CHAPTER II

LITERATURE REVIEW

A. Theoretical Framework

1. Agency Theory

The agency theory explains the relationship between agents and principals. Agency relations that occur are contractual relationships where one or more people (principals) employ other people (agents) to provide services on their behalf. The contractual relationship also involves delegating authority to make decisions (Jensen and Meckling, 1976). In a principal company, it can be analogous as the owner or shareholder while the agent is the manager.

The separation between ownership and management aims to maximize the profits of the owners by hiring professionals who master certain fields so that the expected costs are more efficient. This is in line with agency theory which emphasizes that it is important for owners to hand over the company to be managed by professional staff (Sutedi, 2011).

The contract makes the owner must give management authority to make the decision and also their trust to the manager. Instead, managers who act in the interests of owners are required to work with their best abilities with the aim of optimizing the profits of the owners. However in the reality managers do not always act on the basis of the interests of the owner but personal. The involvement of personal interests can lead

managers to optimize personal interests or the existence of opportunistic behavior to prosper their personal lives. This is in line with what has been stated by Eisenhardt (1989) that one of the basic assumptions that build agency theory is that humans have a tendency to be selfish or self-interest (Hamdani, 2016). Moreover, Jensen and Meckling (1976) also explain that the separation of ownership and management does not cause a balance of information between the principal and the agent or commonly called asymmetry information. Managers who manage the company directly have more information about the company than the owner about the condition of the real company. Moreover, the owners cannot oversee operational activities directly.

Opportunistic behavior carried out by managers because the information asymmetric can affect the timeliness of corporate financial reporting. Managers can intentionally hide facts from fraud committed and can also influence the accounting numbers presented. To overcome the problem of information asymmetry, an independent party with special knowledge, abilities, and experience is needed to balance perceptions between shareholders and managers. The external auditor is the one who takes the role of the independent party who will then provide an assessment of the manager's performance in the form of an opinion on the audited financial statements.

Besides, a system called corporate governance also began to be implemented to protect the interests of shareholders from the agency's

problems. Implementation of a good corporate governance system can be a guarantee for shareholders to ensure that managers work well and avoid opportunistic behavior and information asymmetry. It is also a guarantee that shareholders can reclaim the rights for what they have invested. The mechanism applied in corporate governance practices can improve the quality of corporate disclosures to be better and reduce the risks that arise for auditors so that it does not take long for the auditor to publish the audit report or audit delay can be decreased. This is because the auditors especially auditors specialists with expertise take less time to align the understanding between principal and agent due to the risks of opportunistic behavior and information asymmetry problem has been mitigated by good corporate governance.

2. Signaling Theory

Signaling theory explains the effort to communicate positive information that the organization has to the users of the information (Connelly et al., 2011). Such information usually contains what actions have been taken by the manager to realize the wishes of the owner. The information is transformed into a signal which will then be digested by information users to distinguish whether the company has good news or bad news. These positive and negative considerations represent the quality of the company which is then used to make investment decisions.

Every company tries to give a positive signal to the public to avoid unwanted reactions that will harm the company. To notify the good

quality of the company that can be understood, the company interpreted it through financial statements. Financial statements which is presented too long can give a negative signal because the public will assume the length of time needed to audit the company occurs because the company has a problem. So it is very important for companies to publish their financial statements on time and shorten the audit delay that occurs.

Signaling theory can be used to explain the timely publication of audited financial statements to users of financial statements. A short audit delay can provide a positive signal about the company. A long audit delay can cause the relevance of the information provided to be reduced. In addition, the longer the publication of audited financial statements will give a negative signal about the company because the public may respond that there is a problem in the company that makes the auditor takes longer to give his opinion. Therefore, the existence of corporate governance practices is expected to reduce audit risk so that the audit process becomes shorter and also the use of industry specialization auditors with their expertise and knowledge can perform audit processes better and more efficiently so as to reduce audit delay. With a short audit, delay can restore the relevance of audited financial statements published and provide positive signals and good news for its users.

3. Audit Delay

Primantara and Rasmini (2015) describe audit delay as the time span that occurs due to the audit process from the closing date of the book until the date of signing of the independent auditor's report. This time span occurs because to perform the audit process takes time. However, BAPEPAM and LK have arranged through KEP-346 BL / 2011 that every company goes public must submit the audited financial statements within 3 months or 90 days from the end of the book year.

