

Audit Delays and Firm Characteristics on the Second Phase of IFRS Adoption in Indonesian

Hans Hananto Andreas*

Chung Yuan Christian University Ph.D Program in Business

Ming Lei Chang

Department of Accounting, Chung Yuan Christian University

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 Economics**
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ABSTRACT

The purpose of this study is to analyze the factors that affect audit delay during the second phase of International Financial Reporting Standard (IFRS) adoption in Indonesian. We choose company size, return on assets (ROA), size of audit firm and auditor opinion as our independent variable, to examine whether these factors can affect the audit delay. We use 332 manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2012-2015. We find that firm size has no effect on audit delay, while profitability, audit firm size, and auditor's opinion have significantly negative effects on audit delay. Thus, our results practically imply that audit delay has an impact on firms' image to their stakeholders and suggest auditors to increase effectiveness and efficiency in completing audit reports more timely.

Keywords: Audit Delay, Firm Characteristics, IFRS.

1. INTRODUCTION

Managers use financial statements to account for the use of resources to which they are entrusted (IAI, 2012). In this respect, firms rely on financial statements to communicate their financial information to both external and internal stakeholders, including shareholders. Shareholders generate financial information to make investment decisions from audited financial statements. In Indonesia, according to Regulation No. X.K.2 (as the supplement of the Decree of the the Head of the Capital Market and Financial Institution Supervisory Agency or *Bapepam LK* No. KEP-36/PM/2003), firms have to submit their audited financial statements to *Bapepam LK* and announce publicly no later than the first of April for firms with the financial statement date of December 31. Non-compliant firms will be sanctioned. Initially, *Bapepam* gives the first warning to non-compliant firms, followed by penalty (in the form of warning letter, fine, and administrative penalty) and suspension. Besides, non-compliant firms' shares can be suspended. However, numerous firms still do not comply with the regulation. Delayed financial reporting itself negatively affects firms because investors will perceive firms unfavorably. For example, delayed revenue announcement is often associated with lower (and even negative) abnormal returns than early announcement

(Asthon, 1989). Various reasons for firms' delayed reporting motivate previous studies. Managers have greater incentive to manage the timeliness of their financial reporting (Givoly and Palmon, 1982; Pastena and Ronen, 1979; and Verrechia, 1983). Further, empirical results demonstrate that bad news is released more lately than good news (Chambers and Penman, 1984; Lawrence, 1983; Whittred and Zimmer, 1984). Givoly and Palmon (1982) also establish that the variability of the annual external audit length is a factor that explains the variability in delayed reporting.

Numerous studies have investigated audit delay in several countries. These studies refer to Leventis et al. (2005) that demonstrate the statistically significant relationship between late audit report (several studies refer it as 'audit delay') and auditor type, audit fee, the number of comments in the audit report, the presence of extraordinary items, and the uncertainty expression in the audit report in the Athena Stock Exchange. Che-Ahmad and Abidin (2008) find that on average Malaysian firms have longer audit delays than firms in Western countries. Their multivariate analysis also shows that directors' share ownership, total assets, the number of subsidiaries, audit firm type, audit opinion, and return on equity are the important determinants of audit delay. Meanwhile, Bonson-Ponte et al. (2008) identify two factors that characterize Spanish firms with audit delay, namely firms in heavily regulated industries (such as finance and energy) and firm size relative to its sector. Further, Al-Ghanem and Hegazy (2011) find that only firm size is negatively associated with audit delay while industry classification, leverage, the percentage change in earnings per share, auditor type, and liquidity do not exhibit significant relationship with audit delay for Kuwaiti listed firms.

International Accounting Standards Board (IASB) sets the International Financial Report Standards (IFRS). IFRS facilitates firms and financial statement users to understand better financial statements from different countries. In particular, IFRS offers three advantages: transparency, accountability, and efficiency. More than a hundred countries have adopted IFRS as their financial reporting standards, including Indonesia. In 2012, the Indonesian Institute of Accountant (IAI – *Ikatan Akuntan Indonesia*) initiated the first IFRS convergence (IAI, 2014). In recent years Indonesia intensely promotes and uses IFRS, especially for firms that are listed on the Indonesian Stock Exchange (IAI, 2014). The IFRS adoption is divided into two phases: the first phase (2008-2012) and the second phase (2012-2015), in which the second phase requires all publicly listed firms have adopted IFRS (IAI, 2014).

