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The Effect of Liquidity, Solvency, and Company Size on Audit Report Lag

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A B S T R A C T

Examining energy sector businesses listed on the Indonesia Stock Exchangefrom 2019 to 2021 with reference to the Audit Report Lag, this study aims to find out the characteristics that have an impact on the level of risk, financial performance, and total size of the company. Companies operating in the energy sector from 2019 to 2021 are the main focus of this quantitative analysis. The sample size for this quantitative research is 18 companies and the sampling process and criteria use the purposive sampling method This study utilizes information obtained from www.idx.co.id, related to the energy sector, and annual financial statements and energy business audit reports listed on the Indonesia Stock Exchange (IDX) from 2019 to 2021.

INTRODUCTION

The purpose of preparing financial statements is to assess the financial health of an organization over a certain period of time. To be able to be optimally useful for users, financial statements need to meet four main characteristics. The four main characteristics are easy, closely related, reliable, and comparable. A company's financial records are considered reliable if the data or details in them help in making decisions. Among them, one crucial factor to create the relevance of financial statements lies in their timeliness. The data presented in the financial statements becomes less relevant if the issuance is delayed. (Deasy and Iskak, 2021).

The pause in the audit report occurs when the time required to transition from the time the company's books close on December 31 to the day the audit report is issued. The longer the audit report lag, the more likely it is that the perception that the company's annual financial statements are problematic. Public accountants audit financial statements to provide an opinion on whether they are in accordance with the established reporting standards. (Siregar, 2021).

Business actors operating in the capital market are required to submit an annual report to the Financial Services Authority (OJK) at the end of the fourth month after the closing of the Year-End Book, as stated in the Financial Services Authority Regulation Number 29/POJK.04/2016. If you do not comply with this provision, OJK may penalize you IDR 1,000,000 every day. Annual financial statements may be subject to this penalty starting at the deadline of the fourth month after the filing period. Not only that, the exchange can suspend trading if the deadline for the audit report is not met, and can be subject to a fine of up to IDR 500,000. The relevant regulation is Article 20 / POJK.04/2 of the OJK.

Table 1. Audit Report Data Lag of Energy Sector Companies for the Period 2019 – 2021

Emiten	2019	2020	2021	Average
ARTI- PT Ratu Prabu Energi Tbk	191	119	118	143
BIPI- PT Astrindo Nusantara Infrastruktur Tbk	148	202	118	156
BOSS- PT Borneo Olah Sarana Sukses Tbk	141	174	172	162
BULL- PT Buana Lintas Lautan Tbk	91	155	212	153
IATA- MNC Energy Investments Tbk	99	151	116	122
TAMU- PT Pelayaran Tamarin Samudra Tbk	150	140	143	144
MEDC - Medco Energi Internasional	140	151	160	150
WOWS- PT Ginting Jaya Energi Tbk	174	141	178	164
GTBO- Garda Tujuh Buana Tbk	242	509	231	327
INPS- Indah Prakasa Sentosa Tbk	91	116	178	128
ARII- PT Atlas Resources Tbk	150	148	118	139
BESS- PT Batulicin Nusantara Maritim Tbk	121	144	116	127
CNKO- PT Exploitasi Energi Indonesia Tbk	545	210	101	285
HITS- Humpuss Intermoda Transportasi Tbk	150	139	117	135
SMRU- SMR Utama Tbk	91	125	165	127
SOCI- PT Soechi Lines Tbk	139	123	116	126
TCPI- PT Transcoal Pacific Tbk	100	127	110	112
JSKY- PT Sky Energi IndonesiaTbk	162	151	189	167
Average	163	168	148	159
Maximum	545	509	231	327
Minimum	91	116	101	112

According to the author's examination of the data presented above, the level of competence of companies in the energy industry in presenting their financial statements has remained stagnant for three consecutive years. Evidence from data analysis shows that the energy business has been late in preparing its financial statements for the past three years. Only eighteen of the eighty-three eligible businesses experienced delays in submitting audited financial statements

for three consecutive years. Various studies have looked at various factors that are thought to affect the delay of audit reports. Liquidity, solvency, and the size of the organization are some of the elements that affect the duration of the audit report. This is because audit reports tend to have a shorter timeframe as the size of the business decreases and a longer timeframe as the asset value grows. The audit process is expected to be completed faster by larger companies as compared to smaller ones.

This can be linked to the fact that large corporations obey constant scrutiny from government capital supervisors and investors, which incentivizes their management to minimize delays in audit reports. The information in the financial statements attracts the interest of these parties. Audit time is also influenced by the organizational dimension, as mentioned, in accordance with Mempuni's point of view (Kartika and Siti Mualimah, 2013). When evaluating financially stable organizations, auditors tend to be cautious. This can lead to delays in audit reports and increase the likelihood of financial losses for the organization.

