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Foreword

The global economic landscape is still recovering from the prolonged economic crisis which has significantly affected consumer's buying power, hit commodity prices, as well as hampered growth in general. However, in the midst of the crisis, research has shown that family businesses remain a strong and resilient force which helps propel the economy. A Harvard Business Review article argued that family businesses tend to be more frugal and enter recessionary period with leaner cost structures.

According to McKinsey, in emerging economies, family businesses account for approximately 60 percent of the private-sector companies with revenues of $1 billion or more, compared to less than one-third of the companies in the S&P 500. However, the upward trend for family businesses as a significant part of their national economies in emerging markets remain strong, and will represent nearly 40 percent of the world's largest companies in 2025, up from 15 percent in 2010, which shows the growing importance of understanding family business and its sustainability in the long run in the midst of the current global scenario.

In this regard, the International Conference on Family Business and Entrepreneurship (ICFBE) 2017 is specifically established to be a leading international conference on family business and entrepreneurship in the region and beyond. The conference is championed by President University, a world-class higher education institution in Indonesia which was established to become a reputable research and development center in the region and to set a new benchmark in Indonesian higher education. This conference aims to gather researchers and practitioners to critically share and discuss the latest empirical, conceptual, as well as theoretical findings and trends in the field of family business, entrepreneurship, strategic management, among others.

Unlisted but related sub-topics are also acceptable, provided they fit in one of the main topic reas as follow:
1. Sustainability of Family Business
2. Succession Planning and Family Conflicts
3. Professionalization and Family Culture
4. Entrepreneurship
5. Strategic Management

Bali, May 4th, 2017
Editors

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The 1st International Conference on Family Business and Entrepreneurship

DETERMINANTS OF AUDIT REPORT DELAY IN NON-FINANCIAL LQ 45 COMPANIES - INDONESIA

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Abstract

Audit Report Delay is a length of time between financial report date and audit report date which give impact to the timeliness of that financial report for decision making. Audit report delay depends on many factors. This research will analyse several variables which are Audit Firm Type, Profitability, Leverage, Audit Effort, Absolute Level of Accrual, and Client Business Size. The sample of this research is the non-financial LQ-45 companies in Indonesia for the period of 2012 – 2015. The method used is Ordinary Least Squared (OLS) Regression model. This research found that only Audit Effort variable has significant influence to Audit Report Delay, whereas Audit Firm Type, Profitability, Leverage, Absolute Level of Accrual, and Client Business Size do not have significant influence to the Audit Report Delay in non-financial LQ 45 Companies in Indonesia for the period of 2012 – 2015.

Keywords: Audit Report Delay, Audit Firm Type, Profitability, Leverage, Audit Effort, Absolute Level of Accrual, and Client Business Size

1. Introduction

Audited financial report is very important and useful for investors and public as one of the sources of information for decision making. To be a qualified source of information for decision making, the report must be available timely, otherwise the information will not be relevant for decision making anymore. The value of the information will decrease. Audit report delay is the period of time from a company year-end financial report date until the date of the audit report (Mande & Sons, 2011). This results into a pressure for auditor to release the audited financial statement faster in order to keep the value of timeliness of audit report (Fagbemi & Uadiale, 2011; Knechel & Payne, 2001).

Otoritas Jasa Keuangan (or Financial Service Authority of Indonesia) released Law number X.K.2, Attachment of Financial Service Authority of Indonesia number KEP-346/BL/2011 about The Release of Regularly Financial Statement of a Public Listed Company. The law stipulates that a listed company have to report its audited annual financial statement to Financial Service Authority of Indonesia (*OJK*) and announce in company's website the latest on the last day of the third month after the financial report date. Different countries will also have different regulations; hence it affects the time period for audit report delay. In

Croatia Capital Market the regulation for deadline of annual audited financial report submission is four months after the year end period (Vuko & Cular, 2014), while in Malaysia is six months after the year end period (Apriayanti & Santosa, 2014).. So, Malaysia and Croatia will have a longer time period for preparing the audited financial report without violating the regulations in comparison to Indonesia.

