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The 4th

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The Strategy of Digital in Business for Gaining Competitive Advantages after Pandemic

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Proceeding Book of The 4th International Conference on Business and Banking Innovations (ICOBBI) 2022 "The Strategy of Digitalization in Business for Gaining Competitive Advantages after Pandemic"

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FOREWORD

Alhamdulillah, praise be to Allah Subhanahu Wa Ta'ala for granting us the opportunity to organize and publish the proceedings of the 4th International Conference on Business and Banking Innovations (ICOBBI) with the topic "The Strategy of Digitalization in Business for Gaining Competitive Advantages after Pandemic". This proceeding contains several researches articles from many fields in Business & Marketing, Banking & Sharia Banking, Accounting & Financial Management, Human Resources Management, Operations Management, Investasi, Insurance & Capital Market, Strategic Management, Technology Management, and Information System.

The 4th International Conference on Business and Banking Innovations was held on 29th January 2022 by virtual (online) zoom meeting and organized by the Master Management Study Program of Universitas Hayam Wuruk Perbanas in Collaboration with five Higher Education Institutions in Indonesia and three Universities from Asia countries. Keynote speakers in this conference were: Chonlatis Darawong, P.hD (Sripatum University, Thailand), Associate Prof. Dr. Ellisha Nasrudin (University of Science, Malaysia), Dr. Sanju Kumar Singh (Postdoctoral Fellowship in Universitas Airlangga, Tribhuvan University Nepal) and Prof. Dr. Abdul Mongid, MA., P.hD (Universitas Hayam Wuruk Perbanas, Indonesia).

I would like to give high appreciation to the Rector of Universitas Hayam Wuruk Perbanas for his support at this event. Acknowledgments and thank you to all the steering and organizing committees of the ICOBBI for the extra ordinary effort during the conference until this proceeding published. Thank you very much to all presenter and delegates from various Universities. Beside it, I would like to express our gratitude to the three universities, namely Universitas 17 Agustus Surabaya, STIE YKPN Yogyakarta, Universitas Negeri Gorontalo, Universitas Surabaya and Universitas Muhammadiyah Surakarta which has been the co-host of this event.

Hopefully, the proceeding will become a reference for academics and practitioners, especially the business and banking industry to get benefit from the various results of the research field of Business and Banking associated with Information Technology. Proceedings also can be accessed online on the website http://eprints.perbanas.ac.id/

Chair of the Master Management Study Program
Universitas Hayam Wuruk Perbanas

Prof. Dr. Tatik Suryani, M.M.

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The 4th ICOBBI

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Analysis of Factors Affecting Audit Report Lag

Mining Companies Listed On the Indonesia Stock Exchange 2018-2020

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ABSTRACT

The company's timeliness in presenting financial statements is an important factor, because if there is a delay in the presentation of financial statements it can make the benefits of the information provided less relevant for users of the information. This study aims to analyze the effect of financial distress, firm size, auditor turnover, profitability and solvency on audit report lag.The sampling technique in this study used a purposive sampling technique in order to obtain 54 samples that met the criteria. The research was conducted on mining companies listed on the Indonesia Stock Exchange for the 2018-2020 period as research objects. Data analysis used multiple linear regression analysis. The results showed that financial distress, firm size, auditor turnover, profitability, and solvency had no effect on audit report *lag*.

Keywords: audit report lag, financial distress, company size, auditor turnover, profitability, solvency.

1. INTRODUCTION

The financial statements of each company are used to convey information about the financial position and financial performance. Financial statements are the result of management's accountability for the use of resources used for the survival of the company. In 2019, in the announcement of the Indonesia Stock Exchange (IDX), as of August 2020 there were 26 listed companies that had not submitted audited financial statements as of December 31, 2019. Financial statements must be audited by a public accountant, with the aim of providing an audit opinion, meaning whether the financial statements are in accordance with with reporting standards. Dyer & McHugh (1974) concluded that the timeliness of financial reporting is a key element for adequate financial statement records

According to several researchers such as Tiono & Jogi C. (2013) in their research using the purposive sampling method with as many as 600 company samples. The results of this study indicate that the independent variable can explain the dependent variable by 2.6%; others are explained by other factors. In this study, audit opinion, profitability, company size, and KAP reputation have no effect on audit report lag.

