Keberlanjutan : Jurnal Manajemen dan Jurnal Akuntansi
http://openjournal.unpam.ac.id/index.php/keberlanjutan/index
Volume 8 (1) 2023, 1-7

The effect of voluntary disclosure and financial distress on audit delay

Putri Nurmala*, Trisnawati Rahayu, Akhmad Sigit Adiwibowo
Universitas Pamulang, Indonesia

Autors' email:
dosen01368@unpam.ac.id
*)Corresponding Author

Abstract
This study examines the effect of voluntary disclosure and financial distress on audit delays in Indonesia's energy sector companies. We measure voluntary disclosure using a ratio scale, which shows the total score of disclosures filled with items of voluntary disclosure determined by BAPEPAM. Financial distress is measured using a ratio scale proxied using the debt-to-equity ratio. Meanwhile, audit delay is measured using a ratio scale by calculating the difference in the audit report date minus the financial report date. The data analysis technique uses panel data analysis. Based on the test results it stated that voluntary disclosure and financial distress had a positive and significant effect on audit delay simultaneously. Voluntary disclosure does not affect audit delay, while financial distress affects it positively.

Article Info

Article history:
Received: 2022-07-5
Accepted: 2023-08-31
Published: 2023-09-20

Keywords: Audit Delay, Financial Distress, Voluntary Disclosure

Abstrak
Penelitian ini menguji pengaruh pengungkapan sukarela dan financial distress terhadap audit delay pada perusahaan-perusahaan sektor energi di Indonesia. Penelitian ini mengukur pengungkapan sukarela berdasarkan skala rasio yang menunjukan total skor pengungkapan sukarela sebagaimana yang ditentukan oleh BAPEPAM. Financial distress dalam penelitian ini diukur dengan menggunakan debt to equity ratio. Sementara itu, audit delay diukur dengan skala rasio yang dikalkulasi berdasarkan perbedaan hari audit dan pelaporan keuangan. Penelitian ini menemukan bahwa secara simultan, pengungkapan sukarela dan financial distres berpengaruh positif terhadap audit delay. Namun secara parsial, pengungkapan sukarela tidak mempengaruhi audit delay, sedangkan financial distress berpengaruh positif.

How to cite item (APA Style) :
Nurmala, P., Rahayu, T., & Adiwibowo, A.S. (2023). The effect of voluntary disclosure and financial distress on audit delay. *Keberlanjutan: Jurnal Manajemen dan Jurnal Akuntansi*, 8(1), 1-7
doi: http://dx.doi.org/10.32493/keberlanjutan.v8i1.y2023.p1-7

ISSN : 2614-3291 (online)
doi: http://dx.doi.org/10.32493/keberlanjutan.v8i1.y2023.p1-7

Introduction

Financial statements are the final accounting process that serves as a medium to provide information to potential investors, potential creditors, and other users of financial statements who are interested in making decisions. Financial reports are a medium of information for users to assess the financial condition and performance of the company. To ensure that the information in the financial statements prepared by the company's management is relevant and reliable, the company's owner must audit its financial statements (Castio, 2020). Every public company in the Indonesia Stock Exchange must submit its financial report to the Capital Market Supervisory Agency Financial Institution. The deadline for submitting reports is four months after the end of the financial year to avoid sanctions for delays due to audits.

One of the cases that occurred in energy companies related to the Audit delay problem occurred at PT Garda Tujuh Buana, where sanctions were imposed for late submission of financial reports due to a decline in the company's performance and suffered a net loss of US$4.01 million in 2019 which is an indication of Financial distress and may affect the length of time for completion of the audit. Even though the IDX has provided slack in the submission time during the COVID-19 Non-Natural Disaster Emergency Period, not all companies can submit their reports on time due to internal and external company factors. With this regulation, companies must consciously submit their financial reports promptly to avoid administrative sanctions.

