P-ISSN: 2476-9851 / E-ISSN: 2541-3333

EFFECT OF PROFITABILITY, COMPANY AGE, COMPANY SIZE ON AUDIT REPORT LAG

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ABSTRACT
The time between the end of financial statement preparation and the date the audit report is issued is known as the audit report lag. A long audit report lag typically happens when a corporation misses the deadline for delivering its audited financial statements to the capital market. Due to the company's delayed release of financial results, market participants, like investors, frequently need a better impression of it. Six manufacturing companies listed on the Indonesia Stock Exchange (IDX) are the subject of this study's sample. The research methodology used is an experimental study with independent factors such as Profitability, firm age, and company size. According to the research's findings, Profitability has a favourable impact on the audit report lag. However, firm age and size have little bearing on this issue.

Keywords: Audit Report Lag, Profitability, Company Age, Company Size, Financial Statements.

INTRODUCTION

Financial statements are routine reports all companies publish annually, utilized by relevant parties with specific purposes for the company, both internal and external stakeholders (Riswan & Kesuma, 2014). Financial statements serve as instruments to represent a company's performance because they are records of its financial data for a certain accounting period. The balance sheet and income statement, the two direct reports, are the products of an accounting procedure that results in financial statements (Sutrisno, 2008).

The period between the conclusion of an audit and the publication date of the audit report is known as the audit report lag (Tannuka, 2018). The time between the conclusion of an audit and the publication of the audit report is known as the audit report lag. It represents the delay or gap in reporting audit findings to the stakeholders of a company. During this period, auditors perform necessary procedures, review financial statements, and prepare the audit report. A shorter audit report lag is generally desired as it provides stakeholders with more timely and up-to-date financial information, enabling decision-making based on informed information. Conversely, a longer audit report lag can lead to uncertainty, lack of transparency, and potential negative perceptions regarding the financial health of the company and reporting practices.

Companies that submit audited financial statements after the timeframes established by the stock market frequently have a large audit report lag (Rini et al., 2021). A lag in the audit report may impact investors. A considerable delay in publishing the audit report might cause uncertainty and have a negative effect on how investors see the company.

LITERATURE REVIEW

Financial statements provide information on a company's financial performance, condition, and changes over time. For investors to make wise financial decisions, financial statement information is essential. Therefore, the financial statements should meet four quantitative characteristics that make them useful for users (Sastrawan & Latrini, 2016). The four characteristics are understandability, relevance, reliability, and comparability (Sari & Laksito, 2011). Financial statements also contain information about the company's financial position, summarising its assets, liabilities, and equity.

Financial statements also provide information about the company's performance, such as revenue, profit, and profit margins. Furthermore, financial statements record the company's financial position changes from period to period. A company's financial statements can be considered tools and sources of information to understand the financial position and management performance of that company, Lestari and Oktaviana (2020).

Profitability is one indicator of a business's capacity to produce and earn profits, which will be the foundation for dividend payments (Dura, 2017). The effectiveness of a company's profit generation is evaluated using profitability ratios (Safitri & Yuliana, 2021). Since dividends represent a part of a company's net profit, more profits will result in a higher overall dividend payment. As a result, the business's Profitability will be impacted by the dividend payment amount (Setyaningsih & Yuliana, 2020). The high profit or earnings produced is one sign of a successful business. The company can provide good news to users of financial statements if it performs profitably well, benefiting both the company and investors (Tampubolon & Siagian, 2020).

According to Saemargani and Mustikawati (2015), company age refers to how long a company has been in business. The time a firm has been listed on the Indonesia Stock Exchange is known as its age. The company's age demonstrates that it is still active and competitively powerful. (Indra and Arisudhana, n.d.), in their research, indicates that audit delays will be reduced as a company's age increases because older companies can better gather, process, and produce information when necessary because they have significant experience in this area. This can be explained by companies operating for a long time have more experience in collecting, processing, and generating financial information required for audits. They have built efficient systems and procedures to maintain the smooth running of the financial reporting and audit processes. In addition, older companies tend to have a management team that is experienced and trained in managing the financial aspects of the company. In this context, the experience and knowledge of older companies can help them efficiently gather and present relevant information to the auditors. This reduces the time needed to check and verify financial statements, reducing audit delays. According to a study (Aristika et al., 2016a), the company's age significantly affects the lag in the audit report.

