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Research Article

Do Audit Committee Competence and Firm Size Influence Audit Delay? (Empirical Study on Mining Sector Companies Listed on Indonesia Stock Exchange 2017-2019)

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Abstract.
This study aimed to analyze the influence of audit committee competence and audit firm-size on audit delay. This research was conducted using quantitative approaches and utilized data from 43 mining sector companies listed on the Indonesia Stock Exchange during 2017-2019. The result of the study concluded that audit committee competence and audit firm size partially have a negative effect on audit delay. Audit committee competence and audit firm size simultaneously negatively and significantly affect audit delay.

Keywords: Audit Delay, Audit Committee Competence, Audit Firm Size.

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1. Introduction

Financial statements are one of the important instruments in supporting the sustainability of a company, because financial statements have a role in the process of

Financial statements must be of high quality before being submitted to users of financial statements because users of financial statement information require a complete, transparent, and timely report. Financial statements will be reduced if the submission is not on time because it becomes less relevant and reliable[1]. Based on the regulation of the Financial Services Authority No. 29/pojk.04/2016 on the annual report of issuers or public companies states that issuers or public companies must submit an annual report to the Financial Services Authority no later than the end of the fourth month after the financial year ends. However, according to data from the Indonesia Stock Exchange (IDX) in 2017-2019, there are still many companies listed on IDX have not been able to meet the obligation to report.

Based on company's data on IDX from 2017 to 2019, there are at least 5-17 issuers who are sanctioned to the stage of temporary stock freeze. The freezing of the company's

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shares is because the company has not collected its obligations, one of which is financial statements. Some companies are affected by the stock freeze sanctions above come from various sectors listed, ranging from the mining sector, finance, property and others. In addition, there are companies that are always late every year in delivering their financial statements. The condition of delay in the submission of financial statements by issuers can be explained in the Signaling Theory (Signal Theory) first put forward by Michael Spence (1973) in his research entitled Job Market Signalling. Signal or condition is an action taken by company management that provides guidance to investors about how the future management of the company's prospects [8].

Good quality companies will deliberately give signals to the market, so that the market is expected to be able to distinguish which companies are of good quality and which are companies of poor quality [14]. Therefore, for the sake of the company's smooth signaling to users of financial statements, especially investors, companies need to submit financial reports in a timely manner. Every company, both small and large, requires internal and external parties who are competent in compiling and checking financial statements in a timely manner and have complete information needed by the public. Timeliness in submitting financial reports can make companies able to avoid audit delays. Therefore, the reliability of internal and external parties in compiling and examining financial statements is very important because it can affect the company's performance [30].

The company's audit committee as an internal party of the company has an important role in encouraging the presentation of financial statements in a timely manner. The competence of the audit committee is considered very important for an audit committee in carrying out its duties and functions properly. In the audit committee is required to have at least 1 (one) person who has an accounting and finance's educational background. This is taken into consideration that the audit committee's duties are closely related to accounting and financial issues in the company's financial reporting process. As the chairman of the audit committee should have an educational background and experience in accounting and finance.

Furthermore, external parties who play a very important role in the timeliness of the delivery of the company's external auditor's financial statements. The external auditor is the one who examines the financial statements and ensures they are true and fair reports (ACCA,2018). According to the Regulation of the Minister of Finance No.17 / PMK.01 / 2008, The Public Accounting Firm (PAF) is a business entity that has obtained permission from the Minister as a container for Public Accountants in providing their services. Public Accounting Firms (PAF) are often categorized by size. The largest offices are KAP Big Four which include Deloitte, Ernst & Young, KPMG, and Price water house Coopers [11], KAP the big four generally has greater resources (competence, expertise and capabilities of auditors, facilities, auditing systems and procedures used, etc.) compared to KAP Non big four. Thus, KAP the big four will be able to complete audit work more effectively and efficiently.

