

## The effect of company size, profitability, and leverage on audit delay

Subjects  
Accounting and  
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### ABSTRACT

**Purpose:** This study aims to examine whether Company Size, Profitability, and Leverage affect Audit Delay in property and real estate sector companies listed on the Indonesia Stock Exchange from 2016 to 2019.

**Methods:** This study uses a descriptive research design and quantitative approach, analyzed by multiple linear regression using SPSS 25. It focuses on property and real estate companies listed on the Indonesia Stock Exchange (IDX) from 2016 to 2019. Purposive sampling was used to select 24 companies, resulting in 96 observations. Secondary data was collected from the official IDX website.

**Findings:** The results showed that (1) Company size has no significant effect on audit delay. (2) Profitability has a negative and significant effect on audit delay. (3) Leverage does not have a significant effect on audit delay. (4) company size, profitability, and leverage simultaneously affect audit delay.

**Practical Implications:** The study indicates that property and real estate companies must prioritize profitability, significantly reducing audit delay. Financial statement efficiency is very important, while company size and leverage have no significant effect on the audit. Therefore, management is advised to increase profitability to accelerate the submission of financial statements and transparency.

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**Abstrak**

**Tujuan:** Penelitian ini bertujuan untuk menguji apakah terdapat pengaruh Ukuran Perusahaan, Profitabilitas, dan Leverage terhadap Audit Delay pada perusahaan sektor properti dan real estate yang terdaftar di Bursa Efek Indonesia periode 2016-2019.

**Metode:** Penelitian ini menggunakan desain penelitian deskriptif dan pendekatan kuantitatif, dianalisis dengan regresi linier berganda menggunakan SPSS 25. Penelitian ini berfokus pada perusahaan properti dan real estate yang terdaftar di Bursa Efek Indonesia (BEI) dari tahun 2016 - 2019, dengan menggunakan purposive sampling untuk memilih 24 perusahaan, sehingga menghasilkan 96 observasi. Data sekunder dikumpulkan dari situs web resmi BEI.

**Hasil:** Hasil penelitian menunjukkan bahwa: (1) Ukuran perusahaan tidak memiliki pengaruh signifikan terhadap audit delay. (2) Profitabilitas berpengaruh negatif dan signifikan terhadap audit delay. (3) Leverage tidak memberikan pengaruh signifikan terhadap audit delay. (4) Secara simultan, ukuran perusahaan, profitabilitas, dan leverage berpengaruh terhadap audit delay.

**Implikasi Praktis:** Penelitian mengindikasikan bahwa perusahaan properti dan real estate perlu memprioritaskan profitabilitas, yang signifikan mengurangi audit delay. Efisiensi laporan keuangan sangat penting, sedangkan ukuran perusahaan dan leverage tidak berpengaruh signifikan terhadap audit. Oleh karena itu, manajemen disarankan untuk meningkatkan profitabilitas guna mempercepat penyampaian laporan keuangan dan transparansi.

**Kata Kunci:** Ukuran Perusahaan, Profitabilitas, Leverage, Audit Delay.

## 1. Introduction

Financial statements play an important role in the business world, especially in capital market investments. Along with the rapid development of the capital market in Indonesia, transparency of financial conditions is becoming increasingly crucial for every company that has gone public. Non-transparency in financial reports can pose risks to various stakeholders, including management, investors, government, and creditors. Therefore, complete, accurate and timely financial reports are necessary to create confidence in the capital market and ensure broader economic stability. One of the main problems in financial reporting is the delay in submitting financial reports, known as audit delay. Audit delay is the time difference between the date of the financial statements and the date of the independent auditor's report. This delay can cause financial information to be unavailable to users at the required time, hindering proper decision making. In the context of the capital market, audit delay can hurt investor confidence and the stability of the company's share price (Apriyana & Rahmawati, 2017). Therefore, it is important to understand the factors that influence audit delay to reduce its negative impact on the business world.

Research on audit delay has been conducted for a long time and shows various findings regarding the factors that influence it. Several previous studies highlighted the role of audit complexity, auditor workload, and government regulations in determining the length of audit delay. Research by Lestari and Putu (2017) found that the more complex the audit process of a company, the longer it takes the auditor to complete the audit. Meanwhile, changes to the Financial Services Authority (OJK) regulation Number 29 / PJOK.04 / 2016, which extends the

deadline for submitting financial reports from 90 days to 120 days after the end of the fiscal year, aims to provide leeway for companies to prepare financial reports more accurately and comprehensively. However, several recent studies have shown that despite the updated regulations, delays still occur in some companies listed on the Indonesia Stock Exchange (IDX). For example, the IDX has temporarily suspended the stock trading of 10 companies that did not submit audited financial reports in 2017 (Roy Franedy, CNBC Indonesia; July 2, 2018). Although there have been many studies that discuss audit delay, there is still a gap in understanding the specific factors that influence the delay in certain industry sectors. Some studies focus more on external factors such as regulation and auditor workload, while studies on the impact of company size, profitability, and leverage on audit delay are limited. In addition, previous studies have not comprehensively examined how these factors contribute to financial reporting delays in the property and real estate sector, which is a fast-growing sector in Indonesia. Therefore, this study aims to fill this gap by exploring the factors that can affect audit delay in companies engaged in the property and real estate sector during the 2016-2019 period.

