THESIS

THE EFFECT OF PROFITABILITY, AUDIT OPINION AND KAP REPUTATION ON AUDIT DELAY IN COAL SECTOR MINING COMPANIES IN 2017-2021 ON THE INDONESIA STOCK EXCHANGE

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DEPARTMENT OF ACCOUNTING
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Is my own scientific work and to the best of my knowledge in this thesis there is no scientific work that has ever been submitted by another person to obtain an academic degree at a university, and there are no works or opinions that have been written or published by another person, except those quoted in writing in this manuscript and mentioned in the source quotation and bibliography.

If in the future it turns out that in this thesis it can be proven that there are elements of plagiarism, I am willing to accept sanctions for this act and be processed in accordance with applicable laws and regulations (Law No. 20 of 2003, article 25 paragraph 2 and article 70).

Makassar, 18 January 2024

Muhammad Bachtiar Makkasau

PREFACE

Prises 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 “Analysis of Factors Influencing Audit Delay” as one of the requirement to complete the study and obtain academic degree in Faculty of Economics and Business Hasanuddin University.

The author is fully aware that this thesis would never be realized without the help, guidance, and suggestions for various parties. The author would like to use this opportunity to express deepest gratitude to those who contributed in the making of this research.

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The author realizes that the process of writing and organizing this is inseparable from mistakes and shortcomings. Therefore, with all thesis humility, the author sincerely aplogizes 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, 18 January 2024

Muhammad Bachtiar Makkasau

ABSTRACT

THE EFFECT OF PROFITABILITY, AUDIT OPINION AND KAP REPUTATION ON AUDIT DELAY IN COAL SECTOR MINING COMPANIES IN 2017-2021 ON THE INDONESIA STOCK EXCHANGE

Muhammad Bachtiar Makkasau

Asri Usman

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This study aims to analyze the effect of profitability, Audit Opinion and KAP Reputation on disclosure Audit Delays in coal sector mining companies listed on the Indonesia Stock Exchange for the 2017-2021 period. This research is based on research methods, this research is ex-post facto research. ex-post research which is also known as causal comparative research is a systematic empirical investigation, while data collection is carried out by means of documentation on coal sector mining company documents listed on the Indonesia Stock Exchange for the 2017-2021 period. The results of this study indicate that: (1) Based on the results of partial testing, profitability, audit opinion and KAP reputation each have a significant effect on audit delay. (2) profitability, audit opinion and KAP reputation simultaneously have a significant effect on audit delay

Keyword: Profitability, Audit Opinion, KAP Reputation and Audit Delay.

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CHAPTER I

INTRODUCTION

1.1 Background to the Problem

The development of the Indonesian economy cannot be separated from the growth and progress of the business world in Indonesia. One indicator that makes a company grow and be widely known is its IPO. Companies that go public must be registered on the Indonesia Stock Exchange (IDX) with a number of conditions that have been regulated. According to Dwipayana and Suaryana (2016), when a firm issues shares on the stock market or goes public, ownership of the company no longer only rests with the founder but also extends to anybody wishing to purchase shares. It is required of every company that is listed on the Indonesia Stock Exchange (IDX) to provide financial reports that have been produced in accordance with financial accounting standards and have been audited by accountants who are registered with the Capital Market Supervisory Agency and financial institutions (Apriliane, 2015).

For firms, financial reports are a crucial tool. In spite of the fact that financial reports serve as a conduit for information between management and other parties, businesses often work to improve their appeal to investors and other outside parties. Accounting procedures culminate in the production of financial reports, which are then sent to management, along with other users and investors, in order to disseminate information (Kusumawardani, 2013).

In order for interested parties to adequately benefit from these financial reports, timely submission of financial reports is required. The information that results from an excessive delay in financial reporting will no longer be relevant. According to ID, financial report must be released on schedule, meaning they must be presented as soon as practicable to allow for usage as a decision-making basis and prevent delay.

In line with PSAK Standard No.1 (2015:1), a company's financial report is a methodical presentation of the company's current financial status as well as its past and projected financial performance. This report provides a financial history of all qualified organizations. Users of financial statements may benefit from the presentation of financial information provided such information is given properly and in a timely way when they need it. The value and timeliness of financial reports are important factors in the usefulness of financial reports. One of the important qualities of financial reports is that they are delivered in a timely manner (relevant qualitative characteristics) is very important in the presentation of financial reports. Information in financial reports can be useful for users if it is presented in a timely manner so that it can be influential and useful in decision making (Rizki M, 2014).

According to Praptika and Rasmini (2016), prompt financial reporting and audit reporting are the primary conditions that must be met before an increase in a company's stock price may take place. If the financial reports are not submitted on time, the financial reports will lose their relevance. This is in accordance with paragraph 43 paragraph 43 paragraph 43 of PSAK, namely if there is an undue delay in notification, the resulting information will lose its relevance. Thus, information that has high predictive value may become irrelevant if it is not available when it is needed.