The functions of audit committees and external auditors relate to agency theory that describes the board of directors, directors and audit committees, each of which serves as a monitoring mechanism to reduce agency problems that can occur [25.] Agency theory defines that in an agency relationship there is a contract in which one or more persons (principals) command another person (agent) to perform a service on behalf of the principal and authorize the agent to make the best decision for the principal based on Theory of Jensen and Meckling (1976). Managers, as agents can exploit their position to engage in their personal interests at the expense and maximize the wealth of owners do not have closed monitoring of managers' decisions (Hassan, 2016)[16].

This research aims to find out and analyze the influence of the audit committee's competence and PAF measures on audit delays on mining sector companies listed on the Indonesia Stock Exchange in 2017-2019.

2. Literature Review

2.1. Agency Theory

Agency theory is a theory that explains the relationship between manager (agent) and owner (principal) in which the principal authorizes the agent to make the best decisions for the principal for the company. The agent as the manager of the company knows more about the company's internal information and prospects in the future than the principal. More information that managers have can trigger them to do their desire in accordance with their wishes and interests to maximize their utility. , One example is by manipulating financial statements to make better performance in the eyes of the principal [34, 22]. In order for the principal to avoid the manager's actions like that, the Principal employs an external auditor at the Public Accountant Firm (PAF) to mediate conflicts that occur between the principal and the agent.

In addition, before financial statements are examined by external auditors, a company also has an audit committee. The company's audit committee is tasked with assisting the process of monitoring the company's performance and in terms of preparing the company's financial statements. From an institutional perspective, the audit committee is considered to be a party that conducts monitoring in the field of financial reporting processes that also aims to reduce agency problems[28]. Therefore, the work that the audit committee does, it can also affect how information about the company is conveyed to its readers.

Agency theory also discusses how information asymmetry between managers as agents and owners as principals arises from conflicts of interest between each party. On the other hand, financial statements reported in a timely manner can reduce information asymmetry[20]. Therefore, to minimize conflicts between principals and agents, financial statements must be submitted in a timely manner so that there is no audit delay.

2.2. Signalling Theory

Signal theory posits about how a company signals users financial statements. This signal is information about what has been done by management to realize the wishes of the owner. Signaling theory states that a good quality company will deliberately provide a signal to the market, thus the market is expected to distinguish good and bad quality companies[15] Good quality information will reduce the asymmetry of information that arises between management who are more aware of internal information compared to external parties of the company. One of the information issued by the company is an annual financial statement that contains all financial and non-financial information so that it can reflect the company's performance.

In accordance with the qualitative characteristics that must be owned by financial statements, financial statements must be presented reliably, comparably, easily understood, and relevant that contains information needed by decision makers. In maximizing the work so that the signal that wants to be delivered is received well by investors, then the signal must be given in a timely manner so as not to reduce the benefits. According to IAI[18] that the purpose of financial reporting is to provide information regarding the financial position of a company that is beneficial to a large number of users in economic decision making. The longer the auditor completes his audit work, the longer the audit delay. If the audit delay is longer, then the delay in publication of financial statements will be even greater (Hossain and Taylor, 1998). Therefore, the audit process conducted by external auditors can also determine the timeliness of the delivery of financial statements, so that there is no audit delay that will give a bad signal to investors.

2.3. Audit Delay

Definition of *audit delay* is the time difference between the end of the financial statements year and the completion date of the audit process stated in the financial statements[9]. The length of time this audit is calculated from the difference in the date of the company's annual financial statements from January 1 to the date stated in the independent auditor's report. So, *audit delay can* be expressed in units of the day. The length of the audit completion process can affect the audit delay in the delivery of audit financial statements. As a

result, it can be bad for capital market participants and uncertainty in economic decision making. If the audit delay is getting longer then the possibility of delays in the delivery of financial statements will be greater [21].

If the audit delay is getting longer, then the possibility of delays in the publication of financial statements will be greater impact. PSAK No.1 Paragraph 43states that if there is an appropriate delay in reporting, the resulting information will lose its relevance. The above statement is also supported by signal theory and agency theory which states that punctuality in the disclosure of financial statements is important for users of financial statements and is also able to maintain the relevance and quality of financial statements. If the publication of audited financial statements exceeds the maximum limit, it can interfere with the decision of investors or other users of information in decision making [13].

