

Audit Lag Criteria Report as a Determination of the Reliability and Quality of Auditor's Report in Indonesia

Iskandar Muda¹, Karina Valisia Davis¹, Erlina¹, Azizul Kholis² & Gusnardi³

¹ Universitas Sumatera Utara, Medan, Indonesia

² Universitas Negeri Medan, Indonesia

³ Universitas Riau, Pekanbaru, Riau, Indonesia

Correspondence: Iskandar Muda, Universitas Sumatera Utara, Medan, Indonesia. E-mail: iskandar1@usu.ac.id

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Abstract

This paper aims to know the quality indicators of the financial statements which consist of profitability, solvency and reputation of Registered Public Accountant (KAP) to the audit lag with company size as a moderation variable either partially or simultaneously in LQ45 companies. This research is a comparative causal research with ex post facto approach. Purposive sampling technique is used in this research and there are 18 samples collected by this technique from LQ45 in Indonesia Company Issuer year 2010-2016. The data analyzed research is 126. Data analysis technique used Moderated Regression Analysis (MRA) with the Application of Eviews Software. The study concluded that study showed that solvency, reputation of the public accounting firm and company size had a significant effect on Audit Lag, while profitability had no significant effect on Audit Lag. The size of a company able to moderate the effect of independent variables to the Audit Lag and not have to moderate the effect of the profitability to the Audit Lag.

Keywords: profitability, solvency, reputation, public accounting firm, company size, audit lag

JEL Classification: E44, G11, M42

1. Introduction

The use of financial statements according to international accounting standards (IFRS) in financial reporting has several benefits. The use of financial accounting standards can increase the accuracy in assessing company performance reflected in financial statements (Amiram, 2018 and Buslepp, 2018). The accuracy of the analysis performed by financial analysts increases after companies adopt international accounting standards (IFRS). The increasing accuracy of the analysis of financial analysts is because international accounting standards require disclosure of financial conditions that are more detailed than local accounting standards. Implementation of IFRS in general can facilitate understanding of financial statements with the use of internationally known Financial Accounting Standards (Kim et al. 2018). Financial reports can also increase the flow of global investment through transparency and reduce capital costs by opening opportunities through the capital market globally (Kurt, 2018). In addition to the international standard financial statements can create efficiency and improve the quality of financial statements.

Financial reports are required to be audited once a year so that they are useful for internal and external decision makers. To fulfill the need for various financial reports, it will be presented that meet criteria., it is necessary to test the suitability of accounting practices in financial statements with generally accepted accounting principles (Oussii and Taktak, 2018). The testing process is known as the auditing carried out by public accountants as an independent party. The obligation to submit financial reports to external supervision, public trust must be maintained with assistance in the form of financial statement presentation (Agyei, 2018; Roussy & Perron, 2018, Raiborn et al. 2018 and Salehi et al. 2018). If it is not audited, there is a possibility that the financial statements contain both deliberate and negligent errors, then unaudited financial statements are less reliable by the parties.

The obligation to submit financial reports to public accountants for auditing arises from the nature of the Company concerned (Republic of Indonesia, 2007). Submission of financial reports to stakeholders represented and reviewed by external supervisors. The same is true of the Company which for financing expects funds from the capital market

must submit two copies of annual report hardcopy also in softcopy. Each issuer or public company whose registration statement has become effective must submit an annual report to Indonesian Capital Market Board (BAPEPAM) submitted a maximum of 4 months after the publication of the internal financial report. (Mutiara et al. 2018). For issuers or public companies listed on stock exchanges in Indonesia and other countries' stock exchanges, where the deadline for submitting the annual report is different from the provisions set by capital market authorities in other countries (Farag et al. 2017). In other countries, annual reports submitted to BAPEPAM must contain the same information, and in the event that the annual report submission deadline falls on a holiday, then the annual report must be submitted on the next working day (Ghafran & Yasmin, 2018).