There are several research regarding factors causing audit report delay that have been done. Research by Vuko & Cular (2014) on Croatia companies with sample of non-financial companies listed in Zagreb Stock Exchange for the year of 2008 -2011. The result revealed that profitability, leverage, and the presence of audit committee are significant. Other research done by Ghanem and Hegazy (2011) with sample companies from Kuwait. The result indicated that company size, liquidity, leverage, and type of auditors are significant. Those empirical research showed different results or different factors that have significant influence on the audit report delay since those studies vary in research objects, sample size, sample selection and observation period. Therefore, this research paper will examine the factors that affect Audit Report Delay in non-financial LQ 45 Companies in Indonesia for the period of 2012 – 2015. Several factors that will be studied are Audit Firm Type, Profitability, Leverage, Audit Effort, Absolute Level of Total Accruals, and Client Business Size toward Audit Report Delay. This research will examine whether those factors will individually as well as simulteneaously have significant influence to the Audit Report Delay.

2. Literature Review

Research have been done in finding determinants of audit report delay in several countries such as in US, Canada, New Zealand, Zimbabwe, Bangladesh, Indonesia, Negeria and Malaysia as well (Ahmad & Abidin, 2008; Apriayanti & Santosa, 2014). Several research can be seen from the table below:

Table 1: Resume of several research in audit report delay

	Vuko & Cular	Ghanem & Hegazy	Carslaw & Kaplan	Modugu, P. K., Eragbhe, E., & Ikhatua	Iyoha	Turel	Owusu-Ansah	Kartika
	2014	2011	1991	2012	2012	2010	2000	2009
Audit Committee	S (-)	***	***	***	***	***	***	***
Audit Effort	NS	***	***	***	***	***	***	***
Audit Firm Size	NS	S(-)	NS	NS	NS	NS	***	***
Audit Opinion Type	NS	***	S (+)	***	***	S (+)	***	S (+)

Audit Fees	***	***	***	S (-)	***	***	***	***
Company Size	NS	S (-)	S (-)	S (-)	S (-)	S (-)	S (-)	S (-)
Profitability	S (-)	***	S (+)	NS	NS	***	S (-)	NS
Leverage	S (+)	S (-)	***	NS	***	NS	NS	***
Industry Classification	***	NS	S (-)	NS	***	***	***	***
Liquidity	***	S (-)	***	***	***	***	***	***
Financial Year Ends	***	***	NS	***	S (-)	***	NS	***
Extraordinary Item	***	***	S (+)	***	***	***	NS	***
Contingency	***	***	S (+)	***	***	***	***	***
Company Ownership	***	***	S (-)	***	***	***	***	***
Multinational Subsidiary	***	***	***	S (+)	***	***	***	***
Company Age	***	***	***	***	S (+)	***	S (-)	***
Operational Complexity	***	***	***	***	***	***	NS	***
Income	***	***	***	***	***	S (+)	***	S (-)
% EPS	***	NS	***	***	***	***	***	***
NS: not significant	S (+) : positive significant		S (-) : negative significant					

(Source: Apriayanti & Santosa, 2014 – modified/edited)

2.1. Audit Report Delay

The time period between the year-end financial report date with the audit report date is named as Audit Report Delay (Mande & Son, 2011). Audit Report Delay is impacted by client and audit firm characteristics, namely client business size, risk, audit firm type and audit tenure (Abbott, Parker & Peters, 2012). Audit Report Delay will affect the timeliness of audit report for the purpose of decision making taken by public. Timeliness means that the relevant information is available before the data loses the capacity to affect the decision made (Kieso et al., 2011). A longer the reporting lags will decrease the information content and relevance of the data. Information is valuable if it can help the users of the information to do a right allocation of resources and risk (Godfrey et al., 2010). The shorter the audit report delay period, the better it will be, because a long Audit Report Delay can decrease the value and capacity of the information to make a right decision in the right time. Therefore, auditors are expected to accomplish all the procedures and reporting needed for audit purposes as soon as possible by still holding the value of due professional care (Fagbemi & Uadiale, 2011; Johnson, 1998; Ashton, Willingham & Elliott, 1987).

