THE EFFECT OF BANKRUPTCY, FRAUD, AND FINANCIAL STABILITY ON AUDIT DELAY OF INDONESIAN ISLAMIC BANKS LISTED IN FINANCIAL SERVICES AUTHORITY FROM 2016-2019

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Abstract: The gap of time between the financial report date and audited financial report date shows the time of audit done by the independent auditor, is known as audit delay. The longer the audit delay is finished, the more significant it will affect the decision making because it is one of the most factor that has large contribution in the movement of IHSG. The aim of this study is to find out whether there is or there is not a relationship between Islamic banks reporting delay to the financial determinants of bankruptcy which will be represented with z-score or Altman's model, fraud which will be presented with M-score or Beneish's model, and financial stability with ACHANGE as the proxy. The data used are secondary data from annual financial reports of Islamic banks in Indonesia submitted in official website of FSA or their own website, and processed using STATA application. Forty-eight samples used in this research. The result shows that the audit delay of Islamic banks in Indonesia is not affected by either bankruptcy or fraud. Meanwhile, the audit delay of Islamic banks in Indonesia is proven to be quite affected by financial stability.

Keywords: Islamic banks, audit delay, bankruptcy, Z-score, fraud, M-score, financial stability, achange

Introduction

As time goes by, many people started to realize that investment is one of the easiest fields to turn as a source of fund. That's why many companies -especially the sharia ones in this case, listed themselves in Indonesia stock exchange (IDX) as go public company following the phenomenon above. Not only in the field of stock, many people that don't feel capable enough to understand how stock works choose more friendly alternatives such as put their money in Islamic banks with intention to investing their wealth such as deposit or *mudharabah* (profit sharing). With that stated, it is expected by many parties that the financial reports of the company to be excellently delivered to the public. Timeliness in financial reporting is an important attribute of financial report, that's why every financial report has to be publicly delivered on time in order to help the users to analyze and making an economical decision (Carslaw, C.A.P.N. and S.E. Kaplan, 1991). The gap of time between the financial report date and

audited financial report date shows the time of audit done by the independent auditor, is known as audit delay. The longer the audit delay is finished, the more significant it will affect the decision making because it is one of the most factor that has large contribution in the movement of IHSG.

There may be numerous reasons that can causing longer audit delay. The late filing of accounts may be an intentional managerial decision in the case of companies which are facing financial difficulties, because they do not want to publish unfavourable information or even the result of a disagreement between auditors and directors due to the "true and fair view" of firms. The longer a company takes to file accounts after year-end, the more probable that it is encountering difficulties (Altman et al. 2010). It also has some negative consequences for the company, since it can be associated with lower credit ratings (Clatworthy and Peel, 2016) and/or the quality performance went downhill in general. Since many companies have different time of audit report submission, it's a good base for the research of what event(s) that affect the timeliness of audit delay for Indonesian companies.

Bankruptcy is a critical issue for firms due to its negative social and financial consequences (Wu, 2010). A company that is facing a distressful condition of its financial operation will most likely to hides the reason why their performance is not good. And that is why many researchers are interested in finding the relationship between bankruptcy and reports timeliness. Most researchers agree that the main determinants of bankruptcy risks are liquidity, profitability, and leverage. These three can condition the most when financial information is disclosed (Lukason and Litinen, 2019).

Financial statement fraud is a common thing, it mostly used by many companies for the sake of their own financial profit. The presence of financial statement fraud can be started by a bad intention that has been planned by the internal parties or it can also because pure omission by one of the employees, where the financial statement isn't submitted with correct accounting compliance. Either intentional or not, fraud can be very damaging by material and affects the decision making for the parties that used the financial statement (Sihombing, 2014).

Financial stability is a condition when the financial growth of a company is in a stable state. It doesn't seem so problematic since the company's growth are positively related to the operational activity, whether it is rising up or dropping down. With that stated, every growth's problem should be easy to handheld because the answer is to take a look and evaluate the operational activity of the company. But the bigger problem arises when the company consistently facing multiple losses or a below average growth for several periods. It is indicated by Loebbecke and Bell (Skousen et al, 2008) that managements in a slow-growing company tent to manipulate their

financial report to enhances their reputation and prospects.

Research about audit delay has been done and well performed by many researchers before this, but many of them follow the same variables and/or research method hence their result can be differentiated mostly based on their population and samples alone. For example, the research of audit delay with company size, profitability, solvability, operating gain or loss, auditor opinion, and auditor reputation has been investigated by Hossain (1998), Carslaw and Kaplan (1991), Subekti and Widiyanti (2004), Advart Sutanto (2013), Indra Kurniawan and Herry Laksito (2015), and many more that can't be mentioned one by one.

From the researches that have been done before, they follow the same focus of discussion which connecting their research towards good or neutral condition in financial cycle and none of them focus on a negative condition. To supports the ongoing research in audit delay field especially in this country, the aim of this research is to finds out the relationship of audit delay and bankruptcy, fraud, and financial stability.

Problem Statement

Since investment activity from society towards banks in Indonesia become more crowded, it is expected that every new investors can at least understand and use the financial report of a company with lots of consideration in order to make the best payback from that investment, because no one knows what happened in the company except the internal circle of the company, there might be one or two things in the audited financial report that can indicate if there is something wrong or not in the company. Based on the identification above, this research problem can be defined as follows:

1. Is there any relationship between chance of bankruptcy and audit delay?
2. Is there any relationship between fraud and audit delay?
3. Is there any relationship between financial stability and audit delay?