Some researchers argue that there are several factors that can affect audit report lag such as financial distress, company size, auditor turnover, profitability, and solvency. For financial distress, research by Paulalengan and Ratnadi (2019) says that companies in financial difficulties take longer to publish their financial statements. The results of research by Pramesti and Suputra (2019) and Praptika and Rasmini (2016) financial distress has a significant positive effect on audit report lag. Putri and Latrini (2018) and Sugita and Dwirandra (2017) give different results, financial distress has a negative and significant impact on audit report lag. Research by Sofiana et al. (2018) and Budiasih and Saputri (2014) say that financial distress has no effect on audit report lag

Good internal control is usually owned by large companies, and external auditors are quite quick and easy to complete the audit. Research by Saemargani (2015:3) and Dewangga and Laksito (2015) argues that company size can have a significant effect on audit report lag. This opinion is rejected by Daratika's research (2018), company size can have a positive and significant effect on audit report lag, while company size has no effect on audit report lag proposed by Dura (2017).

According to research by Rustiarini and Mita (2013), companies that experience a change of auditors will need time for the new auditors to identify the characteristics of the client's business and the system used by the company. This can take up the auditor's time during the auditing process which then causes the submission of audited financial statements to be late. Different results were obtained in the research of Listiana and Tri (2012) and Putra and Sukirman (2014) which in their research concluded that auditor turnover had no effect on audit report lag.

2. LITERATURE

1.1. Audit Report Lag

The delay in the audit report is the time span for the audit of the annual financial report, measured by days from the closing of the book, namely December 31 to the date stated in the independent auditor's report, namely when the independent auditor leaves the audit field. Audit report lag is the length of audit completion time measured from the closing date of the financial year to the date of issuance of the audit report (Bustaman and Kemal, 2020:112). The length of time for the completion of the audit, known as audit report lag, will affect the timeliness in the publication of audited financial report information. Companies with financial conditions are bad news for the market, companies tend to delay submitting financial statements to the public and the longer the audit report will be delayed.

1.2. Financial Distress

Ross, et. Al (2013:233) financial distress is a condition when the company's operating cash flow is insufficient to meet current obligations. The problem of financial distress if not addressed immediately will end in bankruptcy. According to Kamaludin (2015:4) the notion of financial distress is one of the characteristics of a company that is being hit by financial problems. The problem of financial distress if not addressed immediately will end in bankruptcy. The financial difficulties faced by the company have resulted in management having to think extra to take actions that can make the company healthy.

H_1: Financial distress has an effect on audit report lag.

1.3. Company Size

Company size is a function of the speed of financial reporting. The size of the company is also influenced by operational activities, the variability and level of sales of the company will affect the speed in presenting financial reports to the public (Rachmawati, 2008:3). According to Agustia and Suryani (2018), company size is a scale where large and small companies can be classified in various ways, including total assets, log size, sales, and market capitalization. A larger company whose shares are widely spread will be more daring to issue new shares to meet its needs to finance sales growth than a smaller company. The larger size of the company is the tendency to use greater debt to meet their funding needs than small companies (Riyanto, 2010).

H_2: Firm size has an effect on audit report lag.

1.4.Auditor Change

Auditor turnover is a decision-making action planned by publicly traded companies to increase the value of their companies. Auditor changes are one of the common decision-making actions for companies that go public to increase their profits. The act of changing the auditor is carried out with full consideration because it will have a major impact on the company, such as: the level of investor confidence to want to invest in the company, the accuracy and accuracy of the data presented by the selected KAP and suggestions that will be given by the KAP based on the audit results to the company.

H_3: Changes in auditors have an effect on audit report lag.

1.4. Profitability

Profitability shows the company's ability to generate profits for a certain period of time. Profitability is a ratio to assess the company's ability to seek profit (Kasmir, 2011:196). The company has the ultimate goal to be achieved, namely to obtain maximum profit or profit, in addition to other things. By obtaining maximum profit as targeted, the company can do much for the welfare of owners, employees, as well as improve product quality and make new investments. Therefore, company management in practice is required to be able to meet the targets that have been set (Amelia and Hernawati, 2016).