2.2. The Relationship between Audit Firm Type and Audit Report Delay

A research by Tristschler (2013) categorized a global audit market into two types which are (1) large, multinational audit firms and (2) small and medium sized practices (SMP) ones. The main criteria for the groups are based on the type and size of clients, the services offered, level of specialization, and level of public perception. The large and multinational audit firm clients usually come from large companies, where the small and medium audit firm's clients usually are the local and small and medium enterprises (SMEs).

In term of services offered by audit firms, the small and medium audit firms usually offer only services in financial statement audit and tax services while in the other hand, the large and multinational audit firms have various and broader type of services. They usually provide audit services (financial audit, compliance audit, fraud audit, etc.), advisory service (management consulting, transaction, valuation, risk consulting, etc.), tax services (transfer pricing, tax advisory service, payroll service, etc.), and capital market services (PwC, 2016; Deloitte, 2016; EY, 2016; Siddharta, Widjaja & Rekan, 2016).

The Big 4 are the leading international Certified Public Accounting Firm (CPA) which consist of PricewaterhouseCoopers (PwC), Deloitte Touche Tomatsu Limited (Deloitte), Ernst and Young (EY), and Klynveld Peat Marwick Goerdeler (KPMG). In Indonesia, PwC affiliated with KAP Tanudiredja, Wibisana, Rintis dan Rekan. Deloitte affiliated with KAP Osman Bing Satrio and Rekan. EY affiliated with KAP Purwantono, Sungkoro dan Surja. And KMPG affiliated with KAP Siddharta, Widjaja, dan Rekan.

In Indonesia, all CPA Firm are registered and must report their financial report to *Pusat Pembinaan Profesi Keuangan* under Ministry of Finance. Based on the revenue in 2015, the top four of CPA Firm in Indonesia are KAP Tanudiredja, Wibisana, Rintis dan Rekan (PwC), KAP Purwanto, Suherman, dan Surja (EY), KAP Siddharta, Widjaja, dan Rekan (KPMG), and KAP Osman Bing Satrio (Deloitte) (Indonesia, Kementrian Keuangan Republik, 2016). Big audit firm is expected to complete their audit work faster and more efficient since they have more resources such as number of auditor staffs, audit technology, and audit fee level (Ghanem & Hegazy, 2011).

Compare to A Non-Big 4, A Big 4 CPA Firms is bigger firm with sufficient personnel to perform audit procedures, more advanced technology, and have more experience in auditing big scale clients (Vuko & Cular, 2014; Ghanem & Hegazy, 2011; Carslaw & Kaplan, 1991). So, it is likely that the Big 4 CPA Firm will be able to finish the audit procedures and reporting in a shorter period of time. Modugu et al., (2012) argued that a bigger audit firm will tend to finish their audit work sooner to maintain their reputation. Therefore, the first hypothesis is formulated as follows:

H1: Audit Firm Type has significant influence to Audit Report Delay.

2.3. The Relationship between Profitability and Audit Report Delay

Profitability is an analysis to evaluate whether the management runs the company effectively by executing the right strategy (Wahlen, Baginski & Bradshaw, 2014). By analyzing a company's profitability, we can know the performance of the company and forecast its performance for the next period. One of the ratios used to calculate the profitability is Return on Assets or ROA. Return on Asset (ROA) is a measurement to calculate how successful a firm is in using its assets to generate income in a certain period.

Company with higher profitability tends to publish its financial report timely. Higher profitability is good news and management will report good news faster than bad news (loss). It means that profitability will influence audit report delay or audit timelines (Ng & Tai, 1994). Previous research by Vuko and Cular (2014) found that lower profitability leads to a higher Audit Report Delay which relates the profitability with the business risk of client. As the profitability increase, it indicates a good financial health that reduces the business risk and therefore will reduce the audit work need to be done. Reporting loss will cause a longer audit delay for two reasons. First, the company will tend to delay the announcement of loss to public as loss is a bad news. Second, loss will make auditor do more audit procedure to detect if the loss is caused by financial failure or fraud (Modugu et al., 2012; Carslaw and Kaplan, 1991). Therefore, hypothesis is formulated into:

H2: Profitability has significant influence to Audit Report Delay.

