Research Article

The Influence of Profitability, Solvability, Liquidity, Company Size and Size of Public Accountant Firm on Audit Report Lag

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Abstract: This study aims to test whether profitability, solvency, liquidity, firm size and size of Public Accounting Firm affect audit report lag. The sample population used in this study is a state-owned company listed on the Indonesia Stock Exchange in 2013-2015. Sampling in this study using purposive sampling method. The data used in the form of annual financial statements of companies obtained from the Indonesia Stock Exchange. Data analysis techniques were performed using multiple regression analysis. The result of the research shows that profitability has a negative effect on audit report lag, while solvability, liquidity, firm size and size of Public Accounting Firm size do not affect audit report lag. From the five independent variables, partial test results show that only two variables that affect the audit report lag; profitability with a significant level of 0.000 and solvency with a significant level of 0.000. Meanwhile the variable liquidity, firm size and size of Public Accounting Firm do not affect the audit report lag with a significant level greater than 0.05.

Keywords: Audit report lag, Profitability, Solvability, Liquidity, Firm size, KAP Size.

Introduction

For investors, financial statements are useful to assess the sustainability of a company in the future, while for creditors, they serve as a means to assess the company's financial ability to pay back loans. Therefore, public companies are required to prepare financial statements that should conform to financial accounting standards and audited by independent auditors according to financial services authority regulation (OJK).

The timeliness of issuance of audited financial statements is of importance for public companies. In Indonesia, the deadline for the issuance companies is regulated by financial services authority. The public companies should submit their annual financial statements accompanied with an audit opinion to Fnancial Services Authority and announce it to the public in the late of the third month at least after the date of financial reporting or audited within 90 days. If the company does not release its financial statements in accordance with financial services authority regulation on the due date, a disciplinary sanction in the form of warnings and fines in accordance with the regulations of the board of directors of PT Bursa Efek Indonesia No: Kep-307/BEJ/07-2012.

The timeliness of financial reporting can affect the relevance of financial information being presented. The information in the financial statements is said to be relevant if it is timely and useful for it users. On the contrary, it is said to be irrelevant if delays of financial statements delivery occur. The timeliness of financing reporting can be seen from the book closure date until date of the independent auditor's report.

The time difference between the book closure date and date of the independent auditor's report informs the duration of completion of audit process by independent auditors. This time range is called audit report lag. Many studies have not shown consistent results concerning the factors that influence audit report lag. This is a great opportunity to conduct a research on audit report lag. This research examines the factors that are likely to affect audit report lag. The factors that are considered to have an influence are profitability, solvability, liquidity, company size and size of Public Accounting Firm

Theoretical Reviews and Hypotheses Formulation

Signaling Theory

According to Siwy dan Ayu (2012), signal theory is an announcement published in order to provide signals for investors to make investment decisions. The profits and losses generated by a company will be both good and bad news in capital market. In this case, profits may give positive signals that are likely to attract investors, and vice versa. Thus, this theory says about the company drive to provide information the external parties with information.

According to Shabrina (2014), the information given by a company will be immediately responded by market as a signal of good or bad news. It is expected that the market can distinguish between good and bad quality company. Signal theory is useful as accuracy and timeliness in in conducting financial reporting to the public. To sum up, longer audit report lag may cause less usefulness of the information in decision-making as the information would be less relevant.

Financial Statements

In IFRS (2015), the characteristics of financial statements that make the information in the statements useful for users are understandable, relevant, reliable and comparable. Financial statements should be presented in accordance with Generally Accepted Accounting Principles (GAAP) in order to meet the needs of the parties concerned. The quality of financial information can be valuated by the relevance of the financial information. It is said to be relevant if it reported timely and

has benefits. The longer the financial statements are presented, the less the value of benefits of the financial statements for users.