Liquidity indicates a company's capacity to pay off short-term liabilities. If the total money of the business entity is greater than its total assets, then the company is considered illiquid (Sartika, 2017). Liquidity indicates the ability of a business entity to pay off short-term obligations. According to Sarah's 2022 study, liquidity has a positive effect on the length of time it takes to issue audit reports. Referring to research conducted by (Andrew and Amelia, 2022), liquidity negatively affects the date of publication of the audit report. According to (Agustina, 2019) and (Sastrawan and Latrini, 2016), profitability affects the duration of the issuance of audit reports. (Rizki and Rilla, 2021) found that liquidity did not have an impact on the length of issuance of audit reports.

Solvency is a financial measure that evaluates a company's ability to meet its financial responsibilities in the short and long term. (Peng et al., 2022) found that Solvency had a beneficial impact on the delay of audit reports. The study carried out (Asyrofi and Widati, 2023) shows that solvency has a negative impact on the delay of audit reports, while according to a study conducted by (Deasy and Iskak, 2021) solvency does not have an impact on the delay of audit reports.

Company size is an indicator that describes the size of an organization. business entities, which can be assessed through a variety of methods such as total assets, log size, sales, and market capitalization. The audit process in the presentation of financial statements can be evaluated based on the scale of the company. The size of the company can affect the speed of issuing audited financial statements, both on time and with delays (Mutiara et al., 2018). Research (Aditya and Lorina, 2022) Research shows a correlation between company size and delays in audit reports. According to a study conducted by Irene and Lorina in 2021, company size negatively impacts audit report delays. Meanwhile, a recent study by Abraham and Rina in 2023 found that company size had no effect on the delay of audit reports. Therefore, additional studies need to be conducted to understand and evaluate other factors that affect the delay in audit reports, such as liquidity, solvency (solvency), and the size of the company.

The following is a description of the problem formulation in this study:
1. Does Liquidity affect *Audit Report Lag*?
2. Does Solvency affect *Audit Report Lag*?
3. Does Company Size affect *Audit Report Lag*?

LITERATURE REVIEW

Signalling Theory

In 1973, Spence introduced signal theory, which explains that a company's actions can give investors an indication of their view of the company's future. According to Brigham and Houston (2018), signals are strategic steps taken by company management to hint investors about the company's prospects. Timely audited financial reporting reflects the credibility and accuracy of data that has been verified by the auditor. The timeliness of presenting verified financial statements provides positive indications and valuable information for the parties who use the reports to make decisions.

Audit Report Lag

In the research conducted (Fitriana and Bahri, 2021), audit report lag is the duration of the period from the closure of entity documentation to the signing of an independent audit by a public auditor. ARL reflects the duration of an audit of the financial statements by an independent auditor until completion. ARL can be completed before or after the deadline for submission of audited financial statements. The timely delivery of audited financial statements depends on how quickly the audit process is completed by the auditor. The ARL indicates the duration of the auditor's requirements for completing an audit of the financial statements. Financial statements can be published after being examined by external auditors from Public Accounting Firms (KAP).

Liquidity

Liquidity reflects a company's ability to guarantee smooth operations and meet short-term obligations. When a company can easily fund its activities and pay off its short-term obligations, the risk of financial problems tends to be significantly reduced (Hakim et al., 2020).

One way to see a company's financial health is to look at its liquidity ratio (cashmere, 2018). One way to measure a company's liquidity is through this ratio, which is also called the working capital ratio. Cashmere (2018) states that Quick Ratio, Current Ratio, and cash ratio are various forms of liquidity ratios.

Solvency

Based on the opinion (Abdullah, 2013), the debt ratio serves to assess how capable the company is in fulfilling obligations. Based on the opinion (Ross et al., 2015), solvency how well a company fulfill all responsibilities, in the near and long term. A high level of ability to pay obligations indicates a significant financial responsibility of the company (Abdullah, 2013), so it can reflect the level of risk borne by the company.

Company Size

The operational size of an organization is reflected in its dimensions, which can be calculated from the total value of its assets and sales. Judge, M. Z., & Abbas, D. S. (2019) stated that total assets are a good indicator of the size of a

company; A higher total asset value indicates a wider scale of operations. Toni and Anggara (2021:13) stated that the size of the company is a way to assess the size of the company based on the number of assets, sales, and market capitalization. Luthfiyanti (2016) in Anggadi and Triyanto (2022) stated that the size of is indicated by total assets. The size of a company can be assessed through its sales volume and market capitalization. Activities with large values allow for greater investment of funds, thereby increasing sales and money turnover. The larger the market capitalization, the higher the chances of the company by the public. The size of a company is measured based on its total assets.

