



The Role of Public Accountant Company in Pressing Audit Report Delays for Go Public Companies in Indonesia Through Panel Analysis

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ABSTRACT: This research aims to examine and analyze the role of public accountant company in pressing the condition of audit tenure, company size and financial distress toward the delay of audit report. The research sample was 19 manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period of 2015 till 2022. The total observation for 8 years amounted to 152. Then, the method of the data analysis is moderated regression panel analysis in the approach of random effect model. The findings show that the audit tenure, and company size do not effect directly on audit report lag directly, but they have a tendency to shorten the audit report lag. Then, the variable of financial distress has a positive significant effect on audit report lag. Further, this results of this study reveal that the reputation of public accountant company has a role in mediating the relation between audit tenure and company size to shorten the audit report lag. Practically, these findings implicate that the reputation of public accountant company be able to pressing the reliability and timelines of financial statements, especially for the companies which are related to the audit tenure and the financial distress condition.

KEYWORDS: Audit report lag, Moderated regression analysis, Panel regression, Public accountant company.

INTRODUCTION

The measurement of the company's performance and economic success and the quality of its resources are communicated by the company to its users through financial reports (Shofiyah & Wilujeng Suryani, 2020). Reliability and timeliness of financial statements are two very important and useful criteria where users of financial statements (Diana & Hidayat, 2022), in order to be able to focus more on reading the company's performance to make it easier for readers to get information related to the required objectives. Audited financial statements can be considered a reliable and readily available source of information, as they are provided to their users along with opinions from auditors or other independent professionals. This opinion can increase the reliability of financial statements, so that users can be more confident about the decisions they make on the basis of these financial statements (Karami et al., 2017). The accuracy of the submission of financial statements is an important factor for users of financial statements, especially investors and creditors.

According to the regulation of the Financial Services Authority Number 29/POJK.04/2016 Public companies are required to submit annual reports to the Financial Services Authority no later than the end of the fourth month after the end of the financial year. This is also written in the regulations of the Capital Market and Financial Institution Supervisory Agency No.X.K.2, KEP-36/PMK/2003 that the accuracy of submission of financial reports is an important factor for users of financial statements, especially investors and creditors. In addition, delays in financial reporting will also be subject to sanctions by the regulatory party, namely the Financial Services Authority (OJK). However, as can be shown in Table 1, there are actually a lot of issuers who are late in filing their financial reports. Based on the Announcement of the Indonesian Stock Exchange dated 31 August 2022 concerning Submission of Audited Financial Statements Ending 30 June 2022, there were one hundred and eight (108) companies that were late in submitting their financial reports in a timely manner (Indonesia Stock Exchange, 2022). Quoted from the IDX Announcement, 59 Companies have not submitted financial reports for the period ending June 30 2022.



Table 1. Companies going public that fail to file their financial reports by the deadline of June 30, 2022

No.	Kode	Nama Perusahaan Tercatat	No.	Kode	Nama Perusahaan Tercatat
1	ARMY	PT Armidian Karyatama Tbk	31	MABA	PT Marga Abhinaya Abadi Tbk
2	BKDP	PT Bukit Darmo Property Tbk	32	MAGP	PT Multi Agro Gemilang Plantation Tbk
3	BIKE	PT Sepeda Bersama Indonesia Tbk	33	MAMI	PT Mas Murni Indonesia Tbk
4	BULL	PT Buana Lintas Lautan Tbk	34	MDIA	PT Intermedia Capital Tbk
5	BUVA	PT Bukit Uluwatu Villa Tbk	35	MTRA	PT Mitra Pemuda Tbk
6	COWL	PT Cowell Development Tbk	36	MYRX	PT Hanson International Tbk
7	CPRI	PT Capri Nusa Satu Properti Tbk	37	NIPS	PT Nipress Tbk
8	DUCK	PT Jaya Bersama Indo Tbk	38	NUSA	PT Sinergi Megah Internusa Tbk
9	ELTY	PT Bakrieland Development Tbk	39	OPMS	PT Optima Prima Metal Sinergi Tbk
10	ENVY	PT Envy Technologies Indonesia Tbk	40	PLAN	PT Planet Properindo Jaya Tbk
11	FIMP	PT Fimperkasa Utama Tbk	41	PLAS	PT Polaris Investama Tbk
12	FLMC	PT Falmaco Nonwoven Industri Tbk	42	POLL	PT Pollux Properties Indonesia Tbk
13	FORZ	PT Forza Land Indonesia Tbk	43	PRIM	PT Royal Prima Tbk
14	GMFI	PT Garuda Maintenace Facility Aero Asia Tbk	44	PURE	PT Trinitan Metals and Minerals Tbk
15	GOLL	PT Golden Plantation Tbk	45	RIMO	PT Rimo International Lestari Tbk
16	GPSO	PT Geoprima Solusi Tbk	46	RONY	PT Aesler Grup Internasional Tbk
17	GTBO	PT Garda Tujuh Buana Tbk	47	SIMA	PT Siwani Makmur Tbk
18	HDIT	PT Hensel Davest Indonesia Tbk	48	SKYB	PT Northcliff Citranusa Indonesia Tbk
19	HOME	PT Hotel Mandarin Regency Tbk	49	SUGI	PT Sugih Energy Tbk
20	HOTL	PT Saraswati Griya Lestari Tbk	50	TDPM	PT Tridomain Performance Materials Tbk
21	IATA	PT Indonesia Transport & Infrastructure Tbk	51	TRAM	PT Trada Alam Minera Tbk
22	IBOS	PT Indo Boga Sukses Tbk	52	TRIL	PT Triwira Insanlestari Tbk
23	JSKY	PT Sky Energy Indonesia Tbk	53	UNIT	PT Nusantara Inti Corpora Tbk
24	KBRI	PT Kertas Basuki Rachmat Indonesia Tbk	54	UNSP	PT Bakrie Sumatera Plantations Tbk



