

Chapter V

CONCLUSION

1.1 Conclusion

This research is intended to empirically examine the effect of KAP size, company size, profitability and use of information technology on audit report lag in LQ-45 Index company listed on the Indonesia Stock Exchange. The research was conducted in a period of 5 consecutive years, from 2014– 2018 and covering 24 companies with 120 samples of audited financial statements. Using multiple regression analysis, where the classical assumption test is carried out before hypothesis testing, some conclusions are obtained as follows.

1. The research's result shows that profitability does not affect audit report lag. This research is supported by Safitri et al (2019) who stated that there is no significant effect between profitability level and audit report lag because the auditor must implement both the SOP that has been determined and ethical principles while doing the audit.
2. The indication of the research's result is a negative significant relationship between solvability and audit report lag. Mahendra (2018) is the strong proponent research who stated that a high level of debt to asset ratio company will try to publish the financial statement faster because these creditors want to predict the company's ability to pay off debts in the future and shows that a company has good financial management.
3. The research's results stated that there is a negative significant

relationship between industrial type and audit report lag. The research is supported by Nurahmayani et al (2017) who stated that the financial sector has less complex inventories record than other companies that leads to less material errors occurred than companies engaged in non-financial sector industry. Thus, made the audit report lag in financial sector industry is lesser than non-financial sector industry.

4. The significance level of the research indicates that KAP size has a positive significant effect on audit report lag. Hastuti and Santoso (2017) also supported the result by stated that companies who audited by Big Four KAP will have longer audit report lag than companies who audited by non-Big Four KAP.
5. The significance level of audit tenure in the research reveals there is no significance relation between audit tenure and audit report lag in LQ-45 Index company . The result is supported by Yuliasuty and Situanti (2018) who stated that longer the audit tenure will affect the decision making of the auditor because they has built an emotional relationship one another. Also, company faces variance problems every year. Thus indicates there is no significant effect between audit tenure and audit report lag.
6. The significance level of the result indicate the significant relation between profitability, solvability, industrial type, KAP size and audit tenure as independent variable with audit report lag as dependent variable in LQ-45 Index company period 2014-2018.

1.2 Implication

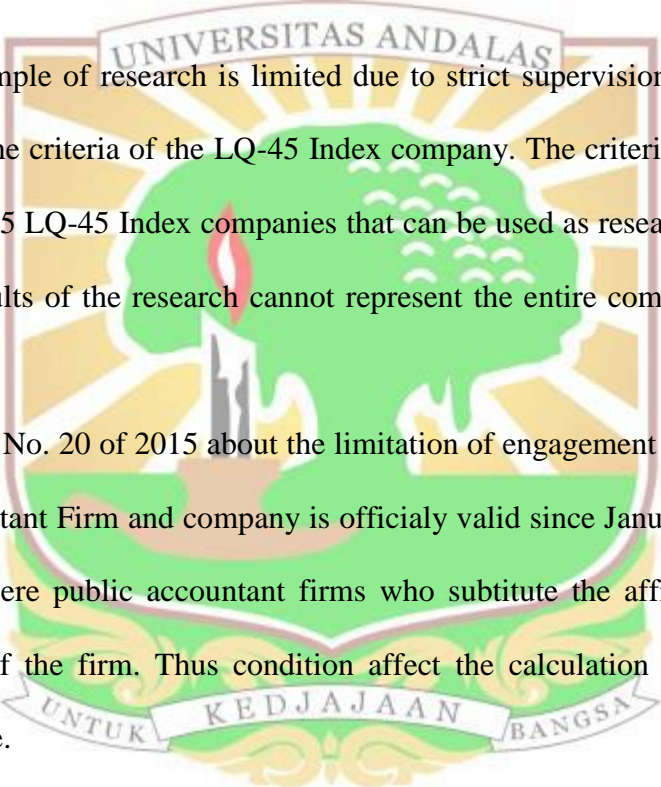
The implication of the research as follows :

1. Audit report lag period represents one of company commitment to obey Financial Services Authority Regulation as an official regulatory organization. In order to follow the rules, the LQ-45 Index company may uses the result of the research to improve the performance for preparing financial statements and adequate with audit process so the audit process will run smoothly and the report is completed in a timely manner.
2. The research provides helpful information for public accountant office to prepare effective audit plan. Also, they may enhanced professional skill for the sake of the quality of audit process provided towards the company. Besides, it will improves the public accountant office reputation among the company. While the auditor be able to assign qualified audit report in timely manner the probability of decreasing the audit report lag period is increased and the company may avoid the sanction from OJK. Thus will be beneficial both for the company and auditor sake.
3. As the external parties of the companies, both shareholder and stakeholder may use the research as the additional information to select the proper company. By reason of audit report lag is one of external parties' criteria for investing and controlling purposes, they may use the research to filter

the good performance company through the quality of audited financial statement provided by the company related.

1.3 Limitation

While preparing the reseach, the limitation face as follow :

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1. The sample of research is limited due to strict supervision from the FSA about the criteria of the LQ-45 Index company. The criteria make only 24 of the 45 LQ-45 Index companies that can be used as research samples, so the results of the research cannot represent the entire company registered in IDX.
 2. The PP No. 20 of 2015 about the limitation of engagement between Public Accountant Firm and company is officialy valid since January 2015. Also, there were public accountant firms who substitute the affiliation and the name of the firm. Thus condition affect the calculation of audit tenure variable.
 3. The LQ-45 Index company in the research are mostly audited by Big-Four KAP. Thus, make the result about the effect of KAP size on audit report lag in the research cannot be generelized thorough companies registered in IDX.

4. Audit tenure as one of the independent variables in this research causes the financial report observation time in this research to be limited to only 5 years, namely 2014-2018.

1.4 Recommendation

Along the research there are some recommendations offered to further development researcher. recommends as follows:

1. To Auditors

This research provides information about audit report lag on LQ-45 Index company. The Auditor needs to put more focus on factors that affect the audit report lag significantly to improve both performance and effectiveness of the audit process. Also, it is necessary for the auditor to prepare better audit plan before the audit process is started, so the audit process can be finished in a timely.

2. To Companies

The company better pay attention on factors that affect the audit report lag, especially internal factors of audit report lag such as profitability, solvability and industrial type. It will improve the quality and timeliness of the unaudited financial statement, so the auditor will have shorter audit period. Also, the deal engagement between auditor and company should have been done long before the audit period is started to give more time for the auditor to understand client business environment both internally and externally. Furthermore, it is crucial for

company to act cooperatively through the whole process of audit and give required data to support the audit process, so audited financial statement will be submitted early.

3. To Researcher

The next researcher shall operate similar research for another company's sector to strengthen the prior results research. Moreover, the next researcher should use another independent variable such as firm complexity, ownership concentration, and financial distress to extend references because the variable in this research only has 46.1% effect to audit report lag.

