Ekonomis: Journal of Economics and Business
Volume 7, No 2 (2023), September, 1328-1335
Online ISSN: 2597-8829, DOI: 10.33087/ekonomis.v7i2.1310

The Influence of Leverage on Audit Delay with Firm Size as a Moderating Variable

Putu Ayu Anggya Agustina, I Kadek Bagiana
Faculty of Economics and Business, Universitas Terbuka
Faculty of Economics and Business, Universitas Mahasaraswati Denpasar
*Correspondence: anggyagustina@ecampus.ut.ac.id

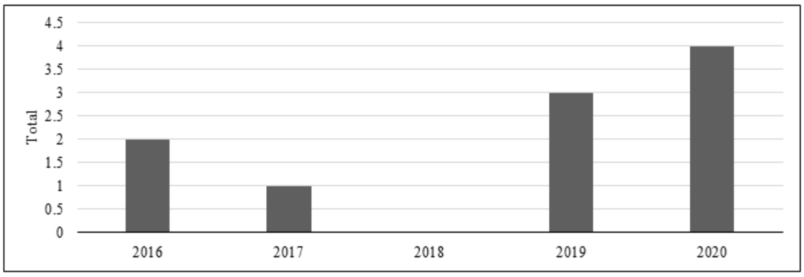
ABSTRACT
Regulation of POJK Number 29/POJK.04/2016 states that issuers or public companies are required to submit an annual report to the Financial Services Authority no later than the end of the fourth month after the end of the financial year (120 days). However, not all public accounting firms can complete the audit on time. One of the reasons, for it because the firms commits fraud or experiences financial difficulties. The purpose of this study is to prove the effect of leverage on audit delay with firm size as a moderating variable. This study uses the food and beverage industry in IDX in the 2016 to 2020. This research method is causal associative research using a quantitative approach. The number of samples is 35 observations. The data analysis technique used is Moderated Regression Analysis (MRA). The results is firm size is able to moderate the effect of leverage on audit delay.

Keywords : *audit delay; firm size; food and beverage; leverage*

INTRODUCTION

Public companies listed on the Indonesia Stock Exchange (IDX) are required to comply with established regulations, namely regarding the submission of audited financial reports by independent auditors. This statement is contained in POJK regulation Number 29/POJK.04/2016 stating that issuers or public companies are required to submit an annual report to the Financial Services Authority no later than the end of the fourth month after the end of the financial year (120 days). In submitting financial statements, there are criteria that must be met, namely relevant. The way companies produce financial reports that provide relevant information is to present reports on time. However, timeliness is often an obstacle for companies. The existence of these obstacles can delay the audit of financial statements. If the firms does not present financial statements on time, the information content in the financial statements loses its information value when users of financial statements need the information to make decisions. This is regulated in PSAK 2007 in the Basic Framework for the Preparation and Presentation of Financial Statements Paragraph 43, namely if there is an undue delay in reporting, it will have the effect of losing relevance to financial statement information.

One of the firm sectors sampled in this study is the food and beverage sub-sector. This firms was chosen because this sector is one of the sectors that supports the Indonesian economy, so this sector needs efforts to reduce the level of audit delay. In addition, there are problems that indicate that in this sector there are still many audit delays. This can be shown in Figure 1. Graph of the Number of Food and Beverage Companies Affected by Delay Audits for the end of 2016, 2017, 2018, 2019, and 2020.



source: processed data

Figure 1
Graph of Number of Food and Beverage Companies Affected by Audit Delay

Based on Figure 1. it can be shown that in the 2016 financial year period there were two companies affected by audit delays, including PT. Tri Banyan Tirta Tbk (ALTO) and PT Siantar Top Tbk (STTP). Furthermore, for the 2017 financial year period, the firm affected by the audit delay was PT Siantar Top Tbk (STTP). In the 2018 financial year period, none of the food and beverage companies experienced audit delays. Meanwhile, for the 2019 and 2020 financial years, the firm again experienced audit delays, which amounted to three and four companies, respectively. Companies that experienced audit delays in 2019 were PT Bumi Teknokultura Unggul Tbk (BTEK), PT Inti Agri Resources (IIKP), and PT Siantar Top Tbk (STTP). During the 2020 financial year period, the companies affected by the audit delay were PT. Tri Banyan Tirta Tbk (ALTO), PT Bumi Teknokultura Unggul Tbk (BTEK), PT Prasidha Aneka Niaga (PSDN), and PT Siantar Top Tbk (STTP). The information that can be shown regarding the deadline for audit completion that exceeds the time limit of POJK regulation Number 29/POJK.04/2016 in Table 1. Audit Completion Limit which is more than 120 days for the period 2016, 2017, 2018, 2019, and 2020.