25	KPAL	PT Steadfast Marine Tbk	55	VIVA	PT Visi Media Asia Tbk
26	KPAS	PT Cottonindo Ariesta Tbk	56	VOKS	PT Voksel Electric Tbk
27	KRAH	PT Grand Kartech Tbk	57	WIFI	PT Solusi Sinergi Digital Tbk
28	LABA	PT Ladangbaja Murni Tbk	58	ZBRA	PT Dosni Roha Indonesia Tbk
29	LCGP	PT Eureka Prima Jakarta Tbk	59	ZYRX	PT Zyrexindo Mandiri Buana Tbk
30	LMAS	PT Limas Indonesia Makmur Tbk			

Source: <http://www.idx.co.id>, 2022

Based on table 1 in general it can be seen that many companies that go public in Indonesia are still constrained by the problem of timeliness in reporting financial reports. The timeliness of the data in the financial statements is influenced by how long it took from the date of the audit report to the closing date of the financial statements. When there is a gap between the closing date of the financial statements and the date of the audit report, it is known as an audit delay because the audit process usually takes a while to complete (Kawisana, 2020). Some experts say that a delay of more than four months will not only be detrimental to investors but will also harm the company concerned (Shofiyah & Wilujeng Suryani, 2020); (Satyawan & ahmmi, 2020); (Khamisah et al., 2021).. The impact of late submission of audited financial statements can affect the level of uncertainty in decision making (Dao & Pham, 2014). This will then influence market behavior, and they find that investors perceive that companies not reporting time will be a bad news signal and that companies releasing financial statements later than expected receive negative abnormal returns (Handoyo & Maulana, 2019). According to generally accepted accounting principles, financial statements may lose part of their usefulness if they fail to become available to users within a specified time after the reporting date (e. g. due to an extension of the audit process). In other words, the shorter the interval between the end of the fiscal year and the release date of the audit report, the higher the informative value of the audited financial statements (Chairunnisa & Patmawati, 2022). Thus, it is important to understand the factors that contribute to Audit Report Lag (ARL), because the end of the public release of faded financial statements tends to be determined by how quickly the audit process is carried out (Abidin & Ahmad-Zaluki, 2012).

There are several factors that can affect audit delay. Some previous research evidence such (Khamisah et al., 2021); (Rainingtyas et al., 2021) which examined the effects of profitability, solvency, and company size on audit delay with KAP reputation moderation, found that profitability had a negative but not statistically significant impact on audit delay. This is because the audit process is the same for businesses with low and high levels of profitability. The length of the audit delay is thus positively and significantly correlated with solvency, i.e., the more debt a company receives, the longer the audit delay, while the correlation is positive but not significant for company size. Additionally, KAP's reputation can increase the association between profitability and audit delay, but it has no discernible impact on the relationship between solvency and audit delay. Then, (Ibrahim Abd-El Rehim Ibrahim, 2022); (Diana & Hidayat, 2022) tested financial distress toward the audit report lag. In their research said that financial distress is a stage of decreasing the company's financial condition and if this is allowed to drag on it will cause the company to go bankrupt. Financial distress conditions that occur in companies can increase audit risk for independent auditors, especially control risk and detection risk. With this increased risk, the auditor must carry out a risk assessment (risk assessment) before carrying out the audit process, precisely in the audit planning phase, this condition can result in the length of the audit process and have an impact on increasing the time for submitting audit reports and reducing the credibility and quality of financial reports.

Another study looks at the impact of profitability, firm size, audit tenure and audit committee on audit delay, which is tempered by KAP reputation, and finds that these factors all negatively affect audit delay as (Mufidah & Laily, 2019); (Prasetyo et al., 2021); (Diana & Hidayat, 2022). Profitability, firm size, and the audit committee will all contribute to a shorter audit delay period. Additionally, the influence of profitability, firm size, audit tenure and audit committee on audit delay can be strengthened by KAP's reputation. Furthermore, research from (Wiyantoro & Usman, 2018); (Sudradjat et al., 2022) demonstrates that the audit report gets shorter the longer the auditor has been doing it. Meanwhile, (Hoirul Fayyum et al., 2019) contend that the longer a company has been in operation, the higher its size will be. Due to this, the auditor needs more time to review numerous firm transactions.



