

# The Effect of Return on Asset (RoA), Earning Management and Audit Committee on Audit Delay with Managerial Ownership as a Moderating Variable

Dian Sadewo<sup>1</sup>, Dian Saputra<sup>2</sup>

<sup>1,2</sup>Universitas Islam Riau, Pekanbaru, Indonesia

Email: [diansadewo0@gmail.com](mailto:diansadewo0@gmail.com)

## Abstract

This study looks into the effects of return on asset (RoA), earnings management, and the audit committee on audit delay, with managerial ownership acting as a moderating variable. Committee of Audits Between 2020 and 2022, this study was carried out at property and real estate companies that were listed on Indonesia's stock exchange. Audited financial accounts serve as the source of secondary data that is used. Partial Least Square Structural Equation Modeling (SEM-PLS) is the data analysis method used. The findings demonstrated that, although profitability and earning management had a major impact on audit delay, the Committee on Audit had no discernible impact and was bolstered by managerial ownership as a mitigating factor.

**Keywords:** *Audit Delay; ROA; Management of Earnings; Audit Committee.*

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## A. INTRODUCTION

Rachmawati (2008), asserts that timely and precise presentation of financial statement information is highly beneficial. However, if it is not presented accurately and on time, the information is no longer useful. The level of investor confidence in a company is influenced by how long the company reports its financial statements. Some investors believe that a company's delay in reporting its financial statements indicates that something is wrong with the company. Reporting before all aspects of a transaction or other event are known often reduces the reliability of the information. If reporting is delayed until all aspects of the information are known, the resulting decision-making may be very credible but less useful. Public firms that become public have to, among other things, publish financial statements, create financial accounting standards, and allow their public accountants who are registered with the Capital Market Supervisory Agency (BAPEPAM) to audit them.

Regulators, investors, creditors, and other users can make economic decisions with the assistance of how a firm performs and is financially positioned (Aprilia & Cahyonowati, 2022). Financial statements are where management demonstrates how the company's resources are used, based on the 2015 (PSAK No.1), the Statement of the Principles of Financial Accounting Rosalia et al (2018). Investors and potential investors have direct access to financial information from publicly traded companies listed on the stock exchange of Indonesia (IDX) (Annisa & Rahmizal, 2021).

Any firm going public is required to make public financial reports that were prepared in accordance with standards for financial accounting and audited between an public Accounting Firm (KAP) accredited with Bapepam-LK. Fair presentation of financial accounts, which include the income statement and balance sheet or financial position, is required (Suginam et al., 2020). One characteristic of economic statements prepared in compliance with IFRS (International Financial Reporting Standard) is relevance (Saputra et al., 2021). Time has a substantial impact about the relevancy of information. Reports on finances that are timely released contain information that is unquestionably more useful than those that are notT (Saputra et al., 2021).

Exchange of Indonesia Stocks is still finding corporations that aren't allowed to present financial accounts that have been audited. The Indonesia Stock Exchange (IDX) said on June 30, 2014, that 26 businesses had been sanctioned for submitting audit financial statements for 2013 and 2015 late, and that 52 additional companies had also been late. Additionally, according to the IDX, 63 companies still had not turned in their audited financial statements as of May 2, 2016. This demonstrates that nearly every year-end, public corporations consistently miss the deadline for filing their audited financial accounts. Investors view delays as a source of uncertainty when making investment decisions since they require financial statement data instantly.

According to Nelwan et al (2020), a firm's stock price fall can result from delays in producing financial reports or audit delays, which can lead to unstable stock price movements and investors viewing the company as having delayed an audit. Profitability is one of the things that delays an audit. Companies and investors anticipate profit; loss poses a risk to their interests.

## **B. LITERATUR REVIEW**

### **1. Agency Theory**

The representative relationship is written in the contract by assigning the agent to provide services and giving the agent decision-making authority, according to Jensen & Meckling (2019) In agency, there is an important division of labor between management and investor ownership. According to OJK regulations, management is required to submit financial reports to company owners on time, and this theory explains the relationship between management and owners through the accuracy and efficiency of these reports. The benefits of financial statements will be diminished if they are not submitted on time since there is a strong correlation between the timeliness of financial statement presentation and audit delays.

