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Delay in Publication of Financial Statement: Indonesia Evidence

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ABSTRACT: The purpose of this study is to examine and analyze the association between audit tenure, and financial distress on delay in publication of financial statement and also to determine the influence of audit delay as a mediation. Based on purposive sampling methods, this study analyze 396 companies by logistic and multiple linear regression use SPSS. This study find out audit delay's effected by financial distress and also influences on delay in publication of financial statement. However, audit delay can't be mediation of audit tenure and financial distress on delay in publication of financial statement.
Keywords *-Audit Tenure, Financial Distress, Audit Delay, Delay in Publication of Financial Statement*

I. INTRODUCTION

The availability of information at the right time is the basis for timeliness of information quality (Bonson&Burrero, 2011) [1]. The timeliness of the audited and published annual reports is an important desired attribute of any good accounting information (Oladipupo&Izedomi, 2013) [2].Knechel& Payne (2001) [3] explained that investors are encouraged to investigate alternative sources of information and assess negatively when information is not immediately available. However, information that rushed to be published without relevance is also bad because both can lead to the emergence of consequences on a not strong basis for decision making (Anggreni&Latrini, 2016) [4].

In Indonesia, regulations relating to the submission of the company's annual financial statements on the Indonesia Stock Exchange have been regulated by the Indonesia Financial Fervices Authority through RegulationNo.29/POJK.04/2016 [5] and Decision of the Chairman of Bapepam & Financial Institutions No.431/BL/2012 [6]. Based on this regulation, companies listed on the the Indonesia Stock Exchange must announce an annual report to the public maximum at the end of the fourth month (120 days) after the end of the financial year. Companies that are late in publishing their financial statements will get sanctions from thethe Indonesia Stock Exchange in accordance with KEP-307/BEJ/07-2004 Number I-H point II.6 [7].

In fact, the number of companies listed on the the Indonesia Stock Exchange which are late for submitting their financial statements increase every year. Recorded in 2010 there were 40 companies, then in 2011 there were 54 companies, in 2012 there were 52 companies, and 49 companies in 2013 were late in submitting their financial statements. The increase occurred again in 2014 reached 52 companies and 63 companies in 2015. Besides, in 2016 recorded only 23 companies were late in submitting their financial statements. However, the highest of this case reached 70 companies in 2017, whereas the companies must submit the first quarter financial statements at the end of April.For the latest in June 2021, there were 52 companies late in submitting their financial statements year 2020 as impact of Covid-19 Pandemic.

Indonesia Financial Fervices Authoritythrough Regulation No.13/POJK.03/2017[8] requires that financial statements are reported by public companies must be audited by an independent auditor. The relationship between management and the auditor makes the audit engagement period (audit tenure) can affect the time release of accounting information. Audit tenure permitted under Government Regulations No. 20 Year 2015 [9] concerning Public Accountant Practices clause 11 paragraph 1 which regulates the provision of audit services by Public Accountants for a maximum of 5 (five) consecutive financial years, while the PublicAccountant Firm is not restricted.

In this condition, agency theory shows the occurrence of type three involving the owner with the external part in the contract. The conflict is related to incentives from principals (companies) with agents (auditors) who tend to act in accordance with their personal interests if given the opportunity (Agoglia, Hatfield & Lambert, 2015) [10]. Wolf (1981)[11] also saw a conflict occurring over audit involvement in which the audit manager acts as the agent of an audit firm and tends to have power over the day-to-day activities of his clients.

A more efficient audit process will occur when the auditor has good understanding about company and this is evidenced by the increasing audit tenure (Lee, Mande, & Son, 2009[12]; Ahmed & Hossain, 2010[13]).However,Susilawati, Agustina&Prameswari (2012) [14] provided audit tenure can't guarantee that the audit results of the company's financial statements will be faster, also if a new company becomes a client, the PublicAccountant Firmdoesn't guarantee that audited financial statements will be issued longer compared to another company that is also PublicAccountant Firm client. Praptika&Rasmini (2016) [15] also found no influence between audit tenure and audit delay.

Companies that are pressured to face various conditions will affect the value of shareholders and creditors (Mselmi& Hamza, 2017) [16]. This condition is in line with the signalling theory which shows the condition of the company and the resulting financial statements tend to be good news or bad news for investors or creditors. This makes the issue of financial distress very important. Platt & Platt (2006) [17] showed that financial distress is a company's financial condition that occurred before bankruptcy or liquidation. The indicator of financial distress is the cash flow difficulties, the amount of debt and losses for several years (Damodaran, 1997) [18].