In general, a number of earlier studies still demonstrate flaws in the research model, the majority of which make use of multiple linear regression analysis techniques and some make use of multiple regression analysis; these models continue to have flaws and deficiencies in research findings, specifically models that presuppose multiple individual companies are taken into account as cross sections and have the same characteristics. This new study attempts to employ a different model than in previous studies, multiply regression analysis in the panel model, which is still hardly used. Panel analysis, in accordance with (M. Hashem Pesaran, 2004); (Oscar, 2010), can produce estimates that are more accurate because it offers a large number of observations, increases the degree of freedom, increases the variability of the data, and reduces collinearity among the explanatory factors.

Based on the description above, this new research focuses on the role of KAP in the relationship between audit tenure, company size, and financial distress on audit report lag with a panel model. This study aims to determine and analyze the effect of audit tenure, company size, and financial distress on audit delay and investigate the role of KAP's reputation as a mediator of the relationship between audit tenure, company size, financial distress, and audit delay. Hopefully this research will increase academic knowledge, particularly for students completing their accounting and financial auditing course final projects. Additionally, it will be used as a tool for assessing companies in order to increase their contribution to the expansion of the national economy, particularly in terms of how quickly they release financial reports. This will make the data produced more reliable, timely, accurate, accessible, and fresh.

HYPOTHESIS DEVELOPMENT

The effect of audit tenure on audit report lag

Audit tenure describes the length of the auditor-client relationship as measured by the number of years (Mufidah & Laily, 2019); (Divo Ridho Agustianto et al., 2022). It further explains that an auditor who has a long assignment with a client company will encourage the creation of business knowledge so as to enable the auditor to design an effective audit program and high quality audited financial reports. (Diana & Hidayat, 2022) stated that when the auditor and client establish a cooperative relationship for a relatively long period of time, it will provide benefits for both the client and the auditor. The length of the audit engagement period with the client can assist the auditor in obtaining due diligence, accuracy and audit expertise. This is because the auditor at the beginning of the audit engagement with a new client has low understanding and knowledge and takes time to adapt to the company he has just audited. The results of research conducted by (Daratika, 2018); (Karami et al., 2017) stated that Audit Tenure had a negative effect on Audit Report Lag, because when the auditor and client have cooperation for a relatively long period of time, this can make the auditor more aware of the report to be audited so it does not require a long period of time so as to shorten the audit report lag. So, the hypothesis statement that is formulated is

H1: Audit tenure has a negative effect on audit report lag

The effect of company size on audit report lag

The period of the company has an influence on the audit report lag component related to the scheduling lag because it is entirely the responsibility of the company in preparing financial reports. According to (Kawisana, 2020) companies that have been listed for a long time certainly have more experience in dealing with a problem because of their previous experience. The period or easier we call the age of the company is calculated from the first time the company is listed on the Indonesia Stock Exchange until the year of research. In previous studies conducted by (Kawisana, 2020); (Shofiyah & Wilujeng Suryani, 2020) which found that company age had a significant negative effect on the speed of publication of annual financial statements. The longer a company is able to stand up, the faster the company will complete its annual financial statements, because older companies have better internal procedures compared to previous years, thus the company will be more proficient in handling the same problem if it has experienced it previously. However, research by (Shofiyah & Wilujeng Suryani, 2020); (Arianti, 2021) said that in general, long-established companies have had many branches or new businesses, not only in some areas but also up to abroad. The number of audits that must be reviewed by the auditor as well as various transactions with a high level of complexity so as to prolong the audit process is indicated by the large scale of the operation. So. The hypothesis statement is as follows:

H2: Company size has a negative effect on audit report lag



The effect of financial distress on audit report lag

Financial distress is one of the bad news in financial reports. Financial distress is a stage of decreasing the company's financial condition and if this is allowed to drag on it will cause the company to go bankrupt. Financial distress conditions that occur in companies can increase audit risk for independent auditors, especially control risk and detection risk. Research conducted by (Chairunnisa & Patmawati, 2022); (Rainingtyas et al., 2021) found that financial distress has a positive effect on audit delay. The higher the value of the financial distress ratio, the company is considered to be experiencing financial difficulties. The management will try to reduce this bad news so it will take more time. Financial distress conditions that occur in companies can increase audit risk for independent auditors, especially control risk and detection risk. With the increased risk, the auditor must carry out a risk assessment before carrying out the audit process, precisely in the audit planning phase (audit planning). So that this can result in the length of the audit process and the impact on increasing audit delay. The same results were also obtained by (Harymawan et al., 2021); (Sabella et al., 2021) which stated that the financial difficulties experienced by the company can affect the performance of the auditor, because it relates to the fee that the company will give to the auditor. The auditor works in accordance with his professionalism, but if the fee that should be received by the auditor is late or is not in accordance with what it should be, the auditor will also provide performance in accordance with what is given by the company. So, the hypothesis statement can be made as follows:

H3: Financial distress has a positive effect on audit report lag

The role of a public accountant company reputation in mediating the effect of audit tenure on audit report lag

In the view of (A. Astuti et al., 2021) stated that the longer a company is a client of a public accountant company (KAP), the shorter the audit delay. This is because public accountants have understood the characteristics of the company, the company's internal control system and so on. As audit tenure increases, the auditor's understanding of operations, business risks, and the company's accounting system will also increase, resulting in a more efficient audit process. On the other hand, (Wiyantoro & Usman, 2018) prove that audit tenure has a negative effect on the audit completion period, in other words, if the auditor performs an audit engagement with a new client, the audit completion period will be longer. To reduce the negative influence between the length of audit engagement and audit report lag, audit assignments by auditors with a good reputation, namely the big four of public accountant firm, tend to complete audit reports in a smaller time because the big four of public accountant firm have audited a lot in many industries and go public companies. A long audit tenure of a public accounting firm will increase the experience of the public accounting firm, so as to shorten the audit report lag. Therefore, companies will prefer a public accounting firm that has worked with them as a partner compared to a more reputable public accounting firm (Daratika, 2018). Based on this explanation, the hypothesis statement can be arranged as follows:

H4: The reputation of a public accountant company has a significant role in the relationship between audit tenure and audit report lag

The role of a public accountant company reputation in mediating the effect of company size on audit report lag

Companies with a large size will speed up the process of preparing financial reports and have sufficient ability to choose to use a reputable KAP to speed up the timely submission of financial reports so that audit delay can be reduced. Related the role of a public accountant company (PAC) (Sulistiyo et al., 2022) said that companies that have long been established in submitting a report or information on the company's performance to the public so that it is accurate and reliable are asked to use the services of a public accounting firm and to increase the credibility of the report, the company uses the services of a KAP that has a reputation or good name. The same view was also expressed by (A. Astuti et al., 2021) that companies that have been listed for a long time are audited by a reputable KAP will tend to have a shorter audit report lag because the Big Four KAPs have a large number of auditor staff and are more competent. According to research by (Prabasari & Merkusiwati, 2017); companies with larger sizes will speed up the process of preparing financial reports. which makes the auditor have more time in terms of auditing. The implications of the size of the company on audit delay will be further strengthened by KAPs that have a good reputation because they have flexible scheduling resulting in a short span of audit delays (A. Astuti et al., 2021). Based on that explanation, the fifth hypothesis (H5) can be formulated as follows:

H5: The reputation of a public accountant company has a significant role in the relationship between company size and audit report lag.

The role of a public account company reputation in mediating the effect of financial distress on audit report lag.

A corporation is said to be in financial trouble when it is unable to pay its debts on time and faces bankruptcy as a result (Khamisah et al., 2021). When businesses miss their payment deadlines or when cash flow forecasts show that they will shortly miss their responsibilities, these financial problems start. Companies frequently work to enhance their financial reports to avoid producing subpar ones. The duration of this improvement endeavor will lengthen the company's audit delay. According to several references such as (A. Astuti et al., 2021); (Suryandari & Dwiyantri, 2021); (Sulistiyo et al., 2022) KAPs with a solid reputation will typically complete the audit process faster even when the client firm is having financial issues because they are thought to be very efficient and flexible in order to complete audits on time. Additionally, a sizable KAP will find it simpler to manage audit risk and locate the required proof, ensuring that the audit process won't take too long even if the firm is experiencing financial difficulties or is in danger of going bankrupt. Companies that are expected to fail will take a while to audit. Based on the theory of (DeAngelo, 1981), it can be hypothesized that the reputation of a public accountant company (KAP) is able to moderate the influence of bankruptcy prediction on audit delay. Based on this explanation, the hypothesis statement can be arranged as follows:

H6: The reputation of a public accountant company has a significant role in the relationship between financial distress and audit report lag

Following the model below, the debate in this study can be summarized in light of the theoretical framework described:

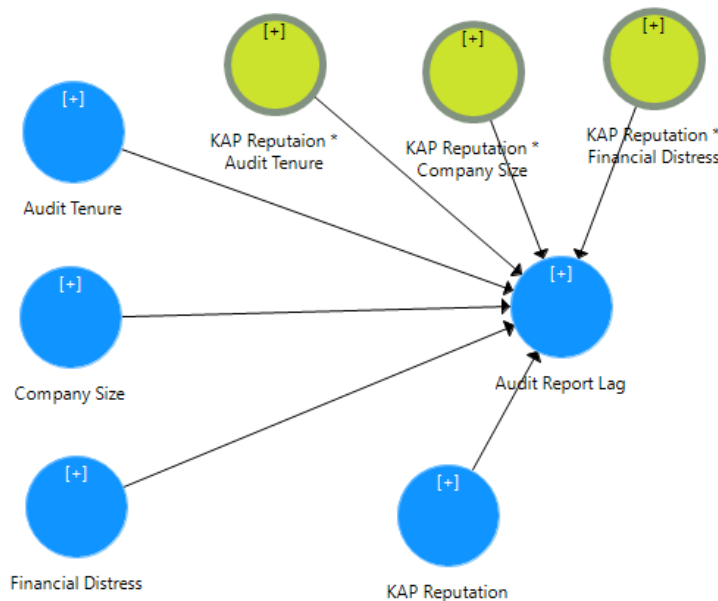


Figure 1. Research Model

RESEARCH METHOD

Sample creation and data gathering

Companies listed on the Indonesia Stock Exchange from 2015 to 2022 make up the population of this study. Purposive sampling was used to choose the sample enterprises, which are industrial businesses that fall under the mining industry and that satisfy the following requirements; (1) Companies included in the mining company group listed on the Indonesia Stock Exchange based on the classification of the Indonesian Stock Exchange (IDX) in the period 2015 to 2021. (2) Mining companies that are listed extensively and sequentially on the Indonesia Stock Exchange based on the classification of the Indonesian Stock Exchange (IDX); (3) The company submits financial reports in rupiah for the period 2015 to 2022. This study uses quantitative analysis, a type of analytical approach that makes use of inferential statistics to demonstrate the validity of a hypothesis using panel data using moderated regression analysis (MRA)



Panel Data Analysis Method

Regression analysis with panel data is used in this work. Cross section and time series data are combined to create panel data. There are three different processing methods that can be used with panel data regression algorithms (Sujianto, 2020). Common Effect Model, Fixed Effect Model, and Random Effect Model constitute the methodology. The Chow test, Hausman test, and Lagrangian Multiplier (LM) Test are three tests that are used to pick models. Audit report lag is the study's dependent variable. The audit tenure, financial distress are the independent factors, and the KAP as the mediator. The following describes the study's moderated regression model:

Model 1: $ARL_{it} = \beta_0 + \beta_1 AT_{it} + \beta_2 CS_{it} + \beta_3 FD_{it} + e_{it}$ (1)

Model 2: $ARL_{it} = \beta_0 + \beta_1 AT_{it} + \beta_2 CS_{it} + \beta_3 FD_{it} + \beta_4 AT * KAP_{it} + \beta_2 CS * KAP_{it} + \beta_3 FD * KAP_{it} + e_{it}$ (2)

Note:

- ARL = Audit Report Lag
- AT = Audit Tenure
- CS = Company Size
- FD = Financial Distress
- AT* KAP = Interaction 1
- CS* KAP = Interaction 2
- FD*KAP = Interaction 3
- $\beta_1, \beta_2, \beta_3$ = Regression coefficient
- β_0 = Constanta
- e = error
- i = entity of company
- t = period of time

Table 2. The definition and measurements of the variables

Variables	Measurement
<i>Dependent Variable</i>	
ARL Audit Report Lag	The number of days required by the auditor to complete the audit work, which is measured from the closing date of the financial year to the date of issuance of the audit financial report.
<i>Moderated variable</i>	
RKAP Reputation of Public Accountant of Company (RKAP)	The reputation of the KAP/auditor is where the auditor is responsible for maintaining public trust and maintaining the good name of the auditor himself. KAP illustrates where the auditor works by issuing an opinion that is in accordance with the actual state of the company. To measure the reputation of a public accounting firm using a dummy variable, which is the standard for measuring the reputation of a public accounting firm that is a partner of the big four KAPs. Companies that use auditors who are included in the big four partners get a scale of 1, while those that are not included in the Big Four get a scale of 0
<i>Independent Variables</i>	
AT Audit Tenure	The number of consecutive years the company retains its auditors. Audit Tenure is measured by calculating the number of engagement years in which the auditor from the same KAP performs an audit engagement with the auditee, the first year of engagement begins with number 1 and is added by one for subsequent years.
CS Company Size	Company size is the size of a company as determined by the sum of its assets. The size of the company is thought to be able to affect its worth since a larger



company will be more likely to be able to attract investors. The natural logarithm (Ln) of total assets is used in this study to determine the firm size variable

FS *Financial Distress*

Financial distress is one of the bad news in the financial statements, which is described in the stage of declining the company's financial condition. Financial distress is represented by Debt to Total Assets with the following

$$\text{formula: } FD = \frac{\text{Total Liabilities}}{\text{Total Assets}}$$

Analysis Method

This research paper is focused on the following question: "What is the role of the KAP on its clients in influencing audit report lag?". To answer this question, the authors estimate that three independent factors, namely audit tenure, financial distress, and company size, are considered to have a more significant impact on the dependent variable in the multiplied regression analysis model with panel data. Panel data regression has the same goal as multiple linear regression, namely predicting the intercept and slope values. The use of panel data in regression will produce different intercepts and slopes for each entity/company and each time period. The panel data multiplied regression analysis to be estimated requires assumptions about the intercept, slope and disturbance variables.