Limitations

Since there are a lot of companies from different size and purpose, this research will be limited on list of banks in Indonesia, whereas the sample of this research are every Islamic bank in Indonesia that are listed in FSA (financial services authority) from 2016-2019.

Objective

The aim of this study is to find out whether there is or there is not a relationship between Islamic banks reporting delay to the financial determinants of bankruptcy which will be represented with z-score or Altman's model, fraud which will be presented with M-score or Beneish's model, and financial stability with ACHANGE as the proxy.

Research Benefits

The main contribution and benefits of this research is that it will add and widen the knowledge of audit delay especially in Indonesia with new study variant since there are not many researches that focus the study on audit delay with fraudulent actions as the variables compare to other factors. For the

next researchers, this can be taken as research's reference and enhanced with more information and detailed studies.

LITERATURE REVIEW
Signalling Theory

According to Brigham and Houston (2014), signalling theory is a way of view of the stockholders about the chance of the company to increase its value in the future, where the information is given to the stockholders by corporate managements. The management is willing to share the information of the company operational or financial result to the investors in order to gain more thrust from them and make them hold or even add their fund in the company if the operation goes well for the company's prospect. Signalling theory emphasize on company's financial report as the medium of investment decision making process for the investo In Islam, this theory connected quite tightly to upholding a trust or *Amanah*. *Amanah* is one of the most basic buildings in interacting with God, human, environment and self (Sahri, 2018). If a person fails to preserve the mandate then he will be liable to be repaid in person. A specific order of *Amanah* from Allah SWT is stated in surah Al-Anfal verse 27:

يَـٰٓأَيُّهَا ٱلَّذِينَ ءَامَنُوا۟ لَا تَخُونُوا۟ ٱللَّهَ وَٱلرَّسُولَ وَتَخُونُوٓا۟ أَمَـٰنَـٰتِكُمْ وَأَنتُمْ تَعْلَمُونَ

"O you who believe! Betray not Allah and His Messenger, nor betray knowingly your Amanat (things entrusted to you)"

Not only in the religious context, the almighty Allah SWT also commands everyone to always deliver what have been trusted to them, in this case the management of the company have to make sure the stockholders are well inform of how the company's doing.

Compliance Theory

According to Lunenburg (2012), compliance theory is an approach to an organization structure that integrates ideas of classic model and management participation. One of the requirements of a financial report to be considered as a useful and trust-worthy source of information is that it has to be submitted on time. All of the considerations about the submission of company's financial report in Indonesia is stated in the POJK (financial services authority regulation) no. 29 /POJK.04 /2016 about annual report of public companies. This regulation sets a strict rule that every public company have to obey especially in the submission part which is expected to be available for public no later than four months after the date of annual financial statement.

The regulation from FSA hinted at the compliance of all individual and every organization (public company) that has a part in Indonesia stock market to submit their financial report on time. The point of this regulation goes along with the compliance theory.

In Islam, compliance theory is described pretty well in Al-Qur'an surah An-Nisa verse 59 about obeying Allah SWT, the Messenger, and authority:

يَا أَيُّهَا الَّذِينَ آمَنُوا أَطِيعُوا اللَّهَ وَأَطِيعُوا الرَّسُولَ وَأُولِي الْأَمْرِ مِنْكُمْ ۖ فَإِنْ تَنَازَعْتُمْ فِي شَيْءٍ فَرُدُّوهُ إِلَى اللَّهِ وَالرَّسُولِ إِنْ كُنْتُمْ تُؤْمِنُونَ بِاللَّهِ وَالْيَوْمِ الْآخِرِ ۚ ذَٰلِكَ خَيْرٌ وَأَحْسَنُ تَأْوِيلًا

"O believers! Obey Allah and obey the Messenger and those in authority among you. Should you disagree on anything, then refer it to Allah and His Messenger, if you 'truly' believe in Allah and the Last Day. This is the best and fairest resolution"

It is also supported by *hadith* from Rasulullah SAW. Abu Daud recorded that 'Abdullah bin Ummar said that the messenger of Allah said:

السَّمْعُ وَالطَّاعَةُ عَلَى الْمَرْءِ الْمُسْلِمِ فِيمَا أَحَبَّ وَكَرِهَ، مَا لَمْ يُؤْمَرْ بِمَعْصِيَةٍ، فَإِذَا أُمِرَ بِمَعْصِيَةٍ فَلَا سَمْعَ وَلَا طَاعَةَ

"The Muslim is required to hear and obey in that which he likes and dislikes, unless he was commanded to sin. When he is commanded with sin, then there is no hearing or obeying"

It is clear that Allah SWT and his Messenger are emphasize the importance of obeying the rule, unless it leads to something wrong and far from what Allah SWT has pointed to every Muslim. In this context, the regulation that FSA has made about financial report submission is nowhere near something that Allah SWT has forbid, it is made for the sake of the healthiness of financial cycle in Indonesia. Therefore, there is no way that a late submission of financial report is allowed in national regulation wise or religious wise.

