THESIS

THE EFFECT OF COMPANY SIZE, LEVERAGE, AND AUDITOR OPINION ON AUDIT DELAY

(Empirical Study on Manufacturing Companies Listed on Indonesia Stock Exchange in 2019)

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DEPARTMENT OF ACCOUNTING
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MAKASSAR
2022

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as one of the requirements to obtain
Bachelor of Economics degree

complied and submitted by

SASEMA AMALIA YUSRI
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to

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PREFACE

Praises and gratitude the author sends to Allah SWT. Alhamdulillah, thanks to His grace, love, and mercy, the author is finally able to complete this research with title “The Effect Of Company Size, Leverage, And Auditor Opinion On Audit Delay (Empirical Study On Manufacturing Companies Listed on Indonesia Stock Exchange In 2019)” as one of the requirement to complete the study and obtain academic degree in Faculty of Economics and Business Hasanuddin University.

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The researcher realizes that the process of writing and organizing this thesis is inseparable from mistakes and shortcomings. Therefore, with all humility, the author sincerely apologizes and is gracefully willing to accept all input, critics, and suggestions to make this thesis better. The author humbly presents this thesis, with the hope that it could be useful to increase knowledge and information in the field of management.

Makassar, February 17th 2022

The researcher,

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ABSTRACT

THE EFFECT OF COMPANY SIZE, LEVERAGE, AND AUDITOR OPINION ON AUDIT DELAY
(Empirical Study on Manufacturing Companies Listed on Indonesia Stock Exchange in 2019)

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Ratna Ayu Damayanti
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Audit delay is the time span for completing the annual financial statement audit, measured based on the report days required to obtain an independent auditor's report on the company's annual financial statement audit, the date of the company's closing year up to the date stated in the independent auditor's report. Factors considered to affect audit delay are firm size, leverage, and audit opinion.

This study aims to analyze the effect of firm size, leverage and audit opinion on audits of manufacturing companies in the goods and consumption sector listed on the Indonesia Stock Exchange in 2019. This study uses the causality method, while data collection is done by means of documentation. on the documents of manufacturing companies in the goods and consumption sector. listed on the Indonesia Stock Exchange in 2019 with a sample consisting of 52 companies.

The results of this study indicate that: (1) Based on the results of the partial test, firm size, leverage and audit opinion each have a positive and significant effect on audit delay. (2) Simultaneously firm size, leverage and audit opinion have a positive and significant effect on audit delay.

Keywords: Company Size, Leverage, Audit Opinion and Audit Delay

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CHAPTER I

INTRODUCTION

1.1 Background of the Research

Audit delay is the audit completion time measured from the closing date of the financial year to the date of completion of the independent audit report. According to Verawati & Wirakusuma, (2016), the schedule for completion of audits is about the time between the date of the financial statements and the date of the audit opinion in the audited financial statements. Worldwide, delays in auditing financial statements have been identified as one of the causes of total delays in the publication of their annual reports (Khoufi & Khoufi, 2018).

Timeliness of audited financial reporting is now an important thing because competition in the business operations of every company is growing today. This is because investors need more relevant and timely information. The characteristics of relevant information must have predictive value and be presented in a timely manner. The only major source of information that investors can trust is the audited annual report (Mathuva et al., 2019).

The need for timeliness of financial reporting has clearly been stated in the basic framework for preparing the presentation of financial statements that timeliness is one of the qualitative characteristics that must be met so that the financial statements presented are relevant to decision makers (Hilmi and Ali, 2008).

The sooner the information is disclosed, the more relevant the information will be for users of financial statements. Users of financial reports are in dire need of timely information to enable them to immediately carry out analysis and make decisions about the capital that has been or will be invested in the company (Rahayu, 2017)

Financial reports are very important for the sustainability of companies, especially companies that already go public. According to Baridwan (2004: 17), financial statements are a summary of the recording process of financial transactions that occurred during the fiscal year concerned. One of the obligations of companies that are already listed on the Indonesia Stock Exchange is to publish financial reports that have been audited by a public accountant. Financial reporting includes all aspects relating to the provision and delivery of financial information. Information generated by financial reports will be very useful for users of financial statements if the information is presented in a timely and accurate manner. However, not all users of financial statements are people who understand financial statements. Therefore, it is necessary to have an expert who can provide an opinion and "translation" of the financial statements that have been prepared by the company. The expert is a public accountant or auditor (Rahayu, 2017).

The task of an auditor is to check the financial statements of a company whether they are appropriate in the process, that are using applicable accounting standards and whether the financial statements are prepared in accordance with the applicable format as well. At the end of his job, in examining the financial statements, an auditor will issue an opinion on the financial statements which is called the financial statement audit opinion. Auditor's Opinion is the opinion given by an independent auditor on the company's financial statements. The results of the research by Widosari (2012: 92) and Saputri (2012: 68) found that the auditor's opinion influenced the occurrence of Audit Delay. Companies that do not receive an unqualified opinion will show a longer audit delay compared to companies that receive an unqualified opinion. This is because companies that receive opinions other than unqualified opinions are considered bad news, so that the submission of financial statements will be slowed down. The view above is different from the research of Kartika (2011:166) which actually found that audit opinion did not affect the occurrence of audit delay on a company's financial statements.

Many parties use financial reports, including investors, management, and the government. For investors, financial statements are useful to help determine whether to buy, hold, or sell their investment. For management, financial reports are used as material for consideration in preparing the company's activity plan for the coming period. For the government, financial reports are used to regulate company activities, establish tax policies and as a basis for compiling national income statistics and others (IAI, 2009).

