



THE INFLUENCE OF COMPANY SIZE, SOLVENCY, PROFITABILITY AND AUDIT OPINION ON AUDIT DELAY (STUDY ON PROPERTY AND REAL ESTATE COMPANIES LISTED ON THE IDX IN 2019-2023)

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Abstract

This research aims to analyze the influence of company size, solvency, profitability, and audit opinion on audit delay in property and real estate companies listed on the IDX in 2019-2023. This research uses secondary data obtained from the financial reports of selected property and real estate companies using purposive sampling techniques. The sample from this research is 51 companies from 2019-2023 with 255 observations. The data analysis method used is panel data regression with a fixed effect model. The results show that company size, Debt To Asset Ratio (DAR) and audit opinion have a positive and insignificant effect on audit delay. Profitability as measured by Return On Assets (ROA) has an significant negative effect on audit delay, the higher the level of profitability, the smaller the audit delay.

Keywords: *Audit delay, audit opinion, company size, profitability, solvency*

Introduction

Financial reports are the final result of the accounting process that can be used as a communication tool between business actors. Financial reports contain records of a company's financial information in an accounting period that can be used to describe the company's performance in that period (Yanthi et al., 2020). Timeliness in delivering financial information is very important for companies. The financial information submitted must be timely so that the information is more useful for the company. However, if financial information is submitted late, it will reduce the function of the information and may even be unnecessary. Based on the capital market regulations stipulated by the OJK with number 14/POJK.04/2022, it explains that financial reports are submitted to the OJK and announced to the public by the company no later than the end of the third month after the date of the annual financial report. Based on the Financial Services Authority (OJK) Regulation No. Republic of Indonesia Number 3/PJOK.04/2021 which states that sanctions will be given to companies that are late in submitting financial reports per day of IDR 1,000,000. The large number of transactions that must be audited, their complexity and poor internal control have the potential to cause delays in the presentation of financial reports (audit delay) (Nurhasanah et al., 2022).

In its interest in the timeliness of providing the contents of financial reports, regulations have been made in the Decree of the Chairman of the Capital Market and Financial Institution Supervisory Agency Number: KEP-346 / BL / 2011 Regulation Number X.K.2 concerning the presentation of financial reports stating that a public business entity listed on the Indonesia Stock Exchange has an obligation in the process of submitting an annual financial report to Bapepam and financial institutions by providing information to the public with a maximum period of the end of the third month from the date of its annual financial report in accordance with Financial Accounting Standards and an audit of the Public Accountant is carried out by selecting Bapepam and its financial institutions. Financial reports are announced or submitted at least containing cash flow, comprehensive income, balance sheets, and opinions from accountants (Femia Anggraeni & Mildawati, 2023). The implementation of audits that are increasingly in accordance with standards takes a lot of time, sometimes auditors even postpone the publication of audit reports if they feel it is necessary to extend the audit period so that the financial information submitted is relevant and reliable. The length of time it takes for the auditor to complete the audit can cause audit delays (Elvienne & Apriwenni, 2020). Audit delay is the time span for completing the implementation of the annual financial report audit, namely from the company's book closing date to the date stated in the independent auditor's report. Audit delays that exceed the time limit stipulated by the Financial Services Authority (OJK) certainly result

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in delays in the publication of financial reports. Delays in the publication of financial reports can indicate problems in the company's financial reports, thus requiring a long time to complete the audit (Tanama & Priono, 2023). Based on data from the Indonesia Stock Exchange, companies that are late in submitting company performance reports, namely company financial reports, are still considered quite large. Of the number of issuers that are late in submitting audit reports, including several property and real estate companies, the following is a graph showing companies that are late in submitting their performance reports on time.

