THE RELATIONSHIP BETWEEN COMPANY SIZE AND AUDIT COMMITTEE TO TIMELINESS OF FINANCIAL REPORTS WITH AUDIT DELAY AS MEDIATION VARIABLES

Easty Safitry Tinumbia,
Ali Djamhuri,
Imam Subekti

ABSTRACT

Timeliness of financial statements is one of the important aspects that concern the users of financial statements. Financial statements must meet the quality characteristics. These qualitative characteristics will not be fully fulfilled if the financial statements issued are late. Factors related to the timeliness of financial statements are the size of the company and the audit committee. Audit delay is used as a mediating variable in relation to the characteristics of the company and the audit committee to the timeliness of financial statements. The research population is all companies listed on the Indonesia Stock Exchange. The sample method used was purposive sampling with a total sample of 692 from 346 companies. The research method used is path analysis. The results showed that firm size had a positive effect on the timeliness of financial statements, the size and frequency of audit committee meetings had a positive effect on the timeliness of financial statements, audit delay had a negative effect on financial report timeliness, audit delay mediated the positive relationship of company size, size and frequency of audit committee meetings against the timeliness of financial statements.

Keywords: Company Size, Audit Committee, Audit Delay and Timeliness of Financial Reporting

INTRODUCTION

Financial information, in order to have usefulness, must fulfill several qualitative characteristics, among which are understandable, relevant, and reliable. These qualitative characteristics will not be fully fulfilled if financial statements are published late (Martani et al. 2016: 36-41). Regulation of the Financial Services Authority number 29 / POJK.04 in 2016 states that the annual report deposited to the IDX is maximally within 120 days. This shows how important the timeliness of financial statements is available to the public.

Financial reports that are late in issuance can result in several losses including delays in the disclosure of opinion by the auditor regarding the fairness of the presentation of financial statements that can worsen information asymmetry which causes increased uncertainty regarding investment-related decisions (Naimi, 2010). Some investors, who have more resources, will try to get financial information earlier than other investors by issuing higher costs and use of information and will take advantage of this information to immediately take actions that will only benefit themselves (Afify, 2009) In addition, investors also feel that companies that do not publish their financial reports on time are bad news signals (Dao & Pham, 2014). Therefore, investors generally prefer financial reports issued on time in order to immediately adjust their investment decisions (Habib & Bhuiyan, 2011).

Some cases of delays in the financial statements of companies listed on the Indonesia Stock Exchange included among them 49 cases out of 530 companies (9.25%) that were late in submitting audited financial statements in 2013 (Hasniawati, 2014). Furthermore, there were 52 companies late in delivering 2014 audited financial statements of a total of 547 companies (9.51%) (Nabhani, 2015) and in 2015 there were 63 companies that were late in submitting audited financial statements of a total of 581 companies (10.84%) listed on the Indonesia Stock Exchange (Melani, 2016). Large companies are expected to be able to complete their financial statements faster than smaller companies. This is because large companies have a control system and are able to work together effectively to oversee the company (Owusu-Ansah, 2000). Research conducted by Das (2015), Ismail & Chandler (2010) and Owusu-Ansah (2000) shows that firm size has a positive effect on timeliness. Different from the study, the study conducted by Abdelsalam & El-Masry (2008), Ika & Ghazali (2011), Dyer & Hugh (1975) and Ettredge et al, (2002) found no influence between company size and timeliness of financial statements.

Corporate governance comes from agency theory which is based on contractual relationships between principals and agents. Corporate governance that is suspected of being able to reduce the delay in issuing financial statements is the audit committee. The audit committee is one of the committees established to assist the implementation of the duties of the board of commissioners in terms of supervision of the performance of the board of directors in accordance with the principles of good corporate governance or Good Corporate Governance. According to KNKG (2006), the duties and responsibilities of the audit committee are closely related to financial statements. Therefore, the task of an audit committee that is carried out properly, can improve the quality and timeliness of the issuance of audited financial statements which will lead to a reduction in information asymmetry (Hassan, 2016). Emeh & Appah (2013) shows that independence and expertise have an influence on the timeliness of financial statements while the number of meetings and the size of the audit committee have no effect on the timeliness of financial statements. Toding & Wirakusuma (2013), and Putra & Ramantha (2015) found no influence between audit committees and timeliness of financial statements.