The financial reporting that is submitted is used by interested parties, especially investors, in order to maximize the value of their investment. Investors consider the decision to invest in one company by comparing the financial statements presented by each company. Investors as shareholders or company owners from outside parties need financial reports to determine the rate of return on investment and help them decide whether to buy, hold, or sell company shares. Improving the quality of the audit results from the auditors certainly takes more time when completing the audit report, this impact occurs because the auditors meet all audit standards, where a longer time is needed in order to carry out an audit in accordance with the standards. On the other hand, the non-conformity of audit work standards will certainly shorten the required time. This condition is certainly a dilemma for auditors, where no later than the end of the fourth month of the following year the annual financial statements must be submitted, while the end of the second month after the date of the semi-annual financial statements becomes the deadline for submission of the semester financial statements at the latest.

The phenomenon of delay in the audit process in terms of auditing research is known as audit delay. Audit delay refers to the interval between the closing date of the financial year and the date of the audit report. Previous studies have been conducted to look at the variables that affect audit delay and the effect of audit delay on capital market reactions. Capital market players will certainly give a negative response to the delivery of information, because in the audit financial report contains information on company profits which is one of the bases in the decision-making process to buy or sell ownership owned by investors that are not directly related to fluctuations in share prices. The delay in reporting, indirectly, can also be interpreted as a bad signal by investors against the company.

Companies listed on the Indonesia Stock Exchange (IDX) are required to submit financial reports in accordance with financial accounting standards and have been audited by independent auditors in a timely manner so that the information obtained is understandable, reliable, relevant, and comparable to users of financial statements (Annisa, 2018). One of the audited financial statements contains information about the profits that the company has generated. According to Shulthoni (2012) in Sumantri (2018) earnings information from published financial reports will cause an increase or decrease in stock prices. Earnings information is also the basis for making decisions to buy or sell shares owned by investors. So that the delay in the information submitted can cause negative reactions from capital market players.

In general, investors consider that late delivery of financial reports is a bad sign for the company's health condition (Fitria, 2015). Given the importance of the need for timely financial statement information, manufacturing companies listed on the Indonesia Stock Exchange (IDX) are required to publish annual financial reports accompanied by independent auditor reports on a regular basis to the

Capital Market Supervisory Agency and Financial Institution (Bapepam-LK) then announced it to the public. This is due to the emergence of a regulation issued by Bapepam-LK in 2012, that are issuing an attachment to the Decree of the Chairman of Bapepam-LK Number: Kep-431 / BL / 2012, which states that Issuers or Public Companies whose registration statements have become effective are required to submit reports yearly to Bapepam-LK no later than 4 (four) months after the end of the financial year. The regulations made by Bapepam-LK have motivated companies listed on the Indonesia Stock Exchange (IDX) to be motivated to report their financial reports in a timely manner, in accordance with applicable regulations.

In Indonesia, there are still many cases of timeliness violations of regulations issued by Bapepam-LK. These violations ranged from delays in submitting reports to securities transactions on the stock exchange. In 2011 there were 62 companies listed on the IDX late in submitting their annual financial reports for 2010. In 2012, 54 companies were late in submitting their annual financial reports for 2011. In 2013, 91 companies were late in submitting their annual financial reports for 2012. Then in 2014 Of the 548 companies listed on the IDX, 31 companies were late in submitting their 2013 annual financial reports (www.idx.co.id).

From all the explanations above, it is known that audit delay is very important for financial reporting, so this study will analyze the factors that can affect audit delay. Research related to audit delay was carried out and there are still differences in the results of these studies. There are several factors that may affect audit delay, there are company size, leverage, and auditor opinion. In addition, the reason for raising this title / topic is because 1) there is an increase in the average audit delay in companies listed on the IDX. 2) This study uses the latest data, there are financial statement data available on the IDX until 2019.

The effect of company size on audit delay has been studied by Ashton, et al (1987) and Pourali, et al (2013). The results of his research show that audit delay is effected by company size. The results of this study are consistent and in line with the research of Khalatbari, et al (2013) and the research of Kartika (2009). However, the results of this study contradict the research of Yendrawati and Rokhman (2008), Lianto and Kusuma (2010) who found that company size had no effect on audit delay.

Leverage ratio or commonly known as solvency measures the company's ability to meet its obligations, both short and long term. Companies that are not solvable are companies whose total debt is greater than their total assets (Mamduh and Halim, 2005 in Puspitasari and Sari, 2012). According to Angruningrum and Wirakusuma (2013), if the company has a high leverage ratio, the risk of loss for the company will increase. Therefore, auditors will increase their prudence in auditing financial statements so that the audit delay range becomes longer. Research conducted by Angruningrum and Wirakusuma (2013) provides empirical evidence that leverage affects audit delays. This is also supported by research conducted by Kartika (2011) which shows that leverage has a significant positive effect on audit delay.

Research on the effect of auditor opinion on audit delay has been conducted by Purnamasari (2012), Yendrawati and Rokhman (2008), and Kartika (2009). These three studies conclude that the auditor's opinion has an effect on audit delay. The results of these three studies are inconsistent with the research of Susilowati et al. (2012) and Khalatbari et al. (2013) where audit delay has no effect on auditor's opinion.

From several studies that have been mentioned above, there are inconsistencies in the results of research related to audit delay as the dependent variable, for this reason the researcher is motivated to re-examine several factors that are thought to have an effect on audit delay. The object in this study is a manufacturing company listed on the Indonesia Stock Exchange for the period 2019. Researchers chose manufacturing companies as research objects because this sector plays an important role in efforts to boost investment and export value so that it becomes a mainstay sector to accelerate national economic growth.

