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Analysis of Corporate Governance and Solvency Mechanisms Against Audit Delay with Firm Size as moderating variable On Consumer Goods Sector Manufacturing Company On the Indonesia Stock Exchange

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ABSTRACT: This study aims to determine and analyze how much influence the mechanism of corporate governance and solvency has on audit delay and the effect of firm size as a moderating variable in manufacturing companies in the consumer goods sector on the Indonesian stock exchange period . The research method used in this study uses a quantitative approach, the type of research is descriptive quantitative which is explanatory. The population of this research is 40 companies in the consumer goods sector, with purposive sampling technique, the sample that meets the criteria is 22 companies. The analytical method used in this study is the partial least square (PLS) method with SmartPLS software. The results of this study partially show that the corporate governance mechanism (X1) has an effect on audit delay (Y) in manufacturing companies in the consumer goods sector on the Indonesian stock exchange, partially solvency (X2) has no effect on audit delay (Y) in manufacturing companies in the goods sector. consumption on the Indonesian stock exchange, the effect of corporate governance mechanisms on audit delay is not moderated by firm size and the effect of solvency on audit delay is moderated by firm size in consumer goods sector companies on the Indonesian stock exchange.

Keywords: Corporate Governance mechanism, Solvency, Company Size and Audit Delay.

I. INTRODUCTION

Public companies in Indonesia experience a fairly rapid development every year which causes a company that carries out investment and operational activities to require large funding. The income of the middle class and people's lifestyles can affect the growth and development of industrial companies, especially in the consumer goods sector. Every year listed companies are required by the Indonesian stock exchange and investors to submit an annual report.The time span between the closing date of the company's books and the date of issuance of the auditor's opinion can be seen the length of time the audit completion is called audit delay. The Indonesia Stock Exchange (IDX) recorded that there were around 54 issuers who were late in reporting their 2011 audited financial statements (LK) which were reported in 2012. Previously, in 2011 there were 62 issuers who were late in reporting financial statements in 2010. And in 2010 there were 68 issuers who reported financial statements in 2009. In addition to the annual financial reports, during the first quarter of 2012 as many as 74 issuers were also recorded late in reporting quarterly financial reports, while the second quarter there are 29 issuers who are late in reporting financial statements. This increase is more because issuers are still adapting to the new Financial Accounting Standards Reporting system (PSAK), said the Director of Corporate Valuation of the IDX,

Good Corporate Governance (GCG) is the principle that directs and controls the company in order to achieve a balance between the strength and authority of the company in providing accountability to shareholders in particular, and stakeholders in general. In some countries, the provisions regarding the existence of this committee are gradually accepted as an obligation for companies listed on the Stock Exchange (Kusumah and Manurung, 2017).Solvency is the company's ability to pay all its debts, both long-term and short-term debt. If the company has a high level of solvency, this means that the company has a high financial risk. This high financial risk indicates that the company is experiencing financial difficulties which is a bad signal for investors and will affect the length of time for completing the audit of its financial statements (Syamsuddin, 2011).Firm Size is the size of a company which is measured by the total wealth owned by a company. Company size is categorized into three, namely: 1) large company, 2) medium company, 3) small company. The larger the company, having a good internal control system so that it can reduce the level of error in the presentation of financial statements and make it easier for the auditor to audit the financial statements. Management of large-scale companies tend to be given incentives to reduce audit delays because these companies are closely monitored by investors, capital supervisors and the government (Lisa and Jogi, 2013).

The object of this research was conducted on consumer goods industry companies because in the midst of the weakening of several domestic industrial sectors, the consumer sector still recorded positive growth, even with an increase of more than 20%. The stretch of industry in the country, especially the consumer goods sector, is experiencing rapid and rapid growth and development. This is supported by the high level of public consumption as the middle class income increases and their lifestyle changes.

