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Audit Delay in Energy and Mining Sector

Frida Aini Nastiti[1], Bella Madiana Sumadi[2], Polly Endrayanto E C[3], Tanti Nurgiyanti[4], Nur Azizah Putri Sabila[5]

[1,2,3,5]*Department of Accounting, Respati University Yogyakarta, Yogyakarta, Indonesia*
[4]*Department of International Relation, Respati University Yogyakarta, Yogyakarta, Indonesia*

[1]Corresponding author:
frida.aini@respati.ac.id

Abstract. The Indonesia Stock Exchange (IDX) requires all listed companies to submit their audited annual financial statements no later than three months after the end of the reporting period. Failure to comply with this obligation will result in sanctions, such as written warnings and fines, in accordance with Exchange Regulation No. I-E concerning the Obligation to Submit Information. Nevertheless, in practice, many companies still experience audit delays, particularly in the energy and mining sectors, which are characterized by complex business operations and high levels of risk**.** This study aims to examine the effect of company size, solvency and political factors on *audit delay* in energy and mining sector companies listed on the Indonesia Stock Exchange in 2022-2023. The sample of this study included 76 companies with a final amount of 152 observation data obtained. The sampling technique is based on a number of predetermined criteria. The results of the study concluded that company size, solvency and political factors have a positive effect on *audit* delay.

Keywords: Audit Delay, Company Size, Solvency and Political Factors

INTRODUCTION

Audit delay or delay in issuing audit reports is a significant issue in the world of accounting and finance. This delay can have an impact on investor confidence, management credibility, and capital market stability. In Indonesia, the Indonesia Stock Exchange (IDX) has set a deadline for listed companies to submit annual audited financial statements, which is three months after the end of the financial reporting period. If companies fail to meet the deadline, they will be subject to sanctions in the form of written warnings and fines as stated in Exchange Regulation Number I-E concerning Obligation to Submit Information. However, in practice, there are still many companies that experience audit delay, especially in the energy and mining sectors which have complex and high-risk business characteristics .[1]

Based on IDX reports in 2022 and 2023, the delay in submitting audited financial reports is still a significant problem. In 2022, there were 61 listed companies that did not submit financial reports on time until the deadline for submission on May 2, 2023[2] . Meanwhile, in 2023, the number of companies experiencing audit delay increased to 137 companies that had not submitted reports by April 1, 2024[3] . This spike shows that despite stricter regulations, certain factors still cause audit delays, including in the energy and mining sectors which have historically had unique challenges in the audit process. Companies in the energy and mining sector often face more complex challenges in the audit process compared to other industries. Factors such as fluctuating commodity prices, strict regulations, and reliance on long-term contracts with governments and third parties can complicate the audit process. In addition, companies in this sector also often have a diversified business structure, encompassing operations in multiple geographic locations with different accounting and compliance standards. These complexities have the potential to extend the time it takes auditors to complete financial statement audits .[3]

Table1. List of Submission of Audited Financial Statements

Year	Number of Companies Listed on the IDX	Number of Companies that Submit Reports on Time	Number of Companies that Have Not Submitted Reports on Time
2022	858	797	61
2023	973	836	137

Source: IDX (2024)

Several factors are thought to affect the delay, including the Company size factor Large-scale companies generally have more complex reporting systems and require greater coordination compared to small companies. This complexity can affect the speed at which auditors complete the audit process[4] . The second factor that is suspected to affect *audit delay* is solvency. Companies with high levels of debt often face greater financial pressure, which can lead to difficulties in providing the auditor with the necessary documents in a timely manner. In addition, auditors may take longer to assess the going concern of companies with high levels of debt, especially if there are indications of bankruptcy risk[5] . Another factor that is also interesting to study is the political factor political affiliation can lead to conflicts of interest, complicated bureaucracy, and regulatory intervention that prolongs the audit . [6]

By considering these factors, this study aims to analyze the effect of company size, solvency, and directors' involvement in politics on audit delay in energy and mining sector companies listed on the IDX in 2022-2023. This study will use data on the financial statements of energy and mining companies during the period 2022-2023 to identify patterns of audit delay and the relationship with the independent variables studied. Thus, this research is expected to provide academic contributions as well as practical recommendations for companies, auditors, and regulators in overcoming *audit delay* problems.

METHODS

This study uses a quantitative approach with a causal-comparative design to examine the relationship between the independent variable (company size, *solvency* and political factors) and the dependent variable *(audit delay)*. This research was conducted on companies in the energy and mining sectors listed on the IDX in 2022-2023 which were obtained through the website www.idx.co.id, then the data was processed with SPSS 25. The data used in this study are secondary data in the form of financial reports. The sample of this study included 76 companies with a final amount of 152 observation data obtained. The sampling technique is based on a number of predetermined criteria:

1. Energy and mining sector companies listed on the IDX in 2022-2023
2. Energy and mining sector companies that disclose audited financial statements for 2022-2023.

Table 2. Measurement Variables

Variable	Measurement
Audit Delay	Audit Delay = audit report date - closing date of the Company's book
Company Size	Company Size = total assets
Solvency	Solvency = total liabilities : total assets
Political Factors	Political factors are measured by dummy variables: 1= if the company has political connections (e.g. board of directors/shareholders are government officials/party chairmen) 0 = if the company does not have political connections

This study uses multiple linear regression analysis techniques. The equation is as follows:

$$\mathbf{Y = \alpha + \beta 1.X1 + \beta 2.X2 + \beta 3.X3 + e}$$

Description, Y = audit delay, α = constant, β1, β2, β2 = regression coefficient, x1, x2, x3 are company size, solvency and political factors respectively and e = standard error.