The rules set out by the Capital Market Supervisory Agency (Bapepam) cannot be exceeded by the financial reports that are distributed by publicly traded firms. The promptness with which financial reports must be filed has been made subject to regulation in the stock market, namely under the law titled "Capital Market Regulations" Number 8 of 1995, which made public the need that all companies listed on the capital market submit financial reports to the Capital Market Supervisory Agency (Bapepam).

If the company is late in submitting a declaration in accordance with Bapepam regulations, it will be subject to administrative sanctions in accordance with statutory provisions. This regulation regarding submission of financial reports was updated by Bapepam in 1996, attached to Bapepam's presidential decree Number: Kep-80/PM/1996 and came into force on January 17, 1996. After that, the regulation was revised in 2012 with Bapepam Regulation number: KEP431/ BL/2012 concerning the submission of annual reports of issuers or public companies. This regulation stipulates that issuers or public companies whose registration statement has been valid are required to submit annual reports to Bapepam and financial reports no later than four months after the end of the fiscal year.

In its regulations regarding the annual report of issuers or public companies number 29/POJK.04/2016, Bapepam, which is now the OJK (Financial Services Authority, 2013), stipulates that issuers or public companies are required to submit annual reports to the Financial Services Authority no later than the end of the month fourth after the end of the financial year. In the event that an Issuer or Public Company submits an Annual Report after the due date, the number of days late is calculated beginning on the first day after the deadline for the submission of the Annual Report. This is because the calculation begins on the day after the deadline for the submission of the Annual Report.

There are still issuers who are not meeting the deadline for submitting their annual financial reports, despite the fact that a policy has been established on the deadline for submitting annual financial reports. The Indonesia Stock Exchange (IDX) or the Indonesia Stock Exchange (IDX) provided the source of the data that was used to compile the list of firms who were overdue in filing their financial reports for the years 2016-2018. In the year 2016, there were 18 issuers who were late in submitting audited financial reports (LK) for the 2015 period. The following year, in 2017, there were 17 issuers that were late in submitting LK for the 2016 period. Finally, in the year 2018, there were 10 issuers that were late in submitting LK for the 2017 period.

According to Diliasmara and Nadirsyah (2019), while posting their financial reports, businesses have a tendency to exhibit their favorable circumstances (also known as "showcase dressing") in the hopes of attracting the attention of investors who may be interested in investing. Before deciding whether or not to engage in the stock market, potential investors need to have a thorough understanding of the circumstances surrounding the firm in question, particularly its financial circumstances. The timeliness of financial reporting may be impacted by a variety of variables, such as the profitability of the firm, its creditworthiness, the size of the business, and the ownership structure.

According to Sujarweni (2017: 64), profitability is the metric that is used to measure the capacity of a firm to create profit on sales. This metric is used to quantify the rate of return or profit (profit) on sales or assets. The return on assets (ROA) method is used to investigate the variable in this research. The return on assets (ROA) analysis determines a company's potential to make profits by making use of the company's total assets (wealth), with the cost of financing these assets being taken into account.

According to Basuony (2016), company profitability can be considered as an indicator of good management so that companies that generate profits can convince their auditors to publish their reports in a shorter time so that they can convey good news to shareholders. for the profits. The use of ROA as a profitability ratio is better than other profitability ratios because the ROA measurement is comparative and affects the financial statements. The findings of the study that was conducted by Diliasmara and Nadirsyah (2019) indicate that profitability has an impact, although a limited one, on the timeliness with which manufacturing enterprises submit their financial information during the period 2013-2015. This demonstrates that positive news is included in a high ROA, and that earnings releases that contain positive news have a tendency to be brought forward. In contrary to the findings of the study that Valentina and Gayatri (2018) conducted, which concluded that a company's profitability does not impact the timeliness of its financial reporting, we will argue that this is the case. In point of fact, a company's profitability cannot serve as a sufficient indicator of the total effectiveness of its operations, nor is it the sole factor that determines how promptly financial reports are produced.

The auditor's view is yet another component that could have a role in the duration of the audit delay. Audit opinion, as stated by Amani (2016), has a substantial impact on the audit. The auditor's opinion that was issued in the prior period has the potential to slow down the audit backlog, particularly if the opinion that was received in the prior period was unqualified (WTP). The current auditor will have an extra work to do in order to determine whether or not the firm has been successful in overcoming the limits that were present in the prior period and resulted in the company being denied a WTP rating. In the preceding period, an audit opinion that was more favorable will result in a reduced amount of time spent on the audit. On the other hand, an audit opinion that was less favorable would result in an extra task and a reduced amount of time spent on the audit.

Auditor quality is a determining element of the credibility of financial statements, because in this case it is the quality of the auditor that has an impact on audit time. In general, most experienced auditors have better intuition in spotting irregularities. In auditing their financial statements, corporate clients will choose KAPs that have a good reputation, can be trusted/reliable in terms of service, quality and audit timeliness, which is in line with the assertion that auditor quality can reduce uncertainty.

