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THE EFFECT OF COMPANY SIZES AND PROFITABILITY ON AUDIT REPORT LAG IN AUTOMOTIVE COMPANIES THAT LISTED IN INDONESIA STOCK EXCHANGE

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ABSTRACT

This study aims: 1) to determine and analyze the effect of company size on audit report lag on Automotive companies listed on the Indonesia Stock Exchange, and 2) to determine and analyze the effect of profitability on audit report lag on Automotive companies listed on the Indonesia Stock Exchange. Data collection was carried out through documentation techniques in the form of financial statements for 5 years from 2013 to 2017 with the type of data pooling research. Automotive company research subjects listed on the Indonesia Stock Exchange. The data analysis method used in this study is the multiple regression equation. The results show that 1) Large companies generally have a good internal control system and are closely monitored by investors, capital supervisors, and the government so as to reduce errors in the presentation of financial statements and facilitate auditors in conducting the audit process, so that the completion of the audit will be faster, and 2) Companies that have high or low profitability do not affect the timeliness in submitting financial statements, where companies that have a higher level of profitability do not need time in auditing financial statements as soon as expected.

Keywords: *Company Size, Profitability, Audit Lag Report*

PRELIMINARY

Submission of financial statements states that on time is an obligation for companies listed on the IDX demands for compliance with the timeliness in presenting financial statements to the public in Indonesia has been regulated in Law No.8 of 1995 concerning the Capital Market, and in 2003 regulation No. XK was issued 2 of 2003, concerning the Decree of the Chairperson of the Capital Market Supervisory Agency Number: KEP-36 / PM / 2003 concerning Obligations to Submit Periodic Financial Statements, which states that the annual financial statements are accompanied by accountants' reports with the usual opinion that must be submitted to BAPEPAM no later than the end of the end third month (90 days) after the date of annual financial statements.

Delay in the publication of financial statements may indicate problems in the issuer's financial statements. Financial statements should be presented at time intervals to explain the changes that occur in the company that might affect users of information in making predictions and decisions. The delay in information will cause a negative reaction from capital market players. Because the audited financial statements which contain information on profits generated by the company concerned are used as a basis for making decisions to buy or sell ownership owned by investors. Audit report lag is the period of time between the date the company financial year ends until the date of the audit report.

Audit report lag that exceeds the deadline for BAPEPAM provisions, naturally results in delays in the publication of financial statements. The time difference between the date of financial reporting and the date of the independent auditor's report indicates the length of time the audit was completed by the auditor. This time difference is often called an audit report lag. Facts on the IDX show that every year there are still companies that are late in submitting their financial statements. Following up on public companies that were late in submitting financial statements, Bapepam and LK imposed administrative sanctions and fines, the Indonesia Stock Exchange (IDX) also gave sanctions and fines to public companies that were late in submitting audited annual financial statements beyond the time limit set by the bourse. The Indonesia Stock Exchange (IDX) through the decision of the directors of the Jakarta Stock Exchange No. 306 / BEJ / 07-2004 issued periodic registration rules Number I-E regarding the obligation to submit information, the deadline for submission is adjusted to the Bapepam regulation No.X.K.2.

The size of the company according to Dyer and McHugh in Saputryasto and Sastradipraja (2015) states the size of the company has a significant and negative influence that management of large companies has the drive to reduce audit delays and audit report lags. Company size has a significant and negative influence on audit report lag that the greater the total assets owned by a company, the smaller the audit report lag. but according to the research of Hossain and Taylor in Sastrawan and Latrini (2016) states the size of the company has a direct effect that is significant and positive on audit report lag.

Profitability shows the ability of the profits obtained by the company during a certain time period. According to Fahmi (2011) this ratio measures the overall effectiveness of management aimed at the size of the level of profits obtained in relation to sales and investment. Of the many existing profitability ratios, this study uses the ROA (return on asset) ratio. This is based on Fahmi (2011) explanation that ROA is used to see the extent to which the investment that has been invested is able to provide a return on profit as expected. According to Saputryasto and Sastradipraja, (2015) companies that have a higher level of profitability require time in auditing financial statements more quickly because they have to deliver good news as soon as possible to the public. Saputryasto and Sastradipraja (2015) research results concluded that profitability has no effect on audit report lag.

