



IDX Regulation on Audit Delay (Kep-00027/BEI/03-2020): Evidence Before, During, and After the COVID-19

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Abstract

Audits play a crucial role in ensuring the reliability of financial statements for stakeholders. However, audit delay may undermine information quality, reduce market confidence, and disrupt decision-making. To address these challenges, the Indonesia Stock Exchange (IDX) issued Regulation Kep-00027/BEI/03-2020, which relaxed reporting deadlines. Nevertheless, limited studies have examined the effectiveness of this regulation across the periods before, during, and after the COVID-19 pandemic. This study aims to analyze the impact of IDX regulation on audit delay by considering auditee characteristics, auditor characteristics, and external factors, with audit tenure as a moderating variable and COVID-19 as a control variable. However, the study focuses specifically on manufacturing companies listed on the IDX during the period from 2016 to 2024. The research sample is drawn from this population, consisting of manufacturing companies listed on the IDX between 2016 and 2024. This research employs regression analysis on 135 observations, divided into three periods: before (2016-2019), during (2020-2022), and after (2023-2024). The findings reveal that the relaxation policy helped reduce audit delay during the pandemic, although its effectiveness varied depending on firm size, profitability, ownership, and operational complexity. Audit tenure demonstrated a dual role: facilitating faster audits for complex firms due to the accumulated knowledge of the auditor, yet potentially compromising independence when the relationship extended excessively.

Keywords *audit delay, IDX regulation, audit tenure, COVID-19, financial reporting*

INTRODUCTION

The audit processes, particularly those conducted by external auditors, play a crucial role in ensuring that financial statements are free from material misstatements and can be relied upon with confidence. However, delays in the audit process may pose risks to stakeholders, as they postpone access to accurate information and potentially hinder decision-making. Furthermore, audit delays can diminish confidence in the quality and transparency of financial reporting, while also affecting the company's reputation in the eyes of investors and creditors.

Audit delay is influenced by various factors, one of which is audit tenure. Audit tenure refers to the length of the working relationship between an auditor and a client. A prolonged relationship may create closeness that threatens auditor independence and reduces audit quality (Effendi & Ulhaq, 2021). Conversely, a shorter audit tenure may limit the auditor's understanding of the client's business, which can also prolong the audit process. Research by Rakha and Sofia (2022) indicates that audit delay hurts audit quality. The research emphasizes the significance of understanding the factors that influence audit delays in order to enhance audit quality and bolster stakeholder confidence in financial reporting. Additionally, a study by Ula and Hidayat (2021) found that liquidity has a negative impact on audit delay, suggesting that a company's financial condition also plays a significant role in determining the length of the audit process.

This study spans the 2016–2024 period, encompassing the phases preceding, during, and following the COVID-19 pandemic. The pandemic had a significant impact on various aspects of corporate operations, including the audit process. During this period, restrictions on mobility,

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limited access to documents, and communication challenges between auditors and audited firms created obstacles that likely extended audit completion time, resulting in audit delay. By selecting this period, the study aims to investigate how these extraordinary circumstances affected audit delays, both directly through the pandemic's impact and indirectly through regulatory and policy changes introduced in response to the situation. Accordingly, this study focuses on examining the role of audit tenure in moderating these relationships within the context of IDX regulations on the relaxation of reporting deadlines during the periods before, during, and after the COVID-19 pandemic.

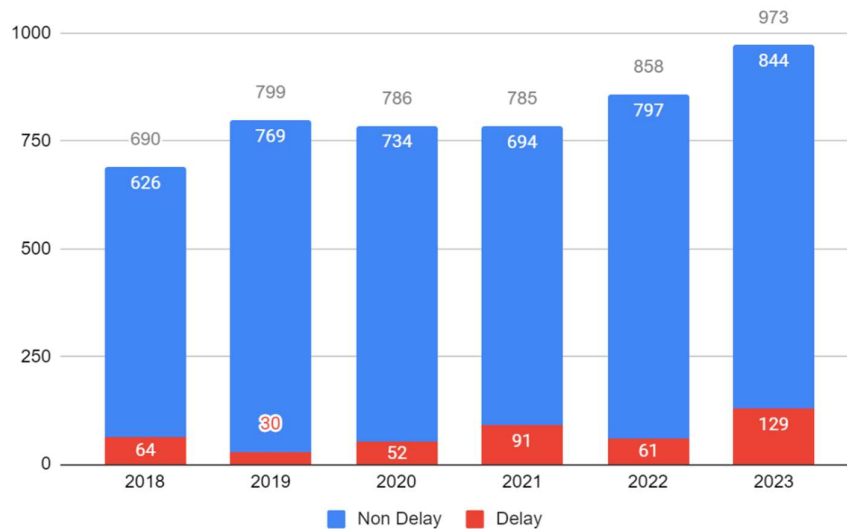


Figure 1. Number of Companies Experiencing Delays in Financial Statement Submission
Source: IDX, 2025