Further, Ashton *et al.*, (1987) propose that audit delay refers to the time difference between financial statement date and the date of audit report date. Longer audit delay will affect firms' value. Firm size, profitability, audit firm size, and auditor's opinion are arguably factors that affect audit delay.

Haryani (2014) documents that the IFRS convergence implementation variable does not affect audit delay. Meanwhile, Stepvanny and Soepriyanto (2012) mention that only firm size affects audit delay while other variables (IFRS implementation, profitability, audit firm size,

auditor's opinion, and complexity) do not exhibit significant influences on audit delay. Next, Aprilia and Sujipto (2017) indicate that the IFRS implementation in consumer-goods firms in 2012-2015 significantly affects audit delay. Further, Che-Ahmad and Abidin (2008) demonstrate that directors' share ownership, total assets, the number of subsidiaries, audit firm type, and return on equity are the important determinants of audit delay.

Subekti and Widiyanti (2004) show that firm size (as indicated by firm size) significantly affects audit delay. Also, Kurnia (2014) argues that larger firms seek to protect their public image by submitting their financial statements timely. Consequently, firm size affects audit delay. Also, Ajmi (2008) argues that larger firms (as indicated by total assets) tend to maintain their financial statement quality by reducing their audit delays. Meanwhile, by using firms listed on the Indonesian Stock Exchange during the first phase of the IFRS implementation (2009-2011), Puspitasari and Made (2014) suggest that firm size negatively affects audit delay. By using data from the first phase of the IFRS implementation (2008-2010), Rachmawati (2008) documents that firm size affects audit delay. However, using data from the same implementation phase but from different years (2009-2012), Setyani (2015) fails to find the impact of firm size on audit delay.

Hilmi and Ali (2008) argue that larger audit firms are arguably more efficient, effective, flexible in performing and scheduling audit activities than their smaller counterparts that make them better able to complete their audits timely. In this respect, Rachmawati (2008) finds that audit firm size affects audit delay during the first phase of the IFRS implementation (2008-2010). Similarly, Puspitasari and Made (2014) demonstrate that for Indonesian publicly listed firms, audit firm size negatively affects audit delay. However, Suparlan (2015) observes that audit firm size does not affect audit delay during the first year of the first and second phases of the IFRS implementation (2011-2013).

Using the 2008-2010 data when Indonesia entered the first phase of the IFRS implementation, Rachmawati (2008) documents that profitability negatively affects audit delay. In a similar vein, Estrini and Herry (2013) demonstrate that profitability (ROA) negatively affects audit delay. They generate their data from the first phase of the IFRS implementation (2009-2011). However, Suparlan (2015) finds that profitability does not affect audit delay during one year of the first phase of the IFRS implementation and one year of the second phase of the IFRS implementation. Similarly, using data from the first phase of the IFRS implementation (2009-2012), Setyani (2015) documents that firm size does not affect audit delay.

Zakiy (2017) observes that auditor's opinion affects the timeliness of financial statements submissions. Similarly, using data from the first phase of the IFRS implementation (2009-2011), Aryaningsih and Budiarta (2014) indicate that auditor's opinion affects audit delay. Soetedjo (2006) finds that firms that receive non-unqualified audit opinions are more likely to have audit delay because firms consider such opinions as bad news that delay audit

process. However, using data from the first and second phases of the IFRS implementation (2008-2013), Pitaloka and Suzan (2015) show that auditor's opinion does not affect audit delay.

Previous studies find inconsistent results on the effects of firm size, audit firm size, profitability, and auditor's opinion on audit delay in the first phase of the IFRS implementation. In particular, some studies find significant results, while others do not. Thus, this study seek to reinvestigate whether these factors affect audit delay during the entire second phase of the IFRS implementation (years 2012-2015).

Based on these arguments, we propose the following research problems: (a) does firm size affect audit delay during the second phase of the IFRS implementation?, (b) does profitability affect audit delay during the second phase of the IFRS implementation?, (c) does audit firm size affect audit delay during the second phase of the IFRS implementation?, and (d) does auditor's opinion affect audit delay during the second phase of the IFRS implementation.