The regulation of Financial Services Authority on Financial Statements

The regulation of Financial Services Authority No. 42 /Pojk.04/2016 is concerned with the presentation of periodical financial reports of issuers or public companies. In order to provide a relevant and fast information to users of financial statements, the Financial Services Authority requires all companies listed in capital market to present their annual financial statements timely accompanied with independent auditor's reports and deliver them to Financial Services Authority at least in the late of the third month (90 days) after the date of annual financial reporting. Based on the regulation, the financial information that should be delivered include statement of financial position, statement of profits and losses, statement of changes in equity, and financial statements at the beginning of the comparative period, if the public company has implemented retrospectively accounting policy or made a representation of financial statement items and notes to the financial statement.

In relation to sanctions, if the presentation of annual financial statements is late, the public company will be subject to sanctions under the regulation of Financial Services Authority No: I.H combined with the decisions of board of directors of PT. Bursa Efek Jakarta No: 307/BEJ/07-2012. The sanctions state that the listed companies who commit breaches will be subject to sanction under stock exchange with the following conditions:

a. Written warning I, delays of presenting financial statements (30 days) starting from the deadline of the presentation date.

b. Written warning II and subject to a fine of Rp 50,000,000, if on the 31st day to 60th day, the public company has not presented its financial statements.

c. Written warning III and an extra fine Rp 150,000,000, if on the 61st day to 91th day since the deadline of the presentation date, the public company has not presented its financial statements.

d. Temporary suspension of the securities trading of the public company starting from the 91st calendar day, if has not fulfilled the obligation to submit the financial statements to the Stock Exchange.

Audit Report Lag

According to Hayes (2014: 3), audit report is a means of formal communication to communicate to the parties concerned on what auditors have to do and the conclusions to be achieved over financial statements audit. Auditor reports should contain a statement opinion over a financial statement as a whole or contain an assertion, that such a statement may not be provided. According to Hayes (2014: 3-5), in carrying out auditors' task, an auditor has the responsibility to plan and conduct an audit, while the management has the responsibility over the company's financial statements by applying healthy accounting policies, building internal control, conducting

recording, managing, summarizing and reporting transactions consistently in financial statements. In auditing, auditor is intended to obtain sufficient confidence whether the company's financial statements are free from material misstatements, that is, errors, fraud or violations of the law.

In relation to audit report lag, audit report lag is the time length of audit completion starting from the book closure date (fiscal year-end) to the publishing date of audited financial statements (Tambunan, 2014). To put it another way, audit report lag is the time length of late fiscal year with the date indicated in the audit report (Ashton, Willingham and Elliott (1987) cited in Noverta and Jogi (2012). Thus, audit report lag shows the range of audit completion aiming at delivering opinions on financial statements presented in accordance with generally accepted accounting principles. The timelines of financial reporting depends on the timeliness of auditor reports. With the existing possibilities, an auditor may not complete his/her task punctually, so that he/she issues financial statements lately, which in turn make the users doubtful about the quality of the information published.

The timeliness of financial statements presentation by a company helps the company to avoid fines over lateness under the decisions of board of directors of PT Bursa Efek Indonesia No: Kep- 307/BEI/07-2011. According to Dura (2017), the deadline in the late accounting period with the signing date of audit reports may influence the timeliness of financial statements published. Thus, timeliness is of great importance in adequate financial reporting.

In addition, users not only have financial information, which is relevant, but also novel. Financial statements should be presented at appropriate intervals in order to explain the changes that occur within a company in which information changing is allowed in prediction and decision-makings. According to Sartika (2017) financial reporting lateness may indicate a few problems - errors and fraud in financial reports, so auditors need more time to complete audits. As stated before that, timeliness is of great importance as it not only affects value and quality of financial statements but also results in negative reaction from market. According to Azizah and Kumalasari (2012) audit report lag can be measured starting from the book closure date to the date of auditor reports. It can be determined by the following formula:

Audit report lag = the date of audit reports - the date of financial statements

The date of audit reports or publishing date of financial statements is the date when the financial statements are presented to the public. According to Listiana dan Susilo (2012), on that date, the audited financial statements can be used completely further in decision-making.

