THE EFFECT OF FINANCIAL DISTRESS AND SPECIALIZATION OF AUDITOR INDUSTRY ON AUDIT DELAY

Dimas Hadiwinanto, Listiya Ike Purnomo*)
Accounting Department, Pamulang University
**Email: listiyaike81@gmail.com*

ABSTRACT
Several previous studies on audit delay show different results. Therefore, other research needs to be done to reexamine theories about audit delay. This research is a quantitative approach. The sample in this study was selected based on the Purposive Sampling method. Samples were obtained from thirty-one manufacturing companies listed on the Indonesia Stock Exchange with observations for five years, so that the selected sample was 155 samples. This research method uses the formula of multiple linear regression analysis, classic assumption test, hypothesis test. Data analysis using descriptive statistics with the help of SPSS 24 software. The results of this study indicate that financial distress has no effect on audit delay and auditor industry specialization has an effect on audit delay.

Keywords: Audit Delay, Financial Distress, Specialization of Auditor Industry

1. INTRODUCTION

Financial statements are one important instrument in supporting the sustainability of a company, especially companies that have gone public. As the rapid development of companies that go public, the higher the demand for financial statement auditing which is a source of information for investors (Rifki, 2016). The information contained in the financial statements can be called useful if presented accurately and timely when needed by investors. The timeliness of the presentation of financial statements can affect the relevance of the financial information presented, because the financial statements are said to be relevant if the information presented in the financial statements has benefits or can influence the decision making for users of financial statements.

According to Rachmawati (2008) in Destiana (2012) said that the timeliness of financial statement submission is influenced by audit delay. Audit delay is the time span for completing the annual audit of the financial statements, measured by the length of days needed to obtain independent auditor's report on the audit preliminary Research Background Financial statements are one important instrument in supporting the sustainability of a company, especially companies that have gone public. As the rapid development of companies that go public, the higher the demand for financial statement auditing which is a source of information for investors (Rifki, 2016).

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2. LITERATURE REVIEW

Agency Theory

This theory explains the relationship between agents (independent auditors) and principals (management). According to Jensen and Meckling (1976) in Widaryanti (2011) in an agency relationship there is a contract, in which one or more (principals) orders another person (independent auditor) to perform a service on behalf of the principal and provides input to make the best decision for the principal. the thing that underlies the concept of agency theory arises from the expansion of one individual actor of the information economy into two individuals. One of these individuals becomes an agent for another called the principal. The agent makes a contract to perform certain tasks for the principal, the principal makes the contract to reward the agent.

The Principal employs agents to carry out tasks for the benefit of the principal, including the delegation of decision-making authority from the principal to the agent. In relation to audit delay, the company can ask the auditor to speed up the audit process or further examine the requested item so that it will affect the audit delay. Independent auditors can assess management performance and assess whether the information presented by management is in accordance with established criteria. The auditor can find out the likelihood of irregularities or fraud committed by management so that the auditor can provide different treatment.

Financial Distress

Financial distress is a condition of companies that experience illiquid but still in a state of solvency. According to Orina Andre (2013), that financial distress can be described from two extreme points, namely short-term liquidity problems to insolvable. Short- term financial difficulties are usually short-term, but can develop into severe. Indicators of financial difficulties can be seen from the analysis of cash flow, analysis of corporate strategies, and financial statements of the company.

According to Plat and Plat in Fahmi (2013: 158) defines financial distress as a stage of decline in financial conditions that occurred before bankruptcy or liquidation. Financial distress begins with the inability to fulfill its obligations, especially short-term obligations including liquidity obligations, and also includes liabilities in the solvency category.

According to Indri (2012: 103) Financial distress is a situation where the company's operating cash flow is inadequate to pay off current obligations (such as trade payables or interest expense) and the company is forced to take corrective actions. Meanwhile, according to Ramadhani and Lukviarman in Putri (2018) financial failure is defined as an insolvency that distinguishes between cash flow and share basis. Insolvency based on cash flow takes two forms, namely:

1. Technical insolvency, is a situation where the company is deemed unable to fulfill its obligations when the obligations are due.
2. Insolvency in the sense of bankruptcy is defined as a measure of negative net worth in the conventional balance sheet or the present value of the expected cash flow is smaller than the liability.