This study aims to analyze the effects of firm size, profitability, audit firm size, and auditors' opinion on audit delay during the second phase of the IFRS implementation. This research contributes by providing empirical evidence on the effects of these factors on audit delay during the second phase of the IFRS implementation. Further, the results help Indonesian manufacturing firms reduce audit delay.

2. LITERATURE STUDY

Agency Theory

Agency theory explains the relationship between managers and investors (principals). As firms' owners, principals entrust managers to manage their firms and maximize firms' values. Although ideally both managers and principals share the same firm-related objectives that lead to the achievement of the goals, principals arguably have less firm-related information than managers. Consequently, principals and managers have different levels of firm-specific understanding. Prabowo (2018) proposes that timely firms' annual financial statements are affected by the financial and operational performance of firms that have been entrusted by principals to managers. Managers can submit their firms' financial statements to principals or to the public timely. They have to provide information – particularly annual financial statements - to investors or other external stakeholders timely. In fact, numerous firms submit their financial statements lately. In this respect, Suparlan (2015) argue that agency problem exists when individuals tend to prioritize their interests that lead to conflicts because several interests compete in joint activities.

International Financial Reporting Standards (IFRS)

IFRS are international standards for financial reporting. Indonesia began to adopt the standards in 1995. As a G-20 member country, it expects that the IFRS adoption will enhance

efficiency, financial transparency, and the quality of financial statements preparation. The IFRS adoption in Indonesia leads firms to change their existing standards to IFRS because they seek to increase their stakeholder values (internal pressure) and to comply with IAI's stipulation that requires firms with specific criteria to refer to IFRS in preparing their financial statements (external pressure) (Sadjiarto, 1999). Indonesia has two phases of the IFRS implementation. The first phase started in 2008 and ended in 2012, while the second phase spanned in 2012-2015. The first phase has two stages. The first stage (the adoption stage) in 2008-2010 involved the adoption of all IFRS into *PSAKs* (the Indonesian *GAAP* or the Statements of Financial Accounting Standards), the preparation of necessary infrastructure, the evaluation and management of the impact of the adoption on the existing *PSAKs*. The second stage (final preparation) in 2011 completed all the required infrastructure. Lastly, the third stage (implementation) in 2012 began to implement *PSAKs* that had fully adopted IFRS. Meanwhile, the second phase (2012-2015) was the implementation of *PSAKs* that had adopted IFRS. This phase updated several IFRS convergence that was effective from January 1, 2014, and January 1 2015.

Audit delay

Modugu, Eragbhe, and Ikhatua (2012) establish that audit delay is measured with the difference between financial statement date (December 31) and the time the independent audit report is signed by the auditor. This argument is in line with Ashton, Willingham, and Elliott (1987) and Subekti and Widiyanti (2004) who argue that audit delay is the time lag between financial statement date and the signing of the independent audit report by the auditor. Thus, audit delay can be measured with the time between a firm issues its annual financial statements (December 31) and the independent audit report is signed by the auditor.

Firm Size

Firm size can be measured by classifying firms into large and small firms based on whether their total assets are above or below the average industry value of total assets. Subekti and Widiyanti (2004) indicate that asset as a proxy of firm size significantly affects audit delay. Small firms likely complete their audit process longer than larger firms because large firms are subject to more intense scrutiny from their investors.

Audit Firm Size

Firms rely on audit firms' services to audit their financial statements. In general, audit firms can be classified into big four and non-big four audit firms (large and small audit firms). In particular, big-four audit firms are internationally well-known ones, namely *The Deloitte Touche Tohmatsu*, *PricewaterCooper*, *Klynield Peat Marwick Goerdeler (KPMG)*, dan *Ernst & Young*. Meanwhile, non-big four audit firms (small audit firms) are usually local ones. Big-four audit firms arguably provide better audit quality in terms of their effectiveness and efficiency in performing audit. Big-four audit firms also have better flexibility in scheduling their audit activities to complete their assignments timely.