This study aims to analyze the effect of company size, profitability, and leverage on audit delay in the property and real estate sector in Indonesia. By understanding these factors, this study can provide insight for companies in managing their financial reports to be more timely and avoid the negative impact of reporting delays. Practically, the results of this study can also contribute to regulators and auditors in developing more effective policies to reduce audit delay. Thus, this study is expected to not only contribute to the academic literature but also provide tangible benefits to business practitioners and stakeholders in the Indonesian capital market.

## **2. Theoretical Background & Hypotheses**

### **Compliance Theory**

Compliance Theory posits that compliance arises from the concept of obedience, which entails following orders or rules. According to Tylerr (in Herliana, 2016:13), there are two perspectives for understanding legal compliance: the first, the instrumental perspective, suggests that individuals act based on personal interests, responding to existing incentives and penalties. In contrast, the normative perspective pertains to the moral values that individuals uphold. This theory encourages both individuals and organizations to adhere to established regulations, such as the obligation for companies to submit financial reports punctually. This not only reflects a practical responsibility but also offers benefits to the users of these reports.

### **Financial statements**

Financial statements are essential documents that reflect a company's financial condition at a specific point in time or over a designated period, as explained by Kasmir (2018:7). There are five main types of reports commonly used: the balance sheet, which presents the amounts of assets, liabilities, and equity of the company at a specific time, with a format that can be tailored to management's needs; the income statement, which outlines the results of operations over a certain period and details revenues and expenses to assess profitability; the statement of changes in equity, which describes the current state of equity and the reasons for any changes; the cash flow statement, which records cash inflows and outflows during the same period; and the notes to financial statements, which provide additional explanations to help users understand the data presented.

## **Audit**

An audit is a systematic process that involves collecting and evaluating evidence to assess the conformity of information with predetermined criteria. According to Arens et al. (2015), audits must be conducted by individuals who possess sufficient competence and independence. The primary objective of a financial statement audit is to provide an opinion on the fairness of the financial position, results of operations, and cash flows in accordance with applicable accounting principles in Indonesia. Each element of the financial statements is evaluated based on its appropriateness, as explained by Sari & Mulyani (2019). Thus, audits play a crucial role in maintaining the integrity of financial statements.

### **Audit Delay**

Sari & Mulyani (2019) define audit delay as the duration required to complete the audit process, measured from the closing date of the financial year until the auditor finalizes the audit report. Delays in the delivery of information can lead to a decline in investor confidence.

### **Company Size**

Suparsada & Putri (2017) indicate that the size of a company is a variable that reflects its scale. A company is classified as large or small based on various factors, including total assets, total sales, and the number of employees, among others.

### **Profitability**

Kasmir (2018: 196) defines profitability as a ratio that assesses a company's ability to generate profit. This ratio also serves as a measure of the effectiveness of a company's management, as it reflects the profit generated from sales and investment income. Ultimately, the use of this ratio indicates the efficiency of the company. In agreement with Kasmir, Sujarweni (2017: 64) states that the profitability ratio is utilized to measure the level of reward or profit in relation to sales or assets, thereby evaluating the company's capacity to earn profit in connection with sales, assets, and capital itself.

### **Leverage**

Kasmir (2018: 151) defines leverage as a ratio that measures the extent to which a company's assets are financed through debt. This indicates the amount of debt the company carries in relation to its assets. Broadly speaking, the leverage ratio assesses a company's ability to meet all its obligations, both short-term and long-term, in the event of liquidation.

### **Hypotheses**

A hypothesis is a temporary explanation of a particular behavior, phenomenon, or circumstance that has occurred or will occur. Hypotheses are the researchers' statements about the relationships between variables in a study and are the most specific statements. Based on the description above, the researchers proposed the following hypothesis:

H1: The Size of the Company affects audit delays

H2: Profitability affects Audit Delay

H3: Leverage affects Audit Delay

H4: Company Size, Profitability, and Leverage simultaneously affect Audit Delay

### 3. Methods

#### Sample & procedure

This study employs a causal associative approach within quantitative research to test hypotheses through the analysis of numerical data. The focus is on companies in the property and real estate sector that are listed on the Indonesia Stock Exchange. A purposive sampling method was utilized to select companies that have published complete audited financial statements between 2016 and 2019. Data were collected through documentation from secondary sources, including annual financial reports available on the official website of the Indonesia Stock Exchange.