H_4: Profitability has an effect on audit report lag.

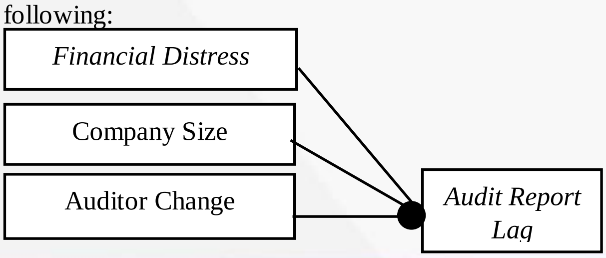
1.5. Solvency

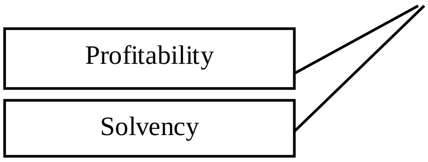
Solvency is a financial ratio that measures the company's ability to meet obligations, both short-term debt and long-term debt (Hanafi and Halim, 2009:81). The company has the ultimate goal to be achieved, namely to obtain maximum profit or profit, in addition to other things. By obtaining maximum profit as targeted, the company can do much for the welfare of owners, employees, as well as improve product quality and make new investments. Therefore, company management in practice is required to be able to meet the targets that have been set (Amelia and Hernawati, 2016). Solvency is proxied by the ratio of total debt to assets, the high ratio of debt to assets reflects the high financial risk of the company. The high proportion of liabilities will also increase the financial risk borne by the company. This risk indicates the possibility that the company will not be able to pay off its obligations or debts in the form of principal or interest.

H_5: Solvency has an effect on audit report lag.

3. CONTEPTUAL FRAMEWORK

This study examines the effect of financial distress, company size, auditor turnover, profitability, solvency so that The analytical model used is the analysis simple regression to test the effect it, as shown in the picture following:





4. METHOD

The population in this study is all companies listed on the Indonesia Stock Exchange (IDX) with a research sample of mining company registered in BEI 2018-2020. This research uses purposive sampling method technique with criteria: first, mining companies consecutively listed on the IDX for the 2018-2020 period. Second, mining companies published the IDX annual report for the period 2018-2020. Third, mining companies which publishes annual reports in Rupiah currency currency units on the IDX for the period 2018-2020. Based on predetermined criteria, the number of mining companies listed on the BEI period 2018-2020 as many as 52 companies, there are 54 companies that can be used as research samples. The data analysis used in this research is multiple linear regression analysis.

5. RESULTS AND DISCUSSION

Measurement of audit report lag in this study refers to previous research. Measurement of audit report lag is the date of the audit report compared to the date of the financial statements. Measurement of financial distress using formulas related to assets, profits, and sales. Measurement of the size of the research company is based on the company's total assets. Measurement of auditor turnover in this study refers to previous research using a dummy variable. If the company changes, it will be given a value of (1), and if not, it will be given a value of (0). Profitability measurement is done by comparing the net income owned to total assets. Solvent measurement is done by comparing total debt with total assets in the company. This study aims to test H1, H2, H3, H4, and H5. The hypothesis in this study is shown through the research equation.

$$ARL = \alpha + \beta 1FD + \beta 2UKP + \beta 3PADT + \beta 4PRF + \beta 5SLV + e$$

Description:

ARL	= Audit Report Lag
FD	= Financial Distress
UKP	= Company Size
PADT	= Auditro Change
PRF	= Profitability
SLV	= Solvency

5.1 HYPOTHESIS TEST

1. Based on table 1 the value of Sig. financial distress shows a value of 0.128 (0.128 > 0.05). It can be concluded H1 rejected, so it can be concluded that IC (VAIC) has no significant effect to audit report lag.
2. The firm size variable is known to have tcount (-1.666) smaller than ttable (1.677) and a significance value of 0.102 is greater than = 0.05, so it can be concluded that firm size has no significant effect on audit report lag.

