International Journal of Economics, Business and Innovation Research
https://e-journal.citakonsultindo.or.id/index.php/IJEBIR
E-ISSN : 2964-0865
IJEBIR

The Influence of Firm Size, Leverage, Management Change, and Audit Tenure on Audit Delay

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Abstract

The timeliness of audited financial statements is crucial for reducing information asymmetry and supporting decision-making, yet many companies in Indonesia continue to face audit delays. This study aims to analyze the effect of firm size, leverage, management change, and audit tenure on audit delay in basic materials manufacturing companies listed on the Indonesia Stock Exchange (IDX) during 2020–2023. Using purposive sampling, 57 companies were selected, resulting in 228 firm-year observations. The study applies a quantitative causal research design with multiple linear regression analysis to test the proposed hypotheses. The results show that firm size has a significant negative effect on audit delay, indicating that larger firms tend to complete audits faster. Leverage has a significant positive effect, suggesting that higher debt levels prolong the audit process. Management change is found to have no significant impact, while audit tenure has a significant negative effect, meaning longer auditor–client relationships enhance efficiency and reduce reporting lag. These findings provide empirical evidence from a sector with strategic importance to Indonesia's economy and highlight practical implications for regulators, auditors, and company management in improving audit timeliness and reporting quality.

Keywords: audit delay, firm size, leverage, management change, audit tenure

INTRODUCTION

The manufacturing industry, particularly in the basic materials sector, has shown remarkable growth in Indonesia between 2020 and 2023, driven by the government's downstreaming policy to transform raw minerals into higher value-added products (Ikatan Akuntan Indonesia, 2024). This policy aims to strengthen domestic processing capacity,

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reduce reliance on raw exports, and increase state revenue. The expansion is reflected in the growing number of basic materials companies listed on the Indonesia Stock Exchange (IDX), reaching 112 firms in 2023. As the number of listed firms increases, the obligation to publish audited financial statements also rises, which in turn elevates the demand for audit services (Arens et al., 2017).

The timeliness of financial reporting is essential in reducing information asymmetry and ensuring the relevance of financial information for decision-making (Imaniar, 2016). Audit delay, defined as the time lag between the fiscal year-end and the issuance of audited financial statements, threatens reporting timeliness and can harm market efficiency and investor confidence (Lina & Putri, 2022). Previous research identifies several determinants of audit delay, including company size, leverage, management turnover, and audit tenure. Larger firms often face longer audits due to asset complexity (Savitri & Kamil, 2020), while high leverage increases audit risk and scrutiny (Nasution et al., 2022). Management turnover can disrupt financial reporting processes (Pradnyawati et al., 2020), while longer audit tenure may reduce delays through auditor familiarity (Yanthi et al., 2020). However, inconsistencies remain in these findings, with some studies reporting no significant effects (Tarigan et al., 2022; Apriwandi et al., 2023).

The basic materials sector is chosen as the research focus because of its strategic role in Indonesia's industrial development and its rapid expansion supported by government incentives and foreign investment in smelters and processing facilities (market.bisnis.com, 2023). With more firms going public in this sector, regulatory obligations for timely financial reporting and auditing have intensified, making it a relevant context for examining audit delay.

Despite growing attention to the issue, prior studies reveal research gaps. Findings remain inconclusive on the effects of size, leverage, management turnover, and audit tenure on audit delay, and few studies focus specifically on basic materials firms. Instead, most research has examined other industries such as food and beverages, leaving sector-specific dynamics in basic materials largely unexplored (Ismawati & Nazir, 2023). This creates an opportunity to extend the literature by analyzing audit delay in a sector with unique growth patterns and regulatory pressures.

To address these gaps, this study investigates the influence of company size, leverage, management turnover, and audit tenure on audit delay among basic materials manufacturing firms listed on the IDX during 2020–2023. The research is expected to provide practical contributions by offering insights for regulators, auditors, and companies to improve reporting timeliness, and theoretical contributions by enriching audit literature

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in the Indonesian context. Specifically, this study aims to determine how these four factors affect audit delay, thereby enhancing understanding of the determinants of timely financial reporting in emerging markets.

Objectives

This article intends:

1. To examine the effect of firm size on audit delay in basic materials manufacturing companies listed on the Indonesia Stock Exchange (IDX).
2. To analyze the effect of leverage on audit delay in basic materials manufacturing companies listed on the Indonesia Stock Exchange (IDX).
3. To investigate whether management change influences audit delay in basic materials manufacturing companies listed on the Indonesia Stock Exchange (IDX).
4. To evaluate the effect of audit tenure on audit delay in basic materials manufacturing companies listed on the Indonesia Stock Exchange (IDX).

DISCUSSION

Timely audited financial statements are essential for maintaining market confidence, reducing information asymmetry, and supporting high-quality investment decisions. Audit delay weakens the relevance of financial information because investors, creditors, and regulators rely on audited reports to evaluate a company's financial performance. Therefore, understanding the determinants of audit delay is important for companies seeking to improve reporting quality and regulatory compliance.