According to Sunarsih, Munidewi, and Masdiari (2021), Company size refers to the size of an organization as determined by its total assets at the end of the fiscal year. The word "company size" describes the dimensions of an organization in terms of its assets, sales, or workforce. A corporation's scope, complexity, and capabilities can be determined by its size. The total amount of sales can also be used to gauge the size of the business. A corporation's size is indicated by its company size. According to (Ummah & Yuliana, 2023), larger companies generally have a more hierarchical structure and more inertia. A company can be considered big or small from several perspectives, such as total asset value, total sales, number of employees and so on (Tiono, 2013). Companies with large total sales generally exhibit a larger operating scale, have a broad customer base, and operate in a wider market. They may have complex supply chains, branches or divisions spread across multiple locations and conduct business transactions with multiple parties.

On the other hand, companies with smaller total sales tend to have a more limited scale of operations, a more local or niche customer base, and operate in a more limited market. They may have a simpler organizational structure and conduct business transactions with a limited number of parties. In the context of auditing and financial reporting, company size can be an important factor affecting the complexity and time requirements of the audit process. Larger companies tend to have more complex financial and operational structures, which require more time and resources to conduct audits. In research by Aristika, Trisnawati, and Handayani (2016b), the organization's size affects the lag time in audit reports.

Auditing is an independent and objective process of gathering, analyzing, evaluating, and providing a professional opinion about an entity's information or economic activity. The main objective of an audit is to provide reasonable assurance to interested parties that the financial reports or other information being audited are reliable. Other objectives include increasing the reliability of information, improving internal control, and providing relevant recommendations for improvement. In addition, the audit must also be of good quality. External and internal factors can influence good audit quality; where one of the external factors is editor rotation, while auditors influence internal factors (Ardhani et al., 2019). The complexity of transactions, the amount of data that has to be evaluated, the accessibility of the needed data, the quality of the connection between management and the auditor, and the risk of fraud are a few variables that might determine how quickly an audit report is produced. These aspects can influence how quickly and effectively an audit proceeds and how long it takes to create an audit report.

METHODS

Type of Research

Experimental research is the method used in this study. A quantitative descriptive approach was used to carry out this study. Indicates that quantitative research is a study that strongly emphasizes verifying theories through numerical measurements of research variables and statistical data analysis. According to (Indriantoro et al., 2002, p. 12), quantitative research focuses on testing hypotheses using numerical measurements of research variables and statistical data analysis. The secondary data used in this study came from the annual financial reports of Indonesian manufacturing businesses listed on the Indonesia Stock Exchange (IDX) for the 2020–2021 fiscal year.

Variable of Research

The study's independent factors are Profitability, company age, and company size, while Audit Report Lag is the dependent variable. According to (Kasmir (2008), Profitability is a ratio used to evaluate a company's capacity for generating profits and the degree of management efficacy. They are using return on assets (ROA) in this study. According to Widhiasari and Budiartha (2016), the company's age refers to its business duration. From the time of the company's founding until the present, the age of the company is determined. Businesses that have been around for a while frequently have multiple branches or even new ventures, both in Indonesia and abroad. Variable measurement methods in this study are as follows:

Table 1. Variable Measurement

Variable	Measurement
Audit Report Lag	audit report date - financial report date
Profitability	*ROA* (net income / total assets)
Company Age	research year - the year the company was listed on the IDX
Company Size	*Ln* x total assets

Source: Processed data

Data of Research

Population and research sample

This study makes use of a population of 178 manufacturing businesses that are listed on the IDX. Six businesses that will file annual reports in 2021 will serve as the sample for this study.

Data type and sources

This study uses quantitative data, namely secondary data from manufacturing sector company financial statements for 2021.

Data Analysis Technique

The data analysis technique used to meet the research objectives was multiple linear regression analysis with the SPSS software. This approach was chosen because it facilitates the simultaneous analysis of several independent variables.