Financial distress is one of the bad news in financial statements so companies try to improve it which will make audit delay longer (Praptika&Rasmini, 2016) [15]. Bad company conditions are one of the obstacles in the audit process (Santoso&Dwirandra, 2016) [19]. Whittred& Zimmer (1984) [20] and Praptika&Rasmini (2016) [15] found the effect of financial distress on timeliness of financial reporting. In contrast, Krisnanda&Ratnadi (2017) [21] proved that financial distress doesn't affect the timeliness of financial reports because Indonesia Financial Fervices Authority through the relevant regulations requires listed companies to submit annual reports.

The regulation of Indonesia Financial Fervices Authority which requires public company's financial statements must be audited by external auditors encourages researchersto make the time period from the closing date of the financial year and the date of the audit report (audit delay) as a mediation variable. The existence of audit delay as mediation is expected to clarify the relationship between audit tenure and financial distress on delays in the publication of financial statements. Financial reporting timelines are not only determined by management but also by the audit process conducted by external auditors (Rustiarini&Sugiarti, 2013 [22]; Ahmed & Hossain, 2010 [13]). Tambunan(2014) [23] found the length of the auditor's assignment time (audit tenure) had no effect on audit delay. Besides,Wiguna (2012) [24], proved that the PublicAccountant Firm tenure had a positive effect on audit report lag. Financial distress experienced by the company also willincrease audit delay because companies try to improve their financial statements (Praptika&Rasmini, 2016) [15].

The remainder of the paper is organized as follows. Section 2 develops the literature review and hypothesis development. Section 3 describes methodology and the sample characteristics. Section 4 discusses the results. Section 5 concludes the paper.

II. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

1. Literature Review

1.1 Agency Theory

Agency theory is a contract where one or more people (principals) involve other people (agents) to do some services on their behalf and delegate some decision-making authority to agents (Jansen &Meckling, 1976) [25].Agency theory focuses on solving two problems in the agency relationship: First problem when the agent's and principal's objectives are different; Second, when principal difficulty find what the agent actually does (Eisenhardt, 1989) [26].There are three type of agency theory in the business context: Type I is the relationship between the parties that give authority (investors) with those who receive authority (managers) (Jensen &Meckling, 1976) [25]; Type II involves majority or controlling shareholders with minority or non-controlling owners (Ratnawati et al., 2016) [27]);Type III shows conflict between the company itself in this case the owner with another party who has a contract with companies such as creditors, employees, auditors and customers (Armour, Hansmann&Kraakman, 2009) [28].

1.2 Signalling Theory

The formulation related to signal theory was first developed by Spence (1973) [29] by developing the labor market into the signal function model.Signallingtheory is developed in economics and finance that uses asymmetric information between companies and outsiders because management knows more about the company's prospects and future opportunities than outside parties (Goranova et al, 2007) [30].Gao, et al. (2008) [31] states that positive things in signalling theory where companies that provide good information will distinguish them from companies that do not have good news by informing the market about their situation. Signals of good future performance provided by companies whose past financial performance is not good, will not be trusted by the market (Certo, Daily, & Dalton, 2001) [32].

1.3 Compliance Theory

According to Tyler (1990) [33] there are two basic perspectives in the sociological literature on compliance, namely instrumental and normative. An instrumental perspective assumes the individual as a whole is driven by personal interests and responses to changes in tangible, incentives, and penalties related to behavior. In a normative perspective it relates to what people perceive as moral and contrary to their personal interests.

1.4 Audit Tenure

Audit tenure is estimated time allocated for the implementation of audit tasks in an assignment (Fleming, 1980) [34]. Audit tenure is the length of the working relationship between the auditor and the client in examining the financial statements (Arens et al, 2008) [35].In Indonesia, audit tenure is regulated in Government Regulations No. 20 year 2015 [9] concerning Public Accountant Practices Clause 11 Paragraph 1 which regulates the provision of audit services by public accountants for a maximum of 5 financial years, while the PublicAccountant Firm is not restricted.

1.5 Financial Distress

Platt and Platt (2006) [17]stated financial distress as the stage of decreasing financial conditions that occur before bankruptcy or liquidation.According to Damodaran (2014) [18] there are several factors that cause financial distress from within the company, including: cash flow difficulties; the amount of debt and losses over the years.