LITERATURE REVIEW

The signaling theory introduced by [Spence \(1973\)](#) highlights the existence of information asymmetry between two parties, where one party has greater access to information than the other. This asymmetry can be reduced through signaling, whereby the more informed party (corporate management) attempts to narrow the information gap by conveying signals to the less informed party, such as investors or stakeholders ([Spence, 1973](#)). The theory is applied to explain how companies provide signals to investors through financial disclosures, dividend policy decisions, and the provision of high-quality audits. Such signals may include audited financial statements, information on financial ratios, transparency in consistent dividend payments, and strategic decisions that enhance the company's reputation ([Ubwarin et al., 2021](#); [Sunandar & Hidayat, 2022](#)).

Audit risk theory explains that auditors must consider the possibility that financial statements may contain material misstatements that remain undetected during the audit process. Such risks may arise from various factors, including weaknesses in internal control systems, the complexity of company operations, or indications of fraud. The higher the level of audit risk, the greater the likelihood that material misstatements will go undetected, which in turn may negatively affect the quality of financial reporting ([Knechel & Payne, 2001](#)).

Auditee characteristics refer to the attributes of a company being audited that may affect both the quality and the duration of the audit process ([Salehi et al., 2009](#)). These characteristics encompass various aspects, including firm size, profitability, ownership structure, and the quality of corporate governance, all of which can impact the level of audit risk. Each of these characteristics contributes to different dimensions of the audit process, including audit risk, the quality of financial

reporting, and the length of audit completion, which is often reflected in audit delay. In this study, auditee characteristics are considered a key variable influencing audit delay, with audit tenure serving as a moderating variable that may strengthen or weaken this relationship.

This study extends previous research by employing auditee characteristics, auditor characteristics, and external factors as independent variables, audit delay as the dependent variable, audit tenure as the moderating variable, and COVID-19 as the control variable. Audit tenure serves as a moderating variable because it influences the relationship between auditee characteristics, auditor characteristics, and external factors with audit delay.

RESEARCH METHOD

The population in this research comprises all companies listed on the Indonesia Stock Exchange (IDX) from 2018 to 2023. However, the study focuses specifically on manufacturing companies listed on the IDX during the period from 2016 to 2024. The research sample is drawn from this population, consisting of manufacturing companies listed on the IDX between 2016 and 2024. This research employs regression analysis on 135 observations, divided into three periods: before (2016-2019), during (2020-2022), and after (2023-2024). The sampling method employed is purposive sampling, a technique in which samples are selected based on specific criteria relevant to the research objectives. The sample criteria applied in this study are as follows:

1. Manufacturing companies that consistently publish complete annual financial statements and independent auditor reports throughout the 2016–2024 research period.
2. Manufacturing companies that were not delisted from the IDX between 2016 and 2024.

Regression Model:

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6 + \beta_7X_7 + \beta_8X_8 + \beta_9X_9 + \beta_{10}X_{10} + \gamma_1C_1 + e$$

While:

Y	= Audit Delay
X ₁	= Firm Size
X ₂	= Profitability
X ₃	= Solvency
X ₄	= Ownership Structure
X ₅	= Audit Risk Potential
X ₆	= Audit Committee
X ₇	= Auditor Quality
X ₈	= Auditor Opinion
X ₉	= Inflation Rate
X ₁₀	= Regulation Change
C ₁	= COVID-19

FINDINGS AND DISCUSSION

Table 1. Data for the 2016–2019 Period

Model	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)	t	Sig.
(Constant)	107.188	27.211	–	3.939	.000

Model	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)	t	Sig.
Firm Size	1.280E-8	.000	.040	.383	.703
Profitability	-60.627	24.058	-.259	-2.520	.016
Solvency	-4.202	10.271	-.098	-.409	.685
Ownership Structure	20.012	13.629	.137	1.468	.150
Audit Risk Potential	-9.518	40.968	-.033	-.232	.817
Audit Committee	-16.977	6.941	-.237	-2.446	.019
Auditor Quality	1.892	5.787	.034	.327	.745
Inflation Rate	-13.728	582.357	-.002	-.024	.981
Regulatory Change	-82.839	8.166	-.748	-10.145	.000

Source: Processed Data, (2025)

From Table 1, we see that profitability, audit committee, and regulatory changes have a significant effect on audit delay at the 0.05 significance level. Profitability has a negative coefficient, indicating that the higher the Firm's profitability, the shorter the audit delay. This is consistent with agency theory and signaling theory, both of which emphasize the importance of reducing information asymmetry. Audit committee size also exhibits a negative effect, reflecting the strengthening of monitoring functions in line with stewardship theory and the characteristics of the auditee. Meanwhile, regulatory changes have a significant negative impact, suggesting that regulatory pressure encourages faster reporting, which is consistent with complexity theory and audit risk theory.