2.4. Competence of The Audit Committee

The Decision of the Chairman of Bapepam Number: Kep-41/PM/2003 broadly states that the Audit Committee is a committee formed by the Board of Commissioners in order to help carry out its duties and functions. Furthermore, BAPEPAM decree number: Kep-643/BL/2012 requires all companies listed on the stock exchange to have an audit committee. Based on The Financial Authority (OJK) Regulation No. 55 of 2015, the audit committee must have at least 1 (one) member with an educational background and expertise in accounting and finance. The competence of the audit committee here is the experience and expertise possessed by members of the audit committee in the field of accounting and finance in order to perform supervisory duties on management and ensure the quality of financial reporting [2].

Supporters of agency theory also argue that the presence of audit committee members with good financial capabilities will maintain accountability and ensure the work of external auditors is done competently, understand audit assessments and mediate when there is auditor / management of the company's disagreements that are ultimately suspected to reduce the occurrence of audit delay (Sultana et al.,2015).In addition, in signal theory also states if the performance carried out by the audit committee is good, then the company can give a

good signal to the users of financial statements. With the competence of audit committee members, the functions and roles of the audit committee are more effective and facilitate the audit process from external auditors, so that audit reports can be completed faster [32].

2.5. Public Accounting Firm (KAP) Size

Regulation of the Financial Services Authority No. 13/pojk.03/2017 concerning the use of public accounting services and public accounting firms in financial services activities states that the Public Accounting Firm which is further abbreviated as KAP is a business entity established based on the provisions of the laws and regulations and obtains a business license as referred to in the Law on Public Accountants. External Auditors are the ones who examine financial statements and make sure they are true and fair reports based on ACCA (2018). External auditors in this case are parties that can affect the speed in the issuance of financial statements which depends on how long the audit process conducted by external auditors. In signal theory, it is important for companies to speed up the audit process so that there are no delays in the delivery of financial statements.

There are several aspects that allegedly reflect the quality of KAP which is then alleged to have an influence on audit delays. Some of these aspects include the size of KAP and the proximity of KAP area to the company. The size of the Public Accounting Firm according to the Financial Profession Development Center (PPPK) in 2015 is divided into 5 (five) namely small KAP, medium KAP, LARGE KAP, very Large KAP and KAP Big Four. In addition, the size of the Public Accounting Firm[4] in the group became two, namely KAP The Big Four and Non Big Four.

In the theory of agency, the company requires a 3rd party to mediate the conflict that occurs between the interests of the principal and the agent. External auditors are parties who can mediate the interests of the parties with agent in managing the company's finances. Therefore, how the performance of external auditors sheltered in KAP is important for the client company because the external auditor is the party who can show the user the financial statements whether the client's company's financial statements are reasonable or unnatural. However, each KAP must have quality and to the time of completion of different financial statements.

2.6. Hypothesis

Based on the above explanation and the results of previous research, the hypotheses of this study are:

H1: The competence of the audit committee negatively affects audit delay.

H2: KAP's size negatively affects audit delays.

H3: Simultaneously the competence of the audit committee and the size of KAP affect the audit delay.

3. Research Methods

This research was conducted on mining sector companies listed in the Indonesia Stock Exchange in the period 2017-2019. The objects of this research are the competence of the audit committee(X1), KAP size (X2) and audit delay (Y). The type of research used in this research is quantitative research. The population in this study is all companies going public mining sector registered with IDX in 2017-2019. The total population in the study was 47 companies. Based on the criteria determined by the sample in this study, there were 43 companies, multiplied by 3 years so that the number of observations was 129 samples.

The data sources in the study used secondary data. Secondary data is data obtained and collected through documentation in the form of financial statements and annual reports of mining companies in the period 2017- 2019 accessed on the official website of the Indonesia Stock Exchange. The data collection techniques in this study are literature and documentation studies. Documentation is the process of retrieving secondary data in the form of financial statements and annual reports of the company on the official website of the IDX. The methods used in this study are classic assumption tests and hypothesis tests. Please provide a shortened running head (not more than four words, each starting with a Capital) for the title of your paper. This will appear with page numbers on the top right-hand side of your paper on odd pages.

