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AUDIT DELAY FACTORS OF INDONESIAN FIRMS: A BINARY LOGIT AND PANEL EGLS ANALYSIS

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ABSTRACT

This study intends to determine the influence of audit opinion and firm size on audit delays with audit rotation as a mediating variable. We examined 30 firms listed in IDX Circular Letter 2020-2022 using purposive selection and secondary data from financial reports. Despite deadline extensions, these companies consistently needed to submit timely reports. The findings reveal that an unfavorable audit opinion negatively affects the rotation process, whereas a larger firm size has a positive effect. Additionally, audit opinions and rotation negatively affect audit delays, whereas company size has a positive influence. The study also shows that audit rotation partially mediates the association between audit opinion and audit delay and between firm size and audit delay. The research team acknowledges that prevailing economic conditions during data collection may affect the applicability of the results to other periods. This study implies that auditors and accountants identify the primary causes of audit delays, such as inadequate documentation, transaction complexity, and communication issues. Implementing best practices can improve financial reporting quality, reduce errors, and enhance auditor timeliness. Auditors and accountants are advised to adopt these practices to minimize audit delays.

Keywords: Audit Opinion, Company Size, Auditor Rotation, Audit Delay

INTRODUCTION

Financial reporting is critical to a company's performance and provides valuable information for decision-makers (Putro & Suwarno, 2017). Timely and accurate reporting is essential to maintain investor confidence and avoid obstacles in the audit process, which can delay audit results (Felicia & Pesudo, 2019). Unfortunately, audit delays occur annually and are still prevalent. The COVID-19 pandemic started in 2020 and has had substantial power in various sectors (Rizal & Wedhaswary, 2020). The pandemic also affected Public Accounting Firm networks, internal management, and audit partnerships, leading to the adoption of alternative audit approaches, such as remote auditing (Jarva & Zeitler, 2024). Boundaries on entry and travel and the readiness of auditors and auditee employees to collect evidence can affect the time to deliver the auditor's opinion, leading to audit delays and potential problems (Jarva & Zeitler, 2024).

In 2020, according to the Indonesia Stock Exchange (IDX) data, 88 Indonesian companies still need to submit their financial audit reports to the Indonesia Stock Exchange by the deadline of May 31, 2021. The Financial Services Authority previously announced that companies must submit annual financial reports by March 30, with an updated deadline of May 31 (Wareza, 2021). Force majeure situations caused by the pandemic led regulators in Indonesia to provide certain relaxations that can be utilized by business actors, including the relaxation from the OJK, which allows the deadline to submit annual financial reports, originally due no later than March 30, to be extended to May 31, 2020 (Indonesian Institute of Certified Public Accountants, 2020).

Under Article I-H of Kep-307/BEJ/07-2004 about Clause II.6.1 and Article I-C of Kep-310/BEJ/12-2006 concerning Clause V.1.3 concerning the registration and trading of collective investment contracts, a total of 88 firms registered on the IDX received Notification Letter I for their noncompliance in meeting the financial audit report submission deadline of December 31, 2020. In 2021, the number of companies receiving Written Warning I increased to 91; in 2022, it decreased to 61. Financial reporting faces a significant challenge in ensuring the sustainability of financial reporting entities as inputs, processes, outputs, and markets remain uncertain (Hoesada, 2021). Even the most efficient and successful companies are at risk of exiting business when their suppliers encounter financial difficulties or bankruptcy. The COVID-19 pandemic has severely affected numerous companies, resulting in financial hardships and bankruptcy. Consequently, management may postpone the submission of financial reports, fearing the adverse consequences of disclosing unfavorable news to the public (Praptika & Rasmini, 2016).

