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The Effect of Profitability and Company Size on Audit Delay During the Pandemic in Consumer Goods Company

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ABSTRACT

The main purpose of this study is to know the influence of profitability and companies' size on audit delay during the pandemic in *consumer goods companies*. The profitability within this study is proxied by *the return on assets* while the measurement company is proxied by the logarithm of natural assets. This study was conducted during the pandemic, from 2020 to 2021. The research used a method of panel data regression analysis. The sample was taken based on the purposive sampling method with 39 companies. The analysis tool used *eviews* version 10. Finally, the results of this study show that 1) Profitability negatively effect on audit delay: the higher of the profitability value, the lower of the audit delay, 2) Company size positively effect on audit delay: the higher of total assets of the company, the higher of the audit delay, 3) Profitability and firm size affected on the audit delay.

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1. INTRODUCTION

Financial statements are the source of information relating to the condition of the company. According to Kasmir (2019: 6) "Those reports are used to see the financial status of a business at this time or for a certain period", while according to the Indonesian Accounting Association (IAI, 2009), the aim of financial reports are to share the data of the financial position, the performance and the cash flows of companies that are useful for most groups of report users to make economic decisions and display management accountability for the use of resources. Energy entrusted to them. Based on the Regulation of the Financial Services Authority of the Republic of Indonesia on number 14 / PJOK.04 / 2022 regarding to the submission of periodic financial reports, issuers, or public companies whose registration statements have become effective which required to submit periodic financial reports to the Financial Services Authority and announcing periodic financial reports to the public. Periodic financial reports submitted to the Financial Services Authority must contain the same information as periodic financial reports that announced to the public. The annual financial report must be submitted to the Financial Services Authority and announced to the public no later than the end of the third month after the date of the annual financial report.

Delays in the process of examining financial statements conducted by independent auditors impacted on *Audit Delay.* According to Ginting (2019), *audit delay* is the difference between the date of the financial statements and the date of the audit opinion that contained in the financial statements which shows how long it took to conduct an audit. In other words, *audit delay* here is assumed to be the number of days from the end of a company's financial year period, so that the signing of the audited financial statements is the end of the standard work done. According to (Ruchana & Khikmah, 2020) the longer of the *audit delay* results in uncertainty for company owners to obtain information on the investment that has been provided so that company owners experience difficulties in determining the strategy to be carried out next. This delay not only results in a negative market reaction and uncertainty for company owners but it also harms to users of these financial statements such as investors, creditors, the public, the government or other parties who use these reports as a basis for making decisions.

This research was conducted at public sector *consumer goods*. *Consumer goods* are the final goods or *finish good* that are distributed and consumed daily by the community. Based on data from the financial reports of manufacturing companies in the *consumer goods* listed on the Indonesia Stock Exchange (IDX) for the 2019-2021 period, there are still delays in submitting financial reports. The Indonesia Stock Exchange (IDX) issued warning letters and fines to capital market issuers who were late in submitting financial reports with a deadline of March 31, 2021. However, *audit delays* are nothing new in Indonesia. Based on data (https://www.idx.co.id), the Indonesia Stock Exchange (IDX) reported (42) companies experiencing delays in submitting financial reports as of 31 December 2019 and (96) companies also experiencing delays in submitting financial reports as of December 31, 2020. There are still (91) listed companies that have not submitted financial reports as of December 31, 2021. Therefore, the Indonesia Stock Exchange has issued a written warning to listed companies that do not fulfill their obligations to submit audited financial statements in a timely manner.

The independent variables used in this study are Profitability and company size. Profitability is the company's ability to generate profits. According to Yanasari et al, 2021, companies which have a high level of profitability tend to want publishing their financial reports quickly because they will get a high score in the public, so that the risk of *audit delay* is lower. While company size is the size of the company which can be known from the total assets, the greater the company's assets, the faster the company reports its financial statements, because these large companies tend to have a strong internal control system, adequate resources and sophisticated information systems, therefore the possibility of *an audit delay* is getting lower. The gap of this research with the previous research is in the research period, namely the 2020-2021 period when the pandemic occurred in Indonesia and even in the world. The purpose of this study is to see the effect both partially and simultaneously on how the influence of profitability and company size on audit delay.

