

# The Effect of Audit Opinion, Profitability, and Solvency on Audit Delay with Financial Distress as a Moderating Variable

Tengku Muhammad Dzulfikar<sup>1</sup>, Lu'lu' Nafiati<sup>2</sup>

<sup>1,2</sup> Accounting Department, Faculty of Economy and Business, Ahmad Dahlan University, Yogyakarta, Indonesia, 55166  
dzulfikarf60@gmail.com<sup>1</sup>; lulu.nafiati@act.uad.ac.id<sup>2</sup>

## ABSTRACT

**Introduction** – Companies are required to disclose or report their operational activities as presented in the financial statements. However, the time taken to generate audit reports remains relatively long.

**Purpose** – This study aims to examine and analyze the effect of audit opinion, profitability, and solvency on audit delay before and during the COVID-19 pandemic, with financial distress as a moderating variable.

**Methodology/Approach** – This study uses secondary data from companies' financial statements in the trade, service, and investment sectors listed on the Indonesia Stock Exchange for 2018-2021. By using the purposive sampling method, the samples obtained were 103 companies. Hypothesis testing was done using the Moderated Regression Analysis (MRA) test. The testing method in this study was carried out under two different conditions, before the COVID-19 pandemic (2018-2019) and during the COVID-19 pandemic (2020-2021).

**Findings** – The results of this study indicate that audit opinion and profitability have a negative effect on audit delay before and during the pandemic. Solvability has a positive effect on audit delay before the pandemic, whereas, during a pandemic, solvency has a negative effect on audit delay. Furthermore, financial distress could not moderate the effect of the audit opinion, profitability, and solvency on audit delays before and during the COVID-19 pandemic.

**Originality/ Value/ Implication** – This research compares the phenomenon of audit delay before and audit delay during the COVID-19 pandemic. Thus, it can be seen whether COVID-19 causes different results on audit delays.

**Keywords:** Audit opinion, profitability, solvency, audit delay, financial distress

## INTRODUCTION

Financial reports, as described in Gustiana et al. (2022), serve as essential sources of information pertaining to a company's financial standing within a specific timeframe, aiding in the formulation of decisions critical for the company's future sustainability. Despite the financial reports provided by company management, there persists a level of information asymmetry, which can undermine users' confidence. Consequently, independent auditors, as emphasized by Clarisa and Pangerapan (2019), play a vital role in instilling that confidence by offering their opinions on the financial statements. The regulatory framework in place, as outlined in Financial Services Authority Regulation (POJK) Number 14/POJK.04/2022, dictates that all public entities listed on the Indonesia Stock Exchange (IDX) must present financial reports that have undergone independent auditing to assess their adherence to the General Accepted Accounting Principles (GAAP).

The importance of timely presentation of financial reports is emphasized, as delays can have consequential effects on investment decisions, influencing stakeholders' choices regarding buying, holding, or divesting their investments and evaluating the company's dividend-yielding potential, as highlighted by Syofiana et al. (2018a). Detailed data on delays in financial report submissions for companies listed on the IDX from 2018 to 2021 are also provided.

Table 1. Number of late companies Presenting Financial Reports

Year	Number of Companies
2018	10
2019	42
2020	88
2021	91

(Source: [www.idx.co.id](http://www.idx.co.id))

According to Table 1, the phenomenon of audit delay persists across different time periods, particularly among companies that exhibit delays in presenting their financial reports. Notably, there was a material increase in audit delays during the COVID-19 pandemic (2020-2021). This phenomenon, as noted by Syofiana et al. (2018), is attributed to the time-intensive nature of the audit process, wherein independent auditors must adhere to generally accepted auditing standards and professional responsibilities, occasionally resulting in delays in financial report submissions. The volume and complexity of transactions within the audit process also contribute to discrepancies in the timing of financial and audit reports, as discussed by Irman (2017).

Audit delay, as elucidated by Clarisa and Pangerapan (2019), refers to the postponement in submitting financial reports due to delays in the completion of the audit process conducted by independent auditors. It is pertinent to mention that the Financial Services Authority (OJK) regulates the timeframe within which the audit process should be conducted, and any delays beyond the stipulated time limit may incur consequences for companies,

including written warnings or fines, in line with the findings of Gunawan and Harjanto (2020). This study primarily focuses on audit delay, which is assessed in the context of influencing factors such as audit opinion, profitability, and solvency, with financial distress acting as a moderator. It is noteworthy that these factors have exhibited inconsistent results in previous literature, emphasizing the need for a re-evaluation of their relationships under current conditions and circumstances. Stakeholders, as emphasized by Suarsa and Nawawi (2018), closely scrutinize the profitability, solvency, and the independent auditor's opinion in their analysis of financial statements to inform their decision-making processes, which also influence the analytical procedures conducted by independent auditors during their audit processes. Hence, the research aims to investigate if the duration of the audit process is influenced by the quality of audit reports, the company's profitability, and its capacity to fulfill financial responsibilities.

In the context of the COVID-19 pandemic, it is imperative to undertake a more in-depth analysis of its specific influence on the variables under examination. The pandemic introduced unprecedented economic challenges and disruptions, profoundly altering business dynamics and audit procedures. During this crisis, companies grappled with increased uncertainties, financial distress, and operational complexities, all of which have the potential to significantly affect audit delays, audit opinions, profitability, and solvency. The distinct circumstances created by the pandemic necessitate a thorough exploration of its impact on these variables, offering readers a more comprehensive understanding of how external crises, such as COVID-19, can shape the outcomes of this research.