#### Measurement of variables

##### *Audit delay*

According to Sari and Mulyani (2019), audit delay refers to the duration of time taken to complete the audit process, measured from the closing date of the financial year until the auditor finalizes the audit report. This duration can be quantified in days, calculated by subtracting the date of the audit report's issuance from the closing date of the company's financial year. In this study, the following formula will be utilized:

$$\text{Audit Delay} = \text{Date of Audit Report} - \text{Date of Financial Statements}$$

##### *Company Size*

Measurement of company size variables is conducted using the natural logarithms of the company's total assets, along with measurement scales based on ratio scales (Yanasari, Rahayu, and Utami, 2021):

$$\text{Company Size} = \ln(\text{Total Asset})$$

##### *Profitability*

Profitability reflects a company's capacity to generate profits in relation to its total assets, investments, and equity. Generally, a higher level of profitability leads a company to disclose this information in its financial statements. In this study, profitability is measured using Return on Assets (ROA), which can be calculated using the following formula:

$$\text{Return on Assets (ROA)} = \frac{\text{Earning After Interest and Tax}}{\text{Total Assets}}$$

##### *Leverage*

According to Cashmere (2018: 165), Leverage is the ratio used to measure the extent to which a company's assets are financed with debt. In this study Leverage is measured by DER (Debt to Equity Ratio) which can be calculated by the following formula:

#### Analysis technique

This study employs multiple linear regression analysis using SPSS version 25. The analysis commences with descriptive statistical tests, followed by classical assumption tests, which include assessments of normality, multicollinearity, heteroscedasticity, and autocorrelation.

Subsequently, hypothesis testing is conducted using the F-test and T-test, along with the coefficient of determination test, to evaluate the impact of company size, profitability, and leverage on audit delay. The resulting regression model is as follows:

$$\text{Audit delay} = a - \beta_1 \text{SIZE} + \beta_2 \text{ROA} + \beta_3 \text{DER} + e.$$

## 4. Results and Discussion

### Descriptive statistical test

Based on the descriptive statistical analysis presented in Table 1, several important findings regarding the variables studied can be revealed. Company size shows a minimum value of 25.69 and a maximum of 31.63 with an average of 29.4019 and a standard deviation of 1.33315, which refers to data from PT Bekasi Asri Pemula Tbk and PT Bumi Serpong Damai Tbk in 2019, where the standard deviation which is smaller than the mean indicates an even distribution of data. Profitability, as the next variable, has a minimum value of 0.00 and a maximum of 0.26, with a mean of 0.0540 and a standard deviation of 0.04756 derived from Aksara Global Development Tbk and Lippo Cikarang Tbk, indicating a similar data distribution.

**Table 1.** Descriptive statistical test

	N	Minimum	Maximum	Mean	Std.deviation
Company Size	96	25.69	31,63	29,4019	1,33315
Profitability	96	,00	,26	,0540	,04756
Leverage	96	,06	3,70	,6701	,61363
Audit delay	96	43	148	80,25	22,470

*Source: Data processed by the author with SPSS Version 25*

Meanwhile, Leverage has a range of values from 0.06 to 3.70, with a mean of 0.6701 and a standard deviation of 0.61363, which indicates that the data from PT Bekasi Asri Pemula Tbk and PT Plaza Indonesia Realty Tbk are also relatively evenly distributed. Finally, Audit Delay recorded a minimum value of 43 and a maximum of 148, with a mean of 80.25 and a standard deviation of 22.470, based on data from Duta Pertiwi Tbk and Aksara Global Development Tbk in 2019, which again indicates that a standard deviation value that is smaller than the mean confirms an even distribution of data across the variables analyzed.

### Hypotheses test

The tests listed in Table 2 show that the calculated F value of 3.953 is higher than the F table value of 2.70 at the 0.05 significance level. This finding indicates that company size, profitability, and leverage as a whole have a significant effect on audit delay. T-test results show that company size does not significantly affect audit delay, with a significance value of 0.771, more critical than 0.05. On the other hand, profitability has been proven to have a substantial adverse effect on audit delays, with a significance value of 0.002, more diminutive than 0.05. Meanwhile, leverage also does not show a significant impact on audit delay, with a significance value of 0.278, which is more critical than 0.05.

