

CHAPTER I

INTRODUCTION

1.1 Research Background

The number of manufacturing companies listed on the Indonesia Stock Exchange is increasing. This is shown from the audit request to make good financial statements increase as the company increases in the stock exchange. An investor for investment in a company needs reliable and timely information (Daniel, 2016). This information can be obtained from financial reports published by the company. Developers and stakeholders use financial statements to evaluate fund management. This will give good effect to investors, if arranged accurately and on time. According to Aryati (2005) "The value of timely financial statements is an important factor to overcome". It can be concluded that the audit is an activity that takes time, so sometimes earnings announcements and financial statements are still pending.

Timeliness of audit report submission is one of the auditor's professional criteria. The timeliness of the company in publishing the financial statements to the general public depends on the timeliness of the auditor in completing the audit work. Timeliness of the issuance of audited financial statements is very important for public companies. This timeliness is related to the realization of the evidence of the financial statements themselves. The public company must submit its annual financial statements accompanied by the auditor's opinion to BAPEPAM and announce it to the public at the latest at the end of the third year after the date of the financial statements or to be audited within 90 days, not later than 120 days from the end of the financial year of the company and shall be announced to the public at least through two Indonesian-language daily newspapers (Oemar, 2015).

The existence of the capital market provides an opportunity for potential investors to be able to invest their capital in a public company. To be able to invest, investors require reliable and timely financial information.

The sooner the financial statement information is published to the public, the information is more useful for decision making. Conversely, if there is an undue delay, then the resulting information will lose its relevance in terms of making a decision. In addition, timeliness is an obligation for companies listed on the Indonesia Stock Exchange to submit periodic financial reports.

The demand for timeliness in presenting the financial statements to the public in Indonesia has been regulated in Law No. 8 of 1995 concerning the Capital Market and Decision of the Chairman of Bapepam no. 134 / BL / 2006 concerning the obligation to submit periodic financial statements (Ali: 2008). Thus, it can be said that most cases of delay in publishing the financial statements are actually related to audit delay experienced by the company.

Information required by interested parties can be useful when presented accurately and precisely when needed by the users of financial statements, but information is no longer useful if it is not presented accurately and on time. The value of timely financial reporting is an important factor for the usefulness of the financial statements. The length of time the completion of the audit will affect the timeliness of the publication of the audited financial statement information, in addition to the company's specific factors. In the Generally Accepted Auditing Standard (GAAS), in particular the third general standard, it is stated that the auditor shall use its professional proficiency in conducting the audit and preparing the financial statements (SPAP: SA Section 230.1).

The first fieldwork standard requires the auditor to plan the work adequately and to oversee all the assistants as appropriate (SPAP: SA Section 311.1), and

the third fieldwork standard states that the auditor should obtain sufficient appropriate audit evidence by conducting the audit procedures to have a reasonable basis for providing an opinion regarding the audited financial statements (SPAP: SA Section 326.1). The standard allows public accountants to postpone the publication of audit reports or audited financial statements, while the Indonesia Stock Exchange (IDX) and the Capital Market Supervisory Agency (BAPEPAM) require public listed companies (go public) or issuers whose securities are listed on the Stock Exchange Indonesia to publish the audited financial statements within a certain period after the end of the financial year.

The length of time the completion of the audit work is indicated by the time difference between the date of the financial statements and the date of audit opinion in the financial statements. The important thing in the completion of the audit work is how to make the presentation of the financial statements timely or not late and the confidentiality of information to the financial statements is not leaked to other parties who are not competing to influence it. The importance of timely financial reporting is acknowledged by various stakeholders because it not only affects the value and quality of the financial statements but also brings a negative reaction to the market (Oemar, 2015).

Several cases in Indonesia that experienced delays in report submission in 2012 include two manufacturing companies report to BEI due to late submit financial statements in 2012. Two issuers in Indonesia Stock Exchange (IDX) declared its inability to deliver financial statements in 2012 which should be submitted at the end of March 2012. The two issuers are PT Tiga Pilar Sejahtera Food Tbk (AISA) and PT ICTSI Jasa Prima Tbk (KARW). The Company has not been able to submit its financial statements as of December 31, 2012 and publish the financial statements because the company's financial statements are still being reviewed by the public accounting firm on the financial statements, and the

financial statements of the company are still in the debt settlement phase of the company (Liputan6, 2013).

The above issues should be prevented by corporate auditors by further upholding professionalism values such as competence, independence and accountability. Values of competence, independence, and accountability are very important to be owned by an auditor in order to improve audit quality. However, the problem of auditors is often very difficult to implement the values of competence, independence, and accountability that in fact is the value of professionalism.

This study replicates from Jumratul (2014) work examines on the influence of company size, audit committee, international financial reporting standards, public ownership on audit delay. The results of the research are audit committee variables and public ownership impact on audit delay. While firm size variables and implementation of International Financial Reporting Standards have no effect on audit delay. The difference of this research is the year of research from period 2012-2015 whereas previous research from year 2008-2011, and this research add one variable that is profitability taken from research Agruningrum (2012), because high level of profitability indicate that company is profitable, meaning it will likely ask the auditor to schedule an audit time sooner. Conversely, companies that get low profitability or get a loss spur the decline of the publication of financial statements. Thus, a company with a high level of profitability has a shorter audit delay because it is good news that must be immediately conveyed to the investors and other interested parties.

Companies experiencing long audit delay not only harm the various parties. For the company, an audit delay that exceeds the time of publication of the financial statements will result in the company's image becoming less good in the eyes of investors, while for investors, this situation will make them difficult to take investment decisions on companies that are late publish their financial

statements. For external auditors, Ainurrizky (2013) states that companies experiencing long audit delay are likely to replace the auditor with other auditors in the hope that the company will not experience the same again.

Based on the description above, the authors conducted a study to determine the Influence of Size Company, Audit Committee, International Financial Reporting Standards and Ownership Public to Audit Delay in Manufacturing Companies in Indonesia Stock Exchange.

1.2 Research Question

Based on the background, several problem in this research can be defined as follows:

1. Does Company Size influence audit delay in manufacturing company in Indonesian Stock Exchange?
2. Does Audit Committe influence audit delay in manufacturing company in Indonesian Stock Exchange?
3. Does Implementation of International Financial Reporting Standard influence audit delay in manufacturing company in Indonesian Stock Exchange?
4. Does Public Ownership influence audit delay in manufacturing company in Indonesian Stock Exchange?

1.3 Research Objectives

Research Objectives in this research are :

1. To find out the influence of Size Company to audit delay in manufacturing company in Indonesian Stock Exchange.
2. To find out the influence of Audit Committe to audit delay in manufacturing company in Indonesian Stock Exchange.

3. To find out the influence of Implementation of International Financial Reporting Standard to audit delay in manufacturing company in Indonesian Stock Exchange.
4. To find out the influence of Ownership Public to audit delay in manufacturing company in Indonesian Stock Exchange.