4. Result and Discussion

4.1. Research Results Descriptive Analysis

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Y_AD	129	31	197	88,43	31,070
X1_KKA	129	0	1	,56	,499
X2_UKAP	129	0	1	,38	,487
Valid N (listwise)	129				

Descriptive Statistics

Source: IBM SPSS 26 Output Results processed in 2020

4.2. Descriptive Statistics

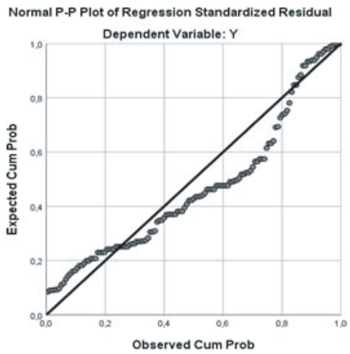
The above table shows that the average length of audit delay of 88.43 days and standard deviation of 31.07. From the table above, it appears that the average audit delay of companies sampled in this study is still below

(120) calendar days which is the maximum limit set by OJK in the submission of financial statements or April 30 of each year. The competence of the audit committee showed an average of 0.56 and a standard deviation of

0.49. This condition indicates that most of the sample companies are 56% eligible in the Financial Services Authority Regulation (2015), which has stated that at least one committee member who has an educational background / experience in accounting / finance within the company.

The results of descriptive analysis of company KAP size variables obtained an average value of 0.38 and a standard deviation of 0.48. The results of this study showed that of the 43 companies sampled, 62% or 27 of the sample companies were audited by KAP non-Big Four and as many as 38% or 16 companies audited by KAP Big Four.

4.3. Inferential Analysis Normality Test



Source: IBM SPSS 26 Output Results processed in 2020

The normal probability plot graph above shows that the points spread around the diagonal line, and their distribution follows the direction of the diagonal line. So that the regression model is feasible to use for audit delay predictions based on the input of the independent variables and has met the assumption of normality.

4.4. Multicollinearity Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	T	Sig.	Tolerance	VIF
1	(Constant)	105,395	4,528		23,278	,000		
	X1	-16,685	5,176	-,268	-3,223	,002	,980	1,020
	X2	-20,134	5,296	-,316	-3,801	,000	,980	1,020

a. Dependent Variable: Y

Source: IBM SPSS 26 Output Results processed in 2020

The results of the multicollinearity test in the above table show that independent variables namely the competence of the audit committee and kap size have a tolerance value on the competence of the audit committee which is

0.98 and the KAP size is 0.98. This indicates that the tolerance value for each variable has qualified at more than 0.10. Variance Inflation Factor (VIF) value for independent variables of audit committee competence of

1.02 and KAP size of 1.02 where the value has qualified VIF≤10. Thus it can be concluded that there is no multicollinearity between independent variables in the regression model in this study.

4.5. Autocorrelation Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,384[a]	,148	,134	28,90984	1,266

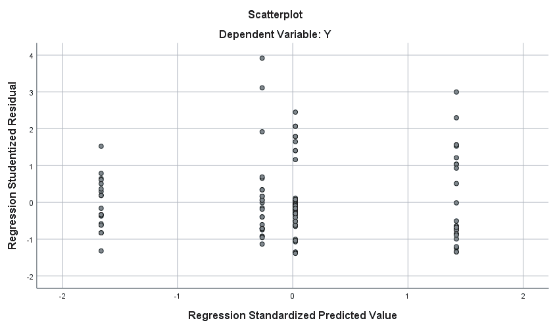
a. Predictors: (Constant), X2, X1

b. Dependent Variable: Y

Source :IBM SPSS 26 Output Results processed in 2020

Table 4.3 above shows that the Durbin-Watson (D-W) number is 1.266 where the number is between -4 to +4 which means the regression model in this study shows no autocorrelation in the study.

