

The Relationship Between Company Size, KAP Reputation, and Auditor Opinion on Audit Delay Moderated by Legal Compliance

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ABSTRACT

This study aims to examine the relationship between company size, KAP reputation, auditor opinion, and legal compliance on audit delay. The research population of food and beverage companies listed on the IDX for the period 2018-2023 used a nonprobability sampling method with purposive sampling technique, which resulted in 114 observations. Using the Moderated Regressions Analysis (MRA) technique using SPSS 25 software. The results showed that company size has a positive relationship to audit delay, KAP reputation has no relationship to audit delay, and auditor opinion has a negative relationship to audit delay. In addition, legal compliance is unable to moderate the relationship between company size and audit delay, legal compliance is unable to moderate the relationship between KAP reputation and audit delay, and legal compliance is able to moderate the relationship between auditor opinion and audit delay.

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1. INTRODUCTION

Financial reports are considered relevant in the decision-making process if the financial statements are communicated in a timely manner. Timeliness is very important because it affects the decision making of both investors and *stakeholders*. The obligation of an issuer or public company in the timeliness of financial report information to the public is regulated in Law No. 8 of 1995 concerning the Capital Market. The thing that needs to be considered in reporting financial statements is the length of the audit process. The higher the quality of the information contained in the financial statements, the longer the audit completion process carried out by the auditor. The length of the audit process depends on the time taken by the independent auditor in issuing the audited financial statements. This is due to the pressure obtained by the auditors to issue audited financial statements without any delay (Oussii & Boulila Taktak, 2018) If there is a delay, the information contained in the financial statements has no usefulness for investors (Owusu-Ansah, 2000). The longer the delay in reporting financial statements, the more doubtful the relevance of the information contained and the negative reaction from investors that the company has a bad health condition (Hasanah et al., 2021). The existence of a span or time difference between the date of the audit opinion and the date of the financial statements is what is known as *audit delay*.

The delay in reporting financial statements can have a bad impact on the company. In an empirical study conducted by Kross & Schroeder (2016) It is known that the delay in earnings announcements is closely related to the *abnormal return* earned by the company, rather than earnings announcements made earlier. Based on Auditing Standard (SA) 260 paragraph 16 (b), *audit delay* can occur if there are significant difficulties such as delays from management in providing the necessary information, the time given is very short to complete an audit, there is unexpected

extensive effort required to obtain appropriate and sufficient audit evidence, the unavailability of the information needed, and management provides restrictions on auditors in the audit process. In order to control the timeliness of reporting and transparency of financial statement information, the Capital Market and Financial Report Supervisory Agency (Bapepam-LK) together with the Financial Services Authority (OJK) issued a regulation stating that issuers or public companies are required to submit financial reports no later than the end of the fourth month, which is 120 days after the financial year ends. Despite the stipulation of the above regulations, the *audit delay* phenomenon still often occurs in Indonesia. Several factors that appear to have an impact on *audit delay* include company size, KAP reputation, auditor opinion, and *legal compliance*.

Company size is the size of a company which can be seen from the amount of assets owned. If the company is well managed, then the company can timely submit audited financial reports. This finding is consistent with the results of research conducted by Puspitasari & Latrini (2014), Lai et al. (2020), Suryanto (2016) and Davis (2020) which states that company size has a positive influence on *audit delay*. However, research conducted by Ginting & Hidayat (2019), Kawshalya & Srinath (2019), Asmara & Situanti (2018), Handoko et al. (2019), Adela & Badera (2022), Vuko & Cular (2014), Bahri & Amnia (2020), Putra & Wilopo (2017), and Prabasari & Merkusiwati (2017) which states that company size has a negative effect on *audit delay*. This is because the larger the size of a company, the smaller the chance of *audit delay*, and vice versa.

The larger the size of the Public Accounting Firm (KAP), the higher the chance that the issuer or public company will change the Public Accounting Firm (KAP) to a larger one because it has a good reputation and image. KAP that completes a series of audit processes and publishes audited financial reports in a timely manner indicates that the KAP complies with established regulations. This is in line with research conducted by Puspitasari & Latrini (2014), Verawati & Wirakusuma (2016), Fujianti (2019), and Kawshalya & Srinath (2019) which states that KAP reputation has a significant effect on *audit delay*. However, research conducted by Ginting & Hidayat (2019), Handoko et al. (2019), Davis (2020), Adela & Badera (2022), Lai et al. (2020), Vuko & Cular (2014), and Putra & Wilopo (2017) which states that KAP reputation has no effect on *audit delay*.