Lee & Tong (2018) indicated that late earnings announcements lead to negative abnormal returns while faster earnings announcements lead to the opposite. Indirect reporting delays are also interpreted by investors as a negative signal for the company. Habib & Muhammadiyah (2018) stated that the timeliness of financial statement presentation and audit report become the main prerequisites for the increase of stock price of the company. According to Dorata et al. (2018), Audit Lag is a duration of time completion from the end of the company's fiscal year until the date of audit report is issued. One of the criteria of professionalism of the auditor is the accuracy of the delivery of the audit report. The longer the auditor completes the audit work, the longer the Audit Lag (Laidroo & Joost, 2018; Swanson & Zhang, 2018; Shin et al., 2018). However, the auditor may extend the audit period by delaying the completion of the audit of financial statements for some reason, such as compliance with standards to improve audit quality and thus require longer audit completion time. According Habib & Muhammadiyah (2018), the implementation of audits that are more in line with the standards take longer, otherwise it is incompatible with the standards the shorter the time. Audit of financial statements is carried out to determine whether the presentation of financial statements has been stated in accordance with criteria.

Some of the factors affecting Audit Lag have been overwhelmingly by previous researchers such as Amin et al. (2017), Azami & Salehi (2017). Abernathy et al. (2018), Jouini (2018), Khoufi & Khoufi (2018), Mohamadrezaei et al. (2018), Mohammad Rezaei & Saleh (2018), Nan-wei et al. (2018), Habib et al., (2019) and Knighton (2020) Several factors affecting Audit Lag have been done in several previous researches, such as company size, total revenue, profitability level, length of client of KAP, company book year. The direction of the relationship of these factors is a very strong positive correlation with Audit Lag. Carslaw and Kaplan (1991) and Little & Lehkamp (2018), conducted research on Audit Lag at public companies in New Zealand. The variables used are firm size, type of public accountant opinion, auditor, company book year, company ownership and debt proportion to total assets. The influencing variable is the size of the company and the company that reported the loss. Mutiara, et al. (2018) conducted a study on Audit Lag the result of multivariate research shows that the four factors simultaneously have an effect on Audit Lag, but the consistent effect is book year and reporting loss. The result of the research shows that the variable Company Size, Company Profit, Solvency and CPA Firm Size has a significant effect On Audit Report Lag. Oussii (2018), conducted Audit committee effectiveness and financial reporting timeliness with The case of Tunisian listed companies. The results showed that Audit committee effectiveness and financial reporting timeliness variables have significant effect on Audit Lag, while other variables have no effect.

Audit lag is defined as the length of time for audit completion as measured from the closing date of the financial year to the date of issuance of the audit report. A delay audit or in some studies referred to as an audit reporting lag is defined as the time difference between the end of the fiscal year and the date of issue of the audit report. This definition is dividing the delay or lag into: (Dorata et al. 2017; Meckfessel & Sellers, 2017 and Wan et al. 2018):

- 1) Preliminary lag, is the interval between the end of the fiscal year until the date of receipt of the preceding financial statements by the capital market.
- 2) Auditor's signature lag, is the interval between the end of the fiscal year to the date specified in the auditor's report.
- 3) Total lag, is the interval between the end of the fiscal year to the date of receipt of the annual financial statements of publications by the capital market.

Based on the above understanding, it can be concluded that Audit Lag is the duration of audit completion time measured from the time difference between the closing date of the company's book year as of December 31st till the date stated in the independent audit report. The turnaround time can be measured from the number of days. The number of days can be calculated from the closing date of the financial year of the company minus the date of issue of the audited report. Audit Lag is very important for an investor who will invest his shares in a particular company, this impact on the quality of a company. The longer the audit completion time the longer the Audit Lag. This research was conducted to re-examine some factors in previous research that affect Audit Lag such as firm size,

profitability, solvency and reputation of the public accounting firm especially in LQ 45 companies. Although there has been much research on Audit Lag on companies listed on the Indonesia Stock Exchange, there are differences in results that may be due to differences in the nature of the independent variables and the dependent variables studied, differences in study periods or differences in the use of statistical methodologies. From the description above, it can be formulated that the research problem is how influence of profitability, solvency and reputation of public accounting firm affect Audit Lag with company size as moderation variable? This study aims to know, analyze and test how the influence of profitability, solvency and reputation of the public accounting firm affect audit lag with company size as a moderation variable.

2. Review of Literature

2.1 Financial Statements

According to Gavana et al., (2020), a financial statement are presentation of financial position and financial performance in organization. This report shows the history of quantified entities in monetary values. It also includes schedules and additional information relating to such reports. The financial statements have the primary objective of providing useful information for economic decision making. Users of financial statements will use it to forecast, compare and assess the financial impacts arising from economic decisions it makes.