Audit delay is a significant factor that must be taken into account when putting agency theory into practice. There is a direct correlation between the timely publication of financial reports and the length of the audit delay. This is because late submission of financial reports reduces their benefits. According to (Praptika & Rasmini, 2016) timeliness refers to the amount of time that elapses between the reporting and the information that needs to be presented. If the information is not submitted on time, its value declines. Asymmetric information is produced when the principal receives information that has been diminished in value. In this instance, the

agent is more knowledgeable about internal business information than the principal, who is more aware of external business information gleaned from management's performance reviews. In order to provide financial reports to the principal in a transparent manner, it is necessary to act quickly in order to lessen the information asymmetry between the agent, management, and the principal or shareholders (Praptika & Rasmini, 2016).

## **2. Earnings Management**

Healy & Wahlen (1999) assert that in order to mislead investors about the company's underlying economic performance or to influence contractual outcomes that heavily rely on accounting figures, management may influence financial statements or arrange transactions in a way that modifies the information reported in financial statements. This is known as earnings management. The term "earnings management" describes the application of accounting procedures that generate the appropriate accounting statements showing a solid financial standing. The explanation for this is that solid financial accounts can provide a general picture of the financial health and consistency of the company.

Earnings management techniques are divided into two categories, The management of actual earnings and accrual-based the revenue, as described by Joosten et al (2013). The implementation of real earnings management (REM) involves operating, investing, and financing activities that differ from typical business operations. For instance, purchasing outstanding shares to raise the amount of profits per share or prolonging development of projects to circumvent project development expenses in accordance with IAS no. 3 (Bens et al., 2003). The application of accrual-based earnings management (AEM) is facilitated by managerial discretion and influence over accruals, as allowed by relevant accounting standards and regulations. As an illustration, consider estimating the cost of bad debts, impairment of assets, amortization, salvage value, and the estimated useful life of fixed assets.

## **3. Return On Asset and Audit Delay**

Rachmawati (2008) claims that profitability characterizes the degree of operational activity effectiveness that the business can attain. Che-Ahmad & Abidin (2009) state that in the event of low company profitability, the auditor will be more cautious in carrying out his audit duties due to increased business risks. This will result in a slower audit process and the issuance of a longer audited report. The following hypothesis hypothesis is used in this study:

*H<sub>1</sub>: ROA change has a positive effect on audit delay*

## **4. Earning Management and Audit Delay**

Agency problems cause information asymmetry between agents and principals. Management chooses not to disclose information that actually occurs to the principal accurately, which causes earnings management (Fakhfakh & Jarboui, 2022). According to Ezat (2015), agent or manager dishonesty can be caused by primary

misdirection. Primary misdirection involves manipulating profits to increase significant profits. In addition, management can deceive customers by disclosing confidential information that supports financial goals (Y.-C. Lee & Lu, 2015). By doing this, management can increase their compensation to customers. The consequences of management performing earnings management can affect the timing of financial reporting to gain certain advantages and benefits, such as the disposition of share ownership (Ezat, 2015).

Several studies have found inconsistent findings about final report audits being affected by earnings management. Previous research shows that greater earnings management can increase the final report audit, as shown by research (Habib et al., 2019; H.-Y. Lee et al., 2009). In addition, another study (Šušak, 2020) found that higher levels of earnings management led to longer delays in audit reports. In contrast, research conducted by (Bangun, 2019; Ezat, 2015; Fakhfakh & Jarboui, 2022; Luypaert et al., 2016; Sharad, 2014) found that audit reports gradually decrease when earnings management is high. The earnings disclosure date is not affected by earnings management (Aubert, 2011).