Auditor's opinion is needed to see whether the financial statements of issuers or public companies have been presented fairly based on the Financial Accounting Standards (SAK) applicable in Indonesia and are trusted by the public, and can assess the continuity of a company's business through the Public Accounting Firm (KAP). Based on research conducted by Adela & Badera (2022), Verawati & Wirakusuma (2016), Vuko & Cular (2014), and Bahri & Amnia (2020) explain that companies that obtain opinions with modifications have a fairly long audit process time span, because auditors need time and effort in obtaining sufficient and adequate audit evidence. Conversely, research conducted by Sutaryo & Lase (2015), Lai et al. (2020) and Mahendra & Widhiyani (2017) which states that whatever opinion is obtained by the company has no effect on *audit delay*.

This study also involves moderating variables as part of the analysis, namely *legal compliance*. The use of these moderating variables aims to obtain a deeper understanding of the variables used and is considered capable of strengthening or weakening the relationship between the variables of company size, KAP reputation, and auditor opinion with *audit delay*. Based on research conducted by Fujianti (2019), companies that implement *legal compliance* can minimize the opportunity for *audit delay*, as well as maintain the company's image and prevent violations of the law.

By considering the *audit delay* phenomenon that still often occurs in several companies, researchers choose to examine the relationship between company size, KAP reputation, and auditor opinion on *audit delay*. This study differs in terms of the variables used, the sample of companies selected, and the research time period. The variables included in the study include company size, KAP reputation, auditor opinion, and *legal compliance* as a moderating variable. The research sample consists of *food and beverage* companies listed on the Indonesia Stock Exchange in the period 2018 to 2023.

According to Prabasari & Merkusiwati (2017), compliance theory is a form of discipline in carrying out an order or task. The purpose of applying this compliance theory is to observe the extent to which the company can maintain a bonded relationship with interested parties by complying with the regulations made by Bapepam-LK and OJK regarding the reporting of annual financial reports in a timely manner and in accordance with applicable regulations (Nugroho, 2021). This compliance

theory encourages issuers or public companies to make every effort to report financial reports on time and in accordance with regulations. Agency theory emphasizes the separation of the relationship between *principal* and *agent*, which results in asymmetric information (Ugurlu, 2012). *Audit delay* is closely related to the timeliness of reporting financial statements. If the information contained in the financial statements is not communicated in a timely manner, the relevance of the information contained becomes doubtful, resulting in information asymmetry and an opportunity to spread rumors about the company's financial health and performance.

Company size can be a factor in the length of the audit completion process which then causes *audit delay*. This is because auditors need more time to audit subsidiaries before auditing the parent company (Ashton et al., 1987). Companies with large sizes have quite complex diversification and must have strong internal controls. This is in line with research conducted by Puspitasari & Latrini (2014), Lai et al. (2020), Suryanto (2016) and Davis (2020) which states that company size has a positive influence on *audit delay*.

H₁ : Company size has a positive relationship with *audit delay*.

A Public Accounting Firm (KAP) is considered good and competent if it implements good audit management, so that it can carry out audit tasks properly. KAP is considered more responsive in finding problem solving and this has an impact on the short time taken in the audit completion process so as to minimize the opportunity for *audit delay*. This is in line with research conducted by Puspitasari & Latrini (2014), Verawati & Wirakusuma (2016), Fujianti (2019), and Kawshalya & Srinath (2019) which states that KAP reputation has a significant effect on *audit delay*.