Audit delays, opinion issues, and firm size have long been persistent problems in the auditing industry, and various strategies have been proposed to tackle these challenges. One potential solution that has garnered attention is the concept of urgent audit rotation. Advocates of audit rotation argue that it can enhance auditor independence and objectivity, leading to improved audit quality and a reduced risk of corporate collapse (Kramer et al., 2011). Nevertheless, the effectiveness of audit rotation in mitigating audit delays and opinion issues remains a topic of debate. While the potential benefits of enhanced independence and objectivity are compelling, the associated costs and practical challenges must be carefully weighed. As the auditing profession continues to develop, further research and empirical investigations are necessary to determine the optimal balance between the costs and benefits of audit rotation to ensure reliable and trustworthy financial reporting.

Previous studies have revealed several factors that influence the duration of audit delay, such as audit rotation, audit opinion, and company size. Audit delay can occur when new auditors or public accounting firms need time to become familiar with a company's system, resulting in a longer audit process (He & Chen, 2021; Kuo et al., 2016; Putra & Wilopo, 2018; Ruchana & Khikmah, 2020; Sianturi & Siagian, 2022). Audit rotation can impact audit delay due to several factors. First, when new auditors take over an engagement, they may require additional time to explain themselves to the customer's commercial processes, internal controls, and accounting practices (Sianturi & Siagian, 2022). This learning curve can lead to longer audit processes as the new auditor must understand the client's operations to perform an effective audit.

Additionally, the transition period between auditors can introduce inefficiencies as knowledge transfer is sometimes seamless. Interestingly, while some studies suggest that auditor rotation contributes to audit delay, others indicate that the effect of auditor rotation on audit delay is not significant (Indrayani & Wiratmaja, 2021; Wicaksono et al., 2023). This discrepancy may arise from differences in the regulatory environment, firm size, industry sector, or the specific practices of individual audit firms. For instance, if a firm has robust transition protocols, the influence of auditor rotation on audit delay might be mitigated.

In addition, audit opinion impacts audit delay due to the nature of the auditor's findings and the implications for the accuracy and reliability of the financial statements. When an auditor issues an opinion, mainly if it is not an unqualified opinion, it designates that there are subjects that may require additional investigation or clarification (Indrayani & Wiratmaja, 2021). An unqualified opinion suggests that the financial statements hold a factual and reasonable view. In contrast, a qualified, adverse, or disclaimer of opinion may signal significant issues that could necessitate further audit procedures, thus potentially extending the audit process (Wicaksono et al., 2023). The connection between audit opinion and audit delay is explored in several studies, with findings indicating a various impact of certain types of audit opinions on audit delay. Previous studies find that a higher audit opinion, precisely an Unqualified Opinion, correlates with a lower delay in issuing financial statements, suggesting a negative impact on audit delay. Audit Opinion significantly negatively influences audit delay in the food and beverage manufacturing sector. These findings are consistent with the notion that certain audit opinions can expedite the audit process (Bahri & Amnia, 2020; Ruchana & Khikmah, 2020; Satyawan & Aisyahturahmmi, 2020; Su'un et al., 2020; Wicaksono et al., 2023). Conversely, some previous studies found that audit opinion does not significantly impact audit delay, representing no positive impact. The reason behind this may lie in the fact that the issuance of an auditor's opinion marks the conclusion of the audit process, which encompasses various procedures and evaluations that may not necessarily be impacted by the kind of opinion that will be rendered (Handoko et al., 2019; Hayati et al., 2021; Kosasih et al., 2023; Muzauwas & Nurasik, 2023; Sastrawan et al., 2022).

The link between firm size and audit delay must be consistently established across the literature. Firm size is generally considered to positively impact audit delay because larger companies tend to have more complex operations and transactions, which require more time for auditors to assess and verify (Fitri et al., 2021; Handoko et al., 2019). Larger firms may also have more extensive internal control systems and processes that auditors must evaluate, contributing to longer audit durations (Said et al., 2023). On the other hand, according to Ningsih & Widhiyani (2015), the diversity of its assets restrains firm size, and larger firms experience shorter audit delays than smaller ones. It is because more excellent firms usually have more internal audit resources to reduce audit delays.