II. LITERATURE RIEVEW

Relevant and reliable information is needed in the running of the company's business. Companies that have good internal corporate governance mechanisms (board of commissioners and audit committees) will have adequate internal controls and information systems (Oktrivina and Nelyumna, 2016). With adequate internal control and information systems, quality financial statement information can be presented in a timely manner. The corporate governance mechanism is said to be good if the company has good performance and optimal supervision can be carried out (Budiasih and Saputri, 2014). Companies that have good performance tend to publish the company's financial statements on time. The existence of an audit committee is expected to be able to oversee the preparation of financial statements so that the time for auditing by independent auditors can be reduced (Swami and Latrini, 2013).

Poor solvency is bad news for companies so companies tend to try to "polish" first before the financial statements are presented (Perdana, 2017). Companies with a high solvency ratio will tend to have a range. The proportion of debt that is greater than assets will increase the risk of loss and can make auditors be careful in auditing financial statements (Naryanto and Arisman, 2016). This is because if the proportion of debt is higher than the total assets to cover the debt, it can increase the risk of losses that will be experienced by the company. This high risk will indicate the possibility of the company not being able to pay off its obligations. When the company has a higher proportion of debt than equity, the auditor will need more time in auditing the company's financial statements because of the complexity of the debt account audit procedures and the discovery of more complex audit evidence against the company's creditors (Aryaningsih et al. Budiartha, 2014).

Company size is a function of the speed of financial reporting because the larger a company is, the company will report the results of audited financial statements the faster because the company has many sources of information and has a good company internal control system so as to reduce the error rate in the preparation of financial statements that facilitate auditors in auditing financial statements (Armansyah and Kurnia, 2015). the greater the value of the firm size, the shorter the audit delay (Cahyanti et al., 2016). the greater the value of the company's assets, the faster the submission of audit financial reports, and vice versa (Naryanto and Arisman, 2016). The greater the value of assets, the faster the submission of financial statements.

III. METHODS

The research approach used in this study is a quantitative approach. Quantitative research is a research method based on the philosophy of positivism, used to examine certain populations or samples, sampling techniques are generally carried out randomly, data collection uses research instruments, data analysis is quantitative or statistical with the aim of testing predetermined hypotheses (Sugiyono, 2012). The type of research used is descriptive quantitative research. Quantitative descriptive research is a research design that is structured in order to provide a systematic description of scientific information originating from the subject or object of research (Sanusi, 2014). This research uses Partial Least Square (PLS) data analysis method and is processed using SmartPLS 3.0 software. Partial Least Square (PLS) is a variant-based structural equation analysis (SEM) that can simultaneously test the measurement model as well as test the structural model (Jogiyanto and Abdillah, 2015). Partial Least Square (PLS) analysis is a multivariate statistical technique that performs comparisons between the dependent variable and the independent variable.

IV. RESULTS AND DISCUSSION

Descriptive statistics

Descriptive statistics will provide an overview of the minimum value, maximum value, average value (mean), median value and standard deviation or standard deviation of the variables used in this study. The general statistical data display of the variables used in this study can be seen in Table 1.

Audit Delay.txt

Delimiter:	Semicolon	Encoding:	UTF-8
Value Quote Character:	None	Sample size:	88
Number Format:	US (e.g. 1,000.23)	Indicators:	4
Missing Value Marker:	None	Missing Values:	0

Re-Analyze Open External

Indicators: Indicator Correlations Raw File Copy to Clipboard

	No.	Missing	Mean	Median	Min	Max	Standard Devia...	Excess Kurtosis	Skewness
Audit Comitee	1	0	3.080	3.000	3.000	4.000	0.271	8.183	3.162
DER	2	0	666.466	582.000	2.000	3,029.000	522.726	3.621	1.496
Firm Size	3	0	259,291,666.466	284,126,832.000	27,297,783.000	321,509,768.000	84,024,260.408	3.768	-2.310
Audit Delay	4	0	76.310	76.000	50.000	156.000	15.687	13.664	2.752