H₂ : KAP reputation has a positive relationship with *audit delay*

Auditors are required to express an opinion on four financial statements as a whole, including the formulation of a conclusion that the company has followed Generally Accepted Accounting Principles (GAAP) in Indonesia (Adela & Badera, 2022). Issuers or public companies that obtain an audit opinion with modifications have a longer audit completion span than companies that obtain an opinion without modifications (Mahendra & Widhiyani, 2017). Based on research conducted by Adela & Badera (2022), Verawati & Wirakusuma (2016), Vuko & Cular (2014), and Bahri & Amnia (2020) explained that companies that obtain an opinion with modifications have a fairly long audit process time span, because auditors need time and effort in obtaining sufficient and adequate audit evidence.

H₃ : Auditor opinion has a positive relationship with *audit delay*

The implementation of *legal compliance* helps companies gain trust. The bigger the company. The larger a company, the greater the assets owned and the more complex the company's diversification. Companies with large sizes will have tighter internal controls than companies with small sizes (Mahendra & Widhiyani, 2017). Good internal control minimizes the opportunity for *audit delay* and can reduce the level of error in preparing financial statements.

H₄ : *Legal compliance* is able to moderate the relationship between company size and *audit delay*.

KAP that complies with *legal compliance* provides confidence to clients and stakeholders that the audited financial statements are prepared based on Generally Accepted Accounting Principles (GAAP). In minimizing the opportunity for *audit delay*, companies will choose a KAP that suits their size and needs. KAP that has a good reputation and adequate resources will help ensure the audit completion process runs smoothly, effectively and efficiently.

H₅ : *Legal compliance* is able to moderate the relationship between KAP reputation on *audit delay*.

Companies that comply with *legal compliance* tend to get a positive auditor opinion. Conversely, if the company does not comply with *legal compliance*, it may cast doubt on the reliability of the financial statements and affect the auditor's opinion. This is because providing an opinion with an explanation requires negotiation with the client and consultation with the audit partner, if the auditor finds deviations from PABU.

H₆: *legal compliance* is able to moderate the relationship between auditor opinion on *audit delay*.

2. RESEARCH METHOD

This research applies a quantitative approach that is associative in nature, which tests the interaction between two or more variables (Sugiyono, 2020: 16). This study aims to understand the relationship between company size, KAP reputation, and auditor opinion on *audit delay*, with *legal compliance* used as a moderating variable. The research sample consists of *food and beverage* companies listed on the Indonesia Stock Exchange (IDX) during the 2018-2023 period. The object of this research is

audit delay in *food and beverage* companies that report annual financial reports consecutively on the IDX for the period 2018-2023.

In this study, *audit delay* is measured from December 31 to the date stated in the independent auditor's report. Based on the regulations of the Financial Services Authority (OJK), issuers or public companies are required to submit annual financial reports no later than the end of the fourth month, which is 120 days after the financial year ends. The formula for calculating the amount in measuring *audit delay* is as follows:

$$Audit\ Delay = Audit\ Report\ Date - Financial\ Report\ Date \dots\dots\dots(1)$$

Company size is the size of the company examined by KAP and is calculated using the total assets owned or the total assets of the company listed in the annual financial statements. This company size measurement is proxied using the Natural Logarithm (LN) of total assets, namely:

$$Company\ Size = LN(Total\ Assets) \dots\dots\dots(2)$$

The reputation of the Public Accounting Firm (KAP) is a comparison between KAP which is classified as large and KAP which is classified as small. The measurement of the KAP reputation variable is proxied using a dummy variable, namely value 0 for KAP that is not affiliated with the *Big Four* KAP and value 1 for KAP affiliated with the *Big Four* KAP.

Auditor opinion is a statement of opinion issued by an independent auditor on the liability of the client's audited financial statements based on auditing standards. The measurement of the auditor opinion variable is proxied using a dummy variable, namely a value of 0 for companies that get an opinion with modification and a value of 1 for companies that get an opinion without modification.

The implementation of *legal compliance* in companies is very important and aims to maintain the company's reputation and prevent legal violations. The measurement of the *legal compliance* variable is proxied using a dummy variable, namely value 0 for companies that submit financial reports not on time and value 1 for companies that submit financial reports on time.