Consequently, the larger the firm size, the quicker the audit delay, and vice versa. The smaller the company size, the longer the audit delay (Darmawan & Widhiyani, 2017; Rahmawati & Widijoko, 2019). However, some studies have found that company size does not significantly affect audit delay (Afsilah & Damayanti, 2023; Johansyah et al., 2023; Tanjung & Aida, 2022). These findings suggest that other factors, such as the audit process's efficiency, the auditors' expertise, and the quality of the company's financial reporting, mitigate the impact of company size on audit delay.

The increasing issues related to audits and companies' timely financial reporting obligations have piqued researchers' interest in conducting this study. Unlike previous studies, this research utilizes the annual financial statements of firms registered on the Indonesia Stock Exchange Circular Letter for 2020-2022. The information used in this study comprises 30 companies that consistently submitted their financial reports late between 2020-2022 and met the specified criteria. This novel study uses objects that adhere to the Indonesia Stock Exchange Circular Letter from 2020 to 2022, where audit delay occurs. There is an audit rotation variable that functions as a mediator.

Researchers optimism that the results of this study will have academic and practical implications in the accounting field, particularly in the auditing domain. For instance, this study could enrich the literature on aspects contributing to audit delay and provide material for developing or revising existing audit theories. Additionally, audit firms may use the results of this study to identify and address factors causing audit delay, thus improving the efficiency and effectiveness of audit procedures. Furthermore, this study may aid policymakers in formulating policies to reduce audit delay, such as setting stricter deadlines or offering incentives for the timely completion of audits.

The Theory of Reasoned Action (TRA) has been applied to various fields, including auditing, to understand behavioral intentions and predict behaviors. In audit delay, TRA could be instrumental in identifying the factors that lead auditors to engage in behaviors that result in delays. TRA can explain an auditor's intention to engage in dysfunctional audit behaviors, including behaviors contributing to audit delay. Kim (2015) also supports the applicability of TRA in assessing behavioral intentions, in this case, within the context of u-health systems, but the principles could be analogously applied to auditing.

However, applying TRA in this context requires consideration and potential limitations. Kashima & Gallois (2015) critique TRA and suggest that researchers must address specific criticisms to improve its application, which could be relevant when studying audit delay. Ul-Haque et al. (2014) introduce emotions as a factor influencing decision-making, suggesting that incorporating emotions into TRA could enhance its predictive power. It could be significant for understanding audit delay, as auditors' emotions may impact their behavior. Kashima & Gallois (2015) discuss the dual aspects of perceived behavioral control, capacity, and autonomy, which could influence auditors' intentions and audit delays.

Auditor turnover replaces a company's current auditor or audit firm to maintain the quality and independence of auditors who examine their financial statements (customers). This process may result in more prolonged audit procedures and delays in the publication of audited financial statements (Anton & Panjaitan, 2023). Companies may implement auditor rotation that involves replacing auditors with auditors from different auditor firms (Sitompul et al., 2021). Auditor rotation helps maintain auditor independence when reviewing annual client reports. Audits can be classified as mandatory or voluntary, depending on the perspective of auditor independence (Fadhilah & Halmawati, 2021). In many countries, including Indonesia, auditor rotation requirements are enforced. Indonesia is one of the countries that requires auditor changes within a certain period set by the Minister of Finance Regulation (17/PMK.01/2008) on Public Accountant Facilities, and public accounting firms provide general audit services for a maximum of six years. Suppose a customer decides to change auditors voluntarily. In that case, two possibilities can occur when there is no regulation to do so: the client dismisses the auditor, or the auditor resigns from his position. The reason for the auditor's resignation or dismissal shifts the problem to the customer side, causing the auditor to switch firms voluntarily (Anton & Panjaitan, 2023).

