview of the factors of what makes an issuer's financial reporting has been delayed in publishing it.

1.5 Writing Systematic

This research is compiled with a systematic writing into five chapters as follows:

Chapter one is an Introduction. It discusses the part of general description that becomes research basic. Consist of background, problem formulation, objectives and benefits of the research and systematic writing.

Chapter two is a Literature Review. It discusses about theory that relation with research problem. In this chapter discusses the theoretical basis, previous researches review framework and development of hypotheses.

Chapter three is a Methodology. It provides overview of plan in doing the research. Along with theories from literature review, this chapter encompasses the

research. These chapters include research and operational definitions of variables, the study sample, the types and sources of data, methods of data collection and data analysis methods.

Chapter four is Results and Discussions. It discusses about the description of the object of research, data analysis and discussion.

The last chapter in this research is Conclusion and Suggestion .Dessert consisted of the conclusions, limitations of the study and suggestion.