Simultaneously, earnings management can have an impact on the delay of audit reports. Therefore, managers must try to do two things that collide: publish the company's financial information as soon as possible or delay the disclosure of accounting information as long as possible (Fakhfakh & Jarboui, 2022). As the result, the following hypothesis is utilized in this study. As a result, the following hypothesis is used in this study:

*H<sub>2</sub>: Earnings management has a negative effect on audit delay*

## **5. Audit Committee and Audit Delay**

The Board of Commissioners established the audit committee to support the Independent Commissioner in carrying out supervisory responsibilities and tasks related to financial statement preparation. The length of the audit delay will decrease with the number of audit committees (Haryani & Wiratmaja, 2014). As the company's internal party, the audit committee oversees the planning and execution of the audit before assessing the findings.

*H<sub>3</sub>: Komite audit has a positive effect on audit delay*

## **6. Managerial Ownership as a Moderating variable**

Shareholders, or owners from management who actively participate in the company's decision-making, are considered managers' owners in this context. In this situation, managers are crucial because they are in charge of organizing, directing, supervising, and making decisions. Managers will have greater accountability for running the business, which will improve management performance. Furthermore, managers will be more motivated to work harder to maximize profits if they feel a sense of ownership. Financial reports will be timely submitted by managers who perform well (Ukago, 2004).

*H<sub>4</sub>: Managerial ownership can moderate the effect of profitability on audit delay*

H<sub>5</sub>: *Managerial ownership can moderate the effect of earning management on audit delay*

H<sub>6</sub>: *Managerial ownership can moderate the effect of the audit committee on audit delay*

### C. METHOD

Using quantitative approaches, this study converts the data into statistical numbers to provide empirical proof on the influence between components. The demographic taken into account in this study is mining companies that list between 2020 and 2022 on the Indonesia Stock Exchange. While some reports are retrieved from the official websites of the individual firms, the majority of the data available is taken at the Indonesian inventory Exchange's official website (<https://www.idx.co.id>). Purposive sampling, which involves selecting samples based on certain criteria listed in Table 1, was used to determine the sample for this investigation.

**Table 1. Research Sample**

| Information                                                          | Total      |
|----------------------------------------------------------------------|------------|
| Mining companies listed on the Indonesia Stock Exchange in 2020-2022 | 53         |
| Research Sample                                                      | 53         |
| Number of years studied                                              | 3          |
| <b>Total Observation</b>                                             | <b>159</b> |

The study's variable of interest is audit delay, and its independent components are audit committee, profitability, earning management, and managerial ownership, which also acts as a moderating factor. The author additionally includes control factors, such as company size, solvency, and financial difficulty.

The duration between the conclusion of the business's fiscal year and the date on which the audit report is released is known as the audit delay (Ashton et al., 1987), As per the previous research conducted by (Karina & Julianto, 2022; Lajmi & Yab, 2022; Park & Choi, 2023). we have decided to measure audit report lag in our study by computing the number of days that have elapsed between the date of book closure and the publication of the audited financial statements.

**ARL = Signing of the independent auditor's report - Date of book closure**

This research measures profitability using Return on Asset (ROA). This ratio is used to assess the rate of return on a given investment. With the following formula:

$$\text{Return On Assets} = (\text{Profit Before Tax} / \text{Total Assets}) \times 100\%$$

Using discretionary accrual (DAC) to measure the independent variable earnings management (X<sub>2</sub>), this approach is thought to be the most effective at identifying earnings management (Dechow et al., 2014) It involves the following steps:

1. Calculate total accruals:

$$\text{TAC}_{it} = \text{NI}_{it} - \text{CFO}_{it}$$

Description:

TAC<sub>it</sub> : Total accruals in the period of year t

NI<sub>it</sub> : Net income in the period of year t

CFO<sub>it</sub> : Cash flow from operation in the period of year t

i : Represents the company

$t$  : Represents the year or period

2. Regressing the modeling to find beta values:

$$TAC_{it}/A_{it-1} = \beta_0 + \beta_1 (1/A_{it-1}) + \beta_2 (\Delta REV_{it} - \Delta REC_{it})/A_{it-1} + \beta_3 (PPE_{it}/A_{it-1})$$

Description:

$TAC_{it}$  : Total accruals in the period of year  $t$

$A_{it-1}$  : Total assets of the company at the end of year  $t-1$

$\Delta REV_{it}$  : The change in company revenue in year  $t$

$\Delta REC_{it}$  : Change in the company's receivables in year  $t$

$PPE_{it}$  : Company's fixed assets in year  $t$

$ROA_{it}$  : Return on Assets in the period of year  $t$

3. Calculate the value of Nondiscretionary Accruals:

$$NDAC_{it} = \beta_0 + \beta_1 (1/A_{it-1}) + \beta_2 (\Delta REV_{it} - \Delta REC_{it})/A_{it-1} + \beta_3 (PPE_{it}/A_{it-1})$$

4. Calculate the value of Discretionary Accruals:

$$DAC = (TAC_{it} / A_{it-1}) - NDAC_{it}$$

The audit committee's objective, which was established by the Board of Commissioners, is to support the Independent Commissioner in discharging their supervisory obligations. the committee of auditing is evaluated in this study use an audit committee's share, which is the ratio of the committees on audit to the quantity of the commissioner boards as per the following formula (Sulistya & Sukartha, 2013):

$$\text{Audit Committee Proportion} = \text{Total Committee of Audits} / \text{Total Board of Commissioners}$$

This study also added control variables to increase/decrease the explanatory power of this study (Lajmi & Yab, 2022). These variables include Financial Distress, Solvency, Company Size. Following the data collecting phase in this study, which involved gathering information from <http://www.idx.co.id>, the following step involves verifying and forecasting hypotheses that will illustrate the impact of each independent and dependent variable. Using the SmartPLS version 3.0 software, structural equation modeling - partial least squares (SEM - PLS) is the analysis method utilized.

Based on the minimum, maximum, average, range, standard deviation (deviation rate), and mean values, descriptive statistics give an overview or description of audit delay (AD), profitability (P), Earning Management (ML), and audit committee (KA). There are two phases of model evaluation in PLS-SEM: modeling of measurements evaluation (outer model) and assessment of structural models (inner model). The inner model is used to predict the link between variables by calculating the significance of the p-value and determining how much variance can be explained. The outer model is used to evaluate the validity and reliability of the construct-forming indicator variables.

## D. RESULT AND DISCUSSION

### 1. Descriptive Statistic

Table 2 makes clear which descriptive statistical data were employed in this investigation. 307,000 as the maximum amount and 50,000 as the minimum, the

average value of the Audit Delay indicated by AD is 108,698. This demonstrates that mining businesses typically turn in their financial reports 108 days after the annual book closes. The mean, median, max, and min values of each variable utilized in this study may also be seen from the data in table 2. Because a smaller standard deviation value indicates higher quality data, we can also observe from table 2's standard deviation value that the used data has a normal distribution (Hidayat et al., 2019).

**Table 1. Statistical Data Description**

| Variable | Mean    | Median | Min       | Max      | S.DEV    |
|----------|---------|--------|-----------|----------|----------|
| AD       | 108.698 | 91.000 | 50.000    | 307.000  | 39.969   |
| ROA      | 0.376   | 0.550  | -37.516   | 42.833   | 6.776    |
| ML       | 0.014   | 0.011  | -0.440    | 0.631    | 0.089    |
| KA       | 0.994   | 1.000  | 0.333     | 3.000    | 0.437    |
| KM       | 0.204   | 0.050  | 0.000     | 0.990    | 0.285    |
| FD       | 18.273  | 2.224  | -10.985   | 1306.293 | 144.1527 |
| SOLVA    | 36.274  | 21.666 | -1476.389 | 588.719  | 147.312  |
| UP       | 25.164  | 25.815 | 16.057    | 32.675   | 2.781    |

## 2. Analysis of Measurement Model

The test of the outer measurement method in SEM-PLS requires several steps. Validity and reliability tests are carried out first, and then the outer load a test is conducted to determine how well the indicators used to measure the constructs are measured. After that, cross-loading, convergent, and discriminant tests are performed (Hair et al., 2020)

As shown in table 3, validity and reliability testing is done by testing the outer pressure. From this data, it can be concluded that all indicators can measure their constructs very well. Because, as stated by (Hair et al., 2020), the external load can be considered good if it has a value above 0.7 or 0.5. Next, test the reliability of the structure. Composite Reliability (CR) and Cronbach's alpha are two methods that can be used to conduct this check.