4.6. Heteroskedasticity Test



Based on the scatterplot graph above, it can be seen visually the points spread randomly (do not form a clear pattern) and spread both above and below the number 0 on the Y axis, so it can be concluded that the regression model in this study is free from heteroscedasticity problems and worth using to predict audit delay variables based on the input of free variables.

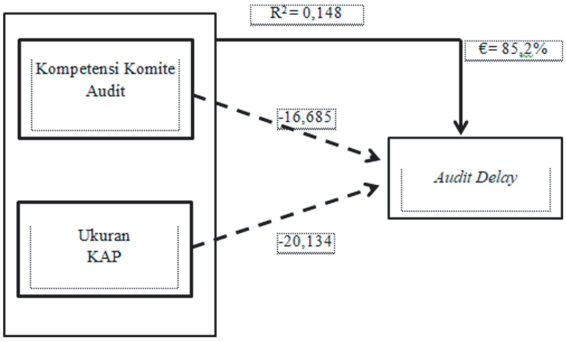
4.7. Multiple Linear Regression

Model	Unstandardized Coefficients		Standardize Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	105,395	4,528		23,278	0,000
X1_KKA	-16,685	5,176	-0,268	-3,223	0,002
X2_UKAP	-20,134	5,296	-0,316	-3,801	0,000
R^2	0,148				
F	10,92				
Sig	0,000[b]				

Source :IBM SPSS 26 Output Results processed in 2020

Table 4.4 above can be described as a research scheme the influence of the competence of the audit committee and the size of KAP on audit delay as follows:

5. Research Result



The results of the regression coefficient in the above scheme are obtained as follows:

$$Y = 105{,}395 - 16{,}685\ X1 - 20{,}134\ X2 + €$$

The regression coefficient for the audit delay variable is 105,395. This means that if the audit committee's competency variables and KAP size have a constant value or equal to zero, then the audit delay will remain at 105,395.

The regression coefficient for the audit committee competency variable is -16,685, meaning that there is a negative relationship between the audit committee's competence to audit delay. So it can be concluded that if the audit committee competency variable increases and other variables are assumed to be constant or equal to zero, then the audit delay variable will decrease by 16,685.

The regression coefficient for the KAP size variable is - 20,134, meaning that there is a negative relationship between the KAP measure and the audit delay. So it can be concluded that if the KAP size variable increases and other variables are assumed to be constant or equal to zero, then the audit delay variable will decrease by 20,134.

6. Discussion

6.1. Effect of Audit Committee Competence on Audit Delay

Based on the results of the test t this study shows that there is a negative and significant influence between the competence of the audit committee on audit delay. In this case, the more competent the audit committee will have the potential to reduce the occurrence of audit delays. The results of this study are in line with the Financial Services Authority Regulation in 2015 which states that at least one of the audit committee members has an educational background / experience in accounting / finance. This proves that education and experience in the field of accounting or finance owned by the audit committee, especially the chairman of the audit committee can reduce the audit delay period. The results of this study are supported by the results of research[32] which states that the competent chairman of the audit committee can facilitate the function and role of the audit committee he leads more effectively and also facilitate the audit process carried out by external audits, so that the audit report can be completed on time.

This is also supported by the results of research [31,28] which states that the chairman of the audit committee who has experience in accounting or finance will be able to improve the quality of financial reporting by reducing significant errors and irregularities. So that the condition is allegedly able to reduce the amount of audit work required by external audits. Audit committees that are competent in carrying out monitoring tasks in the field of financial reporting processes are proven to reduce problems between agents and principals as described in agency theory and can also launch signals that companies give to investors as discussed in signal theory.

The competence of the chairman of the audit committee in the field of accounting / finance can reduce audit delays. The competence of the chairman of the audit committee requires the responsibility of professionalism in carrying out the functions of the audit committee. One of the functions of the audit committee in the company is as a supervisory board that helps the process of monitoring the company's performance in preparing the company's financial statements. The audit commission function aims to minimize conflicts between principals and agents so that in the submission of financial statements there is no audit delay. In addition, the competence of the chairman of the audit committee can make the work done by the audit committee more effective and can make the quality of the company's financial statements better so as to reduce the occurrence of audit delays.