Profitability

Profitability is an important indicator of firms' ability to generate profits. Higher profits imply better firms' ability to generate profits. Profitable firms are more likely to submit their financial statements timely than unprofitable ones. Various measures of profitability include profit margin, Return on Asset (ROA), and Return on Equity (ROE). Similar to Suparlan (2015), we measure profitability with Return on Assets (ROA).

Auditor's Opinion

Auditors issue opinions of auditees' financial statements. Auditor's opinion itself can be unqualified opinion, modified unqualified opinion, qualified opinion, adverse opinion, and disclaimer of opinion. Auditor's opinion is the result of a long process with operational complexity that depends on the number of operating units, the location of operating units or branches, and products' line with markets. These factors affect the amount of time needed by auditors in completing their audit assignments. Auditors also involve their clients in negotiation and consultation with senior auditors.

3. HYPOTHESIS

The Effect of Firm Size on Audit Delay

Larger firms are more likely to comply with international financial accounting standards because these firms have more investors and need to attract more investors. Consequently, these firms seek to enhance their image. Similarly, when IFRS-based *PSAK* is implemented in Indonesia, larger firms can learn and implement the standards more quickly than smaller firms to ensure that audit processes are short and audit delays are not longer. The argument is in line with Kurnia (2014) who shows that larger firms will publish their financial statements timely to protect their public image, implying that firm size affects audit delay. Also, Ajmi (2008) demonstrates that larger firms (as indicated by total assets) tend to maintain their financial reporting quality and eventually reduce audit delay. Similarly, Rachmawati (2008) holds that firm size affects audit delay. Puspitasari and Made (2014) also find that for firms listed on the Indonesian Stock Exchange, firm size negatively affects audit delay. Thus, we propose the hypothesis:

H1 = Firm size negatively affects audit delay.

The Effect of Audit Firm Size on Audit Delay

Big four audit firms are likely better able to perform audits timely because they have better images and performance. Consequently, big four audit firms will shorten audit delay. In the case of the implementation of IFRS-based *PSAK*, audit firms will learn the standards and train their auditors to help their auditors have better understanding of the new standards and to mitigate problems in performing audits and eventually to shorten audit delay. The argument is in line with Hilmi and Ali (2008) who find that larger audit firms are more

efficient, effective, and flexibility in performing and scheduling audit activities than smaller audit firms; thus, making audit assignments can be completed as expected. Rachmawati (2008) also documents that audit firm size affects audit delay. Therefore, the following is the second hypothesis:

H2 = Audit firm size negatively affects audit delay.

The Effect of Profitability on Audit Delay

Profitability is the firms' ability to generate profits. Higher profitability will reduce audit delay because firms with higher profits have better ability to pay auditors more that enables them to select audit firms that are willing and able to complete audits more quickly. In this respect, firms with higher profitability (good news) tend to ask for quicker audit completion. High profitability (good news) also simplifies auditors in audit processes. Low or negative profitability increases audit risk due to higher future litigation potentials. Thus, good-news firms are arguably more quickly in publishing their financial statements than unprofitable firms. However, when the implementation of IFRS-based *PSAK* began in Indonesia, profit reporting is a determining factor of audit delay. Firms that can publish their financial statements according to the new IFRS-based *PSAK* will shorten their audit delays. The argument is in line with Rachmawati (2008) who observes that profitability negatively affects audit delay. Further, Estrini and Herry (2013) demonstrate that profitability (measured with ROA) negatively affects audit delay. Based on these arguments, we propose the following hypothesis:

H3 = Profitability negatively affects audit delay.

The Effect of Auditor's Opinion on Audit Delay

It takes a significant amount of time to produce audit opinions because auditors will involve client negotiation and consulting with more senior auditors. Auditor's opinion is also related to the operational complexity of audited firms that in turn depends on the number of operating unit allocation and the process to complete audit assignments. The implementation of IFRS-based *PSAK* also potentially complicates audit processes and eventually lengthens audit opinion because auditors have to inform firms if these firms have not used the new standards. However, when firms have followed the new standards in preparing their financial statements, audit processes will be more quickly. In this respect, auditors are arguably more willing and quick to sign unqualified opinions than other opinions. Consequently, non-unqualified opinions will lengthen audit delay. The argument is in line with Soetedjo (2006) who documents that firms that receive non-unqualified opinion will have audit delay because these firms consider the opinions bad news and delay the audit process. Also, Zakiy (2017) finds that auditor's opinion affects the timeliness of financial reporting. Aryaningsih and Budiarta (2014) observe that auditors' opinion affects audit delay. Thus, we propose the

following hypothesis:

H4 = Auditor's opinion negatively affects audit delay.