From the above framework of thought, the author makes the following hypothesis:

1) Effect of Liquidity on Audit Report Lag

A business's ability to meet its direct financial commitments is called its liquidity. Sartika (2017) states that when a company's total debt exceeds its total assets, it is considered illiquid. The capacity to meet short-term commitments is reflected in the company's liquidity. The accuracy of the submission of audit reports is influenced by liquidity, according to research by Tampubolon and Siagian (2020). The company's excellent profitability and strong productivity are evident from its high level of liquidity. Therefore, management will encourage auditors to immediately complete financial statements so that positive news can be shared immediately. A study by Setiawan (2020) shows, however, that liquidity does not play a role in the delay of audit reports. From this reasoning, we can derive the hypothesis that:

H_1 : *Liquidity Has a Positive Effect on Audit Report Lag*

2) The Effect of Solvency on Audit Report Lag

Solvency refers to the company's ability to pay off all its debts. Based on signal theory, company management sends signals to external parties (investors) in the hope that the market will change their assessment of the (Gumati, 2009). *Insolvency in bankruptty* is a situation where the value of a company's debt book has exceeded the market value, indicating financial difficulties for the company (Dewi, 2018). Financial problems can have a negative impact on external parties' perception of the company.

This causes management to be more likely to postpone the announcement of bad news in financial reports (Ukago, 2005; quoted by Kartika, 2011). The level of liquidity reflects how well a company is able to handle short-term liabilities. (Sartika, 2017) states that a company is considered illiquid if the total amount of debt exceeds its total assets. Liquidity can also be a benchmark for a company's ability to meet its short-term obligations. Research by (Tampubolon & Siagian, 2020) shows that liquidity plays a role in influencing the timeliness of the submission of audit reports. High liquidity usually indicates a good company performance and a high level of productivity, which is positive information. Therefore, management will tend to encourage auditors to quickly complete financial statements so that this positive information can be conveyed immediately. Therefore, another study by (Setyawan, 2020) revealed that

liquidity has no effect on the delay of audit reports. Based on this explanation, the hypothesis that can be formulated is:

H_2 : *Solvency has a Positive Effect on Audit Report Lag*

3) The Effect of Company Size on Audit Report Lag

The delay time of the audit report can also be affected by the level of company size. The size of the company is also determined by the intensity of its operational scope. The larger the company's assets, the shorter the duration of the delay of audit documents, and vice versa. Because larger entities typically have better internal oversight systems and access to more information, the likelihood of errors in compiling financial statements tends to decrease. Based on this explanation, we can conclude that the size of a business entity does not affect the delay in the audit report. As a result, the hypotheses that can be formulated are:

H_3 : *Company Size has a Positive Effect on Audit Report Lag*

Referring to the development of the hypothesis, this research model is arranged as follows :

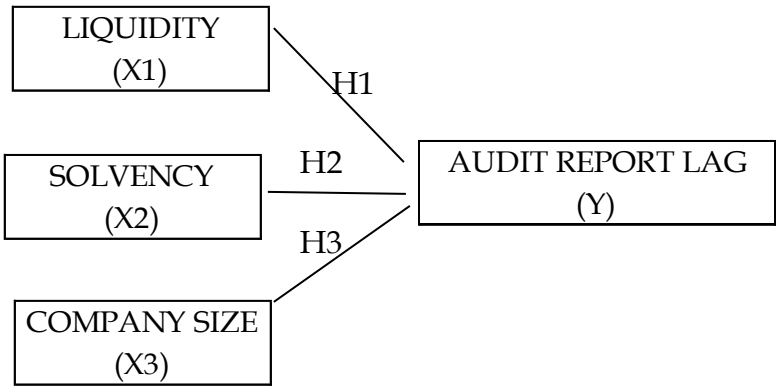

Figure 1. Research Model

METHODOLOGY

Definition and Measurement of Variables

The research design serves as a guideline that will be carried out with the aim of completing each procedure in this study. A research design is a structured plan for analysis, measurement, and data collection based on internal research questions (Sekran and Bougie, 2017). To explore the relationship between the Length of Audit Report Completion Time and factors such as liquidity, solvency, and company size, this study utilizes a descriptive quantitative approach. Using E-views 12 statistical software, this study was conducted with a quantitative causality approach.