Audit delay is the time required by the auditor to complete the audit, which can be measured by the time difference between the closing date of the company's books and the date of the audited financial statements. According to Agoes (2017), the standard of fieldwork, starting from planning, understanding, and collecting evidence, must be carried out to support opinions about the fairness of financial statements. It makes the audit process long, so the auditor or KAP can delay the publication of financial statements. Companies that experience a prolonged audit delay will harm several parties. This audit delay will eliminate the good image in the eyes of the company's investors. In contrast, for investors, the delay in the publication of the financial statements will make it difficult for them to make decisions on the financial statements produced by the company. Many factors influence the occurrence of Audit delay, including Voluntary Disclosure and Financial distress.

Voluntary disclosure is the disclosure of additional information beyond that required by PSAK, which is carried out voluntarily by the company's management. According to Agustin and Oktavianna (2019), in providing voluntary disclosures, companies must be more careful because companies are expected not to provide information that can endanger the company's competitive position, disseminating and collecting information requires substantial costs and create unwanted supervision from stakeholders and regulatory body. A financial report cannot be presented on time because a company has financial difficulty, which is also bad news for the company. In a book by Darsono and Ashari (2005), Financial distress or financial difficulties can be interpreted as the company's inability to pay its financial obligations at maturity, which causes the company's bankruptcy.

Several previous studies show that the results of Friskiana's research (2018) state that voluntary disclosure positively affects Audit delay. In another study, according to Muliantari and Latrini (2017), financial distress significantly affects audit delays. In contrast to Eka's research, Suwarno and Hariyono (2018) stated that Financial distress had no significant effect on Audit delay. Based on the description of the theory and previous research above, it shows that Research GAP is still happening, which means that there are differences from the results of previous research on

ISSN : 2614-3291 (online)
doi: http://dx.doi.org/10.32493/keberlanjutan.v8i1.y2023.p1-7

variables that affect Audit delay. We intend to re-examine the factors that affect audit delay.

Literature Review

In agency theory, the principal is the party that gives the mandate to the agent to perform a service on behalf of the principal, while the agent is the party that is given the mandate. Thus, the agent acts as the party authorized to make decisions, while the principal is the party who evaluates the information. In the relationship, the auditor is considered one of the parties who can bridge the relationship between the principal and the agent. Concerning the audit delay, the principal (owner) can ask an independent auditor to speed up the audit process, including further examination of voluntarily disclosed items (voluntary disclosure). The auditor can ask management to help prepare the files that the auditor needs so that the audit is carried out properly in order to affect the length of the audit completion.

On the other hand, audit delay is the number of days required by the auditor to complete the audit work, measured from the closing date of the financial year to the date of issuance of the audited financial statements (Lawrence and Briyan, 1988). Audit delay is very important for an investor who will invest in a particular company, impacting the company's quality. Information delays will cause capital market participants to react negatively because the audited financial statements contain important information. The delay in submitting information will cause investor confidence to decrease, thus affecting the selling price of shares (Yuliana, 2019).

The Effect of Simultaneous Voluntary Disclosure and Financial distress on Audit delay

Audit delay is the number of days it takes the auditor to complete his audit work, as measured from the closing date of the financial year to the date of issuance of the audited financial statements. One of the effects of audit delay is that financial reports lose their relevant and timely characteristics. It makes financial reports less reliable because it is too late. The financial reports must be timely following the period so that the information in the financial statements is not diminished and can be used for an effective user decision-making process. Several factors that influence the occurrence of Audit delay are Voluntary Disclosure and Financial distress.

According to Meek et al. (1995) in Herlina and Oktavianna (2019), Voluntary Disclosure is the disclosure of items made by an entity and without applicable regulations, management can choose what information will be disclosed or presented that is relevant and useful in making decisions for those who need it. If the company presents mandatory disclosures (mandatory disclosures) and voluntary disclosures (voluntary disclosures), it will require a longer audit time because of the scope of the examination. Friskiana (2018) states that voluntary disclosure positively affects audit delay.