Based on the results of the descriptive statistical calculations in Table 1. above, it can be explained as follows:
1. The Corporate Governance Mechanism variable as measured by the number of audit committees has a sample size of 88, with a minimum value of 3 and a maximum value of 4, while the average value (mean) is 3,080 and the median value is 3 and the standard deviation value (standard deviation). of 0.271.
2. The Solvency variable as measured by the Debt to Equity Ratio has a total sample of 88, with a minimum value of 2 and a maximum value of 3,029, while the average value (mean) is 666.466 and the median value is 582 and the standard deviation value (standard deviation) is 522,726..
3. Firm Size variable as measured by Ln Total Assets has a total sample of 88, with a minimum value of 27,297,783 and a maximum value of 321,509,768 while the average value (mean) is 259,291,666 and the median value is 284,126,832 and the standard value deviation (standard deviation) of 84,024,260.
4. The Audit Delay variable has a sample size of 88, with a minimum value of 50 and a maximum value of 156, while the average value (mean) is 76,310 and the median value is 76 and the standard deviation value (standard deviation) is 15,687.

Model Evaluation

The evaluation of the model using partial least squares analysis consists of two evaluations, namely the evaluation of the measurement model (outer model) and evaluation of the structural model (inner model). Analysis of the observed variables using the SmartPLS program does not need to evaluate the measurement model (outer model) to test the validity and reliability of the data, so that in this study no evaluation of the measurement model (outer model) will be carried out and will be directly evaluated for the structural model (inner model).

Evaluation of the Structural Model (Inner Model)

Structural model evaluation was conducted to predict the relationship between variables in the study. This evaluation will explain how much the ability of the independent variable in explaining the dependent variable or commonly known as R square. The results of the evaluation of the structural model (inner model) can be seen in Table 2.

R Square

Matrix R Square R Square Adjusted

	R Square	R Square Adjus...
Audit Delay_	0.117	0.064
Firm Size	0.008	-0.015

Based on Table 2. above, it shows that the value of R square is 0.117 or 11.7%. This value indicates that the ability of the independent variables, namely corporate governance and solvency mechanisms, the interaction of corporate governance mechanisms with firm size and the interaction of solvency with firm size in explaining the dependent variable, namely audit delay, is 88.3%. While the remaining % is explained by other variables not examined in this study.

Hypothesis testing

In this study, the decision-making criteria for hypothesis testing follow the following rules:

• If Tstatistic > 1.96 and significance level < = 5%, then the hypothesis is accepted.

• If Tstatistic < 1.96 and significance level > = 5% then the hypothesis is rejected.

The results of the research hypothesis test can be seen in Figure 1 and Table 3. below.

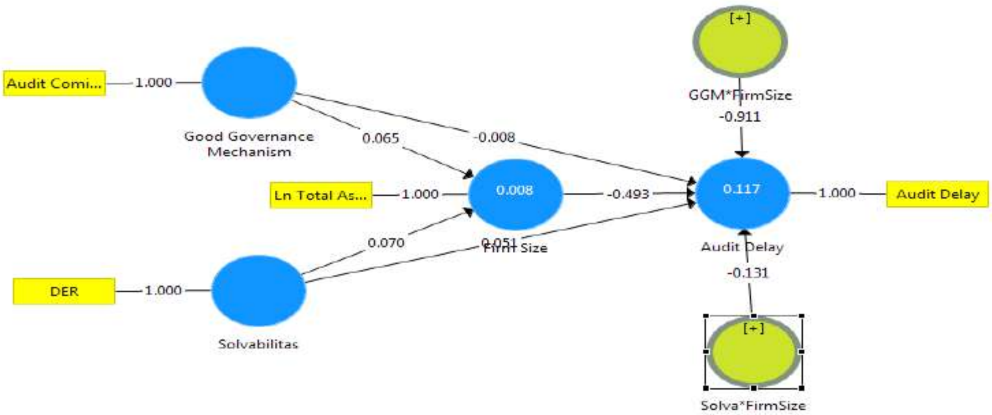

Figure 1. Conceptual Framework

Table 3.Path Analysis

Path Coefficients

Mean, STDEV, T-Values, P-Va... | Confidence Intervals | Confidence Intervals Bias C... | Samples | Co