As highlighted by the World Health Organization (2020), the initial detection of COVID-19 in Indonesia in March 2020 marked the onset of a series of challenges. Ardiany et al. (2022) outlined that various sectors, including trade, services, and investment, were profoundly affected by the pandemic. In an effort to curb the spread of the virus, the Indonesian government introduced Large-Scale Social Restrictions (PSBB), which had the unintended consequence of restricting economic activities. As a result, businesses and industries faced significant disruptions and challenges during this period. The government's decision to implement PSBB had a notable impact on the nation's economic landscape. Many business sectors experienced reduced productivity, with some choosing to cease operations (Pratama et al., 2022). Given the current context, this study conducts a comparative analysis of the effects observed under two conditions: pre and during the COVID-19 pandemic.

## LITERATURE REVIEWS

### Signaling Theory

Signaling theory, as outlined by Spence (1973), involves a two-party interaction where the sender, represented by the company's management, possesses information that is transmitted as a signal to recipients, comprising investors and other stakeholders. This theory, as noted by Lestari &

Saitri (2018), suggests that information signals convey meaning to investors and stakeholders in their decision-making processes. The performance of a company can be gauged through signals presented by its management, which offer insights into the current state or future prospects of the company from the perspective of signal recipients (Sari & Setyaningsih, 2022). One of the means through which company management communicates signals to investors and stakeholders is by presenting audited financial reports to the public. Upon the presentation of such information, the public or recipients interpret it as a signal conveying either favorable or unfavorable news, as highlighted by Cahyati & Anita (2019).

### Audit Delays

Audit delay, as established in the literature, represents a situation where the submission of audited financial reports is delayed, primarily because of the necessary time that independent auditors need to complete the comprehensive audit process. The study by Clarisa & Pangerapan (2019) aptly underlines the dynamics of this phenomenon, shedding light on the challenges posed by the audit timeline. To provide a more quantitative perspective, Gustiana et al. (2022) have outlined that audit delay is measured by the temporal gap between the culmination of the financial reporting period, symbolized by the end date of the financial statements, and the issuance date of the independent auditor's report. This temporal dimension not only encapsulates the extent of delay but also serves as a critical variable in understanding the implications of audit delay within the broader context of financial reporting and decision-making processes.

The concept of audit delay holds substantial significance in the financial reporting landscape, with implications extending to investors, stakeholders, and regulators. It reflects the intricate and time-sensitive nature of the audit process and underscores the need for both company management and independent auditors to manage their responsibilities efficiently to ensure the timely dissemination of financial information. This temporal dimension of audit delay is of paramount importance for understanding the efficiency of audit processes, the reliability of financial reports, and the promptness with which stakeholders can make informed decisions based on the audited financial information. Therefore, acknowledging and addressing the causes and consequences of audit delay is instrumental in enhancing the transparency and effectiveness of financial reporting and its role in the decision-making processes of investors and stakeholders.

### Audit Opinion

The audit opinion, as provided by an independent auditor, represents an output that evaluates the fairness of financial information, serving to assess company performance and foster stakeholder trust, as indicated by Sayidah (2018). Meini & Nikmah (2022) define it as the independent

auditor's conclusion regarding whether the financial statements, prepared by the company's management, conform to generally accepted accounting principles. This audit opinion on financial reports, applicable to both company management and other stakeholders, serves as a crucial yardstick for evaluating company performance during a given period and forms the basis for decision-making.

**Profitability**

Profitability, according to Kasmir (2013), is a ratio that measures a company's performance over a specific period as long as it generates profits. Companies strive to enhance their profitability because it has the potential to create value for both owners and other stakeholders. Thus, the level of profitability serves as an indicator of the company's overall performance, signifying whether it is operating efficiently and effectively, as suggested by Dini et al. (2020). This high level of profitability underscores the company's capacity to maximize the utilization of its assets, thereby generating significant profits, in alignment with the observations of Lestari & Saitri (2018). In this study, the Return on Asset Ratio (ROA) is employed as a metric to assess profitability, using the formula for calculating ROA, as specified:

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

**Solvability**

Kasmir (2013:151) states that the solvency ratio is a calculation used to assess how high the role of debt is in financing a company's assets. This ratio assessment involves a comparison between the company's total debts and its overall asset holdings. It helps evaluate the financial leverage of the company in relation to its asset base. One factor that takes a long time for a company to present financial statements is when the company has a large amount of liability so that the company will be monitored by creditors (Lestari & Saitri, 2018). The solvency ratio will affect the uncertainty on stock prices because the solvency ratio assesses and shows the company's risk. When the company has more significant liabilities, it will result in a risk of loss for the company (Carslaw & Kaplan, 1991). According to Hanafi & Halim (2018), the formula used in calculating DAR:

$$DAR = \frac{\text{Total Liabilities}}{\text{Total Assets}}$$

**Financial Distress**

Financial distress, as defined by Platt & Platt (2002), signifies a specific level or phase where a company's financial health deteriorates to a precarious point just before the verge of bankruptcy. At this crucial point, a company faces a convergence of internal and external factors that pose a risk to its financial stability. These factors collectively challenge the company's ability to remain solvent. Internal factors encompass elements like mounting debt levels, persistent operating losses, and irregular cash flows, as indicated by the research of Sari & Setyaningsih

(2022). Externally, financial distress can be induced by shifts in government policies or other external economic shocks. It is important to note that financial distress is a predicament that can affect companies of various sizes, from large corporations to startups, underscoring the universal significance of preserving financial stability. As Hadi (2022) notes, regardless of their scale, companies must maintain strong performance to ensure their business continuity, particularly when confronted with the looming specter of financial distress.