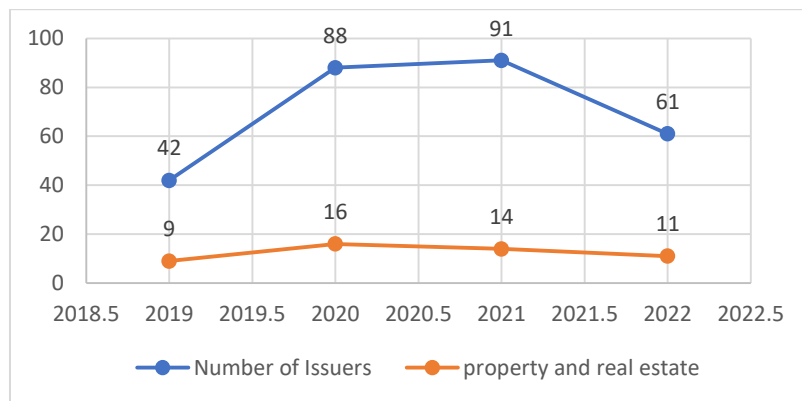


Figure 1 Number of Listed Companies Experiencing Audit delay 2019-2023

Source: www.idx.com

The figure above explains the level of audit delay in listed companies from 2019 to 2022. Where in 2019 there were 42 companies experiencing audit delay, 88 companies in 2020, 91 companies in 2021, and 61 in 2022. While the number of property companies experiencing audit delay, there were 9 companies in 2019, 16 companies in 2020, 14 companies in 2021, and 11 companies in 2022. There are various factors that can possibly influence audit delay in a company. According to Artaningrum et al (2017) the factors that influence audit delay are profitability, solvency, liquidity, company size and management changes. Meanwhile, according to Widiastuti & Kartika (2018) the factors that can influence audit delay are company size, profitability, company age, solvency and audit opinion. In the study of Putra & Wilopo (2018), company size, accounting firm size, solvency, auditor switching, and audit opinion on audit delay are factors. In the study of Yanthi et al (2020), audit tenure, KAP size, auditor switching and audit opinion are factors that influence audit delay. Based on several factors that influence audit delay from previous studies, in this study the author will analyze several factors including company size, solvency, profitability, and audit opinion on audit delay.

The first factor is company size as the most frequently used factor in previous studies. Company size is the scope or extent of the company in carrying out its operations which can be seen from the number of assets owned by the company. Company size can be categorized into 3 (three), namely large companies, medium companies, and small companies (Arif & Hikmah, 2023). Company size is a measure of the scale of a company based on the number of assets the company has. Audit delays are rarely experienced by large companies because the company has many assets so that auditors are easier and faster in conducting audit examinations. Large companies also tend to insist on the timeliness of auditors to be submitted to users of financial statements (Anggraeni et al., 2022).

In the study of A. D. Saputra et al (2020), the results showed that company size has a positive effect on audit delay. It is explained that companies with large sizes will increase or increase the likelihood of audit delays. Conversely, companies with small sizes tend to reduce or lower the likelihood of audit delays. This is because the large size of a company means that the number of assets owned also tends to be large. So the time required for auditors to carry out auditing will also be longer. This is different from the research conducted by Saragih (2018) which shows that company size does not have a significant effect on audit delay. This is because the wealth owned by the company has an effect on the time span for submitting audit reports on financial statements. The second factor that affects audit delay is solvency. Solvency is the ability of a company to pay all its debts, both short-term and long-term (Sastrawan & Latrini, 2016). The higher the company's debt, the higher the company's burden in paying the debt, and this causes audit delay because the auditor must be more careful in auditing and the auditor must collect more competent evidence to ensure the fairness of the financial statements (Putri et al., 2021).



Solvency has been shown to affect audit delay in Olimsar's research (2023), in his research it is explained that if a company's solvency changes, it will have an impact on the company's audit process. However, in research conducted by Marcelino & Mulyani (2021), high or low solvency does not affect company management in completing its financial statements because company management will resolve problems that occur including debt problems. Public companies are obliged to submit financial statements as soon as possible so that high or low debt levels do not affect auditors in auditing financial statements according to accounting standards. Based on compliance theory, companies will tend to continue to comply with applicable regulations by submitting financial statements on time.

The next factor that may affect audit delay is profitability. Profitability is the company's ability to make a profit, the profit must be immediately recorded in the financial report results to provide incentives and dividends to all shareholders of the company (Ruddin & Suwarno, 2022). Profitability is the company's ability to generate profits which will be the basis for the company's dividend distribution. When a company makes a profit, the company tends to report its financial statements faster than companies that experience losses because of the demand to report to the public the company's good position. The indicator used to assess a company's profitability is ROA (return on assets) (Martinus Hia et al., 2023).

In Purba's (2018) research, profitability was proven to have an effect on audit delay, explaining that management (agent) will be motivated to immediately complete audited financial reports when the company has high profitability which will ultimately determine the amount of compensation that will be received by the agent. Conversely, when the company experiences losses, management will try to slow down the issuance of audited financial reports or extend the audit delay. However, according to research by Bahri & Amnia (2020), profitability does not have a significant effect on audit delay, because the greater the company's profit, the faster the audit process is carried out, but changes in the level of profit have no significant effect on audit delays. Companies that experience losses tend to require an auditor to start the audit process later than usual.