Table 2. Hypotheses test

Model	Unstandardized Coefficients		Standardized coefficient		
	B	Std. Error	Beta	T	Sig.
(Constant)	106,803	52,094		2,050	0,43
Company Size	-0,531	1,821	-0,031	-0,291	0,771
Profitability	-149,962	48,126	-0,317	-3,116	0,002
Leverage	-4,257	3,900	-0,116	-1,092	0,278
Adjusted R	0,085				
F-statistic	3,953				

Source: Data processed by the author with SPSS Version 25

Based on Table 2, the coefficient of determination test results obtained an Adjusted R-Square value of 0.085 or 8.5%. This means that 8.5% of the audit delay is influenced by the variables Company size (SIZE), Profitability (ROA), and Leverage (DER). In comparison, the remaining 91.5% is influenced by other variables not discussed in the regression model in this study. Multiple linear regression analysis based on the results of calculations using SPSS statistical software obtained the following equation:

$$\text{Audit delay} = 106,803 - 0,531 \text{ SIZE} - 149,962 \text{ ROA} - 4,257 \text{ DER} + e.$$

Table 2 shows the relationship between the independent variables, namely company size, profitability, and leverage, and the dependent variable, audit delay. The constant value of 106.803 indicates that if all independent variables are considered constant or equal to zero, the audit delay is estimated at 106.803 days. The regression coefficient of the company size variable of -0.531 means that if the other independent variables remain constant and the company size increases by 1%, the audit delay will decrease by 0.531 days, which reflects a negative relationship between company size and audit delay, where the more significant the company size, the smaller the audit delay. The profitability regression coefficient of -149.962 indicates that if profitability increases by 1%, assuming other variables remain constant, the audit delay will decrease by 149.962 days, which shows that the higher the profitability, the smaller the recorded audit delay will be. Finally, the leverage regression coefficient of -4.257 indicates that a 1% increase in leverage will reduce audit delay by 4.257 days, again suggesting a negative relationship between leverage and audit delay, where the higher the leverage, the smaller the audit delay faced.

## Discussion

### *The effect of company size on audit delay*

Company size does not affect audit delay, as indicated by the results of the Partial Significance Test, which exceeds the standard limit. This study covers companies in the property and real estate sector listed on the Indonesia Stock Exchange and finds that company size has no significant impact on audit delay, both for companies with high and low total assets. Audit procedures remain consistent regardless of total assets owned. This finding is in line with research by Cusyana & Apriliani (2021), although another study by Ikhyanuddin (2021) shows that company size positively affects audit delay.

### *The effect of profitability on audit delay*

Profitability is proven to affect audit delay. This finding is reflected in the significance value obtained through the Partial Significance Test, which shows results below the standard set, so the second hypothesis is accepted. This study shows that the profitability of companies in the property and real estate sector listed on the Indonesia Stock Exchange during the same period

significantly negatively affects audit delay. The higher the level of profitability of a company, the faster the company will publish its financial statements and audit reports. This study's results align with Alfiani & Nurmala's research (2020), which states that profitability has a significant negative effect on audit delay. However, there are different views on Ikhyanuddin's research (2021), which states that profitability does not affect audit delay.

#### *The effect of leverage on audit delay*

Leverage shows no effect on audit delay, as evidenced by the significance value obtained from the Partial Significance Test, where the results exceed the standard. Thus, the third hypothesis is rejected. In addition, the company's ability to fulfill its debts does not affect audit delay. This study shows that the leverage variable, as measured by the debt-to-equity ratio, does not affect the speed or slowness of audit delay. This finding aligns with Widyantari et al.'s (2021) research, which states that leverage does not affect audit delay but is different from Ikhyanuddin's (2021) research, which shows a positive effect of leverage on audit delay.

#### *The effect of company size, profitability, and leverage on audit delay*

Based on the research results, company size, profitability, and leverage simultaneously affect audit delay. This is reflected in the test results, which show a significance value below the standard set and a value that shows a significant relationship between these variables and audit delay. Thus, the fourth hypothesis is accepted.

## **5. Conclusion**

Based on the data analysis that has been conducted, it is found that company size has no effect on audit delay, which indicates that the length of the audit does not depend on the size of the company. In contrast, large companies are not always faster in financial reporting. In comparison, profitability hurts audit delay; the higher the profitability, the smaller the audit delay, while leverage has no effect on audit delay, which indicates that high and low leverage does not affect the speed of reporting financial statements. When analyzed together, firm size, profitability, and leverage significantly affect audit delay. However, this study has limitations because it only covers a 4-year period (2016-2019) and focuses on companies in the property and real estate sector with a sample size of 96 out of 24 companies, thus limiting the generalizability of the findings. In addition, the variables studied are limited to company size, profitability, and leverage, so the results may not include other factors that can affect audit delay. For future research, adding other independent variables is recommended to obtain a more comprehensive understanding of the factors that influence audit delay, considering that only 8.5% of the variation can be explained by the existing variables. Future research should involve more companies, expand the sample from various industries, and cover a more extended period for more in-depth analysis and better comparison over time.

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