Audit delay refers to the period between the culmination of a firm's financial reporting period and the completion of the audit process, culminating in the issuance of an audit report. The significance of audit delay lies in its impact on the timeliness of financial statement availability to stakeholders, which is crucial for informed decision-making (Mahira et al., 2024; Rahmatika, 2021). Financial statements must be audited by an independent auditor before publication, which often results in delays—the Kep-36.PM/2003 X.K.2 Decree of the Chairman of the Capital Market Supervisory Agency states that all firms registered on the Indonesia Stock Exchange must have their financial statements audited by a Public Accountant, submit them to the Indonesian Financial Services Authority, and publish them no delayed than the finish of the third month afterward the annual financial statements. Failure to comply with these requirements may result in sanctions on the Indonesian Stock Exchange.

As an impartial third party responsible for evaluating the accuracy of a company's financial statements, auditors must provide opinions on the audited financial statements. When auditors cannot provide an unbiased opinion, they often issue a qualified opinion that allows companies to present an opinion that aligns with their interests. Therefore, the report issued by the auditor holds significant weight in a company's decision to change audit firms. Some previous studies indicate that audit opinion significantly affects auditor rotation (Aini & Yahya, 2019; Faradhillah & Abbas, 2022; Holdi & Tarmizi, 2022; Naili & Primasari, 2020; Sinaga et al., 2021; Tjahjono & Khairunissa, 2021).

Additionally, a company's size is often used to indicate its size, which can be assessed by considering factors such as total assets, total sales, and total capital. Applying TRA to analyze firm size behavior concerning audit firm rotation reveals that intentions are affected by mixed attitudes and subjective norms. TRA posits that decision-makers' intentions to switch audit firms are shaped by their attitudes toward the benefits and drawbacks of rotation, along with stakeholders' norms and expectations, including those of regulators, shareholders, and the public. (Corbella et al., 2015; Widyaningsih et al., 2019). The size of the client company should match the dimension of the public accounting firm, as any differences may result in termination of audit participation and the need to change auditors. As a company grows, it becomes more challenging for the principal to guarantee that the agent's activities are allied with the principal's welfare rather than their own. Some previous studies demonstrate that the firm size has a substantial consequence on auditor rotation (Aini & Yahya, 2019; Faradhillah & Abbas, 2022; Herawaty & Ovami, 2022; Mardasari & Triyanto, 2020).

H_{1a} : Audit opinion has a negative influence on audit rotation
H_{1b} : Firm size has a positive influence on audit rotation

An unqualified statement enables shareholders to evaluate a company's operational performance positively, motivating companies to demonstrate their ability to manage their finances effectively through their financial statements. However, an unqualified audit opinion is deemed undesirable and may delay the audit. Firms with unfavorable audit opinions tend to conceal their financial reports, resulting in extended audit delays (Bahri & Amnia, 2020; Ruchana & Khikmah, 2020; Satyawan & Aisyahturahmmi, 2020; Su'un et al., 2020; Wicaksono et al., 2023).

Firm size is generally considered to positively impact audit delay because larger companies tend to have more complex operations and transactions, which require more time for auditors to assess and verify (Fitri et al., 2021; Handoko et al., 2019). Larger firms may also have more extensive internal control systems and processes that auditors must evaluate, contributing to longer audit durations (Said et al., 2023). Some studies support the hypothesis that firm size has a positive influence on Audit delay (Darmawan & Widhiyani, 2017; Fitri et al., 2021; Handoko et al., 2019; Rahmawati & Widijoko, 2019; Said et al., 2023).

Changing auditors within a company is carried out to maintain auditor independence and ensure unbiased auditor behavior. Additionally, company auditors change when the work contract between the auditor and the employer expires, and the auditor decides not to renew the contract. It can reduce audit time and slow down the delivery of audited financial statements, as observed by Verawati & Wirakusuma (2016). When there is a change of auditors, it takes time for them to familiarize themselves with the business characteristics and systems of the client company, as noted by previous studies (He & Chen, 2021; Kuo et al., 2016; Putra & Wilopo, 2018; Ruchana & Khikmah, 2020; Sianturi & Siagian, 2022).