Another factor is the audit opinion. The auditor's opinion can also be a factor that influences audit delay. An audit opinion is an opinion issued by the auditor regarding the fairness of the financial statements of a company, in all material aspects, which is based on the conformity of the preparation of the financial statements with generally accepted accounting principles. Audit opinions consist of: unqualified opinion (ungood news), unqualified opinion with explanatory language (ungood news with explanatory language), qualified opinion (good news), adverse opinion, and disclaimer of opinion (disclaimer of opinion) (Franciscus Siahaan, 2021). Audit opinion is a medium for auditors to express their opinions on financial statements to investors regarding the state of the financial statements. When the auditor gives an opinion other than an unqualified opinion on the financial statements being audited, the audit delay will be indicated to be getting longer (Aryaningsih & Budiarta, 2014).

In the study of Yanthi et al (2020) it was stated that audit opinion has no effect on audit delay. The auditor's goal is to provide an opinion on the financial statements. In carrying out an audit, an auditor has an obligation to obtain sufficient and competent audit evidence in order to support decisions regarding the fairness of the presentation in the financial statements. Therefore, the audit opinion has no effect on audit delay, this is because the auditor has worked professionally. So whatever audit opinion is issued by the auditor will not affect the length of time it takes to complete the audit. However, in the study of Zulvia & Susanti (2022), the audit opinion has a positive effect on audit delay. It is explained that providing an unqualified opinion can certainly minimize audit delay, so that the auditor's opinion on the audited financial statements becomes a benchmark and is used as a basis for its users in making decisions. The auditor's opinion is an opinion on the fairness of the financial statements. The purpose of the audit process is to provide an opinion on the audit of the company's financial statements. Based on the background description above, the researcher is interested in taking the research title regarding "**The Influence of Company Size, Solvency, Profitability, and Audit Opinion on Audit Delay (Study on Property Companies) " And Real Estate Listed on the IDX in 2019-2023"**".

Research Method

The population used in this study is all property and real estate sector companies listed on the Indonesia Stock Exchange (IDX) in 2019-2023 that consistently submit their financial reports, which is 92 companies. Sampling in this study used purposive sampling, with a sample size of 51 companies and a total of 255

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observations. This study uses data that is tested using the panel data regression method, which is a combination of time series and cross section data. The equation in this study is as follows:

$$\text{AUDIT_DELAY}_{it} = \alpha + \beta_1 \text{UP}_{it} + \beta_2 \text{DAR}_{it} + \beta_3 \text{ROA}_{it} + \beta_4 \text{OA}_{it} + \text{E}_{it}$$

Results and Discussion

Table 1.1 Panel Data Regression Equation (Fixed Effect Model)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.004302	0.032026	-0.134323	0.8933
UP	0.171890	0.110968	1.549009	0.1230
DAR	0.000544	0.001577	0.345228	0.7303
ROA	-0.008033	0.002965	-2.709374	0.0073
OA	0.054365	0.177654	0.306014	0.7599
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.519110	Mean dependent var	0.045706	
Adjusted R-squared	0.389270	S.D. dependent var	0.003158	
S.E. of regression	0.002468	Akaike info criterion	-8.982505	
Sum squared resid	0.001218	Schwarz criterion	-8.218704	
Log likelihood	1200.269	Hannan-Quinn criter	-8.675272	
F-statistic	3.998070	Durbin-Watson stat	1.839704	
Prob(F-statistic)	0.000000			

Source: Eviews Results Data processed, (2024)

Notes: UP (Ukuran Perusahaan), DAR (Debt to Assets Ratio), ROA (*Return On Asset*). OA (Opini Audit)

Subsection 1

Company size has a positive and insignificant effect on audit delay with a coefficient value of 0.171890, and a probability value of 0.1230 > 0.05, so it can be concluded that company size has a positive and insignificant effect partially on audit delay in property and real estate companies listed on the Indonesia Stock Exchange for the period 2019-2023, thus H1 in this study is rejected.

This shows that company size does not have a significant effect on audit delay, companies that are already listed on the Indonesia Stock Exchange are monitored by investors, regulators, and parties interested in the company's financial statements. So that companies with large or small total assets do not affect the time period to complete the financial statement audit process. This is because in the audit process of companies with large or small total assets, auditors still carry out their audit process in accordance with the professional standards of public accountants. This is in line with research (Rachmawati & Fauzan, 2024), but different from research by Femia Anggraeni & Mildawati (2023) which shows that company size has a significant effect on audit delay.