Table 1
Audit Completion Deadline More Than Deadline of 120 Days

No.	Kode Perusahaan	2016	2017	2018	2019	2020
1	ALTO	149	94	100	108	140
2	BTEK	90	88	87	151	145
3	IIKP	86	85	87	150	111
4	PSDN	89	85	80	90	139
5	STTP	157	157	89	149	145

source: processed data

Tabel 1 explained that the number of days of audit completion for ALTO and STTP exceeded the time limit of 120 days which amounted to 149 and 157 days respectively for the period of December 31, 2016. The audit report explains that the audit reports of ALTO and STTP were issued on May 29, 2017, and June 6, 2017. For the period December 31, 2017, STTP shows that STTP has 157 days for the completion of the audit, which is explained in the financial statements that there is information that the STTP audit report was published on June 6, 2018. Meanwhile, in the financial year period of December 31, 2018, there were no companies that were audited for more than 30 years. of 120 days. In 2019 there were BTEK, IIKP, and STTP, which amounted to 151, 150, and 149 days, respectively. Because the audit for the firm was completed on May 30, 2020, for BTEK, May 29, 2020, for IIKP, and May 28, 2020 for STTP. Then the audit delay for the 2020 financial year is ALTO, BTEK, PSDN, and STTP, which are 140, 145, 139, and 145 days, respectively. This is evidenced on the audit completion date in the audit reports of ALTO, BTEK, PSDN, and STTP each one on May 20, 2021, May 25, 2021, May 19, 2021, and May 25, 2021.

The reason for the completion of the audit which is more than 120 days, among others, is the debt to equity ratio which is seen to measure leverage has a value of more than 1 because the average DER of companies experiencing audit delay is 1,4. With this information, the auditor needs to be conservative in planning and implementing the audit program so that the auditor can make the right decisions when conducting audit tests. This is because the proportion of debt that is greater than the firm's total equity tends to suffer losses. Companies that experienced losses and audit delays in 2016 were ALTO, in 2019 were BTEK, and in 2020 were ALTO, BTEK, and PSDN (www.idx.co.id). This is because a high proportion of debt to total net income can increase the risk of an unhealthy financial condition.

The role of management in the firm is very large to control the firm. If management makes a wrong decision for debt policy, it will not only lead to bankruptcy risk but the firm's ability to pay for audits will also be doubted by external auditors. Companies that experience unhealthy financial conditions will indicate mismanagement fraud which causes the auditor to extend the audit time because the auditor must be more careful in carrying out the audit. Because if the auditor is wrong to audit, then this will also have an impact on the name of the public accounting firm. This signal causes investor confidence to decline, thus affecting the selling price of the stock. Several studies by Kristanti & Mulya (2021), Setyawan & Dewi (2021), Yuyanti & Mulya (2020), and Sapariyah & Wahyudi (2020) have shown that leverage has a significant negative effect on audit delay. On the other hand, Su'un, at al. (2020), Rahmawati, at al. (2020), Julia (2020), Fannya, et al., (2020), and Al-Faruqi (2020) state that leverage has a significant positive effect on audit delay. While the results of research by Rani & Triani (2021), Jura & Tewu (2021), Dianova, et al., (2021), Lai, et al., (2020), Amalina, et al., (2018), Rif' at & Sulistyowati (2019), gantino & Susanti (2019), Turel & Tuncay (2016), and Hariza, et al., (2012) gave no effect.