The Regulation of the Financial Services Authority number 29 / POJK.04 in 2016 states that the annual report deposited to the IDX is an audited financial report. The length of the audit process also greatly determines the timeliness of the publication of financial statements. Therefore, this study uses audit delay as a mediating variable. Audit Delay is the number of days the financial statement audit is carried out to completion (Ashton et al., 1987). The shorter the audit delay period, the shorter the time needed to deliver audited annual financial reports so that the publication of the company's annual financial statements will be faster and its relevance will be maintained.

Based on the background above, this study is expected to be able to close the gap that occurs because of the inconsistency of the results of previous studies. The formulation of the problem that can be made is whether the size of the company, the size of the audit committee and the frequency of audit committee meetings affect the timeliness of financial statements, is there an effect of audit delay mediation from the influence of firm size, audit committee size and frequency of audit committee meetings on financial report timeliness?

LITERATURE REVIEW

Timeliness of Annual Report Submission in Indonesia

Regulations related to the compliance of companies listed on the Indonesia Stock Exchange to submit their annual reports regulated in OJK Regulation No. 29 / POJK.04 / 2016. In the regulation it is stated that public companies must submit annual reports to the OJK no later than the end of the fourth month (120 days) after the financial year ends.

Characteristics of the Company

Company Size

The size of the company is estimated to be able to influence the timeliness of submission of financial statements. Large companies usually report their financial reports more timely because large companies have large resources. Large companies are also overseen by investors, financial analysts and the government compared to small companies so large companies must have strategies to be able to produce financial reports on time (Afify, 2009).

Audit Committee

The audit committee, which is a committee formed by the board of commissioners, has an important role in supporting the duties of the board of commissioners. The audit committee is tasked with ensuring that the company's financial statements have been fairly presented in accordance with generally accepted accounting standards, ensuring that the internal control system is well implemented, conducting internal audits and appointing independent auditors to conduct external audits, and following up on audit findings by management (KNKG, 2006). Therefore, the existence of an audit committee is able to accelerate the financial reporting process.

Audit Delay

Audit delay, is the time range from the closing date of the company's year-end book to the date stated on the financial statements of the independent auditor (Ashton et al, 1989). The company must submit its financial statements to the IDX on time at the end of the 4th month. The time limit given is used by external auditors to assess the fairness of the company's financial statements which will end with the release of an independent auditor's report containing opinions regarding the fairness of the financial statements.

Framework

Effect of Company Size on Timeliness of Submitting Financial Statements

Research conducted by Ismail & Candler (2010) found that large companies tend to report their financial statements more timely than small companies. This is because large companies have more resources, such as the large number of accounting staff and advanced accounting information systems. Large companies can install and operate computer equipment that can process and monitor accounting information more quickly. Large companies will publish reports faster because they are more closely watched by financial analysts and a large number of investors who will review their performance regarding investment decision making.
H1: Company size has a positive effect on timeliness of financial statements.

The influence of the Audit Committee on the timeliness of submission of financial statements

According to OJK regulation Number 55 / POJK.04 / 2015, members of the audit committee have a minimum of three members. Potential problems can be reduced by a larger number of audit committees. The large number of audit committees will increase resources in conducting supervision and improving the quality of supervision (Naimi et al. 2010). Research conducted by Puasa et al (2014) also shows that the size of a large audit committee can ensure that the company's internal control is strong so that it can reduce the delay in audited financial statements.
H2: The size of the audit committee has a positive effect on the timeliness of financial statements.

The audit committee meeting required by legislation is at least once every three months and is attended by at least more than half the number of members. Meetings are one way to measure the level of craft of the audit committee in carrying out their duties. Meetings are times when directors discuss the financial reporting process and the process of monitoring financial statements. The audit committee will be increasingly informed of the progress and problems of accounting and auditing faced by the company so that they can be dealt with more quickly (Naimi et al, 2010). Fasting et al (2014) showed that the number of audit committee meetings had a positive effect on the timeliness of financial statements.
H3: The frequency of audit committee meetings has a positive effect on the timeliness of financial statements.