To gauge and predict financial distress, various models and metrics have been developed, with the Altman Z-Score formula being one of the well-established tools. This equation offers a numerical evaluation of a company's financial well-being, taking into account a range of financial ratios. It serves as a comprehensive tool for gauging the company's overall financial fitness and performance. It assigns scores that can help identify whether a company is at risk of financial distress. As such, the Altman Z-Score is instrumental in proactively assessing a company's vulnerability to financial distress, enabling timely interventions and strategies to mitigate risks. By employing such tools, stakeholders can monitor a company's financial condition more effectively and make informed decisions to address potential distress situations.

$$\text{Altman} = 6,56X1 + 3,26X2 + 6,72X3 + 1,05X4$$

Information:

- X1 : (Current Assets - Current Liabilities)/Total Assets
- X2 : Retained Earnings/Total Assets
- X3 : Profit Before Tax/Total Assets
- X4 : Total Equity/Total Debt

**COVID-19 Pandemic**

The World Health Organization (2020) announced the discovery of a coronavirus that caused the infectious disease coronavirus disease (COVID-19) and then spread for the first time in Indonesia on March 1, 2020. Awalina et al. (2021) explained that the COVID-19 pandemic outbreak is a condition of the spread of the contagious coronavirus disease which began in 2019 with the disclosure of the first case occurring in Wuhan City, Hubei Province, China which then rapidly spread throughout the world. In Indonesia, it has been emphasized in Presidential Decree No. 12 (2020), which stipulates COVID-19 is a national disaster. After verifying the first COVID-19 case in Indonesia, the government immediately appealed for physical distancing (maintaining distance) and social distancing (avoiding crowds). The government considers that restrictions with appeals are still not the best solution in preventing COVID-19 disease from continuing to spread, so the government is following up again on April 10, 2020, by imposing Large-Scale Social Restrictions (PSBB) (Kompas.com, 2020). The COVID-19 pandemic also impacted the low interest of investors in the market, so in the end, this situation caused investors to hesitate to invest (Pratama et al., 2022).

### **Audit Opinion and Audit Delay**

In accordance with the findings of Yanthi et al. (2020), when a company receives an unfavorable audit opinion, it significantly prolongs the timeline for publishing audited financial statements. This phenomenon can be explained through the lens of signaling theory, where an unfavorable opinion serves as a negative signal or "bad news" to investors and other stakeholders. Consequently, company management may be inclined to delay the presentation of financial reports, effectively extending the audit delay. The lengthening of the audit process, under such circumstances, can be attributed to unanticipated opinions received by the company's management, introducing several stages that necessitate additional time for resolution. These stages may include negotiations between the auditor and audit clients, consultations with senior audit partners, or other expert staff, as well as an expansion of the audit process, as highlighted by Annisa (2018). Empirical research conducted both prior to and during the pandemic, as evidenced by the studies of Cahyati & Anita (2019) and Pingass & Dewi (2022), consistently indicates a negative relationship between audit opinion and audit delay.

The linkage between unfavorable audit opinions and extended audit delays underscores the critical role that audit opinions play in the financial reporting and decision-making landscape. Investors and stakeholders rely on these opinions as informative signals, and the response to unfavorable opinions can introduce complexities into the audit process. The need for negotiations and consultation with experts can lead to time-consuming deliberations, contributing to the delay in presenting financial reports. This phenomenon carries implications for company transparency and the timeliness of financial information, factors of utmost importance in today's dynamic business environment. Furthermore, the consistent findings of negative relationships between audit opinions and audit delay, whether in pre-pandemic or pandemic conditions, reaffirm the enduring significance of these dynamics in the audit and financial reporting domain.

H1: Audit opinion has a negative effect on audit delay before and during the COVID-19 pandemic

### **Profitability and Audit Delay**

The company's primary objective is to enhance its profitability, as it holds the potential to present significant returns to investors and various stakeholders, as highlighted by Dini et al. (2020). According to Cahyati & Anita (2019), businesses with robust profitability ratios tend to experience shorter audit delays. This is attributed to signaling theory, indicating that a high profitability ratio serves as a positive signal, conveying good news to investors and other stakeholders. Consequently, company management is motivated to expedite the announcement of such positive news to minimize the audit delay.

Research conducted by Clarisa & Pangerapan (2019) and Alverina & Hadiprajitno (2022), both prior to and during

the pandemic, reveals a negative correlation between profitability and audit delay. This suggests that as profitability increases, the time taken for the audit process decreases, further underscoring the significance of timely financial reporting. The findings from these studies collectively shed light on the intricate relationship between a company's financial performance and the duration of the audit process, highlighting the importance of proactive management strategies to ensure efficient communication with stakeholders.

H2: Profitability has a negative effect on audit delay before and during the COVID-19 pandemic

### **Solvency and Audit Delay**

Companies with a substantial solvency ratio face a heightened risk of financial loss, as outlined by Alfiani and Putri (2020). In the context of signaling theory, a high solvency ratio represents a negative signal, conveying unfavorable news to investors and other stakeholders. Consequently, company management may be inclined to delay the dissemination of this negative information, leading to prolonged audit delays.

Gustiana et al. (2022) emphasize that companies burdened with significant debt necessitate thorough confirmations from independent auditors. Conversely, a low solvency ratio acts as a positive signal, delivering good news to its audience. Pre-pandemic and pandemic-era research conducted by Okalesa (2018) and Arzaq et al. (2022) demonstrates a negative correlation between audit opinions and audit delay.

These findings collectively underscore the intricate relationship between a company's solvency and the duration of the audit process. They highlight the challenge for companies with substantial solvency ratios to manage the timing of information disclosure, particularly when it carries unfavorable implications, and how this influences the audit process and the subsequent issuance of audit opinions. This underscores the critical role of effective communication and financial transparency in maintaining the trust of investors and stakeholders, even during challenging financial circumstances.

