

The Effect of Profitability, Leverage, and Company Size on Audit Delay

Dodi Satriadi
Accounting, Pasundan University

Correspondence: dodisatriadi10@gmail.com

ABSTRACT

The research was conducted on Property and Real Estate Companies listed on the Indonesia Stock Exchange in 2017 – 2020 using descriptive and verification research methods using a quantitative approach. The sampling technique used was purposive sampling in order to obtain 35 companies that met the criteria. The purpose of this study was to determine the effect of profitability, leverage, and company size on audit delay. Technical analysis of this research using multiple linear regression analysis. The results in this study indicate that the variable profitability, leverage, and firm size have an effect on audit delay either simultaneously or partially

Keywords: Profitability, Leverage, Company Size, Audit Delay

INTRODUCTION

Profitability is the ability to earn profits with a measure of the proportion used to assess the extent to which a company is able to generate profits at an acceptable level. In general, every business aims to earn profit or profit.

Leverage is a ratio used to measure the extent to which a company's assets are financed with debt. As we know, to carry out its operations every company has needs, especially those related to funds and the sources of these funds can be obtained from loans or also own capital.

In general, the term "company size" refers to a scale that categorizes company size according to the aggregate value of its assets.

Audit delay is the number of days between the date the audit report is signed and the end of the year.

In Indonesia, through the Financial Services Authority Regulation No. 29/POJK.04/2016 in article 7 requires all issuers and companies that go public to submit their audited financial

statements a maximum of 4 months after the book closing date, if more than that, they will be subject to sanctions.

Positive profitability information can be a signal for companies to shorten audit delay, and avoid sanctions from the authorities, because a positive profitability ratio is good news to be immediately informed to all interested stakeholders, especially investors, and stock exchanges that have set limits. final submission of audited financial statements. Profitability is the main component of the assessment of investors in assessing the performance of a company, before looking at other components every investor is sure that the first thing that is seen is the profit generated from the capital invested in the company, investors will feel happy and satisfied if their investment generates profits. Signals regarding high leverage can extend the audit delay time, because with this high ratio it will increase the interest expense that

must be borne and if the source of the debt is taken from many parties, as well as the amount of data and sources that must be confirmed. Leverage is a ratio used to measure the extent to which a company's assets are financed with debt. This ratio is commonly used by investors to see and consider the security level of their investment in a company, because with this ratio investors and stakeholders can find out the extent to which the company's ability to cover all its obligations with the assets it owns. The greater the leverage ratio, the higher the risk borne by the company, and for investors with a high leverage ratio is not good news, at least they feel worried about the sustainability of the investment they have invested. Based on this, Leverage has an effect on Audit Delay supported by theory (1) and research results (2).

Information about company size, in this case total assets, can anticipate the occurrence of audit delays, because large-scale companies must have a more qualified accounting information system and a better internal control system to make it easier for auditors to carry out their duties and automatically audit delay can be shortened. Based on this, firm size has an effect on audit delay supported by theory (1) and research results (2).

Audit Delay is influenced by Profitability, Leverage, and Firm Size, supported by Agency Theory that audited financial reports can bridge the interests of the principal (investor) with the agent (manager) in managing finances. In order for financial

reports to be used in making decisions, audited financial reports must be submitted in a timely manner with regard to compliance theory, especially for issuers who have already taken the floor on the Indonesia Stock Exchange. Compliance Theory states that all issuers and companies that have gone public are required to submit their annual audited financial reports to the authorities, sometimes due to certain conditions the audit reports are submitted late. The factors that can cause audit delay include profitability, leverage, and company size.

METHOD

The research method uses a quantitative research approach with descriptive and verification methods. The websites www.idx.co.id and www.sahamok.com are used to obtain the data used in this study, which includes annual reports and financial reports. Time series data is used in this study. This information is time series considering that the information in this study is information on a certain time span, especially 2017-2020.

The data collection technique used in this research is Library Research. The data collection technique in this study is to use the documentary method, namely by collecting data in the form of financial report documents that are published on www.idx.co.id.

The population in this study are property and real estate companies listed on the Indonesia Stock Exchange for the 2017-2020 period

which consistently publish their audited financial reports. The total population based on these criteria is 46 companies. To get results that are in accordance with the research objectives, the population in the study will be limited by the criteria and limitations of the problem (3). Based on the purposive sampling conducted and the criteria used, the researchers took samples that were in accordance with the research objectives so

that 35 companies were selected out of 46 companies.