Audit Delay

Audit is an independent examination of financial information of any entity, whether profit oriented

or not, irrespective of its size or legal form when such an examination is conducted with a view to express an opinion thereon (Gupta, Kamal., 2004). It can be concluded that audit meant to be done by independent parties to make a public report of a company financial statement in that financial period in order to examine the financial quality of the company by giving the auditor's opinion at the end of the audit.

Submission timeliness of financial report – especially in Indonesia, has been stated by *FSA* (financial services authority). Every company listed in capital market are obligated to submit their report every period to FSA and publicized it to the general public in a timely manner. Based on FSA legal decision in *FINANCIAL SERVICES AUTHORITY REGULATION* NO. 29 /POJK.04/2016, the financial report and independent auditor's report with fair opinion have to be submitted to FSA no longer than four months after the date of annual financial statement. Other than that, the reporting process could be considered as abnormal audit delay.

Bankruptcy (Z-score Altman's model)

Altmans's z-score model is a numerical measurement or a formula for quantitative model used to predict the chances of a business to face bankruptcy. Developed by Prof. Edward I. Altman in 1968 to measure company's financial stability. The model uses financial components from financial statement and grouped them into 5 main independent variables to find the

probability of bankruptcy in certain company in the next couple of year, with assigned references to X1, X2, X3, X4, and X5. Following the timelines, he realized that not all company can be defined with the same formula since only a bunch of them that are public-listed, then in 1984 he designed new formulas based on his re-research at that time and end up with 3 overall formulas that are specifically designed for public companies. Private companies, and non-manufacturing companies. Since this research focusing on banks as the samples, then the formula for non-manufacturing companies is chosen because it eliminated the X5 which represents sales/total asset.

Z-score formula for non-manufacturing companies:

$$Z = 3.25 + 6.56X1 + 3.26X2 + 6.72X3 + 1.05X4$$

Z = overall index

X1 = working capital/total asset

X2 = retained earnings/total asset

X3 = earnings before interest and taxes/total asset

X4 = book value equity/book value of total liabilities

With cut-off points:

Z < 1,1 distress zones

1,1 <Z< 2,6 grey area

Z > 2,6 non-distress zones

Financial Statement Manipulation (M-score Beneish's model)

M-score model is developed by Prof. Messod Beneish (1999) as a model calculation to detect earnings manipulation activity which violating the rule within the company by utilizing components from financial statement. The score is determined by eight variables. For the cut off, if it shows a result of a number greater than -2.22, it can be an indication that company's financial statement may has been manipulated (Warshavsky, 2012).

Since it's a probability model like the one above, there is no chance that this will represents a 100% true result. Beneish identified that it is possible to determine 76% accuracy of manipulators and 17.5% inaccuracy of non-manipulator (Beneish, 1999). The formulation and the eight variables of Beneish model are:

$$\boldsymbol{M - Score}$$
$$= -4.84 + 0.92DSRI$$
$$+ 0.528GMI + 0.404AQI$$
$$+ 0.892SGI$$
$$+ 0.115DEPI - 0.172SGAI$$
$$+ 4.679TATA - 0.327LVGI$$

DSRI: Day Sales in Receivable Index

In case of banks, sales represented with revenue (revenue = sales)

GMI: Gross Margin Index

In case of banks, gross margin represented with income (total income = gross margin)

AQI: Assets Quality Index

SGI: Sales Growth Index

DEPI: Depreciation Index

SGAI: Sales, General and Administrative Expenses Index

LVGI: Leverage Index

TATA: Total Accruals to Total Assets Index

Aside from the formula stated above, this research used 5 ratio model instead of 8. This method has been modified by some researcher (Mavengere, 2015; Paolone and Magazzino, 2014). Abbas (2017) stated that 5 ratio score model can more accurately identifies earning

management activity than the 8 ratio one. The 5 ratios used in this research are DSRI, GMI, AQI, SGI, and DEPI.

ACHANGE (financial stability)

ACHANGE is one of many proxies that can be used to represent a finding of fraudulent activity in financial stability field. It's the growth range between current year to prior year. Skousen et al. (2008) indicated that a rapid growth or when a company has massive growth of total assets every year can be a warning that a fraudulent act might be occurred. Sihombing (2014) in his research result stated that the change of total assets represented by ACHANGE as proxy has a connection to financial statement fraud.

