



## THE EFFECTS OF LIQUIDITY, SOLVENCY, TYPE OF INDUSTRY, AND AUDITOR SWITCHING ON AUDIT REPORT LAG IN LQ45 INDEX COMPANIES

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### ABSTRACT

*Financial statement should provide high quality of information which is useful for stakeholder, especially investors to make investment decision. The important quality of a financial statement is timeliness. Otoritas Jasa Keuangan (OJK) has regulated that go public companies have to provide annual financial statement along with the audit report from public accountant that must be given to OJK not later than the end of third month after the financial year ends. Therefore, it is important for companies to pay attention in audit report lag. This research is focused on the effect of liquidity, solvability, type of industry and auditor switching toward audit report lag. This research is conducted at LQ45 Index Companies which are listed on Indonesia Stock Exchange in 2015 – 2018. The research method is causal study. The hypothesis is testing using panel data regression. This research finds that type of industry has a significant partial effect on audit report lag. Whereas, liquidity, solvability and auditor switching do not have significant partial effect on audit report lag. Furthermore, on simultaneous test, it is founded that liquidity, solvability, type of industry and auditor switching are simultaneously affecting audit report lag.*

**Keywords:** *audit report lag, liquidity, solvability, type of industry, auditor switching*

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### INTRODUCTION

Positive economic growth and the development of information technology make companies compete even tighter by always innovating in providing products or services to become a company that excels in the industry. This condition affects investors' interest in investing their capital. According to Warta Ekonomi (2016), the existence of

positive economic growth and the development of information technology has made the interest of the public in investing increasing.

For companies that have gone public, investors are the main providers of capital. Therefore, the trust of investors is needed. This can be built by providing reports that provide a quantitative and qualitative picture of the company's performance and financial condition. The report is realized in the form of financial statements that are presented in accordance with Financial Accounting Standards (SAK). According to the Indonesian Institute of Accountants (2016b), the financial statements aim to provide financial information about the reporting entity that is useful for current investors and potential investors, lenders, and other creditors in making decisions about providing resources to the entity.

Financial statements presented by companies must pay attention to the quality of information in them so that information can be useful for the stakeholders, especially investors in making investment decisions. According to Indonesia Accountant Association (2016a), for information in financial statements to be useful, the information must be relevant and represent exactly what will be represented (faithful representation), then the usefulness of financial information can be improved if the information can be compared (comparable), can be verified (verifiable), timely (timely), and can be understood (understandable). Being on time is one of the important qualities. The obligation to submit financial statements of public companies is regulated in the Decree of the Chairman of the Capital Market Supervisory Agency Number: KEP-346 / BL / 2011 concerning Submission of Periodic Financial Statements of Issuers or Public Companies that discuss the submission of financial statements that all companies listed on the Indonesian Stox Exchange (IDX) are required to present the annual financial statements accompanied by a public accountant report in the framework of an audit of the financial statements to Bapepam and Financial regulators (now the Financial Services Authority) no later than the end of the third month after the date of the annual financial statements. The timeliness to publish its financial report which have been audited to the public in accordance with applicable regulations become obstacles for public companies today. Of 692 companies listed on the IDX and required to submit audited financial statements, there are 64 companies that have received the Written Warning Letter I because they have not submitted audited financial statements for the 2018 period (CNBC Indonesia, 2019) including PT Lippo Karawaci Tbk. (LP KR) which is an LQ45 Index company from February to July 2018. According to the Decree of the Directors of PT Jakarta Stock Exchange (now Indonesia Stock Exchange) Number: Kep-307 / BEJ / 07-2004 concerning Rule Number I-H About Sanctions that companies which are late in submitting the financial statements will be subjected to administrative sanctions in the form of written warnings, fines or obligations to pay certain amounts of money, or suspension.

Beyond administrative sanctions set by the Indonesia Stock Exchange, there are other sanctions that must be borne by the company, namely the company's image becomes bad. The company's image becomes bad in the eyes of the public because the name of the company that is late in submitting the financial reports will be announced through the internet and this can cause a bad image in the minds of the public. When the company's image becomes bad, the company loses trust from both investors and potential investors. Therefore, companies need to pay attention to the length of time from audit report lag or audit delay.