2.4. The Relationship between Leverage and Audit Report Delay

Leverage ratio is used to explain how a company finances the assets owned. Leverage ratio can be used to measure the ability of a company in paying the non-owner funds. Leverage ratio can be defined into Debt Ratio (Titman, Keown & Martin, 2014). Business risk associated with debt arises because to pay debt the company need to prepare their resource or fund. Risk analysis to examine the ability of company to generate cash to pay off debt can use Debt to Total Assets Ratio which compares the amount of debt with the amount of assets (Wahlen, Bagisnski & Bradshaw, 2014). A company which cannot pay off its debt will be difficult to obtain another credit. It will then affect the resource that the company can use for operation and will result in a decreasing profit (Warren, Reeve & Duchac, 2014). A company with higher debt will have a higher risk of bankruptcy and financial distress which will make auditor work more cautiously because of higher risk, including the existence of fraud or error (Vuko & Cular, 2014; Ghanem & Hegazy, 2011). Higher risk of bankrupt or fraud will make auditor consume more time to do a wider and deeper audit procedures. It can lengthen the audit period. Therefore:

H3: Leverage has significant influence to Audit Report Delay.

2.5. The Relationship between Audit Effort and Audit Report Delay

Audit effort represents the effort or energy and time an auditor spends in evaluating and testing other assets of the client such as inventories and receivables. Inventories are usually one of the largest assets held by a merchandising and manufacturing companies. In a merchandising company, there is only one type of inventory which is finished goods that is ready to be sold. While on the other hand, a manufacturing company usually has 3 types of inventories which are classified into raw material, work in process, and finished goods. Receivables are claims received by a company from a customer or other parties over a service performed, goods shipped, or money lent. Receivables are usually divided into current assets and non-current assets depend on the period which it is expected to due (one year or more), included as part of receivables are account receivables, notes receivables, and other receivables.

A company which has a bigger portion of receivables and inventories will need more audit effort and time. The argument is because an auditor will need more time to ensure and verify the balance between the financial statement with the real number (Vuko & Cular, 2014; Ahmad & Abidin, 2008; Modugu, et al., 2012; Carslaw and Kaplan, 1991). Audit procedures for inventory and receivables are not easy because it is an area where error or irregularities often occurs. So, it concludes to the hypothesis:
H4: Audit Effort has significant influence to Audit Report Delay.

2.6. The Relationship between Absolute Level of Accruals and Audit Report Delay

Accruals are the adjustments that reconcile net income to cash flows from operations (Wahlen, Bagisnski & Bradshaw, 2014). Included in the accruals are depreciation and amortization, deferred taxes, account receivables, prepaid expenses, inventory, other assets, account payable, accrued liabilities, and other liabilities. There are two types of accrual, which are income-increasing accruals (the net income is high relative to operating cash flows) and income-decreasing accruals (the net income is low relative to operating cash flows). The higher the level of total accruals in a company, the more audit work must be done. A short term accruals can be a sign of actions to manage earnings. As the accrual amount increases, the risk of material misstatement also increases which make auditors put extra effort in gathering more evidence to compensate with the risk (Schelleman & Knechel, 2010).

Vuko and Cular (2014) used Total Accruals as one of valuation to determine the inherent risk of an audit. Higher accruals will increase the risk and the audit period needed because it is related to the reliability of the financial statement. High accruals also increase the possibility of estimation error or undetected assets. Therefore, the hypothesis is developed:
H5: Absolute Level of Accruals has significant influence to Audit Report Delay.

2.7. The Relationship between Client Business Size and Audit Report Delay

Client Business Size can be measured by its Total Assets (Vuko & Cular, 2014; Modugu, et al., 2012). Asset is resource controlled by the company which can bring future benefits to the company (Kieso, Weygandt & Warfield, 2011). A company's assets are classified into current and non-current assets. The total number of assets of a company is presented in its statement of financial position.