H_{2a} : Audit opinion has a negative influence on audit delay
H_{2b} : Company size has a positive influence on audit delay
H_{2c} : Auditor rotation has a negative influence on audit delay

Khan et al. (2013) suggest that auditor behavior, which could include decisions related to audit rotation, is influenced by the Theory of Reasoned Action, implying that auditors' intentions could mediate various audit outcomes, including delays. Auditor rotation is posited to influence the association concerning audit opinion and delay through several mechanisms. First, the rotation of auditors is associated with introducing fresh perspectives, which can lead to changes in crucial audit matters and potentially affect the audit process and outcomes (Lin & Yen, 2022). This fresh perspective may result in a more thorough and lengthier audit process as new auditors reassess the significant risks and modify the audit plan accordingly.

Moreover, the effect of firm size on audit delay may be shaped by the mediating role of audit rotation, as viewed through the theory of reasoned action perspective. This perspective posits that attitudes toward behavior and subjective norms can predict an individual's intention to perform that behavior and that perceived behavioral control, along with these intentions, can influence behavior. Auditor rotation is also posited as a mediator between company size and audit delay because it can influence the timeliness of financial reporting. Auditor rotation, which refers to changing audit firms after a certain period, is believed to enhance auditor independence and improve audit quality (Khasharmeh & Said, 2021).

H_{3a} : Audit Opinion Affects Audit Delay through Audit Rotation as a Mediating Factor
H_{3b} : Firm Size affects Audit Delay through Audit Rotation as a Mediating Factor

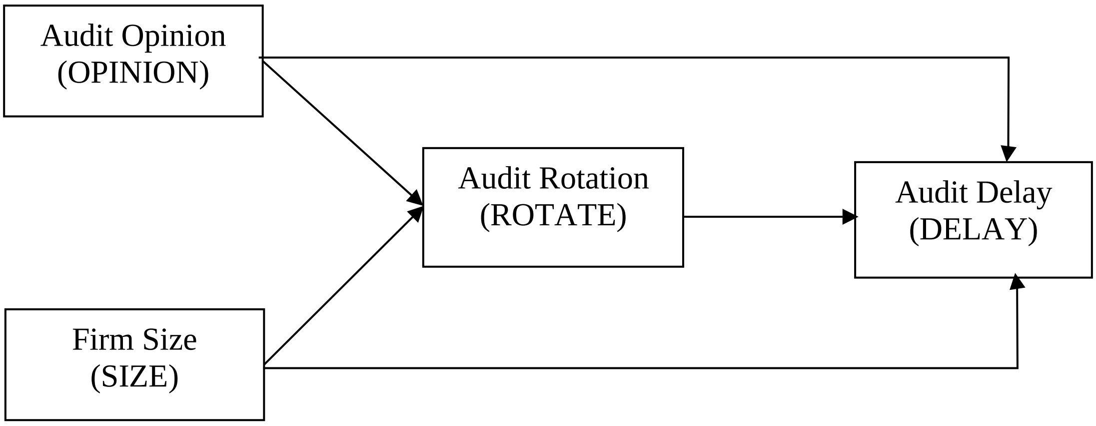

Figure 1. Research Model
Source: Research Data (2024)

Research Model:
ROTATE = c + β1 OPINION + β2 SIZE + ε1……………………..…..(1)
DELAY = c + α1 OPINION + α 2 SIZE + α3 ROTATE +ε2…….. (2)

Description:
OPINION : Audit opinion; SIZE : Company Size; ROTATE : Audit Rotation; DELAY : Audit Delay; c : Constant; β1...2 : Model 1 Variable Coefficient; α 1...3 : Model 2 Variable Coefficient; ε 1...2 : error

RESEARCH METHODS

This research uses quantitative methods that rely on data obtained from audited annual financial reports. This study uses the Eviews 13 and path analysis tools to answer the research hypothesis. This study uses a path analysis model to examine the consequence of independents (OPINION & SIZE) and intermediaries (ROTATE) on the dependent variable (DELAY).