H3: Solvability has a positive effect on audit delay before and during the COVID-19 pandemic

### **Financial Distress, Audit Opinion, and Audit Delay**

In line with the signaling theory, when a company faces financial difficulty, its management will decide not to immediately present its financial reports because it will be a negative signal (bad news) to its users. According to Platt & Platt (2002), Financial distress is the level or phase where the company's financial situation declines before going bankrupt. In addition to evaluating the fairness level of financial statements, independent auditors are required to be able to calculate and provide information regarding business continuity (going concern) (Liliani, 2021). The independent auditor's report, which includes a going

concern explanation, reveals that the business is experiencing financial problems to the point where it may not be able to continue to operate (Ardi et al., 2019). The length of the audit delay will be even greater if the company faces financial difficulties. Therefore, the relationship between audit opinion and audit delay will be more assertive in companies experiencing financial distress than in companies that are not experiencing financial distress. Research conducted during the period before and during the pandemic by (Syofiana et al., 2018) and (Gustiana et al., 2022) shows that there is an influence between financial distress and audit delay.

H4: Financial distress strengthens the relationship between audit opinion and audit delay before and during the COVID-19 pandemic

#### **Financial Distress, Profitability, and Audit Delay**

The profitability ratio is a calculation used to produce an understanding of a company's performance in a certain period as long as it generates profit (Kasmir, 2013:114). One of the signs when a company faces a situation of financial distress, is a low profitability ratio (Savira et al., 2020). Companies with low profitability do not want to immediately present their financial statements because the low profitability ratios illustrate their weak performance in generating profits. The length of the audit delay will be even greater if the company faces financial difficulties. Therefore, the relationship between profitability in influencing audit delay will be stronger in companies experiencing financial distress than in companies that are not experiencing financial distress. In line with the signaling theory, when a company faces financial difficulty, its management will decide not to immediately present its financial reports because it will be a negative signal (bad news) to its users. The company's management will try to reduce this financial distress ratio so that it will result in the length of the audit process, which will increase the length of the audit delay.

H5: Financial distress strengthens the relationship between profitability and audit delay before and during the COVID-19 pandemic

#### **Financial Distress, Solvability, and Audit Delay**

Companies with a large scale tend to have a large number of assets and debt used as a measuring tool for investors in assessing the company's financial condition (Cahyati & Anita, 2019). A high solvency ratio is one of the signs when a company faces a situation of financial distress (Savira et al., 2020). This explanation shows that companies with high solvency ratios will extend the audit delay because the company's performance is considered weak in fulfilling its obligations. The length of the audit delay will be even greater if the company faces financial difficulties. Therefore, the relationship of solvency in influencing audit delay will be stronger in companies experiencing financial distress than in companies that are not experiencing financial distress. In line with the signaling theory, when a company faces financial difficulty, its management will

decide not to immediately present its financial reports because it will be a negative signal (bad news) to its users.

H6: Financial distress strengthens the relationship between solvency and audit delay before and during the COVID-19 pandemic

## **METHODS**

### **Population, Sample, and Data Collection Techniques**

Sugiyono (2019: 126) provides an understanding of the term population as a broad concept that encompasses a group of objects or subjects. The composition of this group is determined based on specific numerical and distinctive characteristics that the researcher aims to comprehend through a systematic series of research stages, culminating in conclusions. In the context of this research, the study's population comprises companies operating in the trade, service, and investment sectors, all of which are publicly listed on the Indonesian Stock Exchange (IDX).

To facilitate the research process, it is essential to define a sample, which constitutes a subset of the population based on certain criteria, as Sugiyono (2019: 126) explains. In this particular study, a purposive sampling strategy was employed. Purposive sampling entails selecting a sample guided by specific benchmarks and criteria, thus ensuring that the collected data are more representative (Sugiyono, 2019: 133).

The criteria for selecting the sample in this study are as follows:

1. **Continuous Listing:** The selected companies must have maintained their listing on the Indonesian Stock Exchange (IDX) in the trade, service, and investment sectors consistently from 2018 to 2021. This criterion ensures a focus on companies with sustained presence in the market.
2. **Audit Report:** Companies included in the sample must have engaged an independent auditor to conduct an audit and subsequently provide an audit report in support of the financial statements. This requirement underscores the importance of a documented audit process in the study.
3. **Data Relevance:** The financial statements of the selected companies should contain the requisite information and data necessary for the study's analysis of variables contributing to audit delays. This ensures that the sample includes companies with pertinent and valuable data for the research.

In essence, the sample criteria have been meticulously defined to ensure that the companies selected are both relevant to the research objectives and offer a level of representativeness to draw meaningful conclusions about the factors affecting audit delays in the specified sectors. This strategic approach to sampling aids in the effectiveness of the research process.

Quantitative data serves as the primary data type employed in this research, aligning with Sugiyono's definition

(2019:16) that characterizes quantitative data as numerical information, often in the form of numbers, which is subsequently subjected to statistical analysis. In this study, secondary data is the source of choice, consistent with Sugiyono's explanation (2019:143) that secondary data is information indirectly acquired from the subject of investigation. The data collection method adopted for this research is the documentation method, as defined by Indriantoro and Supomo (2013:147). Documentation entails the compilation of secondary data by observing or making notations on relevant working papers, which are integral to the research at hand. The requisite secondary data was sourced from independent auditor reports and financial reports published by various companies between 2018 and 2021, accessed through the Indonesia Stock Exchange website (www.idx.co.id).

To analyze this data, the research employed a multiple linear regression framework with the Moderated Regression Analysis (MRA) application, involving the formulation of two distinct regression equations. These equations serve as the analytical tools for examining the relationships between variables and any potential moderating effects within the dataset.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 Z + \beta_5 X_1 * Z + \beta_6 X_2 * Z + \beta_7 X_3 * Z + e$$

Information:

- Y : Audit Delays
- α : Constant
- β1 – β7 : Regression Coefficient
- X1 : Audit Opinion
- X2 : Profitability Proxied by Return on Assets (ROA)
- X3 : Solvability proxied by Debt to Asset Ratio (DAR)
- Z : Financial Distress Proximized by Altman Z-Score
- X1\*Z : Interaction Between Financial Distress and Audit Opinion
- X2\*Z : Interaction Between Financial Distress and Profitability
- X3\*Z : Interaction Between Financial Distress and Solvency
- e : Error

**RESULTS AND DISCUSSION**

This study involves the examination of secondary data, specifically financial reports released by companies listed on the Indonesia Stock Exchange (IDX) spanning the period from 2018 to 2021, with a particular focus on companies within the trade, service, and investment sectors. The outcomes of the data selection process have been summarized in Table 2, which illustrates the company sample selection results.