The type of data used in this study is quantitative data obtained from secondary data sources, namely annual financial reports and independent auditor reports. This data can be accessed through the official website of the Indonesia Stock Exchange (IDX) and the official websites of related companies during the 2018-2023 period. The population of this study consisted of 48 companies, and the sample was selected using *purposive sampling* method. From the observation results, a total of 114 observations were obtained during the six-year period (2018-2023). The analysis technique used is *Moderated Regression Analysis* (MRA), with a regression equation model.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_1 M + \beta_5 X_2 M + \beta_6 X_3 M \dots\dots\dots(3)$$

Description:

- Y = *Audit delay*
- α = Constant
- β 1, β2, β3, β4, β5, β6 = Regression coefficient of the variable
- X 1 = Company Size
- X2 = KAP Reputation
- X3 = Auditor Opinion
- M = *Legal Compliance*
- X₁M = Relationship between Company Size and *Legal Compliance*
- X₂M = Relationship between KAP Reputation and *Legal Compliance*
- X₃M = Relationship between Auditor Opinion and *Legal Compliance*
- e = Standard Error

3. RESULTS AND DISCUSSIONS

Table 1. Research Sample Selection Results

Sample Criteria	Number of Companies
<i>Food and beverage</i> sector companies listed on the IDX for the period 2018 - 2023	48
<i>Food and beverage</i> sector companies that did not publish financial reports during the period 2018 - 2023	(27)
Companies with total assets of less than Rp500,000,000,000	(2)
Number of Observations	19
Number of Observations during the period 2018 - 2023	114

Source: Research Data, 2024

Food and beverage companies that reported annual financial statements and independent audit reports 2018-2023 downloaded from the official IDX website and related companies were used in this study. Samples were selected using *purposive sampling* technique. Based on the criteria set, from 48 companies that did not experience *delisting* during 2018-2023, a sample of 114 observations was obtained.

Table 2. Descriptive Statistics Results

	N	Minimum	Maximum	Mean	Std. Deviation
Company Size	114	27.34	32.40	29.9891	1.39664
KAP Reputation	114	0.00	1.00	0.3421	0.47651
Auditor Opinion	114	0.00	1.00	0.9386	0.24113
<i>Legal Compliance</i>	114	0.00	1.00	0.8333	0.37432
<i>Audit Delay</i>	114	46.00	401.00	92.3684	36.93435
Valid N (listwise)	114				

Source: Research Data, 2024

Audit delay obtained a minimum value of 46.00, a maximum value of 401.00, an average value (*mean*) of 92.3684 with a standard deviation of 36.93435. The company size variable has a minimum value of 27.34, a maximum value of 32.40, an average value (*mean*) of 29.9891 with a standard deviation of 1.39664. The KAP reputation variable has a minimum value of 0.00, a maximum value of 1.00, an average value (*mean*) of 0.3421 at a standard deviation of 0.47651. The auditor opinion variable has a minimum value of 0.00, a maximum value of 1.00, an average value (*mean*) of 0.9386 at a standard deviation of 0.24113. The *legal compliance* variable as a moderating variable has a minimum value of 0.00 and a maximum value of 1.00 while the average value is 0.8333 with a standard deviation of 0.37432.

Table 3. Normality Test Results

	Unstandardized Residual
<i>Asymp. Sig (2 - tailed)</i>	0,001 ^c
<i>Exact. Sig (2 - tailed)</i>	0,092

Source: Research Data, 2024

The normality test results show that the results of the *Exact. Sig (2 - tailed)* shows 0.092 > 0.05 so it can be concluded that the data in this study is normally distributed.

Table 4. Multicollinearity Test Results

Model	Collinearity Statistic	
	Tolerance	VIF
1	<i>(Constanta)</i>	
	Company Size	0,795 1,258
	KAP Reputation	0,652 1,331
	Auditor Opinion	9,963 1,039

Source: Research Data, 2024

The multicollinearity test results show the *tolerance* value > 0.1 and the VIF value < 5, so this study is free from multicollinearity.