Profitability

According to Tiono and Jogi (2012), profitability is the probability predicted to earn profits or losses. The level of profitability can be measured through profitability ratio. The higher the ratio, the larger the profit generated. In this case, management will treat financial statements differently whenever a company has gained high or low profitability

level. A company that suffers losses or the one with low profitability level will be likely to have a bad impact from market reaction and lead to the downgrading of the company's performance appraisal. This is bad news, that the company tends to spin out its financial statements reporting, and vice versa. According to Noverta and Jogi (2012), timeliness and lateness of annual profits announcement are influenced by the content of financial statements. If the profits announcement informs good news, the management will tend to report timely. On the contrary, if the profits announcement informs bad news, the management will tend to report not timely. Thus, the components to measure profitability are Return on Sales (ROS), Return on Asset (ROA) and Return on Equity (ROE).

Solvability

According to Hanafi and Halim (2012: 79), solvability is the ability of a company to fulfill its long-term obligations. Solvability analysis focuses on reactions in the balance sheet that show the ability to pay off both current liabilities and non-current liabilities. Solvability is measured by calculating Debt to total asset, that is by comparing total asset with total debt (both long and short term). This ratio is used to discover the degree to which the company's asset can cover its debt and to indicate the company's health. According to Sartika (2017), a company, which is solvable, is the one with sufficient assets to pay off its debts. On the contrary, a company with no sufficient assets to pay off its debts is called insolvable. According to Lianto and Kusuma (2010), the larger the debt level over the asset level, it reflects the company's high financial risk. This high risk indicates the probability that the company cannot repay its debts. The total debts used to valuate the solvability level of a company are both long and short-term debt.

Liquidity

According to Van Horne and Wchowicz (2012: 167), liquidity is the ratio used to measure the ability of a company to fulfill its short-term debt. This ratio compares between short-term debt and short-term resources (or current) which are available to pay off the debt. From this ratio, numerous internal perspectives may be known on the company's current financial competence and the company's ability to remain competent if problems occur. According to Dura (2017), a company with high level of liquidity has lower risk of repayment failure over its short-term debt. The company's high level of liquidity depicts that the company has a good performance, so that it can deliver its financial statements in a timely manner. In this research, liquidity ratio is measured using current rati*o* (Van Horne dan Wchowicz, 2012:167). This ratio measures the extent to which current asset of a company can repay the company's short-term liabilities. The higher the ratio, it means that the company is able to pay off its short-term liabilities on time.

Company Size

According to Tiono and Jogi (2012), company size indicates whether the company is large or small. There are a few points

of view to see whether a company is said to be small or large, such as total asset value, total sales, total employees, etc. It is in line with Noverta and Jogi (2012) stating that company size shows how large and small a company is. The indicators used to see company size are total asset value, total sales, total employees, subsidiary companies, etc. Hilmi and Ali (2008) cited in Noverta and Jogi (2012) said that the larger the asset that a company owns, the larger the capital invested. The larger the total sales of a company, the more the velocity of money, which in turn the greater the market capitalization, the greater the company' opportunity to be known by the public. According to Lianto and Kusuma (2010), companies that are categorized into large ones usually complete audit process on their financial statements sooner. This can be so since the fact that investors, capital supervisors, and the government usually monitor large companies. Thus, it tends to reduce audit report lag. This study is intended to measure company size based on total assets.

Size of Public Accounting Firm

According to Tiono and Jogi (2012), auditor quality is the combination of detection probability and reporting material error in financial reports. Tiono and Jogi concluded that when Public Accounting Firm is larger, the audit quality is also better. When audit quality is good, it will result in better auditor reputation. Currently, the world-famous Big Public Accounting Firm leaves the Big Four of Big Eight. The Big Four Public Accounting Firm in Indonesia are as follows:

1. Price Waterhouse Coopers, cooperated with Haryanto Sahari and partners.
2. KPMG (Klynveld Peat Marwick Goerdeler), cooperated with Siddharta-Siddharta and Widjaja.
3. Ernst and Young, cooperated with Purwantono, Sarwoko dan Sandjaja.
4. Deloitte Touche Thomatsu, cooperated with Osman Bing Satrio and partners.