LITERATURE STUDY AND HYPOTHESIS DEVELOPMENT

Financial Report

The decision of the chairman of the Capital Market Supervisory Agency (BAPEPAM) and Financial Institution (LK) Number: KEP-346 / BL / 2011 requires each issuer listed on the IDX to submit an annual financial report accompanied by an accountant's report in the framework of an audit of the financial statements containing audit opinions from the accountant to Bapepam and LK no later than 3 months (90 days) after the date of the annual financial statements. On August 1, 2012 BAPEPAM and LK issued regulation XK 6 in Attachment Number: Kep-431 / BL / 2012 stating that issuers or public companies whose registration statements have become effective must submit financial reports and accountant reports to Bapepam and LK no later than 4 months after the book year ends. In this study the time limit used is 3 months (90 days) after the date of the annual financial statements.

Financial statements are one important instrument in supporting the sustainability of a company, because financial statements have a role in the process of measuring and evaluating the performance of a company. Financial statements must be completely complete before submitting to users of financial statements because users of financial statement information require the actual reports that are presented on time (Dura 2017). Indonesian Institute of Accountants in the Basic Framework for the Preparation and Presentation of Financial Statements Financial Accounting Standards (PSAK) No. 1 of 2012 explains that the financial statements are the result of management's responsibility for the use of resources provided by the company or entity.

Company Size

Company size is a company size that shows the size of the company. Ramadhan (2016), the size of a company can be seen from the amount of wealth or total assets owned by the company. Companies that have large wealth tend to get high pressure from external parties such as investors, capital supervisors from the government on the performance of company management on the information available in the financial statements compared to companies that have little wealth. This can lead to a tight management system regarding internal control owned by the company to oversee the activities of the company has been running in accordance with company goals and applicable regulations (Dura, 2017).

Aryandra and Mauliza (2018) stated the size of the company is the size of the size of the company seen from the size of the total assets. The bigger the company the faster in reporting its finances compared to smaller companies. Company size can be assessed in several ways. Machfoedz in Febriyanti (2011), the size of the company can be based on the value of total assets, total sales, market capacity, number of workers and so on. The greater the value of these items, the greater the size of the company. The size of the company is a determinant of a company can continue its business or can not continue its business in the years to come. Larger companies tend to be able to maintain business continuity than smaller companies (Ramadhan, 2016).

Profitability

Munawir (2014), profitability is the ability of a company to generate profits for a certain period. The profitability ratio provides the final answer for company management because this profitability ratio provides an overview of the effectiveness of company management. Mulyadi (2010), profitability is a company's ability to generate profits in a certain period either through assets or through owned capital. The company is considered successful if it has high profitability. That way, investors are increasingly interested in investing because they think that they will get a large profit. Furthermore, the share price will be pushed up due to the demand to buy shares from investors. Profitability is a measure of the success of a company's decisions in its efforts to generate profits.

According to Jogiyanto (2014), profitability ratio is the ability of a company to operate in the long run depending on the acquisition of an adequate level of profit.

Riyanto (2011), strategically managed companies generally have profit goals, which are usually expressed in terms of shares per share or a rate of return on equity. Kasmir (2014) profitability ratio is a ratio to assess a company's ability to seek profits. This ratio also provides a measure of the effectiveness of a company's management. This is shown by the profits generated from sales and investment income. According to Harahap (2010) is a description of the company's ability to get profits through all capabilities, and existing sources such as sales, cash, capital, number of employees, number of branches.

Audit Report Lag

Audit report lag considered to be an important factor for companies, investors, regulators and external auditors. It is believed that audit report lag affects the timeliness of financial reporting which in turn affects the uncertainty of accounting information and the market reaction to the release of accounting information. In particular, audit report lag increases with an increase in the extent of audit work. Agoes (2012: 68), to determine whether the financial statements are in accordance with generally accepted accounting standards, auditors must conduct substantive tests to determine whether the company's financial statements contain errors or other material misstatements.

Ramadhan (2016), audit report lag is the length of time the completion of the audit is seen from the closing date of the financial year to the date the audit report is issued. The determination of the issuance of audited financial statements is very important for the company and the use of financial statements. The timely delivery of the company's financial statements that has been audited by an independent auditor helps the company to avoid fines for delays imposed according to the decision of the Directors of PT. Jakarta Stock Exchange Number: Kep-307 / BEJ / 07-2004. The factors that cause the length of time for the completion of the audit are not limited to internal factors, but also to external factors as well.