**Table 2. Outer Loading**

|         | AD    | FD    | KA    | KM    | KM, KA | KM, ML | KM, ROA | ML    | ROA   | SOLVA | UP    |
|---------|-------|-------|-------|-------|--------|--------|---------|-------|-------|-------|-------|
| AD      | 1.000 |       |       |       |        |        |         |       |       |       |       |
| FD      |       | 1.000 |       |       |        |        |         |       |       |       |       |
| ROA     |       |       |       |       |        |        |         |       |       |       |       |
| SOLVA   |       |       |       |       |        |        |         |       | 1.000 |       |       |
| ML      |       |       |       |       |        |        |         |       |       |       |       |
| KA      |       |       | 1.000 |       |        |        |         | 1.000 |       |       |       |
| UP      |       |       |       |       |        |        |         |       |       |       | 1.000 |
| KM      |       |       |       | 1.000 |        |        |         |       |       |       |       |
| KM, ROA |       |       |       |       |        |        | 0.789   |       |       |       |       |
| KM, ML  |       |       |       |       |        | 0.734  |         |       |       |       |       |
| KM, KA  |       |       |       |       | 1.325  |        |         |       |       |       |       |

Cronbach's alpha is measured by calculating the consistency between the indicators used to measure the construct, while composite reliability (CR) determines

the reliability of a structure by considering the weight of each indicator, (Hair et al., 2020). Table 4 provides evidence of the validity and reliability of the data used. For if a piece of data has a composite reliability (CR) value over 0.7 and a Cronbach's alpha value more than 0.6, it can be considered reliable. Furthermore, the convergent validity value of the data presented in the Average Variance Extracted (AVE) column may be observed from the data in Table 4. The AVE value needs to meet a minimum requirement of 0.5. Thus, it can be said that the convergent validity test results for this research data are safe.

**Table 3. Construct Reliability and Validity**

|        | Cronbach's Alpha | rho_A | Composite Reability | Average Variance Extracted (AVE) |
|--------|------------------|-------|---------------------|----------------------------------|
| AD     | 1.000            | 1.000 | 1.000               | 1.000                            |
| FD     | 1.000            | 1.000 | 1.000               | 1.000                            |
| KA     | 1.000            | 1.000 | 1.000               | 1.000                            |
| KM     | 1.000            | 1.000 | 1.000               | 1.000                            |
| KM KA  | 1.000            | 1.000 | 1.000               | 1.000                            |
| KM ML  | 1.000            | 1.000 | 1.000               | 1.000                            |
| KM ROA | 1.000            | 1.000 | 1.000               | 1.000                            |
| ML     | 1.000            | 1.000 | 1.000               | 1.000                            |
| ROA    | 1.000            | 1.000 | 1.000               | 1.000                            |
| SOLVA  | 1.000            | 1.000 | 1.000               | 1.000                            |
| UP     | 1.000            | 1.000 | 1.000               | 1.000                            |

The final step is the discrimination test. This test is conducted using the cross-loading test. This exam was conducted using two tests: the HTMT criterion and the discriminant validity test with Fornell-Lauer. The results of the discriminant test of validity with the HTMT, which indicates that the highest values are presented in table 6, and the discriminant validity test with the Fornell-Lesner criterion, which indicates that the data utilized are in compliance with the requirements.