It turns out that The Big Four Public Accounting Firm has larger income than the non-big four. The larger income has caused them hire more auditor staff in junior, senior or manajer manager than those of the non big four public accounting firm. Ad the Big Four Public Accounting Firm equate resources can improve staffing training related to accounting standards so that the big four public accounting Firm seems to be more up to date with existing regulations so as to enhance the credibility of the Public Accounting Firm itself. Large resources seem to enable The Big Four Public Accounting Firm to perform a second review of audit processes if necessary.

Hypotheses Development

The Influence of Profitability on Audit Report Lag

Profitability determines a company's success in generating profits. Hence, profits are good news for companies. A company will not suspend the delivery of information containing good news. A company with higher profitability level needs more time in auditing its financial statements as more quickly good information delivery to the public is a

must. Another reason is that an auditor who deals with a company at losses has response that is more prudent in audit process. If the company earns higher level of profitability, the Audit report lag will be reduced compared with those of lower profitability level. This conforms to Ivena and Tiono (2012) revealing that there is a difference in the treatment of financial statements by management when the company earns a high and low profitability level. The company suffering losses or with low level of profitability will be likely to have a bad impact from market reaction and lead to the downgrading of the company's performance appraisal. This is bad news, that the company tends to spin out its financial statements reporting, and vice versa. From the explanations, a hypothesis is proposed as follows:

Ha1: profitability has a negative influence on audit report lag.

The Influence of Solvability on Audit Report Lag

Solvability is a term to describe the ability of a company to fulfill its long-term obligations. Solvability of a company can be measured by comparing between total debts and total assets. The large proportion of debt over total asset will be likely to increase the chance of loss and increase auditor's prudence over the financial statements to be audited (Lianto and Kusuma, 2010), so that it will likely cause delay of audit completion. This may occur because the higher the level of debt, it will increase the company's financial risk. Therefore, a company with unhealthy financial condition tend to do mismanagement and fraud. High proportion of debt over total asset also influences liquidity, which requires more prudence. Auditor's prudence in completing auditing process may result in financial reporting delay. From the explanations, a hypothesis is proposed as follows:

Ha2: solvability has a positive influence on audit report lag.

The Influence of Liquidity on Audit Report Lag

Liquidity is the ability of a company to fulfill its financial obligations. A company with high level of liquidity shows that it has a good ability to repay its short-term obligations. High level of liquidity is a good news of a company, that the company should deliver its financial statements in a timely manner. According to a research by Listiana and Susilo (2012), a company with high level of liquidity has lower risk of repayment failure over short-term debts. It means that high level of liquidity informs the company has good performance, so that the management demands that the auditors complete audit process sooner. In turn, users can take advantage of the financial statements. Based on the explanations, a hypothesis is proposed as follows:

Ha3: liquidity has a negative influence on audit report lag.

The Influence of Company Size on Audit Report Lag

Company size is influenced by operational complexity, variables and intensity of transactions. Company size itself is one of the factors that influences audit report lag (Lianto and Kusuma, 2010). The larger the total assets of a company, the shorter the audit report lag, and vice versa. Therefore, larger Public Accountant Firm tends to complete its audit process more quickly. There are a few factors of why a large company can complete its audit process sooner; *first*, an incentive is given to the management for reducing audit report lag, second, a large company also has adequate internal controlling system to facilitate audit process. Reducing audit report lag in large companies is likely to occur, as the companies are under tight monitoring by investors, capital supervisors and the government. These parties is concerned with the information contained in financial statements. That is the reason that large companies tend to face higher external pressures to announce audit results earlier. Based on the explanations, a hypothesis is proposed as follows:

Ha4: company size has a negative influence on audit report lag.