According to Gueyie (2001) in Fatimah and Wiratmaja (2018), a company is said to be experiencing financial distress if it has had negative net profit for two consecutive years. Financial distress conditions in companies can increase audit risk for independent auditors, especially control and detection risks. With this increased risk, the auditor must carry out a risk assessment before the audit process, to be precise in the planning phase. It can result in a lengthy audit process and an impact on increasing Audit delay (Praptika and Rasmini, 2016). Fatimah and Wiratmaja's research (2018) stated that financial distress positively affects audit delays. Based on the description of the theory and previous research, then:

H1: Voluntary Disclosure and Financial distress Simultaneously Affect Audit delay

The Effect of Voluntary Disclosure on Audit delay

Voluntary disclosure is the information management discloses outside of the

ISSN : 2614-3291 (online)
doi: http://dx.doi.org/10.32493/keberlanjutan.v8i1.y2023.p1-7

Mandatory disclosure. Voluntary disclosure is a disclosure of items made voluntarily by the company without being required by applicable regulations in Alvionita (2014). Based on the regulations made by Bapepam. Voluntary disclosure has 33 (thirty-three) points of information that companies will disclose. In presenting voluntary disclosures (Voluntary Disclosures) more broadly, the audit process will have a wider scope when compared to companies that only provide mandatory disclosures. So, with a wider scope of the existing audit, it will also take more time for the auditor to collect competent evidence to express an opinion and impact the length of time for Audit delay. It is supported by Friskiana's research (2018), which states that voluntary disclosure positively affects audit delay. Based on the description of the theory and previous research, then:

H2: Voluntary Disclosure Affects Audit Delay

The Effect of Financial distress on Audit Delay

Financial distress or financial difficulties are conditions where the company's finances are in trouble, in crisis, or unhealthy that occurred before the company went bankrupt. Financial distress occurs when a company fails or can no longer fulfill debtor obligations due to a shortage and insufficient funds to run or continue its business again. According to Brigham and Daves (2003), the phenomenon of Financial distress itself often occurs for several reasons, including the frequent occurrence of a series of errors, inappropriate decision-making by managers, and interconnected weaknesses that can contribute directly or indirectly to management. as well as the absence or lack of efforts to monitor financial conditions so that the use of money is not following needs.

Research by Praptika and Rasmini (2016) shows that financial distress positively affects audit delay. It is because the higher the value of the Financial distress ratio, the company is considered to be experiencing financial difficulties and will increase the length of time for audit completion. Management will try to reduce this bad news so that it will take longer. Apart from that, Oktaviani and Ariyanto's (2019) research results also state that financial distress positively affects audit delays. Based on the description of the theory and previous research, then:

H3: Financial distress Affects Audit Delay

Although regulations from the central and regional governments regarding environmental concerns already exist, there have been no sanctions or legal enforcement. So, the theory underlying this research is Organisational behavior, in which leadership style, motivation, and communication style affect the company's performance (Robbins & Judge, 2013). Environmental Awareness implementation goes well in an organization if it starts from top management (top-down) and not from the bottom up (bottom-up). Therefore, the commitment of top management and company owners is highly influential for the smooth implementation of Environmental Awareness.

Method

The researcher selected the quantitative approach, and then the data was obtained through report finance and reported annual company sector energy listed on the IDX period 2016-2020 years. Sector energy was chosen in the study because mining in Indonesia has prospects in Thing source power in the form of coal, noble metal and others abundant, so it could be interesting for investors to embed capitalize to company energy listed on the IDX and necessarily make object study to use knowing continuity business in the future. There are 73 energy companies listed on the BEI, and the methods sample used is purposive sampling and obtains samples from as many as 16 qualified and suitable companies with the criteria used.

ISSN : 2614-3291 (online)
doi: http://dx.doi.org/10.32493/keberlanjutan.v8i1.y2023.p1-7

Table 1. Operational Research Variables

No	Variable Name	Measurement Indicator	Scale
1	*Audit delay* (Y) (Listyaningsih and Cahyono, 2019)	*Audit delay* = Date Audit Report – Date Report Finance	Ratio
2	*Voluntary Disclosure* (X1) (Friskiana, 2018)	*Disclosure Level* = Total *Disclosure Score* fulfilled / Maximum Total Score	Ratio
3	*Financial distress* (X2) (Siahaan, Suya and Zarefar, 2019)	$\text{DER} = \frac{\text{Total amount of debt}}{\text{Total Equity}} \times 100\%$	Ratio

Results

We describe our data as follows:

Table 2. Descriptive Statistics Test Results

	Audit delay	Voluntary Disclosure	Financial distress
mean	1.461	0.952	0.855
median	1.473	0.970	0.719
Maximum	1.669	0.970	2.695
Minimum	1.298	0.879	0.169
Std. Dev.	0.076	0.023	0.571
Observations	70	70	70

Before estimating the regression, we correlate all our explanatory variables to detect multicollinearity. Here are the results:

Table 3. Correlation Matrix

	AUD	VD	FD
AUD	1		
VD	0.007	1	
FD	0.488	0.223	1

Table 3 shows that the score for every variable, independent Voluntary Disclosure (X1), of 0,007016, and Financial distress (X2) of 0,488019, where each variable is independent, no there is score coefficient correlation that is > from 0,80, so this test could conclude no happening problem multicollinearity.

Panel Data Regression Analysis

Panel data regression analysis determines the big change variable bound caused by changes in the explanatory variables.

Table 4. The Random Effect Panel Data Regression Result

	Coeff	Std. Err	t-Stat	Prob	Remarks
Constant	1.314	0.436	3.012	0.004	-
VD	0.100	0.460	0.217	0.829	Null Hypotheses Accepted
FD	0.063	0.018	3.431	0.001	Null Hypotheses Rejected

Based on research results described from simultaneous test results, there is a known score probability of 0.003, smaller than 0.05, so H1 is accepted, which means Voluntary Disclosure and Financial distress variables influence audit delays. It can be concluded that the

ISSN : 2614-3291 (online)
doi: http://dx.doi.org/10.32493/keberlanjutan.v8i1.y2023.p1-7

amount of audit delay in the company sector energy listed on the Indonesia Stock Exchange in the 2016-2020 period is affected simultaneously by Voluntary Disclosure and Financial distress.

Furthermore, based on the hypothesis test, it can be concluded that voluntary disclosure does not affect Audit delay. It is indicated by a probability value of 0.8286, greater than 0.05, which means that H2 is rejected or there is no effect of voluntary disclosure on Audit delay. This is in line with research conducted by Nura'ni (2013). Suppose a company chooses to present a financial report containing two disclosures simultaneously, both mandatory and voluntary. In that case, this will automatically affect the extent of the audit scope to be carried out by the auditor. However, if the company has a good internal control system, the auditor can use a more extensive company internal control to allow the auditor to minimize audit delays.

On the other hand, based on the hypothesis test obtained, the conclusion that financial distress affects audit delay is indicated by the probability value of Financial distress of 0.0010, which is smaller than 0.05, which means that H3 is accepted or Financial distress has a positive effect on Audit delay. This aligns with research conducted by Ni Putu Shinta Oktaviani and Dodik Ariyanto (2019), who found that financial distress conditions in companies can increase audit risk for independent auditors, especially control risk and detection risk. Carry out the audit process precisely in the audit planning phase so that this can result in the length of the audit process and impact increasing Audit delay.

Conclusion

Based on the analysis of the results, conclusions can be drawn from the study: Voluntary Disclosure and Financial Distress simultaneously affect audit delay in energy sector companies listed on the Indonesia Stock Exchange for the 2016-2020 period. Voluntary disclosure does not affect audit delays in energy sector companies listed on the Indonesia Stock Exchange in the 2016-2020 period. Voluntary disclosure is not fully able to measure the length of the audit completion time and does not affect the independence and objectivity of the independent auditors. Financial distress positively affects Audit Delays in energy sector companies listed on the Indonesia Stock Exchange in the 2016-2020 period. Financial distress in the company can increase audit risk for independent auditors, especially control and detection risks. With this increased risk, the auditor must conduct a risk check before carrying out the audit process, precisely in the audit planning phase, so that this can result in a lengthy audit process. From the research process, the author wants to give the expected advice. Future research needs to add financial ratios and others as independent variables because it is possible ratios of other finances not included in this study have a strong effect against audit delays.

References

Agoes, S. (2017). *Auditing Petunjuk Praktis Pemeriksaan Akuntan Oleh Akuntan Publik.* Jakarta: Salemba Empat.