Based on the table above, firm size, solvency, public share ownership, audit risk, auditor quality, and inflation rate are statistically insignificant at the 0.05 significance level. This suggests that these variables do not have a significant impact on audit delay. The test results suggest that the proposed hypotheses are not supported, or in other words, there is insufficient evidence to reject the null hypothesis. Furthermore, although the coefficients of some variables show both negative and positive directions, the effects cannot be considered consistent due to their lack of statistical significance.

The insignificance of firm size, solvency, public share ownership, audit risk, auditor quality, and inflation rate in influencing audit delay can be explained by the relatively homogeneous characteristics of the research sample. Most of the sampled firms are large companies that have already gone public, so variations in firm size (in terms of total assets) are insufficient to distinguish the length of audit delay. Similarly, solvency, which, according to audit risk theory, should increase the complexity of the audit, did not extend audit time because these companies generally have adequate internal control systems. Additionally, public share ownership had no effect, as IDX regulations require all listed firms to report on time, regardless of their level of public ownership. Auditor quality also had no significant impact because most companies had already employed highly reputable auditors, making differences in audit firm quality less apparent. The same applies to the inflation rate, which remained relatively stable during the research period and, therefore, did not substantially increase audit complexity.

Based on Table 2, audit risk, auditor quality, inflation rate, and regulatory changes are found to have a significant effect on audit delay at the 0.05 significance level. Audit risk has a negative coefficient, indicating that the higher the Firm's long-term leverage, the shorter the audit delay. This can be explained through agency theory and audit risk theory, where highly leveraged firms face pressure from creditors and investors to promptly disclose financial statements, thereby

motivating both management and auditors to accelerate the audit process. Auditor quality also shows a significant adverse effect, suggesting that highly reputable auditors are more efficient in dealing with audit delays. This finding is consistent with stewardship theory, as large audit firms are considered more experienced and possess sufficient resources to overcome the challenges posed by the pandemic.

Table 2. Results for the 2020–2022 Period

Model	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)	t	Sig.
(Constant)	34.408	19.502	–	1.764	.086
Firm Size	-3.108E-9	.000	-.010	-.073	.942
Profitability	-70.270	39.145	-.187	- 1.795	.081
Solvency	1.125	1.474	.093	.764	.450
Ownership Structure	-15.098	20.505	-.080	-.736	.466
Audit Risk Potential	-53.322	21.313	-.333	- 2.502	.017
Audit Committee	-.131	4.244	-.003	-.031	.976
Auditor Quality	-15.467	6.937	-.245	- 2.230	.032
Inflation Rate	694.833	140.748	.414	4.937	.000
Regulatory Change	-42.808	7.893	-.521	- 5.423	.000

Source: Processed Data, (2025)

Furthermore, the inflation rate exhibits a significant positive effect on audit delay. This result aligns with complexity theory and audit risk theory, since high inflation increases economic uncertainty and adds to the complexity of auditor assessments, thereby extending the time required to complete audits. Meanwhile, regulatory changes have a significant negative effect, indicating that new regulations introduced during the pandemic encouraged companies and auditors to adapt more quickly and finalize audits. This aligns with complexity theory and information asymmetry theory, both of which emphasize compliance as a means to maintain legitimacy and public trust.

Based on the table above, firm size, profitability, solvency, public share ownership, and audit committee size are statistically insignificant at the 0.05 significance level. This means that these variables do not have a meaningful effect on audit delay. The test results also suggest that the proposed hypotheses are not supported, or in other words, there is insufficient evidence to reject the null hypothesis. Moreover, although the coefficients of several variables show both negative and positive directions, the effects cannot be considered consistent due to their lack of statistical significance.

The insignificance of total assets can be explained by the auditee characteristics theory, which suggests that firm size is generally expected to influence audit delay. However, since the sample is dominated by large firms, variation in size is insufficient to show a meaningful effect. Profitability, which according to signaling theory should accelerate reporting, is also insignificant because external factors during the pandemic were more dominant than profitability. Solvency, which, under audit risk theory, is expected to increase audit risks, shows no effect, suggesting that

auditors focused more on other factors, such as regulatory changes and inflation, during the pandemic. Public share ownership has no effect, which is consistent with information asymmetry theory. Although public investors demand timely reporting, uniform IDX regulations require all listed firms to comply equally, making this factor irrelevant to audit delay. Similarly, audit committee size is not significant. However, stewardship theory views the audit committee as a monitoring mechanism, the pandemic's limitations on face-to-face meetings reduced the effectiveness of its oversight function.