Similar to multiple linear regression, panel data regression aims to predict the intercept and slope values. Regression using panel data will result in unique intercepts and slopes for each company, entity, and time period. The intercept, slope, and disturbance variables must be presupposed in the panel data regression model that will be calculated. According to (Oscar, 2010) there are several possibilities that will arise from the assumptions about the intercept, slope and disturbance variables. Firstly, it is assumed that the intercept and slope are constant throughout the time period and across entities/companies. The difference between intercept and slope is explained by the residual variable. Secondly, it is assumed that the slope is fixed but the intercept is different between entities/companies. Thirdly, it is assumed that the slope is fixed but the intercept is different both between time and between individuals. Fourthly, it is assumed that the intercept and slope are different between individuals. Fifthly, it is assumed that the intercept and slope differ between time and between individuals. From the various possibilities mentioned above, various possible models/techniques that can be carried out by panel data regression emerge. In a lot of literature, only the first to third assumptions are often used as a reference in the formation of panel data regression models. (Gujarati, Damodar N, 2012) assert that there are three tests to select panel data estimation techniques. First, the F statistical test is used to choose between the Common Effect method or the Fixed Effect method. Second, the Hausman test is used to choose between the Fixed Effect method or the Random Effect method. Third, the Lagrange Multiplier (LM) test is used to choose between the Common Effect method or the Random Effect method.

RESULT AND DISCUSSION

The Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM) are the three models that make up the analysis of panel data (Sujianto, 2020). To enhance the test results that the model chosen is the best model, the Hausman Test, and Lagrangian Multiplier (LM) Test are used. The following tests are used to evaluate the data quality in this study: The first test was the Chow test, which was used to determine which model was best between FEM and CEM; but the first test is not done. The second was the Hausman test, which was used to determine which model was best between FEM and REM; and the third was the LM test, which was used to determine which model was best between REM and CEM.

Panel data analysis

The result of Hausman Test

The Hausman test examine which model is the best between the Random Effect and the Fixed Effect. If the Hausman test results show a significant value or the probability $\chi^2 < 0.05$, the model chosen is Fixed Effect, and vice versa. The following are the results of the Hausman test calculations



Table 1. The result of Hausman Test

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----- Coefficients -----
      |      (b)      (B)      (b-B)      sqrt(diag(V_b-V_B))
      |      FEM      REM      Difference      S.E.
-----+-----
AT   |  18.43958    21.97079    -3.53121    3.791986
CS   | -30.42166   -29.76108    -.660574    3.007783
FD   |  .0332039    -.065317     .098521     .2490707
AT_KAP | -9.675752   -10.97701    1.301253    1.786536
CS_KAP | 14.24497    13.86454    .3804349    1.462396
FD_KAP | .2315315    .2762309    -.0446994    .117782
-----+-----
      b = consistent under Ho and Ha; obtained from xtreg
      B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test:  Ho:  difference in coefficients not systematic

      chi2(6) = (b-B)'[(V_b-V_B)^(-1)](b-B)
            =      6.89
      Prob>chi2 =      0.3313
    
```

Based on table 1, the results of the Hausman test in this study indicate probability value of 0.3313. The probability value of 0.3313 > 0.05, it can be concluded that the chosen model is Random Effect, so it is necessary to continue the LM test (Lagrangian Multiplier test) to see the consistency of estimation with Random Effect Model.

The LM test examine which model is the best between the Random Effect and the Common Effect. If the LM test show a probability value < 0.05, the model chosen is Random Effect. The following are the results of the LM test calculation.

Table 2. The result of Lagrangian Multiplier Test

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Breusch and Pagan Lagrangian multiplier test for random effects

ARL[Firm,t] = Xb + u[Firm] + e[Firm,t]

Estimated results:
      |      Var      sd = sqrt(Var)
-----+-----
ARL |  .6597185    .8122305
e   |  .4825544    .6946613
u   |  .0613415    .2476722

Test:  Var(u) = 0
      chibar2(01) =      4.10
      Prob > chibar2 =      0.0215
    
```

Based on table 2, the results of the LM test in this study indicate probability value of 0.0215. The probability value of 0.0215 < 0.05, it can be concluded that the chosen model is Random Effect. Thus in this study continued by using the Random Effect Model



The result of Random Effect Model

Table 3. Random Effect Model GLS Regression Model 1

ARL	Coef	Std. Err.	Z	P> z	(95% Conf. Interval)	
AT	-.8343506	.9148985	-0.91	0.362	-2.627519	.9588174
CS	-1.278543	1.063776	-1.20	0.229	-3.363505	.8064191
FD	.5102926	.0923789	5.52	0.000	.3292332	.6913519
-cons	3.631047	.276628	13.13	0.000	3.088866	4.173228
Sigma_u	.24936086					
Sigma_e	.69944808					
rho	.1127673					
R_sq	0.1595					
Wald Chi2(3)	31.89					
Prob > chi2	0.0000					

Note: AT = Audit Tenure, CS = Company Size, FD= Financial Distress

Source: processed from STATA

The results of the random effect model in GLS regression in this study are

1. The variable of audit tenure (AT) with a p-value of 0.362 > 0.05. By means of statistics the audit tenure does not have a significant effect directly toward the audit report lag
2. The variable of the company size (CS) with a p-value of 0.229 > 0.05. By means of statistics that the company size does not have a significant effect on audit report lag.
3. The variable of the financial distress (FD) with a p-value of 0.002 < 0.05. So the financial distress has a significant effect directly on the audit delay.