The delay in submitting audited financial reports to the OJK caused the firm to be penalized, as happened to STTP in 2016 for being late in submitting audited financial statements for the 2015 financial year. R&D division (www.idx.co.id). Other things can cause investor confidence to decline so that it affects the selling price of shares. In Indonesia, many studies on the effect of leverage on audit delay have been carried out and give inconsistent results. The novelty of this research is to use other factors besides leverage, namely firm size. Because of the previous problem, the total net income of companies experiencing audit delay tends to be smaller than the total debt. However, large companies tend to have large internal controls which can be seen from the total assets of the firms. This is because the characteristics and effectiveness of internal control will be useful in audit assignments, both financial audits and performance audits (IAI, 2001). Previous research by Rahajaan & Rahim (2021), Kusumah, et al., (2021), Murdijaningsih & Muntahanah (2021), Yuyanti & Mulya (2020), Bahri & Amnia (2020), Syachrudin & Nurlis (2018), and Saragih (2019) found that the results had no effect on audit delay. For the phenomena that have occurred, this study aims to examine the effect of leverage on audit delay with firm size as a moderating variable.

Agency Theory

Agency theory is a theory that explains the relationship between principals and agents (Jensen & Meckling (1976). More specifically, this theory examines agency problems which are characterized by differences in interests and information asymmetry between principals and managers. This difference in interests is due to the possibility that managers do not always act in accordance with the interests of shareholders. However, if the management is able to manage the firm well by not covering up the condition of the firm, then the auditor who carries out the audit can work properly and on time.

Signal Theory

Signal theory is an action a firm takes to give investors clues about a firm 's prospects. Based on signal theory, the audit delay experienced by the firm will be a negative signal information for the public which can reduce the image and stock price of the firm in the eyes of investors (Hakim and Sagiyanti, 2018).

Audit Delay

Audit delay means the delay or length of time for the Public Accounting Firm (KAP) auditor in auditing the firm 's financial statements (Al-Faruqi, 2020). This delay can be seen from the duration between the issuance date of the audit report and the closing date of a firm’s books. This is because it is difficult for the auditor to carry out their duties, so that it has an impact on the time for submitting the independent auditor's report.

Leverage

Rasio leverage atau Debt to Equity Ratio (DER) become a proxy to determine the issuer's ability to meet obligations, especially when the firm must be liquidated (Sofandi, et al., 2020). Usually, an entity will reduce the leverage ratio to reduce risk, so that financial reporting time will be late and prolong the time in audit work (Al-Faruqi, 2020). This results in the length of time for the auditor to audit the financial statements of an entity. The calculation for DER can be done with total debt divided by total equity.

Firm Size

In general, large companies have wealth, business, transactions and so on. On the other hand, the audit process is carried out carefully and thoroughly, so that the evidence obtained provides relevant information. Firm size can be a function of the speed of financial reporting (Saragih, 2019). In other words, the larger the firm is measured by its total assets, the longer the audit delay will be.

This is related to the larger the firm, the more samples are also needed by the auditor because the scope of the firm is also getting wider. Firm size proxy can use Ln (Total Assets).

Firm Size Moderating Effect of Leverage on Audit Delay

According to Jensen and Meckling (1976), the mechanism for dealing with agency conflict is by using debt. The use of debt that is less proportional will reduce the value of the firm and increase the risk of bankruptcy, so managers need to be careful in carrying out debt policies (Jensen, 1986). The higher the size of the firm, it is expected that the stronger internal control over the firm will be, which will reduce agency costs in the firm and the inappropriate use of debt by managers.
H1: Firm size moderates the effect of leverage on audit delay.

METHOD

This research approach is a quantitative approach in the form of associative using the type of Business provided with that level of explanation. This type of research data is quantitative and qualitative data. This data was obtained through www.idx.co.id. The population of this research is food and beverage companies. With sample criteria, namely (1) food and beverage companies that are listed on the Stock Exchange in a row during the observation year 2016 to 2020; (2) food and beverage companies that publish audited financial reports successively during the year of observation; and (3) Companies that report their financial statements in rupiah currency. From a total of 30 companies, a sample of 16 companies were obtained that matched the criteria. In this study there are 9 outlier data, so the data that can be used are 7 companies with a total of 35 data in the year of observation. The data collection method used in this study is the non-participant observation method. The data analysis technique used is Moderated Regression Analysis (MRA). The variables of this study are leverage (X_1) as the independent variable as measured by DER, audit delay (Y) as the dependent variable is measured by the duration from the closing date of the book to the date of reporting the audit results, while firm size (X_2) as the moderating variable is measured by Ln (Total Assets).