Widhiasari & Budhiarta (2016) states that what often happens is that the reputation of listeners is assessed based on the relationship between KAPs in Indonesia and KAPs belonging to the Big Four, namely the 4 largest professional and international accountants. service companies, which carry out most audit engagements for public companies and private companies. Regarding the relationship between KAP reputation and audit delay, researchers refer to research conducted by Prananda et al. (2017), which shows that CAP's reputation has an influence/impact on audit time.

This research is supported by the phenomenon that occurred in 2015 where the Indonesia Stock Exchange noted that 63 issuers did not submit their 2015 annual reports in a timely manner until May 2, 2016. The following year, 2016, the Indonesia Stock Exchange (IDX) removed the suspension sanction. share trading for issuers who have not submitted audited financial statements as of December 31, 2016. At least 17 issuers have been subject to these sanctions (https://www.idx.co.id/ portal). In 2017, the Indonesia Stock Exchange noted that 10 issuers did not submit audited financial reports as of 31 December 2017 and/or did not pay fines for late submission of financial reports (https://www.idx.co.id/ Portal).

Then it happened again in 2018. The Indonesia Stock Exchange (IDX) noted that since last Tuesday (9/4), only 626 issuers of stocks and bonds have issued reports (lapkeu) for the 2018 fiscal year, out of 690 companies that have obligations submission. (https://www.cnbcindonesia.com). Until 2019, the Indonesia Stock Exchange (IDX) had recorded 30 issuers or issuers that had not submitted financial reports for the period ending December 31 2019. Therefore, these 30 companies will be subject to fines of IDR 150 million. (https://pasar.bisnis.com). Based on the data above, many factors can prolong the duration of the audit, such as corporate internal and external issues that interfere with the auditing process. Mining businesses listed in Table 1.1 as having late financial report submissions from 2015 to 2019 include the following:

Table 1.1 List of Mining Companies with 2015–2019 Financial Submission Delays

NAMA PERUSAHAAN	KODE	TAHUN	TGL AUDIT
Atlas Resources Tbk	BUMI	2015	30 September 2016
Indo Tambangraya Megah Tbk	PKPK	2015	20 April 2016
Samindo Resources Tbk	BIPI	2015	21 Juni 2016
Mitrabara Adiperdana Tbk	ENRG	2015	27 Juni 2016
Samindo Resources Tbk	PSAB	2015	13 April 2016
Tambang Batubara Bukit Asam Tbk	BIPI	2016	09 Juni 2017
Perdana Karya Perkasa Tbk	ENRG	2016	30 Juni 2017
Mitrabara Adiperdana Tbk	DEWA	2017	02 Mei 2018
Golden Eagle Energy Tbk	BIPI	2017	08 Juni 2018
Petrosea Tbk	ENRG	2017	29 Juni 2018
Golden Eagle Energy Tbk	MEDC	2017	06 April 2018
Golden Eagle Energy Tbk	ENRG	2018	29 Mei 2019
Toba Bara Sejahtera Tbk	MEDC	2018	05 April 2019
Golden Eagle Energy Tbk	ARII	2019	29 Mei 2020
Surya Esa Perkasa Tbk	KKGI	2019	15 Mei 2020
Medco Energi Internasional Tbk	MBAP	2019	21 April 2020
Radiant Utama Interinsco Tbk	PKPK	2019	11 Mei 2020
Central Omega Resources Tbk	SMMT	2019	29 April 2020
Cita Mineral Investindo Tbk	BIPI	2019	27 Mei 2020
Radiant Utama Interinsco Tbk	MEDC	2019	19 Mei 2020
Cita Mineral Investindo Tbk	ANTM	2019	13 April 2020
J Resources Asia Pasific Tbk	PSAB	2019	19 Mei 2020
Timah (Persero) Tbk	TINS	2019	14 April 2020

Source: Indonesia Stock Exchange (www.idx.co)

Along with the rapid growth of companies in Indonesia that are going public for the first time, there has been an increase in the need for audits of financial statements as a source of information for users of financial statements. Depending on the financial statements, this may have an effect on publicly traded corporations that are required by law to disclose their financial reports on schedule. Because there are still discrepancies and inconsistencies in earlier research, audit delay is always intriguing and crucial to examine. There have been several studies done on audit time; however, the factors employed in those studies varied.

This research corroborates the results of Wulandari and Utama (2016), who investigated the reputation of accounting firms as a moderator of the influence of profitability and solvency on audit time in organizations. Specifically, this study found that reputation moderated the effect of profitability and solvency on audit time. Research was conducted on Indonesia Stock Exchange-listed real estate companies from 2011 to 2014 with the purpose of gathering information. This study is different from others in that it does not utilize the reputation of an accounting company as a moderating variable. This is one of the key ways in which it differentiates itself from other studies. Since the level of profitability and solvency is influenced by the internal business, the authors treat the KAP's reputation as an independent variable that influences audit time. This research was also conducted with coal mining corporations, and for reasons of research renewal, it was conducted at a different time of year than previous studies.

Considering the above-mentioned descriptions, justifications, and discrepancies in the research's findings, the researcher wants to conduct research with the title “Analysis of Factors Influencing Audit Delays (Case Study of Listed Coal Mining Companies in Indonesia Stock Exchange for the period 2017-2021)".

