THE INFLUENCE OF AUDIT TENURE, PROFITABILITY AND FINANCIAL VIABILITY ON AUDIT DELAYS WITH AUDIT QUALITY AS A MODERATOR : EVIDENCE FROM ASEAN

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ABSTRACT

This research aims to analyze the effect of auditor tenure, profitability, and solvency on the possibility of audit delay in real estate companies' period 2020-2023 listed on S&P Capital IQ. This research uses a sample criterion of companies that provide complete financial statement data on real estate companies in Indonesia, the Philippines, Malaysia, Thailand and Singapore. The research uses quantitative approach with regression analysis. Research showed that audit delays are negatively affected by auditor tenure and profitability. Solvency also has a negative effect on audit delay. The implication of this analysis is the importance of the level of profit in reducing the risk of audit delay which can increase efficiency in the company's financial reporting, as well as considering the length of the relationship between the company and the auditor.

Keywords : Audit Delay; Audit Tenure; Profitability; Solvency

ABSTRAK

Studi ini memiliki tujuan menganalisis pengaruh tenure auditor, profitabilitas, dan solvabilitas terhadap kemungkinan terjadinya audit delay pada perusahaan real estate periode 2020-2023 yang terdaftar di S&P Capital IQ. Studi ini menggunakan kriteria sampel perusahaan yang menyajikan data laporan keuangan secara menyeluruh pada perusahaan real estate di Indonesia, Filipina, Malaysia, Thailand, dan Singapura. Penelitian ini menerapkan pendekatan kuantitatif melalui analisis regresi. Temuan Penelitian menunjukkan bahwa keterlambatan audit dipengaruhi secara negatif oleh tenure auditor dan profitabilitas. Solvabilitas juga berpengaruh negatif terhadap audit delay. Implikasi dari analisis ini adalah pentingnya tingkat profitabilitas dalam mengurangi risiko audit delay yang dapat meningkatkan efisiensi dalam pelaporan keuangan perusahaan, serta mempertimbangkan lamanya hubungan antara perusahaan dengan auditor.

Kata Kunci : Penundaan Audit; Masa Jabatan Auditor; Keuntungan; Kelayakan Keuangan

INTRODUCTION

Public companies have an obligation to submit financial reports on time to relevant parties. The accuracy of financial information can be ensured through financial statements prepared by independent auditors. In this case, the auditor needs to estimate the completion time of the audit report so that it can be issued on time, if there is a delay it will cause wrong decisions and reduce investor confidence (Setiyowati & Januarti, 2022). In Indonesia, the regulations governing the obligation to submit financial reports

are stipulated in Decision Number I - E, PT. BEI KEP-306/BEJ/07-2004, that companies have 90 days or no later than the end of the month in which the financial statements must be submitted. According to Investment-Report (2023), in other countries such as Malaysia, Singapore, Thailand, and the Philippines, the due date after the end of the fiscal year ranges from 30 days at most to 150 days. The Indonesia Stock Exchange (BEI) noted that as of 31 March 2023, there were 10 companies in the property sector that had not submitted their interim financial reports and companies will receive a written warning.

The duration needed by the auditor to finish the financial statement audit process is referred to as audit delay. Based on a prior research study carried out by(Damayanti & Saputra, 2024), audit delay can be influenced by auditor tenure. Delay in audit reports have a tangible impact that can be caused by companies, which is in line with the research conducted by Parahyta & Herawaty (2020). Company profitability is also a factor influencing audit delay. Research by (Safitri & Aggraini, 2024) indicates that profitability has a significant impact on audit delay. The significant benefits enable reports to be submitted on time by the relevant parties, and vice versa. Research by (Sylviana, 2019) explains that audit delay is influenced by solvency. Solvency can impact on an audit delay because it shows a company's capacity to meet its long-term obligations.

The relationship between auditor tenure, profitability, and solvency on audit delay is moderated by audit quality function. High-quality auditors can conduct audits more efficiently and effectively, thereby shortening audit time. Previous research regarding the effect of auditor tenure, profitability, and solvency on audit delay is inconsistent. Therefore, this research will re-examine variables that have been previously researched. Topic this research is “The Influence of Auditor Tenure, Profitability, and Financial Feasibility on Audit Delay with Audit Quality as a Moderating Variable: Evidence from ASEAN”.