Table 2
List of 7 Selected Sample Food and Beverage Companies

No.	Firm Code	Firm Name
1	DLTA	PT Delta Djakarta Tbk
2	ICBP	PT Indofood CBP Sukses Makmur Tbk
3	MLBI	PT Multi Bintang Indonesia Tbk
4	MYOR	PT Mayora Indah Tbk. Sekar Laut Tbk
5	SKLT	PT Sekar Laut Tbk
6	TBLA	PT Tunas Baru Lampung Tbk
7	ULTJ	PT Ultra Jaya Milk Industry Tbk

source: processed data

RESULTS

Table 3
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		35
Normal Parameters[a,b]	Mean	0,0000000
	Std. Deviation	9,93378172
Most Extreme Differences	Absolute	0,111
	Positive	0,064
	Negative	-0,111
Test Statistic		0,111
Asymp. Sig. (2-tailed)		0,200[c,d]

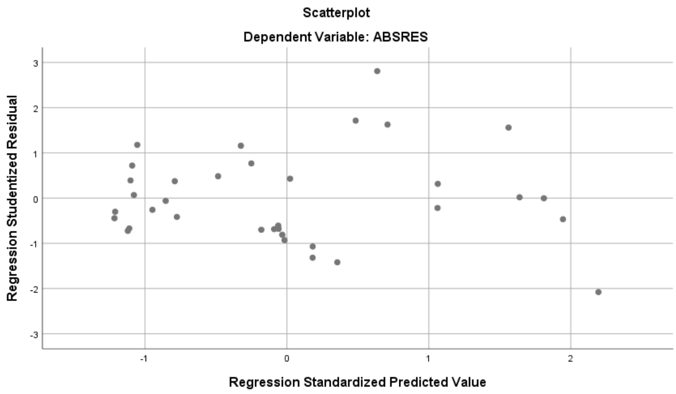
source: processed data

Based on Table 3 explains that Asymp. Sig. (2-tailed) is 0,200 greater than the 0,05 significance level, then the data distribution is said to be normal. The results of Table 4 this test explain that this study gives a tolerance value of more than 0.1 or a VIF value of less than 10, meaning that there is no multicollinearity. In Figure 2. the scatterplot graph does not produce a regular pattern and the points spread below and above the origin point (zero value). This means that there is no heteroscedasticity, so this research is worth continuing.

Table 4
Result of Multikolinearitas Test

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Leverage	0,109	8,897
	Firm Size	0,233	4,285
	DER*FZ	0,151	8,916

source: processed data



source: processed data

Figure 2
Scatterplot Graph

Table 5
Result of Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0,611[a]	0,373	0,312	9,4029129	1,196

source: processed data

Based on the results obtained from the Durbin Watson (DW) value of 1.196 with a significant value of 0,05 for n = 35 and k = 2, the dL value is 1,2500 and dU is 1,4800. This means that the hypothesis is accepted because there is no negative autocorrelation because it is in accordance with the provisions (4-d) > du which shows 2,804 > 1,4800.

Table 6
Result of F Test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1015,051	2	507,525	4,841	0,000[b]
	Residual	3355,121	32	104,848		
	Total	4370,171	34			

source: processed data

The results of the F-test obtained a calculated F of 4,841 with a significance level of 0,000 which is smaller than 0.05. These results indicate that firm size is able to significantly influence the relationship between leverage and audit delay. This concludes that this research model is worthy of research and can be continued by proving the hypothesis. Based on Table 7. The results show that DER*FZ (X_1X_2) has a t-count of 2,363 with a significant value of 0,013 which is smaller than the 0.05 significance level, which means that H1 is accepted, meaning that firm size can be a moderator of the influence of leverage on audit delay. The MRA equation model used is as follows: $Y = 180{,}820 – 178{,}071X_1 – 3{,}307X_2 + 5{,}764X_1X_2 + e$

Coefficient of Determination Analysis (R^2). This hypothesis test has produces an adjusted R square value of 0,373 or 37,30%. This means that audit delay can be explained by leverage and firm size variables, while the remaining 62,7% is explained by other variables outside the model.