The regulation exists to prevent delay in the delivery of the company's financial statements. This is because the financial statements are the main source of information, especially for investors to make their decision. The longer the time span or the longer the audit delay will have an impact on the level of accuracy of the information provided and reduce the relevance of that information. The further impact is the loss of investor confidence in the company's performance.

4. Corporate Governance

The Forum for Corporate Governance in Indonesia (FCGI) defines corporate governance as a set of rules governing the relationships between shareholders, creditors, governments, employees and other internal and external interest holders relating to their rights and obligations to regulate and control the company (FCGI, 2001).

While the National Committee on Governance Policy/Komite Nasional Kebijakan Governance (KNKG) sees corporate governance as

a process and structure used by a part of the company to provide added value to the company on a long-term basis for shareholders while maintaining the interests of other stakeholders, based on existing legislation and norms (KNKG, 2006).

Based on some of these definitions it can be concluded that corporate governance is an effort to improve company performance through monitoring of management performance and accountability of management to stakeholders. The application of good corporate governance demands the fulfillment of several principles. The National Governance Policy Committee explains the principles as follows:

a. Transparency

The company must disclose all information needed by stakeholders as a consideration in decision making. This information does not only cover information that is legally required but important information and has the right to be known by stakeholders such as investors and creditors. Finally, information is presented in an understandable and easily accessible form.

b. Accountability

Accountability is realized with the company in a transparent, fair manner and accountable for its performance while maintaining the interests of each party involved. This responsibility is needed to achieve sustainable performance.

c. Responsibility

The company must comply with applicable laws and in carrying out its business activities it is not only responsible to stakeholders and shareholders but also responsible to the community and to environmental sustainability. This is an effort to maintain long-term business continuity.

d. Independency

Management of the company is required to be run independently. The intention of the independent party is that each company organ must be free from intervention and the absence of domination by one party. This is intended to avoid conflict of interest so that decision making is done objectively.

e. Fairness

The principle of fairness requires companies in their activities to pay attention to the interests of shareholders and stakeholders equally and appropriately. This includes giving the parties the right to give their input and provide transparent access to information in accordance with their position. The concept of fairness also does not distinguish parties based on ethnicity, religion, race, class, gender, and physical condition.

In an effort to apply corporate governance that fulfills these five principles, procedures are needed to guarantee and oversee the running of the corporate governance system in a company which is then carried

out in the form of a mechanism. Barnhart and Rosentein (1998) explain, there are two mechanisms of corporate governance that is internal and external mechanisms. Internal mechanisms include such as the general meeting of shareholders and the existence of a board of commissioners. While external mechanisms include such as market control and company control or institutional ownership. In this research, some of the mechanisms are taken to test the influence on the dependent variable or audit delay.

a. Board Commissioner Size

One of the efforts to achieve good corporate governance is the presence of the board. The existence of the board is expected to be an internal control mechanism for top management (Fama and Jensen in Thesarini, 2016). This control function takes place because practically board members take the role as intermediaries among the people involved in financial reporting.

In Indonesia board is divided into two with two different functions. Law No. 40 of 2007 concerning Limited Liability Company article 92 paragraph (1) states that the management of the company for the purpose of the company's interest in the run by members of the board of directors. While article 108 paragraph (1) explains that supervision on company policy is done by board of commissioner. Under the prevailing law, the management structure in Indonesia is shared between the board of directors and the board

of commissioners. It also divides the supervisory function and the operational function of the company where the commissioner holds the supervisory function while the operations are the responsibility of the members of the board of directors.

POJK Number 33 /POJK.04/2014 subsection 20 require the existence of at least two people as a member of the board commissioner to perform a supervisory role over a company. For that reason, the number of board commissioner members in each company differs according to company policies of each company.

b. Independent Commissioners

Law No. 40 of 2007 concerning Limited Liability Company article 108 paragraph (1) explains that the supervision function is run by the board of commissioner. Each company has a different number of board commissioner member depend on the company's policy. However, the National Committee on Governance Policy/Komite Nasional Kebijakan Governance (KNKG) in its general guidelines on Good Corporate Governance makes it clear that members of the board of commissioners may consist of independent parties. POJK Number 33 /POJK.04/2014 subsection 20 regulate that in board commissioner there should be at least 30% of the total member that are independent. The independent party is a party who does not come from a party with a special relationship such as a business relationship or a familial relationship. The

independent parties are then referred to as independent commissioners.