RESEARCH METHODS

Research Approach

This research approach is quantitative, Sugiyono (2014), which is a research method based on positivism philosophy and used to examine specific populations or samples.

Population and Samples

The population in this study is the Automotive companies listed on the Indonesia Stock Exchange in the period 2013 to 2017 amounted to 13 companies. The sample used is an Automotive company listed on the Indonesia Stock Exchange from 2013 to 2017 that meets the criteria in this study. The method used is purposive sampling which is a type of non-random sample selection whose information is obtained using criteria. Based on predetermined criteria, the number of samples obtained was 9 Automotive companies listed on the Indonesia Stock Exchange with 45 observations.

Method of Analysis

The hypothesis to be tested in this study is related to the effect of company size and profitability on audit report lag. And to test and answer these hypotheses, the analytical method used in this study is the multiple regression equation

RESEARCH RESULTS AND DISCUSSION

Company Size

Based on the results of the analysis it is known that the size of the company measured by Ln Total Assets in Automotive companies listed on the Indonesia Stock Exchange for 5 years, namely the period of 2013 to 2017 has increased every year for 7 companies. The highest average Ln Total Assets seen in 2017 was 15.59%. While the lowest average Ln Total Assets seen in 2013 was 15.22%. During the period of 2013 to 2017 the highest average Ln Total Assets was achieved by Astra International, Tbk (ASII), with an average of 19.33%. Whereas Ln Total Asset was the lowest achieved by Garuda Metalindo, Tbk (BOLT), with an average of 13.76%.

In 2013, Astra International, Tbk (ASII) had the highest total Ln Asset of 19.18. Whereas Garuda Metalindo, Tbk (BOLT) has the lowest Total Asset Ln which is 13.61%. In 2014, Astra International, Tbk (ASII) had the highest Total Asset Ln, amounting to 19.28. Whereas Garuda Metalindo, Tbk (BOLT) has the lowest

Total Asset Ln which is 13.72%. In 2015, Astra International, Tbk (ASII) had the highest Total Asset Ln of 19.32. Whereas Garuda Metalindo, Tbk (BOLT) has the lowest Total Asset Ln which is 13.73%. In 2016, Astra International, Tbk (ASII) had the highest Total Asset Ln which was 19.50%. Whereas Garuda Metalindo, Tbk (BOLT) has the lowest Total Asset Ln which is 13.99%.

Profitability

Based on the results of the analysis it is known that profitability as measured by return on assets (ROA) in Automotive companies listed on the Indonesia Stock Exchange for 5 years, namely the period from 2013 to 2017 fluctuates every year for 7 companies. The highest average return on assets (ROA) seen in 2014 was 9.32%. While the lowest average return on assets (ROA) was seen in 2015 at 6.63%. During the period of 2013 to 2017 the highest average return on assets (ROA) was achieved by Selamat Sempurna, Tbk (SMSM), with an average of 21.95%. While the lowest return on assets (ROA) was achieved by Nipress, Tbk (NIPS), with an average of 3.28%.

In 2013, Selamat Sempurna, Tbk (SMSM) had the highest return on assets (ROA) of 19.88. While Indo Kordsa, Tbk (BRAM) has the lowest return on assets (ROA), which is 2.32%. In 2014, Selamat Sempurna, Tbk (SMSM) had the highest return on assets (ROA) of 24.09. Whereas Nipress, Tbk (NIPS) has the lowest return on assets (ROA) at 4.15%. In 2015, Selamat Sempurna, Tbk (SMSM) had the highest return on assets (ROA) of 20.78. While Indospring, Tbk (INDS) has the lowest return on assets (ROA) at 0.08%. In 2016, Selamat Sempurna, Tbk (SMSM) had the highest return on assets (ROA) of 22.27. Whereas Indospring, Tbk (INDS) has the lowest return on assets (ROA) at 2.00%. In 2017, Selamat Sempurna, Tbk (SMSM) had the highest return on assets (ROA) of 22.73. Whereas Nipress, Tbk (NIPS) has the lowest return on assets (ROA) at 2.32%.