2.2 Audit Delay

Junior (2020) stated that the audit delay is days of length by the auditor to finished audit work from the closing date of the financial year to the date of issuance of financial statements. Audit delay or in some studies referred to as audit reporting lag is defined as the time lag between the end of the fiscal year and the date the audit report is issued. Audit delays are a form of the length of the audit completion time measured from the closing date of the book to the date of issuance of the audit report. Audit delays are the time span measured of length of audit process from the closing date on December 31 to the book cap as of December 31 until the publication report.

2.3 Profitability

Profitability is often used as a measure of management performance as well as efficient use of working capital so as to generate profits for the company (Basana and Tuli, 2020). Profitability of the company is usually seen from the income statement of the company which shows the company performance report. The level of profit or profit generated shows the success of the company's performance effectiveness in the current period. Companies with high levels of profitability tend to report their financial statements more quickly than firms with low profitability as this is good news that should be made public.

2.4 Solvency

According to Alter and Elekdag (2020) solvency ratio or leverage is the measure of the the company's assets are financed with debt. The solvency is the ability of a company to pay all its debts both short and long term if the company is dissolved. The proportion of total assets does not change then the debt owned by the larger company. The growing total debt reflects the high financial risk of the company. The high risk may indicate the possibility that the company can not pay its obligations which means the company is experiencing financial difficulties. The management of companies.

2.5 Public Accounting Firm Reputation

Reinstein, et al (2020) state that the Public Accounting Firm (KAP) is a form of public accountant firm have a licensed in accordance with the regulatory and laws with accounting standard and procedures. Auditor quality can be known from the size public accountant that affiliated with with the big four or not.

2.6 Hypotheses Development

2.6.1 The Effect of Profitability to Audit Delay

Companies with high profitability tend to publish their financial statements more quickly. This is because the good news on the financial statements that will affect the value of the company in the eyes of the public, especially investors. Habbe, et al, (2019) and Cassel, et al, (2020) stated that companies that are experiencing losses tend to require auditors to start the auditing process more slowly than usual. Because of this, there will be a delay in delivering bad news to the public. The results of Orzes, et al, (2020) showed that the profitability of the company has a significant effect on audit delay. The company will not delay the delivery of information containing good news. Therefore, companies that are able to generate high profits will tend to experience a shorter audit delay, so that it can be immediately conveyed to the investors and other interested parties.

2.6.2 The Effect of Solvency to Audit Delay

A company is said to be solvable if the company has enough assets or assets to pay all its debts. But vice versa if the proportion of debt greater than its assets will increase the tendency of losses and can increase the caution of the auditors of the financial statements to be audited. Gois et al (2020) found a positive relationship between solvency (the ratio of total debt to total assets) to corporate audit delay. Still according to Desai et al (2020), the higher solvency means there are going concern issues that require more careful audit. A high solvency ratio results in the length of time required for completion of the audit so that the audit delay will be lengthy.

2.6.3 The Effect of Reputation of the Public Accounting Firm to Delay Audit

Companies going public are obliged to issue audited financial statements by auditors. Selection of public accounting firm by the company can affect the credibility of the financial statements. Selection of public accounting firm services is an important factor in timely delivery of financial statements. This is because large firms or the big four are considered to perform audits more efficiently and have a higher level of flexibility to schedule time to complete the audit. The results of Wang (2020) found that audit delay would be shorter for company audited by large-scale public accounting firms. This is assumed because large public accounting firms have large numbers of employees, can audit more efficiently and effectively, have flexible schedules allowing them to complete audits on time, and have a stronger push to complete audits more quickly, in order to maintain their reputation. Otherwise, it is possible that they will lose their auditing job for the following years because they are considered less competent. Based on the above description, the hypothesis that can be compiled is as follows:

H₃: Reputation of the public accounting firm affects audit delay

2.6.4 The Effect of Company Size to Audit Delay

The large-scale companies are closely monitored by investors, capital and government watchdogs so tend to face higher external pressures to announce audited financial statements early. Thus, the larger the size of the company, the shorter is audit delay. According to Lisowsky and Minnis (2020) on company size, large companies are more consistent for timely than small firms in informing their financial statements.

