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Research Paper

The effect determinants of audit report lag: company size, leverage, audit opinion, and CEO Duality in mining companies listed on the Indonesia Stock Exchange in 2018-2020

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ABSTRACT: *This study was conducted to examine the effect of firm size, leverage, audit opinion, and CEO Duality on audit report lag in mining companies in 2018-2020. Data processing uses the SPSS ver 23 processing application with a total sample of 99 mining company data on the 2018-2020 stock exchange. Results Based on the conclusions of the study, there is a significant positive effect between firm size (X1) on audit report lag (Y), there is a significant positive effect between leverage (X2) on audit report lag (Y), and there is no significant positive effect between opinion Audit (X3) on audit report lag (Y), and there is no significant positive effect between CEO Duality (X3) on audit report lag.*
KEYWORDS: *firm size, leverage, Opinion Audit, CEO Duality, And Audit Report Lag*

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I. INTRODUCTION

In this era of globalization, the world economy has experienced significant that have pushed the public and world economies towards deregulation, which has also improved competition between organizations. To overcome these difficulties, organizational leaders as a whole seek to acquire additional assets for functional exercise that cannot be met exclusively by reliance on sources of financial support and bank advances. One more method of addressing this asset requirement can be achieved by offering financial backers an ownership stake in the organization (Leo and Marshella,2020).[1]

Decision of the Financial Services Authority Regulation Number 29/PJOK.04/2016 concerning Submission of Financial Statements, Issuers or Public Companies are expected to submit Annual Reports to the Financial Services Authority no later than the end of the fourth month after the end of the fiscal year. The demand for compliance with the submission of annual financial reports of public companies in Indonesia has been regulated in Law Number 8 of 1995 concerning the Capital Market, followed by Regulation Number X.K.2 attachment of the Chairman of Bapepam-LK Number: KEP-36/PM/2003 concerning Obligations to submit Financial Reports Periodically. The financial statements submitted by issuers are the basis for decision making by various interested parties, one of which is investors, the financial statements submitted by issuers are the basis for making investors' decisions to maintain their shares or sell their shares. which is good for investors, while companies that are slow to submit reports are a bad signal. The market will respond to the submission of financial statements, while the submission of financial statements by companies is often delayed, the company's financial statements need to be audited by auditors and the longer the accountant conducts the audit, the longer it will take to submit it. financial reports to investors (Desiana and Dermawan, 2020).[2]

The period of the completion of the audit carried out on the financial statements can affect the timeliness of the information published and the decision-making (Arianti, 2021)[3]. Audit report lag (ARL) is the time required to complete audit work up to the date of publication of the company's audit report, which is measured by the number of days required to obtain an independent auditor's report, starting from the closing of the book, i.e. as of December 31, until the date stated on the report. independent auditor (Arianti, 2021)[3]

The purpose of this study is to measure audit report lag in the annual reports of mining companies listed on the Indonesia Stock Exchange in 2018-2020. Another objective is also to study firm size, leverage, audit opinion, and CEO duality to increase audit report lag. This research is expected to provide information and contribute to the development of knowledge related to audit report lag within the company and can help provide a reference source for further research.

II. LITERATUR REVIEW AND HYPOTHESIS

Signaling Theory

According to Ross (1977) [4], signaling theory is an imbalance of information that is known by the company and the public, because the executives of a company must have better information about the company than the public. The existence of an imbalance in information is also known as information asymmetry. The power in the information encourages executives of a company to provide this information to investors to increase the company's stock price. Signal theory can be used as a basis for explaining the timeliness of presenting audit report lag to the public to give a signal that the company has good information. The longer the audit report lag period, the lower the level of relevance of the financial statements and can give signal that the company has bad news so that it connot publish its financial statement on time.

Audit report Lag

Ashton et al. (1987)[5] stated that audit report lag is the length of time for completion of the audit measured from the closing date of the financial year to the date of completion of the independent auditor's report. The auditor also has several reasons that can extend the audit period. The first reason is the length of the process of communicating with the client. According to Ashton et al. (1987)[5], if there is no agreement between management and the auditor regarding the results of the audit that has been carried out by the auditor, the communication process with the client will take longer than usual. The second cause is a large number of non-monetary assets in the audited company. The last reason lies in the lack of competence in the Public Accounting Firm (KAP). These three things can make the audit report lag period longer.