Audit Delay

According to Mulyadi and Kanaka Puradiredja, (1998: 117) in Putu Budiadnyani (2013), Fulfillment of the audit stages of financial statements include: (1) Acceptance of audit assignments; (2) Audit planning; (3) Carry out audit testing; (4) Audit reporting. This stage is in accordance with the standard fieldwork which states that the audit must be carried out with adequate planning and obtain sufficient understanding or evidence, can causing the time for the completion of the audit to be relatively long, as a result the public accountant can delay to publish the audit report. Delays in the publication of audited financial statements are called audit delays.

Audit Delay is the length of time the audit is completed from the end of the company's fiscal year until the date the audit report is issued. Audit Delay is the length / time span of audit completion as measured from the closing date of the financial year to the date the audit report is issued (Kartika, 2009). Audit Delay is what can affect the accuracy of published information, so it will affect the level of decision uncertainty. Based on the above explanation, one of the users of information in financial statements is investors, investors or investors need information that helps determine whether to buy, hold, or sell investments and consider the company's ability to pay dividends.

According to BAPEPAM and LK Decree number Kep-346 / BL / 2011 regarding the obligation to submit annual reports for issuers or public companies, each issuer or public company must submit annual reports to the Capital Market and Financial Institution Supervisory Agency no later than 3 (three) months after the book year ends. This means that investors can still provide a maximum tolerance of 90 days after the financial year ends company to issue audited financial statements. If the publication of audited financial statements exceeds the maximum limit, it can interfere with the decision of investors or other users of information in making decisions.

The hypothesis of the research to be carried out based on existing problems and objectives can be described as follows:

H1: Financial Distressaffects Audit Delay.

H2: Auditor Industry Specialization influences Audit Delay

3. DATA AND RESEARCH TECHNIQUE ANALISYS

Types of research

This type of research is quantitative because to find out how the influence of Financial Distress and Auditor Industry Specialization on Audit Delay by using secondary data in the form of annual financial reports that will be analyzed with statistical tools.

Population and Sample

The population in this study is manufacturing companies listed on the Indonesia Stock Exchange in the period 2013-2017. The sample selection in this study was carried out using the Non Probability Sampling technique with the Purposive Sampling method, which is a sampling method that is adjusted to certain criteria. Some of the criteria used for sampling in this study are:

1. Manufacturing companies that have been listed on the Indonesia Stock Exchange and submitted their financial reports and audit reports for five years in a row ie from 2013-2017.
2. Companies that have a financial statement period ending December 31,
3. The company uses the Rupiah currency in its financial statements.
4. All data needed in calculating the variables in this study are available.

Variables and Measurements

The dependent variable used in this study is the Audit Delay contained in the company's annual reporwhich is measured based on the length of time the audit is completed from the end of the company's fiscal year to the date the audit report is issued, as of December 31 until the date stated on the independent auditor's report (Elen Puspitasari, 2012: 34).

Altman analysis model (Z-Score) is a formula that serves to measure the financial health of a company and as a powerful diagnostic tool in predicting the possibility of bankruptcy in a company. Altman initially included 22 financial ratios in his research model, but then Altman focused on 5 categories representing 4 ratios. Following is the formula from the Altman model (Z- Score):

$$Z = 1{,}2X1a + 1{,}4X2b + 3{,}3X3c + 0{,}6X4d + 1{,}0X5e$$

Information:
Z = Bankruptcy index
X1a = Working capital : total assets
X2b = Retained earnings : total assets
X3c = Earning before interest and tax : total assets
X4d = Market value equity : book value of total debt
X5e = Sales : total assets

The objective of the auditor specializing in certain industries is to achieve product differentiation and provide higher audit quality in specialized industries. It is also supported by the fact that this ability arises because of the auditor's experience in serving many clients in the same industry. Measurement of auditor industry specialization in this study follows the research of Herusetya (2009) in Primantara and Rasmini (2015: 1013), where auditors who are considered to have specialization are auditors who have 15% of the total companies in their industrial groups. If the auditor has 15% of the total companies in the industry group will be given a dummy value of 1 and if not will be given a dummy value of 0 (Primantara and Rasmini, 2015: 1013).