Audit report lag or audit delay is the length of time required by an independent auditor in carrying out his work to audit the financial statements of a company which is calculated from the date of the company's financial statements until the date of the audit

report issued by the public accounting firms (KAP), so that the audit report lag is known in units of the day. This definition is in line with what is said by Iskandar and Trisnawati (2010) that the difference between the date of the book year-end and the auditor's reporting date in the financial statements is called audit report lag. The longer the audit report lag, it will have a negative impact on the company because the audit report lag affects the timeliness in the publication of audited financial statement information. Delays in the publication of financial statements will have an impact on the level of decision uncertainty based on published information (Iskandar & Trisnawati, 2010), which can degrade the company's image. If the audit report lag exceeds the time limit for the submission of financial statements that is more than 90 days, the company must bear administrative sanctions set by the Indonesia Stock Exchange, causing material losses for the company.

The length of an audit report lag is influenced by many factors. There have been many previous studies on the factors that affect audit report lag. The factors that influence audit report lag can be grouped into two, namely internal and external factors. The internal factors include liquidity (Listiana & Susilo, 2012; Tannuka, 2018; Artaningrum, et al., 2017; Andika, 2015; Sartika, 2017), solvency (Artaningrum, et al., 2017; Andika, 2015; Chasanah, 2015, 2017; Sastrawan & Latrini, 2016; Nuryanti, 2018; Sartika, 2017; Tannuka, 2018; Lianto & Kusuma, 2010) and type of industry (Chasanah, 2017; Nuryanti, 2018; Iskandar & Trisnawati, 2010; Assandry, 2018; Lianto & Kusuma, 2010). Meanwhile the external factors include auditor switching (Syofiana, et al., 2017; Listiana & Susilo, 2012).

The first internal factor that is considered to have an influence on audit report lag is liquidity. Liquidity is the company's ability to meet short-term obligations that are due (Sundjaja, et al, 2013). The research by Artaningrum, et al. (2017) proves that liquidity has an influence on audit report lag because the higher the level of liquidity, the company will show its ability to quickly pay off its obligations, so the company will be faster to submit financial statements to the public. However, different from research conducted by Andika (2015), it proves that liquidity has no effect on audit report lag because both companies that have high or low liquidity levels, both want to submit their financial statements on time, this is so that creditors can know the company's ability currently in paying loans to creditors. For creditors, the longer the company submits financial statements, it indicates there is a problem that occurs in the company. The second internal factor is solvency. Solvency is the ability of a company to pay off debt, both long-term debt and short-term one. The research by Sastrawan and Latrini (2016) proves that solvency has an influence on audit report lag. In contrast, the results of the Chasanah study (2017) state that solvency has no effects on audit report lag where there is no difference in the length of time of inspection between companies that have large or small amounts of debt because in conducting audits of financial statements, the auditor still adheres to the procedures set in the Professional Standards of Public Accountants (SPAP). With the SPAP, the auditor has calculated the time and ability to audit the company's debt.

The third internal factor is industry type. The type of industry is considered to have an influence on audit report lag. Evidenced by research conducted Ashton, et al (as quoted by Nuryanti 2018) states that the type of financial companies experiencing audit report lag is shorter compared to companies in other types of industries. This is because the company's finances do not have a balance of inventory that are significant enough to tend to require an audit that is shorter than the company's non- financial. The research conducted by Chasanah (2017) proves that the type of industry has a significant effect

on audit report lag. However, the research conducted by Lianto and Kusuma (2010) proves that the type of industry has no effects on audit report lag because in general, personnel or professional staff assigned to audit companies are capable and experienced in their fields of auditing.

An external factor that is considered to have an influence on audit report lag is auditor switching. There is a research conducted by Syofiana, et al. (2017) that auditor switching has no significant effect on audit report lag. Meanwhile according to Listiana and Susilo (2012), the change of auditors has no effects on audit report lag because the auditors assigned to audit financial statements generally have the ability in the field of auditing so that it does not affect the length of the audit time.