Table 4. The result of Moderated Regression Analysis for model 2

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Random-effects GLS regression              Number of obs   =       152
Group variable: Firm                      Number of groups =        19

R-sq:                                     Obs per group:
  within = 0.2265                          min =           8
  between = 0.1623                          avg =          8.0
  overall = 0.2088                          max =           8

Wald chi2(6) =       40.11
Prob > chi2   =       0.0000

corr(u_i, X) = 0 (assumed)
    
```

ARL	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
AT	21.97079	10.47448	2.10	0.036	1.441183	42.50041
CS	-29.76108	14.69498	-2.03	0.043	-58.56272	-.9594428
FD	-.065317	1.641658	-0.04	0.968	-3.282908	3.152273
AT_KAP	-10.97701	5.02757	-2.18	0.029	-20.83086	-1.123149
CS_KAP	-13.86454	7.182871	1.93	0.054	-.2136323	-27.9427
FD_KAP	-2762309	.7991878	0.35	0.730	-1.290148	-1.84261
_cons	3.594892	.2736175	13.14	0.000	3.058611	4.131172
sigma_u	.24767215					
sigma_e	.69466134					
rho	.11278169	(fraction of variance due to u_i)				

Source: Secondary data processed through STATA

(Note: AT = Audit Tenure, CS = Company Size, FD= Financial Distress, RKAP = Reputation of Public Accountant Company)

The results of the moderated regression analysis in this study are

1. The role of KAP in mediating audit tenure (AT) toward audit delay has a p-value of 0.044 < 0.05. So the reputation of KAP has a role in shortening the audit report lag



- The role of KAP in mediating Company Size (CS) toward audit delay has a p-value of $0.885 > 0.05$. Statistically, RKAP does not have a role in shortening the audit report lag.
- The role of KAP in mediating financial distress (FD) toward audit delay has a p-value of $0.232 > 0.05$. So, statistically, KAP does not have a role in shortening the audit report lag.

RESULTS OF HYPOTHESIS TESTING

A partial regression test (t-test) seeks to ascertain the relative contribution of each independent variable to the fluctuation of the dependent variable in order to assess each hypothesis. The following table shows the findings of the hypothesis test:

Table 5. Hypothesis Testing Result

Hypothesis	B	t count	t table	Sig.	α	Result
H ₁ : effect of audit tenure on audit report lag	-0.8343506	-0.91	1.976	0.362	0.05	Rejected
H ₂ : effect of company size on audit report lag	-1.278543	-1.20	1.976	0.229	0.05	Rejected
H ₃ : effect of financial distress on audit report lag	.5102926	5.52	1.976	0.000	0.05	Accepted
H ₄ : the role of KAP in mediating the AT on audit report lag	-10.97701	2.18	1.976	0.029	0.05	Accepted
H ₅ : the role of KAP in mediating the CS on audit report lag	-13.86454	1.93	1.655	0.054	0.10	Accepted
H ₆ : the role of KAP in mediating the FD on audit report lag	-2762309	-1.19	1.976	0.730	0.05	Rejected

Source: processed, 2022

According to research on the first hypothesis, audit tenure negatively effects on audit report lag. According to the study's findings, the negative regression value was -0.8343506 , the t count was $-0.91 < t$ table 1.976 , and the sign value was $0.362 < 0.05$. Thus, audit tenure does not have a significant negative impact on audit report lag, hence H₁ is refused and H₀ is accepted. The findings of this study do not support the compliance theory, which contends that the auditor will abide by the engagement's or provisions requirements because the auditor believes that this authority controls the auditor's behavior. This finding is in line with the previous studies like (Mufidah & Laily, 2019); (Prasetyo et al., 2021) which found that audit tenure haven't a significant effect on audit report lag. The study's findings, however, contradict those of (Wiratmaja, 2017); (Giyanto & Rohman, 2018); (Wiyantoro & Usman, 2018) demonstrate that the longer the audit tenure, the simpler it will be for auditors to comprehend and research the client's business, enabling them to complete the audit process more quickly and reduce the likelihood of audit report lag.

The second hypothesis in this study states that company size has a negative effect on audit report lag. According to the study's findings, the positive regression value was -1.278543 , the t count was $-1.20 < t$ table 2.01 , and the sign value was $0.229 > 0.05$. Thus, H₂ is rejected, and H₀ is accepted; namely, the company size does not negatively affect audit report lag. These findings suggest that a corporation's audit report latency decreases with increasing company size. Large-scale businesses have effective internal control systems that enable the presentation of financial reports more rapidly and with fewer errors in the financial statements' presentation. Additionally, market pressure compels corporations to release financial reports on schedule. The findings of this study do not support the findings of (Shofiyah & Wilujeng Suryani, 2020), (Sudradjat et al., 2022), (Diana & Hidayat, 2022) which contend that the size of the company does not always significantly affect the delay in the release of audit reports. The findings of this study, however, are consistent with those of (Satyawan & ahmmi, 2020), (Machmuddah et al., 2020), who found that the magnitude of the company size always indicate how short an organization's audit report lag will be.

