

## *Analyzing Audit Delay in the Property and Real Estate Sector: The Role of Company Size as a Control Factor*

Ilham<sup>1</sup>,

<sup>1</sup> Politeknik Bosowa

[iam.ilham@politeknikbosowa.ac.id](mailto:iam.ilham@politeknikbosowa.ac.id)

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### ABSTRAK

Berdasarkan data dari Bursa Efek Indonesia (BEI), sektor real estate dan properti mencatat jumlah kasus tertinggi terkait ketidaktertiban dalam penyampaian laporan keuangan yang telah diaudit selama tahun 2020-2021. Oleh karena itu, penelitian ini bertujuan untuk mengidentifikasi faktor-faktor yang mempengaruhi keterlambatan audit pada perusahaan real estate dan properti di Indonesia. Penelitian ini didasarkan pada teori agensi sebagai kerangka teoritis. Pendekatan yang digunakan adalah kuantitatif dengan menggunakan data sekunder. Populasi penelitian terdiri dari perusahaan real estate dan properti yang terdaftar di BEI, dengan 69 perusahaan dipilih sebagai sampel melalui teknik purposive sampling. Variabel independen yang diteliti meliputi opini audit, ukuran KAP, masa jabatan audit, dan pergantian auditor, sedangkan variabel dependen adalah keterlambatan audit, dengan ukuran perusahaan sebagai variabel kontrol. Analisis data dilakukan menggunakan metode regresi linier berganda. Hasil penelitian menunjukkan bahwa opini audit berpengaruh terhadap keterlambatan audit, sedangkan ukuran KAP, masa jabatan audit, dan pergantian auditor tidak memiliki pengaruh. Perusahaan diharapkan lebih memperhatikan faktor-faktor yang berpotensi menyebabkan keterlambatan audit, termasuk menghindari kesalahan material dalam laporan keuangan yang dapat mempengaruhi opini audit yang diterima.

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### ABSTRACT

Based on data from the Indonesia Stock Exchange (IDX), the real estate and property sector recorded the highest number of cases where companies failed to submit audited financial statements during the 2020-2021 period. Therefore, this study aims to identify the factors that influence audit delays in real estate and property companies in Indonesia. The study utilizes agency theory as the theoretical framework. A quantitative approach was employed, using secondary data. The research population consists of real estate and property companies listed on the IDX, with 69 companies selected as the sample through purposive sampling. The independent variables include audit opinion, size of the Public Accounting Firm (KAP), audit tenure, and auditor turnover, while the dependent variable is audit delay, with company size as the control variable. Multiple linear regression was used as the analysis method in this study. The findings indicate that audit opinion affects audit delay, whereas the size of the Public Accounting Firm (KAP), audit tenure, and auditor turnover have no significant impact. Companies are encouraged to be more vigilant regarding factors that could lead to longer audit delays, including avoiding material misstatements in financial reports that could affect the audit opinion received.

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## INTRODUCTION

Based on the circular letter Announcement of Submission of Audited Financial Reports ending on 31 December 2020 issued by the Indonesia Stock Exchange (IDX) on 10 June 2021, there are 88 companies that have not submitted audited financial reports ending on 31 December 2020 and are subject to written warning I. So Also what happened in 2022, there were 91 companies that had not submitted audited financial reports ending as of 31 December 2021 and were subject to written warning I. Property and real estate companies were the largest sub-sector that had not submitted audited financial reports as of 31 December 2020, namely 17 percent and 16 percent as of December 31, 2021. Therefore, researchers made property and real estate companies the object of research.

The relationship between auditor opinion and audit delay is that when auditors identify significant issues or uncertainties in a company's financial statements, it can extend the time required to finish the audit, thus affecting audit delay. According to the research by Istamar & Utomo, R.B (2023), it suggests that auditor opinion significantly influences audit delay. However, according to Rosalia et al., (2018), Audit delay is not significantly impacted by auditor opinion. The association

between audit delay and public accounting firm size (KAP) tends to indicate that larger KAPs with more resources and personnel tend to complete audits more quickly, reducing audit delays. Research findings from Mubaliroh et al., (2021) show that KAP reputation significantly affects audit delay. However, the results from Rosalia et al., (2018) suggest the opposite, indicating that KAP size does not significantly impact audit delay.