Based on the background description above, the researcher is interested in taking the title of research on "The Effect of Company Size, Leverage, and Auditor Opinion on Audit Delay (Empirical Study of Manufacturing Companies listed on the Indonesia Stock Exchange in 2019)".

1.2 Problem Identification

Based on the background of the problem above, the identification of the problems in this study are:

1. Delay in providing financial reports will cause negative reactions to investors, which can cause investor confidence to decline, thereby affecting the selling price of shares.
2. There are companies listed on the IDX late in submitting annual financial reports.
3. There are differences in the results of previous studies regarding the effect of Company Size, Leverage, and Auditor Opinion on Audit Delay.

1.3 Limitation of Problems

Based on the background of the problem above, in this study the authors limit the problem to three variables that are likely to affect Audit Delay, there are Company Size, Leverage, and Auditor Opinion which affect audit delay in manufacturing companies listed on the Indonesia Stock Exchange in 2019.

1.4 Problem Formulation

Based on the background and problem identification previously described, the problem formulations in this study are:

1) What is the effect of Company Size on Audit Delay in manufacturing companies listed on the Indonesia Stock Exchange in 2019.
2) What is the effect of Leverage on Audit Delay in manufacturing companies listed on the Indonesia Stock Exchange in 2019.
3) What is the effect of Auditor's Opinion on Audit Delay in manufacturing companies listed on the Indonesia Stock Exchange in 2019.
4) What is the effect of Company Size, Leverage, Auditor Opinion on Audit Delay in manufacturing companies listed on the Indonesia Stock Exchange in 2019.

1.5 Research Objective

Based on the formulation of the problem above, it can be seen that the purpose of this study is to analyze:

1) The effect of Company Size on Audit Delay in Manufacturing companies listed on the Indonesia Stock Exchange in 2019.
2) The effect of Leverage on Audit Delay in manufacturing companies listed on the Indonesia Stock Exchange in 2019.
3) The effect of Auditor Opinion on Audit Delay in manufacturing companies listed on the Indonesia Stock Exchange in 2019.
4) The effect of Company Size, Leverage, Auditor Opinion on Audit Delay in manufacturing companies listed on the Indonesia Stock Exchange in 2019.

1.6 Research Usability

1) Theoretical Use

   Provides additional insight and knowledge about the factors that can affect Audit Delay in companies in Indonesia and as a means of developing knowledge that is theoretically learned in lectures.

2) Practical Use

   For the Auditor

   Provide information for auditors, to help identify factors that affect audit delay in companies in Indonesia.

   For Public Accounting Firms

   The results of this study can be taken into consideration in determining policies that can be used to overcome the factors that cause Audit Delay so that the Audit Delay can be minimized and the audited financial reports can be published on time.

   For Investors and Potential Investors

   The results of this study can be taken into consideration for investors and potential investors in making investment decisions.

CHAPTER II

LITERATURE REVIEW

2.1 Agency Theory

Jensen and Meckling (1976) define an agency relationship as a contract that states that one or more people (principal) ask another person (agent) to perform certain services in the interests of the principal, by delegating authority to him. Delegation of authority is indeed a must in this agency relationship to enable agents to account for their performance to the principal. In every agency relationship, agency costs arise which are borne by both the principal and the agent.

Hudaib (2005) Agency theory is a theory used to explain the relationship between the agent and the principal that is built so that the company's goals can be achieved optimally. company. (Firmansyah et al, 2016) suggests that, agency relationships arise when one or more individuals (principals) hire other individuals (agents or employees) to act on their behalf, delegating decision-making power to agents and their employees. In the context of financial management, This relationship arises between shareholders and managers and between shareholders and creditors (bondholders).

Agency theory concept according to (Anthony and Govindarajan, 1995) is a relationship or contract between principal and agent. The principal employs the agent to perform tasks for the benefit of the principal, including the delegation of decision-making authority from the principal to the agent. In companies whose capital consists of shares, shareholders act as principals, and the CEO (Chief Executive Officer) as their agent. Shareholders employ the CEO to act in the interests of the principal.

Agency theory emphasizes the importance of separating interests between principal and agent. Here there is a handover of company management from principals to agents. The purpose of separating management from company ownership is for the principal to get the maximum benefit at the most efficient cost possible when the company is managed by an agent (Jensen and Meckling, 1976).

Susanto (2009) agency theory assumes that each individual is motivated by his or her own interests, causing a conflict of interest between the interests of the principal and the interests of the agent. The principal is motivated to prosper himself with ever-increasing profitability. Agents are motivated to maximize the fulfillment of their economic and psychological needs, among others in terms of obtaining investments, loans, as well as compensation and bonus contracts. According to (Yamin, Sofyan, and Heri, 2009) Conflicts of interest are increasing mainly because the principal cannot monitor the daily activities of the CEO to ensure that the CEO is working in accordance with the wishes of the shareholders. The principal does not have sufficient information about the agent's performance. Agents have more information about their capacity, work environment, and the company as a whole. This has resulted in an imbalance of information held by the principal and agent.

Suparlan and Andayani (2010) Suggest that there is an assumption that individuals act to maximize themselves, resulting in agents taking advantage of their information asymmetry to hide some information that is not known to the principal. Information asymmetry and conflicts of interest that occur between the principal and the agent encourage the agent to present untrue information to the principal, especially if the information is related to the agent's performance measurement. This spurs agents to think about how these accounting numbers can be used as a means to maximize their interests. One form of agent action is what is known as earnings management.