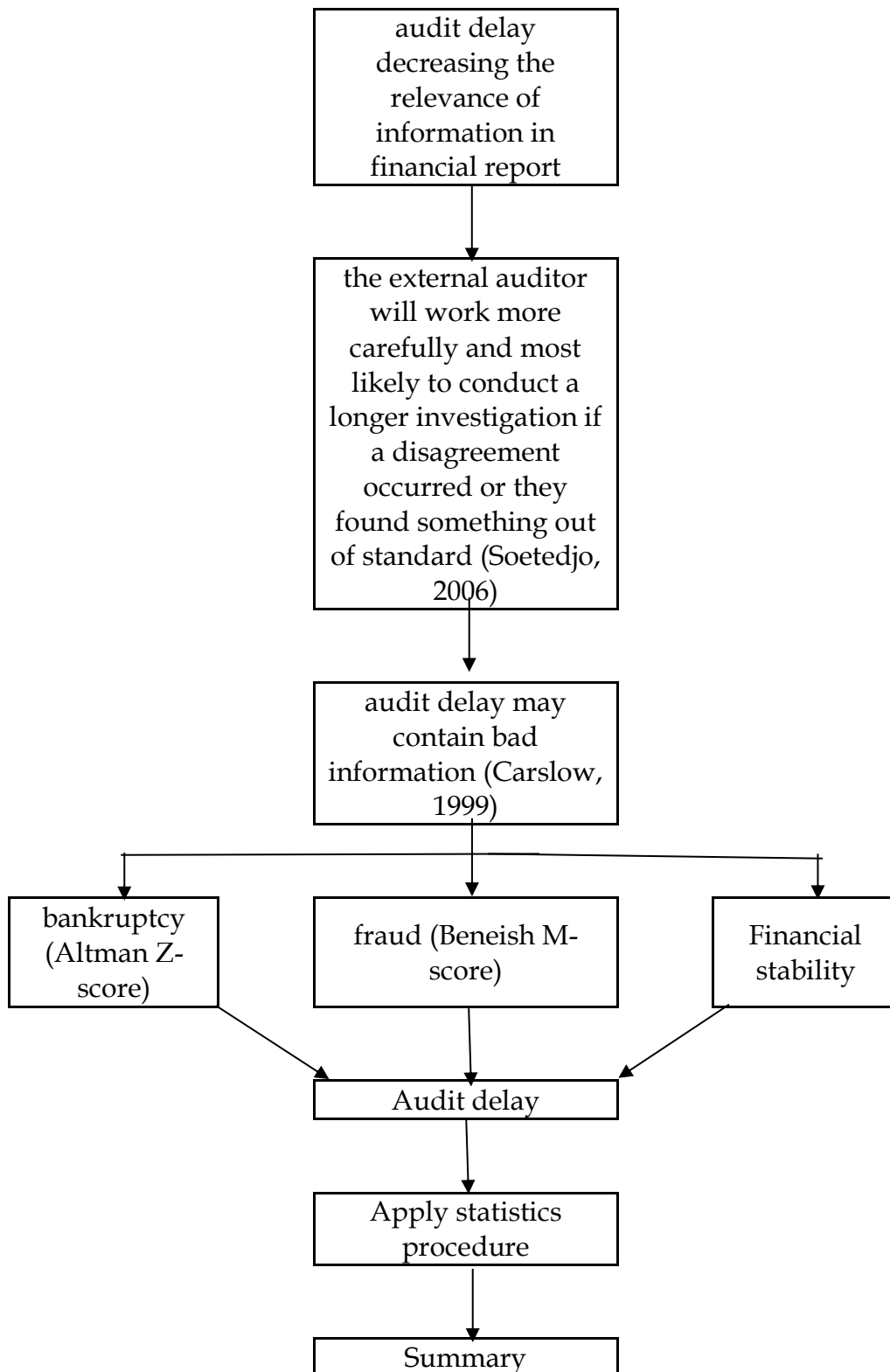$$ACHANGE = \frac{total\ asset_t - total\ asset_{t-1}}{total\ asset_{t-1}}$$

Previous Study

Table 2. 1 Previous study

AUTHOR	TITLE	VARIABLES	RESULT
Thi Thu Thuy Lai, Manh Dung Tran, Van Tuong Hoang, and Thi Hong Lam Nguyen (2020)	Determinants influencing audit delay: The case of Vietnam	firm size, audit firm type, sign of income, audit opinion, and leverage	the firms that report net income, that have standard audit opinion, and that have bigger size release their audited financial statements earlier. Variables such as auditor firm and leverage show no significant relationship with audit delay
Selvia Yunita and Indah Anisykurlillah (2020)	NPL sebagai pemoderasi faktor-faktor yang mempengaruhi audit delay	management performance level, liquidity, complexity of company operations and reputation of audit firm with non-performing loans as moderating variables	the level of management performance and KAP reputation have a negative effect on audit delay, while the liquidity and complexity of company operations have no effect on audit delay
Andrew Yim (2010)	Fraud Detection and Financial Reporting and Audit Delay	Auditor's consideration, audit fee, and capital raised and ownership sold	The likelihood of audit delay decreases following an improvement in reliability of regular audit procedures and/or when the prediction of fraud probability is minimum.

Jane Aprilia Gosal and Herlina Lusmeida (2015)	The influence of probability of bankruptcy and audit firm size to audit delay: evidence in Indonesia company listed in Indonesia stock exchange 2012-2014	Probability of bankruptcy and firm size	Audit firm size has no significant effect on audit delay, while probability of bankruptcy has a significant effect on audit delay
Tulus Suryanto (2016)	Audit Delay and Its Implication for Fraudulent Financial Reporting: A Study of Companies Listed in the Indonesian Stock Exchange	The usage of information system, company size, operation loss and profit	The information system, company size, and operation loss and profit have significant influence towards audit delay. It is also revealed that audit delay has significant influence towards fraudulent financial reporting system.