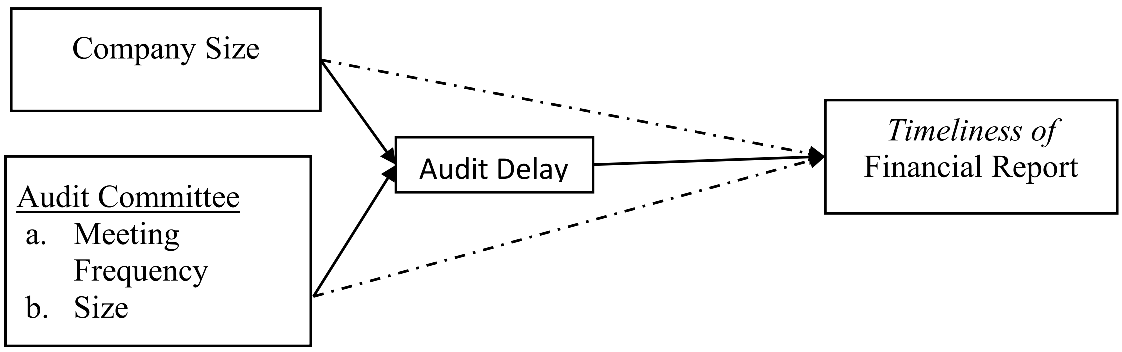
Companies listed on the IDX must be audited regarding the company's annual financial statements. One of the provisions to publish an annual report is to attach an independent auditor's report so that the length of the audit (audit delay) can affect the timeliness of financial statements. Research conducted by Hashim et al (2013) shows that the length of the audit has a positive effect on the timeliness of the publication of annual financial statements.
H4: Audit delay has a positive effect on timeliness of financial statements

Effect of company size on timeliness of financial statements through audit delay.
Large companies usually have good internal control. This will have an impact on the decrease in misstatement and fraud when the process of preparing financial reports is good internal control, also helps the auditor in completing his task which can lead to reduced audit time (Carslaw & Kaplan, 1991). Large companies can immediately pay the audit fees immediately after the end of the year to close the book so that the audit can be completed immediately (Afifiy, 2009). Large companies can also put a lot of pressure on the auditor to immediately start and complete the audit process. The research conducted by Hassan (2016), and Alfraih (2016) found a negative influence on company size and length of audit time.
H5: Company size has a positive effect on the timeliness of financial statements through audit delay.

The influence of the audit committee on the timeliness of financial statements through audit delay.
The task of the audit committee is very important with regard to the quality of financial statements. The audit committee also helps in bridging communication between external auditors and management so that audit problems are resolved faster. Naimi et al. (2010) found that more members and the number of audit committee meetings were more often able to produce audit reports on time. That way, the resulting report is more qualified. This can make it easier for auditors to carry out audits, especially field checks so that the auditor can immediately produce an independent auditor's report. The company can immediately submit audited financial statements to the IDX. Thus, financial reports are delivered more timely.
H6: Audit committee size has a positive effect on the timeliness of financial statements through audit delay.

The regulations required by the FSA state that companies listed on the IDX must carry out meetings at least 4 times a year with a minimum of half the total attendance. Audit committee members are also more informed about accounting and audit issues so that they can immediately direct internal and external auditors to immediately solve the problem in a timely manner. This shows that auditors can save more time in completing their checks so that the independent auditor's report can be published immediately because of the active involvement of the audit committee (Kuslinihati & Hermanto, 2016). That way, annual financial reports can be immediately delivered more timely.
H7: The frequency of audit committee meetings has a positive effect on the timeliness of financial statements through audit delay.

Figure 1. Research Model



RESEARCH METHODS
This research is explanatory research. This study is a hypothesis testing where this study examines the hypothesis of the existing variables to determine the effect of the tested variables (Hartono, 2010). Secondary data is used in this research (Hartono, 2010). The collection technique used is the technique of collecting data from the database. The data that will be used in this study is the annual report of the audited public company listed on the IDX in 2014-2015. This research data can be obtained on the official website of the Indonesia Stock Exchange (IDX), namely www.idx.co.id. The population of this study uses public companies listed on the Indonesia Stock Exchange (IDX), while the samples used are companies listed on the IDX with the period 2014-2015. The technique used in determining the sample is purposive sampling. The amount of data used is 692 from 346 companies. The method of analysis of this study is path analysis (path analysis) with the help of SPSS version 25.00. Path analysis is an extension of multiple linear regression analysis, or path analysis is the use of regression analysis to estimate the relationship between causality between previously defined variables (Ghozali, 2016: 97).
To test the hypothesis using the regression model as follows:

Where AD = audit delay, CS = company size, ACMeet = frequency of audit committee meetings, ACCize = audit committee size, Time = timeliness of financial statements