Firm Size

Firm size can be interpreted as a picture where the company is included in the category of large companies or small companies in various ways, including those stated based on total assets, market value, shares, and others (Nur, 2021)[6]. company size, as a measuring tool in a company that can be seen from its total assets and wealth (Ubwani, 2021). states that large companies will be more consistent in timeliness than small companies (Dyer & Hugh, 1975 in Ubwani's research, 2021)[7]. A larger company size will make the audit delay longer than usual because the audit area will also be larger (Agatha, 2015 in Ubwani's research, 2021)[7] because large companies have subsidiaries that require broader audit procedures.

Leverage

A leverage ratio is a ratio to measure the company's ability to meet its long-term obligations. Leverage in this research uses the Debt to equity ratio (Himawan dan Venda,2020)[8]. The higher the debt to equity ratio means the company is being financed more with debt than with its capital. Therefore, the higher the level of leverage owned by the company, the greater the business risk faced so that the auditor will increase the attention that there is a possibility that the financial statements are less reliable. To gain confidence in the financial statements, the auditor will audit the company's financial statements more carefully and it takes a relatively long time, to increase audit report lag (Himawan dan Venda,2020)[8].

Audit Opinion

An audit opinion is an opinion issued by an auditor for a company, a good audit opinion can be one of the basic considerations for investors so that every company always has a desire to obtain a good audit opinion on the fairness of its financial statements (Utami, 2018)[9]. Ahmad and Kamarudin (2003) [10] stated that a qualified opinion is seen as bad news and will slow down the audit process. There is a possibility of conflict between the auditor and the company, which will delay the issuance of the financial statements.

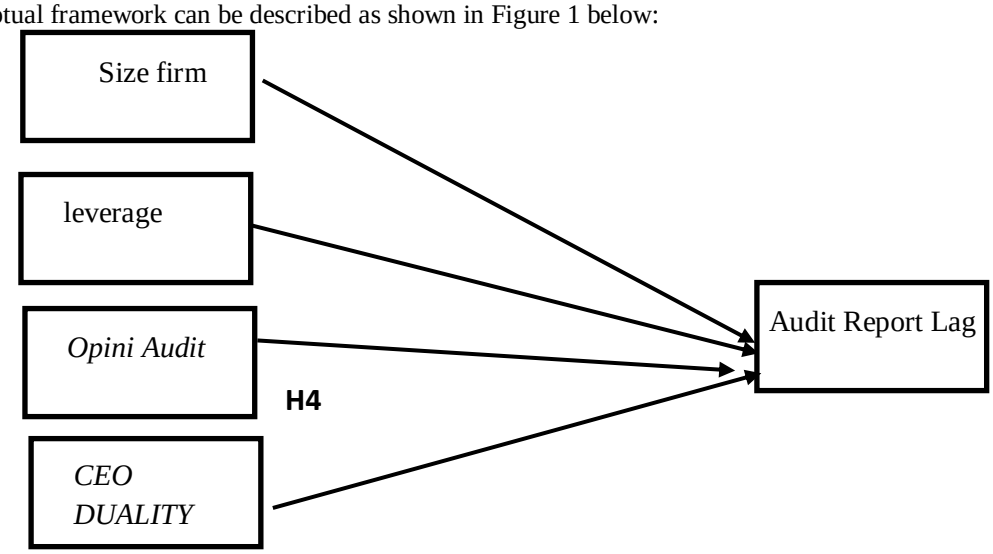
CEO Duality

CEO duality is an organizational structure in which a person has 2 positions in the company, namely as Chairman of the Board (Board of Commissioners) and Chief Executive Officer (Board of Directors) (Sridharan & Marsinko, 1997)[11]. The presence of CEO duality can facilitate the concentration of decision-making power on one individual, prevent the independence of the board, and reduce the constraints of the board to carry out its supervisory role (Mohamad-Nor et al., 2010)[12]

HYPOTHESIS

This study has four hypotheses as follows:
H1: Firm Size affects Audit Report Lag
H2: Leverage affects Audit Report Lag.
H3: Audit opinion affects Audit Report Lag.
H4: CEO Duality affects Audit Report Lag

A conceptual framework can be described as shown in Figure 1 below:



III. RESEARCH METHOD

Desain Penelitian

This research design uses a causal research design, namely research that seeks influence or causal relationships. In this study, the independent variable or the influencing variable (X) on the dependent variable or the influenced variable (Y). This study aims to obtain empirical evidence about the effect of firm size, leverage, audit opinion, and CEO duality on audit report lag in mining companies listed on the Indonesia Stock Exchange for the period 2018 – 2020. The research uses the SPSS ver 23 analysis tool.