The previous researches still show inconsistencies in the results of factors that might affect the audit report lag. This research aims to analyze deeper about the effect of liquidity, solvency, type of industry, and auditor switching on the audit report lag in the LQ 45 companies listed on the Stock Exchange during 2015-2018 period. The LQ 45 Index Company is a company with a high level of liquidity and has a large market capitalization from various industrial sectors so that the companies included in the LQ 45 Index are rated as stable companies and are companies that are investors' major targets in investing. However, it does not rule out the possibility that companies included in the LQ 45 Index do not fulfill the obligation to submit the financial reports to the Financial Services Authority (OJK) on time.

## **LITERATURE REVIEW**

In the Statement of Financial Accounting Standards (PSAK) No. 1 of 2015 concerning the Presentation of Financial Statements, financial statements are interpreted as a structured presentation of the financial position and financial performance of an entity (IAI, 2019). The purpose of financial statements is to provide information about the financial position, financial performance, and cash flow of the entity that is useful for most users of financial statements in making economic decisions. The financial statements prepared by companies must contain quality financial information to be useful for those interested.

Companies that do not submit financial statements on time will have an impact on the quality of information provided by the companies to the public. This is consistent with what is said by Iskandar and Trisnawati (2010) that the delay in the publication of financial statements will have an impact on the level of decision uncertainty based on published information. Audit report lag causes delays in the delivery of financial statements so that the quality of information will decline.

There are many factors that can cause audit report lag. These factors are grouped into two, namely internal factors and external ones. The internal factors are factors that originate within the company such as liquidity, solvency and type of industry. While the external factors are factors originating from outside the company, such as auditor switching.

Liquidity is the company's ability to meet short-term obligations that are due (Sundjaja, et al, 2013). Liquidity can be measured using the current ratio (CR). CR is a ratio that shows the ability to meet current liabilities with current assets. The greater the

value of CR, the more liquid the company (Zulbiadi, 2018a). Companies that have a high level of liquidity have a smaller risk of the possibility of default on short-term debt of the company so that auditors can be confident that there are no obstacles in paying liabilities owned by the company (Listiana & Susilo, 2012 ). The high level of liquidity illustrates that the company has a good performance so that it provides good news for users of financial statements. This makes the company's management ask the auditors to immediately be able to complete the audit process of the company's financial statements so that the good news can be conveyed to the public on time (Tannuka, 2018). Thus, liquidity is thought to have an influence on audit report lag.

Solvency is the ability of a company to pay off its obligations (Hanafi & Halim, as stated by Sartika, 2017). Solvability can be measured using debt to asset ratio (DAR). DAR is a ratio to measure the amount of assets financed through debt. The lower the DAR, the better the condition of the company because the high DAR shows that the risk of the company to pay off the debt it has (Zulbiadi, 2018b). Tannuka (2018) said that the proportion of debt to a large total assets will tend to increase the likelihood of loss if not managed properly and increase the caution of an auditor on the company's financial statements to be audited. This is in line with what was said by Lianto and Kusuma (2010) that a high proportion of debt to total assets makes an auditor need to increase more carefulness in the audit process. Thus, solvency is thought to have an influence on audit report lag.

Types of industries can be grouped into industries that are engaged in financial and non-financial fields. The companies classified in the financial industry are companies that provide financial services. According to the research conducted by Ahmad and Kamarudin (as quoted by Chasanah, 2017), the type of financial industry experiences a shorter audit report lag compared to the type of non-financial industry because the company's assets in the financial industry are in the form of monetary values, making it easier to measure compared to assets that are physical form. Thus, the type of industry is suspected to have an influence on audit report lag.

Auditor switching is a change in the public accounting firm (KAP) conducted by the company (Ma Hindrayogi & Suputra, 2016). The changes in auditors cause a longer audit time because the new external auditors must understand the client's business from scratch. Therefore, the presence of auditor switching is expected to make audit report lag longer. Thus, auditor switching is considered to have an influence on audit report lag.

## **RESEARCH METHOD**

This research is a type of causality research so this study aims to examine the possibility of a causal relationship between the independent variable and the dependent variable that has been determined. Based on the type of data used, this research is considered a quantitative research. According to Suryana (2010), quantitative research is a research that uses data in the form of numbers so that the numbers will be tested with statistical tools to prove that the theory chosen has a significant relationship.