1.6 Delay in Publication of Financial Statement

Submission of financial statements regulated in Regulations ofIndonesia Financial Fervices AuthorityNo. 29/POJK.04/2016 [5] and Decision of the Chairman of Bapepam & Financial InstitutionsNo. 431/BL/2012 [6]. The regulation requires companies listed on the the Indonesia Stock Exchange to announce annual reports to the public maximum at the end of the fourth month (120 days) after the end of the financial year.Based on the regulation, it can be seen that there is a limit time and companies will get sanctions (warning, fine and delisting) if breaking it.

1.7 Audit Delay

According to Lawrence and Briyan (1988) [36], audit delay is the length of days the auditor needs to complete his audit work, which is measured from the closing date of the financial year to the date of the issuance of the audit financial statements. Ashton (1987) [37] stated that audit delay or audit report lag is the time span between the end of the company's fiscal year and the date of the auditor's report.

2. Hypothesis Development

2.1 Audit Tenure on Delay in Publication of Financial Statement

Lee et al. (2009) [12] said that the longer the PublicAccountant Firm assignment by a client company, then it would allow the auditor to recognize the company so it would minimize audit and also the submitting financial statements time. According to Anggreni&Latrini (2016) [4], and Dewi&Ratnadi (2016) [38], audit tenure has a negative effect on the timeliness of the company's financial statements. This means that the longer the relationship between the client and the auditor (audit tenure), the shorter the period of publication of the financial statements.

H_1: Audit tenure negatively assosiated on delay in publication of financial statement.

2.2 Financial Distress on Delay in Publication of Financial Statement

Julien (2013) [39] revealed that many companies when get financial distress which considered as bad news affects the submission of late financial statements. Therefore, management tends to delay the submission of financial statements that contain bad news (Saleh, 2004) [40].Schwartz and Soo (1996) [41] showed companies that experience financial distress tend to submit their financial statements longer than companies which in good condition. Mardyana (2014) [42] stated financial distress has a significant effect on the timeliness of the publication of financial statements.

H_2: Financial distress positively assosiated on delay in publication of financial statement.

2.3 Audit Tenure on Audit Delay

Ashton et al. (1987) [37] stated that the longer the engagement period of the PublicAccountant Firm, the shorter the audit delay. This is because long-term public accountants have understood the characteristics of the company and the company's internal control system. Similarly, Lee et al. (2009) [12]reported that longer audit tenure, the auditor's understanding of operations, business risk, and the company's accounting system will develop and makemore efficient audit process.

H3: Audit tenure negatively assosiated on audit delay.

2.4 Financial Distress on Audit Delay

Companies with financial difficulties also relate to audit delay (Whittred& Zimmer, 1984) [20]. When companies experience financial difficulties, auditors need a longer time in the audit process and also the auditor needs additional data develop an opinion that is in accordance with the conditions of the company (Lai &MCCheuk, 2005) [43] Financial distress can increase control risk and detection riskto independent auditors, especially audit planning can lead to longer audit process and impact on increasing audit delay (Praptika&Rasmini, 2016) [15].

H_4: Financial distress positively assosiated on audit delay.

2.5 Audit Delay on Delay in Publication of Financial Statement

Financial reporting timelines are not only determined by company management but also from audit process conducted by external auditors (Rustiarini&Sugiarti, 2013) [22]. The time of published financial statements is significantly determined by the time of audit work (Ahmed & Hossain, 2010) [13]. Audit delay has a close relationship with the timeliness of the publication of financial statements because timeliness shows the time between the information to be reported, if the information is not published on time, the value of information is reduced (Praptika&Rasmini, 2016) [15].

H_5: Audit delay positively assosiated on delay in publication of financial statement.

2.6 Audit Tenure on Delay in Publication of Financial Statements through Audit Delay

Lee et al. (2009) [12] stated that the longer audit tenure, the auditor's understanding of operations, business risk, and the company's accounting system will develop so audit process (audit delay) will be more efficient. Widyantari & Wirakusuma (2012) [44] revealed that market participants are aware that the longer the audit tenure will cause auditors become more experts in auditing the company. Audit delay has a close relationship with the timeliness of the publication of financial statements, the longer information published, the value of information is reduced (Praptika & Rasmini, 2016) [15].

H6: Audit tenure negatively assosiated on delay in publication of financial statements through audit delay.

2.7 Financial Distress on Delay in Publication of Financial Statements through Audit Delay

Companies tend to try improving their financial statements when facing financial difficulties which will make the company's audit delay longer. Auditor's own point of view, financial distress results in a slower audit process (audit delay) because auditors must conduct audit planning, especially those related to inherent risk (Praptika&Rasmini, 2016) [15].