Audit tenure refers to the duration of the partnership between a company and its auditing firm. Generally, the longer the relationship, the better the auditor's understanding of the company, which can reduce audit delays because they are accustomed to the company's processes and systems. Research by Yonita (2022) shows that audit tenure significantly affects audit delay, whereas research by Astuti (2019) yields opposing results, suggesting that audit tenure does not significantly impact audit delay. Auditor turnover typically requires additional time to allow a new auditor to thoroughly understand the company's business, systems, and processes before proceeding with the audit. This can result in significant audit delays in the first year of collaboration with a new auditor. Research by Lisa & Hendra (2020) demonstrates that auditor turnover influences audit delay. However, research by Ala et al., (2022) yields opposing results, suggesting that auditor turnover does not significantly impact audit delay.

Due to a research gap that demonstrates varying outcomes from prior studies concerning the factors influencing audit delay, as well as an increasing number of companies delaying their financial report submissions over the past three years, the researcher intends to conduct a new study on the determinants of audit delay. Several aspects differentiate this study from prior research. First, this research adopts a perspective from the viewpoint of Public Accounting Firms (KAP), in contrast to the company's perspective or a mixed perspective as observed in Fajar's study (2022). Some of the factors under consideration include audit opinion, KAP size, audit tenure, and auditor turnover. Second, the inclusion of a control variable sets this research apart. In this study, the researcher has chosen Company Size as the control variable. This additional variable enhances the comprehensiveness of the analysis concerning the factors influencing audit delay. By approaching the research from the KAP's perspective and including a control variable, this study aims to provide valuable insights into the factors affecting audit delay, contributing to a deeper understanding of the dynamics at play in this context

This research aims to determine the effect of audit opinion, KAP size, audit tenure and change of auditor on audit delay with company size as a control variable in property and real estate sector companies listed on the Indonesia Stock Exchange in 2020 - 2021

## **THEORETICAL BASIS AND DEVELOPMENT OF HYPOTHESES**

### **Agency Theory**

The concept of agency theory, according to Jensen and Meckling (1976), clarifies the contractual relationship between the principal (shareholders) and the agent (management). The person who gives the agent permission to act on their behalf in all capacities as decision-makers is known as the principal. Untimely financial reporting results in a decrease in the value of information contained within it, leading to asymmetric information. Therefore, timely reporting is necessary to reduce this issue and ensure that financial reports are transparently presented to the principal.

The relationship between agency theory and the research variables is that these variables can be used as monitoring and control tools in the context of the relationship between shareholders and company management. Shareholders seek to ensure that their interests are protected and that the company is operated in line with their expectations, and these variables can play a role in achieving those objectives.

### **Audit Opinion's Effect on Audit Delay**

The agency theory is related to the audit opinion in the context of how the audit opinion can affect the relationship between owners (shareholders) and agents (management). Positive or negative audit opinions can have a significant impact on the trust of shareholders and other stakeholders. A

positive opinion can increase the company's value and investor interest, while a negative opinion can decrease the company's value and influence the relationship between owners and management. The first formulated theory is, in light of the above explanation:

H1: Audit delay is influenced by the audit opinion..

### Size of KAP's Effect on Audit Delay

In agency theory, there is a conflict of interest between the company's owners and its management. Larger auditing firms with more resources can provide better audit services and potentially reduce the risk of management fraud, thus mitigating agency conflicts. This justification leads to the second formulated hypothesis, which is:

H2: Audit delay is influenced by auditing firm size

### Audit Tenure's Effect on Audit Delay

In agency theory, conflicts of interest arise due to differences between the company's owners and its management. A long-standing relationship with the same auditor can increase the risk of conflicts of interest because the auditor may become less objective. This justification leads to the third formulated hypothesis, which is:

H3: Audit delay is influenced by audit tenure

### Auditor Switching Effect on Audit Delay

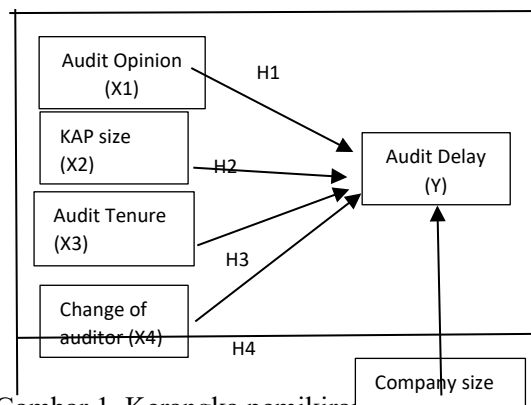
Agency theory is evident in the behavior of principals and agents. Principals are assumed to be primarily interested in the financial returns they gain from their investments in the company, while agents are assumed to derive satisfaction not only from financial compensation but also from their involvement in the agency relationship, such as deciding to switch auditors due to disagreements over certain accounting practices. Based on this explanation, the fourth formulated hypothesis is:

H4: Auditor switching influences audit delay

### Company size as a control variable

According to Mubaliroh et al., (2021), The size of the company depends on the scope of its assets. According to Kasmir (2017), the definition of total assets refers to the wealth or resources owned by a company at a specific point in time. This research will use the size of the company as a control variable. As per Sulyanto (2018), a control variable is a variable that is manipulated with the aim of keeping the relationship between the independent and dependent variables remains constant and is unaffected by other variables not being examined.