Therefore, this study focuses on:

1. Does audit tenure influence the likelihood of audit delay?
2. Does profitability influence the likelihood of audit delay?
3. Does solvency influence the likelihood of audit delay?

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Signal Theory

Signal theory states that signal senders share information in the form of company conditions that are useful to signal recipients. This theory was first proposed by Spence in 1973. In signal theory, communication and building trust between the principal and agent are important elements. In signal theory, there are two main parties: the principal who has less information and the agent who has more information (Yulaeli, 2022). Companies have an incentive to provide positive signals to the market by providing relevant and transparent information. Requires cost sacrifice, positive reputation, and information disclosure as signals that can be in the form of past actions. Capital owners need to evaluate the effectiveness of the signals received from agent.

Agency Theory

The relationship between two parties with different interests, where one party (the principal) has a responsibility towards the other party (the agent), is explained in agency theory. According to Wulansari & Pohan (2024), in a business context, this theory is often used to analyse the interaction between principals or company owners and managers or agents. Agency theory provides insight into the complexity of the relationship between principals in a company and agent. Principals can minimize conflicts of self-interest and ensure that agents do not work in their own interests, but rather in the interests of the company, supported by the principal's understanding of effective control mechanisms (Rahman, Setiawan, & Djajadikerta, 2024). In the context of auditing, independent auditors act as supervisors who ensure that agents act in accordance with the interests of principals. This theory is relevant to explain the importance of reducing audit delays so that audited financial statements can be published immediately, thereby reducing information asymmetry between principals and agents.

Hypothesis Development

The Effect of Audit Tenure on Audit Delay

According to studies conducted by (Agneta, 2023) and (Abdillah, Muda, & Abubakar, 2022), it is indicated that audit tenure has a negative effect on audit delay. Based on these studies, this first hypothesis can be formulated:

H_1: Audit tenure has a negative impact on audit delay.

The Effect of Profitability on Audit Delay

According to studies conducted by (Ayuptri Ekonomi dan Bisnis Islam et al., 2023) and (Siagian et al., 2022), it was revealed that profitability has a negative effect on audit delay. According to this research, the second hypothesis can be that:

H_2: Profitability has a negative impact on audit delay.

The Effect of Solvency on Audit Delay

Research conducted by (Sihombing & Florencia, 2023) and (Ritonga, Erlina, & Absah, 2023) revealed that solvency has no impact on audit delay. Based on this study, the third hypothesis may be that:

H_3: Solvency has a positive impact on audit delay.

RESEARCH METHODS

Sample and Data Collection

The research uses a quantitative research approach. This research uses samples from audited financial statements prepared by companies. The financial statements were obtained from S&P Capital IQ. During the period 2020–2023, there were 352 companies in the property sector used as the research population, which were obtained through S&P Capital IQ and the websites of these companies. The sampling criteria are as follows: property companies included on S&P Capital IQ from 2020 to 2023; property companies that possess the variables needed by the author; and property companies located in Indonesia, Malaysia, the Philippines, Thailand, and Singapore. The methods employed for statistical data analysis involve descriptive statistics and tests of classical assumptions (normality test with a significance level > 5%, correlation test using Pairwise Correlation analysis, regression test, multicollinearity test with less than 0.1 for tolerance value or a VIF value greater than 10, heteroskedasticity test with a significance level > 5%), and hypothesis tests with a significance level in this study of 5% or a 95% confidence interval.

Empirical Research

The research uses multiple regression and panel data, where the empirical model refers to the research conducted (Sihombing & Florencia, 2024). The empirical model in this study is as follows:

$$ADi,t = \alpha i,t + \beta 1ATi,t + \beta 2PROFi,t + \beta 3SOLVi,t + \beta 4KAi,t\ \beta 5OAi,t + \beta 6UPi,t + \beta 7KPi,t + \beta 8LIKUIDi,t + e$$

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Description:

AD = Audit delay	β1, β2, β3, β4, β5, β6, β7 = Regression Coefficient
KA = Audit Quality	OA = Audit Opinion
α = Constant	UP = Company Size
e = Error Rate	KP = Company Complexity
AT = Audit tenure	LIKUID = Liquidity
PROF = Profitability	SOLV = Solvency