Agency theory shows the importance of separation of ownership between company management and company owners. The purpose of the separation system is to create efficiency and effectiveness by employing professional agents in managing the company (Wijayani, 2011). Meanwhile, "agency theory is a relationship that arises because of a contract that arises between the principal by using the services of an agent for the benefit of the principal". Broadly speaking, the principal is not only the owner, but also creditors, shareholders, and the government (Schwartz dan Soo, 1995).

2.2 Audit

2.2.1 Definition of Auditing

Boynton and Kell (2006) define auditing as a systematic process of obtaining and evaluating evidence regarding assertions about economic activities and events to ensure the level of conformity between these assertions with established criteria and communicating the results to interested parties.

According to Mulyadi (2002), auditing is a systematic process for obtaining and evaluating evidence objectively about statements about economic activities and events, with the aim of determining the level of conformity between these statements and predetermined criteria, and delivering the results. to interested users.

Based on the above definition, it can be concluded that auditing is a systematic process to obtain and evaluate evidence about economic events to determine the level of suitability and communicate the results to interested users.

2.2.2 Types of Audit

According to Mulyadi (2002), auditing is generally classified into 3 groups, there are:

1) Financial Statement Audit (Financial Statement Audit) Financial statement audit is an audit of financial statements conducted by an independent auditor to express an opinion regarding the fairness of the financial statements.
2) Compliance Audit (Compliance Audit) Compliance audit is an audit that aims to determine whether what is being audited is in accordance with certain conditions or regulations. This audit is usually carried out in a lot of government.
3) Operational Audit (Operational Audit) Operational audit is a systematic review of organizational activities that aims to evaluate performance, identify opportunities for improvement and make recommendations for improvement or further action.

2.2.3 Types of Auditors

According to Mulyadi (2002) People or groups that carry out audits can be grouped into three, there are:

1) Independent Auditor An independent auditor is a professional auditor who audits financial reports prepared by his clients. An independent auditor gets an honorarium from his client in carrying out his expertise, but this auditor does not side with his client.
2) Government Auditors Government auditors are professional auditors who work in government-owned institutions whose job is to audit financial accountability that is presented by organizational units or government entities.
3) Internal Auditor Internal Auditor is an auditor who works in a company whose job is to determine whether the policies and procedures set by top management have been complied with, determine whether or not the

protection of the organization's assets is good, determine the efficiency and effectiveness of procedures for organizational activities, and determine the reliability of the information generated. by various parts of the organization.

2.2.4 Audit Standards

Auditing standards that have been set and approved by the Indonesian Accounting Association in the Auditing Standard Statement (PSA) No 01 (SA Section 150) are classified into three, there are:

1) General Standards
    a) The audit must be carried out by one or more persons who have sufficient technical expertise and training as auditors.
    b) In all matters relating to the engagement, independence in mental attitude must be maintained by the auditor.
    c) In conducting audits and preparing reports, auditors are required to use their professional skills carefully and thoroughly.
2) Field Work Standards
    a) The work must be planned as well as possible and if using an assistant must be properly supervised.
    b) Sufficient understanding of internal control must be obtained to plan and determine the nature, timing and scope of tests to be carried out.
    c) Sufficient competent audit evidence must be obtained through inspection, observation, inquiry and confirmation as a sufficient basis for expressing an opinion.

3) Reporting Standards

   a) The auditor's report must state whether the financial statements have been prepared in accordance with generally accepted accounting principles in Indonesia.
   b) The auditor's report must show or state, if there is any inconsistency in the application of accounting principles in the preparation of financial statements for the current period compared to the application of those accounting principles in the previous period.
   c) Informative disclosures in the financial statements should be deemed adequate, unless otherwise stated in the auditor's report.
   d) The auditor's report must contain a statement of opinion regarding the financial statements as a whole or an assertion that such a statement cannot be given. If that statement cannot be given then the reasons must be stated. In the case that the auditor's name must be associated with the financial statements, the auditor's report must contain clear instructions regarding the nature of the audit work performed, if any, and the level of responsibility assumed by the auditor.

2.3 Financial Statement

All companies listed on the Indonesia Stock Exchange are required to publish financial reports in accordance with Financial Accounting Standards and have been audited by a Public Accounting Firm. The financial report is a summary of the recording process of financial transactions that occurred during the financial year concerned (Baridwan, 2004: 17).

In Statement of Financial Accounting Concept (SFAC) Number I it is stated that financial reporting must present information (Baridwan, 2004: 2-3):

1) Useful for existing and potential investors and creditors and other users in making decisions for investment, lending and other decisions.
2) Useful for existing and potential investors and creditors and other users to estimate the amount, time and uncertainty of future cash receipts originating from dividends or interest and from cash receipts from sales, redemption or maturity of documents. valuable or loans.
3) Shows the economic resources of a company, claims to these resources, and the effects of transactions, events and circumstances that affect the sources and claims on these resources.

There are four qualitative characteristics of financial statements according to IAI, there are (Baridwan, 2004: 5-7):

1) Can be understood

   The quality of information can be seen from the ease with which users can immediately understand it. Users are assumed to have adequate knowledge about economic and business activities, accounting, and willingness to learn information.

2) Relevant

   Information will be useful if the information is relevant to meet the needs of users in the decision-making process, that is, in a way that can be useful for evaluating past, present or future events, confirming or correcting, the results of their evaluation in the past. The relevance of information is useful in predicting (predictive) and affirmation, both of which are related to one another. Predictions of financial position and future performance and other matters are often based on financial information and past performance.