	Original Sampl...	Sample Mean (...	Standard Devia...	T Statistics (|O...	P Values
Firm Size_ -> A...	-0.364	-0.416	0.083	4.398	0.000
GCG -> Audit ...	0.286	0.287	0.106	2.693	0.007
GCG -> Firm Si...	-0.113	-0.123	0.080	1.409	0.159
GCG*FirmSize -...	-0.145	-0.184	0.179	0.812	0.417
Solva*FirmSize ...	0.188	0.190	0.089	2.122	0.034
Solvabilitas -> ...	-0.016	-0.014	0.075	0.209	0.835
Solvabilitas -> ...	0.074	0.079	0.066	1.113	0.266

Based on Table 3. above, the analysis equation in this study is as follows:

Audit Delay= 0.286GCG – 0.016Solvability – 0.364Firm Size - 0.145 GCG*Firmsize + 0.188Solvability*FirmSize

Based on the results of hypothesis testing and the above equation, it can be explained as follows:

1. The Effect of Corporate Governance Mechanisms on Audit Delay

From the results of hypothesis testing, the T statistic value of 2.693 is greater than 1.96 (2.693 < 1.96) and the P-value of 0.007 is smaller than 0.05 (0.007 < 0.05). The original sample value is positive, which is 0.286 which indicates that the direction of the relationship between the corporate governance mechanism and the audit delay is positive. The original sample value of 0.286 means that if the corporate governance mechanism increases by 1 unit, the audit delay will increase by 0.286. Based on the results of testing the hypothesis, H1 is accepted, which means that the corporate governance mechanism has an effect on audit delay in consumer goods industrial sector companies listed on the Indonesian stock exchange.

2. The Effect of Solvency on Audit Delay

From the results of hypothesis testing, the T statistic value of 0.209 is smaller than 1.96 (0.209 < 1.96) and the P-value is 0.835 which is greater than 0.05 (0.83 > 0.05). The original sample value is negative, which is 0.016 which indicates that the direction of the solvency relationship to audit delay is negative. The original sample value of 0.016 means that if the solvency has increased by 1 unit, the audit delay will decrease by 0.016. Based on the results of testing the hypothesis, H2 is rejected, which means that solvency has no effect on audit delay in consumer goods industrial sector companies listed on the Indonesian stock exchange.

3. Effect of Corporate Governance Mechanism on audit delay with firm size as Moderating Variable

From the results of hypothesis testing, the T statistic value of 0.812 is smaller than 1.96 (0.812 < 1.96) and the P-value of 0.417 is greater than 0.05 (0.417 > 0.05). The original sample value is negative at 0.145 which indicates that firm size strengthens the influence of corporate governance mechanisms on audit delay. The original sample value of 0.145 means that if the firm size has increased by 1 unit, it is able to strengthen the influence of corporate governance mechanisms on audit delay by 0.145. Based on the results of testing the hypothesis, H3 is rejected, which means that the influence of corporate governance mechanisms on audit delay is not moderated by firm size in consumer goods sector companies listed on the Indonesia Stock Exchange. The effect of firm size on audit delay has a T statistic of 4.398 greater than 1.96 (4.398 > 1.96) and a P value of 0.000 less than 0.05 (0.000 > 0.05), thus indicating that firm size effect on audit delay. These results indicate that the type of moderation that occurs is potential moderator or homologizer moderator because the effect of firm size interaction as a moderating variable with corporate governance mechanisms on audit delay and the effect of firm size on audit delay are equally significant.

4. Effect of Solvency on Audit Delay with Firm Size as Moderating Variable

From the results of hypothesis testing, the T statistic value of 2.122 is greater than 1.96 (2.122 > 1.96) and the P-value of 0.034 is smaller than 0.05 (0.034 < 0.05). The original sample value is positive at 0.188 which indicates that firm size strengthens the effect of solvency on audit delay. The original sample value of 0.188 means that if the firm size has increased by 1 unit, it is able to strengthen the influence of solvency on audit delay by 0.188. Based on the results of testing the hypothesis, H4 is accepted, which means that the effect of solvency on audit delay is moderated by firm size in consumer goods sector companies listed on the Indonesia Stock Exchange. The effect of firm size on audit delay has a T statistic of 4.398 greater than 1.96 (4.398 > 1.96) and a P value of 0.000 less than 0.05 (0.000 > 0.05), thus indicating that firm size effect on audit delay. These results indicate that the type of moderation that occurs is potential moderator or homologizer moderator because the effect of firm size interaction as a moderating variable with corporate governance mechanisms on audit delay and firm size effect on audit delay are equally significant.