RESEARCH RESULTS AND DISCUSSION

Descriptive Statistical Test

The findings from the descriptive statistical test presented in Table 1 reveal that the mean audit delay (ad) value is 78.5. This indicates that delays in reporting audit results are quite good because the deadline for submitting audit reports in the ASEAN Big 5 countries ranges from 90 days to 180 days. In addition, the results of descriptive statistical tests showed a value of 32 (minimum value) and a value of 472 (maximum value), as well as a value of 32.93901 for standard deviation. Based on these results, it shows a relatively even distribution of data, as indicated by the mean value being higher that is above the standard deviation value. The average value for audit tenure (at) is 2.31179, indicating that the average duration of the relationship between the sample companies and the auditors is more than 2 years. Given the 4-year research period, the minimum value is 1 and maximum values 4, respectively. Standard deviation for audit tenure is 1.101825, which is lower than the average value and thus indicates an even distribution of data. The profitability variable (prof) has an average value of 0.0596591, indicating that, overall, the companies in the sample tend to experience losses, as the average profitability value is below zero. The standard deviation is quite large at 1.949794, higher than the average, indicating diversity in the data. The solvency variable (solv) has an average value of 0.1328125, indicating that companies pay for their assets using at least 13% debt. The solvency variable has a minimum value and maximum values 3. These results show how some companies finance almost all of their assets using equity, while others use debt. Referring to Table 1, 30% of the sample companies used auditors from Big Four, as seen from the audit quality measure, which serves as a moderating factor, having an average value of 0.2919034. The public company size variable is measured using a dummy variable and thus has minimum

values is 0 and maximum values 1, respectively. Standard deviation is 0.4547996, slightly higher than the average, indicating diversity in the data.

Correlation Test

The result for correlation test research moder in Tabel 2, it can be shown that there is no multicollinearity problem in this research. This can be demonstrated by the correlation coefficient value below 0.8000 for all independent variables used in this research.

Regression Test

Chow Test

The results for the Chow test research model in figure 1 Prob > F by 0.000. This indicates that the research model will use a fixed effect model (FEM) because the value is below the minimum threshold of 0.05 (5%).

Hausman test

The results for the Hausman test research in figure 2, model show a Prob value > chi2 of 0.6681 Because both values exceed the minimum threshold of 0.05 (5%), this research model will use a REM (random effect model).

Lagrange Multiplier Test

The outcomes of the Lagrange Multiplier test analysis in figure 3 indicate a value of 0.0000 from the model, revealing a Prob value greater than chibar2. This suggests that the research model will employ a random effect model (REM) since the value falls beneath the minimum threshold of 0.05 (5%)

Classical Assumption Test

Multicollinearity Test

The multicollinearity test results show that the research model can be considered free from multicollinearity problems because it has an VIF (average value) of 5.09 and the 1/VIF value for each variable is below 1.

Heteroscedasticity Test

The heteroscedasticity test results in Figure 4 show that, in this research model, the Prob > chi2 value is 0.5525. Therefore, it can be concluded that there is no heteroscedasticity problem.

Hypothesis Testing

Effect of Audit Tenure on Audit Delay

The auditor's term of office negatively affects audit delays, indicated by the coefficient value of -0.2327652. Furthermore, the probability value is 0.324 (0.648/2), indicating that the auditor's term of office is not significant at the 10% significance level (0.10). The research indicates that H_1 is rejected.

Effect of Profitability on Audit Delay

P Profitability (prof) negatively influences audit delays, as demonstrated by a coefficient of -0.5883636. Moreover, the p-value is 0.063 (0.126/2), indicating that profitability (prof) is significant at the 10% threshold (0.10). The research concludes that H_2 is accepted.

Effect of Solvency on Audit Delay

Solvency (solv) creates a negative impact on audit delays, revealed by the value -1.719905 as the coefficient value. Additionally, the probability value is 0.138 (0.276/2), so solvency (solv) is not significant at the 10% level (0.10). F The research indicates that hat H_3 is rejected.