RESULTS

Table 2. Statistics of Descriptive

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Profitabilitas	6	,03	,08	,0550	,01871
Umur_Perusahaan	6	26,00	89,00	49,1667	21,23598
Ukuran_Perusahaan	6	10,00	32,00	16,1667	8,13429
Audit_Report_Lag	6	46,00	111,00	84,0000	21,20377
Valid N (listwise)	6				

Source: Processed data, 2023

The results of the SPSS test show that Profitability has an average value of 0.0550, with the biggest value being 0.08 and the smallest being 0.03. The company is 49.1667 years old on average, with the highest value of 89.00 and the lowest value of 26.00. With the biggest value of 111.000 and the smallest of 46.000, the average firm size is 16.1667.

Table 3. Model Summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,785[a]	,616	,040	20,77550	2,939

a. Predictors: (Constant), Ukuran Perusahaan, Profitabilitas, Umur Perusahaan

b. Dependent Variable: Audit Report Lag

Source: Processed data, 2023

Based on the outcomes of data processing with SPSS 25, it has been determined that firm size, Profitability, and company age collectively affect audit report lag by 0.616 or 61.6%, and other factors influence another 38.4%. The R Square column demonstrates this.

Table 4. Uji T

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	,461	,108		4,262	,051
	Profitabilitas	26,046	3,579	2,212	7,276	,018
	Umur_Perusahaan	-,979	,919	-,719	-1,065	,398
	Ukuran_Perusahaan	-3,340	,788	-2,038	-4,238	,051

a. Dependent Variable: Audit_Report_Lag

Source: Processed data, 2023

Based on the provided table, it is evident that the p-value for Profitability is 0.018, below the 5% significance level. This indicates that Profitability has a significant positive impact on audit report lag. However, the company age and size variables do not significantly affect audit report lag, as their p-values are 39.8% and 5.1%, respectively, exceeding the 5% threshold.

Table 5. Uji F

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,414	3	,138	70,395	,014[b]
	Residual	,004	2	,002		
	Total	,418	5			

a. Dependent Variable: Audit Report Lag

b. Predictors: (Constant), Ukuran Perusahaan, Profitabilitas, Umur Perusahaan

Source: Processed data, 2023

From the table above, it is clear that Profitability has a considerable positive impact on audit report latency because its significant value is 0.018, or less than 5%. The variable firm age and size had no discernible impact on the delay in the audit report because their significance values, respectively, of 39.8% and 5.1%, are more than 5%.

DISCUSSION

Effect of Profitability on audit report lag.
The outcome from the SPSS test indicates a significance value of 0.018. Since this number is less than 0.05 or 5%, Profitability influences audit report lag favourably. When financial information is delivered, company profitability plays a role. The issuance procedure moves more quickly, and the more profitable the company is since this is viewed as good news to share with the public and investors. The audit report lag is the period between the end of a company's fiscal year and when the external auditor submits the financial audit report. Profitability is the term used to describe a company's capacity to generate revenue. According to studies and assessments in this field, business profitability and audit report lag are related. Shorter audit report lags are often linked to higher levels of Profitability. Profitability is frequently a very good sign of the integrity and quality of the financial statements, allowing the auditor to complete the audit more quickly.

Effect of Firm Age on audit report lag.
The SPSS test result has a significance value of 0.398. This number exceeds 0.05 or 5%, which supports the finding that firm age has little to no bearing on audit report lag. Long-standing Stock Exchange listing status does not guarantee that a company will release financial reports on schedule. On the other hand, young or developing businesses also want to cultivate a positive public image by timely releasing their financial reports. The results of this investigation revealed that the prior theory, which connected firm age with audit report latency, needed to be validated. The findings of this study concur with earlier research (Widiastuti & Kartika, 2018).

Effect of Company Size on audit report lag.
The results of the SPSS test show that the data have a significance value of 0.051. Since this figure is larger than 0.05 or 5%, firm size has little to no effect on audit report lag; this is because organizations currently listed on the IDX will scrutinize authorities, investors, and individuals interested in the organization's financial accounts. As a result, the corporation is now required to finish the audit process on time. The findings of this study concur with earlier studies (Apriayanti & Santosa, 2014).

CONCLUSION

The study's conclusions suggest strong warning indications regarding the delayed audit report in the profitability variable in the study's sample. However, the audit report's lag is unrelated to the company's organizational structure or fiscal year. This finding is consistent with earlier studies by Widiastuti and Kartika (2018), which discovered that the age of the company had no bearing on audit reports lag, and (Apriayanti & Santosa, 2014), which discovered that the size of the company had no discernible bearing on audit report lag.

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