V. DISCUSSION OF RESEARCH RESULTS

Effect of Good Corporate Mechanism on Audit Delay

Based on the test table the effect of the variable partially Corporate Governance Mechanism (audit committee) has a significant effect on Audit Delay. This is reinforced by observations made by researchers regarding the number of audit committees where companies with large audit committees tend to conduct audit delays. The results of this study are in line with Budiasih and Saputri (2014: 158), the mechanism of corporate governance is said to be good if the company has good performance and optimal supervision can be carried out. Companies that have good performance tend to publish the company's financial statements on time. The results of this study are in line with the results of Oktrivina and Nelyumna's research (2016) with the title "The Influence of Good Corporate Governance and External Auditors on Audit Delay (Empirical Study on Banking Industry Companies on the Indonesia Stock Exchange 2011-2013)" namely the audit committee has a significant influence on the audit delay

The Effect of Solvency on Audit Delay

Based on the test table, the effect of the variable partially Solvency (Debt to Equity Ratio) has no significant effect on Audit Delay. This is reinforced by observations made by researchers regarding the amount of company debt where companies with large amounts of debt tend to audit delays. The results of this study are in line with Perdana (2017: 9), poor solvency is bad news for companies so that companies tend to try to "polish" first before the financial statements are presented. Companies with a high solvency ratio will tend to have a range. The results of this study are not in line with the results of research by Cahyanti, et al. (2016) with the title "The Influence of Company Size, Profitability, and Solvency on Audit Delay (Study on LQ 45 Companies, Bank Sub-Sectors and Property and Real Estate Listed on the Indonesia Stock Exchange) BEI) Year 2010 – 2014)", namely DER partially has a significant effect on Audit Delay.

Effect of Good Corporate Mechanism on Audit Delay with Firm Size as moderating variable

Based on the test table the effect of the variable partially Firm Size (Company Size) has no significant effect on Audit Delay. This is reinforced by observations made by researchers regarding the size of the company where large companies tend not to conduct audit delays. The results of this study are in line with the theory according to Naryanto and Arisman (2016: 4), the greater the value of the company's assets, the faster the submission of audited financial statements. , vice versa. The greater the value of assets, the faster the submission of financial statements

The Effect of Solvency on Audit Delay with Firm Size as a moderating variable

Based on the results of the study, it was found that the effect of solvency on audit delay was moderated by firm size, or the research hypothesis was accepted. This is in line with research conducted by Armansyah and Kurnia (2015), that the amount of debt that exists in the company with the use of debt increases the company's assets will cause additional time in the audit process carried out. With the size of the assets owned by the company, it will expand the scope and areas that must be investigated further by the auditor before submitting the results of their opinion.

VI. CONCLUSION

Based on the results of research on the effect of Corporate Governance Mechanisms, Solvency (Debt to Equity Ratio) and Firm Size (Company Size) on Audit Delay in Manufacturing Companies in the Consumer Goods Sector for the period 2014-2017, the following conclusions can be drawn:

1. The partial test results show that the Corporate Governance Mechanism (audit committee) has a significant effect on Audit Delay
2. Partial test results show that Solvency (Debt to Equity Ratio) has no significant effect on Audit Delay
3. The effect of the good corporate mechanism on Audit Delay is not moderated by Firm Size in basic and chemical industry companies listed on the Indonesia Stock Exchange.
4. The effect of solvency on audit delay is moderated by Firm Size in basic and chemical industry companies listed on the Indonesia Stock Exchange.

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