A big company has many transactions and usually the accounts are more complex and in big quantities which seems to require more time for audit field work. But, as a big company is more advanced in technology and usually has a better internal control, auditors are likely to rely on that and reduce the procedures done (Ghanem & Hegazy, 2011; Modugu et al., 2012). Besides, a bigger company tends to have an external pressure to publish their financial report for public needs (Vuko and Cular, 2014). Therefore, researcher expects that a bigger company will have a shorter audit report delay. Therefore, hypothesis 6 is formulated as:
H6: Client Business Size has significant influence to Audit Report Delay.

3. Research Method
This research use secondary data taken from audited financial statements published in Indonesia Stock Exchange website. The samples are chosen from the list of LQ 45 Companies published by Indonesia Stock Exchange which are categorized as non-financial (non-bank) companies for the year of 2012, 2013, 2014, and 2015. Only 25 out of 45 companies can fulfil the sample criteria and can be chosen as sample for this research. There are 4 financial companies (bank) during that period that listed in LQ-45 companies. Also, there are 16 companies that do not appear every year for that period in LQ-45. Therefore there 100 observations.

This research will use multiple regression analysis, as it will analyze the relationship between one dependent variable with two or more independent variables (Hair et al., 2010). The research model is estimated with Ordinary Least Square (OLS) Multiple Regression Model with EViews 9.5 Student Lite Version used as the application program to run the model. The research model is depicted below
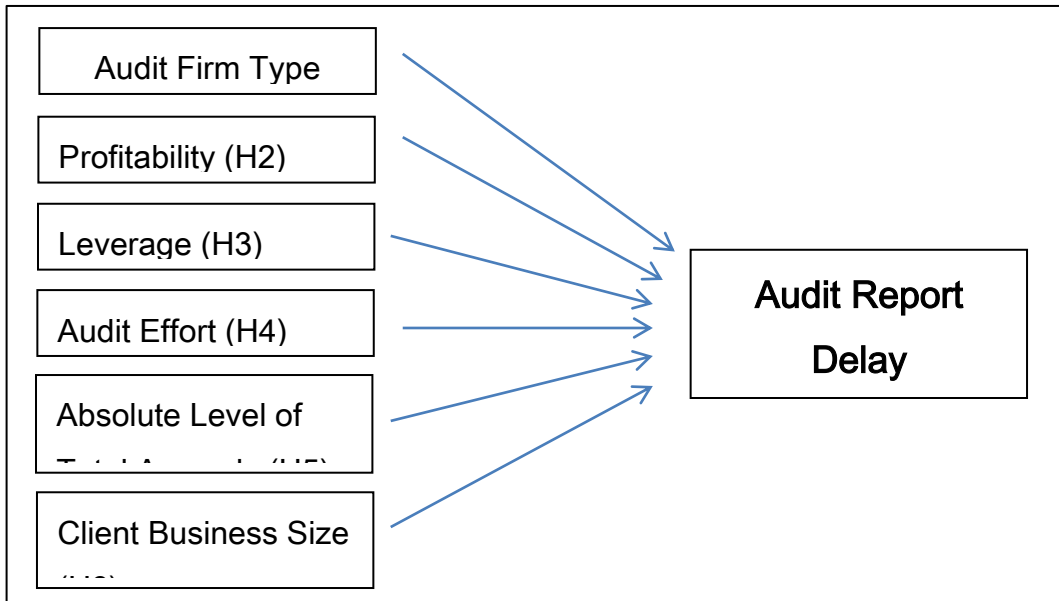
Figure 1 : Research Model

To analyze the relationship between Audit Report Delay with the independent variables, the following model is used:

$$ARD_{it} = \alpha_{it} + \beta_1 Big4_{it} + \beta_2 ROA_{it} + \beta_3 DTA_{it} + \beta_4 InvRec_{it} + \beta_5 TA_{it} + \beta_6 Size_{it} + \varepsilon_{it}$$

The operational definition of variables are as follow

Audit Report Delay (ARD) is counted from the number of days from year-end (December 31) until the date stated in the opinion page of audited financial report (Vuko & Cular, 2014).