The analysis test uses multiple regression analysis models (multiple linear analysis models) to test the effect of profitability, leverage, and firm size on audit delay. The form of the equation is as follows:

$$Y = a + b_1x_1 + b_2x_2 + b_3x_3 + e.. (1)$$

RESULTS AND DISCUSSION

Data Normality Test Results

**Table1: Data Normality Test Results
One-Sample Kolmogorov-Smirnov Test**

		Unstandardized Residuals
Normal Parameters, b	Means	.0000000
	std. Deviation	.24058855
Most Extreme Differences	absolute	.074
	Positive	.072
	Negative	-.074
Test Statistics		.074
asympt. Sig. (2-tailed)		.174c

Source: Data processed by Researchers in 2022

From table 1 it can be seen that the data in this study were normally distributed because the normality test results obtained a significance

result of 0.174 where the result was greater than the 0.05 significance level.

Multicollinearity Test Results

Table 2: Multicollinearity Test Results

Model	Collinearity Statistics	
	tolerance	VIF
1 (Constant)		
Profitability	0.959	1,042
leverage	0966	1036
Company Size	0.992	1008

Source: Data processed by researchers, 2022

Table 2 shows that the research data has no multicollinearity problem because the

tolerance value is above 0.1 and the VIF value is below 10.

Heteroscedasticity Test Results

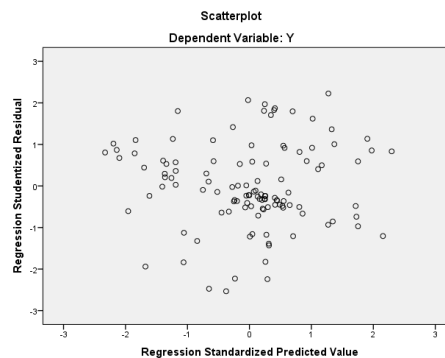


Figure 1: Heteroscedasticity Test Results

Source: Data processed by researchers, 2022

Figure 1 shows that the research data does not have a heteroscedasticity problem because the points on the scatterplot spread above or

below the number 0 (zero) or around the number 0 (zero).

Statistical Test Results

Multiple Linear Regression Test Results

Table 3 : Multiple Linear Regression Test Results

Model		Unstandardized Coefficients		Sig.
		B	std. Error	
1	(Constant)	1.101	1,001	.277
	Profitability	4,031	.814	.000
	leverage	.655	.323	.049
	Company Size	.137	.029	.000

Source: Data processed by researchers, 2022

Based on the calculation results in table 3, the multiple linear regression equation is obtained as follows:

$$Y = 1,101 + 4,031X_1 + 0,655X_2 + 0,137X_3 + e$$

The analysis of the regression equation above is as follows:

1. Constant value = 1.101

Positive constant values indicate a positive effect of independent variables

(profitability, leverage, and firm size) on the dependent variable (audit delay). A constant value of 1.101 means that audit delay will increase by 1.101 if the variables of profitability, leverage and company size are considered constant or have a zero value.

2. Profitability = 4.031

The regression coefficient of the profitability variable shows the number

4.031, meaning that if the profitability variable increases by one unit, audit delay will increase by 4.031 provided that other variables are considered constant.

3. Leverage = 0.655

The regression coefficient of the leverage variable shows the number 0.655, meaning that if the leverage variable increases by one unit, audit delay will increase by 0.655

provided that other variables are considered constant.

4. Company Size = 0.137

The regression coefficient for the company size variable shows the number 0.137, meaning that if the company size variable increases by one unit, the audit delay will increase by 0.137 provided that other variables are considered constant.

Determination Coefficient Test Results

Table 4: Determination Test Results

Model	R	R Square
1	.701a	.491

Source: Data processed by researchers, 2022

Based on the results of the determination test in table 4.8 above, it shows the value of the coefficient of determination (R square) of 0.491 or 49.1%. This means that the variability of the dependent variable (audit delay) can be explained by the independent

variables, namely the variables of profitability, leverage, and company size in this study amounting to 49.1%, while the remaining 51.9% (100% - 49.1%) is influenced by other variables not examined.

Table 5: Partial Determination Coefficient Test Results

Model	Standardized Coefficients	
	Betas	Sig.
1 (Constant)		.277
Profitability	.532	.000
leverage	.217	.049
Company Size	.502	.000

Source: Data processed by researchers, 2022

Based on table 5, the effect value of each independent variable on the dependent variable is obtained partially as follows:

1. The effect of the profitability variable on audit delay is 53.2% with the moderate influence category.

2. The effect of the leverage variable on audit delay is 21.7% with the category of influence being weak.

3. The effect of firm size variable on audit delay is 50.2% with moderate influence category.

Hypothesis Test Results

Simultaneous Test

The basis for making decisions on simultaneous testing is as follows:

- a. If $F_{count} > F_{table}$, then H_a is accepted.
- b. If $F_{count} < F_{table}$, then H_a is rejected.