H7: Financial distress positively assosiated on delay in publication of financial statements through audit delay.

III. RESEARCH METHODS

3.1 Population and Sample

The secondary data is used in this study such as financial report and publication date of company which can be found on the the Indonesia Stock Exchange website. The population in this study are listed companies on the the Indonesia Stock Exchange during 2018-2020 period. The sampling method used is nonprobability sampling technique, specifically uses purposive sampling method with this following criteria. This table show the critesia and number of observations that used in this study:

TABLE 1
Criteria and Number of Observations

No.	Criteria	Total
1.	Companies listed on the the Indonesia Stock Exchange in a row from 2018 to 2020.	571
2.	The financial statements of the company are available in succession during 2018-2020.	(119)
3.	In the company's financial statements available research data is needed.	(56)
The number of companies used as research samples		396
Number of observations for 3 years (2018-2020)		1188

3.2 Variable

Delay in publication of financial statement as a dependent variable is measured by giving a value of 0 if the publication date is maximum 30 April, and if has been delayed it will be given a value of 1.Audit tenure as independent variable in this study is measured by calculating the number of years of engagement between auditor with auditee, the first year of the engagement begins with number 1 and added for the following years.

Financial distress as independent varieble be measured by giving value of 0 if none of the conditions are met; 0,33 if one condition is met, then it will be given a value of 0,67 if it meets the two conditions and the last value is 1 if all conditions are appropriate which adjusted by 3 criteria: cash flow difficulties, the amount of debt and losses for several years. Audit delay as mediation variable is measured based on the number of days from December 31 to the date the audit report was signed.

3.3 Regression Model

Accordingly, researchers propose the following model:

I) $LATE = \alpha_0 + \alpha_1 AT + \alpha_2 FD + e_1$ ......(1)

II) $AD = \alpha_0 + \alpha_3 AT + \alpha_4 FD + e_2$ ......(2)

III) $LATE = \alpha_0 + \alpha_5 AD + e_3$ ......(3)

IV) $LATE = \alpha_0 + \alpha_6 AT + \alpha_7 FD + \alpha_8 AD + e_4$ ......(4)

Where:

LATE = Delay in Publication of Financial Stetement
AD = *Audit Delay*
AT = *Audit Tenure*
FD = *Financial Distress*
α = Koefisien Intersep
β = Koefisien
ϵ =*Error*

In second equation, researchers used multiple linear regression and that's why also be done the classical assumption test such as normality, heteroskedacity and multikolinearity. For another equation researchers usedlogistic regression.

IV. RESULTS AND DISCUSSION

4.1 Results

The number of samples in each sector can be explained as follows:

TABLE 2
Sector Distribution

Sub Sector	Total Companies
Agriculture	16
Mining	30
Basic Industry & Chemicals	51
Miscellaneous Industry	28
Consumer Goods Industry	28
Property, Real Estate & Building Construction	50
Infrastructure, Utilities & Transportation	44
Finance	70
Trade, Service & Investment	79
Total	**396**

TABLE 3
Descriptive Statistic

Variable	Minimum	Maximum	Average	Standard Deviasion	Unit
Delay in Publication of Financial Statement (LATE)	0	1	0,11	0,308	Rasto
Audit Delay (AD)	7	274	75,25	19,845	Day
Audit Tenure (AT)	1	3	1,35	0,574	Year
Financial Distress (FD)	0,00	1,00	0,1288	0,26355	Ratio

From Table 3 about descriptive statistic, delay in publication of financial statement reaches average 11% meansthere is 11% experiencing delays while 89% had submitted their financial statements on time. The average length of the audit process (audit delay) is 75 days which indicates that the company should be able to publish its financial statements on time because the audit process can be completed in just 2,5 months (not exceeding the time limit).The average value of the audit engagement period (audit tenure) of 1 year 4 months indicates that the engagement period between the company and the auditor does not exceed the set time limit.For the last variable which is financial distress, show that there are companies can be classified as not experiencing financial distress because they don't experience even one of these criteria, but there are also companies that get 1 so that means the companiesexperience three criteria.

