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Influence Financial Distress, Firm Size, and Leverage on Audit Delay with Auditor Reputation as Moderating Variable

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Abstract
This study aims to examine how much influence Financial Distress, company size, and Leverage have on Audit Delay with Auditor Reputation as a Moderating Variable in All Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX) for the 2015-2019 Period. Sampling in the study using the method of purposive sampling obtained 32 companies with a research period of 5 years. The analytical method used in this study is panel data regression analysis with Fixed Effect estimation results using Eviews 9. The results showed that financial distress partially had a positive effect, company size partially had a positive and significant effect on audit delay, while leverage had a positive effect on audit delay.

Keywords: Financial distress, firm size, leverage, auditor reputation

1. Introduction

At the present time the development of activity on the Indonesia Stock Exchange (IDX) is increasing, which is marked by the development of go public companies in Indonesia. Companies listed on the IDX are required to comply in submitting audited financial statements on a regular basis and publishing their audited financial statements as a form of management to investors, so that investors can assess the performance of public companies. Compliance with submitting audited financial reports in a timely manner is emphasized by the existence of regulations regarding the maximum time limit required for issuers to submit audited financial statements to interested parties.

Regarding the regulation of the Financial Services Authority (OJK) issued a new regulation Number: 29/POJK.04/2016 regarding the annual report of issuers or public companies in article 7 paragraph (1) it is stated that issuers or public companies are required to submit annual reports to the financial services authority (OJK) no later than the end of the fourth month (120 days) after the last financial year. The timeliness of submitting the financial statements of public companies is one of the important factors for presenting relevant information as one of the qualitative characteristics of financial statements. However, in reality, there are still many companies in the mining sector that receive sanctions due to being late in submitting financial reports.

Regarding the impact of the spread of the corona virus that is happening at the moment related to the financial statements, the Financial Services Authority (OJK) loosened the deadline for submitting reports and holding the General Meeting of Shareholders (GMS). 19) in Indonesia. "We have conveyed this through the OJK letter to the financial services industry players," said OJK Deputy Commissioner for Public Relations and Logistics, Anto Prabowo in a press release in Jakarta. The letter stated that the status of certain emergency situations due to the corona virus disease outbreak that was determined by the government until May 29, 2020, could affect the ability of capital market industry players to hold GMS, prepare and submit financial reports, as well as reports in a timely manner.

Audit delay is the time difference between the end of the physical year with the date of issuance of the audit report. The time span of the annual financial statement audit, measured based on the number of days required to obtain the independent auditor's financial report on the company's annual financial report audit, from the closing date of the company's books, which is December 31, until the date stated on the independent auditor's report (Imam & Siska, 2018).

Another factor that affects audit delay is financial distress, which is a condition where the company is facing financial difficulties, which can be seen from the company's inability to pay its obligations.

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Situations that describe financial distress are bankruptcy, failure, and the company's inability to pay debts. The characteristics of a company experiencing financial distress is a significant change in the composition of assets and liabilities where there is a high comparison between assets and debt. If financial distress occurs, it will have an impact on the greater the risk experienced by the company. with the increased risk, it will result in a longer audit delay because the auditor must carry out a risk check before carrying out the audit process and has an impact on the length of the audit process (Sawiti Candra et al, 2018).

Another factor that affects audit delay is company size. According to Fauziyah (2016) the size of the company is the size of a company in various ways, among others, expressed by the amount of wealth (total assets), stock market value, number of sales, number of workers, and the total fixed book value of the company. Company size is measured by using the total assets owned by the company, meaning that the size of a company is determined from the total assets owned by the company. Large companies usually have an incentive to reduce audit delays and financial statement delays because large companies are closely monitored by investors, trade associations, and regulatory agencies. Large companies also have a larger allocation of funds to pay audit fees, so that large companies tend to have shorter audit delays compared to small companies.

Furthermore, the factors that influence audit deley is leverage. Leverage is a measurement of the local government's ability to meet its financial obligations, both short-term and long-term. If the company has a high leverage ratio, the risk of the company's loss will increase. Therefore, to gain confidence in the company's financial statements, the auditor will increase his prudence so that the audit delay range will be longer. The higher the level of leverage, the lower the level of audit delay. This is based on the assumption that the higher the level of leverage, the higher the level of debt. The higher the level of debt, the more creditors who supervise the performance of the government so that the government will prepare its financial statements more quickly because the government must be responsible for the funds provided by creditors. (Bakar Putra Maidelfian 2019).