Duchin, et al. in Kusumah and Manurung (2017) argue that independent commissioners can act as a party that can protect the interests of shareholders. This is because those who act as independent commissioners are those with capabilities that do not have a special relationship with the internal company. They are considered not going to undergo a special relationship to conceal the management's mistakes. The existence of an independent commissioner among the board of commissioners is then believed to improve the quality of supervision of a company.

c. Role Duality

The role duality is a condition that occurs where there is one party that runs two roles at once. In this case, it is usually run by the CEO or the head of the executive. The CEO or the head of the executive is a position that holds ultimate control and is responsible for the operation of a company and its stability. Duality roles occur when at the same time a CEO also acts as a board of commissioners (Sridharan and Marshinko in Dewi, 2013).

Although it has never been written in the rules, it can be said that Indonesia adheres to the two-tier system, where role duality will be smaller because there are two councils with different functions. However, the maximum supervisory function will not be achieved

if there are still family relationships between two individuals who are on the board of directors and the board of commissioners. Therefore, the intertwined family relationship is also considered as role duality (Chandra and Devie, 2017).

The existence of a duality role will increase the risk, especially the risk of weakening the level of supervision. This is because the functions brought by both parties are two different functions. As explained under Law No. 40 of 2007 article 92 paragraph (1) and article 108 paragraph (1) that the supervisory function is run by the board of commissioners while the operational function is run by the board of directors as well as the company executives.

d. Institutional Ownership

Institutional ownership is part of the ownership structure of a company. Shien et al. in Irfana (2012) define institutional ownership as shares owned by governments, financial institutions, legal institutions, foreign institutions, trust funds, and other institutions.

Institutional ownership encourages more optimal management performance in the presence of increased supervision by investors in the form of institutional ownership. Irfana (2012) said that the stock is a source of strength for its holders. The more shares an institution has, the greater the demand for better corporate

performance. Also, the larger number of shares owned the stronger the power possessed that will then encourage the level of supervision as well as the power to encourage better corporate management performance.

e. Audit Committee

Audit committee is one component to encourage the implementation of Good Corporate Governance. The main roles carried out by the audit committee are to oversee the financial reporting process as well as the participation of the parties involved such as management and independent auditors (Wijaya in Wardhani and Raharja, 2013). In addition, the establishment of an audit committee is also intended to strengthen the oversight function undertaken by the board of commissioners.

POJK Number 55 /POJK.04/2015 subsection 4 has arranged that every company that has gone public is required to have at least 3 people who act as audit committee. The number of audit committees in each company is different, the more the number of people who become audit committee is expected to further strengthen the supervisory function so that the company's performance can be better.

5. Auditor Industry Specialization

The increased number of companies doing go public also encourage to improve the quality of audits of financial statements. To meet such

increasing demand, as a driver of increased audit quality, many auditors specialize in certain industries. Being an auditor specialization means that an auditor does not only master accounting and auditing but also that the auditor must have an understanding of the type of client industry. Habib and Bhuiyan (2011) define auditor industry specialization as an auditor that has been provided a lot of services or have clients that are in the same type of industry.

The high demand for auditors with industry specialization is also driven by the existence of many different types of companies that also requiring different audit processes. The difference in types of companies does not only mean differences in the characteristics and nature of the business but also there will be differences in accounting principles and system to the applicable tax regulations. A thorough understanding of the characteristics of one type of company requires not only knowledge but also a lot of experience in auditing certain type of company. Habib and Bhuiyan (2011) also argued that auditors with industry specialization have more experience and expertise in conducting the audit process. Beside, Tridiyanto and Nazaruddin (2015) believed that industry specialization auditors are able to detect error errors better, improve efficiency and improve the assessment of financial statement honesty. Then this will make specialist auditors superior to non-specialist auditors.

Industry specialization auditors will be more aware of company risks and are expected to be able to detect fraud better than non-specialization auditors. Compare to auditors with no specialization, industry specialization auditors will also be more aware of the appropriate audit process carried out on the company and they will need less time in the audit process because they do not need more time to learn the characteristics of the company first. This will also shorten the time the audit process is done and they can work more economically. Thus, auditors with industry specialties are considered to be more reliable in their work and are considered more qualified.