The Influence of KAP Size on Audit Report Lag

Larger audit companies are known to have more resources. Prabasari and Merkusi wati (2017) stated that audit companies with Big Four reputation tend to be able to reduce audit report lag since they have good financial condition to acquire human resources and material for completing audit in a certain period of time. Public accounting offices with good reputation also tend to have competent resources to carry out audit procedure more efficiently and effectively so that audit reports completion can be timely. Range of time between audit completion and a short time is a measure of public accounting firm in order to keep a good reputation for building trust with clients. The public accounting firm with good reputation usually has specialist staff who specifically deal with the obligations of public companies in presenting financial statements in accordance with OJK regulations. Because of that, the big four accounting firm usually are timelier in financial reporting those of non-big four. It is in line with the research conducted by Tambunan (2014) revealing that the specialist staff in KAP big four will help the company more quickly in completing the audit process and submit its audit report, since they have competence, expertise and capability of accelerating audit process and shorten audit report lag. Thus, completing audit quickly is a measure of big four public accounting firm in order to maintain their good reputations.

Ha5: size of public accounting firm has a negative influence on audit report lag

Research Methods

Population and Sample

Population in this research is all state-owned enterprises that are listed on Indonesia Stock Exchange (Indonesia : Bursa Efek Indonesia - BEI). Purposive sampling is used in this research, that is sampling is done by taking samples from the population with certain criteria. The total sample are thirteen (13) state-owned enterprises.

Data and Data Source

The data used in this research are annual financial statements of the state-owned enterprises listen on Indonesia Stock Exchange in 2013 to 2016. These years are used to acquire the latest data concerning audit report lag experienced by Indonesia's state-owned enterprises.

Table 1. Observed Sample

No.	Criteria	4year observation
1.	The state-owned enterprises consistently listed on Indonesia Stock Exchange in the period 2013 to 2016.	80
2.		80
3.	The state-owned enterprises consistently issued their annual in the period 2013 to 2016.	(16)
4.	The state-owned enterprises that were not categorized into financial industry	80
5.		20
6.	The financial statements that ended on 31st December completed with notes on the statements.	(13)
		52
	Independent auditors had audited the financial statements in the sample years.	
	The financial statements made use of Rupiah urgency.	
	The total sample during this research period	

Variable Measurement

Profitability (X_1) is measured by (ROA) Return on Asset in the following way:

ROA $= \frac{net\ profit}{Total\ Asset}$ X 100%

Solvability (X_2) is measured by (DTA) Debt to Total Asset in the following way:

$Debt\ to\ Total\ Asset = \frac{Total\ debt}{Total\ Asset}$

Liquidity (X_3) is measured by *Current Ratio* in the following way:

$Current\ Ratio = \frac{Current\ Asset}{Current\ Liabilities}$

Company size (X_4) is the description of the size of a company, which is determined based on measureable measurement. Company size is measured based on total asset that the company owns.

Size of public accounting firm (X_5) is measured by using dummy variable, that is the public accounting firm categorized into big four is given score 1, while score 0 is given to the public accounting firm categorized into non-big four.

Analysis Method

This research makes use of causal approach, which is aimed at discovering the influence of independent variables on the dependent variables. This study investigates state-owned enterprises listed on Indonesia Stock Exchange, and providing information of financial statements in the period 2013-2016.

The sampling method used in this research is method of non probability sampling by purposive sampling technique, that is the method of determining samples by such consideration as the sample members will be selected so that the formed sample represents the characteristics of the population (Sugiyono,2014).

Then the analysis method used is multiple linear regression analysis. This kind of analysis method is employed to examine the influence of audit report lag on independent variables. Is intended to find out the influence of profitability (X1), solvability (X2) liquidity (X3), company size (X4), and size of public accounting firm (X5) on audit report lag. Model of multiple linear regression used is by using the following formula:

Y= β0 + β1x$_{1+}$ β2x$_{2+}$ β3x$_{3+}$ β4x$_{4+}$ β5x$_{5+e}$

Information:

β0 = constanta

Y = audit report lag

X1 = profitability

X2 = solvability

X3 = liquidity

X4 = size of public accounting firm

X5 = company size

 e = error

Results and Discussion

Testing Data Normality (Test of Normality)

The following is the table of normality test result:

Table 2. Result of Kolomogrov Smirnov Normality Test

Significance value	Informationn
0.200	Normal distributed data

Test of Kolmogorov-Smirnov shows that significance level independent variable is 0.200. It can be concluded that the residual values are normally distributed and this research model on audit report lag has met the criteria of classical assumptions.