1.2 Problem Formulation

According to the context that the authors have already indicated, the issues that will be looked at in this research include:

1. Does Profitability affect Audit Delay?
2. Does Audit Opinion affect Audit Delay?

3. Does KAP Reputation affect Audit Delay?
4. Does Profitability, Audit Opinion and KAP Reputation affect Audit Delay?

1.3 Research Objectives

In connection with the formulation of the problem mentioned above, the purpose of this research is:

1. To find out and analyze the influence of Profitability on Audit Delay?
2. To find out and analyze the effect of audit opinion on audit delay?
3. To find out and analyze the effect of KAP reputation on audit delay?
4. To find out and analyze the effect of Profitability, Audit Opinion and KAP Reputation on Audit Delay?

1.4 Purpose of Research

It is anticipated that the theoretical (scientific) aspects as well as the practical and theoretical applications (practical usage) may be accomplished via the use of this research, and as a consequence, the findings of this study will have the following advantages.

1.4.1 Theoretical Use

The researcher believes that the results of the study would be beneficial in teaching readers about profitability and providing them with a comprehensive image, Solvency, and KAP Reputation for Audit Delay in Coal sector Mining Companies listed on the Indonesia Stock Exchange for the period of 2017-2021.

1.4.2 Practical Use

This research is also expected to be a useful input for the organization/company so that in the future it can be even better in measuring how high the impact of Profitability, Audit Opinion and Reputation KAP on Audit Delay in Coal

Sector Mining Companies Listed on Indonesia Stock Exchange for the period of 2017–2021.

1.5 Systematics of Writing

To aid the reader in comprehending the contents of this study, the author provides the following systematic writing:

CHAPTER I INTRODUCTION

This chapter covers the background information, the conceptualization of the issue, the research goals, the value of the study, and systematic writing.

CHAPTER II LITERATURE REVIEW

This chapter has parts on the theoretical basis, past research, the research framework, and the research hypothesis.

CHAPTER III RESEARCH METHOD

This chapter covers the design of the study, the place and time of the research, the population and sample, the data categories and sources, the data collecting techniques, the research variables and operational definitions, and the analysis of the data.

CHAPTER IV RESEARCH RESULTS AND DISCUSSION

This chapter provides a description of the data, an analysis of the data, and an interpretation of the data that are essential in order to respond to the study hypothesis.

CHAPTER V CONCLUSIONS AND RECOMMENDATIONS

This chapter contains observations and recommendations.

CHAPTER II

LITERATURE REVIEW

2.1. Compliance Theory

The conformance theory is the conceptual framework that underpins this investigation. Tyler (1990) was the one who first proposed the conformance hypothesis. Because it is not only the responsibility of the company to submit financial reports on time, but also because it will be extremely advantageous for the company user financial reports, compliance theory may motivate someone to follow the law more closely. It may also motivate companies to try to submit financial reports on time. (Rahayu, 2017) Compliance theory may also motivate companies.

According to the rules that regulate these reports (29/POJK.04/2016), the financial services authority is required to receive annual reports from issuers or public entities no later than the end of the fourth month after the end of the fiscal year. The responsibility placed on publicly traded firms in Indonesia to file their annual financial reports in a timely way is mandated by Law No. 8 of 1995, which was enacted in relation to the country's capital market.

2.2. Signaling Theory

The signaling hypothesis is the next theory on the timeliness of financial reporting that will be discussed. According to Scott & Brigham (2008: 517), signals are decisions made by management that provide investors information about how management sees the future of the firm. Meanwhile, according to Brigham & Houston (2009: 444) states that signal theory is a theory that investors perceive changes in dividends as a signal of management's estimated income.

According to Jogiyanto (2008), signaling theory was put forward by Ross in an article entitled "The Determination of Financial Structure: The Incentive-Signalling Approach". According to the hypothesis, firm leaders that are more knowledgeable about their business would be incentivized to share this knowledge with prospective investors to raise the price of their stocks. The notion that the information received by each party is unique forms the foundation of signaling theory. To put it another way, signaling theory is concerned with the information gap that exists between the management of a company and the parties who have an interest in the information. According to this paradigm, signals may be regarded as a way for various types of businesses to set themselves apart from other businesses. High-level managers are often responsible for implementing this paradigm (Wahyuni, 2018).

A high-quality company is one that has promising future prospects or performance, so it will tend to provide a signal to communicate this news to investors by submitting financial reports in a timely manner. It can't be imitated by a lousy company. Signals sent by high-quality corporations are seen as positive news, increasing the company's investment base. Investors will rethink their investment decisions if low-quality enterprises provide signals that are seen as negative news (Scott & Brigham, 2008).

2.3 Audit Delays

According to Lawrence and Bryan (1988), the term "audit waiting time" refers to the period of time that elapses between the conclusion of a company's fiscal year and the release of audited financial accounts. This period of time is measured in terms of the number of calendar days. According to Dewi (2013), the duration of the audit would lengthen if the auditor needs additional time to complete the audit procedure. The speed with which auditors do their job is directly proportional to the speed with which corporations disclose their financial reports to BAPEPAM and the general public. Capital market participants will react negatively to a delay in information because audited financial reports containing essential information such as the company's profits are used as a basis for decisions to purchase or sell property owned by investors (Mantik and Sujana, 2011).