The population in this study are all companies included in the LQ 45 Index that are listed on the Indonesia Stock Exchange (IDX) in 2015-2018 period. Companies included in the LQ 45 Index are renewed twice a year, so the time in this study will be grouped into eight periods with the following details:

**Tabel 1**  
**Time Period Groups**

<b>Period Group</b>	<b>Time</b>
I	01 February 2015 - 31 July 2015
II	01 August 2015 - 31 January 2016
III	01 February 2016 - 31 July 2016
IV	01 August 2016 - 31 January 2017
V	01 February 2017 - 31 July 2017
VI	01 August 2017 - 31 January 2018
VII	February 1 2018 - July 31 2018
VIII	August 1, 2018 - January 31, 2019

Sumber: IDX (2019).

The sampling technique in this study uses the purposive sampling method. The following are the sample selection criteria in this study accompanied by a sampling process.

**Tabel 2**  
**Sampling Penelitian**

<b>No.</b>	<b>Criteria</b>	<b>Number of Companies</b>
1	Companies included in the LQ 45 Index listed on the Indonesia Stock Exchange (IDX) in 2015-2018.	61
2	Companies that are not consecutively included in the LQ 45 Index listed on the Indonesia Stock Exchange (IDX) in 2015-2018.	(29)
3	The unavailability of company financial statements or research data in the 2015-2018.	(6)
<b>The number of sample companies that meet the criteria</b>		

Source: www.idx.co.id, the company's official website, processed.

After going through the sampling phase, it can be seen that of the 61 companies included in the LQ 45 Index that were listed on the Indonesia Stock Exchange (IDX) in 2015-2018, 26 companies have been selected that have met the criteria. The research conducted was 4 years (2015-2018) so that the amount of data in the study was 104 observations.

According to Sekaran and Bougie (2016 ), a research variable is something determined by the researcher to be studied and conclusions drawn. For abstract variables to be measurable, variable operationalization is needed (Sekaran & Bougie, 2016). The variables of the research and operation are as follows:

**Table 3**  
**Operationalization of Variables**

No.	Variabel	Konsep Variabel	Indikator	Skala
1	<i>Audit Report Lag</i> (Y)	The length of time for the completion of the audit is between the date of the financial statements (close of the book) and the date of issuance of the audited financial statements	Number of days obtained from the difference between the date of the audited financial statements and the date of the financial statements at the time of closing the book	Ratio
2	Likuidity (X <sub>1</sub> )	The company's ability to meet its short-term obligations	Current assets divided by short-term debt (current liabilities)	Ratio
3	Solvency (X <sub>2</sub> )	The company's ability to pay off its obligations (short-term and long-term obligations)	Total liabilities (short-term liabilities and long-term debts) divided by total assets (current assets and fixed assets)	Ratio
4	Industry Type (X <sub>3</sub> )	The industrial group that the company operates	Code 1 if the company is classified as a financial company and code 0 if the company is classified as a non-financial company	Nominal
5	<i>Auditor Switching</i> (X <sub>4</sub> )	Change of auditors or public accounting firm (KAP) made by the company	Code 1 if there is a change of external auditors or KAP and code 0 if there is no change	Nominal

Sources: Listiana and Susilo (2012); Chasanah (2017); Nuryanti (2018), processed.

According to Ruchiyat (2007), data processing is the process of simplifying data in a form that is easier to read and understand in order to get the conclusions. This study conducts a classic assumption test to find out whether the chosen model is considered to be able to produce an unbiased and accountable conclusion, multiple regression analysis of panel data in order to determine the effect of the independent variables on the dependent variable, the t statistical test to test the effect of each independent variable partially dependent variable, and F statistical test to test the effect of the independent variable on the dependent variable simultaneously. The statistical tools used in this study is EViews 10.0 software.