CONCLUSION

The findings indicate that audit tenure negatively impacts audit report delays, aligning with profitability, which similarly has a negative influence. Consequently, H1 is accepted, but H2 and H3 are dismissed. Additionally, there was no evidence indicating that audit quality could influence the relationship between auditor tenure, earnings, and solvency regarding delays in audit reports. It is anticipated that this will give companies a clearer insight into the elements that affect delays in audit reports. Moreover, this research seeks to assist businesses in addressing the risks linked to the postponement of audit reports, enabling them to implement suitable measures to reduce these risks. Moreover, these results are anticipated to act as a guide for subsequent studies exploring additional elements that affect delays in audit reports

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TABLE AND FIGURE

Table 1. Descriptive Statistical

Variable	Obs	Mean	Std. dev.	Min	Max
year	1,408	2021.5	1.118431	2020	2023
id	1,408	176.5	101.6493	1	352
ad	1,408	78.58949	32.93901	32	472
prof	1,408	-.0474574	1.949767	-72.95	.73
solv	1,408	.2526278	.2079478	0	3.23
at	1,408	2.31179	1.101825	1	4
ka	1,408	.2919034	.4547996	0	1
oa	1,408	.0539773	.2260531	0	1
up	1,408	14.96898	2.103772	0	19.93
kp	1,408	.9318182	.2521472	0	1
liquid	1,408	5.565462	24.93257	0	504.04
profka	1,408	.0052273	.032585	-.38	.42
solvka	1,408	.1018182	.1837514	0	.72
atka	1,408	.6924716	1.234381	0	4
up1	1,408	-1.94e-18	1.000355	-7.117836	2.358991

kp1	1,408	-4.90e-18	1.000355	-3.981126	1.160259
ka1	1,408	-1.44e-17	1.000355	-1.47645	2.313746

Source: Processed Data (2024)

Table 2. Correlation

	ad	prof	solve	at	ka	profka	solvka
ad	1.0000						
prof	0.0312	1.0000					
	0.2425						
solve	-0.0249	0.0062	1.0000				
	0.3506	0.8162					
at	-0.0234	-0.0146	0.0231	1.0000			
	0.3811	0.5848	0.3864				
ka	-0.0079	0.0215	0.2971*	0.0353	1.0000		
	0.7674	0.4195	0.0000	0.1862			
profka	0.0189	0.0211	-0.0007	0.0543*	0.2499*	1.0000	
	0.4790	0.4300	0.9779	0.0415	0.0000		
solvka	-0.0191	0.0172	0.4815*	0.0395	0.8633*	0.1309*	1.0000
	0.4736	0.5197	0.0000	0.1382	0.0000	0.0000	
atka	-0.0104	0.0195	0.2668*	0.2953*	0.8740*	0.2591*	0.7627*
	0.6962	0.4647	0.0000	0.0000	0.0000	0.0000	0.0000
oa	0.0232	-0.0032	-0.0277	-0.0048	-0.1050*	-0.0895*	-0.0925*
	0.3841	0.9055	0.2996	0.8560	0.0001	0.0008	0.0005
up	-0.0090	0.1068*	0.2323*	0.1101*	0.3500*	0.0769*	0.3228*
	0.7363	0.0001	0.0000	0.0000	0.0000	0.0039	0.0000
kp	0.0125	0.1027*	0.0408	0.1047*	0.1179*	0.0503*	0.0998*
	0.6381	0.0001	0.1257	0.0001	0.0000	0.0590	0.0002
liquid	-0.0313	0.0103	-0.1650*	-0.0203	-0.0747*	-0.0137	-0.0793*
	0.2407	0.6998	0.0000	0.4459	0.0051	0.6070	0.0029

Source: Processed Data (2024)

Table 3. Multicollinearity Test Results

Variable	VIF	1/VIF
up	16.14	0.061951
kp	13.23	0.075606
at	5.45	0.183615
ka	1.58	0.633185
solve	1.19	0.839176
oa	1.06	0.939691
liquid	1.05	0.951640
prof	1.01	0.994783
Mean VIF	5.09	

Source: Processed Data (2024)