The research population consists of data on companies that experience audit delays, as stated in the IDX Circular Letter 2020-2022. The analysis uses binary logit analysis because audit rotation uses dummy variables and EGLS panels. After all, the best model is the Fixed Effect Model (REM). Purposive sampling ensures representative sampling results (Sugiyono, 2017).

Table 1. Purposive Sampling

Purposive Sampling	2020	2021	2022	Total
Firms that experience audit delays based on the Indonesia Stock Exchange Circular Letter.	88	91	61	240

Table 1. Purposive Sampling (Continuous)

Purposive Sampling	2020	2021	2022	Total
Firms that do not declare complete annual financial reports and do not experience audit delay for 2 to 3 consecutive years	-58	-61	-31	-150
Number of companies in the study sample	**30**	**30**	**30**	**90**

Source: IDX Circular Letter 2020-2022

The Audit Opinion, which represents the auditor's conclusion about the accuracy of the client's financial statements, is a crucial aspect of financial reporting. The type of Audit Opinion given determines its significance, with an unqualified opinion receiving a score of 4, a qualified opinion receiving a score of 3, a Modified qualified opinion receiving a score of 2, and an adverse opinion receiving a score of 1 (Putra & Wilopo, 2018; Ruchana & Khikmah, 2020).

Firm size is typically assessed using various indicators, such as the company's access to resources (assets), stock price, sales, market capitalization, number of employees, and other relevant factors. In this study, the natural logarithm of total assets is used as a proxy for firm size (Firm Size = Ln (Total Assets) measured using asset value (Fitri et al., 2021; Handoko et al., 2019).

The duration required to complete the auditor's financial statement examination is the Audit Delay (Delay). It can be intended by subtracting the time variance between the publication date of the financial statements and that of the independent auditor's report. Audit Delay is measured using the succeeding formulary (Audit delay = independent auditor report date – annual financial report date) (Mahira et al., 2024; Rahmatika, 2021).

The objective of audit rotation, colloquially known as rotation, is to eradicate any conceivable subjective ties and sustain investor assurance in the auditing firm. To quantify the audit rotation parameter, a dummy variable marker is applied, with entities that alter their auditors assigned a value of 1 and those that refrain from doing so assigned a value of 0 (Anton & Panjaitan, 2023; Sitompul et al., 2021).

RESULTS AND DISCUSSION

The data utilized in this research was obtained from a circular letter issued by the IDX regarding the audit delay period for 30 industrial companies between 2020 and 2022. Financial statements for these companies are generally released on December 31 of each year. The study conducted by the researchers involved using descriptive statistics and descriptive analysis, focusing on the mean, minimum, and maximum values to describe the sample characteristics of each variable. The sample for the research consisted of 90 observations obtained by testing a significant number of companies listed on the IDX. The following are the outcomes of the descriptive statistical tests conducted using Eviews 13 and the Fixed Effect Model (FEM) model.

Table 2. Descriptive Statistics

	Mean	Median	Maximum	Minimum	Std. Dev.	N
OPINION	3.64	4.00	4.00	2.00	0.57	90
SIZE	25.77	26.81	30.10	17.36	3.15	90

Table 2. Descriptive Statistics (Continuous)

	Mean	Median	Maximum	Minimum	Std. Dev.	N
ROTATE	0.21	0.00	1.00	0.00	0.41	90
DELAY	188.53	156.00	785.00	54.00	120.44	90

Source: Data Analysis with Eviews 13, 2024

The outcomes of the descriptive statistical tests indicate that the majority of the research variables exhibit an average value that surpasses their respective standard deviations, except the audit rotation variable. The data analyzed in this study is of satisfactory quality. The standard deviation for the audit rotation variable is greater than the mean, indicating that this variable is present in the research sample. Moreover, the mean value of the audit delay (DELAY) in this study is 188.53, which suggests that the average audit delay for financial statements published in this sample is 188 days beyond the date specified by the IDX regulations.