This study uses panel data multiple regression analysis because the research data is a panel or an amalgamation of data that is cross section (data collected over a period of time) and the time series (data which form periodic). The data is cross section in this study because it examines 26 different companies. The data is time series in this study because it examines certain variables for 4 years. The model chosen in this study is the Common Effect Model (CEM) because the independent variables (industry type and auditor switching) are dichotomous variables so that they are measured using dummy variables.

According to Sakti (2018), if the chosen model is a CEM or Fixed Effect Model, the classic assumption tests that must be carried out include multicollinearity and heteroscedasticity tests. Nevertheless, multicollinearity test, heteroscedasticity test,

and autocorrelation test will be carried out in this study to ensure that the selected model meets Best Linear Unbias Estimator (BLUE) requirements. Normality test is basically not a BLUE requirement and some opinions do not require this condition as something that must be fulfilled (Iqbal, 2015).

The following is a panel data regression model used in this study.

$$Y_{it} = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + e_{it}$$

Keterangan:

- Y : Lag Audit Report
- X<sub>1</sub> : Liquidity
- X<sub>2</sub> : Solvency
- X<sub>3</sub> : Industry Type
- X<sub>4</sub> : Auditor Switching
- i : Entities to- i
- t : Period to -t
- α : Constants
- β : Regression coefficient
- e : Variables outside the model

This research uses t-test for the testing performed partially to see the level of significance of the effect of each independent variable on the dependent variable assuming other variables are constant. The basis for decision making for this partial test is to compare the value of Prob. with alpha (equal to 0.05 or 5%). If the value of Prob. ≤ alpha 0.05, H<sub>0</sub> is rejected. Conversely, if the value of Prob. > Alpha 0.05, H<sub>0</sub> accepted. The t-test was carried out with a significance level (α) = 5% or 0.05.

F test statistic is done to test the effect of independent variables simultaneously to dependent variable. The basis for making decisions for simultaneous testing is to compare the value of Prob. (F-statistics) with alpha (at 0.05 or 5%). If the value of Prob. (F-statistic) ≤ alpha 0.05, H<sub>0</sub> is rejected. Conversely, if the value of Prob. (F-statistic) > alpha 0.05, H<sub>0</sub> accepted. The F test was carried out with a significance level (α) = 5% or 0.05.

## RESULTS AND DISCUSSION

Following are the test results in this study:

**Table 4.**  
**Multicollinearity Test: Correlation Value**

	LIKUIDITAS	SOLVABILITAS	JI	AS
LIKUIDITAS	1.000000	-0.620451	-0.307162	-0.066522
SOLVABILITAS	-0.620451	1.000000	0.647268	0.065077
JI	-0.307162	0.647268	1.000000	-0.133265
AS	-0.066522	0.065077	-0.133265	1.000000

Source: EViews 10.0. Output



**Table 5.**  
**Heteroscedasticity Test: The Glejser Test**

Dependent Variable: RESABS  
Method: Panel Least Squares  
Date: 12/20/19 Time: 16:43  
Sample: 2015 2018  
Periods included: 4  
Cross-sections included: 26  
Total panel (balanced) observations: 104

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LIKUIDITAS	1.333081	1.358264	0.981460	0.3288
SOLVABILITAS	1.829143	10.60296	0.172512	0.8634
JI	5.947757	4.940596	1.203854	0.2315
AS	-0.161389	3.598293	-0.044852	0.9643
C	11.15111	7.343546	1.518492	0.1321

  

R-squared	0.032165	Mean dependent var	16.01083
Adjusted R-squared	-0.006939	S.D. dependent var	14.50140
S.E. of regression	14.55163	Akaike info criterion	8.240165
Sum squared resid	20963.23	Schwarz criterion	8.367299
Log likelihood	-423.4886	Hannan-Quinn criter.	8.291671
F-statistic	0.822543	Durbin-Watson stat	1.695438
Prob(F-statistic)	0.513840		

Source: EViews 10.0. Output

**Table 6.**  
**Autocorrelation Test: Durbin-Watson, t and F Statistical Tests**

Dependent Variable: ARL  
Method: Panel Least Squares  
Date: 12/20/19 Time: 16:27  
Sample: 2015 2018  
Periods included: 4  
Cross-sections included: 26  
Total panel (balanced) observations: 104