Table 2. Variable Indicators and Measurements

No.	Variable	Definisi	Indicator	Measurement Scale
1	Liquidity (X_1)	Liquidation is an indication of a company's capacity to pay off urgent financial obligations, or its ability to pay obligations when due. A company is considered "liquid" if it can pay off its financial obligations on time. (Munawir, 1986:31)	(Cash and Cash Equivalents: Current Debt) x 100%	Ratio
2	Solvency (X_2)	Solvency ratio is an indicator that evaluates a company's ability to pay off its financial responsibilities. Ratio6solvency is measured through a ratio of debt to total assets.	(Total debt : Total Assets) x 100%	Ratio
3	Company Size (X_3)	The scale of the company can be seen from the overall assets, total sales, average overall sales, and average overall assets (Ferry and Jones Sujianto, 2001),	Ln x Total Aset	Ratio
4	Audit Report Lag (Y)	Audit Report Lag is the period of time needed to complete the audit process, starting from the end of the financial year or the end of the fiscal year to the time the audited financial statements are published (Soetedjo, 2006).	Audit Report Lag = Audit Report Date – Book Closing Date	Interval

Source : From various literature sources, 2024

Population and Sample

This research mostly looks at Indonesian energy-related companies listed on the IDX. Currently, the IDX is a forum for 83 energy-related companies, according to www.idx.co.id. The data of this research is based on the income statement of energy businesses traded on the IDX. From 2019 to 2021, the research covered all energy businesses listed on the IDX. The Purposive Sampling method is used to determine the sample size. The following are some of the criteria used to select the sample:

1. Companies in the energy sector listed on the IDX during the period 2019 to 2021.
2. Energy companies listed on the IDX with a history of delay in submitting audit reports for three years (2019-2021).

Data Analysis Techniques

This study uses quantitative analysis techniques to process data. This approach aims to quantify sample data to support the necessary analysis. The techniques applied include descriptive statistical analysis, panel data regression selection procedures (including the Chow test, Hausman test, and Langrange Multiplier test), determination coefficient (R2), as well as simultaneous tests and hypothesis tests.

1) Descriptive Statistical Analysis

A research method that provides a synopsis of a phenomenon is known as descriptive statistics. To test the hypothesis, it is necessary to

first collect fundamental data that is often used to describe the form of sample data (Hakim, 2022).

2) *Panel Data Regression Estimates*

To obtain reliable results from the panel data regression model, this study utilizes Review 12. By combining cross-sectional data with a time series, panel data is generated. According to the findings of Ghozali and his colleagues (2013), there are three methods that can be used to estimate the regression of panel data.

a) *Common Effect Model (CEM)*

Parameter estimation using this model is critical for panel data analysis. Without accounting for time variations or entity-specific variations, the model combines time series and cross-sectional data. Ordinary Least Square (OLS) is the approach used for estimation. Assuming that individual data do not change over time, the general effects model does not take into account individual or temporal differences (Ghozali, et al., 2013). FEM, or Fixed Effects Model.

b) *Fixed Effect Model*

A statistical model that maintains consistent interception over time and captures differences between entities (people). The assumption of a constant slope coefficient over time is key to a fixed-effect model. Ordinary Least Squares (OLS) is the estimation approach used. The advantage of this method is that it separates the influence of time and certain components without assuming that the error component is not correlated with independent variables (Ghozali et al., 2013).

c) *Random Effect Model (REM)*

As stated by Agus (2015), this model estimates the panel data by considering the variables of disturbances that may correlate over time and between individuals or units. Because of this modification, the error term will show the correlation between the unit and in the time series, and will also be displayed consistently. Generalized least square (GLS) is the estimation methodology used. When there are more people to analyze than time allows, this method shines in panel data analysis (Gujarati and Porter, 2012). The Random Effects Model is very useful because it is able to handle heteroscedasticity. The model, also known as the Generalized Least Square (GLS) or Error Component Model (ECM), was described by Trinugroho and Ariefianto (2020).

3) *Selection of Panel Data Regression Model Techniques*

a) *Chow Test*

Whether you want to know if the F-test will give a general effect or a fixed-effect model, you can apply the Chow Test. The F-statistical significance level lower than 0.05 makes the fixed-effect model (FEM) a viable option. On the other hand, the general effects model (CEM) is more suitable if this probability is greater than $\alpha = 0.05$.

b) Uji Hausman

When deciding between a fixed-effect model and a random-effects model, Hausman's testing may be useful. After the CHOW test, the optimal model should be determined using the chi-square value. The Hausman test was then used for this purpose. A fixed-effect model (FEM) is appropriate if the chi-square value is less than 0.05. But the random effect model (REM) is the right one to use if the chi-square value is greater than 0.05.

c) Uji Lagrange Multiplier

To determine whether the random effect model or the fixed effect model is more precise, one can take the Chow test with the Hausman test. Finding the best model is done by comparing chi-square values. A fixed-effect model (FEM) is recommended if the chi-square value is less than 0.05. Conversely, a random effect model (REM) should be used if the chi-square value is higher than $\alpha = 0.05$.