2.6.5 The Effect of Company Size on Profitability Relation With Audit Delay

Companies that have a high level of profitability tend to accelerate the audit process, because it is a good news. According to Super and Shil (2019), the larger the size of the company, the more attention gets from both investors and the government. Internal control of large companies is stronger than small companies, effective internal controls allow for minimal error or misstatement in financial statements. Good internal controls make it easier for auditors to audit. The larger the size of the company then the better the internal controls are applied so that it can encourage the increase of profit. With increasing profit of the companies, then companies tend to disclose financial statements more quickly.

2.6.6 The Effect of Company Size on Solvency Relation With Audit Delay

Cao et al (2020) stated that company size has an effect on audit delay. Large companies or go public are obliged to submit audited financial statements in accordance with established provisions. Large companies also tend to have shorter audit delay compared to smaller firms. The potential for a longer audit delay can be based on the scope of the audit and the complexity of transactions at large companies. In addition, auditing debt takes longer than auditing capital. Usually auditing more debt involves a lot of staff and is more complicated than auditing capital. In this case the company will reduce the risk by withdrawing the publication of its financial statements and stalling the time in its audit report. It gives a sign to the market that the company is in a high level of risk.

2.6.7 The Effect of Company Size on Reputation of the Public Accounting Firm Relationship With Audit Delay

Abozaid, et al (2020) stated that the associated with the timeliness of annual financial statements, company size is function of the speed of financial reporting. Associated with the selection of public accounting firm that will audit the financial statements, large companies or companies go public tend to use the services of public accounting firm the big four to improve the credibility of financial statements in the eyes of users of those financial statements (Shakhatreh et al, 2020).

3. Methods

This study uses a quantitative approach. Quantitative research method is a research method based on the philosophy of positivism. The population in this study were companies listed in the index LQ 45 in Indonesia Stock Exchange year 2010-2016. The technique used in sampling is purposive sampling. The sample taken is 126 observations.

Autocorrelation test aims to test whether in model. The Classical Assumption in Normality test by using Jarque-Bera Analysis. Heteroscedasticity test is used to test whether in the regression model used the variance inequality. For Multicollinearity test aims to test whether in the regression found the correlation between independent variables. Data analysis technique used in this research is Moderate Regression Analysis (MRA) by using Panel Data. To make estimation of Panel Data regression model in this research use analysis tool that is Eviews software. The regression model used as follows:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_1X_5 + b_6X_2X_4 + b_7X_3X_4 + e$$

Information:

Y = Audit Lag (AUD)

a = Constants

b = Regression Coefficient

X₁ = Profitability (PROF)

X₂ = Solvency (SOLV)

X₃ = Reputation of The Public Accounting Firm (KAP)

X₄ = Company Size (SIZE)

e = Standard Error

4. Result and Discussion

4.1 Result

4.1.1 Descriptive Statistics Analysis

The results of descriptive statistical analysis containing the maximum, minimum, mean and standard deviation values can be seen in Table 1 as a follows:

Table 1. Descriptive statistics of research variables

Variable	Minimum	Maximum	Mean	Std. Dev.
Profitability (PROF)	0.014	0.404	0.121	0.098
Solvency (SOLV)	0.133	0.909	0.489	0.242
Reputation of The Public Accounting Firm (KAP)	0	1	0.904	0.294
Company Size (SIZE)	15.53	20.76	17.871	1.478
Audit Lag (AUD)	16	89	59.134	17.566