The reputation of the auditor can increase the credibility of the report, the company uses the services of an auditor who has a reputation or good name. Most experienced auditors generally have a better intuition in detecting an abnormality. Companies that use the services of the Big Four Accounting Firms tend to be on time in submitting their financial reports. Accounting Firms with a good reputation will be judged to be more efficient in conducting the audit process and will produce information that is in accordance with the fairness of the company's financial statements. Companies that use the services of the Big Four Accounting Firms tend to be on time in submitting their financial reports (Verawati and Wirakusuma, 2016).

In Ariyanto Dodik's research (2019) the effect of financial distress, company size, and leverage on audit delay as moderating variables. (all Manufacturing Companies Listed on the Indonesia Stock Exchange 2015-2019). The researcher concludes that the higher the value of financial distress, the longer the audit delay. Therefore, financial distress has a positive effect on audit delay, the larger the company size, the shorter the audit delay. This is because the larger the company, the company has a good internal control system so that it will reduce the level of financial statement errors, and on leverage the researchers conclude that leverage has no effect on audit delay, because companies that have both high and low leverage levels will still minimize audit delay. to increase the level of confidence in creditors that the company remains in a healthy condition.

The results of Muliantari's research (2017) state that this increased risk can result in a longer audit delay because the auditor must carry out a risk check before carrying out the audit process and has an impact on the length of the audit process. So the company is considered influential. against audit delays. Companies that are considered to be experiencing financial difficulties when the higher the value of the financial distress ratio. Higher financial distress in the company will cause a long audit delay, while audit delay will be shorter when financial distress is low. Meanwhile, research by Imelda Siahaan et al, (2019) in a supporting journal on previous research that financial distress conditions that occur in companies can increase audit risk, auditors must carry out risk checks to start the audit process than usual and have an impact on increasing audit delay and in research This financial difficulties affect the audit delay.

The results of Ulfa Ratrynda's research (2017) state that the size of the company or the size of the company can be seen from the size of the assets, companies that have large assets tend to have a short audit delay, from this explanation it can be illustrated that the direction of the company has a negative direction towards auditing. delay. This is because the management of large companies has an incentive to reduce financial statement delays so they want a short audit delay. This can be caused by many factors, one of which is the management of the company which has more resources, accounting staff, has a more advanced system, a strong internal control system and tends to be given incentives to reduce audit delay because the company is monitored closely by investors, supervisors. capital and government. These parties are very interested in the information contained in the

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financial statements so that they need to process the information to the public quickly.

The results of Prastiwi Putri Intan's research suggest that the leverage ratio is a ratio used to measure the extent to which a company's assets are financed by debt. If leverage has a negative effect on audit delay, because when the company's debt is greater than the assets owned, it will result in losses and increase the auditor's caution towards the audited financial statements, thus the auditor's caution will result in delays in submitting and publications in financial reports to the public so that it will prolong the audit delay. Leverage is also a company's ability to meet its obligations. If the company has a high leverage ratio, the risk of the company's loss will increase. Therefore, to gain confidence in the company's financial statements, the auditor will increase his prudence, so the audit delay will be longer.

Based on previous research and relevant theories, the conceptual framework for this research is as follows:

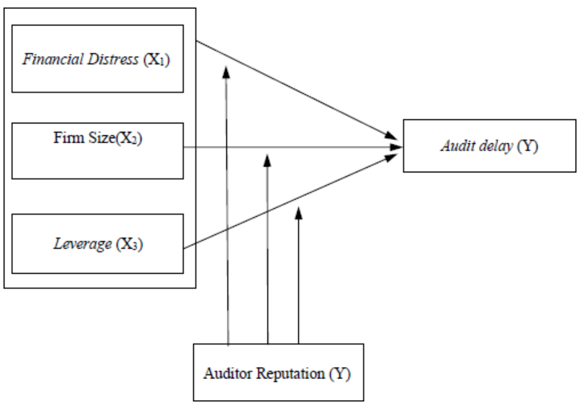

Figure 1. Conceptual Framework

Based on conceptual framework, The hypotheses in this study are as follows:

H_1: Financial distress has a significant effect on audit delay
H_2: Firm size has a signficant effect on audit delay
H_3: Leverage has a significant effect on audit delay
H_4: Auditor reputation moderates the relationship between financial distress and audit delay
H_5: Auditor reputation moderates the relationship between firm size and audit delay
H_6: Auditor reputation moderates the relationship between leverage and audit delay

2. Method

This research was conducted on manufacturing companies listed on the Indonesia Stock Exchange (IDX), by taking secondary data that has been published on the website (www.idx.co.id) for the 2015-2019 period. The research used a causal research design. A causal relationship is a causal relationship. In this case there are independent variables, dependent variables and moderating variables. The relationship that occurs is asymmetric, leverage which affects audit delay in manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2015-2019 through the website (www.idx.co.id). The following are the criteria for sampling using purpose sampling in research on all Manufacturing Companies listed on the Indonesia Stock Exchange (IDX) for the 2015-2019 period.

1. All manufacturing companies that publish complete financial reports as of December 31 for the 2015-2019 period.
2. All Manufacturing Companies that issue complete financial statements as of December 31 for the 2015-2019 period
3. All Manufacturing Companies that issue financial statements in rupiah currency
4. All manufacturing companies that did not conduct an Initial Public Offering (IPO) in Indonesia for the 2015-2019 period
5. Manufacturing companies with five consecutive years of profit from 2015-2019

Based on the above criteria, the proportion of sampling can be described in table 1 below:

Table 1. Sample Criteria

No	Criteria	Total
1	Manufacturing companies listed on the Indonesia Stock Exchange 2015-2019	181
2	All manufacturing companies that do not publish complete financial statements as of December 31 for the 2015-2019 period	(43)
3	All Manufacturing Companies that do not issue financial statements in rupiah currency	(27)
4	All Manufacturing Companies that do not conduct Initial Public Offering (IPO) in Indonesia for the 2015-2019 Period	(41)
5	Manufacturing companies that do not have complete audit report data for 2015 – 2019	(39)
6	Number of samples of companies that meet the criteria	32
	Total Sample	155

Data processed by authors

Audit Delay is the time span for completing the annual financial statement audit from the closing date of the book until the date of issuance of the independent audit report. The formula for calculating Audit Delay is as follows:

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Audit Delay = Audit Report Date - Report Date

Financial distress is one of the bad news in the financial statements which is the stage of declining the company's financial condition and if this is allowed to drag on, it will cause the company to go bankrupt. The formula for calculating Financial Distress is as follows:

$$Z\text{-}score = 1.2X_1+1.4X_2+3.3X_3+0.64X_4+1.05X_5$$

Information:

X1: Working Capital/Total Asset
X2: Retained Earnings /Total Assets
X3: Income Before Deducting Tax and Interest Fees/ Total Assets
X_4: Stock Price on the Exchange/Total Debt Value
X_5: Sales/Total Asset

Company size is a value that shows the size of a company. There are various productions that are usually used to represent the size of the company, namely the number of employees, total assets, total net sales, and market capitalization. The bigger the asset, the more capital invested, the more sales, the more money and company profits, the bigger the market capitalization, the bigger it is known in the community. The formula for calculating company size is as follows:

Firm Size = Log Total Asset

According to Suwardika and Mutanda (2017), leverage is the ability to pay off the company's financial obligations, both short-term and long-term. The formula used to calculate leverage is:

$$DER = \frac{\text{Total Debt}}{\text{Shareholders Equity}} \times 100\%$$

To collect and analyze existing data, so as to provide results from the conclusions in the truth of the hypothesis, various statistical tests are carried out. Data processing in this study using EVIEWS. Classical assumption test was conducted to find out whether the regression model used met the requirements or not. There are 4 ways to perform classical assumptions, namely normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test. In the estimation method of the regression model using panel data, it is carried out through three approaches, namely common effect, fixed effect and random effect. The panel data regression analysis equation in this study aims to determine the analysis of the effect of financial distress on audit delay in manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2015-2019. The panel data regression analysis equation can be formulated as follows:

$$Y = a + \beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_1X_4+\beta_5X_2X_4+\beta_6X_3X_4+e$$