Table 4. Hypothesis Test Results

ad	coefficient	Std.err.	z	p> |z|
prof	-.5883636	.3844804	-1.53	0.126
solve	-.1.719905	1.579327	-1.09	0.276
at	-.2327652	.5099721	-0.46	0.648
ka	-.5013842	1.296834	-0.39	0.699
oa	3.234186	2.523038	1.28	0.200
up1	.3536648	.06436346	0.55	0.583
kp1	.0972729	.5973597	0.16	0.871

Source: Processed Data (2024)

Fixed-effects (within) regression — Number of obs = 1,408
Group variable: id — Number of groups = 352

R-squared:
Within = 0.0102
Between = 0.0003
Overall = 0.0008

Obs per group:
min = 4
avg = 4.0
max = 4

F(8,1048) = 1.35
corr(u_i, Xb) = -0.2738 — Prob > F = 0.2128

ad	Coefficient	Std. err.	t	P>|t|	[95% conf.	interval]
prof	-.9091951	.5138156	-1.77	0.077	-1.917419	.0990293
solv	-3.812601	4.794976	-0.80	0.427	-13.22145	5.596246
at	-1.785088	.8304225	-2.15	0.032	-3.414568	-.1556076
ka	-11.70938	8.822508	-1.33	0.185	-29.02117	5.602413
oa	.1128352	7.558911	0.01	0.988	-14.71949	14.94516
up1	.8214594	2.065411	0.40	0.691	-3.231353	4.874272
kp1	-.6462483	1.038309	-0.62	0.534	-2.68365	1.391153
likuid	-.0251886	.0661631	-0.38	0.703	-.1550159	.1046387
_cons	86.71965	3.447201	25.16	0.000	79.95545	93.48385
sigma_u	19.391026					
sigma_e	31.455639					
rho	.27537194	(fraction of variance due to u_i)				

F test that all u_i=0: F(351, 1048) = 1.39 — Prob > F = 0.0000

Figure 1. Chaw Test
Source: Processed Data (2024)

Random-effects GLS regression — Number of obs = 1,408
Group variable: id — Number of groups = 352

R-squared:
Within = 0.0061
Between = 0.0012
Overall = 0.0037

Obs per group:
min = 4
avg = 4.0
max = 4

Wald chi2(8) = 5.81
corr(u_i, X) = 0 (assumed) — Prob > chi2 = 0.6681

ad	Coefficient	Std. err.	z	P>|z|	[95% conf.	interval]
prof	-.6401991	.4528417	-1.41	0.157	-1.527752	.2473543
solv	-2.155341	2.760446	-0.78	0.435	-7.565715	3.255034
at	-.9760166	.783807	-1.25	0.213	-2.51225	.5602168
ka	-.5828368	2.340506	-0.25	0.803	-5.170143	4.00447
oa	2.899378	4.208336	0.69	0.491	-5.348808	11.14756
up1	.2235402	1.033528	0.22	0.829	-1.802138	2.249218
kp1	.3115825	.8833423	0.35	0.724	-1.419737	2.042901
likuid	-.0406016	.0380123	-1.07	0.285	-.1151043	.0339011
_cons	81.33219	2.218125	36.67	0.000	76.98475	85.67964
sigma_u	9.7012558					
sigma_e	31.455639					
rho	.08685569	(fraction of variance due to u_i)				

Figure 2. Hausman Test
Source: Processed Data (2024)

Breusch and Pagan Lagrangian multiplier test for random effects

ad[id,t] = Xb + u[id] + e[id,t]

Estimated results:

	Var	SD = sqrt(Var)
ad	1084.978	32.93901
e	989.4572	31.45564
u	94.11436	9.701256

Test: Var(u) = 0
chibar2(01) = 15.32
Prob > chibar2 = 0.0000

Figure 3. Lagrange Multiplier Test
Source: Processed Data (2024)

Coefficients: generalized least squares
Panels: heteroskedastic
Correlation: no autocorrelation

Estimated covariances = 352 — Number of obs = 1,408
Estimated autocorrelations = 0 — Number of groups = 352
Estimated coefficients = 8 — Time periods = 4
Wald chi2(7) = 5.89
Prob > chi2 = 0.5525

Figure 4. Heteroscedasticity Test
Source: Processed Data (2024)