4) Classical Assumption Test

Ensuring the fulfillment of classical assumptions is an important step in multiple linear regression analysis using the OLS method. In order to ensure that the regression model produced is the best, accurate in calculations, and unbiased and consistent, classical assumption tests need to be carried out (Juliandi et al., 2014).

The classical assumption test5 aims to ensure that the regression model applied is accurate, precise, bias-free, and consistent in estimation. This test also aims to evaluate the reliability of the regression model in the study. In this study, the classical assumptions tested include two types, namely multicollinearity and heteroscedasticity testing.

a) Multicollinearity Test

Ghozali (2016) stated that the purpose of multicollinearity testing is to identify the relationship between independent variables in a regression analysis. Tolerance values and inflation factor (VIF) variances can be used to detect multicollinearity. Regression is considered free of multicollinearity problems if the VIF is below 10 or the tolerance is more than 0.10.

In the explanation from Widarjono quoted by Sakti (2018), it is recommended to use the paired correlation method in decision-making with specific considerations.

1) If the correlation between each pair of free variables is less than 0.85, we have no reason to reject the null hypothesis (H0). This indicates that there are no signs of multicollinearity problems.
2) However, if the correlation between each pair of free variables exceeds 0.85, the null hypothesis (H0) should be rejected, as this could indicate signs of multicollinearity problems.

b) Heteroscedasticity Test

This test is designed to evaluate whether there is a variation in residual differences between observations in the regression model. If

the chi-square value exceeds 0.05, the regression model is considered not to face heteroscedasticity problems.

According to Widarjono (2017), the heteroscedasticity test was carried out to check the inconsistency of variance and residuals in the regression model between observations. There are several methods that can be used to test heteroscedasticity, such as the White test and the Breusch Pagan test. The results of this test will show how the variation in the data occurs.

1) There are no signs of heteroscedasticity if the probability value is more than 0.05.
2) If the probability value is below 0.05, heteroscenidism is found.

5) *Test of Determination Coefficient (R2)*

Adjusted R-Squared is used as the main indicator to assess how well the model explains the impact of independent variables on dependent variables (Ghozali, 2016). This indicator shows the contribution of the independent variable to the variation in the bound variable in the regression model. The value can be found in the Model Summary table as R-Square (R2).

6) *Model Feasibility Test (Test F)*

To find out if all independent factors affect the dependent variable, the F test is a good tool to use. The standard significance threshold for this type of study is 5% (or 0.05). When the F-value is less than 0.05, it means that the dependent variable is affected by independent factors collectively.

Evaluation of the combined effects of independent factors on dependent variables is the goal of simultaneous F tests. This analysis found out whether the overall impact of the independent variable was statistically significant at a significance level of 5% (or 0.05).

7) *The Tree of Sorrow (t)*

The purpose of the T test is to see if the dependent variable is affected differently by each independent variable. This statistical technique is useful for testing the hypothesis that the two group averages are statistically comparable or significantly different.

The t-statistical value is used to assess the significance in hypothesis testing. The calculation of the t-statistical value is done through a bootstrapping procedure.

The decision is made based on the significance values listed in the Coefficient table. Typically, regression results are evaluated with a confidence level of 95% or a significance level of 5% ($\alpha = 0.05$).

The criteria for the statistical test t are (Ghozali, 2016):

1) First, we accept H_1 and reject Ha if the t-value is more than 0.05. This proves that there is no statistically significant relationship between the independent and dependent variables.
2) H1 is rejected and Ha is accepted if the significance value of t is less than 0.05. Therefore, we can conclude that the independent variable has a large impact on the dependent variable.

RESEARCH RESULTS

Descriptive Statistical Analysis

Table 3. Results of Descriptive Statistical Analysis

	ARL	CR	DAR	LN
Mean	159.4074	9873.352	6907.852	2836.222
Median	143.5000	6419.500	6513.000	2783.500
Maximum	545.0000	44692.00	20358.00	3205.000
Minimum	91.00000	126.0000	2159.000	2668.000
Std. Dev.	80.67113	9194.966	3625.131	140.6456
Skewness	3.583617	1.642822	1.910106	1.072042
Kurtosis	16.92204	5.733212	7.862179	3.410434
Jarque-Bera	551.6831	41.09829	86.02830	10.72250
Probability	0.000000	0.000000	0.000000	0.004695
Sum	8608.000	533161.0	373024.0	153156.0
Sum Sq. Dev.	344915.0	4.48E+09	6.97E+08	1048403.
Observations	54	54	54	54

According to the available table, the study included 54 samples. The sample was taken from 18 companies with an observation period of three years, namely from 2019 to 2021.