4. RESEARCH METHOD

Sample Selection

This study uses secondary data from Indonesian manufacturing firms listed on the Indonesian Stock Exchange (IDX). We generate our sample using the purposive sampling method by employing the following specific criteria:

1. Manufacturing firms that were listed on the Indonesian Stock Exchange in 2012-2015.
2. Manufacturing firms that published annual financial statements in 2012-2015 that provides data needed for this study.
3. Manufacturing firms that have implemented IFRS.
4. Manufacturing firms that use Rupiah as the reporting currency.

The study uses secondary data from the annual financial statements of publicly listed manufacturing firms on the Indonesian Stock Exchange (IDX) that can be accessed through the official website of the IDX (www.idx.co.id). We generate data by using the documentation method, i.e., generating secondary data and testing the data on financial statements. The dependent variable of this study is audit delay, measured with the time difference between the financial statement date and the signature of the independent audit report (Modugu, Eragbhe, and Ikhatua 2012). In this respect, the financial statement date is December 31. The first independent variable is firm size, with the proxy of the natural logarithmic value of firm's total assets (Modugu, Eragbhe, and Ikhatua 2012). Next, audit firm size, a dummy variable, is the second independent variable that equals one if the firm is audited by a big four audit firm and zero otherwise (Estrini and Herry, 2013). The third independent variable is profitability that is measured with Return on Assets (ROA). Following Rahmawati (2008), we calculate ROA dividing net income with total assets and then multiplying the result with 100%. The last independent variable is also a dummy variable that equals one if the firm receives an unqualified opinion and zero otherwise (Turel, 2010).

Before running the multiple regression analysis, we have to ensure that our regression function qualifies for the classical assumption test. Specifically, the four classical assumption tests are normality, multicollinearity, heteroskedasticity, and autocorrelation tests.

The following is the multiple linear regression equation to test our hypotheses:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

where:

Y = Audit delay

β_0 = Constant

X1 = Firm Size

- X2 = Audit Firm Size (Big Four and Non-Big Four)
 X3 = Profitability (ROA)
 X4 = Auditor's Opinion (Unqualified and Non Unqualified)
 e = Error

RESULTS AND DISCUSSION

Results

The study aims to investigate the impact of firm size, profitability, audit firm size, and auditor's opinion on audit delay for firms listed on the Indonesian Stock Exchange in 2012-2015. Based on the sample criteria mentioned above, we generate the final sample of 332 firms (Table 1).

Table 1 Sample Selection

Sample Criteria	Number
Manufacturing firms listed on the Indonesian Stock Exchange consecutively in 2012-2015	500
Incomplete data	(141)
Firms did not implement IFRS	(0)
Manufacturing firms do not use Rupiah as the reporting currency	(27)
Total Sample 2012-2013	332

Source: Research Data (2018)

We use the Normal P-P Plot of Regression Standardized Residual graphical analysis to analyze data normality. The results suggest that the regression equation is normally distributed and meets the assumption because the graphic shows that data points are located surrounding the diagonal line and follow the direction of the diagonal line. For the autocorrelation test, the DW value is 1.949 with the dU and 4-dU values are 1.84438 and 2.15562, respectively. Thus, the findings imply that there is no autocorrelation problem. Next, the study uses the scatterplot graphic to run the heteroskedasticity test. The scatterplot graphic of this research model demonstrates that points scatter in both the above-zero and below-zero areas and do not form discernible patterns, suggesting that the data is free the heteroskedasticity problem. We then detect the potential multicollinearity problem with the Variance Inflating Factor (VIF). The VIF values of less than 10 indicate that no serious multicollinearity exists. Because the VIF values are all less than 10, we conclude that no serious multicollinearity problem exists.

The following are the results of the multiple regression from the model.