**Table 4. Discriminant Validity-fornell-lacker Criterion**

|        | AD     | FD     | KA     | KM     | KM, KA | KM, ML | KM, ROA | ML     | ROA    | SOLVA | UP    |
|--------|--------|--------|--------|--------|--------|--------|---------|--------|--------|-------|-------|
| AD     | 1.000  |        |        |        |        |        |         |        |        |       |       |
| FD     | 0.464  | 1.000  |        |        |        |        |         |        |        |       |       |
| KA     | 0.022  | 0.002  | 1.000  |        |        |        |         |        |        |       |       |
| KM     | 0.267  | 0.296  | 0.122  | 1.000  |        |        |         |        |        |       |       |
| KM KA  | -0.092 | -0.003 | 0.270  | 0.284  | 1.000  |        |         |        |        |       |       |
| KM ML  | 0.133  | 0.033  | -0.225 | -0.055 | -0.384 | 1.000  |         |        |        |       |       |
| KM ROA | -0.157 | -0.164 | 0.085  | -0.003 | 0.090  | -0.666 | 1.000   |        |        |       |       |
| ML     | -0.013 | 0.005  | -0.152 | -0.004 | -0.125 | 0.021  | 0.016   | 1.000  |        |       |       |
| ROA    | -0.193 | -0.040 | 0.040  | 0.007  | 0.051  | 0.017  | -0.077  | -0.572 | 1.000  |       |       |
| SOLVA  | 0.003  | 0.093  | -0.037 | -0.013 | 0.012  | 0.144  | -0.180  | -0.137 | 0.128  | 1.000 |       |
| UP     | -0.067 | 0.142  | 0.196  | -0.049 | 0.077  | -0.021 | -0.061  | 0.062  | -0.005 | 0.160 | 1.000 |

**Table 5. Discriminant Validity-HTMT**

|        | AD    | KM KA | KM ML | KM ROA | FD | KA | KM | ML | ROA | SOLVA | UP |
|--------|-------|-------|-------|--------|----|----|----|----|-----|-------|----|
| AD     |       |       |       |        |    |    |    |    |     |       |    |
| KM KA  | 0.157 |       |       |        |    |    |    |    |     |       |    |
| KM ML  | 0.133 | 0.666 |       |        |    |    |    |    |     |       |    |
| KM ROA | 0.092 | 0.090 | 0.384 |        |    |    |    |    |     |       |    |
| FD     | 0.464 | 0.164 | 0.033 | 0.003  |    |    |    |    |     |       |    |

|       |       |       |       |       |       |       |       |       |       |       |  |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--|
| KA    | 0.022 | 0.085 | 0.225 | 0.270 | 0.002 |       |       |       |       |       |  |
| KM    | 0.267 | 0.003 | 0.055 | 0.284 | 0.296 | 0.122 |       |       |       |       |  |
| ML    | 0.013 | 0.016 | 0.021 | 0.125 | 0.005 | 0.152 | 0.004 |       |       |       |  |
| ROA   | 0.193 | 0.077 | 0.017 | 0.051 | 0.040 | 0.040 | 0.007 | 0.572 |       |       |  |
| SOLVA | 0.003 | 0.180 | 0.144 | 0.012 | 0.093 | 0.037 | 0.013 | 0.137 | 0.128 |       |  |
| UP    | 0.067 | 0.061 | 0.021 | 0.077 | 0.142 | 0.196 | 0.049 | 0.062 | 0.005 | 0.160 |  |

### 3. Analysis of Structural Model

The structural analysis of this model consists of several steps. These include evaluating the structural model's collinearity, examining the path coefficients' size and significance, examining the endogenous variables' R<sup>2</sup> values for in-sample predictions, examining the F2 effect size for in-sample predictions, and lastly determining whether the Q2 predictions are relevant (Hair et al., 2020).

### 4. Structural Model Collinearity

The data in Table 7 demonstrate that the model's collinearity test results do not indicate any substantial multicollinearity. Each variable's VIF value needs to be less than 3.0, and the construct scores' bivariate correlation needs to be less than 0.50. This makes sense given the study's explanation (Hair et al., 2020), which explains that if the VIF value of the bivariate correlation between construct scores is higher than 0.50, then there is a multicollinearity problem, which can have an impact on the sign of the coefficient.