Types of research and Data Source

Based on the type of data used in this study is quantitative data. According to Sugiyono, 2016 [13] quantitative research methods can be interpreted as research methods based on the philosophy of positivism, which is used to examine certain populations or samples. Collecting data using research instruments secondary data annual financial statements. This data is in the form of company financial data obtained from the annual financial statements of mining companies listed on the IDX for the period 2018 – 2020. The data is obtained from the IDX official website www.IDX.co.id

Population, Sample, and Sampling Technique

According to Anshori and Iswati, 2019 [14] population is a generalization area consisting of objects or subjects that have certain qualities and characteristics determined by researchers to be studied and then drawn conclusions. The population in this study are mining companies listed on the Indonesia Stock Exchange for the period 2018 - 2020, totaling 50 companies.

The sample is part of the number and characteristics possessed by the population. The sampling method that will be used in this study is the purposive sampling method, namely the determination of the sample with certain considerations [14]. The sample in this study was 33 companies.

The sampling technique used purposive sampling, namely the determination of the sample with certain considerations. The criteria used as samples in this study are mining companies listed on the Indonesia Stock Exchange for the period 2018–2020 which are companies engaged in the mining sector that were listed on the IDX before December 31, 2018, and are still listed on the IDX until December 31, 2020, and have data needed in research. 33 sample companies met the criteria in this study so, in 3 years of research, 99 observational data were obtained which will be used as samples.

$$Y=\alpha+x1\beta+x2\beta+x3\beta+x4\beta+e$$

Explanation:
Y: Audit report lag
α:Contant
X1: Firm Size
X2: Leverage
x3: Audit Opinion
x4:Ceo Duality

RESEARCH VARIABLE
Independent Variable
Firm Size
Firm size is that which describes the size of the company measured using the natural logarithm of total assets, the formula for Firm size is as follows [15]:
The formula is: Size = Ln (Total Assets)

Leverage
leverage is the proportion between total debt and equity. Leverage reflects the company's capacity to pay all obligations, both in the form of short-term and long-term debt [16], the formula for leverage is as follows:

$$\text{Debt to Equity Ratio (DER)}=\frac{total\ debt}{total\ equity}$$

audit Opinion
An audit opinion is the opinion of the auditor in assessing whether the company's financial statements are presented fairly or not. The measurement of this variable uses a dummy variable. If you get an unqualified opinion, you will be given a code of 1, while if you get an opinion other than an unqualified opinion, you will be given a code of 0[17]

CEO Duality
CEO duality is a leadership structure that refers to the CEO of a company also acting as chairman of the board[18]. The CEO duality formula is as follows [18]: In this study, the presence of CEO duality in a company is measured by the code "1" if the CEO is chairman and "0" otherwise.

Depending Variable
Audit Report Lag
audit report lag Represents the number of days that elapsed between the end of the company's fiscal year to the completion of the audit for the current year for each company (date of audit report)[19]. The calculation of audit report lag is by the following formula[5]:
audit report lag= Audit Report Date – Book Close Date.

IV. RESULT

Classic Assumption
There are several analytical steps carried out in this study, namely: testing classical assumptions on research data to avoid data bias. Classical assumption test results with 3 tests (test results are in the appendix). First, the results of the normality test show that the data are normally distributed using the Kolmogorov-Smirnov One-Sample Test where asymp. value is sig. value 0.095> 0.05. Second, the results of the multicollinearity test for the firm size variable show a VIF value of 1.024 < 10 and a tolerance value of 0.977> 0.10, for the leverage variable it shows a VIF value of 1.039 < 10 and a tolerance value of 0.962> 0.10, for the audit opinion variable it shows a value VIF is 1.005<10 and tolerance value is 0.995>0.10, for the CEO Duality variable, the VIF value is 1.024<10 and the tolerance value is 0.977>0.10, so the four variables can be concluded that there is no multicollinearity. The three results of the autocorrelation test using Durbin Watson. It can be concluded that there is no autocorrelation between the confounding error in the current period (t) and the confounding error in the previous period (t-1) because DW lies between the values of -2 and 2.
The results of hypothesis testing in this research can be seen clearly in the table below:

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	34.124	14.883		2.293	.024
Firm Size	1.470	.668	.207	2.199	.030
Leverage	38.682	10.795	.340	3.583	.001
Audit Opinion	6.522	6.180	.098	1.055	.294
Ceo Duality	3.740	5.989	.059	.624	.534
F					5.358
Sig F					.001

Based on table 1 can be obtained multiple linear regression equation as follows:

Y= 34,124 + 1,470x1 + 38,682X2 +6,522x3+3,740x4 + e

Result Hypothesis 1 Based on table 1, it is known that the regression coefficient of the firm size variable is 1.470 is positive with a significance value of 0.030 < (0.05) so it can be said that the firm size variable has a significant effect on audit report lag. Thus the first hypothesis is accepted.