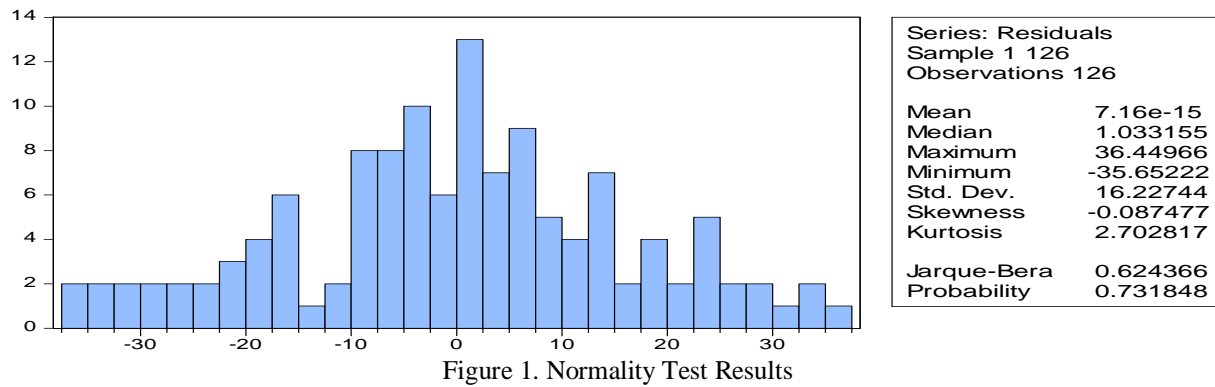
Source: own calculation

Based on Table 1 the result of descriptive analysis of audit lag variable obtained the highest value of 89 days and the lowest value of 16 days with an average audit lag of 59.13492 and the standard deviation of 17.56649.

4.1.2 Classical Assumption Test

a) Normality test

The Normality test use Jarque Berra to prepare on Figure 1 as a follows:



Source: own calculation

Normality test results based on Figure 1 show that the probability value of Jarque-Bera statistic (J-B) is 0.731848. Because the probability value p, ie 0.731848 greater than the level of significance, that is 0.05, so it can be interpreted that the data on this reaserach has normal distribution.

b) Multicollinearity Test

Based on Table 2 as a follows:

Table 2. Multicollinearity Test

Variable	VIF		
	Coefficient Variance	Uncentered VIF	Centered VIF
PROF	414.879	4.682	1.846
SOLV	105.809	14.586	2.862
KAP	32.0668	13.438	1.279
SIZE	4.229	629.971	4.250
C	1070.181	495.681	-

Source: own calculation

Based on the Table 2 show that a good regression model because not be correlated among the independent variables.

c) Heterocedasticity Test

Based on Table 3 the Heterocedasticity test with Glejser methods results as a follows:

Table 3. Heterocedasticity Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	31.374	19.553	1.604	0.111
PROF	-21.237	12.174	-1.744	0.083
SOLV	9.118	6.148	1.483	0.140
KAP	-1.277	3.384	-0.377	0.706
SIZE	-1.085	1.229	-0.882	0.379

Source: own calculation

Based on the Table 3 show that Glejser test results it can be seen that the Prob value of independent variables PROF, SOLV, KAP and UP > 0.05. This means that the regression model in this study does not occur heteroscedasticity.

d) Model Estimation Method

Here is a Table 4 that shows the results of the Chow Test:

Table 4. Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	8.233767	(17,101)	0.0000
Cross-section Chi-square	109.565655	17	0.0000

Source: own calculation

Based on the results of the Chow test in Table 4, it is known that the probability value is 0.000. Since the probability value is $0.000 < 0.05$, then H_0 is rejected and H_1 is accepted. The model estimation used is the fixed effect model (FEM). Here is a Table 5 showing the Hausman Test results:

Table 5. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	36.500039	7	0.0000

Source: own calculation

The Hausman test show in Table 5, have that the probability value is 0.0000 where the probability value is $0.0000 < 0.05$, then H_0 is rejected and H_1 is accepted (The Fixed Effect Model). The output of the regression show in the Table 6 as follows:

Table 6. Fixed Effect Model in the moderated equation

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PROF	252.010	539.979	0.466	0.641
SOLV	1161.82	328.998	3.531	0.000
KAP	671.389	182.848	3.671	0.000
SIZE	43.824	15.3631	2.852	0.005
C	-671.692	262.007	-2.563	0.011
PROF*SIZE	-16.401	31.6225	-0.518	0.605
SOLV*SIZE	-64.661	18.9413	-3.413	0.000
KAP*SIZE	-39.517	10.7132	-3.688	0.000
Effects Specification				
R squared	0.707448	Mean		59.13492
Adjusted R-squared	0.637931	Standard Deviation		17.56649
S.E. of regression	10.57014	Akaike indicators		7.729608
Sum squared resid	11284.52	Schwarz indicators		8.292362
Log likelihood	-461.9653	Hannan Quinn indicators		7.958237
F-statistic	10.17657	Durbin-Watson statistics		1.290181
Probability	0.000000			