Information:

Y: Audit Delay
a: constant
β: regression coefficient
X_1: Financial distress
X_2: Company Size
X_3: Leverage
X_4: Reputation Auditor
e: error term

3. Result and Discussion

Result

After all data and information have been collected, the data processing stage can be carried out immediately. The data processing is carried out with the help of the Eviews 9 program. Based on the stages of data processing that have been carried out, a summary of descriptive statistics of each research variable used is shown in table 2 as follows:

Tabel 2. Descriptive Statistic

	Y_AD	X1_FD	X2_SIZE	X3_LEV	X4_REP
Mean	62.69375	5.799549	28.97363	8.178464	0.825000
Median	59.00000	2.162685	28.47603	0.630415	1.000000
Maximum	162.0000	130.1553	33.49453	1.127,851	1.000000
Minimum	34.00000	0.399487	25.79571	0.135701	0.000000
Std. Dev.	21.82924	15.20082	1.678559	89.09744	0.381160

Data processed by authors

For the selection of the estimation model, the first test is the Chow test, the results of the Chow test are in table 3 below:

Table 3. Result of Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	2.161794	(31.124)	0.0015
Cross-section Chi-square	69.131770	31	0.0001

Data processed by authors

Based on the table above, it can be seen that the probability value of the Chi-Square cross-section is 0.00 < 0.05, so it can be concluded that it is accepted, so the fixed effect model is better used than the common effect model. Hausman test results are shown in table 4 below:

Table 4. Result of Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	16.068807	4	0.0029

Data processed by authors

Based on the test results in table 4.6, it can be seen that the Chi-square probability is 0.00 < 0.05, so it can be concluded that the model used should be a fixed effect model.

Based on the tests that have been carried out using the Chow test with the Fixed Effect model approach and the Hausman test the model selection has been carried out with the Random Effects model approach. So from the two models, the best one is the Fixed Effect. Then before the selection of the model, the data is declared to have passed the classical assumptions, so that the estimates are consistent and unbiased. The estimation results of the panel data regression model are as follows:

Tabel 5. Fixed Effect Model Estimation Results without Moderating Variables

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-7,751957	199,3528	-3,760930	0,0003
X1_FD	0,263340	0,038636	6,815978	0,0000
X2_SIZE	27,97220	6,947783	4,026061	0,0001
X3_LEV	0,056535	0,007811	7,237931	0,0000

Data processed by authors

Fixed Effect Model Estimation Results with moderating Variables are presented in table 6 below:

Tabel 6. Fixed Effect Model Estimation Results with Moderating Variables

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	62,27125	5,356825	11,62466	0,0000
X1_FD*X4_REP	0,123605	0,055060	2,244916	0,0265
X2_SIZE*X4_REP	5,975194	1,170817	5,103442	0,0000
X3_LEV*X4_REP	0,069292	0,008082	8,573238	0,0000
X4_REP	-174,3554	36,28877	-4,804665	0,0000

Data processed by authors

Discussion

Based on the results obtained from testing the regression, the regression coefficient value is 0.26 and the t statistic is 6.82 with a probability value of 0.00 less than 0.05 or (0.00 < 0.05). It can be concluded that the financial distress variable partially has a positive and significant effect on audit delay in manufacturing companies listed on the Indonesia Stock Exchange in 2015-2019. So H0 is rejected and Ha is accepted. This study shows that financial distress is a condition where the company's finances are in an unhealthy condition or are in crisis. So this will result in submitting financial statements in a timely manner. So it will affect the audit delay. The results of this study are in line with research conducted by Putu and Ni (2016) which shows that financial distress has a positive effect on audit delay.

Based on the results obtained from testing the regression, the regression coefficient value was 27.97 and the tstatistic was 4.02 with a probability value of 0.00 less than 0.05 or (0.00 <0.05). It can be concluded that the variable firm size partially has a positive and significant effect on audit delay in manufacturing companies listed on the Indonesia Stock Exchange in 2015-2019. So H0 is rejected and Ha is accepted. This study shows that the size of the company in submitting financial statements can be seen from the size of the company. Large companies usually have a large number of assets so that it takes a long time to audit their financial statements compared to small companies that have assets that are not so large so that they will be faster in auditing their financial statements. So that the size of the company has a positive effect on audit delay.