The longer the audit is delayed, the longer it takes to finish auditing the financial accounts, and the longer it takes to make the financial statements public when the audit is finished. Delays in the release of financial reports can reveal problems within those reports. The length of an audit is measured in terms of the number of days necessary to produce a report from an independent auditor on an organization's yearly financial statements. According to Dyer and Mcugh (1975) there are three categories of delay in seeing opportunities in their research, namely:

1. The preliminary lag, also known as the amount of time that passes between the end of the financial year and the date that the stock market gets the preceding financial statements.
2. The time that elapses between the end of the financial year and the date that is indicated in the auditor's report as the cutoff point for the auditor's signature.
3. The total lag, also known as the amount of time that passes between the close of the financial year and the day that the annual report is distributed to the market.

The writers compute the audit lag, which they describe as the amount of time it takes the auditor to finish the audit report, based on the number of days that pass between the end of the fiscal year and the publication of the audit report, audited report, and financial condition. The authors utilize the number of days that pass to determine the audit lag.

2.3.1 Timeliness of Financial Reporting

In accordance with the Statement of Financial Accounting Standards No. 1 of 2015 (1) issued by the Indonesian Institute of Accountants, financial reports are a methodical report that details the current financial position of a company as well as its past financial performance. The history of the entity as expressed in dollars is shown in this report.

Financial reports, according to Munawir (2014: 2), are a byproduct of an accounting procedure that may be utilized to convey financial information or business operations to parties interested in the information or activities. Hery (2016: 2) claims that financial reports are the result of procedures for gathering and compiling information about corporate transactions. Financial reports are the output of an accounting process and may be used to notify interested parties about financial information or company operations. In other words, by disclosing the firm's financial performance and health, these financial reports act as a communication channel between the company and interested parties. Financial reports are papers that show the financial situation of a firm at a certain moment or throughout a given period, according to Kasmir (2016: 7). Financial reports, according to Sujarweni (2017: 6), are records of a company's financial data collected over the course of an accounting period that may be used to assess the performance of the enterprise.

It is possible to draw the conclusion that financial reports are a type of report that provides information to help internal and external societal bodies make decisions by outlining a company's financial situation, growth, and results of operations over a specific period of time. This can be deduced from the definition that was provided earlier in this paragraph. According to PSAK No. 1 of 2015, financial reports include four qualitative traits that might be helpful to consumers. The four qualities of information are as follows:

1. Can be understood (Understandability)

An essential characteristic of the information contained in financial statements is the simplicity with which consumers can promptly comprehend it. This implies that it is expected that users have appropriate understanding of economic and commercial operations, accounting, and a predisposition to analyze the information with due diligence. In addition, it is assumed that users have a desire to study the information with due diligence. However, complicated information that has to be included in financial reports cannot be left out only due to the fact that certain consumers find it hard to understand.

2. Relevance

In order for information to be helpful, it must be applicable to the criteria that users have for making decisions. Users are assisted in analyzing past, present, or future occurrences with the assistance of relevant information, which either confirms or corrects the conclusions drawn from earlier assessments. As a result, users' economic choices are influenced. The predictive (predictive) and confirmatory (confirmatory) functions of information are interdependent.

3. Reliability

The authenticity of the information that is given is directly related to the usefulness of the information that is included in the financial statements. Users may depend on information to be reliable if it is devoid of misleading conceptions and substantial inaccuracies, and if they can rely on it to properly reflect what is necessary to be provided or what is reasonably expected to be introduced. In other words, reliability can be defined as the absence of both of these characteristics. It's possible that the information in question is relevant; nevertheless, if its core or its presentation are inaccurate, making use of it might be misleading.

4. Can be compared (Comparability)

Users need to be able to compare financial accounts from different time periods in order to detect trends in the monetary situations and performance of the organization. Users need to be able to compare the financial statements of other organizations so that they can accurately evaluate the relative changes in the financial position, performance, and condition of the organization's finances. As a consequence of this, the measurement and presentation of the financial repercussions of transactions and other related events must be done consistently both within the same reporting period and between organizations. This is true both inside an organization and across companies.

2.4 Profitability

According to Agus (2010): 122, profitability is defined as a company's capacity to make profits in proportion to its sales, total assets, and equity. According to Fahmi (2011: 135), profitability is a measure that evaluates overall effectiveness based on the ratio of profit to sales and investment. This ratio is referred to as the profit-to-sales and investment ratio. This is evidenced by the money gained through sales as well as investment opportunities. The outcomes of these measurements can be used to evaluate management's performance thus far, determining whether it is operating effectively or not. This ratio is also frequently referred to as a tool for measuring management performance (Kasmir, 2015: 196).