TABLE 4
Equation I

LATE $= \alpha_0 + \alpha_1 AT + \alpha_2 FD + e_1$ LATE $= -2{,}092 - 0{,}082AT + 0{,}488FD + e_1$		
Explanation	**Beta Coefficient**	**Significance**
Constant AT FD	-2,092 -0,082 0,488	 0,629 0,140
Hosmer and Lemeshow's	0,025**	
Nagelkerke R^2	0,004	
Classification Plot	89,4	
*significant at the 5% level ** significant at the 1% level LATE= delay in publication of financial statement; AT= *audit tenure*; FD= *financial distress*; e= error		

Table 4 shows the significance of Hosmer and Lemeshow's 0.025 (more than 1%) so it can be concluded that the model is fit with data and can be used. Nagelkerke R^2 value of 0.004 indicates that the model is able to explain the dependent variable by 0.4%, while the rest is explained by other variables. Finally, to assess the feasibility of the model can be done by looking at the classification plot which means the model has a predictive ability of 89.4%.

TABLE 5
Equation II

AD $= \alpha_0 + \alpha_3 AT + \alpha_4 FD + e_2$ AD $= 74{,}873 – 0{,}999AT + 13{,}366FD + e_2$						
Explana-tion	**Beta Coefficient**	**t**	**Sig**	**Tolerance**	**VIF**	**Glejser Sig**
Constant AT FD	74,873 -0,999 13,366	 -1,011 6,210	 0,312 0,000*	 1 1	 1 1	 0,977** 0,017**
F	19,707					
Sig F	0,000*					
Adjusted R^2	0,031					
*significant at the 5% level ** significant at the 1% level AD= *audit delay*; AT= *audit tenure*; FD= *financial distress*; e= error						

Table 5 shows the F value 19,707 and the probability of 0,000 shows that there is at least one independent variable that affects the dependent variable. While the adjusted R^2 value of 0,031 shows that audit tenure and financial distress variables affect audit delay by 3,1% and the rest is influenced by other variables not included in the research model.Based ontable also known that the multicollinearity test of all variables, tolerance values>0,1 and VIF <10 so that it can be concluded that there are no symptoms of multicollinearity. For heteroscedasticity test, the significance value of all equations is more than 1% so it can be concluded that there are no symptoms of heteroscedasticity(homokedasticity). Finally, the results of the normality test produce a normal curve histogram graph, it can be concluded that the model is normally distributed

TABLE 6
Equation III

LATE $= \alpha_0 + \alpha_5 AD + e_3$ LATE $= - 5,347 + 0,040AD + e_1$		
Explanation	**Beta Coefficient**	**Significance**
Constant AD	-5,347 0,040	 0,000*
Hosmer and Lemeshow's	0,027**	
Nagelkerke R^2	0,106	
Classification Plot	90,3	
*significant at the 5% level ** significant at the 1% level LATE= delay in publication of financial statement; AD= *audit delay*; e= error		

Table 6shows the Nagelkerke R^2 value of 0,106 indicating that the model is able to explain the dependent variable by 10,6%, while the rest is explained by other variables. The significance value of Hosmer and Lemeshow's of 0,027 which is more than 1% also indicates that the model is fit with the data and can be used. This is also supported by the classification plot value of 90.3% which indicates if the model has a reasonable predictive ability

TABLE 7
Equation III

LATE $= \alpha_0 + \alpha_6 AT + \alpha_7 FD + \alpha_8 AD + e_4$ LATE $= -5,231 - 0,086AT – 0,339FD + 0,040AD + e_4$		
Explanation	**Beta Coefficient**	**Significance**
Constant AT FD AD	-5,231 -0,086 -0,339 0,040	 0,669 0,703 0,000*
Hosmer and Lemeshow's	0,032**	
Nagelkerke R^2	0,106	
Classification Plot	90,3	
*significant at the 5% level ** significant at the 1% level LATE= delay in publication of financial statement; AT= *audit tenure*; FD= *financial distress*; AD= *audit delay*; e= error		

Table 7 shows the classification plot value of 90,3%, which means that the model has a reasonable predictive ability. This is also supported by the significance of Hosmer and Lemeshow's more than 1% which is 0,032 so that it can be concluded that the model is fit with data and can be used. The last, Nagelkerke R^2 value of 0,106 shows that the model is able to explain the dependent variable by 10,6%, while the rest is explained by other variables.