Based on the framework provided, it can be represented as follows :



Gambar 1. Kerangka pemikiran

## RESEARCH METHODS

This study uses secondary data in a quantitative research approach. The research focuses on companies involved in real estate and property for the 2020–2021 period that are listed on the Indonesia Stock Exchange (IDX). Purposive sampling is used to select the sample for this study. A method for choosing samples based on particular criteria is called purposeful sampling (Martono, 2011), as follows:.

1. Companies involved in real estate and property listed on the Indonesia Stock Exchange between 2020 and 2021.
  2. Property and real estate firms that have released their financial statements for the years 2020 to 2021.
  3. Organizations with annual financial reports released in Indonesian Rupiah.
- From these criteria, a total of 69 company samples were selected for the research.

## Variables' Operational Definition

### *Audit Delay*

Audit Delay = Financial report closing date (December 31) - Audit report issuance date

### **Audit Opinion (X1)**

Auditor opinions are measured using the following criteria :

- 1 = *Unqualified Opinion*
- 2 = *Unqualified opinion with explanatory paragraph*
- 3 = *Qualified opinion*
- 4 = *Adverse opinion*
- 5 = *Disclaimer of opinion*

### **KAP Size (X2)**

The measurement criteria are as follows:

- 1 = KAP *big four*  
0 = KAP *non big four*

### **Audit Tenure (X3)**

*Audit tenure* = Total number of years of engagement between KAP and Auditee

### **Auditor Switching (X4)**

The calculation for the auditor switching variable uses a dummy variable as follows:

- 1 = Companies audited by a different auditor during the research period.  
0 = Companies audited by the same auditor during the research period.

### **Control Variables**

A control variable is an independent variable that is predicted to have an influence on the dependent variable, but this variable is not the main variable to be tested. This variable still needs to be included in the research model to control other influences that can influence the research results regarding the influence of the independent variable on the dependent variable. The control variable used is company size. The company size variable can be expressed using the formula :

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

## RESULTS AND DISCUSSION

### **Descriptive statistics**

The analysis results reveal the following statistics for the variables For Audit Delay Lowest Value: 41, Highest Value: 306, Average: 116.28, Standard Deviation: 44.199. For Audit Opinion: Lowest Value: 1, Highest Value: 3, Average: 1.04, Standard Deviation: 0.293. For KAP Size (Kantor Akuntan Publik Size): Lowest Value: 0, Highest Value: 1, Average: 0.13, Standard Deviation: 0.338. For Audit Tenure:, Lowest Value: 1, Highest Value: 11, Average: 4.38, Standard Deviation: 3.017. For

Auditor Switching: Lowest Value: 0, Highest Value: 1, Average: 0.51, Standard Deviation: 0.502. For Company Size (Ukuran Perusahaan): Lowest Value: 25, Highest Value: 36, Average: 28.66, Standard Deviation: 1.950. These statistics provide an overview of the data distribution for each variable in the analysis..

#### Normality test

A p-value (sig) of 0.527, which is higher than the usual significance level of 0.05, was obtained for the One-Sample Kolmogorov-Smirnov Test in particular. As a result, it appears that the data have a normal distribution.

#### Multikolinieritas test

A tolerance value greater than 0.10 and a VIF (Variance Inflation Factor) value less than 10 were found for each independent variable. As a result, it can be said that this study's regression model does not exhibit multicollinearity.

#### Heteroskedasticity Test

The Glejser test results in a sig value greater than 0.05. This indicates that the estimated variable is free from heteroskedasticity issues.

#### Autocorrelation Test

The autocorrelation test using the runs test resulted in an Asymp.sig (2-tailed) value of 0.265, which is greater than 0.05. Therefore, there is no evidence of autocorrelation.