By comparing the various components of financial statements, particularly the balance sheet and income statement, profitability ratios can be calculated. The objective is to observe the company's growth or decline over a period of time and determine the reasons for these changes. The objective of using profitability ratios for both companies and parties outside of the company is as follows (Kasmir, 2015: 197):

1. To determine or compute the amount of profit that the firm made within a certain time period.
2. To evaluate the current state of the company's profit development.
3. To determine how much of the company's profit was retained after deducting taxes and other expenses.
4. In order to determine how effectively all firm funds were used, including both loan capital and own capital
5. To determine how well all business funds were utilised, we used both our personal money and company cash.

Meanwhile, the benefits obtained in using the profitability ratio are as follows (Kasmir, 2015: 198):

1. Being aware of the amount of money that was made by the firm within a certain time frame
2. Comparing the standing of the firm at this point in time with its standing from the prior year
3. Be aware of how the state of the company's profitability changes over time
4. Being aware of the amount of the company's own capital that resulted in a net profit after taxes
5. Being aware of the return on investment for all of the company's money, including loan capital and own capital

Dyer and McHugh (1975) found that businesses that had profitable years were more likely to hand in their financial reports on time, while businesses that had unprofitable years were more likely to hand in their financial reports late. As a consequence of this, businesses who generate a large profit have a better chance of submitting their financial reports on time, given that these reports include favorable information.

In this study the measuring tool used to calculate profitability is ROA (Return On Assets). According to Munawir (2015: 91-92), the benefits of ROA are:

1. It can be compared with industry ratios so that the company's position in the industry can be identified. This is one of the steps in strategic planning.
2. In addition to being useful for control purposes, ROA analysis.
3. If the company has implemented good accounting practices, the ROA analysis can measure the overall efficiency of the use of capital, for every matter that affects the company's financial condition.

Besides the several advantages of ROA above, ROA also has weaknesses, namely the following:

1. Not encouraging management to add assets if the expected ROA value is too high.
2. Management tends to focus on short-term goals rather than long-term goals, so they tend to make short-term decisions that are more profitable but have negative long-term consequences.

Based on the explanation of profitability theory by experts, the authors conclude that profitability is the ratio used to measure a company's ability to earn profits in an accounting period.

2.5 Audit Opinion

According to Mulyadi (2002), auditing is a systematic process designed to objectively obtain and evaluate evidence regarding statements about economic conditions. This is done with the goal of increasing the conformity of these statements with established provisions and communicating the results to interested parties.

The auditor will form an audit opinion after going through the auditing procedure in order to evaluate the financial statements. When forming conclusions on the financial statements that have been produced on all significant topics in conformity with the appropriate reporting concept framework, the auditor will give an unmodified opinion. A modified opinion will consist of a qualified view, an unfavorable opinion, and a disclaimer.

The audit opinion contained in the auditor's report indicates that the financial statements have been presented fairly. If the information has not been presented equitably, the auditor is required to conduct a thorough examination, thereby extending the time required to complete the audit. Companies whose financial reports receive an unqualified opinion can submit them on time. This is consistent with the findings of Hadi's research (2018: 79), which indicates that companies with an unqualified opinion tend to submit financial reports on time. A solid audit opinion (unqualified opinion) must state that the audited financial statements comply with financial accounting standards and that there are no significant deviations that impact decision making.

Companies that report or report accurate and reliable company performance information to the public are encouraged to use KAP services. And in order to increase the report's credibility, the corporation employs a reputable KAP. The good and poor reputation of the KAP is proportional to its magnitude. Riyatno (2007: 151) utilizes KAP size indicators as a proxy for quality by defining KAPs as either big (Big Four KAPs) or small (Non-Big Four KAPs). He does this by grouping KAPs into two categories. The number of customers serviced, the number of partners/members who enroll, and the total income earned are the three factors that go into calculating the KAP magnitude indicator. The amount of WTP is based on four different indicators.

2.6 Reputation of KAP

1. The large number and variety of clients handled by KAP,
2. The wide variety of services offered,
3. Wide geographical coverage, including international affiliations, and
4. The large number of audit staff in a KAP.

In this research, the reputation of KAP is approximated by utilizing indicators of the quality and reputation of major KAPs (the Big Four Accounting Firms) and small KAPs (firms that are not among the Big Four Accounting Firms). According to Hilmi and Ali (2008: 116), the KAP firms that are linked with The Big Four Worldwide Accounting Firm, or Big Four, in Indonesia are as follows:

a. KAP Price Waterhouse Coopers, in partnership with KAP Tanudiredja, Wibisana & Partners.
b. KAP KPMG, also known as Klynveld Peat Marwick Goerdeler, working in conjunction with KAP Siddharta and Widjaja.
c. KAP Ernst & Young, working in conjunction with KAP Purwantono, Suherman, and Surja.
d. KAP Deloitte Touche Tohmatsu, working in conjunction with KAP Osman Bing Satrio.

According to Rolinda (2007: 114), it is suggested that "International KAP or known as the Big Four are considered to be able to carry out their audits efficiently and have a higher time schedule to complete audits on time" Large Public Accounting

Firms have high incentives to complete their audit work faster than other Public Accounting Firms. Faster audit time is a way for large public accounting firms to maintain their reputation, because if they don't complete their audits quickly, they will lose their clients in the coming year.