Ariyanto, N. P. (2019). Pengaruh Financial Distress, Ukuran Perusahaan, dan Corporate Governance pada Audit Delay. *E-Jurnal Akuntansi Universitas Udayana, Vol.27*, 2154-2182.

Ashari, D. d. (2005). *Pedoman Praktis Memahami Laporan Keuangan.* Yogyakarta: CV. Andi Offset.

Cahyono, D. F. (2018). Pengaruh Karakteristik Perusahaan Dan Financial Distress Terhadap Audit Delay.*Seminar Nasional dan Call For Paper III*, 67-78

Castio, E. (2020). Pengaruh Fee Audit, Financial Distress, Dan Profitability Terhadap Audit Delay. *Sekolah Tinggi Ilmu Ekonomi Indonesia Jakarta*.

Eka Sofiana, S. &. (2018). Pengaruh Financial Distress, Auditor Switching dan Audit Fee Terhadap Audit Delay. *Journal of Islamic Accounting & Tax*.

Friskiana, M. (2018). Analisis Faktor Yang Mempengaruhi Audit Delay Pada Perusahaan Perbankan Yang Terdaftar Di Bursa Efek Indonesia Tahun 2015-2017. *Fakultas Ekonomi Dan Bisnis, Universitas Jember*.

Herlina Endah Agustin, R. O. (2019). Pengaruh Porsi Kepemilikan Publik, Proporsi Dewan Komisaris

ISSN : 2614-3291 (online)
doi: http://dx.doi.org/10.32493/keberlanjutan.v8i1.y2023.p1-7

Independen, Dan Ukuran Kap Terhadap Pengungkapan Sukarela. *Jurnal Akuntansi Berkelanjutan Indonesia, Vol.2, No. 1*.

Imelda Siahaan, R. A. (2019). Pengaruh Opini Audit, Pergantian Auditor, Kesulitan Keuangan, dan Efektivitas Komite Audit Terhadap Audit Delay. *Jurnal Akuntansi Keuangan dan Bisnis, Vol. 12, No. 2*, 135-144. Diambil kembali dari https://jurnal.pcr.ac.id/index.php/jakb/

Jensen, M. C. (1976). Theory of the firm: Managerial behavior, agency cost and ownership structure. *Journal of Finance Economic*, 305-360.

Latrini, N. P. (2017). Ukuran Perusahaan Sebagai Pemoderasi Pengaruh Profitabilitas Dan Financial Distress Terhadap Audit Delay Pada Perusahaan Manufaktur. *E-Jurnal Akuntansi Universitas Udayana*.

Lawrence, J. &. (1988). Characteristics Associated with Audit Delay in the Monitoring of Low Income Housing Projects. *Journal of Public Budgeting, Accounting and Financial Management., Vol. 10, No. 2*, 173-191.

Nura'ni, J. L. (2013). Pengujian Faktor Faktor Yang Mempengaruhi Audit Delay. *Jurnal Akuntansi Dan Auditing, Vol. 9 No. 2*, 128-149.

Nurmala, M. d. (2021). Pengaruh Audit Tenure Dan Financial Distress Terhadap Opini Audit Going Concern Dengan Ukuran Perusahaan Sebagai Variabel Pemoderasi. *Jurnal Prosiding Sarjana Akuntansi Tugas Akhir Secara Berkala, Vol. 1, No. 1*, 520-532.

Rasmini, P. Y. (2016). Pengaruh Audit Tenure, Pergantian Auditor Dan Financial Distress Pada Audit Delay Pada Perusahaan Consumer Goods. *E-Jurnal Akuntansi Universitas Udayana, Vol 15.3*.

Tunggal, A. W. (2014). *Internal Audit, Enterprise Risk Management & Corporate Governance.* Jakarta: Harvarindo.

Yuliana, W. (2019). Pengaruh Profitabilitas, Financial Distress, Dan Solvabilitas Terhadap Audit Delay Yang Dimoderasi Ukuran Perusahaan (Studi Empiris Pada Perusahaan Jii Periode Tahun 2014-2017). *Fakultas Ekonomi Universitas Semarang*.

ISSN : 2614-3291 (online)
doi: http://dx.doi.org/10.32493/keberlanjutan.v8i1.y2023.p1-7