$AD = \alpha_0 + \alpha_1 CS + \alpha_2 ACMeet + \alpha_{83} ACSize+ + e_1$
$Time = \alpha_0 + \alpha_1 CS + \alpha_2 ACMeet + \alpha_3 ACSize + e_1$
$Time = \alpha_0 + \alpha_1 CS+ + \alpha_2 ACMeet + \alpha_3 ACSize + \alpha_4 AD + e_1$
$Time= \alpha_0 + \alpha_1 AD + e_1$

Variable Operations Research and Definitions

This research consists of dependent and independent variables. The dependent variable of this study is the timeliness of submission of financial statements measured based on the number of days since the close of the book at the end of the annual financial report until the date of the annual financial report published on the Indonesia Stock Exchange. The independent variables used include company size measured using the natural logarithm of total assets, the size of the audit committee measured by the number of existing audit committees, and the frequency of meetings measured by the number of meetings held by audit committee members in a year.

RESULTS AND DISCUSSION

Based on table 1, it can be seen that the dependent variable of this study is the timeliness of submitting financial statements measured based on the number of days since the closing of the year-end annual financial report until the date of the annual financial report published on the Indonesia Stock Exchange. The timeliness of submitting financial statements has a value of at least 8 days, a maximum of 239 days, an average of 86.83 days and a standard deviation of 18.54. Audit delay is measured by the length of the audit process from the start until the issuance of an independent auidtor report. Audit delay has a value of at least 7 days, a maximum of 167 days, an average of 74.7 days and a standard deviation of 19.77. Company size is measured by the natural logarithm of total assets. The size of the company has a minimum value of 23.76, a maximum of 34.44, an average of 28.71 and a standard deviation of 1.87. The size of the audit committee, measured by the number of members, has a minimum value of 2 people, a maximum of 6 people, an average of 3.16, and a standard deviation of 0.56. The frequency of audit committee meetings, which is measured based on the number of meetings held during the year, has a minimum value of 1, a maximum of 70, an average of 7.46, and a standard deviation of 7.65.

Table 1: Descriptive Statistics

Variable	Minimum	Maximum	Mean	Standard Deviation
Timeliness	8.00	239.00	86.83	18.54
Audit delay	7.00	167.00	74.70	19.77
Firm Size	23.76	34.44	28.71	1.87
Audit committee size	2.00	6.00	3.16	0.56
Audit committee meeting	1.00	70.00	7.46	7.65

Table 2: Hypothesis Testing
Audit delay as a variable dependent

Variable	Beta	t
CS	-2.254**	-4.800
CAMeet	-0.489**	-5.050
CASize	-4.360*	-3.087

F= 15.478, sig= 0.000, *Adj.* R^2 = 0.159
* Significant in level 5% or 0.05 or ** Significant in level 1% or 0.01

* The first path analysis is carried out by testing whether the independent variable influences the mediating variable. Based on table 2 shows that company size has a significant negative effect on audit delay. This result supports researchers who were carried out by. Hassan (2016) and Ahmad et al (2016). Audit committee meetings have a negative effect on audit delay and the size of the audit committee has a significant negative effect on audit delay. The results of this study support Naimi (2010) Nelson & Shukeri (2010), and Kuslinihati & Hermanto (2016).

Table 3: Hypothesis Testing
Timeliness as the dependent variable

Variable	Beta	t
CS	-1.421**	-3.248
CAMeet	-0.442**	-4.908
CASize	-4.840**	-3.679

F= 16.708, sig= 0.000, *Adj.* R^2 = 0.170
* Significant in level 5% or 0.05 or ** Significant in level 1% or 0.01

The next path analysis is to test whether the independent variables influence the dependent variable. Even though the test results show a negative sign, they are considered positive because the less time it takes to publish financial statements, the more timely the financial statements are published. Based on table 3 shows that the size of the company has a significant positive effect on the timeliness of financial statements, then H1 is accepted, this means that the larger the company, the faster the financial statements are published. This is because large companies are generally supported by good resources, such as quality accounting staff and have a good accounting and internal control system that allows faster financial reports to be produced. The results of this study support previous studies conducted by Ismail & Chandler (2010) and Hashim et al (2013).