The selection of a competent public accounting firm will likely contribute to a quicker or on-time audit completion. The timely completion of the audit is likely to enhance the public accounting firm's reputation and encourage clients to utilize its services in the future. Consequently, the magnitude of the KAP is likely to impact the time required to complete the audit of the financial statements.

There is a correlation between the size of the company and the length of the audit delay, as stated by Lestari (2010:68), Yuliyanti (2011:83), Widosari (2012:92), Saputri (2012: 68), and Prasongkoputra (2013:67). The vast majority of companies that have made use of the auditing services offered by public accounting firms that have formed partnerships with the "big four" are able to complete their audits in a timely manner while maintaining a high level of accuracy. Moreover, the major four KAPs issue more company continuing concern opinions than non-big four KAPs, thereby attracting a large number of clients. In contrast to Simbolon (2009, p. 71), Kartika (2011, p. 166) and Febrianty (2011, p. 317) who demonstrate that KAP size has no significant effect on Audit Delay, because both large and small KAPs use the same auditing standards contained in the Public Accountant Professional Standards (SPAP) when conducting LK audits.

2.7 Previous Research

Table 2.1 Previous Research

No.	Researcher	Title	Variable	Results
1	Wulandari dan Utama	The reputation of the Public Accounting Firm as	**Independent:** Profitability Solvency	The findings of the study indicate that profitability and

		a moderator of the influence of profitability and solvency on aduit delay	**Dependent:** Audit Delays **Moderation:** KAP reputation	solvency impact audit delay. Reputable public accounting firms are unable to adjust their profitability during audit delays. A public accounting firm's repute cannot mitigate the effect of audit delay on solvency.
2	Nolita Puspitasari (2015)	Analysis of the effect of profitability, solvency, and reputation of KAP on audit delay in companies listed on the Indonesian sharia stock index in 2009-2013	**Independent:** Profitability Solvency Reputation of KAP **Dependent:** Audit Delay	The variable profitability has a significant impact on audit delay. The variable solvency has no significant impact on audit delay. The variable reputation has no significant impact on audit delay. Together, the variables of profitability, solvency, and KAP's reputation influence audit delay.
3	Dea Annisa Parahita (2016)	Effect of profitability, solvency, firm size, audit opinion and KAP reputation on audit delay (empirical study on financial companies listed on the Indonesia Stock Exchange)	**Independent:** Profitability Solvency Company Size Audit Opinion Reputation KAP **Dependent:** Audit Delay	The variable profitability has no significant impact on audit delay. The variable solvency has no significant impact on audit delay. The variable firm size has no significant impact on audit delay. The variable audit opinion has a negative impact on audit delay. Audit Delay The variable KAP reputation has a deleterious impact on audit delay. Audit delay is influenced by the variables of profitability, solvency, firm size, audit

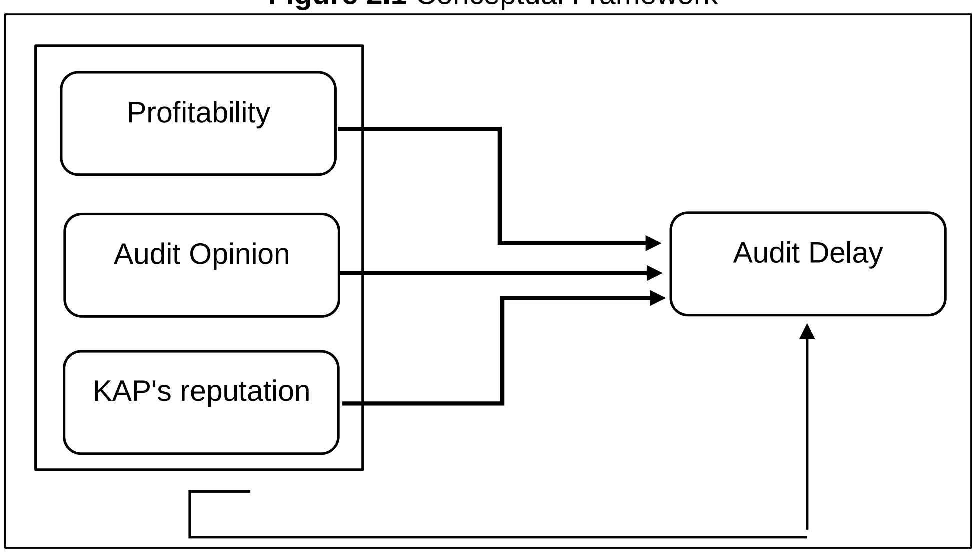
				opinion, and KAP's reputation.
4	Hari Purnama (2017)	Analysis of factors that influence audit delay (empirical study on consumer goods companies listed on the Indonesia Stock Exchange for the period 2012-2015	**Independent:** Company Size Profitability Solvency Profit/Loss Auditor's Opinion Reputation KAP **Dependent:** Audit Delay	The variable firm size has a significant impact on audit delay. The variable profitability has a significant impact on audit delay. The variable solvency has no significant impact on audit delay. The variable profit/loss has a significant impact on audit delay. The variable of auditor opinion has a significant effect on audit delay. The variable KAP reputation has no significant effect on audit delay. Audit delay is influenced by the firm's size, profitability, solvency, profit/loss, audit opinion, and KAP's reputation.
5	Mimelientesa Irman (2017)	Effect of firm size, ROA, DAR and auditor reputation on audit delay (Manufacturing companies listed on the Indonesia Stock Exchange 2010-2015 period)	**Independent:** Company Size ROA AND Auditor Reputation **Dependent:** Audit Delay	The variable firm size has a negative impact on audit delay. The ROA variable influences audit delay positively. The DAR variable influences audit delay positively. The variable reputation of the auditor has a negative influence on audit delay. Together, the variables of firm size, ROA, DAR, and Auditor's Reputation influence audit delay.
6	Eliza Tisna (2018)	The effect of profitability,	**Independent:**	The variable profitability has no