Profitability is a company's ability to generate profits. Companies which have a high level of profitability are *good news* for the company, so, the company will speed up the delivery of financial reports. Vice versa, if the company obtains a low level of profitability (*bad news*), it tends to delay the submission of financial reports. A research conducted by Devida & Fidiana (2019) stated that profitability has a negative and significant effect on *audit delay.*

H1: Profitability has a negative effect on audit delay

This study uses total assets to measure company size. Companies with large total assets will be able to complete audit reports more quickly than companies with small total assets (Tisna, 2018). This is because large companies have more human resources, accounting staff and sophisticated information systems, strong internal control systems, so they can complete audited reports quickly and effectively. Thus, it can reduce auditor errors in working on the audit report. Research conducted by Lubis et al (2019) states that company size has a negative and significant effect on audit delay, where companies that are classified as large tend to have good internal controls so that the possibility of audit delay is lower.

H2: Company size has a negative effect on audit delay

According to Alfiani and Nurmala (2020), profitability and company size have a significant negative effect on audit delay. And in Novitasari's research (2018), company size has no significant effect on audit delay, this indicates that the size of the company will not affect the speed of presenting financial reports to the public. Profitability has no significant effect on audit delay, this indicates that the company's ability to generate profits does not have a significant effect on the time period for submitting audited financial statements.

H3: Profitability and company size have a significant effect on audit delay.

2. RESEARCH METHOD

The type of data in this study is quantitative research in the form of associative using 2 (two) independent variables, and 1 (one) related variable. The object of this research was conducted at *consumer goods* listed on the Indonesia Stock Exchange for the 2020-2021 period through internet media with websites www.idx.co.id. The population in this study were all *consumer goods* listed on the Indonesia Stock Exchange totaling 71 companies. The sampling method in this study is purposive sampling, which consists of the following criteria: 1. Consumer Goods Sector Companies listed on the Indonesia Stock Exchange in 2020-2021, 2. Consumer Goods Sector Companies that publish consistent and complete financial reports for 2020-2021, and 3. Companies in the Consumer Goods Sector that did not experience losses during 2020-2021, so that the sample in this study was 39 companies. The data analysis method used in this study is the panel data regression method using the eViews version 10 analysis tool. The following are the operationalization of the variables in this study:

Tabel 1. Operasional Variabel

Types of variables	Definition	Indicator	Scale
Profitability (X1)	According to Kasmir (2016) profitability ratios are ratios to assess a company's ability to seek profits and are used to show company efficiency	$ROA = \frac{\text{Laba Bersih Setelah Pajak}}{\text{Total Aset}}$	Rasio
Company Size (X2) (X2)	According to Hery (2017) company size is a scale where the size of the company can be classified according to various ways including total assets, stock market value, and others.	size= LN (Total Aset)	Nominal
Audit Delay (Y)	According to Dhiforester (2017) *audit delay* is defined as the number of days it takes the auditor to complete his audit work which is measured from the closing date of the financial year to the date the audit report is completed by the auditor.	The difference between the closing date of the the financial year and the date of the audited the financial statements.	Nominal

3. RESULTS AND DISCUSSIONS

3.1 Descriptive Statistics

Statistics in this study describe the minimum value, maximum value and average value for each variables. Following are the results of the descriptive statistical test data:

Tabel 2. Descriptive Statistics Result

	AUDIT_DELAY	ROA	SIZE
Mean	92.461	0.098	28.902
Maximum	148	0.599	32.820
Minimum	34	0.001	26.155
Observations	78	78	78

source: Data Processed by Researchers (2022)