Multicollinearity Test

The following is the table of multicollinearity test results:

Table 3. Results of Multicollinearity Test

| Variable	Tolerance	Value of VIF
Profitability	0.683	1.464
Solvability	0.439	2.277
Liquidity	0.512	1.955
Company size	0.731	1.369
Size of KAP	0.577	1.734

Regression model is said to be free of multicollinearity, if Variance Inflation Factor (VIF) value obtained is less than 10 and Tolerance value obtained is more than 0.1 from the multicollonierity test. Based on the multicollinearity test, all regression models have value of Variance Inflation Factor (VIF) less than 10 - profitability (1.464), solvability (2.277), liquidity (1.955), company size (1.369) and size of public accounting firm (1.734). Based on the multicollinearity test results, all regression models have tolerance value more than 0.1 - profitability (0.683), solvability (0.439), liquidity (0.512), company size (0,731) and size of public accounting firm (0.577). Multicollinearity test shows that the regression

model is free of multicollinearity.

Heteroscedasticity

The following is the image of heteroscedasticity test results:

Image 1. Results of Heteroscedasticity Test
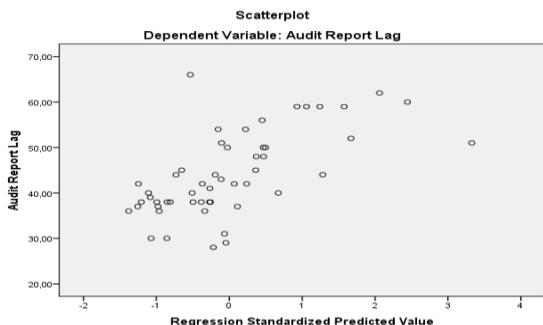
The image displays that the plot graph does not show any particular pattern or the dots spread above and below 0 on the Y axis. The heteroscedasticity test demonstrates that the regression model is free of heteroscedasticity.

Autocorrelation Test

The following is the table of autocorrelation test result:

Table 4. Result of Autocorrelation Test

Significance value	Information
0.779	Free of autocorelation

Based on the autocorrelation test, the regression model is free of autocorrelation with the significance level of $0.779 > 0.05$.

Multiple Regression Analisys

The following is the table of multiple linear regression:

Table 5 Results of Regression Model Test

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	66.240	5.765		11.489	.000
Profitability	-1.118	.250	-.616	-4.470	.000
Solvability	-28.876	7.584	-.655	-3.808	.000
Liquidity	-1.160	.658	-.281	-1.763	.085
Company size	.029	.031	.125	.937	.354
Size of public accounting firm	.563	2.787	.030	.202	.841

Based on the results of regression test, a model of multiple linear regression equations is made as follows:

$$Y = 66{,}240 - 1{,}118X_1 - 28{,}876X_2 - 1{,}160X_3 + 0{.}029X_4 + 0{.}563X_5$$

From this equation, it can be explained that:

a.   Constanta

On this equation the Constanta value obtained is 66,240 which

means that if there is no influence from the free variables - profitability, solvability, liquidity, size of KAP, and Company size, so the audit report lag is 66,240

b.   Profitability (X1)

For profitability variable, the coefficient value obtained is -1.118 which means that if the profitability variable has an increase of one unit, then the audit report lag will decrease by 1.118 unit; with the assumption that other independent variables are fixed.

c.   Solvability (X2)

For solvability variable, the coefficient value obtained is -28,876 which means that if the solvability variable has an increase of one unit, then the audit report lag will decrease by 28,876 unit; with the assumption that other independent variables are fixed.

d.   Liquidity (X3)

For liquidity variable, the coefficient value obtained is -1.160 which means that if the liquidity variable has increase of one unit, then audit report lag will decrease by 1.160 unit, with the assumption that other independent variables are fixed.

e.   Company size (X4)

For company size variable, the coefficient value obtained is 0.029 which means if the variable of company size has an increase of one unit, then the audit report lag will increase by 0.029   unit, with the assumption that other independent variables are fixed.

f.   Size of public accounting firm (X5)

For the variable siza of public accounting firm, the coefficient value obtained is 0.563 which means that if the variable size of public accounting firm has an increase of one unit, then the audit report lag will increase by 0.563   unit, with the assumption that other independent variables are fixed.