Table 5. Heteroscedasticity Test Results

		Unstandardized Residual
<i>Spearman's Rho</i>	Company Size	<i>Correlation Coefficient</i> <i>Sig. (2 - tailed)</i> N
		-0,27 0,776 114
	KAP Reputation	<i>Correlation Coefficient</i> <i>Sig. (2 - tailed)</i> N
		0,022 0,815 114
Auditor Opinion		<i>Correlation Coefficient</i> <i>Sig. (2 - tailed)</i> N
		0,077 0,414 114

<i>Unstandardized Residual</i>	<i>Correlation Coefficient</i>	1,000
	<i>Sig. (2 - tailed)</i>	0,0
	N	114

Source: Research Data, 2024

The results of the heteroscedasticity test show that the *Sig. (2 - tailed)* of each variable company size, KAP reputation, auditor opinion, and *legal compliance* is greater than 0.05 so it can be concluded that in this regression model there is no heteroscedasticity problem.

Table 6. Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin - Watson
1	0,654	0,428	0,407	28,44766	1,769

Source: Research Data, 2024

The autocorrelation test results show that the value of $Du (1.7667) < DW (1.769) < 4 - dU (2.2323)$, so it can be concluded that this research data does not have autocorrelation.

Table 7. Moderated Regression Analysis (MRA) Test Results

Model		<i>Unstandardized Coefficient</i>		<i>Standardized Coefficient</i>	t	Sig.
		B	Std. Error	Beta		
1	(<i>Constan</i>)	45,643	48,475		0,942	0,349
	X1	8,669	1,793	0,328	4,834	0,000
	X2	2,718	16,481	0,035	0,165	0,869
	X3	-173,585	16,464	-1,133	-10,543	0,000
	X1.M	-7,133	0,644	-2,119	-11,080	0,000
	X2.M	-16,116	17,067	-0,205	-0,944	0,347
	X3.M	171,668	19,379	1,903	8,859	0,000

Source: Research Data, 2024

Table 8. Model Feasibility Test Results (F Test)

Model		<i>Sum of Square</i>	Df	<i>Mean Square</i>	F	Sig.
1	Regression	103397,644	6	17232,941	36,333	0,000
	Residuals	50750,883	107	474,307		
	Total	154148,526	113			

Source: Research Data, 2024

Table 9. Hypothesis Test Results (t Test)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,819	0,671	0,652	21,77860

Source: Research Data, 2024

The regression equation used in this study can be written as follows:

$$Y = 45.643 + 8.669X_1 + 2.718X_2 - 173.585X_3 - 7.133X_1M - 16.116X_2M + 171.668X_3M$$

Table 9, shows that the *Adjusted R-squared* coefficient value is 0.671, meaning that 67.1 percent of the dependent variable can be defined by variations in the independent variable and moderation variable, the rest is defined by other variables by 32.9 percent. The significance value of F, namely 0.000, shows a value smaller than $\alpha (0.05)$, it shows that together all independent variables have an effect on *audit delay*, meaning that the research model is feasible to study and continue with hypothesis proving.

The first hypothesis (H_1) states that company size has a positive relationship with *audit delay*. The significance value is 0.000, which is lower than the α value of 0.05 and the coefficient value is 8.669. From these findings it can be concluded that the company size variable has a positive relationship with *audit delay*. As a result, the first hypothesis is accepted.

The results of this study are in line with agency theory which states that companies with large sizes must have quite complex diversification and must have strong internal controls. The larger the size of the company, the smaller the chance of *audit delay*, and vice versa, the smaller the company, the greater the chance of *audit delay*. The results of this study are consistent with research conducted

by Puspitasari & Latrini (2014), Lai et al. (2020), Suryanto (2016) and Davis (2020) which states that company size has a positive influence on *audit delay*

The second hypothesis (H₂) states that KAP reputation has a positive relationship with *audit delay*. The significance value is 0.869, which is greater than the α value of 0.05 and the coefficient value is 2.718. From these results it can be concluded that the KAP reputation variable has no relationship to *audit delay*. As a result, the second hypothesis is rejected.

In line with compliance theory, the lack of effect of KAP reputation on *audit delay* is because an auditor who comes from a *Big Four* or *Non Big Four* KAP will still carry out the audit standards set by the Indonesian Institute of Certified Public Accountants (IAPI), so that it has no effect on the time span for submitting audit reports on financial statements. The results of the study are consistent with research conducted by Ginting & Hidayat (2019), Handoko et al. (2019), Davis (2020), Adela & Badera (2022), Lai et al. (2020), Vuko & Cular (2014), and Putra & Wilopo (2017) which states that KAP reputation has no effect on *audit delay*.

