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Determination of Audit Delays in Financial Sector Companies from 2021 to 2023

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Abstract:
This study aims to examine the effect of liquidity, solvency, and profitability on audit delay in banking sector companies listed on the Indonesia Stock Exchange (IDX) during the period 2021–2023. The sample was determined using a purposive sampling method and resulted in 37 banks observed over three years, producing 111 firm-year observations. Secondary data were obtained from annual financial reports published on the IDX and analyzed using multiple linear regression. The empirical results show that liquidity has a significant effect on audit delay, indicating that a bank's ability to meet its short-term obligations is related to the timeliness of the auditor in completing the engagement. Solvency also affects audit delay, meaning that a healthier capital structure facilitates the auditor in obtaining sufficient and appropriate audit evidence, thereby shortening audit completion time. Furthermore, profitability is found to influence audit delay; high earnings encourage management to accelerate the issuance of audited financial statements (consistent with signaling theory), while at the same time requiring auditors to exercise greater caution, making management's document readiness a key determinant of audit duration. These findings highlight the importance of sound financial performance and early reporting preparation in order to minimize audit delay in Indonesian banking companies.

Keywords: Liquidity, Solvency, Profitability, Audit Delay,

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INTRODUCTION

Companies listed on the Indonesia Stock Exchange are required to ensure the timeliness of publishing financial reports to the public and the Financial Services Authority (OJK). Timeliness can be assessed by measuring the delay in the presentation of audit reports, known as audit delay. Audit delay is the duration of the audit process, calculated based on the time between the company's fiscal year-end and the date of issuance of the audit opinion in the financial statements (Mesir, 2024). Audit delay can be one indicator for assessing the quality of a company's financial statements. The longer it takes to complete the audit, the lower the quality of the financial statements is considered to be. Timeliness in presenting financial statements is an important aspect of corporate management because it can provide confidence to investors and stakeholders such as suppliers, government, lenders, and consumers regarding the entity's performance. In addition, timely financial statements also serve as a tool for accurate

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decision making. Companies can experience a decline in their image in the eyes of the public if they experience audit delays, especially in the banking sector because the banking business is highly dependent on public trust to carry out its operations (Puryati, 2020)

The banking sector is one of the sectors that plays a crucial role in a country's economy. Banking is defined as an institution that provides financial services to the public, business actors, and the government. The banking operation process is expected to be able to present transparent and accurate financial information to stakeholders. Understanding the factors that influence audit delays in banking companies is very important to note. The obstacles faced by auditors in completing their tasks can be caused by various internal factors such as liquidity, solvency, and company size.

Liquidity is an indicator used to assess a company's ability to maintain its business continuity in the short term. A good level of liquidity can increase investor and creditor confidence, especially if the company is able to meet its short-term obligations, which indicates the company's healthy financial condition. A company is considered unhealthy or illiquid if its total current liabilities, such as trade payables, salary payables, and rent payables, exceed its total current assets (Niandari & Novelia, 2022)

Solvency is a factor that indicates a company's ability to meet all its long-term obligations. A low solvency ratio tends to potentially cause audit delays due to financial complexities such as high debt compared to the company's total assets or equity. A company can be categorized as insolvent if the amount of assets it owns is insufficient to cover its total liabilities. This condition causes auditors to need more time to conduct a more detailed examination to assess the level of risk possessed by the company (Ginting et al., 2024)

Profitability is seen as influencing audit delay because high profits are a signal of performance that needs to be published immediately (good news), so management tends to expedite the completion of reports and be more responsive in fulfilling audit evidence requests; this condition allows auditors to work more efficiently, thereby reducing audit delay. On the other hand, large profit figures also increase audit risk because auditors must ensure that the profits actually originate from real transactions and are not the result of accounting manipulation, so auditors may add substantive testing, confirmation, or further analytical procedures, which actually prolong the time required to complete the audit. Thus, profitability works in two ways: management reporting tends to accelerate, while auditor prudence can slow down; the final direction will be determined by how strong management's drive for timeliness is compared to the auditor's need for additional evidence (Maulana & Purwantoro, 2024). Based on the above background, the research questions are as follows

a) Does liquidity affect audit delay in banking sector companies listed on the IDX from 2021 to 2023?
b) Does solvency affect audit delay in banking sector companies listed on the IDX from 2021 to 2023?
c) Does the reputation of the public accounting firm (KAP) affect audit delays in banking sector companies listed on the IDX from 2021 to 2023?