Research Framework

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┌─────────────────────┐
│    audit delay      │
│  decreasing the     │
│   relevance of      │
│  information in     │
│  financial report   │
└─────────────────────┘
           │
           ▼
┌─────────────────────┐
│  the external auditor│
│   will work more    │
│  carefully and most │
│  likely to conduct a│
│ longer investigation if│
│   a disagreement    │
│   occurred or they  │
│ found something out │
│ of standard (Soetedjo,│
│        2006)        │
└─────────────────────┘
           │
           ▼
┌─────────────────────┐
│  audit delay may    │
│   contain bad       │
│ information (Carslow,│
│        1999)        │
└─────────────────────┘
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┌──────────────┐   ┌──────────────┐   ┌──────────────┐
│  bankruptcy  │   │ fraud (Beneish M-│ │  Financial   │
│ (Altman Z-   │   │    score)    │   │  stability   │
│   score)     │   │              │   │              │
└──────────────┘   └──────────────┘   └──────────────┘
          ╲               │               ╱
           ╲              ▼              ╱
           ┌──────────────────────────┐
           │        Audit delay       │
           └──────────────────────────┘
                        │
                        ▼
           ┌──────────────────────────┐
           │     Apply statistics     │
           │        procedure         │
           └──────────────────────────┘
                        │
                        ▼
           ┌──────────────────────────┐
           │         Summary          │
           └──────────────────────────┘
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Hypothesis Development

Based on the background above in the first chapter, every fraudulent action has a huge chance to affects the company financial reporting, it can be from the abnormal growth or valuation in a specific account of financial report. The reason for that is the management has to recover the operating cycle in the company in order to stay away from any form of loss, one of the ways is to manage and protect the flow of fund from investors. Since most investors will most likely turn their bet down when knowing there is a decrease in value of the company, a fraudulent act might have to be done as a sugar coating to prevent such loss, even though it could damage the company reporting timeliness to public.

Following the first statement, Carslow (1991) stated that there are two reasons why a company that's facing a loss might have a bigger chance of longer report dilation. First, the management wants to delay the bad news in their financial report, so the company rearrange the auditing schedule. Second, the auditor will perform a more detail and careful work in a losing company to make sure what and where is the base of the problem. In the research conducted by Soetedjo (2006), the external auditor will definitely work more carefully and most likely to conduct a longer investigation in order to know whether the financial loss is caused by a fraudulent activity among the managements or pure on financial operation.

Based on the supporting results above, we can almost sure that there is a relationship between fraudulent act and audit delay, so this research's hypothesis can be shown as below:

1) **H0**: there is no significant relationship between bankruptcy and audit delay on Indonesian Islamic banks listed in Financial Services Authority from 2016-2019

    H1: there is a significant relationship between bankruptcy and audit delay on Indonesian Islamic banks listed in Financial Services Authority from 2016-2019

2) **H0**: there is no significant relationship between fraud and audit delay on Indonesian Islamic banks listed in Financial Services Authority from 2016-2019

    H1: there is a significant relationship between fraud and audit delay on Indonesian Islamic banks listed in Financial Services Authority from 2016-2019

3) **H0**: there is no significant relationship between financial stability and audit delay on Indonesian Islamic banks listed in Financial Services Authority from 2016-2019

    H1: there is a significant relationship between financial stability and audit delay on Indonesian Islamic banks listed in Financial Services Authority from 2016-2019

RESEACH METHODS

Type of Research

This research discusses about the possible relationship between fraudulent activities and audit delay using qualitative method that uses numbers to prove or disprove a hypothesis, which means this research contains statistical calculation that included in the components of the research method.

Type of Data

This research used secondary data as the main source of discussion. The data used are submitted financial report of all Islamic banks in Indonesia that are listed in FSA from 2016-2019. The sources used to collect data for the research are books, journal, previous thesis, and official website.

Population and Sample

Population of this research are all Islamic banks in Indonesia. The data collection technic used in this research is *purposive sampling* where the researcher picks the samples that closely resemble the population and considered based on some criteria. The criteria are shown below:

1) Islamic banking companies that are listed in FSA that have submitted their annual report for 2016 to 2019 period
2) Islamic banking companies that are listed in FSA for four year in a row from 2016-2019
3) Published financial report are using rupiah as the main currency
4) Published financial reports that have every data and components to support the formulation in this research

Data Collection

In this research, the main source of data is the official website of IDX (Indonesia stock exchange) which is *idx.co.id* where the financial reports of the listed companies are publicly released and the official website of the banks for the Islamic banks that are not listed in IDX. Since this research relies on the annual report of the samples, the collected data are the financial reports that have been audited regardless who is the auditor or the audit result and have been marked by the company's board of commissioners.

Variables Operational Definition

Table 3. 1 Variables operational definition

Variable	Description	measurement	scale
dependent variable			

|			
audit delay	The gap of time between the financial report date and audited financial report date shows the time of audit done by the independent auditor (Carslaw, 1999)	number of days between financial report date which is 31st December to the submission day of audited financial report	ratio
independent variables			
bankruptcy	Of a person or organization declared in law as unable to pay their debts (Karina, 2014)	$Z = 6.56X1 + 3.26X2 + 6.72X3 + 1.05X4$ (notes attached in chap. 2)	ratio
fraud	a general act that that includes every clever way intended to gain personal profit by false reporting (Albrecht et al., 2011)	$M\text{-} Score = -4.84 + 0.92DSRI + 0.528GMI + 0.404AQI + 0.892SGI + 0.115DEPI - 0.172SGAI + 4.679TATA - 0.327LVGI$ (notes attached in chap. 2)	ratio
financial stability	a condition when the financial growth of a company is in a stable state (Abbas, 2017)	$ACHANGE = \dfrac{total\ asset_t - total\ asset_{t-1}}{total\ asset_{t-1}}$	ratio
control variable			
company size (total asset)	a hypothesis variable that usually used to describe a disclosure in financial report (Sembiring, 2005)	$CS = \log(total\ asset)$	ratio