4.2 Discussion

4.2.1 Audit Tenure on Delay in Publication of Financial Statement

H_1 states audit tenure negatively assosiated on delay in publication of financial statement**.** The regression results in table 4 show that the audit tenure has a regression coefficient of -0.082 and a probability value of 0.629 (more than 5%) which means it is not statistically significant. Then it can be concluded that H_1 is rejected because the audit tenure has no effect on the delay in the publication of financial statements. These results do not support type 3 agency theory related to management relations with external parties (auditors) that occur during the engagement period.The results of statistical tests show that audit tenure does not affect the company in publishing its financial statements. The results of this study support previous research conducted by Krisnanda&Ratnadi (2017) [21] which explains that the ability of an auditor in understanding all operational activities of a company does not at all affect the time of the company in publishing financial statements.Dezoort& Lord (1997) [45] states that one auditor's behavior in responding to his task is a functional type where the auditor will always work well and use his time as well as possible. Thus, without an long audit tenure, it will not affect the performance of an auditor. However, the results of this study contradict the research conducted by Lee et al. (2009) [12], Jeva&Ratnadi (2015) [46], Anggreni&Latrini (2016) [4] and Dewi&Ratnadi (2016) [38].

4.2.2 Financial Distress on Delay in Publication of Financial Statement

H_2 states financial distress positively assosiated on delay in publication of financial statement.The regression results in table 4show that financial distress has a regression coefficient of 0.488 and a probability value that is not significant at 0.140 exceeds 5%. So it can be concluded that H_2 is rejected because financial distress has no effect on the delay in the publication of financial statements.Based on this, this hypothesis does not support signalling theory related to financial distress, which is bad news for companies and external parties. The results of statistical tests show that financial distress and delay in publication of financial statements have no influence. This is contrary to the research conducted by Schwartz &Soo (1996) [41], Saleh (2004) [40], and Mardyana (2014) [42] regarding the condition of financial difficulties experienced by companies that will cause their timeliness in submitting their financial statements.However, the results of this study support previous research from Krisnanda&Ratnadi (2017) [21] which explains that the company will comply with its obligations in submitting its financial statements in accordance with regulations so that the condition of a company that is experiencing financial difficulties will not affect the time of publication. In addition, many companies that are delayed in publishing their financial statements are due to an internal or external problems(Julien, 2013) [39].

4.2.3Audit Tenure on Audit Delay

H_3 states audit tenure negatively assosiated on audit delay. The regression results in table 5show that the audit tenure has a regression coefficient of -0.999 and a probability value of 0.312 (more than 5%) which means it is not statistically significant. Then it can be concluded that H_3 is rejected because audit tenure does not affect audit delay. This shows that agency theory, especially type 3, relates to management relations with external parties, in this case the auditor underlying this hypothesis cannot be supported.This result is in line with previous research by Susilawati, Agustina&Prameswari (2012) [14] which explains that audit tenure cannot guarantee that the audit results on the company's financial statements will be faster, and also if the new company becomes the PublicAccountant Firm client does not guarantee that the audited financereport will be issued longer than other companies that are also clients of the the PublicAccountant Firm. In addition, according to Praptika&Rasmini (2016) [15], each the PublicAccountant Firm will provide good services for its clients so that the duration of the engagement with their clients does not affect audit delay.The auditor must have done a good initial planning in the audit and can schedule their work so that they can complete the audit on time (Tambunan, 2014) [23]. Instead, this result rejects the statement delivered by Ashton et al. in 1987 [37] regarding the longer of time a company was associated with the PublicAccountant Firm, the shorter the audit delay. The longer the audit tenure, the auditor has recognized the company so as to minimize audit completion time (Lee et al., 2009) [12].

4.2.4 Financial Distress on Audit Delay

H_4 states financial distress positively assosiated on audit delay. The regression results in table 5 show that financial distress has a positive regression coefficient that is equal to 13,366 and a probability value of 0,000 (smaller than 5%) which means statistically significant. Then it can be concluded that H_4 is accepted because financial distress has a positive effect on audit delay. Financial distress that is being experienced by the company is a sign of bad news. Thus the signalling theory underlying this hypothesis can be strengthened.Platt and Platt (2006) [17] define financial distress as a stage of decline in financial conditions that occur before the occurrence of bankruptcy or liquidation. A bad company condition is one of the obstacles in the audit process (Santoso&Dwirandra, 2016) [19]. When a company experiences financial difficulties, it tends to delay financial reporting, because the auditor requires a longer time in the audit process and also the auditor requires additional data needed to be able to produce opinions that are in accordance with the conditions of the company (Lai &M.Cheuk, 2005) [43].Praptika&Rasmini (2016) [15] also explained that financial distress that occurs in companies can increase audit risk in independent auditors, especially control risk and detection risk. With the increase in risk, the auditor must carry out a risk assessment before carrying out the audit process, especially at the audit planning step. So that this can lead to the length of the audit process and have an impact on increasing audit delay