B. Hypotheses Development

1. The Size of Board Commissioner and Audit Delay

Corporate governance and the internal control are carried out by the board as a final control mechanism for top management (Fama and Jensen in Thesarini, 2016). In Indonesia, the mechanism control is carried out by the board of commissioners. Fama and Jensen see the board of commissioner as an effective action to solve problems caused by agency theory. Agency theory emphasizes the separation of company ownership with management where shareholders hand over the management authority of the company to professionals. However, to protect the interests of shareholders for opportunistic behavior that managers might do, there must be an intermediary to control manager's

behavior so that shareholders do not lose the right to get their investment back.

The applicable regulations of POJK Number 33 /POJK.04/2014 subsection 20 require each public companies to have at least 2 people as the board member. There are no regulations that regulate the fixed number of board members in a company so that each company has a different number of members according to their respective policies. According to Bliss (2011), board size, in this case, the board of commissioners has a negative influence on company performance.

Many companies with board members tend to make the internal supervision system less efficient and effective. A large board of commissioners allegedly to create a lack of communication and coordination so that reaching an agreement would take a long time. This is due to more opinions given because each person has his own thoughts and opinions about a problem.

The length of the process to make a decision will prolong the process of completing the report so that it will delay the audit process that the company must go through. This will be a problem when finally the company cannot publish its financial statements on time. In addition, the company will experience a long audit delay that can affect the public's assessment of the company's performance. Whereas few and small board members are considered to be more functional and easier in the bureaucracy.

Previous research by Wardhani and Raharja (2013) revealed that the board of commissioners had a significant positive effect on audit delay. In their research, Wardhani and Raharja (2013) argued that the large number of members in the board of commissioners created less organized conditions and a lack of active participation by the boards which only acted as a free ride.

This study is supported by previous research conducted by Naimi et al. (2010) which revealed the positive influence of the number of board members on the length of audit delay. In addition, Alfraih (2016) also revealed that the commissioner had an influence on audit delay. The existence of a commissioner is said to improve monitoring within the company and also help improve the quality of corporate reporting.

On the contrary, Faishal and Hadiprajitno (2015) suggested that there was a negative influence of the board of commissioner size on audit delay. The number of board members with varying expertise can maximize internal control so that the audit risk is reduced and audit delay is shorter. Whereas Kusumah and Manurung (2017) later revealed that the board of commissioners regardless of the amount could not shorten the duration of the audit delay.

Based on the description above, the hypothesis is formulated as follow:

H_1: Size of board commissioner has positive influence on audit delay

2. The Independent Commissioners and Audit Delay

POJK Number 33 /POJK.04/2014 subsection 20 regulates the minimum number of members on the board of commissioners of a public company, namely a minimum of two commissioners. The same regulation also states that in a board of commissioners there must be a minimum of 30% of the total members as external parties who work independently and there are no affiliate relationships. The external party is then referred to as an independent commissioner.

The existence of an independent party in the function of a company is expected to increase the effectiveness of corporate governance mechanisms. Independent commissioners can also act as mediators to maintain the balance of external and internal interests so that problems such as opportunistic behavior and information asymmetry caused by agency theory can be minimized.

The increased number of independent commissioners in a board is expected to strengthen the company's internal supervision. When internal supervision strengthens the audit risk becomes less. When audit risk decreases, it will be easier for companies to publish their financial statements faster because the auditor will need to do fewer substantive tests. This will also shorten the company's audit delay.

Previous research by Alfraih (2016) revealed that there was a significant negative effect of independent commissioners on audit delay. Independent Commissioners can effectively reduce the risk for auditors

by supervising managers. So that the auditor's work scope can be smaller followed by a short audit delay.

Research in the previous year by Faishal and Hadiprajitno (2015) said that when monitoring carried out by independent commissioners it was effective and strong so it would contribute to audit effectiveness. This means that strong monitoring of independent commissioners will encourage a faster audit process and shorten audit delay. Setiawan and Nahumury (2014) also suggests a negative influence of independent commissioners on the length or short duration of audit delay.

Instead, Wardhani and Raharja (2013) suggested that independent commissioners as a corporate governance mechanism could not be implemented maximally because there was still a lack of understanding of the functions of independent commissioners. Hence independent commissioners have not been able to influence the timeliness of financial reporting. Likewise, Kusumah and Manurung (2017) also suggested that audit delay was not influenced by independent commissioners.