Data Analysis Technique

The statistical analysis step in this research is divided into 2 main parts. The first one is to find the value of each company's financial performance based on the three independent variables. And the second and the last part is the statistical calculation to find the correlation of the values that have been calculated in the first step to the dependent variables using multiple statistical analysis test. The design and mathematics model of the research as shown below:

a) Research design

Figure 3. 1 Research design
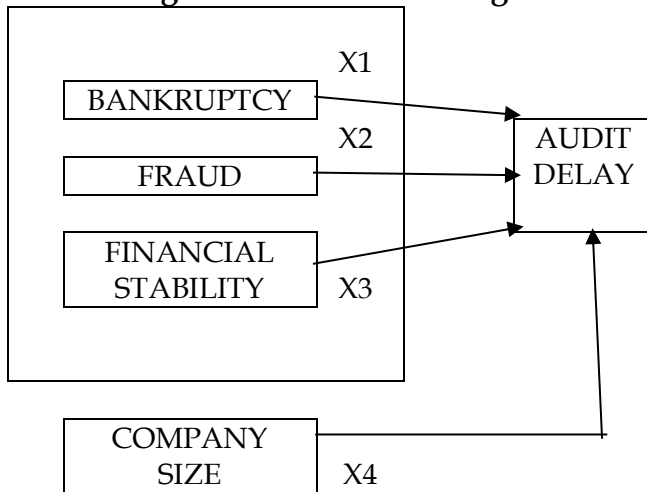
b) Mathematics model (data panel)

$$ADit = \alpha it + \beta BRPit + \beta Mit + \beta FSit + \beta CSit + \varepsilon it$$

Note:

AD : Audit delay
BRP : Bankruptcy
M : Manipulation
FS : Financial stability
CS : Company size
α : Constant
β : Regression coefficient
ε : Error
i : Company i
t : Time t

1) After the results of each independent variables are achieved, the next step is to conduct a statistical procedure such as descriptive statistic, normality test, heteroscedasticity test, multicollinearity test, regression model estimation, and linear regression test.

a) Descriptive statistics
The purpose of descriptive statistics is to gives a more detailed description and image of the variables used in the research. Descriptive statistics is used to measures and calculates the data distribution with the value of mean, minimum, maximum, and standard deviation.

b) Normality test
The purpose of normality test is to make sure that the data used in the research are proper and have a normal distribution, using normal probability plot *(P-Plot).* A data distribution is considered normal when the data dots spread around and following the diagonal line in the picture.

c) Heteroscedasticity test
The purpose of heteroscedasticity test is to tests whether there is or there isn't any variance residual different between each of researches. A regression model is considered as good when there is no heteroscedasticity detected by the test (Ghozali, 2013).

d) Multicollinearity test
The purpose of multicollinearity test is to tests whether there is or there isn't any correlation between independent variables. It can be determined by the valuation of VIF and tolerance. A good regression model should have independent variables that are not correlate between each other (Ghozali, 2013). In order to achieve that, the value of VIF has to be < 10 and the value of tolerance should be > 0,10.

e) Regression model

There are three approaches in estimating regression model: *Common Effect Model* (PLS), *Fixed Effect Model* (FE), and *Random Effect Model* (RE). To choose a proper estimation model, there are some tests that can be done.

1) Chow test

It is a statistics test to choose between *Common Effect Model* or *Fixed Effect Model* to be used in the research.

H0 = *Common Effect Model*

H1 = *Fixed Effect Model*

2) Hausman test

It is a statistics test to choose between *fixed effect model* or *random effect model* to be used in the research

H0 = *Random Effect Model*

H1 = *Fixed Effect Model*

3) Lagrange Multiplier (LM) test

It is a statistics test to choose between *random effect model or common effect model* to be used in the research.

H0 = *Common Effect Model*

H1= *Random Effect Model*

Statistics Hypothesis

Following the statistics tests above, the next step is to conduct a hypothesis test in order to know the truth and the accuracy of a stated hypothesis. Hypothesis test analysis is done by doing these tasks below:

1) T-test

The purpose of this test is to find out if each independent variable has or has no significant affect to the dependent variables.

H0: $\beta1=0$, means the independent variable has no significant affect to the dependent variable

H1: $\beta1\neq0$, means the independent variable has a significant affect to the dependent variable

The conclusion of the test is as follows:

If t-count > t-table, H0 is rejected

If t-count < t-table, H0 is accepted

2) Statistics F-test

The purpose of this test is to find out if all independent variables are simultaneously affecting the dependent variable or not.

H0: $\beta1…n=0$, means all independent variables are not simultaneously affecting the dependent variable

H1: $\beta1…n\neq0$, means all independent variables are simultaneously affecting the dependent variable

The conclusion of the test is as follows:

If F-count > F-table, H0 is rejected

If F-count < F-table, H0 is accepted

3) Coefficient test (R^2)

The coefficient test is used to know how much and how far the independent variables could explain the dependent variable. A perfect test result is one (1), which means two things. First, the independent

variables are able to explain the overall variation of the dependent variable. And second, the regression equation quality is good when the result appears to be close to one (1).