1. Audit Report Lag, known as Variable Y, had the lowest range at 91 and peaked at 545. The average of this variable was recorded at 159.41 with a standard deviation of 80.67.
2. Liquidity or CR Variable shows the lowest value of 126 and the highest value of 44,692. The average liquidity for the observed period was 9,873,352 with a standard deviation of 9,194,966.
3. Solvency or DAR Variable displays a low value of 2,159 and a peak of 20,858. During the observation period, the average solvency was recorded at 6,907,852 with a standard deviation of 3,625,131.
4. Company Size, measured by LN Variable, shows a low value of 2,668 and a high value of 3,205. During the observation, the average value reached 2,836.222 with a standard deviation of 140.6465.

Selection of Panel Data Regression Model Techniques

1) Chow Test Results

Table 4. Chow Test Results

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	2.424176	(17,33)	0.0143
Cross-section Chi-square	43.761857	17	0.0004

Cross-section fixed effects test equation:
Dependent Variable: ARL
Method: Panel Least Squares
Date: 05/17/24 Time: 21:32
Sample: 2019 2021
Periods included: 3
Cross-sections included: 18
Total panel (balanced) observations: 54

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	295.9239	231.5889	1.277798	0.2072
CR	-0.000627	0.001418	-0.441773	0.6606
DAR	0.001069	0.003505	0.304861	0.7617
LN	-0.048554	0.083237	-0.583327	0.5623

Root MSE	79.11056	R-squared	0.020170
Mean dependent var	159.4074	Adjusted R-squared	0.038619
S.D. dependent var	80.67113	S.E. of regression	82.21410
Akaike info criterion	11.72772	Sum squared resid	337957.9
Schwarz criterion	11.87505	Log likelihood	-312.6484
Hannan-Quinn criter.	11.78464	F-statistic	0.343099
Durbin-Watson stat	1.383024	Prob(F-statistic)	0.794255

Less than 0.05, the probability value of the F cross-section is 0.0004. As such, it is reasonable to say that this model works better with the Fixed Effects Model (FEM) than the General Effects Model (CEM).

2) Hausman Test Results

Table 5. Hausman Test Results

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	8.059914	3	0.0448

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
CR	-0.004308	-0.001319	0.000005	0.1864
DAR	-0.021763	-0.002139	0.000076	0.0248
LN	0.033970	-0.024321	0.464762	0.9319

Cross-section random effects test equation:
Dependent Variable: ARL
Method: Panel Least Squares
Date: 05/17/24 Time: 21:33
Sample: 2019 2021
Periods included: 3
Cross-sections included: 18
Total panel (balanced) observations: 54

Variable	Coefficient	Std. Error	t-Statistic	Prob.

Effects Specification

Cross-section fixed (dummy variables)

Root MSE	52.75423	R-squared	0.564291
Mean dependent var	159.4074	Adjusted R-squared	0.300225
S.D. dependent var	80.67113	S.E. of regression	67.48344
Akaike info criterion	11.54694	Sum squared resid	150282.5
Schwarz criterion	12.32044	Log likelihood	-290.7675
Hannan-Quinn criter.	11.84525	F-statistic	2.136934
Durbin-Watson stat	2.649263	Prob(F-statistic)	0.025798

The t-test probability value is 0.0448 < α (0.05), as seen in the table above. This suggests that FEM is used significantly differently than the REM model.

3) Lagrange Multiplier Test Results

Table 6. Lagrange Multiplier Test Results

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	1.525254	0.957392	2.482646
	(0.2168)	(0.3278)	(0.1151)
Honda	1.235012	-0.978464	0.181407
	(0.1084)	(0.8361)	(0.4280)
King-Wu	1.235012	-0.978464	-0.524844
	(0.1084)	(0.8361)	(0.7002)
Standardized Honda	1.819716	-0.713267	-3.137283
	(0.0344)	(0.7622)	(0.9991)
Standardized King-Wu	1.819716	-0.713267	-2.870657
	(0.0344)	(0.7622)	(0.9980)
Gourieroux, et al.	--	--	1.525254
			(0.2250)

The Breush-Pagan cross-section is more likely to occur than not (0.2168 > α (0.05)). Therefore, the General Effects Model (CEM) is preferred to the Random Effects Model (REM).