Table 2. Company Sample Selection Results

No.	Information	Total
1	Trade, services, and investment sector companies listed on the Indonesia Stock Exchange (IDX) in 2018	135
2	Companies that did not meet the purposive sampling criteria in this study	(32)
3	Number of Companies	103
4	Number of Samples (103 x 4)	412

In this research, descriptive statistical analyses were conducted under two distinct conditions, representing the periods before the COVID-19 pandemic (2018-2019) and during the COVID-19 pandemic (2020-2021). The data analysis process was facilitated through the utilization of the SPSS program. The descriptive statistical analysis involved the examination of various parameters such as minimum, maximum, mean, and standard deviation values, which are presented in Table 3 for the period before the COVID-19 pandemic and in Table 4 for the period during the COVID-19 pandemic.

Table 3. Descriptive Statistics Results Before the COVID-19 Pandemic

	N	Minimum	Maximum	Mean	Std. Deviation
Audit Opinion	206	0.000	1.000	0.440	0.498
Profitability	206	-0.676	0.600	0.033	0.106
Solvency	206	0.011	2.629	0.464	0.312
Audit Delay	206	45.000	163.000	89.310	23.388
Financial Distress	206	-85.453	95.343	5.019	13.714

(Source: Data processed in 2023)

Table 4. Descriptive Statistics Results During the COVID-19 Pandemic

	N	Minimum	Maximum	Mean	Std. Deviation
Audit Opinion	206	0.000	1.000	0.460	0.499
Profitability	206	-0.826	0.686	-0.009	0.139
Solvency	206	0.003	2.589	0.487	0.324
Audit Delay	206	47.000	299.000	107.710	39.516
Financial Distress	206	-73.194	335.640	6.778	27.952

(Source: Data processed in 2023)

**Normality test**

In this study, the Kolmogorov-Smirnov (KS) test was employed to assess the normality of the research data. Examining the results of the Kolmogorov-Smirnov test for data before the COVID-19 pandemic, it is evident that the Asymp. Sig. (2-tailed) is 0.058. This implies that the Asymp. Sig. value exceeds 0.05, indicating that the residual values of the research data before the COVID-19 pandemic (2018-2019) within the regression model exhibit a normal distribution. These findings are summarized in Table 5.

Table 5. Kolmogorov-Smirnov Test Results (KS) Before the COVID-19 Pandemic

N	206
Asymp. Sig. (2-tailed)	0.058

(Source: Data processed in 2023)

Furthermore, upon scrutinizing the Kolmogorov-Smirnov (KS) test results after addressing outliers, it becomes apparent that the dataset's size was reduced from 206 to 196 data points due to the removal of ten outliers. Subsequently, the Asymp. Sig. (2-tailed) is 0.057. Again, this signifies that the Asymp. Sig. value surpasses the 0.05 threshold, affirming that the residual values of the research data during the COVID-19 pandemic (2020-2021) follow a normal distribution. These results are detailed in Table 6.

Table 6. Kolmogorov-Smirnov (KS) Test Results During the COVID-19 Pandemic

N	196
Asymp. Sig. (2-tailed)	0.057

(Source: Data processed in 2023)

**Multicollinearity Test**

Table 7. Multicollinearity Test Results Before and During the COVID-19 Pandemic

Model	Before Pandemic (2018-2019)		During Pandemic (2020-2021)	
	Tolerance	VIF	Tolerance	VIF
Audit Opinion	0.960	1.042	0.891	1.123
Profitability	0.923	1.083	0.676	1.480
Solvency	0.436	2.296	0.774	1.292
Financial Distress	0.437	2.288	0.716	1.398

(Source: Data processed in 2023)

The study also conducted a multicollinearity test, which involved examining the tolerance and Variance Inflation Factor (VIF) values. Table 7 illustrates the findings, revealing that for both periods before and during the COVID-19 pandemic, each variable boasted a tolerance value greater than 0.1 and a VIF value less than 10. These values indicate the absence of multicollinearity within the regression model.

**Heteroscedasticity Test**

Table 8. Glejser Test Results Before and During the COVID-19 Pandemic

Model	Before Pandemic (2018-2019)	During Pandemic (2020-2021)
	Sig.	Sig.
Audit Opinion	0.251	0.147
Profitability	0.095	0.065
Solvency	0.256	0.951
Financial Distress	0.376	0.984

(Source: Data processed in 2023)

Heteroscedasticity was tested using the Glejser test. The results, as shown in Table 8, indicated that each variable, both before and during the COVID-19 pandemic, exhibited a significance value exceeding 0.05. This suggests that the regression model in the study did not identify any statistically significant independent variables influencing

the residual absolute variable, thereby confirming the absence of heteroscedasticity.

**Autocorrelation Test**

Table 9. Durbin-Watson Test Results Before and During the COVID-19 Pandemic

Durbin-Watson	
Before Pandemic (2018-2019)	During Pandemic (2020-2021)
2.112	1.966

(Source: Data processed in 2023)

This research tests whether autocorrelation is carried out using the Durbin-Watson test (DW- Test ). The results of the Durbin Watson test from the research data in the table above show that the Durbin Watson values before and during the COVID-19 pandemic were respectively 2.112 and 1.966. The resulting value will be compared with the Durbin-Watson table for a total sample before the pandemic of 206. During the pandemic, there were 196 samples with four independent variables and a 5% confidence level. Based on this information, it can be seen that the upper limit values (du) before and during the pandemic were respectively 1.812 and 1.807. The Durbin Watson values before and during the COVID-19 pandemic in their equations lie between the upper limits (du) and (4-du) or  $1.812 < 2.112 < 2.188$  (before the pandemic) and  $1.807 < 1.966 < 2.193$  (during the pandemic), so it can be concluded that the regression model does not have autocorrelation.