Test of R^2 Coefficient of Determination

Table 6. Test Result of R^2 Coefficient of Determination

Adjusted R Square	Information
0.338	The dependent variables are influenced 33.8% by variable independen

Based on the coefficient of determination test, the value of adjusted R^2 0.338 is obtained. Thus, audit report lag is influenced by profitability, solvability, liquidity, company size and size of public accounting firmby 33.8%, while 66.2% total days of audit report lag is influenced by other factors.

F-Test

The following is the result of simultaneous hypothesis testing (Uji F):

Table 7. Result of F-Test

Significance Value < 0.05	Information
0.000	The Regression Model used is fit

Table 7. displays that the probability which is 0.000 is known to be less than 0.05. Based on the test result, it is found that

the F value calculated turns out to be significant and the regression used in this research is fit.

Partial Hypotheses Test (T- test)

The following is the table of recapitulated hypotheses test results:

Table 8. The recapitulation of Hypotheses Test Results

Variables	B	Significance	Information
Porfitabilitas	-1.118	0.000	Supported
Solvability	-28.876	0.000	Not supported
Liquidity	-1.160	0.085	Not supported
Company size	0.029	0.354	Not supported
Size of KAP	0.563	0.841	Not supported

Based on the results of regression equations, the hypotheses can be concluded as follows:

a. The significance value for profitability variable is 0.000 < 0.05, then Ho is rejected and Ha is accepted. The coefficient value is in line with the hypothesis proposed. It indicates that the hypothesis proposed is supported by the present research. It can be concluded that profitability influences audit report lag.

b. The significance value for solvability variable is 0.000 < 0.05, then Ho is rejected and Ha is accepted. However, the coefficient value contradicts the hypothesis proposed. It indicates that the hypothesis proposed is supported by the present research. It can be concluded that solvability does not have an influence on audit report lag.

c. The significance value for liquidity variable is 0.085 > 0.05, then Ho is accepted and Ha is rejected. It can be concluded that liquidity does not influence audit report lag.

d. The significance value for company size variable is 0.841 > 0.05, then Ho is accepted and Ha is rejected. It can be concluded that company size does not have an influence on audit report lag.

e. The significance value for variable size of public accounting firm is 0.354 > 0.05, then Ho is accepted and Ha is rejected. It can be concluded that size of public accounting firm does not influence audit report lag.

Discussions

The Influence of Profitability on Audit report lag

Based on the result of partial testing (T-test), profitability has a significant influence on audit report lag. It is supported by the coefficient value -1.118, which reveals that profitability has a negative influence on audit report lag. This has proven that the higher the profitability of a company, the less likely the audit report lag is to occur. Companies that earn high profits tend to conduct audit process in a short time compared with those of low profits. This can be so because there is no reason for the companies with high profits to delay the publication of audited financial statements. Rather, they speed up the publication, as they need to attract investors to buy their

stocks, which in turn raise their stocks prices. The research finding is in line with the research conducted by Ivena and Tiono (2012) revealing that profitability had a significant influence on audit report lag.

The Influence of Solvability on Audit Report Lag

Based on the result of hypothesis test, solvability has a significant influence on audit report lag. Nevertheless, the coefficient value is -28,876 revealing that solvability has a negative influence on audit report lag. This has proven that the companies' higher solvability does not mean it may cause longer audit report lag. Companies with high solvability tend to be more quickly in completing their audit process, as they have pressures from their own creditors that demand the audit results be published sooner. The research finding is in line with the research by Arthaningrum and Budhiarta (2017) revealing that high solvability reflected the company had a good financial management, which was a good news for corporate image in the public. Therefore, management will be most likely to speed up financial reporting.