Based on table 2, the maximum audit delay value is 148 days; this value is owned by PT. Hartadinata Abadi Tbk in 2020. The minimum value of 34 is owned by PT. Unilever Indonesia Tbk in 2020, then the average value is 92.461 days. The variable return on assets has a minimum value of 0.001 which is owned by PT. Kimia Farma Tbk in 2020, the maximum value of 0.599 is owned by PT. FKS Food Sejahtera Tbk in 2020 and the average value is 0.098. Variable Size has a minimum value of 26.155 owned by PT. Pyridam Farma Tbk in 2020, the maximum value of 32,820 is owned by PT. Indofood Sukses Makmur Tbk in 2021 and the average value is 28,902.

3.2 Classical Assumptions

The classical assumption test consists of tests for normality, multicollinearity, heteroscedasticity, and autocorrelation. The following are the results of the test:

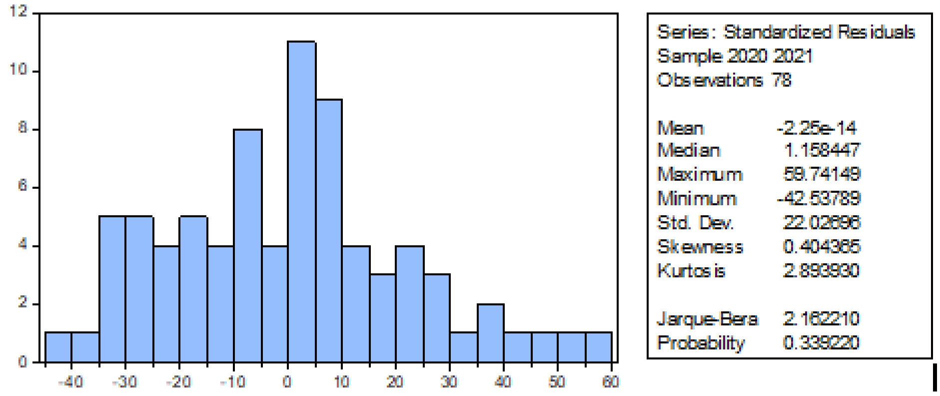

Figure 1. Data Normality Results

source: Data Processed by Researchers (2022)

Based on Figure 1, the normality of the data shows that the probability is 0.339220. The probability value is less than 0.05, so it is concluded that the data is normally distributed.

Table 3. Multicollinearity Results

	ROA	SIZE
ROA	1	0.097
SIZE	0.097	1

source: Data Processed by Researchers (2022)

Based on table 3, the correlation value is below 0.80 which is equal to 0.097 so that the results show that there is no multicollinearity.

Table 4. Heteroscedasticity Results

Heteroskedasticity Test: ARCH			
F-statistic	1.623476	Prob. F(1,75)	0.2065
Obs*R-squared	1.631454	Prob. Chi-Square(1)	0.2015

source: Data Processed by Researchers (2022)

Based on table 4 the prob chi square value is 0.2015 so that the results show that there is no heteroscedasticity.

Table 5. Autocorrelation results

Breusch-Godfrey Serial Correlation LM Test:			
F-statistic	2.178698	Prob. F(2,73)	0.1205
Obs*R-squared	4.393592	Prob. Chi-Square (2)	0.1112

source: Data Processed by Researchers (2022)

Based on table 5 the prob chi square value is 0.1112 so that the results show that there is no autocorrelation.

3.3 Model Selection

The model selection tests in this study consisted of the Chow test, Hausman test and Lagrange multiplier test. Following are the results of the model selection test:

Table 6. Chow Test Results

Redundant Fixed Effects Tests			
Equation: Untitled			
Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	2.799034	(38,37)	**0.0011**
Cross-section Chi-square	105.648193	38	0.0000

source: Data Processed by Researchers (2022)

The probability value *(P-value)* for *cross section* F is 0.0011, so the most appropriate model to use is the *Fixed Effect models* (FEM).