Audit Firm Type (Big4) is represented by a dummy variable (Vuko & Cular, 2014)
Big4= 1, if the company is audited by a Big 4 CPA firm (PwC, EandY, Deloitte, and KMPG).
Big4 = 0, if the company is not audited by a Big 4 CPA Firm.

Profitability is calculated by Return-on-Asset (ROA). Net income of the company is the company's profit or loss before any financing cost while total assets is the total amount of current and non-current assets of the company (Vuko & Cular, 2014)

$$ROA = \frac{Net\ Income}{Total\ Assets}$$

Leverage (DTA) is calculated by Debt-to-Total Asset Ratio. Total liabilities include all current and non-current liabilities of the Company while total assets is the total amount of all current and non-current assets (Vuko & Cular, 2014).

$$\text{DTA} = \frac{Total\ Liabilities}{Total\ Assets}$$

Audit Effort (InvRec) is reflected by portion of inventories and receivable to total assets. Receivables include all short-term and long-term receivables: trade, non-trade, and other receivables (Vuko & Cular, 2014).

$$\text{InvRec} = \frac{(Inventories + Receivables)}{Total\ Asset}$$

Absolute Level of Total Accruals (TA)

Absolute Level of Total Accruals is defined with $\frac{(Net\ Income - Operating\ Cash\ Flow)}{Total\ Assets}$

Net Income/Loss used is the amount of the company's income or loss before any financing cost (Vuko & Cular, 2014).

Client Business Size (SIZE) is represented with natural logarithm of company's total assets (Modugu et al., 2012).

4. Result and Discussion
Descriptive Analysis

The descriptive analysis of 100 observations from 25 companies in 4 years can be referred from Table 1.

The table revealed that the average audit report delay of non-financial LQ 45 Companies is approximately 63 (sixty three) days, which is less than the mandatory deadline for reporting in Indonesia. The longest period is 90 (ninety) days which is PT Unilever Indonesia, Tbk. (2015) and the shortest time in accomplishing the audit is 28 (twenty eight) days by PT XL Axiata Tbk. (2015) and PT. Jasa Marga (Persero) Tbk. (2014). Research done in Croatia showed that the average audit report delay is 104 days (Vuko & Cular, 2014), while in Malaysia is 114 days (Ahmad & Abidin, 2008). In all countries, the audit report delay is less than the mandatory deadline for submitting the audited financial statement set by the government or regulation body in every country.

Table 2: Descriptive Statistics

Variable	ARD	ROA	DTA	INVREC	TA	SIZE
Mean	62.270	0.117	0.419	0.242	0.011	13.484
Median	59.000	0.102	0.402	0.202	0.015	13.424
Max.	90.000	0.421	0.779	0.675	0.298	14.390
Min.	28.000	-0.013	0.136	0.001	0.175	12.878
Std. Dev.	16.115	0.084	0.157	0.168	0.076	0.361
Dummy Variable (BIG4)						
Frequency of 1				85		
Percentage of 1				85%		

Descriptive statistics shows that 85% of the company is audited by the big audit firm. Profitability shows the average of 0.117 or 11.7% of net income is generated from the assets of the company. The higher the ratio is, the better the profitability is.

Debt to total asset ratio shows that the risk of sample companies in paying off their debt with their assets. On the average around 41.9% total asset can be used to pay off the debt. With around 24.2% total asset consist of inventory and receivable in the sample companies, the audit effort might be vary since the standard deviation is quite high. The data also show that all the sample companies are relatively have the same size.