3) Reliability

Information will be useful if it is reliable. Information has reliable quality if it is free from misleading notions, material errors, and can be relied on by the user as an honest presentation of what it should be or could reasonably expect to be presented.

4) Comparable

Users of financial statements must be able to compare the company's financial statements between periods and must also be able to compare financial statements between companies to evaluate their financial position, performance and changes in financial position.

2.4 Audit Delay

Financial reports submitted to the Capital Market Supervisory Agency must be accompanied by an independent auditor's report which is then announced to the public no later than the end of the third month or 90 days after the closing book year ends in accordance with the Decree of the Chairman of the Capital Market Supervisory Agency and Financial Institution (Bapepam-LK) Number: KEP-346 / BL / 2011 with regulation number XK2, concerning Presentation of Financial Statements. This means that after the company has finished compiling the financial statements, then an audit process must be carried out by an independent auditor of these financial statements. The amount of time it takes the auditor to complete an audit of financial statements is called audit delay.

Audit delay is defined as the length of audit completion time measured from the closing date of the financial year to the date of issuance of the audit report (Halim, 2000). In line with Halim's statement, Aryati (2005) mentions audit delay as the time span for completing the annual financial statement audit report, measured based on the number of days required to obtain an independent auditor's financial report on the audit of the company's financial statements from the closing date of the company's books, which is December 31 until the date stated on the independent auditor's report.

Revealed in the research of Subekti and Widiyanti (2004), the time difference which is often referred to as audit delay is the difference between the date of the financial statements and the date of the audit opinion in the financial statements, which indicates the length of time the auditor has completed the audit. So the longer the audit delay, the longer the auditor will complete his audit work.

The number of transactions that have to be audited, the complexity of the transactions, and the lack of good internal control, which causes the audit delay to increase. The longer the auditor completes the audit work, the longer the audit delay will be. This means that if the audit delay is getting longer, the more likely it is that the company will be late in submitting financial reports to Bapepam and other users.

Choi and Gary (2010) reveal that to determine the delay in submitting financial statements, it can be measured by comparing the end of a company's accounting year with the date of issuance of its audit report. Meanwhile, Dyer and Mchug (in Malinda, 2015) used three criteria for delay, there are:

a) Preliminary leg: The interval of the number of days between the date of the financial statements and the receipt of the final preliminary report by the stock exchange.
b) Auditor's report leg: The interval of the number of days between the date of the financial statements and the date the auditor's report is signed.
c) Total lag: The interval of the number of days between the date of the financial report and the date of receipt of the report published by the stock

exchange. Based on the understanding and theory of audit delay above, to measure audit delay it can be formulated as follows:

Audit Delay = Date of the audit report - The date of the financial statements

2.4.1 Company Size

Company size is a scale that can be classified as a large or small company in various ways, including expressed by total assets, stock market value, and others. In this study, the size of the company is measured using the total assets owned by the company, meaning that the size of the company is determined by the size of the total assets owned by the company.

According to Masud (1994) in Ani (2011) the category of company size is divided into three, there are:

a) Large companies

   Large companies are companies that have a net worth greater than IDR 10 billion, including land and buildings. Has sales of more than IDR 50 billion per year.

b) Medium Enterprises

   Medium company is a company that has a net worth of Rp. 1-10 billion, including land and buildings. Have sales results greater than IDR 1 billion and less than IDR 50 billion.

c) Small company

   A small company is a company that has a net worth of at most Rp. 200 million, excluding land and buildings and has sales of at least 1 billion per year.

The company size factor is a factor that has been studied before. Most of these studies use total assets to measure the size or size of a company. Research conducted by Novelia and Arisudhana (2012) uses total assets to measure the size or size of a company. The results of this study indicate that company size does not affect the length of audit delay, because the assessment of company size using total assets is more stable than using market value and sales level. In contrast to the results of research by Yuliyanti (2011) which states that company size has a significant effect on the length of audit delay, because the bigger the company, the better the company's internal control so that it can reduce the level of errors in the presentation of financial statements which will make it easier for auditors to do auditing these financial statements.

2.4.2 Leverage

Leverage is the use of assets and sources of funds by companies that have fixed costs (fixed expenses) in order to increase the potential profits of shareholders (Sartono, 2008: 257). Leverage is a level of the company's ability to use assets and / or funds that have fixed expenses (debt and / or special shares) in order to realize the company's goal of maximizing the company's owner's wealth. Gibson (1990) states that "the use of debt, called leverage, can greatly affect the level and degree of change is the common earning", meaning that the use of debt, called the lever, can greatly affect the degree and level of change in stock earnings. In addition, Schall and Harley (1992) define leverage as "the degree of firm borrowing", meaning that leverage is the level of the company's loan.