Tabel 2 The Results of t-test

Dependent	Independent	Coefficient	t	Sig.	R ²	Results
	(Constant)	123.458	7.013	0.000		
Audit Delay(Y)	Firm Size (X1)	-0.598	1.212	0.227	0.190	No Effect
	Audit Firm Size (X2)	-6.986	4.056	0.000		Significant Effect
	Profitability (X3)	-30.718	3.886	0.000		Significant Effect
	Auditors' Opinion (X4)	-23.743	2.008	0.045		Significant Effect

Source: Research Data (2018)

The significance value below (above) 5% (0,05) indicates that the independent variable is (not) associated with the dependent variable. The table above shows that the constant value of the regression equation is 123.458 with significance value of 0.000, thus implying that when the values of firm size (X1), audit firm size (X2), profitability (X3), and auditor's opinion (X4) are constant, the value of audit delay (Y) is 123,458. Next, the regression coefficient of firm size (X1) in this equation is -0.598 (sig.= 0.227), suggesting that firm size (X1) does not affect audit delay (Y). Further, the regression coefficient of audit firm size (X2) in this regression is -6.986 (sig.= 0.000), showing that audit firm size (X2) negatively affects audit delay (Y). The coefficient of profitability (X3) in this regression is -30.718 (sig.= 0.000), showing that profitability (X3) negatively affects audit delay (Y). The regression coefficient of auditor's opinion (X4) in this regression equation is -23.743 (sig. = 0.045), indicating that auditor's opinion (X4) negatively affects audit delay (Y). Lastly, the coefficient of determinant (R²) of this multiple regression model is 0.190. The value implies that the independent variables of this study affect 19% of the variability of the dependent variable while 81% of the variability of the dependent variable is explained by other independent variables not included by this study.

Table 3 The Results of F Test

ANOVA ^a						
	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	10543.714	4	2635.929	19.085	0.000 ^b
	Residual	45024.866	326	138.113		
	Total	55568.580	330			

a. Dependent Variable: Audit Delay (Y)

b. Predictors: (Constant), Auditor's Opinion (X4), Firm Size (X1), Profitability (X3), Audit Firm Size (X2)

Source : Research Data (2018)

The regression analysis suggests that simultaneously, the significance value is $0.000 < 0.05$. The results imply that firm size, audit firm size, profitability, and auditor's opinion significantly affect audit delay.

Discussion

The first hypothesis predicts that firm size has a negative impact on audit delay. However, the results do not empirically support the hypothesis. During the second phase of the IFRS implementation (2012-2015), Indonesian manufacturing firms that are listed on the Indonesian Stock Exchange are subject to more intense monitoring activities from investors and the public. Thus, both large and small firms arguably have better management and ability to demand auditors to complete their audit assignments more timely. Consequently, during the second phase of the IFRS implementation, both large and small firms exhibit relatively similar audit delays. Also, firms manage to improve their internal control that affects their audit completion. These results are in line with Lucyanda and Nura'ni (2013) who show that firm size does not affect audit delay.

The second hypothesis predicts that audit firm size negatively affects audit delay because larger audit firms (big four audit firms) reduce the likelihood of audit delay. The hypothesis is empirically supported. Larger audit firms have better image and experience that enable them to learn and understand IFRS-based *PSAK* better than smaller ones. Consequently, larger firms manage to maintain their efficiency, effectiveness, and flexibility to complete their audit assignments.

In line with the results of research Hilmi and Ali (2008) which states that the greater the public accounting firm is considered capable of more effective, efficient, and has flexibility in scheduling and carrying out audit activities compared to small KAP. Research Rachmawati (2008) also mentioned that the size of a public accounting firm affects audit delay. Sari (2015) said that KAP quality affects audit delay, where audit delay will be shorter for companies audited by KAP that are classified as large.

The third hypothesis predicts that profitability negatively affects audit delay. The empirical results support the hypothesis. Firms with more ability to generate profits will have shorter audit delay because such firms will be warned by their investors if they are late in publishing their financial statements, thus resulting in shorter audit delay. Also, during the IFRS implementation, firms have adjusted their financial statements to comply with IFRS-based *PSAK* that makes the completion of audit processes more timely and shortens audit delay. The findings support Estrini and Herry (2013) and Rachmawati (2008) who demonstrate that profitability negatively affects audit delay.