RESULTS AND DISCUSSION
General Overview
The companies that will be used in this research are 48 companies, 12 companies from each year 2016-2019. The company data can be seen in figure below:

Table 4. 1 Research samples

Criteria of sample	2016	2017	2018	2019
Islamic bank that are listed in FSA for four year in a row	12	12	12	12
Imbalance data	0	0	0	0
Sample data	12	12	12	12
Total sample	48			

In the previous chapters it has been explained that the research includes the Indonesian Islamic banks that are listed in financial services authority from 2016-2019, based on the criteria that has been mentioned above. At the beginning, there were supposed to be 12 banks for the year 2016, 13 banks for the year 2017, and 14 banks for the year 2018-2019, which makes the total of 53 samples including the repetition for the ones that are listed for full four years. There were some data that make this research's sample become imbalance, and it is expected to slow down the process of data running, therefore a little elimination is needed to find a better composition for the sample. In the end, this research only uses 12 banks that are listed for four years in a row which are BRI Syariah, Mandiri Syariah, Muamalat bank, Mega Syariah, Bukopin Syariah, BNI Syariah, BJB Syariah, BCA Syariah, Victoria Syariah, Maybank Syariah, Panin Syariah, and BTPN Syariah.

Descriptive Statistics
Descriptive statistics is used to explain about the data in the research variable in this research. The descriptive analysis that are conducted including average, minimum, and maximum. The summary of descriptive statistics of this research can be seen below:

Table 4. 2 Data description

No	Data	Sample	Average	Min	Max
1	Duration	48	45,6875	6	85
2	Z score	48	5,25618948	2,83773878	9,83727751
3	M score	48	-5,63349452	-52,0848877	1,46513484
4	ACHANGE	48	0,12063730	-0,12602601	0,40936615
5	Company size	48	8,35071323	3,69858765	12,8552923

Based on the table above, for the shortest duration of audit report submission is 6 days by BCA Syariah in 2016, while the longest one is 85 days by bank MEGA Syariah in 2017. For the Z score result, the lowest one is 2,83 by bank PANIN Syariah in 2017, based on the cut-off point in the chapter two, it is still far from the grey area of bankruptcy probability. And for the highest Z score result is 9,83 by BTPN Syariah, the farthest bank from chance of bankruptcy by the result of this analysis.

For the M score result, the lowest one is -52,08 by bank BUKOPIN Syariah in 2017. Based on the cut-off point in chapter two, this is the farthest result from manipulation probability. This one happened because there is a huge gap of Retained Earnings (RE) in bank BUKOPIN Syariah from 2016 to 2017. And for the highest one is 1,46 by bank VICTORIA Syariah in 2019, the result indicates that there might be a financial statement manipulation occurred.

For the ACHANGE or financial stability, the lowest score is -0,12 by BJB Syariah in 2018, while the highest score is 0,40 by BTPN Syariah in 2016. For the company size used as a variable control, the lowest score is 3,69 by BCA Syariah in 2017, while the highest one is 12,85 by bank BUKOPIN Syariah in 2019.

Hypothesis Testing and Discussion
Table 4. 3 Statistic test result

variable	Coef.	p-value
Independent		
BRP	-0,027	0,292
M	-0,002	0,32
FS	0,536	0,04
Control		
CS	0,072	0,001
N		48
F-stat		0,0024
R-sq		0,3229

Bankruptcy has a relationship to audit delay in Islamic banks in Indonesia.

First hypothesis of the first variable (H1) of this research is that there is a significant relationship between bankruptcy and audit delay on Indonesian Islamic banks listed in Financial Services Authority, based on the statistic test result the coefficient score of BRP is -0,027 with p-value of 0,292. The result shows that there is no relationship between bankruptcy and audit delay. According to Altman (2010) a company which is facing a difficulty in this case a chance of bankruptcy will most likely to delay their financial report to hold the bad news from public especially their stock holders.

But according to the descriptive statistics of this research, the result of Z-score shows that there is no Islamic bank in Indonesia that ever stands close to the stage of bankruptcy during 2016 to 2019 period. This result is proven by Nurahmayani (2019) which conducted a research about companies in LQ45 and found out that probability of bankruptcy doesn't affect audit delay. The choice of samples and the result of each

bank's Z-score assumed to be the reason why the data shows no relationship between bankruptcy and audit delay, because there is no sample that has a bankruptcy score to be compared with each other. The statement above following the research of Islamic banks in Indonesia by Nelmida (2019) that concluded from 2015 to 2018 period with 11 companies as sample, only 1 company (Muamalat bank) that has a chance of bankruptcy or included in gray area, and none of them has a score below the gray area or in bankrupt condition.

Financial fraud has a relationship to audit delay in Islamic banks in Indonesia

First hypothesis of the second variable (H1) of this research is that there is a significant relationship between fraud and audit delay on Indonesian Islamic banks listed in Financial Services Authority, based on the statistic test result the coefficient score of M is -0,002 with p-value of 0,32. The result shows that there is no relationship between fraud and audit delay. According to Soetedjo (2016), it is stated that a company that has a major issue or any form of fraud will be audited with more caution and more detailed by the independent auditor in order to find every bit of the fraud evidence, therefore causing a longer audit delay. Besides that, Andrew Yim (2010) also stated that the timeliness of audit reporting is affected by fraud prediction, it will significantly reduce if there is no red flag indicated in the financial report.