Source: own calculation

Based on Table 6 the Moderated Equation can be described as follows:

$$\text{AUD} = -671.6925 + 252.0108 \text{ PROF} + 1161.829 \text{ SOLV} + 671.3893 \text{ KAP} + 43.82480 \text{ SIZE} - 16.40106 \text{ PROF SIZE} - 64.66156 \text{ SOLV SIZE} - 39.51764 \text{ KAP SIZE} + e$$

Based on Table 6 it is known that the coefficient of determination in Adjusted R-squared is = 0.637931. The value can be interpreted that PROF, SOLV, KAP and SIZE can be explain AUD simultaneously or together equal to 63.79%, the residual to 36.21% influenced by other factors. F test examine of independent variables to the dependent variable. Based on Table 6, the value of F-statistics is 0.0000, that is less than < 0.05 , it can be concluded that all independent variables, ie PROF, SOLV, KAP and SIZE have a significant effect to AUD variables. The coefficient of the PROF variable is 252.0108 is positive. The values can be interpreted is PROF variables have a positive effect to AUD variables. The PROF prob value is 0.6417, less that > 0.05 . The PROF variable not significant to the AUD variable. The SOLV value is 0.0006, less that < 0.05 . The SOLV variable influenced to the AUD variable. The KAP value is 671.3893. This value can be interpreted by KAP variable have positive effect to AUD variable. The KAP value is 0.0004, meaning that is < 0.05 . The KAP variable has significant effect to the AUD variable.

Based on Table 6, the coefficient value of the SIZE independent variable is 43.82480, which is positive. The variable of SIZE influential to AUD variable. The value of Prob of the SIZE variable is 0.0118, that is < 0.05 , then the SIZE variable has a significant effect on the AUD variable, at the 5% significance level. The results show that of Moderated Regression Analysis (MRA) test in Table 6 show the coefficient value of -16.40, which is negative. Known Prob value of moderated PROF variable is 0.6051, that is > 0.05 , hence can be concluded that company size can not moderate effect of profitability to Audit Lag. The results of Moderated Regression Analysis (MRA) test in Table 6 show the coefficient value of -64.66, which is negative. Known Prob value of moderated variable SOLV is 0.0009, that is < 0.05 , hence that firm size can moderate effect of solvabilitas to Audit Lag. This can be due to large companies with large amounts of debt and a large debitolder will take longer in the audit process. The Moderated Regression Analysis (MRA) test in Table 6 show the coefficient value of -39.51, which is negative. The value of Prob of moderated KAP variable is 0.0004, that is < 0.05 , it can be concluded that firm size can moderate KAP reputation influence to Audit Lag. This is because large-scale companies have more ability to use large KAP services or the big four to audit their financial statements.

4.2 Discussion

4.2.1 The Effect of Profitability to Audit Lag

Mutiara et al. (2018) explained that profitability variables has no significant effect on Audit Lag. Based on the results of this study, profitability variables not affect to the Audit Lag because a demands parties concerned is not too large so as not to trigger the company to publish financial statements more quickly. The tendency of organizations that have high profits to publish their financial statements more quickly. This is because the good news on the financial statements that will affect the value of the company in the eyes of the public, especially investors. Bailey et al. (2017), Bhatia & Tuli (2018), Parkotdee et al. (2018), stated that companies that are experiencing losses tend to require auditors to start the auditing process more slowly than usual. The results showed that the profitability of the company has a significant effect on Audit Lag. The company will not delay the delivery of information containing good news. Therefore, companies that are able to generate high profits will tend to experience a shorter Audit Lag, so that it can be immediately conveyed to the investors and other interested parties.

4.2.2 The Effect of Solvency to Audit Lag

Mutiara et al. (2018) which states that solvency has a significant to Audit Lag. According to Brunelli (2018), a high solvency ratio resulted in the completion time of the audit. A company is said to be solvable if the company has enough assets or assets to pay all its debts. The higher solvency means there are going concern issues that require more careful audit. A high solvency ratio results in the length of time required for completion of the audit so that the Audit Lag will be lengthy. Solvency is often called the leverage ratio. According to Brunelli (2018) solvency ratio or leverage is the ratio used to measure the extent to which the company's assets are financed with debt.