Subsection 2

Solvency has a positive and insignificant effect on audit delay with a t-statistic value of 0.000544, and a probability value of 0.7303 > 0.05, so it can be concluded that solvency has a positive and insignificant effect partially on audit delay in property and real estate companies listed on the Indonesia Stock Exchange for the period 2019-2023, thus H2 in this study is rejected.

High or low solvency does not affect company management in completing its financial statements because company management will resolve problems that occur including debt problems. Go-public companies are obliged to submit financial statements as soon as possible so that high or low debt levels do not affect auditors in auditing financial statements according to accounting standards. Based on compliance theory, companies will tend to continue to comply with applicable regulations by submitting financial statements on time. This is in line with



research by Marcelino & Mulyani (2021). In contrast to research (Andiyanto et al., 2017) which states that solvency has a negative and significant effect on audit delay.

Subsection 3

Profitability has a negative and significant effect on audit delay with a t-statistic value of -0.008033, and a probability value of $0.0073 < 0.05$, so it can be concluded that profitability has a negative and significant partial effect on audit delay in property and real estate companies listed on the Indonesia Stock Exchange for the period 2019-2023, thus H3 in this study is accepted.

In this study, the profitability value is measured by the ROA (Return On Assets) ratio, which is the ratio used to assess management's ability to manage company resources to generate profits for the company. From the results of the study, it can be seen that the greater this ratio, the faster the company issues financial reports because the company is in good condition during that period, thus reducing audit delay. Thus, it can be concluded that the higher the profitability, the smaller the audit delay. Companies that have high profitability are required to complete their audits faster because they have to convey good news to the public as soon as possible. Companies with high profitability tend to provide information on their extraordinary performance to the public by publishing annual reports on time.

Companies that experience low levels of profit will be bad news for the company, so the company will delay the issuance of financial reports so that it asks the auditor to delay the auditor's time longer than the usual audit schedule. Because if the company has poor performance, then the performance will give a negative reaction or impact from the market and result in the company's performance declining. However, if the company records or posts a positive profit, it will be good news for the company, because the company has positive financial performance. So that the reporting of profits reported by the company will provide a positive reaction or impact from the market and result in the company's performance increasing. This is in line with research conducted by (Gymnastiar et al., 2016). Meanwhile, in research conducted by Prakoso & Sunarko (2016), profitability has a positive but insignificant effect on audit delay.

Subsection 4

Audit opinion has a positive and insignificant effect on audit delay with a t-statistic value of 0.054365, and a probability value of $0.7599 > 0.05$, so it can be concluded that audit opinion has a positive and insignificant effect partially on audit delay in property and real estate companies listed on the Indonesia Stock Exchange for the period 2019-2023, thus H4 in this study is rejected.

Audit opinion is a form of auditor communication on what has been examined, in this case the company's financial statements. The audit opinion explains whether a report is fair or not, so that in determining fairness it takes time and procedures to be carried out. Companies with unqualified opinions and companies with opinions other than unqualified opinions both require the same time and procedures. Which indicates that companies with opinions other than unqualified opinions do not always require a long time in the audit process. It is possible that the auditor only needs a short time because he believes that the company deserves an opinion other than unqualified. Likewise, companies with unqualified opinions do not always require a short time in the audit process. This is because the auditor may need additional time to obtain evidence to believe that the company's financial statements are indeed reliable and obtain a fair opinion.

The qualified opinion obtained by the company is certainly the authority of the Public Accounting Firm (KAP) and the auditor who audits, so that accountability for the opinion obtained by the company must be considered. Therefore, an unqualified opinion also requires sufficient procedures and time to be formulated and may even take a long time. So that it can be concluded that the audit opinion has a positive but not significant effect on audit delay.

This is in line with Dwi Prasetyo's research (2022) where the audit opinion has a positive but not significant effect on audit delay. This means that the audit opinion does not have a significant impact on audit delay. In Indriani's research (2020) audit opinion has a negative and significant effect on audit delay.

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Company size has a positive and insignificant effect on audit delay in property and real estate companies on the Indonesia Stock Exchange (IDX) for the 2019-2023 period. Solvency has a positive and insignificant effect on audit delay in property and real estate companies on the Indonesia Stock Exchange (IDX) for the 2019-2023 period. Profitability has a negative and significant effect on audit delay in property and real estate companies on the Indonesia Stock Exchange (IDX) for the 2019-2023 period. Audit opinion has a positive and insignificant effect on audit delay in property and real estate companies on the Indonesia Stock Exchange (IDX) for the 2019-2023 period.

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