Table 3. Results for the 2023 – 2024 Period

Model	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)	t	Sig.
(Constant)	101.482	50.016	–	2.029	.058
Firm Size	-1.798E-8	.000	-.064	-.433	.670
Profitability	-135.868	61.956	-.281	-2.193	.042
Solvency	-3.078	3.241	-.126	-.949	.355
Ownership Structure	15.652	27.858	.076	.562	.581
Audit Risk Potential	-9.379	16.312	-.159	-.575	.572
Audit Committee	-14.844	13.142	-.203	-1.129	.267
Auditor Quality	9.028	9.528	.117	.948	.356
Audit Opinion	-13.146	39.037	-.101	-.337	.740
Inflation Rate	112.961	629.226	.018	.180	.860
Regulatory Change	-50.845	10.660	-.714	-4.770	.000

Based on Table 3, profitability and regulatory changes are found to have a significant effect on audit delay at the 0.05 significance level. Profitability has a negative coefficient, which means that the higher the Firm's profitability, the shorter the audit delay. This finding is consistent with agency theory and signaling theory. Both suggest that well-performing management is motivated to promptly disclose financial statements as a positive signal to investors, while also reducing information asymmetry between agents and principals. Meanwhile, regulatory changes also show a significant negative effect, indicating that new regulations encourage the acceleration of financial reporting. This result aligns with complexity theory and audit risk theory. Although regulations increase the auditor's workload, both firms and auditors strive to adapt more quickly in order to maintain compliance and legitimacy in the eyes of the public.

Based on the table above, firm size, solvency, public share ownership, audit risk, audit committee, auditor quality, auditor opinion, and inflation rate are statistically insignificant at the 0.05 significance level. This suggests that these variables do not have a meaningful effect on audit delay. The test results also suggest that the proposed hypotheses are not supported, or in other words, there is insufficient evidence to reject the null hypothesis. Furthermore, although the coefficients of several variables show both negative and positive directions, these effects cannot be considered consistent due to their lack of statistical significance.

The insignificance of total assets can be explained by the auditee characteristics theory, which suggests that firm size typically affects audit complexity. However, since most of the sample consists of large, publicly listed companies, variation in size is insufficient to differentiate the length of audit delay. Solvency and audit risk, which, according to audit risk theory, should increase

auditor caution, are also not significant, as highly leveraged firms generally have adequate internal control systems in place. Public share ownership, likewise, shows no effect. Although information asymmetry theory suggests that greater public ownership should encourage faster reporting, IDX regulations impose the same deadlines on all listed companies. Audit committee size is also insignificant; while stewardship theory and auditee characteristics theory imply that its presence should accelerate reporting, its effectiveness is limited because the variation in committee size across firms is relatively small. Auditor quality similarly has no significant impact. However, highly reputable auditors are expected to expedite the audit process, this effect is muted because nearly all sampled firms already employ high-quality auditors. Furthermore, the auditor's opinion does not show a significant effect; although audit opinion could theoretically influence audit timeliness, in practice, auditors still complete their work in line with regulatory deadlines. Finally, the inflation rate is also insignificant, as macroeconomic conditions were relatively stable in the post-pandemic period and therefore did not substantially increase audit complexity.

CONCLUSIONS

This findings research are indicate that during the 2016–2019 period, profitability, audit committee size, and regulatory changes played a significant role in reducing audit delay, while total assets, leverage, public ownership, auditor quality, and inflation were found to be insignificant due to the homogeneity of firm characteristics, macroeconomic stability, and the dominance of highly reputable auditors in the sample, tthe 2020–2022 period reveal that audir risk, auditor quality, inflation rate, and regulatory changes significantly affect audit delay. Meanwhile, total assets, profitability, solvency, public ownership, and audit committee size were not significant, as external pandemic-related factors outweighed internal firm characteristics. The 2023–2024 period reveals that profitability and regulatory changes significantly reduce audit delays. Meanwhile, other variables such as firm size, solvency, audit risk, public ownership, audit committee size, auditor quality, auditor opinion, and inflation were not significant, reflecting the homogeneity of large listed firms, the widespread use of reputable auditors, and stable post-pandemic macroeconomic conditions.

LIMITATIONS & FURTHER RESEARCH

This study is limited by the observation period, particularly during 2020–2022, when corporate financial data was not fully complete due to the impact of the COVID-19 pandemic. The differences in financial conditions across firms during the crisis created greater heterogeneity, which may have affected the consistency of the analysis results. Furthermore, several variables that are theoretically relevant may not have shown significance because of substantial external distortions during the pandemic period. This limitation should be addressed in future research by employing data triangulation or utilizing more robust analytical methods to handle incomplete or unbalanced data. Future research is recommended to expand the scope of variables by incorporating non-financial factors such as the digitalization of the audit process, the quality of corporate governance, and more detailed macroeconomic factors, including interest rates and fiscal policies.

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