4) Selection of Panel Data Regression Model Techniques

Table 7. Selection of Panel Data Regression Model Techniques

Method	Testing	Result
Chow Test	CEM VS FEM	FEM
Uji Hausman	REM VS FEM	FEM
Uji Lagrange Multiplier	CEM VS REM	REM

The three tests presented in the table above will inform the use of a panel data regression model known as a Fixed Effects Model (FEM) for hypothesis testing.

Classic Assumption Test

1) Multicollinearity Test

Table 8. Multicollinearity Test Results

	CR	DAR	LN
CR	1.000000	-0.441234	0.226597
DAR	-0.441234	1.000000	0.020816
LN	0.226597	0.020816	1.000000

The correlation coefficient of the three variables is less than 0.85: 0.441234 for CR and DAR, 0.226597 for CR and LN, and 0.020816 for DAR and LN. The results showed that the model did not show multicollinearity or failed the multicollinearity test.

2) Heteroscedasticity Test

Table 9. Heteroscedacity Test Results

Dependent Variable: ABS(RESID)
Method: Panel Least Squares
Date: 05/18/24 Time: 00:14
Sample: 2019 2021
Periods included: 3
Cross-sections included: 18
Total panel (balanced) observations: 54

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-143.2056	161.4167	-0.887180	0.3814
CR	-0.000222	0.000224	-0.991516	0.3286
DAR	0.000888	0.000781	1.137741	0.2634
LN	0.051049	0.055914	0.912993	0.3679

Effects Specification

Cross-section fixed (dummy variables)

Root MSE	4.279712	R-squared	0.621573
Mean dependent var	5.524662	Adjusted R-squared	0.392224
S.D. dependent var	7.022354	S.E. of regression	5.474626
Akaike info criterion	6.523426	Sum squared resid	989.0606
Schwarz criterion	7.296920	Log likelihood	-155.1325
Hannan-Quinn criter.	6.821733	F-statistic	2.710159
Durbin-Watson stat	3.906241	Prob(F-statistic)	0.005410

The probability value (prob.) for the standard heteroscedasticity test must be higher than 0.05. The results showed that CR (liquidity), Dar

(solvency), and LN (business size) all passed the heteroscedasticity test because the probability value was greater than 0.05.

Uji Hipotesis

Table 10. Hypothesis Test Results

Dependent Variable: ARL
Method: Panel Least Squares
Date: 05/17/24 Time: 21:40
Sample: 2019 2021
Periods included: 3
Cross-sections included: 18
Total panel (balanced) observations: 54

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	255.9351	1989.716	0.128629	0.8984
CR	-0.004308	0.002762	-1.559874	0.1283
DAR	-0.021763	0.009624	-2.261385	0.0304
LN	0.033970	0.689233	0.049286	0.9610

Effects Specification

Cross-section fixed (dummy variables)

Root MSE	52.75423	R-squared	0.564291
Mean dependent var	159.4074	Adjusted R-squared	0.300225
S.D. dependent var	80.67113	S.E. of regression	67.48344
Akaike info criterion	11.54694	Sum squared resid	150282.5
Schwarz criterion	12.32044	Log likelihood	-290.7675
Hannan-Quinn criter.	11.84525	F-statistic	2.136934
Durbin-Watson stat	2.649263	Prob(F-statistic)	0.025798

1) *Test F (Simultaneous Test)*

The results of the previous simultaneous data processing showed that the F-statistic value was 0.025798 < 0.05 and the F-count value was 2.136934 < the F-table value was 2.790008. So, we can say that Ha is right and H0 is wrong. Companies listed on the IDX in the energy industry from 2019 to 2021 will have a major impact on the company's liquidity, solvency, and size on the Audit Report Lag.

2) *Coefficient of Determination (R2)*

A low r-square score of 0.300225 indicates that the regression model accounts for only 30% of the variation of the dependent variables. A low R-squared value indicates that the variance of the dependent variable is poorly explained by the regression model.

3) *Test t (Partial Test)*

Here's how each independent variable affects the dependent variable, according to the t-test or probability test:

a) The significant threshold of 0.1283 exceeded 0.05, and the calculated t-value of 1.559874 was smaller than the t-table value of 2.006647, according to the t-test findings. The study concludes that, for energy companies listed on the IDX between 2019 and 2021, the liquidity

variable (CR) did not have a significant effect on the Slowness of Audit Reports (ARL).

b) The study confirms that, at a significance level of 0.034-smaller than the 0.05-value of the t-count (2.261385) is higher than the T-table (2.006647). Companies listed on the IDX in the energy sector from 2019 to 2021 show a positive relationship between solvency variables (DAR) and Audit Lag Reports (ARL).
c) There is no correlation between Audit Report Lag (ARL) and Company Size (LN) for energy sector businesses listed on the IDX from 2019 to 2021. The calculated t-value of 0.049286 is smaller than the table's t-value of 2.006647 and the significance value of 0.9610, which is above the criterion of 0.05, according to the test findings.