4.2.5 Audit Delay on Delay in Publication of Financial Statement

H_5 states audit delay positively assosiated on delay in publication of financial statement.The regression results in table 6 show that audit delay has a positive regression coefficient of 0.040 and a probability value of 0.000 (smaller than 5%) which means statistically significant. Then it can be concluded that H_5 is accepted because audit delay has a positive effect on the delay in the publication of financial statements.Indonesia Financial Fervices Authority through Regulation No.13/POJK.03/2017 [8] requires that financial reports reported by public companies must first be audited by an independent auditor. Thus the length of the audit process will determine the time of publication. This is in line with the research conducted by Ahmed& Hossain (2010) [13] which explained that the speed of published financial statements is significantly determined by the speed of the audit work. The timeliness of financial reporting is not only determined by company management but also from the audit process carried out by external auditors (Rustiarini&Sugiarti, 2013) [22].The timeliness of financial statements influenced by the preparation of company management, independent auditors and the time needed to carry out their audit tasks. So that the longer the auditor completes the audit, the longer the audit opinion comes out where the opinion becomes one of the mandatory instruments in disclosing financial statements to the Indonesia Financial Fervices Authority and the Indonesia Stock Exchange. Auditors also often face differences of opinion with companies regarding the findings of auditors so that a meeting between the two parties needs to be done (Dyer & McHugh, 1975) [47].

4.2.6 Audit Tenure on Delay in Publication of Financial Statements through Audit Delay

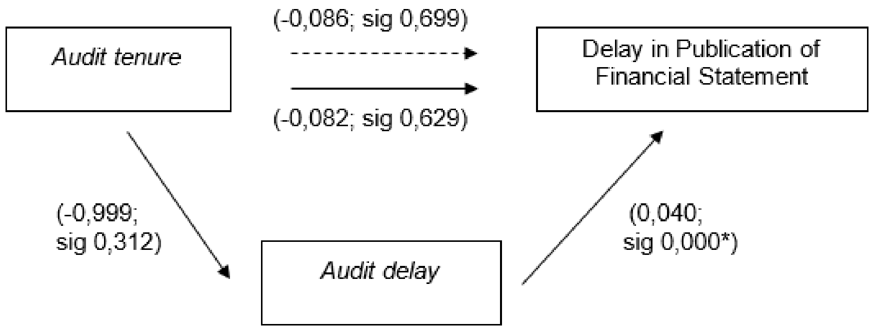

FIGURE 1
Hypotesis Test Result

H_6 states audit tenure negatively assosiated on delay in publication of financial statements through audit delay. In accordance with the causal step method developed by Baron & Kenny (1986) [48], based on figure 1 above, it can be seen if the direct effect of audit tenure on the delay in the publication of financial statements and audit tenure on audit delay is not significant. As for the influence of audit delay on the delay in the publication of significant financial statements. Based on this, it can be concluded that audit delay does not mediate the relationship between audit tenure and the delay in the publication of financial statements. Then it can be concluded that H_6 is rejected because the audit tenure does not affect the delay in the publication of financial statements through audit delay.This result is contrary to the agency theory used to form a hypothesis. This shows that the length of the audit process that occurs is not influenced by the relationship of tenure between the auditor and his client. Praptika&Rasmini (2016) [15] explained if each the PublicAccountant Firm will provide good services for its clients so that the duration of the engagement with their clients does not affect audit delay. A fast audit process will certainly affect the company to immediately submit its financial statements to the public. This result also shows that audit delay does not mediate the effect of audit tenure with the delay in the publication of financial statements. The auditor will not speed up the audit process carried out only because he already has a longer engagement period with his client. This is because auditors have carried out the initial planning in the audit well and can schedule their work so that they can complete the audit on time (Tambunan, 2014) [23].