The third hypothesis (H₃) states that auditor opinion has a negative relationship with *audit delay*. The significance value is 0.000, which is smaller than the α value, namely 0.05 and the coefficient value is -173.585. From these results it can be concluded that the auditor opinion variable has a negative relationship with *audit delay*. As a result, the third hypothesis is rejected.

In line with compliance theory, companies that receive an unmodified opinion, the faster and easier it is to publish financial statements because they do not have to conduct a discussion or anything else, and vice versa. Thus it can be concluded that the more unfavorable the opinion received by the company, the longer the audited financial statements will be published and will lead to a tendency of suspicion and conflict of interest. These findings are consistent with research conducted by Adela & Badera (2022), Verawati & Wirakusuma (2016), Vuko & Cular (2014), and Bahri & Amnia (2020) explain that companies that obtain an opinion with modifications have a long audit process time span, because auditors need time and effort in obtaining sufficient and adequate audit evidence.

The fourth hypothesis (H₄) shows a negative direction. The significance value of 0.000 is smaller than the α value of 0.05 and the coefficient value is -7.133. From these results it can be concluded that the *legal compliance* variable is unable to moderate the relationship between company size and *audit delay*. Companies with a large scale have a complicated level of *legal compliance* that makes auditors take longer to complete the audit of their financial statements.

The fifth hypothesis (H₅) shows a negative direction. The significance value is 0.347, which is greater than the α value of 0.05 and the coefficient value is -16.116. From these results it can be concluded that the *legal compliance* variable is unable to moderate the relationship between KAP reputation and *audit delay*.

KAP affiliated with the *Big Four* or not, in carrying out their audit assignments will always use the same audit standards in accordance with the Public Accountant Professional Standards (SPAP). In addition, complying with legal compliance also helps KAP to maintain their reputation and minimize legal risks that can arise from regulatory violations.

The sixth hypothesis (H₆) shows a positive direction. The significance value of 0.000 is smaller than the α value, namely 0.05 and the coefficient value is 171.668. From these results it can be concluded that the *legal compliance* variable is able to moderate the relationship between auditor opinion and *audit delay*.

Companies that comply with legal compliance tend to get more positive auditor opinions. Conversely, if the company does not comply with *legal compliance*, this may cast doubt on the reliability of the financial statements, which may affect the auditor's opinion on the fairness of the presentation of the financial statements and require a longer audit process than companies that get an unqualified opinion.

4. CONCLUSION

Based on the results of data analysis and discussion that has been presented, it can be concluded that company size has a positive relationship with *audit delay*. This is because the larger the size of the company, the smaller the chance of *audit delay*, and vice versa, the smaller the company, the greater the chance of *audit delay*. KAP reputation has no relationship with *audit delay*. The absence of a relationship between KAP reputation and *audit delay* is due to the fact that an auditor who comes from a *Big Four* or *Non Big Four* KAP will still carry out the audit standards set by the Indonesian

Institute of Certified Public Accountants (IAPI), so that it has no effect on the timeframe for submitting audit reports on financial statements. Auditor opinion has a negative relationship with *audit delay*. This is because the more unfavorable the opinion received by the company, the longer the audited financial statements will be published and will create a tendency for suspicion and clashing interests from both parties. *Legal compliance* is unable to moderate the relationship between company size and *audit delay*. This is because companies with a large scale have a complicated level of *legal compliance* that makes auditors take longer to complete the audit of their financial statements. *Legal compliance* is unable to moderate the relationship between KAP reputation and *audit delay*. This is because KAP affiliated with the *Big Four* or not, in carrying out their audit assignments will always use the same audit standards in accordance with the Public Accountant Professional Standards (SPAP). *Legal compliance* is able to moderate the relationship between auditor opinion and *audit delay*. Companies that comply with *legal compliance* tend to get a more positive auditor opinion. Conversely, if the company does not comply with *legal compliance*, it may raise doubts about the reliability of the financial statements, which may affect the auditor's opinion on the fairness of the presentation of the financial statements and require a longer audit process than companies that get an *unqualified opinion*.

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