**Hypothesis testing**

**Analysis of the Coefficient of Determination**

Table 10. Results of the Coefficient of Determination (R<sup>2</sup>) Before and During the COVID-19 Pandemic

R Square	
Before Pandemic (2018-2019)	During Pandemic (2020-2021)
0.272	0.178

(Source: Data processed in 2023)

The Finally, the study involved hypothesis testing and an analysis of the Coefficient of Determination (R<sup>2</sup>). The results presented in Table 10 demonstrate that the R Square values before and during the COVID-19 pandemic for the regression model were 0.272 and 0.178, respectively. This signifies that all independent variables in the study exert influence on the audit delay variable by 27.2% and 17.8%, while the remaining percentages of 72.8% and 82.2% are determined by factors beyond audit opinion, profitability, and solvency. These results provide critical insights into the determinants of audit delay in different periods and contribute to a comprehensive understanding of the research's objectives.

**Statistical F-Test**

Table 11. ANOVA test results  
Before and During the COVID-19 Pandemic

Sig.	
Before Pandemic (2018-2019)	During Pandemic (2020-2021)
0.000	0.000

(Source: Data processed in 2023)

The results presented in the Table 11 reveal the findings of the ANOVA test, indicating that the significance values before and during the COVID-19 pandemic were 0.000 and 0.000. These values are less than the significance level of 0.05. Consequently, it can be inferred that all three independent variables, namely audit opinion, profitability, and solvency, collectively and significantly impact audit delay.

**Multiple Linear Regression Analysis**

Multiple Linear Regression Analysis, as described by Ghazali (2018: 82), is a research method employed to explore the intricate relationships between independent variables and a dependent variable. In the context of this study, multiple linear regression analysis was undertaken to assess how independent variables, including audit opinion, profitability, and solvency, affect the dependent variable, audit delay. The analysis was conducted under two distinct temporal conditions: one before the COVID-19 pandemic (2018-2019) and the other during the pandemic (2020-2021). The statistical analysis was executed using the SPSS program to extract insights and results, which are further elaborated upon in the subsequent sections.

Multiple linear regression serves as a potent statistical tool, enabling the investigation of the multifaceted relationships between variables. It facilitates the exploration of the extent to which audit opinion, profitability, and solvency influence audit delay within the framework of two distinct temporal contexts: pre and during the COVID-19 pandemic. By harnessing the SPSS program, it becomes feasible to quantify these influences and discern their implications on the dependent variable within each temporal period. The ensuing sections delve into the outcomes and their implications, providing a comprehensive grasp of the research findings.

The results presented in Table 12 provide the outcome of the multiple linear regression analysis. Two regression equations were derived, one for the period before the COVID-19 pandemic ( $Y_{bef}$ ) and the other for the pandemic period ( $Y_{aft}$ ). These equations offer insights into the relationships between the independent variables (audit opinion, profitability, and solvency) and the dependent variable (audit delay), emphasizing how they impact audit delay under different temporal conditions.

Table 12. Multiple Linear Regression Test Results

**Before and During the COVID-19 Pandemic**

Model	Before Pandemic (2018-2019)			During Pandemic (2020-2021)		
	B	t	Sig.	B	t	Sig.
(Constant)	93.949	31.388	0.000	115.599	28.195	0.000
Audit Opinion	-16.862	-5.854	0.000	-13.591	-3.461	0.000
Profitability	-56.616	-4.104	0.000	-72.120	-4.229	0.000
Solvency	10.040	2.175	0.015	-11.523	-1.814	0.035

(Source: Data processed in 2023)

$$Y_{bef} = 93.949 - 16.862X_1 - 56.616X_2 + 10.040X_3 + e$$

$$Y_{aft} = 115.599 - 13.591X_1 - 72.120X_2 - 11.523X_3 + e$$

**Interaction Test (Moderated Regression Analysis)**

The Interaction Test or Moderated Regression Analysis (MRA), as defined by Ghazali (2018: 164), is a specialized application of multiple linear regressions that involves a moderating variable. In this study, the MRA test was conducted to explore how financial distress acts as a moderating variable, either strengthening or weakening the relationship between audit opinion, profitability, and solvency on audit delay. This analysis was executed under two conditions: before the COVID-19 pandemic (2018-2019) and during the pandemic (2020-2021). The data processing was carried out using the SPSS program, yielding the outcomes presented in Table 13. These results shed light on how financial distress influences the relationships between the independent variables and audit delay, providing a comprehensive understanding of the moderating effects under both temporal contexts.

Table 13. Moderated Regression Analysis Test Results  
Before and During the COVID-19 Pandemic

Model	Before Pandemic (2018-2019)	During Pandemic (2020-2021)
	Sig.	Sig.
Audit Opinion * Financial Distress	0.604	0.989
Profitability * Financial Distress	0.452	0.483
Solvency * Financial Distress	0.599	0.289

(Source: Data processed in 2023)

**Discussion of Research Results**

**The Effect of Audit Opinion on Audit Delay**

The data presented in Table 12 highlights that the audit opinion variable, both before and during the COVID-19 pandemic, exhibits t-count values exceeding the respective t-table values ( $5.858 > 1.652$  and  $3.461 > 1.653$ ), accompanied by significance levels of 0.000 for both periods. These results lend support to the first hypothesis for both pre-pandemic and pandemic scenarios, as the significance levels fall below 0.05. Consequently, the study demonstrates a significant adverse impact of audit opinion on audit delay. This implies that the level of opinion provided by the auditor significantly influences the duration of the audit process, irrespective of whether it occurs before or during the COVID-19 pandemic.