The fourth hypothesis predicts that auditor's opinion negatively affects audit delay. The hypothesis is empirically supported. During the second phase of the IFRS implementation, firms have adjusted their financial statements to comply with the existing standards that make the completion of audit processes more timely. Further, firms that receive unqualified opinions will receive opinions more timely because such opinions are good news. Consequently, unqualified opinion will shorten audit delay. The findings support previous studies such as Zakiy (2017) who documents that auditor's opinion affects financial statement timeliness and Aryaningsih and Budiarta (2014) who observe that auditor's opinion affects audit delay.

5. CONCLUSION, IMPLICATION, AND LIMITATION

Conclusion

The above discussion suggests that during the second phase of the IFRS implementation, firm size does not affect audit delay. However, audit firm size, profitability, and auditor's opinion exhibit significantly negative impacts on audit delay. The results are specified for Indonesian manufacturing firms in 2012-2015.

Implication

The results of this study reject our first hypothesis (firm size negatively affects audit delay). Thus, the findings support Setyani (2015) but are not in line with Rachmawati (2008) and Puspita and Made (2014). Meanwhile, the results that support the second hypothesis (audit firm size negatively affects audit delay) are in line with Hilmi and Ali (2008) and Rachmawati (2008), but not with Suparlan (2015). Similarly, our study empirically supports the third hypothesis (profitability negatively affects audit delay) and is in line with Rachmawati (2008) and Estrini and Herry (2013), but not with Suparlan (2015, Astuti (2015), and Putro (2016). Also, we support our fourth hypothesis (auditor's opinion negatively affects audit delay). The results are in line with Zakiy (2017) and Budhiarta (2014), but not with Pitaloka and Suzan (2015). Overall, this study suggests manufacturing firms shorten their audit delays.

Limitations and Suggestion

The study is subject to several caveats. Firstly, we test our panel data with the *SPSS* software. We then advise future studies to test the hypotheses using the *E-views* software to generate more accurate results of the panel data test. Secondly, we only generate our data from the second phase of the IFRS implementation (2012-2015) that limits the generalization of the results.

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Acronyms and Abbreviations

AAOFI: Accounting and Auditing Organization of Islamic Financial Institutions

AICPA: American Institute of Certified Public Accountants

Bapepam-LK *Badan Pengawas Pasar Modal dan Lembaga Keuangan*: (Capital Market and Financial Institution Supervisory Agency

BEI: *Bursa Efek Indonesia* (Indonesian Capital Market)

BI: *Bank Indonesia* (Indonesian Central Bank)

DKP: *Dewan Kehormatan Profesi* (Profession Honorary Board)

DKSAK: *Dewan Konsultatif Standar Akuntansi Keuangan* (Financial Accounting Standards Consultative Board)

DPN: *Dewan Pengurus Nasional* (IAI National Council)

DSAK: *Dewan Standar Akuntansi Keuangan* (Indonesian Financial Accounting Standards Board)

DSAS: *Dewan Standar Akuntansi Syariah* (Indonesia Shariah Accounting Board)

GAAP: Generally Accepted Accounting Practices

IAASB: International Auditing and Assurance Standards Board

IAI: *Ikatan Akuntan Indonesia* (Indonesian Institute of Accountants)

IAPI: *Ikatan Akuntan Publik Indonesia* (Indonesian Institute of Public Accountants)

IAS: International Accounting Standard

IASB: International Accounting Standards Board

IDX: Indonesia Stock Exchange

IDR: Indonesian Rupiah (currency)

IFAC: International Federation of Accountants

PPAk: *Pendidikan Profesional Akuntan* (Professional accounting education)

PSAK: *Pernyataan Standar Akuntansi Keuangan* (Indonesian Financial Accounting Standards)

SAK: *Standar Akuntansi Keuangan* (Accounting standards)

SAK ETAP: *Standar Akuntansi Keuangan Entitas Tanpa Akuntabilitas Publik* (Accounting standards for non-public interest entities)

SME: Small and Medium-sized Enterprises

SPAP: *Standar Profesional Akuntan Publik* (Indonesian public accountant professional standards)