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Likuiditas	-11.48320	16.09761	-0.713348	0.4773
Solvabilitas	2.607937	2.062141	1.264675	0.2090
JenisIndustri	-7.025340	7.500904	-0.936599	0.0351
AuditorSwitching	-0.972311	5.462995	-0.177981	0.8591
C	61.49469	11.14911	5.515661	0.0000

  

R-squared	0.102240	Mean dependent var	59.14423
Adjusted R-squared	0.065967	S.D. dependent var	22.85939
S.E. of regression	22.09255	Akaike info criterion	9.075240
Sum squared resid	48319.98	Schwarz criterion	9.202375
Log likelihood	-466.9125	Hannan-Quinn criter.	9.126746
F-statistic	2.818620	Durbin-Watson stat	1.778008
Prob(F-statistic)	0.029105		

Sumber: Output EViews 10.0.

Based on Table 4, it can be seen that the correlation value for each variable is smaller than 0,85 or  $\leq 85\%$ . Therefore, it can be concluded that in the model the variable does not have multicollinearity or is free from multicollinearity and the data used do not have a similar data.

The basis for decision making in glacial testing is if the value is Prob. Chi Square  $\leq \alpha$  or 0.05, the heteroscedasticity regression model and vice versa, if the value of Prob. Chi Square  $> \alpha$  or 0.05, then the regression model is homoscedasticity or non-heteroscedasticity. Based on Table 5, the value of Prob. Chi Squ are for variable liquidity, solvency, type of industry and auditor switching respectively 0.3288, 0.8634, 0.2315 and 0.9645 (all four values greater than 0.05 or  $> 0.05$ ). Thus, it can be concluded that there was no heteroscedasticity in the regression models tested. The basis for decision making in the Durbin-Watson test is if the Durbin-Watson stat  $< -2$  or Durbin-Watson stat  $> 2$ , then there is an autocorrelation problem and if  $-2 \leq$  Durbin-Watson stat  $\leq 2$ , then there is no autocorrelation problem. Based on Table 6, the resulting Durbin-Watson stat value is 1.778008. Therefore, it can be concluded that in the regression model there are no problems autokorel ation for  $-2 \leq$  Durbin-Watson stat  $\leq 2$  (1.778008 less than 2 and greater than -2).

Thus, the overall classical assumption test has been carried out and declared to be passed, so the research data are considered to be able to produce unbiased and accountable conclusions.

Multiple linear analysis provides an illustration of how the rise and fall of the dependent variable if two or more independent variables as a predictor factor is manipulated by increasing its value. Based on Table 6, the following results of the multiple regression equation of this study:

$$\text{Audit Report Lag} = 61,49469 - 11,48320 * \text{Likuiditas} + 2,607937 * \text{Solvabilitas} - 7,025340 * \text{Jenis Industri} - 0,972311 * \text{Auditor Switching}$$

The significance of the results of the multiple regression and t-test statistics are as Follows:

1. A constant value of 61.449469 means that if the value of liquidity, solvency, type of industry and auditor switching is constant (fixed), then the audit report lag is 62 days.
2. The liquidity regression coefficient of -11.48320 (negative number) means that the effect of liquidity on audit report lag is negative where if the company's liquidity ratio increases 1.00, the audit report lag will decrease by 12 days. The regression testing reults show that liquidity has Prob. amounted to 0.4773 is above the predetermined level of significance of 5%, or 0.05, so that  $H_0$  is accepted or  $H_0$  can not be rejected. Thus, based on the results of testing the hypothesis, it can be concluded that liquidity does not have a statistically significant effect on audit report lag on the LQ 45 Index companies during 2015-2018 period. The results of this study are consistent with the results of research conducted by Andika (2015: 82) which uses the current ratio as a measure of liquidity. Based on that research, it is known that liquidity does not have a