The findings of this study indicate that firm size, leverage, and audit tenure significantly influence audit delay, while management change does not have a significant effect. These findings suggest that audit timeliness is determined not only by the characteristics of the company but also by the relationship between auditors and clients. Larger companies generally possess stronger internal control systems, more qualified accounting personnel, and more standardized reporting procedures, enabling auditors to complete audit assignments more efficiently. Conversely, companies with higher leverage require more extensive audit procedures because auditors must carefully evaluate debt obligations, financial risks, and the possibility of financial distress.

The significant negative relationship between firm size and audit delay demonstrates that organizational resources play an important role in accelerating the audit process. Large firms usually have sophisticated accounting information systems and experienced finance departments capable of preparing complete audit evidence within a

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shorter period. As a result, auditors spend less time requesting additional documentation or verifying financial transactions. These findings support the view that effective internal control systems contribute to shorter audit completion periods.

Leverage was found to have a positive effect on audit delay. Companies with higher debt ratios generally face greater financial risk, encouraging auditors to perform more comprehensive audit procedures before issuing their opinions. The additional audit work includes evaluating debt agreements, assessing going-concern risks, confirming balances with creditors, and reviewing compliance with financial covenants. Consequently, highly leveraged companies tend to experience longer audit completion periods than companies with lower leverage.

In contrast, management change does not significantly influence audit delay. Although changes in top management may create temporary organizational adjustments, the audit process mainly depends on the availability of financial records, accounting documentation, and internal control systems rather than on individual executives. Most public companies maintain standardized accounting procedures that continue to operate regardless of leadership changes. Therefore, management turnover alone is insufficient to prolong the audit process.

Another important finding is the negative influence of audit tenure on audit delay. Longer auditor–client relationships enable auditors to gain a deeper understanding of the client's business operations, accounting systems, industry characteristics, and internal controls. This accumulated knowledge improves audit efficiency by reducing the time required for risk assessment and evidence collection while maintaining audit quality. However, auditor independence should continue to be safeguarded through appropriate regulatory oversight and auditor rotation policies.

The overall regression model indicates that firm size, leverage, management change, and audit tenure jointly explain a portion of the variation in audit delay. Nevertheless, the coefficient of determination suggests that many other factors outside this study also influence audit timeliness. Variables such as profitability, auditor specialization, audit committee effectiveness, ownership structure, internal control quality, financial reporting complexity, and corporate governance practices may also contribute to audit delay and should be considered in future studies.

The practical implications of this study can be summarized as follows:

1. Companies should strengthen internal control systems and improve the quality of financial reporting to facilitate faster audit completion.

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2. Highly leveraged companies should prepare more comprehensive financial documentation because complex debt structures require additional audit procedures.
3. Companies should maintain effective cooperation with external auditors to improve audit efficiency without compromising auditor independence.
4. Regulators may focus additional monitoring on firms with high financial risk that are more likely to experience audit delays.
5. Investors should consider audit delay as one indicator of financial reporting quality and corporate governance effectiveness.

Overall, the findings confirm that audit delay is influenced by both company characteristics and auditor-related factors. Improving financial reporting quality, strengthening internal controls, maintaining transparent communication between management and auditors, and ensuring efficient audit planning are important strategies for reducing audit delay. Timely audited financial statements not only improve compliance with regulatory requirements but also enhance stakeholder confidence, increase market transparency, and support better economic decision-making.

CONCLUSION

The purpose of this study was to examine the effect of firm size, leverage, management change, and audit tenure on audit delay in basic materials manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2023 period. The findings indicate that firm size has a significant negative effect on audit delay, suggesting that larger companies tend to complete the audit process more quickly due to stronger internal controls, better accounting systems, and greater organizational resources. In contrast, leverage has a significant positive effect, indicating that companies with higher debt levels require more extensive audit procedures, resulting in longer audit completion times.

The study also finds that management change does not significantly affect audit delay. This result implies that changes in company leadership do not necessarily disrupt the audit process because financial reporting activities are generally supported by standardized accounting systems and established internal control procedures. Meanwhile, audit tenure has a significant negative effect on audit delay, demonstrating that longer auditor–client relationships improve auditors' understanding of the client's business and increase audit efficiency.

Overall, the findings emphasize that both company characteristics and auditor-related factors contribute to audit timeliness. Among the examined variables, firm size,

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leverage, and audit tenure play significant roles in determining the length of audit completion, whereas management change does not appear to be a determining factor.

From a practical perspective, companies should continuously improve internal control systems, maintain high-quality financial reporting, and establish effective coordination with external auditors to minimize audit delay. Regulators may also strengthen supervision of companies with high financial risk, while auditors should balance audit efficiency with professional independence and audit quality. Future research is encouraged to incorporate additional variables such as profitability, audit committee effectiveness, corporate governance, audit complexity, and auditor specialization, as well as qualitative approaches, to provide a more comprehensive explanation of the factors affecting audit delay.

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