Tables 3 and 4 reveal an increase in the average audit delay during the COVID-19 pandemic. This increase signifies that the time required for the audit process to present audited financial reports has extended during the pandemic. These



findings align with the theory that companies tend to delay the disclosure of news that is not an unqualified opinion, as it is perceived as negative news by stakeholders. Companies are therefore inclined to postpone conveying such news. Audit opinions hold substantial significance for both the company and other stakeholders, motivating the company to expedite the presentation of audited financial statements. Various measures can be undertaken to achieve this, including negotiations between auditors and clients, the exchange of ideas with senior audit partners or other expert staff, and the expansion of the audit process (Annisa, 2018). These study results are consistent with prior research (Annisa, 2018; Cahyati & Anita, 2019; Pingass & Dewi, 2022), which supports the assertion that audit significantly negatively impacts audit delay.

### **The Effect of Profitability on Audit Delay**

The information presented in Table 13 indicates that the profitability variable, both before and during the COVID-19 pandemic, exhibits t-count values surpassing the respective t-table values ( $4.104 > 1.652$  and  $4.229 > 1.653$ ), with significance levels of 0.000 for both periods. These outcomes lend support to the second hypothesis for both pre-pandemic and pandemic scenarios, as the significance levels fall below 0.05. Consequently, the study reveals a significant adverse influence of profitability, proxied by return on assets (ROA), on audit delay before and during the COVID-19 pandemic.

Tables 3 and 4 reveal that the average profitability ratio declined during the COVID-19 pandemic, indicating a reduction in the company's ability to generate profits. This drop can be attributed to the disruption of economic activities caused by the global events of the COVID-19 pandemic. The implementation of large-scale social restrictions (PSBB) led to decreased purchasing power among consumers, while operational costs remained constant. Companies with high levels of profitability typically experience shorter durations in the process of filing financial statements. This observation aligns with the theory that low profitability or even losses are perceived as negative signals (bad news), leading companies to delay the disclosure of such news to the public. Consequently, auditors tend to exercise caution during their audit processes. These findings are consistent with previous research by Clarisa & Pangerapan (2019) and Alverina & Hadiprajitno (2022), which assert that profitability significantly negatively impacts audit delay.

### **The Effect of Solvency on Audit Delay**

Upon examining the data in Table 13, it is evident that the solvency variable, both before and during the COVID-19 pandemic, presents t-values exceeding the corresponding t-table values ( $2.175 > 1.652$  and  $1.814 > 1.653$ ). The significance levels are recorded as 0.015 and 0.035 for the respective periods. These results validate the third hypothesis before the pandemic, as its significance level falls below 0.05, and it is supported by a positive coefficient

value. However, the third hypothesis during the pandemic is corroborated by a negative coefficient value. This research reveals that solvency, proxied by the debt-to-asset ratio (DAR), had a significant positive impact on audit delay before the COVID-19 pandemic. The greater the solvency ratio, the more prolonged the audit process for a company. A high solvency ratio typically signals heightened financial risk associated with a company's poor financial health. This aligns with the theory that a high level of solvency acts as a negative signal (bad news), leading companies to delay the dissemination of such information to the public. Consequently, a high solvency ratio necessitates auditors to extend the audit process, gathering more comprehensive evidence to ensure the fairness of financial reports (Okalesa, 2018).

However, during the COVID-19 pandemic, solvency exhibited a significantly negative impact on audit delays. A company with a higher debt-to-asset ratio than its total assets does not necessarily indicate poor financial health if it can manage its obligations effectively. In such cases, company management may provide explanations for their high debt levels, preventing auditors from intensively scrutinizing the company's debt accounts (Rochmah et al., 2022). As depicted in Tables 3 and 4, the average solvency ratio increased following the onset of the COVID-19 pandemic, suggesting that many companies increased their debt proportions. This enabled companies to portray a favorable image to investors, creditors, and other stakeholders by expeditiously presenting their financial reports. These findings align with research conducted by Rochmah et al. (2022) and Rahmawati & Arief (2022), which assert that solvency significantly negatively impacts audit delay.

### **The Effect of Financial Distress Moderates the Relationship Between Audit Opinion and Audit Delay**

Analyzing the data presented in Table 14, it becomes evident that the interaction variable between audit opinion and financial distress, both before and during the COVID-19 pandemic, carries sequential significance values of 0.604 and 0.989. The findings of this study establish that financial distress, represented by the Altman Z-Score, is unable to moderate the impact of audit opinion on audit delay. Consequently, the financial difficulties faced by a company do not intensify the influence of the audit opinion on the duration of the audit process.

This phenomenon arises from the company's perspective, which regards the auditor as capable and suitable to conduct the audit, even in the presence of financial challenges and deteriorating economic conditions brought about by the ongoing COVID-19 pandemic. The financial distress of a company does not exert influence on the auditor's opinion, as long as the financial statements, prepared by the company's management, adhere to Generally Accepted Accounting Principles (GAAP), ensuring that the audit delay remains minimal (Simatupang et al., 2018).

In other words, the auditor's assessment and the audit process are driven by the objectivity and accuracy of the financial statements, irrespective of the financial difficulties faced by the company. This maintains the integrity and reliability of the audit process and aligns with the professional standards and ethical considerations followed by auditors. Consequently, financial distress does not exacerbate audit delays when audit opinions are rendered by auditors, as long as the financial statements are prepared in accordance with established accounting standards.