4.2.7 Financial Distress on Delay in Publication of Financial Statements through Audit Delay

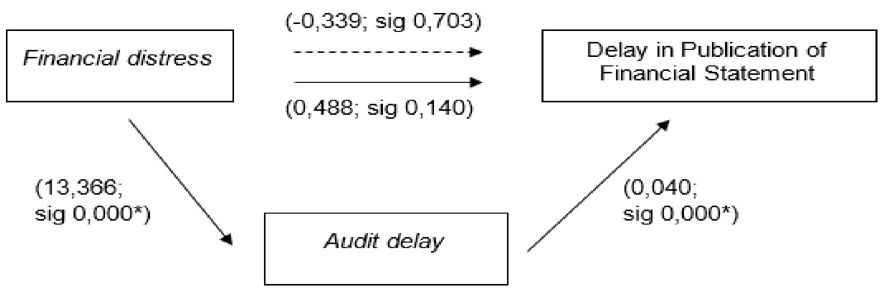

FIGURE 2
Hypotesis Test Result

H_7 states financial distress positively assosiated on delay in publication of financial statements through audit delay. Based on figure 2 above, it can be seen if the direct effect of financial distress on the delay in the publication of financial statements is not significant. Whereas the effect of financial distress on audit delay and audit delay on the delay in the publication of financial statements is significant. Based on this, it can be concluded that audit delay does not mediate the relationship between financial distress and late publication of financial statements. Then it can be concluded that H_7 is rejected because financial distress does not affect the delay in the publication of financial statements through audit delay.The results above do not support the existence of signalling theory used for this hypothesis. Bad company conditions will not make the auditor delay the audit process that he had planned from the beginning. The auditor will carry out his duties according to the plan and will try professionally (Praptika&Rasmini, 2016 [15]; Tambunan, 2014 [23]). Based on the results of this study, the audit delay does not mediate the effect of financial distress on the delay in the publication of financial statements. This is in accordance with Regulation ofIndonesia Financial Fervices AuthorityNo. 29/POJK.04/2016 [5] and Decision of the Chairman of Bapepam & Financial Institutions No.431/BL/2012 [6]which requires companies listed on the Indonesia Stock Exchange to announce annual reports to the public maximum at the end of the fourth month (120 days) after the financial year ends. Therefore the company should have realized to publish its financial statements on time to maintain investor confidence.

V. CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

This study to examine and analyze the association between audit tenure, and financial distress on delay in publication of financial statement and also to determine the influence of audit delay as a mediation. The population of this study is companies from all sectors listed on the Indonesia Stock Exchange during the period 2018-2020 with a total sample of 396 companies. The sample was selected using the purposive sampling method.

The results of this study successfully proved the effect of financial distress on audit delay. This means that the condition of financial difficulties experienced by the company will affect the audit process. Based on these results it can also be concluded that this study supports the existence of signalling theory especially on financial distress which can be considered as bad news for companies and external parties.This study was also able to show the influence of audit delay on the delay in the publication of financial statements. This means that the length of the audit process that occurs will affect the company to submit its financial statements to the Indonesia Financial Fervices Authority and Indonesia Stock Exchange as a form of responsibility to the public. Based on this, it is clear that the timing of submitting financial statements is strongly influenced by the time of the audit.

However, the results of this study failed to prove the effect of audit tenure on audit delay and delay in the publication of financial statements. This shows that the length of the engagement period between the auditor and his client does not affect the audit process of the company which certainly impacts on the publication of financial reports to the public. The results of this study also do not support type 3 agency theory.The effect of financial distress on the delay in the publication of financial statements is also not able to be proven in this study. These results also indicate that signal theory is not supported.

This study failed to prove audit delay as mediating the influence of audit tenure and financial distress on the delay in the publication of financial statements. This is because regardless of the short or long engagement period between the auditor and his client, the auditor will always work professionally. The condition of a company that is experiencing financial difficulties or in good condition also does not affect how the audit process is carried out because the auditor has carried out a mature audit plan so that the audit process can be completed on time.

5.2 Suggestions

The limitations and suggestions that can be given by the researchers are: First, measurement of audit tenure variables that focus on the auditor's tenure is only carried out for three years which is relatively short.Suggestions for researchers should be for further research related to audit tenure to be able to add a minimum research period of 5 years (according to regulations) to be more comprehensive. Second, financial distress is measured by three indicators, namely negative cash flow values, losses for at least two consecutive years, and large debts by calculating the debt ratio.Suggestions researchers should further research calculates financial distress with other indicators that are better able to show the actual conditions in the company. Third, audit delay in this study is measured based on the closing period of the book until the signing of the audit report.Suggestions researchers should in the next study audit delay is calculated by using the actual date of the time the audit began so that it is able to provide a more tangible assessment of audit performance.

Fourth, delay in publication of financial statements is measured by dummy.The researchers suggested that the measurements be carried out with other indicators so as to produce more diverse results. Next, the value of R^2 in almost all equations does not give a high value. This shows that there are still other variables that influence the delay in the publication of financial statements other than those chosen by the researcher. Last, audit delay is also not able to prove its influence as a mediating variable.It is recommended for further research to develop the selection of related variables.

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