Data Collection Technique

The data collection method used in this

study is documentation. The author collects data obtained from various sources including data recorded on the Indonesia Stock Exchange in the period 2013-2017, from literature, journals and other sources related to problems in research.

Analysis Techniques

1. Descriptive Statistics Test
2. Classic assumption test : normality test, non multicollinearity test, non autocorrelation test and non heterokedactivity test
3. Feasibility Test Regression Model (Test F)
4. Multiple Regression Analysis
5. Coefficient of Determination (Adjusted R2)
6. Significance Test of Individual Parameters (t-test)

4. RESULT AND DISCUSSION

Based on the results of the study using a purposive sampling method, the data obtained were as many as 150 companies in the manufacturing sector which were listed continuously on the Indonesia Stock Exchange. There were 23 Companies that have incomplete data related to the variables studied. Then there were 28 companies that did not present their finances in rupiah. The final sample was obtained after issuing outlier data by issuing observations on the sample which is outside the residual plot line intersection which is the result of data processing from the SPSS 24 program as many as 68 companies. So as many as 31 companies that meet the criteria specified in the study during the period of 2013-2017. So the sample was obtained 31 x 5 years or as many as 155 data.

Based on test results hypothesis statistics prove that financial distress has B equal to 0,006 and the significance value of 0,075 (greater than α = 5%) which means financial distress no effect on the audit delay Explanations that can put forward is that no all companies experienced financial distress will experience audit delay, because auditors are work professionally will work according to the completion schedule agreed audit report previous. So the auditor can minimize audit risk will affect audit delay.

But in research data there are extreme data from several company namely PT. Semen Baturaja (Persero) Tbk (SMBR) owns financial distress of 53.24 in 2015, PT Jakarta Kyoei Steel Works LTB Tbk (JKSW) which have financial distress of (-2.66) in 2014, and PT Paper Basuki Rachmat Indonesia Tbk (Indonesian Embassy) who has financial distress of (-3.50). Data extreme in this research data causing financial distress no effect on the audit delay.

The results of this study can be said to be in accordance with the theory Agency that is an agent (auditor) and principal (company). Principal give a message to the agent so you can do the work efficiently and on time. Then the agent has the authority in decision making and the principal only has authority to sign and evaluating information.

Inconnection with punctuality company financial statements registered on the Exchange Indonesian Stock Exchange (IDX), these results this research can also be linkedwith company compliance theory will be as much as possible for publishing reports financially on time because must obey all rules applies as a company code of conduct, governmental rules, laws and so forth.

Based on test results hypothesis statistics prove that auditor industry specialization has B of 0,104 and value significance of 0,045 (smaller than α = 5%) which means auditor industry specialization affect audit delay. Industry specialist auditors are believed ha the abilitytodetect errors better, improve efficiency and knowledge of honesty financial statements. So the company is audited by the auditor who owns specialization industry can make audit delay get shorter. After done calculation to determine industry specialist auditors, look that only E&Y has minimum of 15% of the total company in its industrial group. Though besides using that method is possible there are industry auditor specialists second place.

5. CONCLUSION

1. Average audit delay financial industry company and non-finance in Indonesia Throughout 2013-2017 not past the deadline determined by BAPEPAM-LK viz no later than the end third month after date Annual finance report.
2. Financial Distress is not has an influence on Audit Delay. This is demonstrated by significance test individual parameters (t-test) with a significant value of 0,073 is greater than 0,05. From these results then hypothesis 2 which states financial distress influence positive towards audit delay rejected. Then thus financial distress is variable that doesn't have significant influence to audit delay.
3. Specialization Industry Auditor positive effect on Audit Delay. This is demonstrated by significance test individual parameters (t-test) with a significant value of 0,045 less than 0,05. From these results eat hypothesis 3 which

states the auditor industry specialization positive effect on audit delay failed. Then thus specialization auditor industry is variable influencing basis significant effect on audit delay.

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