The Influence of Liquidity on Audit Report Lag

Based on the result of hypothesis test, it turns out that liquidity does not influence audit report lag. Nevertheless, the coefficient value is -1,160 which means the higher the liquidity, the less likely the audit report lag is to occur. This is triggered by the company's assumption that the company with high liquidity should be quickly in presenting financial statements as a good new for users. However, the result shows that liquidity does not have an influence on reporting lag. It reveals that liquidity is not the focus of good news for the companies, since liquidity simply reflects the companies' ability to pay off its short-term debt, not the total debts. Hence, high or low liquidity of the companies does not influence reporting lag. The research finding is in line with the research conducted by Listiana and Susilo (2012) that found liquidity did not have a significant influence on audit report lag, as it is not considered the focus of good news for the companies.

The influence of Company size on Audir Report Lag

The result of hypothesis test shows that company size does not influence audit report lag. The coefficient value is 0.029, which means the higher the company size, the more likely the reporting lag to occur. It is probably because the large-sized companies own more assets than the small-sized ones. The more the assets that the company has, the more prudent the auditors in conducting audit process and it will lead to reporting lag. Nevertheless, the result from the hypothesis testing demonstrates that company size does not influence reporting lag. It means that company size is not a guarantee for the timeliness of financial statements presentation due to governing regulations. Based on Audit Standards (Indonesia - SA: Standar Audit)that are effective for the period starting on (or) after 1st January 2013, SA 700 paragraph A25-A26 saying that audit reports should state that the audits carried out based on Audit Standards which have been defined by Indonesian Institute of Public Accountants (IAPI : Ikatan

Akuntan Publik Indonesia). It means that auditors are required professional and meet audit standards defined by IAPI in conducting their audit jobs regardless of the size of the company being audited. In addition, it seems that not only large companies, but also small companies tend to be under pressure in presenting financial statements in a timely manner. The pressure may come from either investors or OJK through the regulation of timely delivery of financial statements. The research finding conforms to Widiasari and Budiarta (2016) revealing that company size did not influence audit report lag. Regulators, investors, and various parties also supervise each company, so that the companies with large and small total assets have the same chance to deal with the pressure.

The Influence size of public accounting firm on Audit report lag

Based on the result of the hypothesis test on size of public accounting firm, it reveals that size of public accounting firm does not influence audit report lag. The coefficient value shows 0.563, which means the larger the size of public accounting firm used by the companies, the larger the reporting lag. This is triggered by big four labeled public accounting firm that receive more clients in audit periods. Consequently, the big-four public accounting firm tend to have many works, which in turn result in the lateness of audit reports publication. Nevertheless, the hypothesis testing displays that size of public accounting firm does not influence reporting lag. This is because public acccounting firm, in conducting audit proces, has provided budget time to complete audit work. This research finding is in line with the research by Sari and Ghozali (2014) that found size of public acccounting firm did not have an influence on audit report lag.

Conclusion

This research found that the average of audit report lag that occurred in the states-owned enterprises listed on Indonesia Stock Exchange in the period 2013 to 2016 is 44.07 days. Based on the results of data analyses, it can be concluded that profitability has a negative influence on audit report lag. The companies with high profitability tend to be more quickly in the publication of financial statements in order that investors and prospective investors give a quick response. Furthermore, solvability, liquidity, company size and size of public accounting firm do not influence audit report lag. The companies with high or low solvability, liquidity, company size and size of public accounting firm remain to publish their financial statements timely. It is the regulation of OJK stating that if publication of financial statements is late, the companies will be subject to fines.

Research Limitations

The low value of Adjusted R Square, which is 0.338, shows the limitation of the independent variables to explain the dependent variables. Thus, there are other factors excluded in this research that also influence audit report lag. In addition, the research sample simply includes the state-owned enterprises that are listed on Indonesia Stock Exchange with the observation period is four years. So, the conclusions of this study will not be necessarily the same as other companies.

Suggestions

Based on the limitations aforementioned, there are a few suggestions for future possible research. It is recommended that future research add more other relevant variables to examine audit report lag, such as removal/change of auditor, company age and kinds of industry. It is also recommended that the observation period be longer. Various corporates other than state owned enterprises are also recommended, such as manufacturing, goods and services companies.

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