Table 7
Result of t-Test

		Unstandardized Coefficients		Standardized Coefficients		
	Model	**B**	**Std. Error**	**Beta**	**t**	**Sig.**
1	(Constant)	180,822	69,604		2,598	0,014
	Leverage	-178,071	64,986	-11,555	-2,740	0,010
	Firm Size	-3,307	2,362	-0,412	-1,400	0,171
	DER*FZ	5,764	2,187	11,241	2,636	0,013

source: processed data

The coefficient value of DER*FZ (X_1X_2) is 5,764 and t count is 2,636 which has a significance of 0,013 <0,05, so the hypothesis is accepted. This means that Firm Size can act as a moderator. In addition, the hypothesis that was accepted by the research results succeeded in providing evidence of agency theory as a supporting theory for this research. While the theory can support agency theory. Because a large firm size can be an indicator of good internal control. Management should be given the authority to manage finances, both from inside and outside the firm, especially for food and beverage companies on the IDX. If the principal and management support each other, of course the risk of decision making for debt policy can be minimized. When the debt risk is small, the auditor can also speed up the audit. Of course, with proper implementation, the relevance of the information in the audit report is maintained. In addition, auditors who receive positive signals when auditing financial statements will not worry, so that the audit will also run smoothly. The results of this study can also add new references and answer research gaps that occur, including the results of research by Rahajaan & Rahim (2021), Kusumah, et al. (2021), Murdijaningsih & Muntahanah (2021), Yuyanti & Mulya (2020), Bahri & Amnia (2020), Syachrudin & Nurlis (2018), and Saragih (2019) who obtained the results that firm size had no effect on audit delay.

CONCLUSION

This study is intended to answer the research gap about firm size which has no effect on audit delay. However, the results of this study found that firm size had a strong significant effect as a moderator of the leverage relationship on audit delay. These results explain that companies that are large in size and also have debt that are greater than total net income, tend to avoid delays in completing audit reports. This is because large companies are trusted by the public and also have great internal control. If the firm's audit results exceed the 120 day time limit, it will result in a loss of public trust because the available information also decreases. In the future, it is hoped that research on audit delay can be carried out in all IDX companies and use other variables as moderators.

REFERENCES

Al-Faruqi, R. 2020. Pengaruh Profitabilitas, Leverage, Komite Audit dan Kompleksitas Audit Terhadap Audit Delay. *Jurnal REKSA: Rekayasa Keuangan, Syariah, dan Audit,* 7(1), 25-36.

Amalina, N., Amelia, F., & Alfatah, W. 2018. Analysis Effect of Profitability Ratio, Leverage Ratio, Audit Committee and Public Accounting Firm Size on Audit Delay. *Indonesian Management and Accounting Research,* 17(1), 36-52.

Bahri, S. & Amnia, R. 2020. Effects of Company Size, Profitability, Solvability and Audit Opinion on Audit Delay. *Journal of Auditing, Finance, and Forensic Accounting*, 8(1), 27-35.

Dianova, A., Mildawati, T., & Kurnia. 2021. Effect of Leverage, Profitability and Audit Committee on Audit Delay with KAP Reputation as Moderating Variable. *Budapest International Research and Critics Institute-Journal (BIRCI-Journal)*, 4(3), 3906-3916.

Fannya, D. R., Septiyanti, R. & Syaippudin, U. 2020. The Influence Of Company Performance Element, Auditor's Reputation And Repeat Audit To Length Of Audit. *International Journal For Innovation Education And Research*, 8(4), 399-409.

Gantino, R. & Susanti, H. A. 2019. Perbandingan Pengaruh Profitabilitas, Leverage, dan Ukuran Perusahaan Terhadap Audit Report Lag Pada Perusahaan Food and Beverage & Property and Real Estate Yang Terdaftar Di Bursa Efek Indonesia (BEI) Periode 2013-2017. *Jurnal Riset Akuntansi dan Keuangan*, 7 (3), 601-618.

Hakim, L. & Sagiyanti, P. 2018. Pengaruh Ukuran Perusahaan, Jenis Industri, Komite Audit, Dan Ukuran Kap Terhadap Audit Delay. *Jurnal JDM*, 1(2), 58-73.

Hariza, J. A., Wahyuni, N. I. & Wardayati, S. M. 2012. Faktor-Faktor yang Berpengaruh Terhadap Audit Report Lag (Studi Empiris pada Emiten Industri Keuangan di BEI). *Jurnal Akuntansi Universitas Jember*, 10(2), 30-47.