In addition, the researchers conducted a Pearson correlation analysis between the variables used in this study (OPINION, SIZE, and ROTATE). The Pearson correlation test, or product-moment correlation, is a statistical method that assesses the direct association between two variables with a normal distribution of data (Gujarati, 2019).

Table 3. Multicollinearity Test

	OPINION	SIZE	ROTATE
OPINION	1.00		
SIZE	0.02	1.00	
ROTATE	-0.06	0.06	1.00

Source: Data Analysis with Eviews 13, 2024

Multiple regression models can be problematic when there is high multicollinearity among the independent variables, making it difficult to define the individual impact of each variable on the dependent variable. In cases where two or more independent variables are closely related or measured, the underlying effect they represent may be amplified for all variables involved, making it difficult to determine which variable significantly influences the dependent variable. Fortunately, Table 3 shows a correlation coefficient of 0.8 between the independent variables, which indicates that they do not show a strong correlation, making them suitable for the study.

In table 4, Model 1 illustrates the initial research model with rotation as the dependent variable. Researchers use multiple regression analysis with logistic regression as the analysis tool because the measurement of the Rotation variable is a dummy variable (firms that rotate auditors are assigned a value of one (1). In contrast, firms that do not rotate are consigned a value of zero (0)). Model 2 Table 4 presents the second research model with DELAY as the dependent variable and the Fixed Effect Model (FEM) as the most proper model for this study.

The findings of H_1a demonstrate that audit opinion has a statistically significant negative influence on audit rotation (0.0000 < 0.01), which aligns with agency theory principles. According to this theory, shareholder management disputes can be resolved by changing auditors if unfavorable audit results, thereby enhancing trust and reducing the likelihood of inaccurate financial information. Legitimacy theory posits that companies strive to preserve their trustworthiness in the judgments of the public and regulators because an adverse audit opinion can tarnish the company's reputation.

Therefore, auditors may be replaced to demonstrate their commitment to greater independence and to improve their audit practices. This finding is consistent with previous research (Aini & Yahya, 2019; Faradhillah & Abbas, 2022; Holdi & Tarmizi, 2022; Naili & Primasari, 2020; Sinaga et al., 2021; Tjahjono & Khairunissa, 2021) and contradicts previous research which found that audit opinion has no result on audit rotation (Effendi & Rahayu, 2015; Kurnia, 2023).

Table 4. Hypothesis Test

Variable	MODEL 1 (DEPENDENT: ROTATE)			MODEL 2 (DEPENDENT: DELAY)		
	C	**Std. Error**	**Prob.**	**C**	**Std. Error**	**Prob.**
C	-1.76	1.93	0.36	-1115.56	578.10	0.06
OPINION	-0.26	0.06	0.00***	-62.47	9.69	0.00***
SIZE	0.05	0.00	0.00***	59.70	22.47	0.01**
ROTATE				-30.57	10.89	0.00***
R(Square)	0.01			0.56		
N	90			90		
Method	Panel Binary Logit			Panel EGLS (Fixed Effect Model)		

Notes OPINION: Audit Opinion; SIZE: Company Size; ROTATE: Auditor Rotation; DELAY: Audit Delay; c: Constant; Prob: *p-value < 0.1, **p-value < 0.05, ***p-value < 0.01
Source: Research data with EViews 13, 2024