3. The auditor turnover variable is known to have tcount (1.103) less than ttable (1.677) and a significance value of 0.276 greater than = 0.05, so it can be concluded that auditor turnover has no significant effect on audit report lag.
4. The profitability variable is known to have tcount (-0.361) smaller than ttable (1.677) and a significance value of 0.720 is greater than = 0.05, so it can be concluded that profitability has no significant effect on audit report lag.
5. The solvency variable is known to have tcount (-0.037) which is smaller than ttable (1.677) and a significance value of 0.970 is greater than = 0.05, so it can be concluded that solvency has no significant effect on audit report lag.

5.2 DISCUSSION

Based on the results of the analysis above, then discussion of the effect of these variables on audit report lag as follows:

5.2.1 Effect of Financial distress on Audit Report lag

The results showed that financial distress had no significant effect on audit report lag. Based on the results of statistical testing, the hypothesis proves that financial distress has no significant effect on audit report lag. This is because not all companies experiencing financial distress will experience audit report lag, because auditors who work professionally will work according to the schedule for completing the previously agreed audit report. So that the auditor can minimize audit risk which will affect the audit report lag. This is in line with the research conducted by Budiasih and Saputri (2014) which states that financial distress has no effect on audit report lag.

5.2.2 Effect of Company Size on Audit Report lag

The results of the study indicate that the size of the company has no significant effect on audit report lag. Large-scale companies will usually have information systems, internal control systems, and human resources that are more qualified so that it will facilitate the performance of external auditors to carry out a more efficient audit process. In addition, large-scale companies are considered to have a good reputation and performance so that they will submit financial reports as quickly as possible to maintain a positive view and response from the market. The results of this study are consistent with the research of Ekaputri & Apriweni (2019), which shows the results of the study that company size has no effect on audit report lag.

5.2.3 Effect of Auditor Change on Audit Report lag

The results showed that the change of auditors had no significant effect on audit report lag. Even if a company changes auditors, it will not affect the length of time for completion of the audit. The new auditor will carry out audit planning first before carrying out the audit process. Changes in auditors of a company can be carried out long before the end date of the fiscal year, so it will not affect the length of the audit completion process. The results of this study are consistent with the research of Widhiasari and Budiartha (2016), which shows the results of the study that auditor turnover has no effect on audit report lag.

5.2.4 Effect of Profitability on Audit Report lag

The results showed that profitability had no significant effect on audit report lag. Companies that have low profitability also tend to report financial statements in a timely manner. This is due to the provisions of BAPEPAM which requires every company listed on the Indonesia Stock Exchange to report its annual financial statements no later than 90 days after the balance sheet date. delays can be in the form of fines, written warnings, business freezes or business revocations. Every company, whether it has high or low profitability, tends not to want to take risks and chooses to report its financial statements in a timely manner. The results of this study are consistent with the research of Tiono and Jogi (2013) which states that profitability has no effect on audit report lag.

5.2.5 Effect of Solvency on Audit Report lag

The results show that solvency has no significant effect on audit report lag. Companies with a high level of solvency will not affect the length of time for completion of the audit. Although the company has obligations to creditors for its debts, it does not mean that companies with large proportions of debt have the responsibility to be quick in completing and submitting audits of their financial statements. This returns to the performance of a company in maintaining its reputation to creditors and the company's desire to remain a going concern. The results of this study are consistent with the research of Priantoko and Herawaty (2019), which shows that solvency has no effect on audit report lag.

6. CONCLUSION

Based on the results of the analysis and discussion that have been described in the previous chapter, it can be concluded that: Financial distress has no effect (statistically not significant) on audit report lag, so H_1 of this study was rejected. Firm size has no effect (not statistically significant) on audit report lag, so H_2 in this study is rejected. Auditor change has no effect (statistically not significant) on audit report lag, so H_3 in this study is rejected. Profitability has no effect (statistically not significant) on audit report lag, so H_4 in this study is rejected. Solvency has no effect (not statistically significant) on audit report lag, so H_5 in this study is rejected.

AUTHORS' CONTRIBUTIONS

Further research is recommended to add a sample of companies by expanding the sector to be sampled. Further research is recommended to add a period of research so that the data is much more accurate and add independent variables to analyze other factors in detecting audit report lag that have not been used in this study.

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