Classic Assumption Test
Before the data run with the multiple regression, the classical assumption tests are done. Based on the 100 observation from sample companies for the year of 2012-2015, the classic assumption test are:

- The result of normality test shows that the p-value 0.172507 which is greater than 0.05, which means that the data is normally distributed (Sarwono, 2016).
- The result of autocorrelation test shows that there is no autocorrelation in the sample data, since the result of Durbin-Watson test is 0.527866. There is no autocorrelation if Durbin – Watson value is: $-2 \leq DW \leq 2$.
- The result of heterocedasticity shows that there is no heterocedasticity as the Prob. Chi-Square value is 0.0583 which is greater than 0.05 (Sarwono, 2016).
- The result of the multicolinearity shows that there is no multicollinearity. The indicator of correlation of data which is free from multicollinearity is the correlation among the independent variables does not exceed the value of 0.9 (Hair et al., 2010). Below is the

correlation among independent variables:

Table 3: Multicollinearity Test

	BIG4	**ROA**	**DTA**	**INVREC**	**TA**	**SIZE**
BIG4	1.000	0.238	-0.314	-0.013	-0.205	0.097
ROA	0.238	1.000	-0.178	0.177	0.123	-0.327
DTA	-0.314	-0.178	1.000	0.021	-0.048	0.281
INVREC	-0.013	0.177	0.212	1.000	0.388	-0.001
TA	-0.205	0.123	-0.048	0.388	1.000	-0.161
SIZE	0.097	-0.327	0.281	-0.001	-0.161	1.000

Hypothesis Test

The F-statistics is used to test whether all independent variables simultaneously influence the dependent variable. With probability less than 0.05, it means that Audit Firm Type, Profitability, Leverage, Audit Effort, Absolute Level of Total Accruals, and Client Business Size are simultaneously significant in influencing Audit Report Delay in non-financial LQ 45 Companies for the period of 2012 – 2015. It also means that the regression model can be used to predict the dependent variable or audit report delay.

For the hypothesis test, the result is shown in the t-statistic column, where the t-table value is 1.6606. The result of t-statistic and probability will show a same result (Sarwono, 2016). The OLS regression result on the data is presented as follow:

Table 4: OLS Regression Results

Sample			:	2012 – 2015	
Included Observation			:	4	
Cross-section Included			:	25	
Observations			:	100	
Variable	**Coefficient**	**Std. Error**		**t-Statistic**	**Prob.**
C	142.4664	54.36192		2.620703	0.0102
Big4	4.701725	4.189922		1.122151	0.2647
ROA	17.63094	17.60975		1.001203	0.3193
DTA	15.41415	9.309910		1.655671	0.1012
INVRE	53.67982	8.604718		6.238417	0.0000

C				
TA	0.820197	19.53110	0.041994	0.9666
SIZE	-7.851990	4.127452	-1.902382	0.0602
R-squared		0.389336	**F-statistic**	9.882198
Adjusted R-squared		0.349938	**Prob (F-statistic)**	0.000000

Audit Firm Type (BIG4) has probability value 0.2647 which is bigger than 0.05. Hence, we reject Hypothesis 1, which indicates that Audit Firm Type does not have significant influence to the Audit Report Delay. Referring Table 1, this result shows the same result with research done by Vuko and Cular (2014), Carslaw and Kaplan, 1991; Modugu, Eragbhe and Ikhatua, 2012; Iyoha 2012 and Turel 2010. This may due to the fact that all CPA firm in Indonesia is under monitoring of *Pusat Pembinaan Profesi Keuangan* under Ministry of Finance where CPA firms will need to maintain and improve their quality of services provided. So, whether it is a Big Four or non-Big Four CPA firm, they are under equal monitoring from *Pusat Pembinaan Profesi Keuangan* and have the same standard of audit procedures. This argument is also supported by other research in other countries which also confirm the same result.

Profitability (ROA) shows probability value as 0.3193 which is smaller than 0.05 Therefore, we reject Hypothesis 2, which indicates that Profitability does not have significant influence to the Audit Report Delay. This result is different from previous study which shows Profitability is significant in influencing Audit Report Delay (Vuko & Cular, 2014; Carslaw & Kaplan 1991; Owusu-Ansah, 2000). However, this result is consistent with other research done by Modugu, Eragbhe, & Ikhatua (2012) and Iyoha (2012). This insignificant research result may due to the fact that whether a company faces loss or profit, the law of OJK: Law number X.K.2, Attachment of Financial Service Authority of Indonesia number KEP-346/BL/2011, requires all companies publish their audited financial report by the end of third month after year-end period.