LITERATURE REVIEWS

Signaling Theory

According to signaling theory, users of financial statements are provided with information about the condition of a company. High-quality financial statements are considered a reliable signal. An organization must present reports that are accurate, transparent, and easy to understand. Timeliness and clarity in delivering financial reports

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are important indicators for stakeholders. Quality information should be immediately disclosed to the public to assist stakeholders in the decision-making process. Delays in delivering financial reports can reduce the level of trust from investors. Signaling theory is used by management to help investors understand information behavior in a timely manner to avoid information asymmetry between external and internal parties of the company (Puryati, 2020)

Audit Delay

Audit delay is the period of time required by auditors to complete the audit process of a client's financial statements. The length of this period affects the timeliness of the submission of financial statements to the public. Delays in the audit process have the potential to reduce the relevance of the information contained in the financial statements. Auditors need to use their time as efficiently as possible during the audit process so that client trust in the auditor is maintained and the relevance of the information in the client's financial statements does not decline (Puryati, 2020)

Liquidity

Liquidity is an indicator used to measure the level of success of an organization or company, particularly in terms of the company's ability to meet its short-term obligations. Liquidity reflects the effectiveness of financial management in managing capital funded through current debt and cash balances owned by the company (Meo & Paramitalaksmi, 2025)

Solvency

Solvency is a company's ability to meet its long-term obligations. In order to maintain solvency, a company must maintain the value of its assets or wealth so that it can cover all its obligations to external parties. Solvency is measured by comparing the total assets owned by the company with the total existing loans. The solvency ratio indicates that the higher the solvency ratio reflected in a company's financial statements, the greater the risk of the company's inability to pay its long-term obligations. This indicates that the company is not managing its finances effectively, so it has the potential to experience difficulties in meeting its long-term obligations (Gustiana & Rini, 2022)

Profitability

Profitability is a company's ability to generate profits during a certain period by utilizing its resources (assets, capital, and sales) effectively and efficiently. Profitability is usually measured by ratios such as Return on Assets (ROA), which shows the rate of return from operational activities against total assets. The higher the profitability, the better the company's financial performance and the higher the company's value in the eyes of investors and creditors because the company is considered capable of generating profits on a sustainable basis. The definition and use of profitability as a financial performance indicator is widely used in accounting and financial management research in accredited national journals, for example, in studies on the effect of liquidity, leverage, company size, and profitability on company value (Maulana & Purwantoro, 2024)

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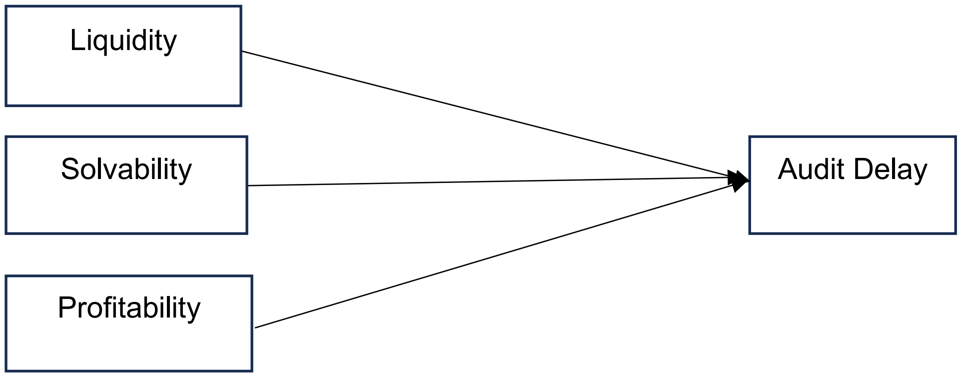
Conceptual Framework



Research Hypothesis

a) The Effect of Liquidity on Audit Delay

The hypothesis in this study is that liquidity has a negative effect on audit delay, meaning that the higher a company's liquidity, the less time auditors need to complete the audit process. Liquid companies generally have better cash flow, more orderly financial records, and lower financial risk, so auditors do not need to perform additional procedures that could prolong the audit time. This condition is also usually in line with better financial performance (profitability), so management tends to want to submit financial reports more quickly (Tampubolon & Siagian, 2020). Thus, the hypothesis proposed is:

H_1: Liquidity affects audit delay.

b) The Effect of Solvency on Audit Delay

Solvency describes the extent to which a company is financed by debt compared to its own capital; the higher the solvency (leverage), the greater the risk perceived by auditors because the financial structure is more vulnerable. This condition may require auditors to perform additional examination procedures, expand testing, and review going concern or compliance with debt agreements, thereby prolonging the audit completion time (Altarisya & Nelvirita, 2024). Therefore, this study proposes the following hypothesis:

H_2: Solvency affects audit delay

c) The Effect of Profitability on Audit Delay

Profitability reflects a company's ability to generate profits from its assets or capital; profitable companies generally want to publish their financial statements immediately because good performance is a positive signal to investors and creditors. Good performance is also usually accompanied by more organized documentation and quicker management support for auditors, so that the audit process can be completed more quickly (Gustiana & Rini, 2022). Therefore, the hypothesis proposed is:

H_3: Profitability has a negative effect on audit delay

RESEARCH METHODOLOGY

The research object used is all banking companies listed on the Indonesia Stock Exchange. The research approach is quantitative, obtained from secondary data, namely

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financial reports, through indirect collection techniques (Sugiyono, 2018). This study uses multiple regression with the help of SPSS 25 software. There are two types of research variables, namely

a) Independent Variables: Liquidity, Solvency, Profitability
b) Dependent Variables : Audit Delay

Operational Definition of Variables

a) Liquidity

Liquidity is a ratio that measures a company's ability to meet its short-term financial obligations. The liquidity ratio plays an important role in assessing the operational continuity of a company, which can affect the length of time required for the audit process (Tampubolon & Siagian, 2020). The measurement of the *liquidity* ratio can use the *current ratio* with the following formula:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Debts}}$$

b) Solvency

Solvency is an indicator used to measure a company's ability to cover all of its liabilities by utilizing its assets. Solvency reflects the extent to which a company's assets can guarantee the payment of its debts (Sihombing et al., 2022). The solvency ratio can be measured using the Debt to Equity Ratio (DER) with the following formula:

$$\text{Debt To Equity Ratio} = \frac{\text{Total Debt}}{\text{Total Equity}}$$

c) Profitability

Profitability is an operational indicator of a company's ability to generate net income from all assets used in its operations, and is measured by Return on Assets (ROA) (Sanulika, 2018). ROA is calculated using the following formula

$$\text{ROA} = \frac{\text{Earning After Tax}}{\text{Total Assets}}$$

d) Audit Delay

Audit delay is a term used in the world of auditing to describe the duration of time required by independent auditors to complete the audit process and compile audited financial statements. The measurement of audit delay is done by calculating the period from the closing date, which is December 31, to the official date of publication of the annual audit report (Fitriyani & Putri, 2022). The audit delay variable can be measured in number of days, with the following formula for assessing audit delay:

Audit delay = Audit report date – Financial report date

Population and Sample

In this study, the population consists of banking companies listed on the Indonesia Stock Exchange. There are 47 companies listed in the banking sector. This study uses *purposive sampling*, which is a sampling method with specific criteria. The sampling criteria in this study are revealed in the following table:

Table 1. Sampling Criteria

Criteria	Total
Banking companies listed on the Indonesia Stock Exchange for the period 2021-2023	47
Banking companies that reported losses during the research period	(10)
Total companies that meet the criteria	37

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Criteria	Total
Total research sample 37 companies x 3 years	111

Source: Processed data

RESULTS AND DISCUSSION

Tabel 2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
X_1	111	.06	2.49	.2785	.29827
X_2	111	.08	16.37	5.0414	2.73492
X_3	111	.09	15.98	.974	.501
Y	111	15	141	63.77	27.902
Valid N (listwise)	111				

Sumber: SPSS, Processed data

Table 2 shows that the liquidity variable has a mean value of 0.06, which indicates that companies with the lowest liquidity are more dependent on debt, so that their debt exceeds their current assets. The mean solvency variable shows a minimum value of 0.08, which reflects that companies with the lowest solvency have less equity than their debt. The profitability variable has a minimum value of 0.09, indicating that companies have the ability to generate profits from assets of 0.09 times. The audit delay variable shows a mean of 63.77 days, reflecting that the average company with an audit delay takes 63 days to complete the audit process.

Table 3. F - Test

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	22662.387	3	6987.462	10.243	.000[b]
1	Residual	69872.983	106	627.224		
	Total	80635.369	119			

a. Dependent Variable: Y
b. Predictors: (Constant), X3, X1, X2

Sumber: SPSS, Processed data

This can be seen in Table 3, which shows the results of the model feasibility test. The results of the model feasibility test indicate that the F significance value is 0.000, which is less than 0.05. Therefore, the regression model used is feasible and can be used for further analysis, meaning that the regression model used is compatible with the observation data so that it is able to predict the observation values.

Table 4. Testing the Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.591[a]	.641	.620	26.642

a. Predictors: (Constant), X3, X1, X2

Sumber: SPSS, Processed data

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Table 4 shows the results of the coefficient of determination test. The results of this test can be seen in the Adjusted R Square value of 0.620 or 62%. These results indicate that the variables of liquidity, solvency, and profitability are able to explain 62% of the audit delay variable. Meanwhile, the remaining 38% is explained by other factors not tested in this study, such as company age, auditor education level, and operational complexity.