#### Multiple Linear Regression Analysis

Coefficients <sup>a</sup>					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	67.373	58.075		1.160	.248
Opini Audit	52.202	12.431	.346	4.199	.000
Ukuran KAP	12.069	11.667	.092	1.034	.303
Audit Tenure	-1.986	1.445	-.136	-1.374	.172
Pergantian Auditor	.130	7.289	.001	.018	.986
Ukuran Perusahaan	.052	2.125	.002	.025	.980

a. Dependent Variable: Audit Delay

Source: Data Processed 2023

The analysis results in the multiple linear regression equation: Audit Delay = 67.373 + 52.202 audit opinion + 12.069 KAP size - 1.986 audit tenure + 0.130 auditor turnover +  $\varepsilon$

#### T-Test Results:

1. The significance value for the "audit opinion" variable is 0.000, which is less than 0.05. Therefore, hypothesis 1 is accepted.
2. The significance value for the "KAP size" variable is 0.303, which is greater than 0.05. Thus, hypothesis 2 is rejected.
3. The significance value for the "audit tenure" variable is 0.172, which is also greater than 0.05. Therefore, hypothesis 3 is also rejected.
4. The significance value for the "auditor turnover" variable is 0.986, which is also greater than 0.05. Thus, hypothesis 4 is rejected.

#### The Influence of Audit Opinion on Audit Delay

According to the findings of the analysis of the first hypothesis, audit opinion significantly affects audit delay. The first hypothesis (H1), which states that "audit opinion has an impact on audit delay," is therefore accepted. The audit opinion has an impact on the audit delay; businesses that receive an unqualified opinion will submit their financial statements more quickly, resulting in a shorter audit

delay, and the opposite is true. This research's findings are consistent with previous studies, such as Istamar & Utomo, R.B (2023), which also concluded that audit opinion significantly affects audit delay.

#### **The Influence of KAP Size on Audit Delay**

The analysis for the second hypothesis shows that KAP size does not significantly affect audit delay. This finding aligns with prior research, specifically the study conducted by Rosalia et al. (2018), which also concluded that KAP size does not significantly affect audit delay. For this study, KAP size is not a determining factor, and it is considered to have no impact on audit delay. This is supported by the total number of companies included in the research sample, which amounted to 69 companies. Among these, 9 companies utilized the services of KAP firms affiliated with the "big four," while 60 companies did not. Based on this data, it can be inferred that both types of KAP firms exhibit a similar level of quality and experience regarding the timeliness of audit completion. However, it's important to note that this conclusion is specific to the current study. Other research endeavors and future studies may yield different outcomes.

#### **The Influence of Audit Tenure on Audit Delay**

The analysis' findings for the third hypothesis show that audit tenure does not significantly affect audit delay. This research suggests that the longer a company maintains its engagement with a Public Accounting Firm (KAP), the shorter the audit delay, mainly because a longer engagement period results in a deeper understanding by the KAP regarding the company's financial reporting, facilitating the audit report preparation process. Public Accounting Firms with tenure of five years or more produce shorter audit delays compared to those with shorter tenures.

However, it's worth noting that in this study, there were cases where companies with only a one-year engagement with a KAP also experienced short audit delays. This could be attributed to the fact that every KAP strives to provide the best services to its clients, and the duration of the engagement or cooperation with the client does not significantly impact the audit delay. These findings align with previous research, such as the study conducted by Astuti (2019), which concluded that audit tenure does not have a significant influence on audit delay.

#### **The Influence of Auditor Turnover on Audit Delay**

The results of the analysis for the fourth hypothesis indicate that auditor turnover does not have a significant influence on audit delay. As a result, the fourth hypothesis can be said to be true (H4), which suggests that "auditor turnover affects audit delay," is rejected. The lack of an impact of auditor turnover on audit delay suggests that auditors have effectively planned their audits.

Auditors accepting new clients consider essential factors such as understanding the client's business, the company's situation, materiality, and the audit risks before conducting an audit. Auditors receiving an assignment for the first time must also develop an audit plan, which includes the audit strategy to be used and the determination of the audit scope.

These findings align with previous research, such as the study conducted by Ala et al. (2022), which concluded that auditor turnover does not have an effect on the occurrence of audit delays.

### **CONCLUSION**

On the basis of the data analysis findings and the foregoing discussion, it can be said that audit opinion influences audit delay. Meanwhile, KAP size, audit tenure and change of auditors have no impact on the audit's delay.. Companies are expected to be more sensitive regarding things that can make audit delays longer, one of which is avoiding errors in financial reports that are material in nature which will have an impact on the audit opinion obtained.

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