Ikatan Akuntan Indonesia (IAI). 2001. *Standar profesional akuntan publik. Jakarta*

Jensen, M. C. & Meckling, W. H. 1976. Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure. *Journal of Financial Economics*, 3(4), 305-360.

Kristanti, C., & Mulya, H. 2021. The Effect of Leverage, Profitability and The Audit Committee on Audit Delay With Company Size as A Moderated Variables. *Dinasti International Journal of Economics, Financial and Accouting*, 2(3), 253-264.

Julia. 2020. Effect Financial Ratio, Company Age, Size Public Accountant Firm In Audit Delay. *Jurnal Akuntansi*, 24(1). 51-66.

Jura, J. V. J., & Tewu, ML. D. 2021. Factors Affecting Audit Report Lag (Empirical Studies on Manufacturing Listed Companies on the Indonesia Stock Exchange). *Petra International Journal of Business Studies*, 4(1), 44-54.

Kusumah, R. W. R., Febryanto, V., & Andryana. 2021. Audit Report Lag is Affected by Profitability, Leverage, Audit Opinion, and Company Size. *Psychology and Education*, 58(3), 440-446.

Lai T. T. T., Dung T., M., Hoang, V. T., & Lam Nguyen, T. H. 2020. Determinants influencing audit delay: The case of Vietnam. *Licensee Growing Science, Canada*, .6, 851-858.

Murdijaningsih, T. & Muntahanah, S. 2021. Audit Delay Analysis to Support the Effectiveness of Company's Financial Reporting on Manufacturing Companies Listed On The Indonesia Stock Exchange. *Jurnal Manajemen dan Sains*, 6(1), 160-163.

Rahajaan, F. N. & Rahim, S. 2021. The Profitability, Company Size and Audit Committee Effect on Audit Delay with Public Accounting Firms' Reputation as Moderator Variables. *Journal Economic Resources*, 3(2), 123–134.

Rahmawati, T., Nurhayati, E., Martika, L. D., Wiharno, H., & Puspasari, O. R. 2020. An Empirical Investigation of Internal and External Factors Associated with Audit Report Lag in Indonesia. *UNISET*.

Rani. E. H. & Triani, N. N. A. 2021. Audit Delay of Listed Companies On The IDX. *Jurnal ASET (Akuntansi Riset)*, 13(1), 12-25.

Rif'at, A., & Sulistyowati, W. A. 2019. Predicting Audit Delay of Consumer Goods Companies Listed in Indonesia Stock Exchange. *Economics and Accounting Journal*, 2(1), 1-8.

Sapariyah, R. A. & Wahyudi, R. 2020. *Audit Delay* Yang Dipengaruhi Oleh Kinerja Keuangan Perusahaan. ProBank: *Jurnal Ekonomi Dan* Perbankan, 5(1), 122-137.

Saragih, M. R. 2019. The Effect of Company Size, Solvency and Audit Committee on Delay Audit. *Scientific Journal of Reflection Economic, Accounting, Management and Business*, 2(2), 191-200.

Setyawan, N. H. & Dewi, R. R. 2021. Faktor-Faktor Yang Mempengaruhi Audit Delay. *Jurnal Proaksi*, 8(1), 103-112.

Su'un, M., Hajering, H., & Sartika, S. 2020. The Effect Of Profitability, Solvency And Audit Opinion On Audit Delay. *Point of View Research Accounting and Auditing*, 1(4), 197-203.

Syachrudin, D. & Nurlis. 2018. Influence of Company Size, Audit Opinion, Profitability, Solvency, and Size of Public Accountant Offices to Delay Audit on Property Sector Manufacturing Companies Listed in Indonesia Stock Exchange. *International Journal of Scientific & Technology Research*, 7(10), 106-111.

Turel, A. & Tuncay, F. E. 2016. An Empirical Analysis of Audit Delay in Turkey. *Oeconomica,* 18(2), 1-7.

Yuyanti, R. & Mulya, H. 2020. Effect of Company Size, Audit Profitability, Leverage, and Audit Opinion on Audir Delay with Audit Quality as Moderators (Empirical Study of Listed Mining Companies on the Indonesia Stock Exchange for the 2014-2018 Period). *Saudi Journal of Business and Management Studies,* 5(6), 361-369.