significant effect on audit report lag on service sector companies listed on the Indonesia Stock Exchange (IDX) in 2011-2013. This research is also in line with a research conducted by Listiana and Susilo (2012) which uses the current ratio as a measure of liquidity. Based on that study, it is known that liquidity does not have a significant effect on the audit report lag in LQ 45 companies listed on the Indonesia Stock Exchange (IDX) in 2009 and 2010. In this study, we can conclude that there is no influence of partial significant liquidity to audit lag report on the LQ 45 companies. According Andika (2015), a company that has a high or low level of liquidity wish to submit their financial statements in a timely manner, it is intended that the creditors can determine the company's ability to repay a loan today to creditors due for creditors, the longer the company submits financial statements, indicate there is a problem that occurs in the company. In addition, another goal is for the company to maintain a good image in the eyes of the public and not get sanctions due to the delay in publishing financial audit reports. Not only companies that have high liquidity who want to immediately announce the good news to their stakeholders, companies that have low liquidity will also continue to try to submit financial statements in a timely manner, so that both companies that have high and low liquidity will try to have an audit report lag as short as possible.

3. Solvability regression coefficient of 2.607937 (positive number) means that the effect of solvency on audit report lag is positive where if the solvency ratio of the company increases 1.00, then the audit report lag will increase by 3 days. The regression testing results show that the solvency have Prob. amounted to 0.2090 is above the predetermined level of significance of 5%, or 0.05, so that  $H_0$  is accepted or  $H_0$  can not be rejected. Thus, based on the results of testing of the hypothesis, it can be concluded that the solvency does not have a statistically significant effect on the audit report lag in LQ 45 companies in the years from 2015 to 2018. The results of this study are in line with the results of research conducted by Andika (2015) which states that solvency does not have a significant effect on audit report lag on service companies listed on the Indonesia Stock Exchange (IDX) in 2011-2013. This study is also consistent with the research conducted by Chasanah (2017) which states that the solvency does not have a significant effect on the audit report lag in LQ 45 companies listed on the Indonesia Stock Exchange (IDX) during 2012-2015. Chasanah (2017) explains that there is no difference in the length of time of inspection between companies that have both large and small amounts of debt because in conducting audits of financial statements, the auditor still adheres to the procedures set out in the Public Accountant Professional Standards (SPAP). With the SPAP, auditors must have taken into account the time and ability to audit the company's debts. Iskandar and Trisnawati (2010) also said that the auditors do not really need a long time to be able to complete the audit process if the company management explains the reason for the high proportion of debt to assets owned by the company.
4. Industry type regression coefficient of -7.025340 (negative number) means that the influence of industry type on audit report lag is negative where if the type of company industry is financial industry, then audit report lag will decrease by 8 days. The regression testing results show that this type of industry has Prob. at 0.0351 is under a predetermined significance level of 5% or 0.05, so that  $H_0$  is rejected or  $H_0$  is unacceptable. Thus, based on the results of testing of these

hypotheses, it can be concluded that the type of industry has a statistically significant effect on audit report lag on the LQ 45 Index companies during 2015-2018. The results of this study are in line with research conducted by Chasanah (2017) who examined a sample of 68 companies (17 companies in four years of observation) listed on the Indonesia Stock Exchange (IDX) during 2012-2015, Nuryanti (2018) who examined 104 samples companies (26 companies in four years of observation) included in the LQ 45 Index companies listed on the Indonesia Stock Exchange (IDX) during 2013-2016 and Iskandar and Trisnawati (2010) who examined samples of 128 companies listed on the Indonesia Stock Exchange (IDX) in 2003-2009. Chasanah (2017) explains that the type of industry (financial and non- financial ) affects the audit report lag in which the financial industry experiences a shorter audit report lag compared to the type of non- financial industry. That is because the inventory owned by financial industry companies in the form of monetary value, so it is easier to measure compared to physical assets. Monetary inventory can facilitate the auditor in checking audit objective existence, so that the auditor can complete the audit process faster. In addition, the financial industry, especially banking, is a highly regulated industry. Many strict regulations for companies belonging to the financial industry make the company accustomed to the many binding rules and always try to comply with all the regulations set by the regulators.