Based on the description above, the hypothesis is formulated as follow:

H_2: Independent commissioners have negative influence on audit delay

3. Role Duality and Audit Delay

The separation of ownership and management raises several problems such as information asymmetry between the agent and principal which then threatens the principal over his investment rights because of the existence of self-interest among managers. Corporate governance as a system presents to maintain the balance of interests in a company so that one party does not harm the other party. Corporate governance in a company takes an important role in terms of internal supervision.

In Indonesian companies, the supervisory function is carried out by the board of commissioners while operations and management are carried out by the board of directors. However, this is not always the case. This condition usually happens with the CEO or director is also a member of board commissioners. When the director of a company also serves as a member of the board of commissioners, the risk of control increases where it is easier to conceal or misrepresent relevant facts. When one person performs two different functions it is feared that the person will influence the supervisory function and the board of commissioners does not function as it should because of the influence of one person. The possibility for the board of commissioners to cover up mistakes made by management when the company's financial reporting is getting bigger.

Indonesia as a follower of the two-tier system make the chance of director becomes part of the board of commissioners will be very small because the division of duties and the position between the board of director and the board of commissioners. So with that kind of conditions, the function of supervisory board of commissioners will be better. However, Chandra and Devie (2017) explained that the supervisory function will still not be optimal when family relations are established between two different people in the board of commissioners and the board of directors. When family relations occur, it is very likely that cooperation between the two people will try to cover up the mistakes. People who are on the board of directors can ask for help from relatives on the board of commissioners to cover up when a management error occurs and will influence the decision of the board of commissioners. So the situation can also be classified as role duality.

Role duality that occurs can weaken the condition of the company's internal supervision and increase the risk for auditors. Auditors who face a large risk of control will do the substantive test more carefully so that it takes a long time. Thus the occurrence of role duality can affect the timeliness of the publication of financial statements.

Previous research by Alfraih (2016) revealed that role duality tend to have positive effect on audit delay. When the director becomes part of the commissioner or there is a family relationship between two people, supervision becomes ineffective and the risk of failed audit

becomes high. This makes auditors become more careful in the audit process and the audit period is longer which also means the duration of the audit delay is longer.

Afify (2009) also found that CEO duality has a tendency to influence the duration of audit delay. Basuony et al. (2016) also recommend to separate the board of commissioners and top management or board of directors. This is because there is a tendency of positive influence of role duality on audit delay, where role duality is considered to create space for fraud so that auditors must face greater risks.

However, Hashim and Rahman (2012) suggested that role duality had no influence on the length of audit delay. Kamalluarifin (2016) argued that a separate role between the board of commissioners and the board of directors had a significant effect on the speed with which companies do internet reporting.

Based on the description above, the hypothesis is formulated as follow:

H_3: Role duality tend to have positive influence on audit delay

4. Institutional Ownership and Audit Delay

Institutional ownership is the ownership of the number of shares of a company by institutions. By institutions, it can be means share owned governments, financial, legal or even foreign institutions, trust funds and other institutions (Shien et al. in Irfana, 2012).

Jensen and Meckling (1976) argue that agency problems can be minimized by institutional ownership. Stocks owned by institutions are usually large enough to encourage high levels of supervision of management, especially in decision making. The ownership of a large number of shares makes them have a strong authority to influence management activities directly. The existence of institutional ownership can also encourage management to voluntarily improve the quality of reporting because they must give a good impression of company performance as explained by the signaling theory to avoid the risk of losing a large investment that can harm the company.

Management that voluntarily improves the quality of reporting would also likely to consider the timeliness of corporate reporting. The management will also definitely try to avoid delays in financial reporting. In addition, auditors do not need to worry about internal controls because of institutional ownership which has the role of strengthening supervision. This will cause the least risk that must be faced by the auditor so that the auditor does not need a lot of time to audit the company which then shortens the company's audit delay.

Research from Swami and Latrini (2013) suggested that there was a significant negative effect of institutional ownership on audit delay. If institutional ownership in a large company will have a large influence to shorten the duration of the audit delay due to the creation of strong control over management performance. Surpasada and Putri (2017)

argued that institutional ownership acts as a majority shareholder can provide oversight of decisions made by management and encourage management to be able to meet applicable regulations such as timeliness to minimize losses. Research by Septianita et al. (2017) also proved the influence of institutional ownership on the length of audit delay that occurs.