The results of this study are in line with the research [30,31,]

[2.28] stated that the competence of the audit committee as measured by the educational background and experience of the chairman of the audit committee in the field of accounting / finance had a significant effect on audit delay.

6.2. Effect of KAP Size on Audit Delay

Based on the results of the T test t showed that there was a negative and significant influence between the size of kap on audit delay. In this case, the larger and well-known the size of KAP will have the potential to reduce the occurrence of audit delay. KAP Big Four is allegedly likely to have greater concern for their reputation and they are also supported by auditors who are experts in accounting / finance and technology that are more advanced than Audit Office non-Big Four medium to lower scale. The KAP Big Four may be more likely to provide relatively high-quality and timely audits. KAP Big Four will also provide effective and efficient quality work so that audits can be completed on time and reduce audit delays.

The KAP Big Four is proven to reduce the problem between agent and principal as described in agency theory and can also launch signals that companies give to investors as discussed in signal theory. The KAP Big Four pay more attention to their reputation and have many auditors who are more skilled and competent than non-Big Four KAP. This has an impact in KAP big four work will tend to be more effective and avoid the possibility of audit delays.

The results of this study are in line with the results of previous studies [5,30,16,10] which stated that the size of KAP measured based on KAP Big four or KAP non-Big four had a significant effect on audit delay. This proves that KAP Big Four is more timely in working on the company's financial statements than the non-Big FourK AP.

6.3. Effect of Audit Committee Competence and KAP Measures on Audit Delay

The results of the F test of this study resulted in a calculated F of 10.92 and A table F of 3.07 with a significance value of 0.000. The test results showed a significance value of 0.000 < 0.05(level of significance = α),indicating that the competence of the audit committee and KAP size simultaneously had an effect and significant effect on audit delays. The competence of the audit committee and the size of KAP have a high contribution in reducing the possibility of audit delay. The results of this study are also in line with the former research[30,5]which stated that the competence of the audit

,committee and the size of KAP together had a significant effect on audit delays.

But R-Square value of this study is relatively low at 14.8%. So there are other variables that affect audit delay but not discussed in this study. Other study revealed also obtained a relatively low R2 value of 7.7% a study in 2016 also obtained a relatively low R-Square score of 8.4%. Based on R-Square value which is classified as very low in previous studies it can be concluded that many variables affect audit delay. Based on research conducted in 2016 [33] stated that other factors that are able to influence audit delays are industry type, auditor fee, tenure audit and other variables that were not discussed in this study. While one of a research [23] also suggests adding other variables that can affect audit delays, namely company size, industry type and auditor turnover.

7. Conclusion

Based on the above description and the results of research that has been done, it can be concluded as follows:

1. Based on regression analysis and test results t obtained that the competence of the audit committee in this study shows partially negative and significant effect on audit delay. This explains that the more competent the audit committee as measured from the background of education / experience in the field of accounting / finance owned by the chairman of the audit committee will have the potential to reduce the possibility of audit delay.

2. Based on regression analysis and test results t obtained that the kap measure in this study showed partially negative and significant effect on audit delay. This explains that the larger the size of kap, the more potentially reduce the possibility of audit delay.

3. Based on the F test obtained that the competence of the audit committee and kap size simultaneously affect and significant to audit delay. This means that the better the competence of the audit committee and the size of kap, the more potentially reduce the possibility of audit delay.

8. Implication

Based on the results of the study, it is expected to provide input to issuers both in the mining sector and in other sectors to pay more attention to factors both internally and externally that can affect the occurrence of audit delays in the company. For further researchers, the study is expected to be literature for similar subsequent studies.

9. Limitations of Research

This research is limited to discussion of the competence of the audit committee and the size of KAP against audit delays in mining sector companies listed in the IDX in 2017-2019.

Recommendations

Based on the discussions and conclusions that have been outlined earlier, the researcher in this case gives advice to the researchers are then expected to add other variables that are not included in this study to find new research results and knowledge, especially variables that can affect audit delay. So that can strengthen theR-Square results of this study.

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