5. The auditor switching regression coefficient of -0.972311 (negative number) means that the effect of auditor switching on audit report lag is negative where if the company does auditor switching, the audit report lag will decrease by one day. The regression testing results indicate that the auditor switching has Prob. amounted to 0.8591 is above the predetermined level of significance of 5%, or 0.05, so that  $H_0$  is accepted or  $H_0$  can not be rejected. Thus, based on the results of testing of the hypothesis, it can be concluded that the auditor switching has no statistically significant effect on the audit report lag in LQ 45 companies in the years from 2015 to 2018. The results of this study are in line with the research conducted by Syofiana et al. (2017) with the samples of manufacturing companies listed in Indonesia Sharia Stock Index in 2014-2016 and the research conducted by Listiana and Susilo (2012) with the samples LQ 45 companies listed on the Indonesia Stock Exchange (IDX) in 2009 and 2010. The researches conducted by Syofiana et al. (2017) and Listiana and Susilo (2012) revealed that there were no significant effects between the auditor turnover or auditor switching variables on the audit report lag. The auditors have been understanding the client's business or understanding the client's business since before the closing date of the company's books, so that there is no effect on the short or the length of time needed by the auditor to audit the company's financial statements (Listiana & Susilo, 2012).

Based on Table 6, the value of Prob. (F-statistic) generated is 0.029105 so the value of Prob. (F-statistic) smaller than 0.05 or  $0.029105 < 0.05$ . Therefore,  $H_0$  is rejected and  $H_5$  accepted. These results mean that the independent variables consisting of liquidity, solvency, type of industry and auditor switching simultaneously (together) have a significant effect on the dependent variable, namely audit report lag. Therefore, it can be concluded that liquidity, solvency, industry type, and auditor switching simultaneously affect audit report lag on the LQ 45 Index companies during 2015-2018 period.

Table 6 shows the adjusted R square of 0.065967 or 6.6%. The figure means that the independent variables chosen namely liquidity, solvency, type of industry, and auditor

switching contributed an influence of 6.6% to the audit report lag. It means that there are 93.4% variations in the dependent variable explained by other factors. Some of these factors are profitability (Artaningrum et al., 2017, Sastrawan & Latrini, 2016, Nuryanti, 2018, Sartika, 2017, Tannuka, 2018, Lianto & Kusuma, 2010, Listiana & Susilo, 2012), company size (Artaningrum et al., 2017, Andika, 2015, Chasanah, 2017), management changes (Artaningrum et al., 2017), audit opinion (Andika, 2015), company age (Nuryanti, 2018, Lianto & Kusuma, 2010), financial distress (Syofiana et al., 2017), audit fees (Syofiana, et al., 2017), public accounting firm's size (Tannuka, 2018, Iskandar & Trisnawati, 2010), profit/loss for the year (Iskandar & Trisnawati, 2010), debt to equity ratio (DER) (Assandry, 2018), and debt ratio (Listiana & Susilo, 2012).

## CONCLUSIONS AND SUGGESTIONS

Based on the results and discussion of the research, some conclusions can be drawn as follows:

1. Liquidity has no significant effect partially on audit report lag in the LQ 45 Index companies during 2015-2018.
2. Solvency does not have a significant effect partially on audit report lag in the LQ 45 Index companies during 2015-2018.
3. The type of industry has a partially significant effect on audit report lag in LQ 45 Index companies during 2015-2018.
4. Auditor switching has no significant effect partially on audit report lag in the LQ45 Index companies during 2015-2018.
5. Liquidity, solvency, industry type, and auditor switching have a significant simultaneous effect on audit report lag in the LQ 45 Index companies during 2015-2018.

The following are some of the suggestions generated from this research:

- 1) For further research, it is expected to be able to examine with other independent variables with a better combination in order to be able to explain variations or changes from a more representative audit report lag.
- 2) For the companies' management, it is expected to support the auditing process of financial statements by external auditors by always providing the data requested by the auditor in a timely manner, so that the audit is not hampered.
- 3) For the external auditors, it is expected to always pay attention to audit report lag in the conduct of auditing. For this reason, a good audit work plan is needed so that the audit process can run smoothly and finish on time. With good work planning, external auditors can anticipate the possibility of obstacles or obstacles that might occur in the audit process.
- 4) For the prospective investors, it is expected to know the factors that can influence audit report lag so that they can anticipate the effect on potential profits or losses if investing in a company.

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