However, Alfraih (2016) found that institutional ownership could not shorten the audit delay also he found no significant influence among them. Anggriani and Hermanto (2017) suggested that the timely reporting pressure for management is no longer a top priority because institutions are more likely to observe economic stability by ignoring information from the company. So that institutional ownership does not affect audit delay.

Based on the description above, the hypothesis is formulated as follow:

H_4: Institutional ownership has negative influence on audit delay

5. Audit Committee and Audit Delay

Agency theory that causes the problem of information asymmetry because of the separation between management and ownership tasks. For this reason, various systems emerge to protect the rights of owners and harmonize the interests of the owners and management. One solution is done by attempting to apply good corporate governance with

the existence of internal parts of the company that takes on the supervisory function.

The audit committee is one of the corporate governance mechanisms and is a committee formed by the board of commissioners to assist them in carrying out the duties and functions of the board of commissioners. The audit committee is responsible for monitoring the processes that include planning, implementing, and evaluating the internal performance to assess the performance of the internal controls, including overseeing the process of preparing financial statements.

POJK Number 55 /POJK.04/2015 subsection 4 contains that each public company is required to have at least three independent people who are in charge of being an audit committee. The same or large number of audit members is the policy of each company. The increasing number of audit committee members who assist the duties of the board of commissioners is expected to increase the level of monitoring in the company and become an intermediary between external auditors and management. In addition, an audit committee which consists of independent parties is also expected to help reduce the risk of internal control of the company so that it can reduce audit risk and reduce the company's audit delay.

Previous research by Haryani and Wiratmaja (2014) revealed a significant negative effect of the audit committee on audit delay. In the supervision carried out, the audit committee will ensure the fulfillment

of generally accepted standards so that the audit time becomes shorter. Sidharta and Nurdina (2017) suggested that the increasing number of audit committee members would tend to improve the supervision process during the preparation and presentation of financial statements so that the auditor accelerates the audit process. Purba (2018) also stated that the audit committee's oversight could shorten the company's audit delay.

However, Astasari and Nugrahanti (2015) explained that the audit committee had no effect on audit delay because it was considered that the audit committee was only assigned with supervising non-executors directly in the preparation of financial statements. Likewise, Indarti (2017) considered the audit committee only as a formality to meet applicable regulations without understanding the actual function of the audit committee so that the audit committee cannot shorten audit delay.

Based on the description above, the hypothesis is formulated as follow:

H_5: Audit committee has negative influence on audit delay

6. Auditor Industry Specialization and Audit Delay

Agency theory that causes problems of information asymmetry because of the separation of ownership and management makes it necessary for other parties to be able to trace the perceptions of both parties and prevent fraud due to the information asymmetry. Aligning these perceptions can be done by evaluating management performance

based on the company's financial statements. The professional parties who work independently to assess the company's financial performance and issue opinions related to the financial statements, is external auditor.

Many incidents of failure of auditors to detect fraud cases that occurred in the past such as the case that hit Enron in 2001 made the public doubt the performance of the auditors. This makes auditors work hard to improve their capabilities and specifications in order to minimize audit failures. In line with that demand for a good level of audit quality also grew.

In an effort to provide good quality audit reports, the auditors begin to study more specific knowledge and gather experience in certain industries to get the industry specialization auditor title. The experience and knowledge of auditors in an industry is expected to reduce the time needed for the audit process. This is because the auditor is familiar with the conditions and operations of the company so that it does not require much time to get to know the company from the beginning. The reduction in the steps that the auditor must do can then reduce the company's audit delay.

Previous research by Habib and Bhuiyan (2011) suggested that there was a tendency of negative effect of auditor industry specialization on audit delay. Auditors without industry specialization require more time in conducting the audit process. Primantara and Rasmini (2015) argued that industry specialist auditors have the ability to detect errors better so

that they can affect time efficiency for the audit process. Senjaya and Suprasto (2016) showed that auditors with industry specialization reduce the audit time needed by auditors.

However, Rahadianto (2012) found that there was no effect of auditor industry specialization on audit delay. This is because the auditor industry specialization cannot be explicitly identified. Likewise, Septianita et al. (2017) also stated that industry specialization auditors could not shorten the required audit time.

Based on the description above, the hypothesis is formulated as follow:

H_6: Auditor industry specialization tend to have negative influence on audit delay

C. Research Model

This research uses audit delay as the dependent variable and independent variable that include board commissioner, independent commissioners, role duality, institutional ownership, audit committee, and auditor industry specialization.

Figure 2.1

Research Model