Result Hypothesis 2 Based on table 1, it is known that the regression coefficient value of the Leverage variable is 38,682 which is positive with a significance value of 0.001 < (0.05) so it can be said that the leverage variable has a positive effect on audit report lag. Thus the second hypothesis is accepted.

Result Hypothesis 3 Based on table 1, it is known that the regression coefficient value of the audit opinion variable is 6.522 with a positive sign with a significance value of 0.294 > (0.05) so it can be said that the audit opinion variable has no significant positive effect on audit report lag. Thus the third hypothesis is rejected.

Result Hypothesis 4 Based on table 1, it is known that the regression coefficient value of the CEO duality variable is 3.740 which is positive with a significance value of 0.534 > (0.05) so it can be said that the CEO duality variable has no significant positive effect on audit report lag. Thus the fourth hypothesis is rejected

V. DISCUSSION

There are four hypotheses developed in this paper and two hypotheses are accepted.

The first hypothesis states that there is a positive relationship between firm size and audit report lag. The results of this study indicate that there is a positive influence between company size on audit report lag, which means that the larger a company is, the slower the auditor's time to publish its financial statements. Therefore, the larger the size of the company, can cause the audit report lag increases, especially in companies engaged in the mining sector. Thus, Hypothesis one (H1) is accepted. This is by [1] who stated that firm size has a positive effect on audit report lag. while it is different from research [20]which states that firm size does not affect audit report lag

The results of the second hypothesis state that there is a positive relationship between leverage and audit report lag. The results of this study support [8] research showing leverage has a positive effect on audit report lag, the results of this study show that the higher the debt to equity ratio, the longer the audit report lag. This is due to the existence of a debt covenant. Debt covenants are also known as debt agreements. To fulfill the terms of the debt agreement and avoid poor-quality financial reports, the company will try to improve its financial statements first. This improvement effort takes a long time, so the company will take longer to present financial statements that are ready to be audited by the auditor. This can then prolong the audit report lag

The results of the third hypothesis audit opinion on audit report lag. The results showed that there was no significant relationship between the audit opinion and audit report lag. The results showed that the audit opinion did not affect the audit report lag. The results of this study indicate that the process of giving an opinion on the fairness of a financial report is the final stage in the audit process so that any type of opinion given will not affect the length of the audit report lag that occurs. research hypothesis four (H4) is rejected. The results of this study are by [21] research which found that audit opinion was not significantly related to audit report lag

The results of the fourth hypothesis of CEO duality on audit report lag. The results show that there is no significant relationship between CEO duality and audit report delay. The results show that CEO duality does not affect audit report lag, therefore hypothesis four (H4) is rejected. The results of this study are by research [19] and [22] which found that CEO duality was not significantly associated with audit report lag. whereas it is different from[23] research which found that CEO duality was significantly related to audit report lag where CEO duality increased audit reporting lag.

VI. CONCLUSION

Firm size and leverage as proxied by DER value of debt divided by equity have a significant effect on audit report lag, while audit opinion and CEO duality variables have no significant effect on audit report lag. Companies should conduct regular evaluations of the performance of each division of the company to control

the factors that can affect the audit report lag. Further researchers can develop this research by considering other variables that can affect audit report lag and the scope of the expanded research area.

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APPENDIX

1. Normality

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		99
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	27.61473192
Most Extreme Differences	Absolute	.124
	Positive	.124
	Negative	-.073
Kolmogorov-Smirnov Z		1.235
Asymp. Sig. (2-tailed)		.095

a. Test distribution is Normal.
b. Calculated from data.

2. Multicollinearity

Variable	VIF	Tolerance	Info
Firm Size	**1.024**	**.977**	**Non Multicollinearity**
Leverage	**1.039**	**.962**	**Non Multicollinearity**
Audit Opinion	**1.005**	**.995**	**Non Multicollinearity**
CEO Duality	**1.021**	**.980**	**Non Multicollinearity**

3. Autocorrelation

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.431[a]	.186	.151	28.19616	1.813

a. Predictors: (Constant), Ceo Duality, firm Size, opini Audit, Leverage
b. Dependent Variable: Audit report lag