Tabel 5. Hypothesis Testing

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.615	5.221		12.154	.000
	X1	5.929	6.055	.214	2.598	.021
	X2	-1.001	3.879	-.048	-1.969	.049
	X3	3.346	3.706	- 519	3.961	.000

a. Dependent Variable: Y

Sumber: SPSS, Processed data

Based on Table 5, the following multiple regression equation is obtained

$$Y= 5.615 + 5.929 X_1 -1.001 X_2 -3.346 X_3 + e$$

The hypothesis test can also be seen in Table 5, where the significance value of the *liquidity* variable is 0.021, which is less than 5%, so it can be stated that *liquidity* affects *audit delay*. The results of this study support the research conducted by (Sihombing et al., 2022). This is because low liquidity in banks can be a negative indication that the bank is facing financial problems. Based on signaling theory, the market will interpret this condition as a sign that the bank may not be able to meet its short-term obligations, such as customer withdrawals or other payments.

This can lead to a decline in investor confidence in the bank, which has the potential to trigger a massive withdrawal of funds (bank run). The significance value of the solvency variable is 0.049, which is less than 5%, so it can be stated that solvency affects audit delay.

Good solvency reflects a healthy financial structure and low default risk. Solvent companies usually have a more organized financial system, find it easier to comply with debt agreements, and rarely experience delays in recording due to liquidity pressures. Healthy financial conditions such as these mean that auditors do not need to perform too many additional procedures to ensure the company's ability to maintain its going concern. With audit evidence readily available and a lower risk of misstatement, the audit process can be completed more concisely, resulting in shorter audit delays. In addition, companies with good solvency generally have a higher governance incentive to report financial performance on time because they want to maintain a good reputation in the eyes of creditors and investors. The timeliness of these financial reports usually translates into more disciplined document preparation and work schedules for external auditors. Auditors who deal with clients who have well-prepared documents and few compliance issues can develop more predictable audit programs, resulting in fewer audit hours and faster audit report delivery dates (Annisa et al., 2022).Thus, the healthier the solvency, the less complex the audit, which explains the negative relationship between solvency and audit delay. The significance value of profitability is 0.000, which is less than 5%, so it can be stated that it provides an explanation.

Profitability reflects a company's ability to generate profits from its resources, and

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in financial reporting, profits are almost always viewed as good news. Signaling theory explains that management that produces good performance wants to immediately send that positive signal to the market, creditors, and shareholders through timely financial reports. The pressure to publish auditor reports immediately makes management more cooperative with auditors. Management prepares documents earlier, reconciliations are completed before the audit begins, and auditor questions are answered more quickly. When clients are well prepared, auditors do not waste time waiting for documents or clarifications, so in practice, audit delays become shorter. Auditors consider high profits to also increase audit risk because large profit figures potentially contain incentives for management to engage in earnings management. Conditions like this can expand substantive procedures, deepen testing of income and expenses, or add external confirmation to ensure that profits are truly of high quality (Farida Asfiah et al., 2024). These additional procedures could theoretically extend the time required to complete the audit. So scientifically, profitability affects audit delay through two opposing mechanisms: a driving mechanism that shortens the delay in auditor reporting, and an auditor prudence mechanism that can extend audit delay.

CONCLUSION

Based on the results of the analysis and discussion, the following conclusions can be drawn:

a) Liquidity affects audit delay. A significance value of $0.021 < 0.05$ indicates that the bank's liquidity level is related to the length of time taken to complete the audit. Low liquidity is perceived by the market as a negative signal (signaling theory) because it indicates potential difficulties in meeting short-term obligations, thereby reducing confidence and encouraging auditors to be more careful. This finding is in line with Sihombing et al. (2022).
b) Solvency affects audit delay. A significance value of $0.049 < 0.05$ means that capital structure (ability to meet long-term obligations) affects the speed of the audit. Good solvency makes finances more orderly, covenant compliance easier, and documents more ready, so that auditors do not need many additional procedures and audit delays become shorter.
c) Profitability affects audit delay. The significance value of $0.000 < 0.05$ indicates that the profits generated by the company are significantly related to audit delay. High profitability encourages management to immediately publish reports (good news → signaling) and become more cooperative with auditors so that audits are faster; however, on the other hand, auditors may add procedures because high profits increase audit risk. In your research results, the dominant effect is the incentive for faster reporting, so that profitability is proven to affect audit delay.

Based on the research results that liquidity, solvency, and profitability affect audit delay, it is recommended that company management—especially in banking—maintain the quality of interim and year-end financial reporting so that liquidity and solvency positions are always well monitored, thereby eliminating the need for auditors to perform additional procedures that prolong the process. Management also needs to prepare supporting documents earlier, especially when performance is high, because in these conditions auditors are usually more cautious. For auditors, scheduling and early communication with clients are important so that differences in perception of financial statement risk can be minimized. For future researchers, governance variables can be added to make the audit delay model more comprehensive.

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