Based on the results obtained from testing the regression, the regression coefficient value was 0.05 and the tstatistic was 7.23 with a probability value of 0.00 less than 0.05 or (0.00 <0.05). It can be concluded that the leverage variable partially has a positive effect on audit delay in manufacturing companies listed on the Indonesia Stock Exchange in 2015-2019. So H0 is rejected and Ha is accepted. This study shows that the level of leverage is measured using the DER ratio, namely the total liabilities (debt) divided by the total equity. Low company health will increase the possibility of management fraud or inadvertently reducing employees, as a consequence, auditors will increase the length of time in the audit period. As a consequence, the auditor will increase the length of the audit period in auditing the financial statements. Thus, the auditor will audit the company's financial statements more carefully and require a relatively long time so as to increase audit delay.

Based on the results obtained from testing the regression, the regression coefficient value was 0.05 and the tstatistic was 7.23 with a probability value of 0.00 less than 0.05 or (0.00 < 0.05). So it can be concluded that the leverage variable partially has a positive and significant effect on audit delay in manufacturing companies listed on the Indonesia Stock Exchange in 2015-2019. So H0 is rejected and Ha is accepted. This study suggests that financial distress has a positive effect on audit delay. Financial distress is bad news for a company that has bad news for investors and

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shareholders tend to delay financial reporting to reduce bad market reactions and bad news. So that in a financial report it cannot meet the requirements to go public which will greatly affect the auditor's statement so that the reputation of an auditor will be at stake when the company has problems with its financial statements, the auditors and audit firms will have a negative impact on the company.

Based on the results obtained from testing the regression, the regression coefficient value was 5.97 and the tstatistic was 5.10 with a probability value of 0.00 less than 0.05 or (0.00 < 0.05). It can be concluded that the firm size variable partially has a positive and significant effect on audit delay with the reputation of auditor as a moderating variable in manufacturing companies listed on the Indonesia Stock Exchange in 2015-2019. So H0 is rejected and Ha is accepted. The research shows that firm size has a positive and significant effect on audit delay. The size of the company in submitting its financial statements depends on the size of the company. If large companies generally have large total assets compared to small companies that have smaller total assets. So that large companies cannot submit their financial statements in a timely manner. While the influence of company size on audit delay which has a significant effect, namely large companies generally have a larger number of employees, adequate technology so that in submitting financial reports they can submit their financial statements in a timely manner.

Based on the results obtained from testing the regression, the regression coefficient value was obtained (having a regression coefficient value of 0.06 and a tstatistic of 8.57 with a probability value of 0.00 less than 0.05 or (0.00 < 0.05). So it can be concluded that the leverage variable partially has a positive effect on audit delay with auditor reputation as a moderating variable in manufacturing companies listed on the Indonesia Stock Exchange in 2015-2019. So H0 is rejected and Ha is accepted.In this study, leverage is the amount of debt that must be paid. on the company, both short-term debt and long-term debt. If a company has a debt that is so large than the expected profit, a company will definitely delay auditing its financial statements. This will have a negative impact on the auditor's reputation and cannot convey timely financial reports.

4. Conclusion

From the results that can be carried out in this study, several simultaneous results were obtained as follows: Financial distress has a positive effect on audit delay in manufacturing companies listed on the Indonesia Stock Exchange (IDX). This shows that the higher the financial difficulties that exist in the company, the longer the time to complete the financial statements to be audited, so with this there will be delays in submitting the financial statements. Company size has an effect on audit delay because it can be measured by the size of the company. If large companies can usually complete their audit reports longer than small companies, because large companies have larger total assets so it takes longer, while small companies have smaller total assets so they can complete in a shorter time.

Leverage has an effect on audit delay, because the higher the leverage ratio, the higher the company's debt to be paid and it requires greater costs to pay the debt, both short-term debt and long-term debt, and with this the company will definitely need time to resolve problems with the company, so the company does not have time to submit its financial statements. Auditor reputation has a negative effect on audit delay in manufacturing companies listed on the Indonesia Stock Exchange (IDX).

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