#### **The Effect of Financial Distress Moderates the Relationship Between Profitability and Audit Delay**

Based on the information presented in table 14, it's evident that the interaction variables involving profitability and financial distress, both before and during the COVID-19 pandemic, carry significance values of 0.452 and 0.483, sequentially. The findings of this research demonstrate that financial distress, whether occurring before or during the COVID-19 pandemic, does not act as a moderating factor in influencing the relationship between profitability and audit delay. As such, the financial challenges faced by a company do not intensify the association between high or low profitability ratios and the duration of the audit process.

This phenomenon can be attributed to the company's perception, which deems the auditor as capable and fitting to conduct the audit, even when the company encounters financial difficulties amidst the deteriorating economic conditions brought about by the ongoing COVID-19 pandemic. Companies facing financial distress do not significantly impact the duration of audit delays, as auditors continue to execute their work professionally and strive to complete the audit process promptly (Apriwenni et al., 2023).

In this study, financial distress is quantified using the Altman Z-Score, which takes into account various financial ratios, including working capital to total assets and earnings before interest and taxes to total assets. This approach is regarded as more precise for calculating financial distress (Gustiana et al., 2022). Consequently, it becomes evident that a low profitability ratio alone does not emerge as a significant factor that prolongs the duration of the audit process.

In essence, the auditor's judgment and audit duration are predominantly influenced by the accuracy and objectivity of the financial statements, rather than the financial challenges faced by the company. The auditor's commitment to professionalism and adherence to established auditing standards play a pivotal role in maintaining the efficiency and timeliness of the audit process, regardless of the financial difficulties experienced by the company.

#### **The Effect of Financial Distress Moderates the Relationship Between Solvability and Audit Delay**

Analyzing the information presented in table 14, it becomes apparent that the interaction variable involving solvency and financial distress, both before and during the COVID-19 pandemic, bears significance values of 0.599 and 0.289, respectively. The outcomes of this research provide compelling evidence that financial distress, whether occurring before or during the COVID-19 pandemic, does not act as a moderator in strengthening the relationship between high or low solvency ratios and the duration of the audit process.

This phenomenon can be attributed to the company's viewpoint, which regards the auditor as capable and suitable for auditing the company, even when the company encounters financial difficulties amidst the deteriorating economic conditions due to the ongoing COVID-19 pandemic. Companies grappling with financial distress do not significantly impact the duration of audit delays since auditors continue to operate professionally and strive to expedite the audit process (Apriwenni et al., 2023).

Tables 3 and 4 disclose that the average solvency ratio before and during the COVID-19 pandemic was 46.398% and 48.654%, respectively. Consequently, it can be inferred that, on average, companies in the trade, service, and investment sector depended on their own assets for 53.602% and 51.346% of their financing needs, indicating their capacity to sustain and optimize operational activities while meeting their obligations.

This data underscores the resilience and operational efficiency of these companies, as they maintain their activities and financial stability even in the face of financial challenges, including the impact of the COVID-19 pandemic. Consequently, the findings of this study highlight that financial distress does not amplify the relationship between a company's solvency and the duration of the audit process, as auditors are primarily guided by their professional commitment to conducting timely and effective audits.

#### **CONCLUSIONS AND RECOMMENDATIONS**

Based on the extensive results and discussions provided in this research, which stem from the comprehensive collection and analysis of research data, several pivotal conclusions emerge: (i) The audit opinion variable exerts a significant negative influence on audit delay, a phenomenon observed both before and during the COVID-19 pandemic; (ii) The element of profitability, as measured by the return on assets (ROA), displays a substantial negative impact on audit delay, encompassing both the pre-pandemic and pandemic periods; (iii) The intriguing dynamics of solvency's effect on audit delay come into focus, revealing a shift in its influence. Before the COVID-19 pandemic, solvency demonstrates a noteworthy positive effect on audit delay, while during the pandemic, it exerts a significant

negative influence on audit delay; (iv) The research findings also establish that financial distress, whether occurring before or during the COVID-19 pandemic, does not function as a moderating force capable of altering the relationship between audit opinion and audit delay; (v) Similarly, financial distress does not serve as a moderator to intensify the impact of profitability on audit delay, whether it occurs before or during the pandemic; (vi) Furthermore, the research concludes that financial distress, both before and during the COVID-19 pandemic, is not a significant moderating factor in amplifying the influence of solvency on audit delay.

To further explore the implications of these findings, it is essential to delve into the coefficient of determination analysis, revealing the explanatory power of the independent variables. The analysis indicates that the independent variables in this study can only account for a portion of the variance in the dependent variable. Specifically, they explain 27.2% and 17.8% of the variance before and during the COVID-19 pandemic, respectively. This implies that a substantial portion of the variance, constituting 72.8% and 82.2%, remains unexplained and influenced by factors not explicitly addressed in this research.

These research findings carry significant theoretical and practical implications within the fields of accounting and auditing, particularly when considering the context of the COVID-19 pandemic. They underscore the critical role of audit opinion and profitability in determining audit delay, underscoring the idea that companies with unfavorable opinions or lower profitability may experience extended audit timelines. Moreover, the shifting influence of solvency on audit delay, influenced by economic conditions, sheds light on the intricate relationship between financial factors and audit timing. Additionally, the lack of a moderating effect from financial distress suggests it may not play a substantial role in altering the effects of audit opinion, profitability, and solvency on audit delay.

In light of these insights, future research initiatives should consider broadening the research scope to encompass a more diverse range of industries or focus on specific sectors. This expansion would offer a more comprehensive understanding of these dynamics within the Indonesia Stock Exchange (IDX). Furthermore, the research could benefit from an increase in the number of observation periods, resulting in a larger sample size, and the inclusion of additional independent variables such as audit committee composition, company size, CPA firm reputation, and industry type. These additions would contribute to a more holistic and detailed analysis of the relationships at play in the world of audit delays.

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