The size of the F table in the study with a total sample of 140 and the number of independent

variables as many as three variables obtained a number of 3.062. Analysis of the influence of the three independent variables on the dependent variable obtained from calculations using SPSS software, namely as follows:

Table 6: Simultaneous Test Results (Test F)

	ttable	Sig.
X1 → Y	14,795	0.000
X2 → Y		

Source: Data processed by researchers, 2022

Hypothesis 1

Simultaneous testing (F test) in table 4.10 above, obtained an F_{count} value of 14.795 with F_{table} of 3.062. From these results it can be seen that $F_{count} > F_{table}$, namely $14.795 > 3.062$, then H_{a1} is accepted, meaning that it accepts the conjecture which states that the variables of profitability, leverage and firm size have an effect on audit delay. Thus profitability, leverage, and firm size simultaneously affect audit delay. Based on this hypothesis, the variables of profitability, leverage, and firm size can simultaneously increase audit delay.

Partial Test Results

Partial testing was carried out with the aim of proving whether partially profitability, leverage, and firm size have an effect on audit delay. The basis for decision making is as follows:

- a. If $t_{count} > t_{table}$, then H_a is accepted.
- b. If $t_{count} < t_{table}$, then H_a is rejected.

The t_{table} value for a study with a sample size of 140 and a 5% significance level with $df = N-2$ is 1.656 ($t_{table} = 1.656$).

The following is the result of the partial test calculation:

Table 7: Partial Test Results (t test)

	ttable	Sig.
X1 → Y	4,951	0.000
X2 → Y	2.025	0.049
X3 → Y	4,754	0.000

Source: Data processed by researchers, 2022

Hypothesis 2

Partial testing (t test) for the profitability variable obtained $t_{count} = 4.951$ and $t_{table} = 1.656$ so that $t_{count} > t_{table} = 4.951 > 1.656$ then H_{a2} is accepted, meaning that it accepts the allegation that the profitability variable (X1) has an effect on audit delay (Y). Thus profitability partially affects audit delay.

Hypothesis 3

Partial testing (t test) for the leverage variable obtained $t_{count} = 2.025$ and $t_{table} = 1.656$ so that $t_{count} > t_{table} = 2.025 > 1.656$ then H_{a3} is accepted, meaning that it accepts the allegation that the leverage variable (X2) has

an effect on audit delay (Y). Thus leverage partially affects audit delay.

Hypothesis 4

Partial testing (t test) for the company size variable obtained $t_{count} = 4.754$ and $t_{table} = 1.656$ so that $t_{count} > t_{table} = 4.754 > 1.656$ then H_{a4} is accepted, meaning that it accepts the allegation that the firm size variable (X3) has an effect on audit delay (Y). Thus the size of the company partially affects the audit delay.

Based on the hypothesis above, the variables of profitability, leverage, and company size can partially affect audit delay.

Descriptive Analysis Results

Profitability Variable Description

Table 8: Average Profitability

Year	N	Minimum	Maximum	Means	std. Deviation
2017	35	-.0189	.1748	.043603	.0446505
2018	35	-.0196	.2585	.047029	.0601030
2019	35	-.0706	.0936	.014871	.0442138
2020	35	-.3752	.0881	-.027140	.0806716
Valid N	35				

Source: Data processed by researchers, 2022

From table 8 it can be seen that the average profitability for 2017 was 0.0436 or 4.36% with the lowest average value of -1.89% and the highest average of 17.48%. In 2018 the average profitability was 0.0470 or 4.7% with the lowest average value of -1.96% and the highest average of 25.85%. In 2019 the average profitability was 0.0149 or 1.49% with the lowest average value of -7% and the highest average of 9.36%. In 2020 the average profitability was -0.0271 or -2.71% with the

lowest average value of -37.52% and the highest average of 8.81%. If you pay close attention, you can see that there is a drastic decrease in profitability in 2019 and 2020, this is likely to occur as a result of the Covid 19 pandemic.