The third hypothesis states that the financial distress has a positive effect on audit report lag. According to the study's findings, positive regression value was 2.368852 , the t count was $3.06 > t$ table 2.01 , and the sign value was $0.002 < 0.05$. Thus H₃ is accepted; namely, the financial distress has a positive impact significantly on audit report lag. This finding is in line with some previous research by (Wiratmaja, 2017); (Khamisah et al., 2021); (Khamisah et al., 2021), who found that financial distress has a positive effect significantly on audit report lag.

The fourth hypothesis states that the reputation of a public accountant company has a significant role in the relationship between audit tenure and audit report lag. According to the study's finding, negative regression value was -10.97701 , the t count was $2.18 > t$ table 1.976 , the sign value was $0.029 < 0.05$. Thus H₄ is accepted, and H₀ is refused. These findings show that many businesses nowadays choose to utilize KAP services with a strong reputation because they believe that these KAPs have more



qualified and experienced human resources as well as appropriate technological resources, enabling them to carry out the audit process quickly, efficiently and produce higher-quality auditing. The findings of this study do not support those (Mufidah & Laily, 2019); of (Ariestia & Sihombing, 2021)'s research, which found that KAP's reputation cannot significantly modify the relationship between audit tenure and audit delays.

The fifth hypothesis states that the reputation of a public accountant company has a significant role in the relationship between company size and audit report lag. According to the study's finding, negative regression value was -0.0184488 , the t count was $-0.14 < t$ table 2.01, the sign value was $0.0885 > 0.05$. Thus H5 is rejected, and H0 is accepted. This demonstrates that a large company's size does not always affect the audit report latency, and that the reputation of the KAP, which bears significant responsibility for large-scale businesses, may not always be able to reduce the audit report lag. The research results for this hypothesis are in line with the research of (Suryandari & Dwiyanti, 2021); (Sulistiyono et al., 2022); (A. Astuti et al., 2021) who found that the reputation of public accountant firm to company size unable to reduce audit delay. In contrast to the research of (P. Astuti & Puspita, 2020); (Rahardi et al., 2021) found that the role of KAP's reputation can shorten the occurrence of audit report lag with the existence of resources and systems that support the audit process in large-scale companies.

The sixth hypothesis states that the reputation of a public accountant company has a significant role in the relationship between financial distress and audit report lag. According to the study's finding, negative regression value was -1.258983 , the t count was $-1.19 < t$ table 2.01, the sign value was $0.0232 > 0.05$. Thus H5 is rejected, and H0 is accepted. Thus RKAP does not have a role in reducing audit report lag. The findings of this study represent that a corporation will alter its KAP when it faces financial difficulty. This may be the case when the company's status is unstable due to financial difficulty and it is no longer able to pay expensive audit fees. Financially stressed companies frequently replace their KAPs before switching to new ones that can offer audit services at a price that is still affordable to the business. The delay in financial statements is typically impacted by this circumstance. This outcome is contrary to the theory of (DeAngelo, 1981), big CPA firms are thought to produce higher-quality audits than little KAPs. This is apparently due to the fact that large CPA firms have greater people resources, systems, and expertise than small CPA firms. Large CPA firms will find it simpler to mitigate audit risk and gather the required documentation, ensuring that the audit process won't take too long even if the company is in danger of going bankrupt. Companies that are expected to fail will take a long time to audit.

CONCLUSION, AND RECOMMENDATION

The following conclusions can be taken from the testing and analytical results as well as the presentation of the above discussion.

KAP's standing can reduce the effects of audit tenure on audit delay. A better KAP reputation will have an impact on the sustainability of corporate relationships, and these auditors will be quicker and more timely in completing financial statements and reduce the range of audit delay, which shows that there is a stronger correlation between audit tenure and audit delay. The auditor will perform more effectively in carrying out his duty to audit financial statements the longer his professional engagement with the customer lasts. This study demonstrates how tenure audit linkages with audit report delays can be influenced by a public accounting firm's reputation.

Due to KAP's reputation, the effects of company size on audit delay can be moderated. This indicates that the association between firm size and audit delay is strengthened by KAP's reputation. Large organizations frequently have a positive KAP reputation, which enables auditors to prepare financial reports more quickly and with shorter audit delay ranges.

The following suggestions and recommendations can be made based on the conclusions above. Bapepam-LK, the organization that regulates the capital market, needs to take a resolute attitude regarding the existence of firms that present financial reports to the public late and in violation of the rules. To ensure that each company submits financial reports with more discipline and without harming diverse interested parties, laws and fines must be improved.

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