But according to the descriptive statistic of this research, the result of M-score shows that only a few Islamic banks in Indonesia that ever face financial fraud issue during 2016 to 2019 period, therefore the auditors of these companies didn't need additional time to do more investigation about a fraud in financial report. The choice of samples and the result of each bank's M-score model assumed to be the reason why the data shows no relationship between fraud and audit delay, because there is no sample that has a positive score of fraud to be compared to each other. The statement above following the research of Islamic bank in Indonesia by Isrodinata (2021) which concluded that from the sample of listed Islamic bank in Indonesia from 2015-2019 there are only a few evidences of financial report fraud in BJB Syariah and Muamalat bank.

Financial stability has a relationship to audit delay in Islamic banks in Indonesia

First hypothesis of the third variable (H1) of this research is that there is a significant relationship between financial stability and audit delay on Indonesian Islamic banks listed in Financial Services Authority, based on the statistic test result the coefficient score of FS is 0,536 with p-value of 0,04. The result shows that there is a significant relationship between financial stability and audit delay. It shows a positive relationship which means the company with highest increase or decrease on its asset from year to year requires a lot more time for the

independent auditor to finish the audit process. Financial stability can show whether a company operates normally or not, which can lead to independent auditor performing more audit procedures. This result is supported by Sihombing and Rahardjo (2014) that stated a financial stability has a significant effect to financial report fraud which can lead to a deeper investigation by the auditor, therefore the audit process can take a lot more time to finish.

Based on the data description, most of the company in the sample are in unstable financial condition because there are many evidences of a significant up and down shown in their annual total assets and made the auditor took more time to investigate, and it makes sense because a big change of total asset could identify something in the company and the independent auditor will most likely put more awareness when applying the audit procedures. This result also supported by previous research by Skousen (2009) that indicates a higher change of total assets in a company could lead to a longer audit submission because the auditor has to make sure there is no miscalculation when it comes to huge loss or to make sure there is no illegal activity applied when it comes to huge increase in assets.

The effect of company size as control variable to audit delay of Islamic banks in Indonesia

This research uses an additional control variable which is company size that is represented with the log result of total assets. Based on the statistic test result the coefficient score of CS is 0,072 with *p*-value of 0,001. The result shows that there is a significant relationship between company size (total assets) and audit delay. It shows a positive relationship which means the company with highest amount of assets will most likely need more time to finish the audit report since the independent auditor needs more evidences and samples to conduct the audit process. The result is supported by the research of audit delay by Elen and Anggraeni (2012) which concluded a bigger company with more assets means the company is more complex, therefore the independent auditor has to perform more audit procedures. Besides that, another result from previous research by Ashton and Elliot (1987) which stated the company size have bigger impact to audit delay because it is represented by total assets. Meanwhile, based on previous research by Kartika (2009), company size has a significant relationship with audit delay because the bigger company with more assets tent to have a lot more pressure from external parties to finish their audit report quickly

CONCLUDING

Based on the analysis and explanation that have been done, it can be concluded that:

1) There are two negative variables that are represented by the result of Z-score for chance of bankruptcy and M-score for financial fraud. Both overall result shows two main information regarding this

research. First, based on the choice of sample and the year range of the result, there is no significant relationship found between these two variables to audit delay which means it needs deeper understanding and investigations to know the presences of these events rather than only take a look at the audit duration. Second, based on the result of these calculation, there are only a few Islamic banks in Indonesia that will or currently facing a risk of either bankruptcy or financial fraud, while the other Islamic banks are in a very safe position.

2) Based on the statistics analysis, financial stability has a significant relationship to audit delay, following the various range of total assets each year. The research shows that most Islamic banks in Indonesia are facing a lot of ups and downs in term of total assets quite often each year, thus forcing the independent auditor to take more time to do the audit process considering many things that can affect the financial stability of a company.

3) Based on the statistics analysis, company size (total assets) has a significant relationship to audit delay, following a various number of assets each company have every year. The research shows a positive relationship

which can be seen that smaller companies with smaller total assets have rather faster audit submission than the bigger ones.

4) Based on the statistics analysis, the result shows a *R square* of 0,322, which means about 32% of audit delay variation can be explained by chance of bankruptcy, financial fraud, financial stability, and company size (total assets), while the other 68% can be explained by other factors.

Limitation

The limitation of this research is that the choice of samples was not good enough to be investigated with two variables of this research since most of the banks lean toward the same area and causing a small variation in the final score of the calculation, therefore the result for the Z-score and M-score are not significant. Aside from that, there is only a small chance of case in audit report dilation especially in Islamic bank that may occur since the regulation from FSA is very strict and can actually cost a lot for the bank. Therefore, any Islamic bank in Indonesia submits their audit report as on time as possible regardless their financial condition.

Recommendation

A recommendation for the next research regarding a choice of sample. Choose a more variative sample with wider range to maximize the result of some variables, for example the chance of bankruptcy and financial fraud. With more samples that actually has a

record of facing those events, these variables will most likely have more effect to the research and significantly increase the quality of the research.

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