4.2.3 The Effect of Reputation of the Public Accounting Firm to Audit Lag

The meaning of positive relationship means that when the reputation of KAP increases, the Audit Lag will increase and when the reputation of the KAP decreases, the Audit Lag will decrease (Mohammed & Saeed, 2018; Rezaei et al, 2018; Ocak, 2018 and Zhang, 2018). This can be interpreted that the company LQ 45 audited by KAP the big four in this study has Audit Lag that almost the same length with the company LQ 45 audited by KAP non big four. KAP is a form of public accountant organization licensed in accordance with the laws and regulations.

4.2.4 The Effect of Company Size to Audit Lag

The results of this test consistent with research conducted by Ghafran & Yasmin, (2018) which states that company size has a significant effect on Audit Lag. Companies going public are obliged to issue audited financial statements by auditors. Selection of public accounting firm by the company can affect the credibility of the financial statements. This is because large firms or the big four are considered to perform the high level of organizational efficiency is determined by an audit. Broberg (2017) conclude that Audit Lag would be shorter for company audited by large-scale public accounting firms.

4.2.5 The Effect of Company Size on Profitability Relation With Audit Lag

This is because large or small companies have different profits or levels of profitability. It will not affect the duration of the audit process because the auditor performs its duties in accordance with applicable regulations. Cameran (2018) explained that company size has an effect to the Audit of Lag. Large companies also tend to have shorter Audit Lag compared to smaller firms. The potential for a longer Audit Lag can be based on the scope of the audit and the complexity of transactions at large companies. A high proportion of total debt ratio will increase corporate failures. In addition, auditing debt takes longer than auditing capital.

4.2.6 The Effect of Company Size on Solvency Relationship With Audit Lag

Large-scale management tends to be given incentives to accelerate the issuance of audited financial statements because large-scale companies are closely monitored by investors, capital and government watchdogs so tend to face higher external pressures to announce audited financial statements early. The larger the size of the company, the shorter is Audit Lag. According to Chen et al. (2018) on company size, large companies are more consistent for timely than small firms in informing their financial statements. Dong & Robinson (2018) in her research stated that company size has a significant effect on Audit Lag.

4.2.7 The Effect of Company Size on Reputation of the Public Accounting Firm Relationships With Audit Lag

By using the services of KAP the big four, the company hopes that the Audit Lag can be reduced because the KAP is considered to perform The time schedule is set in such a way that will produce audit reports that are timely and efficient. Companies that have a high level of profitability tend to accelerate the audit process, because it is a good news. According to Meckfessel & Sellers, (2017), profitability has a significant effect on Audit Lag. Company size describes the size or size of a company. The size of a company is determined by the size of the company. This is an indicator of the size of a company. This is what drives management to accelerate the delivery of financial statements. In addition Kamarudin et al. (2018) stated that larger companies are considered completing their account audits earlier than small companies because they have strong controls. Internal control of large companies is stronger than small companies.

5. Conclusions

The results concluded that the variables solvability, firm size, reputation of the public accounting firm had a significant effect on Audit Lag. while profitability had no significant effect on Audit Lag. Moderated Regression Analysis (MRA) results show the size of a company able to moderate the effect of solvency and public accountant firm reputation to the Audit Lag and not able to moderate profitability effect to the Audit Lag. Based on the above conclusions, then some suggestions as follows.

1. For the Auditor

The results of this study provide information on the average Audit Lag at the company LQ 45 and the factors that influence it so that the auditors can control the dominant factors that affect Audit Lag. Auditors are advised to plan the field work and minimize Audit Lag.

2. For the Company

Companies should periodically evaluate company performance to control of the Audit Lag effected. The required data auditor completely so that auditors do not trouble during the examination, and can publish the financial statements earlier.

3. For Further Research

Subsequent studies should use populations or samples from companies other than those listed in the index LQ 45. In addition, further research should add another independent variable and use moderate variables that have not been used in this study and add to the study period.

The weakness of this study does not reveal the side of the delay in the preliminary lag aspect, namely analyzing the interval between the end of the fiscal year and the date of receipt of the predecessor financial statements by the

capital market. In addition, the weakness of this research is in the form of total lag, namely the interval from the end of the fiscal year to the date when the annual financial report published by the capital market is received.

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