The analysis concludes that investors have the right to own property and real estate because of the various studies that have been published so far. The IDX Property & Real Estate Sector Indicator during the Covid-19 Pandemonium

shows a lack of investor participation. In addition, the negative sector also affects the transmitter and receiver properties and the real estate of the LQ45 compound (4). There has been some turmoil in the property sector. This is due to the failure to carry out sales in the property, real estate, malls and public administration sectors under the PSBB. The

decline in property had a significant impact, considering that many cities implemented PSBB, resulting in a wider consensus. Properties in Indonesia from the Ciputra group are estimated to reach IDR 3.9 trillion in 2019 and IDR 2.9 trillion or 24% in 2020. As a result, property is not the first choice in times of crisis like this (5).

Overview of Leverage Variables

Table 9: Average Leverage

	N	Minimum	Maximum	Means	std. Deviation
2017	35	.06	3.70	.8209	.71240
2018	35	.09	3.09	.7643	.66689
2019	35	.06	2.84	.6760	.59292
2020	35	-10.26	3.48	.4797	2.00453
Valid N	35				

Source: Data processed by Researchers, 2020

From table 9 it can be seen that the average leverage for 2017 is 0.8209 with the lowest average value of 0.06 and the highest average of 3.70. In 2018 the average leverage was 0.7643 with the lowest average value of 0.09 and the highest average of 3.09. In 2019 the average leverage was 0.6760 with the lowest average value of 0.06 and the highest average

of 2.84. In 2020 the average leverage was 0.4797 with the lowest average value of -10.26 and the highest average of 3.48. It can be seen that in 2020 there was a very high DER value. This is assumed if in 2020 the company has a high risk of its ability to pay off its debts.

Description of Company Size Variables

Table 10: Average Firm Size

	N	Minimu m	Maximu m	Means	std. Deviatio n
2017	35	25.91	31.67	29.3449	1.36930
2018	35	25.87	31.58	29.4111	1.33837
2019	35	25.69	33.92	29.5551	1.55486
2020	35	25.68	33.89	29.5651	1.55823
Valid N	35				

Source: Data processed by researchers, 2022

From table 10 the average Ln Assets for 2017 is 29.39 with the lowest average value of 25.91 and the highest average of 31.67. In 2018 the average Ln Assets was 29.41 with the lowest average value of 25.87 and the highest average of 31.58. In 2019 the average Ln Asset was 29.56 with the lowest average value of 25.69 and the highest average of 33.92. In 2020 the average Ln Assets was

29.57 with the lowest average value of 25.68 and the highest average of 33.89. Every year the value of Ln company assets continues to increase. The greater the assets owned by a company, the company can invest in its assets and also meet product demand. This will further expand market share which will then affect profitability.

Description of Audit Delay Variables

Table 11: Average Audit Delay

	N	Audit delay (in days)			Audit Delay (in months)		
		Minimum	Maximum	Means	Minimum	Maximum	Means
2017	35	45	151	79.71	2	5	2.80
2018	35	43	259	86.71	1	9	3.03
2019	35	43	331	111.74	1	11	3.74
2020	35	67	306	118.09	2	10	3.91
Valid (listwise)	N 35						

Source: Data processed by researchers, 2022

From table 11 it can be seen that the average audit delay in 2017 was 79.71 days (2.8 months) with the fastest time being 45 days (2 months) and the longest time being 151 days (5 months). In 2018 the average audit delay was 86.71 days (3 months) with the fastest time being 43 days (1 month) and the longest time being 259 days (9 months). In 2019 the average audit delay was 111.74 days (3.7 months) with the fastest time being 43 days (1 month) and the longest time being 331 days (11 months). In 2020 the average audit delay was 118.09 days (2 months) with the fastest time being 67 days (2 months) and the longest time being 306 days (10 months). From the table it can also be seen that audit delay continues to increase every year, especially in

2019 and 2020 many companies report audit results that are not in accordance with the set time (late). This delay will be bad news for the company in terms of attracting a number of investors. The audited annual financial report is the only official and credible means to see the real condition of the company where they invest, so that if the financial report experiences a long audit delay or even exceeds the specified time limit, then it becomes a big question mark and even becomes bad news for investors.

Results of Verification Analysis

Effect of Profitability, Leverage, and Company Size on Audit Delay

The calculated F value is 14.759, and the Ftable value is 3.062, based on the results of simultaneous hypothesis testing (F test) described above. From these results it tends to be seen that $F_{count} > F_{table}$, especially $14.759 > 3.062$, with a meaning of 0.000 which means $<$ a significance level of 0.05, it is recognized that H1 means that at the same time profitability, leverage, and company size have an effect on variable audit delay.