Leverage is described to see the extent to which the company's assets are financed by debt compared to its own capital. (Weston and Copeland, Journal of Management Science & Accounting Volume X No.1 / February / 2018 24 1992). According to Riyanto (2001) leverage is the use of assets or funds in which a company must pay a fixed fee. Meanwhile Weston and Brigham (1998) define financial leverage as the level of debt use as a source of corporate financing. From several definitions, according to experts, it can be concluded that leverage is the use of debt by the company as a source of financing to carry out company activities where to use it the company must pay a fixed fee. The high leverage ratio shows that the company is not solvable, meaning that its total debt is greater than its total assets (Horne, 1997). Because leverage is a ratio that calculates how far the funds provided by creditors, as well as a ratio that compares the total debt to the overall assets of a company, so if investors see a company with high assets but high leverage risk, they will think twice about invest in the company. Because it is feared that these high assets are obtained from debt which will increase investment risk if the company is unable to pay off its obligations on time. There are two types of leverage, there are operating leverage and financial leverage. In operating leverage, the use of fixed cost assets expects the revenue earned to cover fixed costs and variable costs. Meanwhile, in financial leverage, the use of funds with fixed expenses is expected to increase earnings per share. The leverage ratio is the ratio used to measure how much the company's assets are financed with debt. A low leverage ratio indicates that the company does not use a lot of debt to fund the company's operations. The smaller the debt in a company, the investors will be happy in providing funding because the company's profits will be used more as dividends and this will increase the value of the company. Leverage is the amount of debt used to finance or buy company assets (Hendi, 2008: 109). Companies that have a debt greater than equity are said to be companies with a high degree of leverage. The leverage ratio in this study is proxied by the ratio of Debt to Equity Ratio (DER) and Debt to Assets Ratio (DAR). Debt to Equity Ratio (DER) is the Journal of Management Science & Accounting Volume X No. 1 / February / 2018 25 comparison between total debt and total equity owned by the company. "Debt to Equity Ratio is calculated only by dividing the company's total debt (including short-term liabilities) by shareholder equity" (Van Horne, 2012: 169). Meanwhile, the Debt to Assets Ratio (DAR) simply means the comparison between the total debt owned by the company and the total assets owned by the company. "The ratio of debt to total assets is obtained from dividing the company's total debt by its total assets" (Horne, 2012: 170).

According to Weston and Brigham (1998), the characteristics of a company that uses debt financing have three important implications, there are:

1) By increasing funding through debt, company owners or shareholders can maintain their control over the company with limited investment.
2) Creditors require funds provided by the owner of the company as a security limit, so that the higher the proportion of the amount of capital provided by the shareholders, the less risk the creditor will face.
3) If the company gets a profit that is greater than the interest paid, then the return on the owner's capital will be greater.

Companies that have a higher debt ratio will face a greater risk of loss in bad economic conditions (during a recession), but have a higher rate of return in normal economic conditions. Conversely, companies that have a low debt ratio will not face a large risk of loss during a recession, but the opportunity to increase the rate of return on equity in normal economic conditions is also low (Weston and Brigham, 1998).

Leverage problems will always be faced by companies, if the company bears a number of burdens or costs, both operating fixed costs and financial costs. Operating fixed costs are expenses or fixed costs that must be taken into account as a result of the investment implementation function, while financial costs are expenses or costs that must be calculated as a result of the implementation of the funding function. So, the burden or fixed cost is actually a risk that must be borne by the company in implementing financial decisions. The size of the risk needs to be known so that it can be anticipated by increasing the volume of business activities.

a) Operating Leverage

Operating leverage arises as a result of fixed expenses incurred in the company's operations. These operating fixed expenses are, for example, depreciation / depreciation expense for their fixed assets. Keown, et al (2000) argue that the definition of operating leverage is “company defrayal remain in the current of company earnings”, meaning that the company's fixed financing is in the company's revenue stream. Meanwhile, Sartono (2001) stated that operating leverage arises because the company has fixed operating costs.

Operating leverage is the effect of operating fixed costs on the company's ability to cover these costs. In other words, the effect of changes in sales volume (Q) on earnings before interest and taxes (EBIT). The size of the operating leverage is calculated by the DOL (Degree of operating leverage) (Sartono, 1997).

$$DOL = \frac{\text{Percentage Change EBIT}}{\text{Percentage Change in Sales}}$$

Operational leverage analysis is intended to determine how sensitive operating profit is to changes in sales results and how much minimum sales must be obtained so that the company does not suffer losses

b) Financial Leverage

The definition of financial leverage (financial leverage) according to Keown, et al (2000) is: "Financing part of the company's assets with securities that have a fixed (limited) interest rate with the expectation of an extraordinary increase in funding for shareholders " Judging from the definition above, financial leverage is owned by the company because of the use of capital / funds that have a fixed burden in financing the company. The size of the financial leverage is calculated by DFL (Degree of financial leverage). DFL shows how much EPS changes due to certain changes in EBIT. The greater the DFL, the greater the financial risk of the company. And companies that have high DFL are companies that have debt in a larger proportion (Sartono, 1997).

$$DFL = \frac{\text{Percentage Change EPS}}{\text{Percentage Change EBIT}}$$

Financial risk is the additional risk borne by ordinary shareholders as a result of the decision to obtain financing through debt. Shareholders will face business risk, there are the uncertainty inherent in projected future operating income. If the company uses debt, then this will concentrate the business risk on the common stockholders. This concentration of business risk occurs because the shareholders who receive interest payments on a regular basis do not bear the business risk at all. In previous studies, it has been proven that the use of debt turns out to be beneficial because it can reduce the amount of taxes that must be paid by the company. The use of debt does not always harm the company or shareholders as long as the proportion does not exceed a certain limit.

2.4.3 Auditor's Opinion

There are six types of opinions given by the auditor consisting of (Mulyadi, 2013: 19-22):

a) Unqualified Opinion.

An unqualified opinion is given by the auditor if there are no restrictions on the scope of the audit, there are no significant exceptions regarding the fairness and application of generally accepted accounting principles in the financial statements, consistency in the application of these generally accepted accounting principles, and adequate disclosures in the financial statements.

The word fair in the auditor's opinion has the meaning that the financial statements are free from doubt and dishonesty, and the information is complete. This fair understanding is not only limited to the amount of rupiah and the disclosures contained in the financial statements, but also includes the accuracy of classifying information, such as classifying assets or debts into current and non-current groups, operating expenses, and expenses outside of business.

b) Unqualified Opinion Report with Explanatory Language.