Panel Data Regression Equation after T test

Y = 255.935141227 - 0.00430798261353*X1 - 0.0217634369368*X2 + 0.0339695146899*X3 + [CX=F]

The explanation is as follows:

1. 255.935141227 is the value of the constant. Therefore, the growth of the dependent variable of 255.935141227 is possible if the independent variable grows uniformly by one unit.
2. Second, the variable used for regression analysis is the liquidity coefficient X1 of (-) 0.00430798261353. So, if X goes up, the Audit Report Lag Y goes down by - 0.00430798261353 and Y goes up by the same amount if X goes down.
3. The solvency variable X2 (-) has a regression coefficient of -0.0217634369368, which means that the Lag value of Audit Report Y decreases by -0.0217634369368 while X grows and vice versa.
4. If the coefficient of the X3 regression variable Company Size (+) is 0.0339695146899, then X goes up. Y Audit Report Lag increased by 0.0339695146899 and vice versa.

DISCUSSION

1. The estimated t for the liquidity variable (X_1) is 1.559874, which is smaller than the table t of 2.006647. With a significance value of 0.1283 which is higher than 0.05, we can conclude that in energy companies on the IDX during 2019-2021, Liquidity (CR) did not affect the Audit Report Lag (ARL), as evidenced by the rejection of the null hypothesis (H_0). This gives credence to previous studies that found no link between liquidity and delays in audit reports. To prevent delays in audit reports caused by the company's liquidity, the Financial Services Authority sets a time limit of 90 days for financial statements after the closing of the books. Work done in the past by (Setiawan, 2020), (Harini, 2020), and (Fadrul, 2021).
2. The t-test on the solvency variable (X_2) verifies the accuracy of the calculated t-value. More than double the value found in the T-table (2.006647). There

was less than a significance threshold of 0.05 at 0.0304. Therefore, from 2019 to 2021, energy sector businesses listed on the IDX will experience an increase in Audit Lag Reports (ARL) as a result of the solvency variable (DAR) that proves the alternative hypothesis (H_2). (Dura, 2018), (Kartika, 2018), and (Lesmana, 2021) have all found findings that support this study. The time required to submit audit findings is greatly influenced by solvency, as stated by (Tampubolon, 2020) and (Setiawan, 2020).

3. Third, the T-test results show a t of 0.049286 for the company size variable (X3), which is smaller than the t-critical value of the table of 2.006647. With a significance value of 0.9610, which is substantially higher than 0.05, it can be concluded that the size of the company has no significant effect on the Audit Lag Report (ARL) in energy sector companies listed on the IDX during the 2019-2021 period. As a result, the null hypothesis (H3) is unacceptable. These results are in line with the results (Lestari and Anggraini, 2015), which also found that the delay of audit reports was not affected by the size of the company. No matter how large a company's assets are, the amount of time it takes to prepare its financial statements is determined by the amount of pressure from investors and authorities to do so on time.

CONCLUSION

The following conclusions are obtained from the results of the research and exposure described in the previous section:

1. During the period from 2019 to 2021, energy sector companies listed on the Indonesia Stock Exchange did not show a relationship between liquidity and delays in submitting audit reports.
2. For energy sector companies listed on the Indonesia Stock Exchange in the 2019-2021 period, there is a relationship between the solvency level and the delay in issuing audit reports.
3. During the period 2019 to 2021, among energy sector companies listed on the Indonesia Stock Exchange, it turned out that the size of the company did not affect how quickly their audit reports were issued.

RESEARCH LIMITATIONS

The researcher has endeavored to present optimal and useful research results for readers. However, the researcher recognizes some limitations in this study, namely:

1. The study only involved 18 financial companies, and changes in the number of companies in the future could affect the results.
2. This study only covers three annual periods, from 2019 to 2021.
3. Some companies did not provide the complete data needed, thus reducing the number of samples available.
4. There is a lack of supporting journals that can be used as references in this study.

5. This study only covers energy sector companies listed on the Indonesia Stock Exchange, while many other companies listed on the Indonesia Stock Exchange can be used as population and samples.

SUGGESTION

It is expected for future researchers to make some improvements and additions, such as:

1. Using a larger population and sample than this study.
2. Extend the research time period.
3. Adding other independent variables that can theoretically affect audit report lag.

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