Based on the results of the determination, the simultaneous influence of the independent variables on the dependent variable was 49.1%, meaning that the variables of profitability, leverage, and company size were able to explain the audit delay of 49.1% while the remaining 51.9% was influenced by other variables outside the study. The biggest contribution to the simultaneous effect is the variable profitability, followed by firm size and lastly leverage.

Effect of Profitability on Audit Delay

Calculation of the t test (partial) in the regression model obtained a significance value of the profitability variable of $0.000 < 0.05$. From the results of the comparison between t_{count} and t_{table} , the t_{count} value is 4.951 while the t_{table} is 1.656. From these results it can be seen that $t_{count} > t_{table}$, then H2 is accepted, namely profitability has a partial effect on audit delay. Based on the calculation of the partial effect, the result is that profitability has an effect of 0.532 or 53.2% on audit delay.

The profitability variable has a significance level of 0.000-0.05 which is determined by the partial t test in the regression model. Comparison of t_{count} and t_{table} shows that the t_{count} value is 4.951, while the t_{table} value is 1.656. As seen from these results, if t_{count} is greater than t_{table} , then H2 is accepted; profitability, in particular, has a partial effect on audit delay. Partial effect calculations show that profitability has an impact of 0.532 or 53.2% on audit delay. with the influence category is moderate. From the description of the data regarding profitability described earlier, it can be seen that companies with a high average ROA have a shorter audit delay time than companies with a low ROA value. The results of this study are in line with previous studies (2,6-8).

The findings of this study contrast with those who found that audit delay is not affected by profitability proxied by ROA (9). This shows that even though the report is satisfactory, entities that have been listed on the Indonesia Stock Exchange (IDX) are required to report their finances no later than the time determined by the OJK. Investors need this to make good decisions.

Effect of Leverage on Audit Delay

The leverage variable has a significance value of $0.049 < 0.05$ when the partial t test is performed on the regression model. Comparison between t_{count} and t_{table} produces a value of 2.025 for t_{count} and 1.656 for t_{table} . These results indicate that t_{count} is greater than t_{table} , which is accepted. In

addition, leverage has a partial impact on audit delay. Leverage has an effect of 0.217 or 21.7%, according to partial effect calculations. against audit delays. From the description of the data regarding leverage described above, it can be seen that companies with high leverage values will have a longer audit delay time than companies with low leverage values.

The results of this study are also in line with research conducted by stating that solvency has a significant positive effect on audit delay, which means that the higher the solvency ratio, the longer the audit delay time (2,8–10).

However, the results of this study are in contrast to research conducted which states that solvency has no effect on audit delay (11,12). Whether or not the company's ability to pay all its obligations does not affect the company's audit delay because in the audit process, the auditor has provided information to the client regarding the things needed either in the form of documents or otherwise so that it does not take a long time when the audit process is carried out.

Effect of Company Size on Audit Delay

Partial t test on the regression model produces a significant value of 0.000-0.05 for the firm size variable. Comparison between tcount and ttable produces a value of 4.754 for tcount and 1.656 for ttable. It can be seen from these results, if tcount is greater than ttable, then H4 is accepted which indicates that company size has a partial effect on audit delay. Given the estimated half-way impact, the result is that

organizational size has an impact of 0.502 or 50.2% on review delays.

From the description of the data regarding the size of the company described above, it can be seen that on average, companies with large company sizes (in this case assets) have a shorter audit delay time than companies with low total assets.

The results of this study are in line with research conducted which explains that the management of large-scale companies tends to be given incentives to anticipate the occurrence of audit delays that are too long because they really take into account the assessment of stakeholders who pay attention to them or in this case maintain their reputation (2,7,8).

However, the results of this study are in contrast to research conducted which states that company size has no effect on audit delay. In fact, even small companies can experience short audit delays. This can happen because the auditors carry out the audit process in a professional manner so that they carry out their duties and obligations in accordance with audit procedures regardless of the size of the company.

CONCLUSION

The company's profitability has decreased every year, especially in 2019 and 2020 as a result of the impact of covid 19. Likewise with the leverage value (DER) where in 2020 the company has a high risk in its ability to pay off its debts. For the size of the company seen from the value of assets, each year has

increased. As for the audit delay itself, in 2019 and 2020 many companies were late in reporting the results of their audit reports. Profitability, leverage, and company size simultaneously affect audit delay. Profitability has a partial effect on audit delay. Positive profitability can be a motivation to shorten audit delay time. Leverage has a partial effect on audit delay. The higher the leverage ratio, the longer the audit delay time due to the large amount of data and sources that must be confirmed. Firm size has a partial effect on audit delay. Large-scale companies will have better information systems and internal control systems so as to shorten audit delay.

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