**Table 6. Outer and Inner VIF**

| Outer VIF Values |       | Inner VIF Values |       |       |        |    |    |    |    |     |       |    |
|------------------|-------|------------------|-------|-------|--------|----|----|----|----|-----|-------|----|
|                  | VIF   | AD               | KM KA | KM ML | KM ROA | FD | KA | KM | ML | ROA | SOLVA | UP |
| AD               | 1.000 |                  |       |       |        |    |    |    |    |     |       |    |
| FD               | 1.000 | 1.200            |       |       |        |    |    |    |    |     |       |    |
| KA               | 1.000 | 1.185            |       |       |        |    |    |    |    |     |       |    |
| KM               | 1.000 | 1.241            |       |       |        |    |    |    |    |     |       |    |
| KM KA            | 1.000 | 1.458            |       |       |        |    |    |    |    |     |       |    |
| KM ML            | 1.000 | 2.336            |       |       |        |    |    |    |    |     |       |    |
| KM ROA           | 1.000 | 2.038            |       |       |        |    |    |    |    |     |       |    |
| ML               | 1.000 | 1.563            |       |       |        |    |    |    |    |     |       |    |
| ROA              | 1.000 | 1.518            |       |       |        |    |    |    |    |     |       |    |
| SOLVA            | 1.000 | 1.092            |       |       |        |    |    |    |    |     |       |    |
| UP               | 1.000 | 1.132            |       |       |        |    |    |    |    |     |       |    |

### 5. Path Analysis and Hypotheses Testing

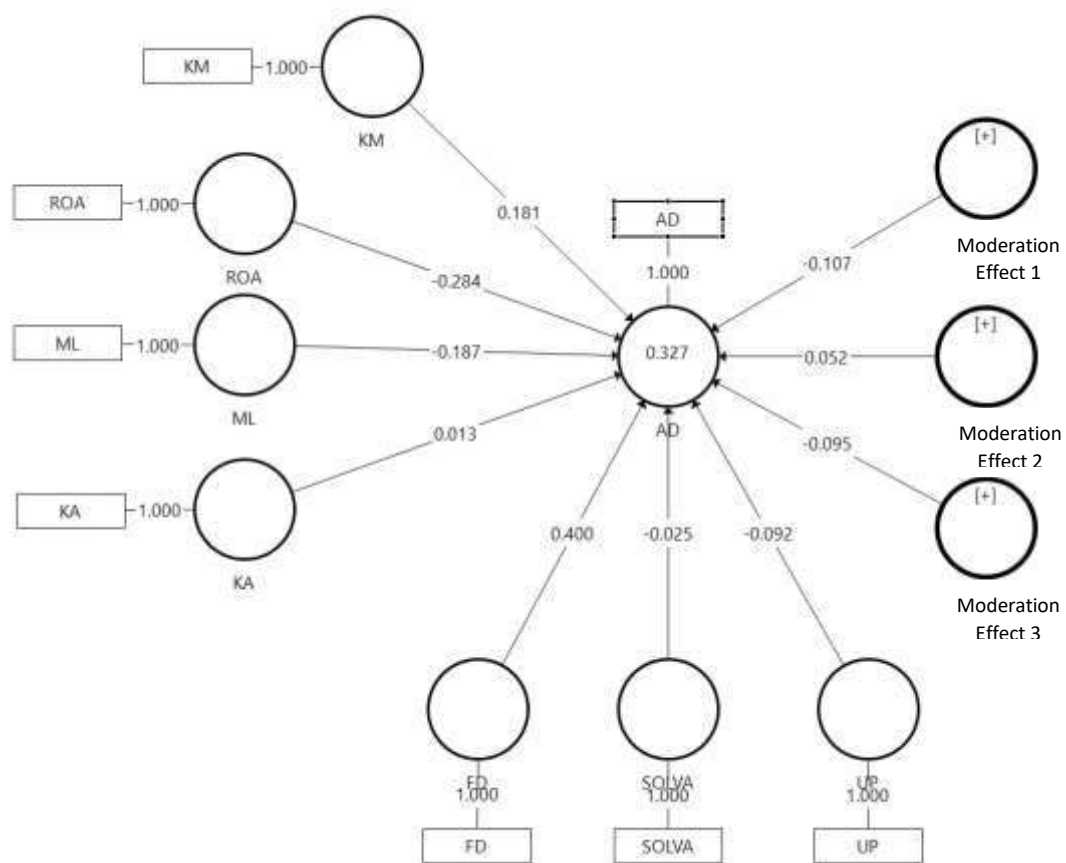
ROA's substantial impact on audit latency is indicated by its p-value of (0.006)  $\leq$  (0.05), which is the outcome of a bootstrapping analysis with a significance value of alpha 0.05 or 5%, based on the path analysis results displayed in Table 8. H1 is rejected since it can be inferred from the original sample result that ROA has an adverse effect on the audit's time due to its negative value. Furthermore, the p-value for earning