Tabel 7. Hasil Hausman Test

Correlated Random Effects - Hausman Test			
Equation: Untitled			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	4.488899	2	**0.1060**

source: Data Processed by Researchers (2022)

The probability value *(P-value)* for *random cross section* is 0.1060, therefore, the most appropriate model to use is the *Random Effect models* (REM).

Table 8. Hausman Test Results

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	6.878014	0.519644	7.397658
	(0.0087)	(0.4710)	(0.0065)

source: Data Processed by Researchers (2022)

The *Breusch-food cross section* is 0.0087, therefore, the right model to use is *Random Effect models* (REM)

3.4 Panel Data Analysis

Panel data analysis in this study consists of a partial test t, simultaneous test f and the coefficient of determination. Following are the results of panel data analysis used in this study using *Random Effects models* (REM).

Table 9. Panel Data Analysis Results

Dependent Variable: AUDIT_DELAY
Method: Panel EGLS (Cross-section random effects)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ROA	-87.32678	26.72988	-3.267010	0.0016
SIZE	-3.578994	1.974488	-2.812619	0.0339
C	204.4740	56.98953	3.587922	0.0006

R-squared	0.162764	Mean dependent var	55.13475
Adjusted R-squared	0.140437	S.D. dependent var	17.66657
S.E. of regression	16.37913	Sum squared resid	20120.70
F-statistic	7.290222	Durbin-Watson stat	2.056340
Prob(F-statistic)	0.001279		

source: Data Processed by Researchers (2022)

The following are the results of data analysis of this study:

1. The Prob value is less than 0.05, namely 0.0016, this indicates that Return on Assets influences on audit delay. The coefficient value is negative, which is -87.326, this means that if the value of Return on Assets increases, audit delay will decrease. Thus, the first hypothesis is accepted.
2. The Prob value is smaller than 0.05, namely 0.0339, this shows that Size influences on audit delay. The coefficient value is negative, which is -3.578994, this means that if the Size value increases, audit delay will decrease. Thus, the second hypothesis is accepted.
3. The Prob value is less than 0.05, namely 0.0012, this shows that Return on Assets and Size have an effect on audit delay. Thus, the third hypothesis is accepted.
4. The coefficient of determination is 0.140437 or 14.04%, meaning that the return on assets and size variables explain audit delay of 14.04% and the remaining 85.96% is contributed by other independent variables which are not present in this study.

Profitability has a negative effect on *audit delay*. Companies that have a high level of profitability are *good news* for the company, so the company will speed up the delivery of financial reports. Vice versa, if the company obtains a low level of profitability (*bad news*), it tends to delay the submission of financial reports. Company size has a negative effect on *audit delay.* Companies that have large *total assets* will be able to complete audit reports more quickly than companies that have *total assets*. This is because large companies have more human resources, accounting staff and sophisticated information systems, strong internal control systems so they can complete audited reports quickly and effectively. Thus, it can reduce auditor errors in working on the audit report. Then profitability and company size together influence on audit delay and a determination coefficient value of 14.04%, this means that there are other factors that influence audit delay such as financial liquidity ratios, solvency, and Good Corporate Governance.

4. CONCLUSION

Based on the research findings and the discussion above, the following conclusions are obtained: Profitability has a negative effect on audit delay. Research conducted by Devida & Fidiana (2019) and Karyadi (2017) states that profitability has a negative and significant effect on *audit delay.* Meanwhile, research conducted by Novitasari (2018) states that profitability has no significant effect on *audit delay*. Company size has a negative effect on audit delay. Research conducted by Lubis et al (2019) states that company size has a negative and significant effect on *audit delay*, where companies that are classified as large tend to have good internal controls so that the possibility of *audit delay* is lower. Meanwhile, research conducted by Gustini (2020) states that company size has no significant effect on *audit delay*. Profitability and company size influence on audit delay, then the coefficient of determination is 14.04%, which means that there are many other factors that impact on audit delay.

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