RESULTS AND DISCUSSION

1. Normality Test

Table 3. Normality Test Results
One Sample Kolmogorov Smirnov Test

		Unstandardized Residual
N		152
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	,75228517
Most Extreme Differences	Absolute	.105
	Positive	.085
	Negative	-.105
Kolmogorov-Smirnov Z		1.300
Asymp. Sig. (2-tailed)		.068
a. Test distribution is Normal.		
b. Calculated from data.		

Normality test results in table 3. Shows the results of 0.068> 0.05, so it can be concluded that the data is normally distributed.

2. Heteroscedasticity Test

Table 4. Heteroscedasticity Test Results

Variable	sig	limit	Description
Company Size	0.569	>0,05	There is no heterocedacity
Solvency	0.488	>0,05	No heterocedacity
Political Factors	0.114	>0,05	No heterocedacity

Based on table 4, it can be seen that the probability value is greater than 0.05, thus the variables proposed in the study do not occur heterokedasitas.

3. Muticolonierity Test

Table 5. Multicolonierity Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-,144	,082		-1,763	,080		
	Company Size	,635	,114	,490	5,557	,000	,466	2,148
	Solvency	,246	,123	,165	1,993	,048	,530	1,887
	Political Factors	,170	,085	,133	1,999	,047	,816	1,226
a. Dependent Variable: Audit Delay								

From the multicolonierity test results in the table above, it can be seen that each variable has a *tolerance* value> 0.10 or VIF value < 10, so the conclusion is that there is no multicollinearity.

4. Hypothesis Test

Furthermore, hypothesis testing is carried out, namely the partial t test and simultaneous f test.

a) Partial Test (t)

Table 6. Partial Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-,144	,082		-1,763	,080
	Company Size	,635	,114	,490	5,557	,000
	Solvency	,246	,123	,165	1,993	,048
	Political Factors	,170	,085	,133	1,999	,047
a. Dependent Variable: Audit Delay						

From the table above, the constant value of Company size is 0.635 and the sig value is 0.000 <0.05. This means that company size has a significant positive effect on *audit delay*. Solvency has a constant value of 0.246 and a sig value of 0.048 <0.05. This shows that solvency has a significant positive effect on *audit delay*. Meanwhile, political factors have a constant of 0.170 and a sig value of 0.047 <0.05. This shows that political factors have a significant positive effect on *audit delay*.

5. Simultaneous Test (F)

Table 7. Simultaneous Test Results (f)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	73,809	3	24,603	42,609	,000[b]
	Residual	85,456	148	,577		
	Total	159,264	151			

Simultaneous test (f) obtained a sig value of 0.000, it can be concluded that company size, solvency and political factors together have a simultaneous impact on *audit delay.*

DISCUSSION

The Effect of Company Size on *Audit Delay*

From the results of the study it is known that the company size variable has a significance value of 0.000 <0.05. The regression coefficient has a value of 0.635. These results can be concluded that H1 is accepted and Ho is rejected, so that company size has a significant positive effect on *audit delay.* This is in line with research conducted by Mulyandani & Qinta (2022) and Sari & Febriansyah (2024) which state that company size has a positive effect on *audit delay.*

The Effect of *Solvency* on *Audit Delay*

The results showed that the solvency variable had a significance value of 0.048 <0.05. The regression coefficient is 0.246. This shows that H2 is accepted and Ho is rejected, so solvency has a significant positive effect on *audit delay.* This is in line with the research of Mulyandani & Qinta (2022) and Sari & Febriansyah (2024)[7] which state that solvency has a positive effect on *audit delay*. This means that companies with a high level of solvency can cause high *audit delay* as well.

The Effect of Political Factors on *Audit Delay*

From the results of the study, it is known that the political factor variable has a significance value of 0.047 <0.05. The regression coefficient is 0.170. This shows that H3 is accepted and ho is rejected, so that the political factor variable has a positive effect on *audit delay.* These results are also in line with research conducted by Chaney and Parsley (2011) which shows that political factors result in audit delays.

CONCLUSIONS

From the results of the testing and discussion that has been carried out, the following conclusions are drawn:

1. Partially, the results showed that the variables of company size, solvency and political factors had a positive effect on audit delay.
2. Simultaneously, the results of the above research also show that the variables of company size, solvency and political factors have a positive effect on audit delay.

This study makes an important contribution both theoretically and practically to understanding the factors that influence audit delays in energy and mining companies in Indonesia. Theoretically, this study enriches the accounting literature by

providing empirical evidence that company size, solvency, and political factors have a positive effect on audit delays, while also strengthening the application of agency theory in the context of audit delays. Practically, these findings serve as a reference for company management, auditors, and regulators to pay closer attention to internal and external factors that can cause audit delays. For companies, improving governance transparency and strengthening the role of independent audit committees are important steps to minimize the risk of audit delays. For auditors, the results of this study can serve as a basis for conducting more comprehensive audit planning for companies with high levels of complexity. Meanwhile, for regulators, these findings can be considered in formulating policies that encourage compliance with financial reporting deadlines.

For further research, it is recommended that researchers expand the independent variables tested, for example by including profitability, auditor quality, and company operational complexity, so that the results obtained are more comprehensive. Additionally, using a longer research period and cross-sector comparisons could provide a deeper understanding of the determinants of audit delays. The use of mixed methods, combining quantitative approaches with in-depth interviews, could also enrich our understanding of non-financial factors contributing to audit delays.

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