The auditor provides an unqualified opinion with an explanatory paragraph if there are certain circumstances that require the auditor to add an explanatory paragraph in the audit report, even though it does not affect the unqualified opinion expressed by the auditor.

c) Qualified Opinion

The auditor gives a qualified opinion if the auditor finds the following conditions:

(1) The scope of the audit is limited by the client,

(2) The auditor is unable to perform important audit procedures or does not obtain important information because there are conditions that are beyond the control of the client or auditors,

(3) the financial statements are not prepared in accordance with generally accepted accounting principles,

(4) generally accepted accounting principles used in the company's financial statements are not consistently applied by the company.

A qualified opinion is given by the auditor if the overall financial statements presented by the client are fair, but the auditor finds one of the four conditions above. This opinion states that the financial statements presented by the client are reasonable, but there are some conditions that are excluded, but these exceptions do not affect the fairness of the financial statements as a whole.

d) Adverse Opinion

An adverse opinion is given by the auditor if the client's financial statements are not prepared in accordance with generally accepted accounting principles. The auditor can give an unfair opinion if the auditor is not limited in the scope of the audit, so that he can find evidence to support his opinion. If the auditor gives an unfair opinion on the financial statements of a company, then the information in the financial statements presented by the company cannot be trusted at all, so it is not used by users of financial statements for decision making.

e) Disclaimer of Opinion

Conditions that prevent the auditor from expressing an opinion are: (1) extraordinary limitations on the scope of the audit, and (2) the auditor is not independent in relation to the client. The auditor does not provide an opinion because the auditor does not obtain sufficient evidence regarding the fairness of the financial statements or because the auditor is not independent in relation to the client.

In this study, the measuring instrument used in the auditor's opinion variable is to use the interval method, with the following scores (Kusumawardani, 2013):

1) Unqualified opinion is given a score of 5.
2) Unqualified opinion report with explanatory language is given a score of 4.
3) A qualified opinion is given a score of 3.
4) Adverse opinion is given a score of 2.
5) The disclaimer of opinion is given a score of 1.

2.5 Relevant Research

Relevant research is an empirical study that describes the relationship between research variables based on opinions and the results of previous research.

1) Utami, Pardanawati, and Setianingsih (2018)

   The research is “Pengaruh Opini Audit, Ukuran Kap,Ukuran Perusahaan, Dan Profitabilitas Perusahaan Terhadap Audit Delay Pada Perusahaan Manufaktur Terdaftar Di Bursa Efek Indonesia Tahun 2015-2017”. The results of this study are the variables of company size and company profitability have a significant effect on audit delay, while public accounting firm’s size and auditor's opinion variables do not have a significant effect on audit delay.

2) Yuliusman et al. (2020)

   The research is “Determinant Factors Audit Delay: Evidence from Indonesia”. The results of this study are the variables of solvency, firm size, audit opinion, and public accounting firm’s size have a significant effect on audit delay, while profitability variables do not have a significant effect on audit delay.

3) Andi Kartika (2009)

   The research is “Faktor-Faktor Yang Mempengaruhi Audit Delay Di Indonesia (Studi Empiris Pada Perusahaan-Perusahaan LQ 45 Yang Terdaftar Di Bursa Efek Jakarta)”. The results of this study are the variables of firm size, profit and loss operation, and audit opinion have a significant effect on audit delay, while profitability and auditor reputation.

4) Aisyah Vanadia Rubianto (2017)

The research is “The Analysis on Factors Affecting Audit Delay on Manufacturing Companies Listed in Indonesia Stock Exchange”. The results of this study are the variables of audit firm’s reputation, profitability, solvency, and the company’s size have a significant effect on audit delay, while the complexity of the company’s operations and firm size variables do not have a significant effect on audit delay.

5) Angruningrum and Wirakusuma (2013)

The research is “Pengaruh Profitabilitas, Leverage, Kompleksitas Operasi, Reputasi Kap Dan Komite Audit Pada Audit Delay”. The result of this study is only the leverage variable have a significant effect on audit delay, while Profitability, Operation Complexity, Audit firm’s reputation and Audit Committee variables do not have a significant effect on audit delay.

6) Radian Atho’ Al-Faruqi (2020)

The research is “Pengaruh Profitabilitas, Leverage, Komite Audit Dan Kompleksitas Audit Terhadap Audit Delay”. The result of this study are Leverage variable have a significant effect on audit delay, while profitabilities, Audit Committee, and Audit Complexity variables do not have a significant effect on audit delay.