		solvency, auditor's opinion, and firm size on audit delay with KAP's reputation as moderating (empirical study on property companies for the period 2013-2016)	Solvency Profitability Auditor's Opinion Company Size KAP's reputation **Dependent:** Audit Delay	significant impact on audit delay. The variable solvency has no significant impact on audit delay. The variable representing the auditor's opinion has no significant effect on audit delay. The variable firm size has a negative impact on audit delay. Reputation as a KAP modifies the impact of firm size on audit delay. Profitability, solvency, the auditor's opinion, and the scale of the company all influence audit delay simultaneously.

Source: Primary Data Self Processed (2021)

2.8 Conceptual Framework

Figure 2.1 Conceptual Framework



Source : Self Processed (2021)

2.9 Hypothesis

2.9.1 Profitability against Audit Delay

Profitability is a measure of a company's ability to generate profits; companies with high profitability can be categorized as excellent because they do not impede the delivery of information. If the level of profitability of the company is higher, the audit completion time is shorter, whereas if the level of profitability is lower, the auditor must be extremely cautious when auditing financial statements, which is very time consuming (Miradhi and Juliarsa, 2016).

This is supported by research by Dewi and Wiratmaja (2017), Irman (2017) and Tisna (2018) which shows that profitability affects audit time. Based on this explanation, the research hypothesis is as follows:

H1: Profitability affects Audit Delay

2.9.2 Audit Opinion on Audit Delay

The auditor's judgment on the integrity of the financial statements of the firm, which is based on the report's conformance with generally accepted accounting standards, also impacts the timeframe of the audit. This opinion is based on the auditor's conclusion that the report is accurate. Audit opinion has a considerable influence on audit delay, according to the study that was conducted by Apriliane (2015). Opinions other than unqualified prolong the audit period because the audit process must be negotiated with the client and discussed with a more experienced audit partner. Differently, if the company receives a WTP notification, the audit period is relatively shorter because the company publishes its financial reports containing positive news quicker.

The study by Apriliane (2015) is cited by the researchers as evidence of the connection between audit opinion and audit delay. This study reveals that audit opinion has an influence on audit delay. The study conducted by Hadi (2018: 79) suggests that businesses that have a modified audit opinion (also known as a qualified audit opinion) are more likely to be late in submitting their financial reports. The shorter the audit time, the greater the audit opinion. On the basis of this explanation, the researcher puts out the second hypothesis, which is as follows:

H2: Audit Opinion influences Audit Delay

2.9.3 KAP Reputation for Audit Delay

In this study, companies that utilize the services of Big Four and non-Big Four KAPs employ a measuring instrument to assess the reputation of KAPs. (Parahita, 2016) Companies with a strong reputation will typically have reduced audit timeframes. The Big Four KAPs have a significant number of qualified employees and can effectively manage audit schedules. Permit to conclude the audit on schedule.

This is supported by studies conducted by Ningsih and Widhiyani (2015), Irman (2017), and Parahita (2016), which demonstrate that the repute of KAP impacts audit duration. Based on this explanation, the following is the research hypothesis:

H3: The reputation of the Public Accounting Firm has an effect on Audit Delay

2.9.4 Profitability, Audit Opinion and KAP Reputation for Audit Delay

Companies with a high level of profitability will attempt to abbreviate the auditing process in order to publish their financial reports more rapidly. Second, the company's unqualified opinion increases audit duration because the audit process must be negotiated with the client and discussed with a more seasoned audit partner.

It's different if what the company receives is WTP notification, the audit time is relatively faster because the company publishes its financial reports which contain good news more quickly. In addition, choosing a good KAP can certainly affect the length of time the audit will take. KAPs that have a good reputation are certainly considered to have more competent people who can carry out the audit process more effectively and efficiently.

This is supported by studies conducted by Irman (2017), Tizna (2018), and Ningsih and Widhiyani (2015), which indicate that audit backlog is influenced by profitability, audit opinion, and KAP's reputation. Based on this explanation, the following is the research hypothesis:

H4: Profitability, Audit Opinion and KAP Reputation have an effect on Audit Delay