Audit committee size has a significant positive effect on the timeliness of financial statements, then H2 is accepted, this indicates that the greater the number of audit committee members, the more timely the financial statements are published. the number of large audit committees usually consists of members who have different skills so it is possible to find and resolve existing problems faster. The large size of the audit committee can also ensure that the company's internal controls are strong so that financial reports can be more timely produced. The results of this study support the results of research conducted by Puasa et al (2014).

Audit committee meetings have a significant positive effect on the timeliness of financial statements, so H3 is accepted, this shows that the more frequent meetings conducted by the audit committee, the faster the financial statements are published. The results of this study support the research conducted by Puasa et al. (2014). Regular audit committee meetings are a means to oversee the financial reporting process and discuss problems that arise to immediately find a solution. In addition, audit committees that often conduct meetings also have a lower level of likelihood of fraud in the financial statements and the restatement of financial statements.

Table 4: Hypothesis Testing

Variable	Beta	t
AD	0.733**	32.896

Timeliness as the dependent variable
F= 1082,127, sig= 0.000, *Adj.* R^2 = 0.610
* Significant in level 5% or 0.05 or ** Significant in level 1% or 0.01

Table 4 shows that audit delay has a negative effect on the timeliness of financial statements, so H4 is accepted. The longer the audit delay, the less timely the financial statements will be issued. The longest audit process is the stage of collecting audit evidence, where the auditor must carry out inspections, observations and confirmations with the internal and external parties of the company. Auditors often face differences of opinion with companies regarding the findings of auditors so that a meeting between the two parties needs to be done. The results of this study support the research conducted by Hashim et al (2013).

Table 5: Hypothesis Testing
Timeliness as the dependent variable and entering mediation variables

Variable	Beta	t
CS	0.136	0.455
CAMeet	-0.105**	-1.701
CASize	-1.829*	-2.055
AD	0.691**	28.831

F= 116.469, Sig= 0.000, Adj. R^2= 0.626
* Significant in level 5% or 0.05 or ** Significant in level 1% or 0.01

The path analysis in table 5 shows that the audit delay perfectly mediates the effect of firm size on timeliness of financial statements, H5 is accepted. This means that auditors who audit large companies require less time. This is because large companies generally have good internal control so as to reduce the possibility of material misstatement and fraud in financial statements so that the auditor can immediately begin and complete the audit process. Of course this will have an impact on the rapid completion of the independent auditor's report, which is a requirement of the publication of the annual financial report on the IDX. This situation shows that the submission of annual financial reports will be more timely to the IDX.

Table 5 shows that the audit delay partially mediates the influence of the size of the audit committee on timeliness of financial statements, H6 is accepted. Many audit committee members also make it easier to carry out supervision during the process of preparing financial statements. That way, the resulting report is more qualified. This can make it easier for auditors to carry out audits, especially field checks so that the auditor can immediately produce an independent auditor's report. The company can immediately submit audited financial statements to the IDX. Thus, financial reports can be delivered more timely. Table 5 shows that the audit delay partially mediates the effect of the frequency of audit committee meetings on the timeliness of financial statements, H7 is accepted. Audit committee members are also more informed about accounting and audit issues so that they can immediately direct internal and external auditors to immediately solve the problem in a timely manner. This shows that auditors can save more time in completing their checks so that an independent auditor's report can be issued immediately. That way, annual financial reports can be immediately delivered more timely.

Conclusions

The results showed that the size of the company had a positive effect on the timeliness of financial statements supporting the results of research conducted by Ismail & Chandler (2010) and Hashim et al (2013). The size and frequency of audit committee meetings have a positive effect on the timeliness of financial statements supporting the research conducted by Puasa et al (2014). Audit delay mediates the positive relationship of firm size, size and frequency of audit committee meetings to timeliness of financial statements. The theoretical implications of the results of this study as a whole support the theory used, namely agency and signal theory. The results of this study can also help investors and potential investors in connection with investment decisions taken based on information from the publication of audited annual financial reports on time.

The limitation of this study is that the annual report period used is only 2 years, 2014 and 2015, so it is expected that in the next study use more periods. There are several other variables that can be used to test the effect of timeliness of financial statements such as other corporate governance variables such as independent commissioners, adding other audit variables such as specialist auditors and audit tenure.

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Easty Safitry Tinumbia,
Faculty of Economic and Business, University of Brawijaya
easty.safitry24@gmail.com

Ali Djamhuri,
Faculty of Economic and Business, University of Brawijaya

Imam Subekti
Faculty of Economic and Business, University of Brawijaya