2.5 Research Paradigm

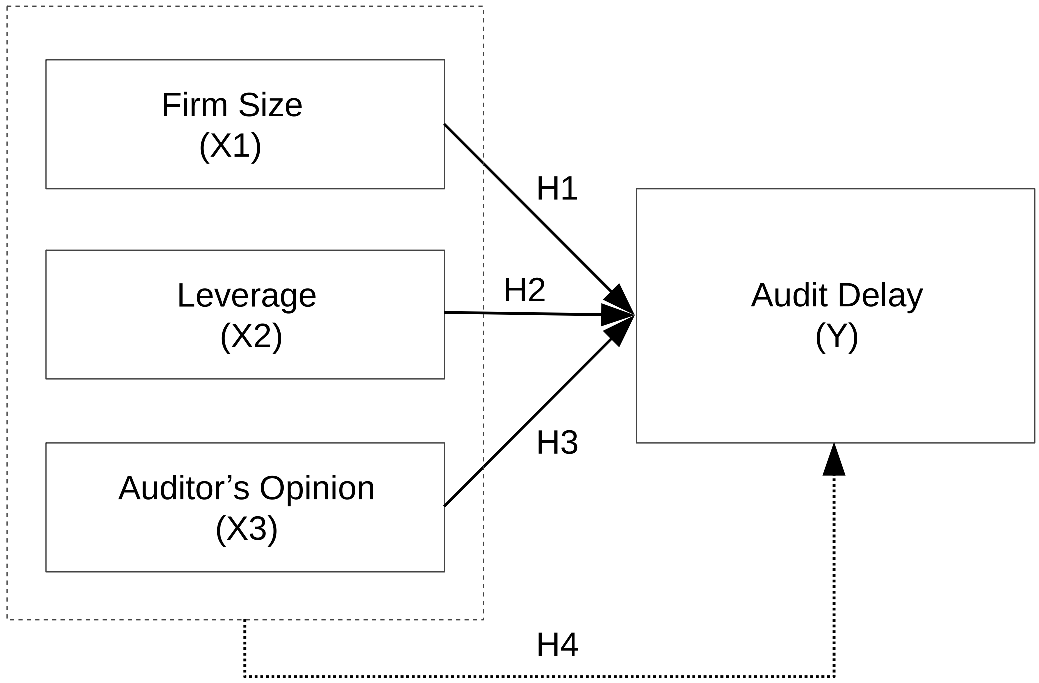

Figure 2.6 Research Paradigm

Information :

: Partial effect of variable X on variable Y

: Simultaneous effect of variable X on variable Y

2.6 Research Hypotheses

Audit delay is the time interval between the date of the financial statements until the date when the auditor is finished issuing the audit report, and the longer the auditor completes the audit report, the longer the audit delay. Factors that are thought to affect Audit Delay are Company Size, Leverage, and Auditor's Opinion.

1) The effect of Company size on Audit Delay

Company size can be seen based on total company assets, equity, company value, and so on. Property owned by the company has a negative influence on audit delay, where this effect is indicated by the greater the value of a company's assets, the shorter the audit delay and vice versa. This is because the larger the company, the company has a good internal control system so that it can reduce the error rate of financial statements so that auditing of financial statements can be done more quickly. In addition, large companies are overseen by investors and government capital supervisors, have more resources and can pay higher audit fees to auditors so that audit reports can be completed more quickly (Puspitasari and Latrini, 2014).

Kartika (2009) states that large-scale companies tend to be given incentives to speed up publishing their financial statements. That is because large-scale companies are closely monitored by investors, creditors and the government so they tend to face higher external pressure to submit audited financial statements early.

H1: Company size positively affects the audit delay in manufacturing companies listed on the Indonesia Stock Exchange in 2019.

2) Effect of Leverage on Audit Delay

Leverage is the ratio between the amount of debt and equity. Leverage reflects the company's ability to pay all of its obligations, both in the form of short-term and long-term debt. Companies with high levels of leverage will have greater financial risk than companies with low levels of leverage (Alali and Elder, 2014). A high degree of leverage brings strong pressure from the debtor to immediately submit financial statements on time (Abdulla, 1996) as a result the company will present financial statements on time. On the other hand, it is possible that companies with higher leverage ratios will disguise the level of risk, thereby delaying publishing their company's annual report by or extending the period of audit work (Modugu et al 2012). Previous research shows a varied relationship between leverage and audit delay.

H2: Leverage positively affects the audit delay in manufacturing companies listed on the Indonesia Stock Exchange in 2019.

3) Effect of Auditor's Opinion on Audit Delay

Auditor's Opinion is the opinion given by the auditor on the client's audited financial statements. Companies that get an unqualified opinion tend to publish their financial statements on time. Companies that get opinions other than unqualified opinions will take a long time to publish their financial statements because auditors need time to negotiate with clients and consult with more senior auditors. This is in accordance with the results of research from Wiwik (2006) which shows that Auditor's Opinion has a significant effect on Audit Delay. According to Carslaw and Kaplan (1991) in Angruningrum and Wirakusuma (2013), companies that did not receive unqualified opinion standard audit opinions were estimated to experience longer audit delays because the companies that received these opinions viewed as bad news and would slow down the audit process. In addition, acceptance of a qualified opinion is an indication of a conflict between the auditor and the company, which in turn prolongs the audit delay. Thus, companies that do not receive unqualified opinion audit opinions have long audit delays. Based on the theoretical description above, according to Carslaw and Kaplan (1991) states that companies that receive other than unqualified opinions tend to have a longer audit delay, because logically it can be said that the auditor needs time and effort to look for audit procedures when confirming audit qualifications and is indicative of negotiations with clients, consultation with more senior audit partners or technical staff with an expanded audit scope. Companies that do not accept standard unqualified opinions are expected to experience a longer audit delay because the companies that accept these opinions view bad news and will slow down the audit process.

H3: Auditor's opinion positively affects the audit delay in manufacturing companies listed on the Indonesia Stock Exchange in 2019.

4) The Effect of Company Size, Leverage, and Auditor Opinion on Audit Delay

Large companies will have good internal control. This is likely to minimize errors during the preparation of financial statements, so that auditors who carry out the audit process can carry out audits more quickly. Companies that have high debt will be possible to push to publish financial statements more slowly because the information is not good for investors. Auditors when auditing companies that have high financial pressure will be more careful. In companies that get an unqualified opinion, the audit delay is usually shorter because there is no need to negotiate with clients and senior auditors.

H4: Company size, Leverage, and Auditor's Opinion simultaneously affect audit delay in manufacturing companies listed on the Indonesia Stock Exchange in 2019.