Audit opinion, auditor rotation, and audit delay are interconnected aspects of the auditing process. Audit opinion imitates the auditor's conclusion regarding the fairness of the financial statements. In contrast, auditor rotation refers to changing the audit firm or lead auditor to maintain independence and objectivity. Audit delay is the time to complete and issue the report after the financial year-end (Marni et al., 2018). The Theory of Reasoned Action (TRA) is relevant to this study because it focuses on how beliefs, intentions, and environmental factors influence human behavior. In the context of auditing, the TRA can explain how unfavorable audit opinions impact management's decision to delay an audit. If management believes an adverse audit opinion could damage the company's reputation or affect financial markets, they may seek solutions or make improvements before the audit report is finalized. The association between these factors is complex. An unqualified statement enables shareholders to evaluate a company's operational performance positively, motivating companies to demonstrate their ability to manage their finances effectively through their financial statements. However, an unqualified audit opinion is deemed undesirable and may delay the audit. Firms with unfavorable audit opinions tend to conceal their financial reports, resulting in extended audit delays (Bahri & Amnia, 2020; Ruchana & Khikmah, 2020; Satyawan & Aisyahturahmmi, 2020; Su'un et al., 2020; Wicaksono et al., 2023). Conversely, another argument suggests that auditor rotation can improve audit quality, as evidenced by fewer modified opinions and a significant effect on audit delay when considering various factors (Bulucea et al., 2022; Hendarmoko, 2021).

The last analysis conducted on H3b indicates that Audit Rotation partially mediates the positive association between firm size and Audit Delay (0.0061 < 0.01), which aligns with the agency theory. This theory posits that conflicts of interest can arise in the association between managers (agents) and company owners (principals) and that auditor rotation helps maintain auditor independence and reduces the risk of audit delay, particularly in large companies with complex structures (Suhayati & Dilyard, 2024).

Another theory (Resource-based theory) also suggests that larger firms have more resources available to reduce audit delays, and rotating auditors can utilize these resources more effectively by employing new and creative methods (Velte, 2023). The dimension of the client firm should match the dimension of the public accounting firm, as any differences may result in termination of audit participation and the need to change auditors. As a company grows prominent, it becomes more challenging for the principal to guarantee that the agent's activities are associated with the principal's interests rather than their own (Faradhillah & Abbas, 2022; Herawaty & Ovami, 2022).

CONCLUSION

Based on the research conducted by investigators on the influence of audit opinion and firm size on audit delay, as mediated by audit rotation in companies listed on the Indonesia Stock Exchange, the researchers concluded that audit opinion hurts audit rotation. In contrast, company size has a beneficial effect on audit rotation. Additionally, the study revealed that audit opinion hurts audit delay, and company size positively affects audit delay, with audit rotation hurting audit delay. The mediation effect findings indicate that audit rotation partially mitigates the negative impact of audit opinion on audit delay while mitigating the positive impact of company size on audit delay.

Theoretically, this study applies the Theory of Reasoned Action (TRA) to examine behavioral intentions, including audit opinion, firm size, and audit rotation, and predict behaviors such as audit rotation and delay. TRA helps identify factors that result in auditors engaging in behaviors that lead to delays. Specifically, TRA can explain an auditor's intention to engage in dysfunctional audit behaviors, which could contribute to audit delay. In practical terms, audit firms can use the findings of this study to identify and address the factors that cause audit delays, thereby improving the efficiency and effectiveness of audit procedures. Policymakers can use this study to develop policies aimed at reducing audit delays, such as setting stricter deadlines or providing incentives for the timely completion of audits. This study also contributes to the literature on audit delays and provides material for developing and revising existing audit theories.

It is important to note that this study may have limitations, including the possibility that economic conditions may have influenced the results when the data were collected and may not apply to different periods. Therefore, the researcher expects the practical application of the findings of this study, particularly for auditors and accountants within companies, to facilitate the identification of the leading causes of audit delays, such as inadequate and timely documentation, complex transactions, or communication problems between auditors and management. Thus, the quality of financial reporting can be improved by minimizing errors and revisions and increasing the efficiency of the audit process and its timely delivery. Auditors and accountants can use the recommendations of this study regarding best practices to mitigate audit delay risks. Finally, the researcher hopes that future studies can develop current research methods, including increasing the sample size, including additional variables, and using more recent data.

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