Leverage (DTA) shows a probability value 0.1655781 which is bigger than 0.05. Therefore, we reject Hypothesis 3, which indicates that Leverage does not have significant influence to the Audit Report Delay. Modugu et al. (2012) argue that although a company shows a high portion of debt and auditor needs more time to do the audit, there is another pressure from creditor to the company to release and provide the audited financial report. So, the proportion of debt will be less significant to the delay of audit as there is external pressure from creditor which requires the company to announce the financial information as soon as possible.

Audit Effort (INVREC) shows a probability 0.0000 which is smaller than 0.05. Therefore, we accept Hypothesis 4, which indicates that Audit has significant influence to the Audit Report Delay. Audit Effort which is found significant in this research which is in line with

the expectation that bigger audit effort, the longer the audit report delay will be. The audit effort is defined by the number of inventories and receivables. The inventory will take longer time and effort as there must be a physical examination and valuation testing procedure. While receivables include estimations and also related to other account such as sales revenue, and third party confirmation is essential. The procedures done to ensure the amount recorded in the book with the actual number in the field and other parties book will consume more time.

Absolute Level of Total Accruals (TA) shows 0.9666 as a probability value which is bigger than 0.05. Therefore, we reject Hypothesis 5, which indicates that Absolute Level of Total Accruals does not have significant influence to the Audit Report Delay. Although this research shows that accrual is not significant in influencing the audit report delay, accrual is a complex account which needs extra judgment and concern from auditor as the amount shows a subjective estimation and valuation, link to future realization, and indicate the inherent risk of a company (Vuko & Cular, 2014). Researcher suggests that CPA firm should pay more attention to this factor in their audit procedure to keep the value of timeliness and the reliability of the audit result.

Client Business Size (SIZE) shows 0.0602 as a probability value, which is bigger than 0.05. Therefore, we reject Hypothesis 6, which indicates that Client Business Size does not have significant influence to the Audit Report Delay. This may result as the sample of LQ 45 Companies, the highest liquidity and market capitalization; they are under the interest of public which increase the pressure to release the report sooner regardless of their size.

Of the six independent variables, five of them do not have significant influence to the Audit Report Delay. Only variable Audit Effort which has significant influence.

Based on Table 3, the multiple regression model is:

$$ARD = 4.701725Big4 + 17.63094ROA + 15.41415DTA + 53.67982InvRec + 0.820197TA - 7.851990Size + 142.4664$$

The Adjusted R-squared indicates that 35% of the Audit Report Delay variation can be explained by the independent variables as stated on the research model, while 65% audit report delay can be explained by other factors that have not been included in the research model, such as audit fee, ownership, board size, audit committee, company age, income, etc. Compare to other research, the adjusted R-squared of this research has bigger percentage. Vuko and Cular, 2014) R-squared was 18%, Ghanem and Hegazy (2011) had the R-squared of 17%, and Ahmad and Abidin (2008) R-squared was 19.5%. So, the R-square in this research is better compare to the previous research which show lower R-squared. This may be resulted from different demography which includes different countries, sample selection, and research period.

5. Conclusion and Implications

Audit Firm Type, Profitability, Leverage, Absolute Level of Accrual, and Client Business Size do not have significant influence to the Audit Report Delay. Only Audit Effort variable which has significant influence to the Audit Report Delay. Hypothesis 4 states that Audit

Effort (INVREC) is significant in influencing the Audit Report Delay in non-financial LQ 45 Companies in Indonesia. More attention must be given when there is higher inventory and receivables in non-financial LQ-45 companies, since it will increase the Audit Report Delay. In other words, when the number of inventories and receivables in a company is big, more audit effort and time will be needed by auditor which results in a longer audit report delay.

Based on this research, there are some recommendations for future research in order to improve the study, such as the need to add other variables into the research model that might improve the model. Variables leads to governance such as audit committee attribute, audit opinion type, audit fees, etc. Other variables such as company attributes can also be added into the model, such as the age of the company, industry classification, etc. Sample size or year of observation also need to be broaden or lengthen in order to increase level of generalization.

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