Audit Report Lag

Based on the results of the analysis it is known that the audit report lag on Automotive companies listed on the Indonesia Stock Exchange for 5 years, namely the period 2013 to 2017 varies each year for 7 companies. The fastest audit lag report is seen in 2013 for 80 days. While the average audit report lag is the slowest seen in 2014 for 91 days. During the period of 2013 to 2017, the average audit report lag was the fastest to be achieved by Astra International, Tbk (ASII), with an average of 76 days. While the average audit report lag is the slowest achieved by Garuda Metalindo, Tbk (BOLT) and Indospring, Tbk (INDS), with an average of 97 days.

In 2013, Astra International, Tbk (ASII) had the fastest audit report lag for 66 days. While Garuda Metalindo, Tbk (BOLT) has the latest audit report lag, which is 97 days. In 2014, Indospring, Tbk (INDS) had the fastest audit report lag for 76 days. Whereas Nipress, Tbk (NIPS) has the latest audit report lag, which is 114 days. In 2015, Nipress, Tbk (NIPS) had the fastest audit report lag, which was 76 days. Whereas Indospring, Tbk (INDS) has the latest audit report lag, which is 110 days. In 2016, Astra International, Tbk (ASII), Indo Kordsa, Tbk and Selamat Sempurna, Tbk had the fastest audit report lag, namely 76 days. Whereas Indospring, Tbk (INDS) has the latest audit report lag, which is 103 days. In 2017, Selamat Sempurna, Tbk had the fastest audit report lag for 74 days. Whereas Indospring, Tbk (INDS) has the latest audit report lag, which is 110 days.

The analysis shows that the most dominant variable affecting audit report lag is the company size variable measured by Ln total assets (X1), because the Beta Standardized Coefficients value is greater than the profitability variable measured by return on assets (X2). To facilitate the discussion of research results, the test results for each research hypothesis will be explained, are:

1. ***Effect of Company Size on Audit Lag Report***

The effect of company size as measured by Ln total assets on audit report lag on Automotive companies listed on the Indonesia Stock Exchange, indicates a positive and significant direction of influence. This means that the company size variable measured by Ln total assets affects the audit report lag in Automotive companies listed on the Indonesia Stock Exchange for 5 years, 2013 to 2017. This result means that increasing company size is measured by Ln total assets effect on increasing audit report lag.

The results showed that large companies generally have a good internal control system and are closely monitored by investors, capital supervisors, and the government so as to reduce errors in the presentation of financial statements and facilitate auditors in conducting the audit process, so that the completion of the audit will be faster. Large-scale company management tends to be given incentives to reduce audit delay because the company is closely monitored by investors, capital supervisors and the government. Therefore, large-scale companies tend to face higher external pressure to announce the audit earlier. The greater the company's assets, the shorter the audit report lag and vice versa, because in general large companies are monitored by investors, capital supervisors, and the government so there is a tendency to reduce audit report lag.

2. ***Effect of Profitability on Audit Lag Report***

The effect of profitability as measured by return on assets on audit report lag on Automotive companies listed on the Indonesia Stock Exchange, indicates a positive and insignificant direction. This means that the profitability variable measured by return on assets does not affect the audit report lag on Automotive companies listed on the Indonesia Stock Exchange for 5 years, namely 2013 to 2017. This result means that profitability as measured by return on assets does not increase. effect on increasing audit report lag. The results of this study indicate that companies that have high or low profitability do not affect the timeliness in submitting financial statements, where companies that have a higher level of profitability do not need time in auditing financial statements more quickly as expected. This is because high profitability is considered as good news (good news), so the company wants to immediately deliver the good news to the public. The company hopes the good news will immediately get a positive response from the public. This is because companies that obtain greater profits have no reason to postpone the issuance of audited financial statements or even tend to accelerate the issuance of audited financial statements, because companies that experience greater profits will attract potential investors to buy shares so that it will cause an increase in stock prices. Conversely, if the company makes a small profit it will try to slow down the issuance of audited financial reporting.

CONCLUSION

Based on the results of research and discussion that has been stated, the conclusions in this study are: (1) Company size variables have a positive and significant effect on audit report lag on Automotive companies listed on the Indonesia Stock Exchange. (2) The profitability variable has a positive and not significant effect on audit report lag on Automotive companies listed on the Indonesia Stock Exchange.

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