management is  $(0.031) < (0.05)$ , suggesting that income management significantly influences audit delay.

Using managerial ownership as a complicating factor, the moderating effect test reveals that ROA, earning management, and audit committee on audit delay have p-values of  $(0.559)$   $(0.744)$ , and  $(0.198) \geq (0.05)$ . As a result, H4, H5, and H6 are rejected because there is no way for managerial ownership to interact with ROA, Earning management, and the committee of auditing regarding the postponement of the audit.

The next stage in assessing the model's predictive power is to do a R squared analysis, which illustrates the amount of variance that can be attributed to the variables that make predictions. The relationship between the R squared value and the model's predictive power is positive. 32.7% of the variance in the dependent variable may be attributed to the independent variables, according to the R squared value of 32.7% and the adj R squared value of 28.1%. However, other variables that the researcher did not include in the model explain other areas.

The end of this study is the Q-Squared (Q<sup>2</sup>) value, which is performed in the second stage using the blindfolding test in SmartPLS. Hair et al (2020) state that the Q-Squared test shows how well the PLS-SEM model can predict the dependent variable. Table 10 shows a Q<sup>2</sup> value of 0.30, which indicates a medium model prediction assessment. This is in accordance with the explanation of Hair et al (2020) which states that Q<sup>2</sup> values higher than 0.25 and 0.50 indicate large and medium predictive.



**Figure 1. Path Coefficient**

**Table 7. Structural Model and Hypotheses Testing**

|                          | Original<br>Sample<br>(O) | Sample<br>Mean<br>(M) | (STDEV) | T Stat | P Values | CI<br>[2,5%;97,5%] | f <sup>2</sup> |
|--------------------------|---------------------------|-----------------------|---------|--------|----------|--------------------|----------------|
| <b>Direct Effect</b>     |                           |                       |         |        |          |                    |                |
| ROA -> AD                | -0.284                    | -0.282                | 0.103   | 0.103  | 0.006    | -0.493; 0.075      | 0.079          |
| ML -> AD                 | -0.187                    | -0.190                | 0.087   | 2.157  | 0.031    | -0.375; 0.007      | 0.033          |
| KA -> AD                 | 0.013                     | 0.007                 | 0.064   | 0.204  | 0.838    | -0.121; 0.131      | 0.000          |
| KM -> AD                 | 0.181                     | 0.172                 | 0.106   | 1.715  | 0.087    | -0.039; 0.380      | 0.039          |
| FD -> AD                 | 0.400                     | 0.316                 | 0.248   | 1.608  | 0.108    | -0.303; 0.658      | 0.198          |
| SOLVA -> AD              | -0.025                    | -0.022                | 0.071   | 0.357  | 0.721    | -0.159; 0.142      | 0.001          |
| UP -> AD                 | -0.092                    | -0.100                | 0.071   | 1.305  | 0.193    | -0.237; 0.033      | 0.011          |
| <b>Moderating Effect</b> |                           |                       |         |        |          |                    |                |
| KM -> ROA                | -0.107                    | -0.102                | 0.183   | 0.585  | 0.559    | -0.491; 0.211      | 0.005          |
| KM -> ML                 | 0.052                     | 0.072                 | 0.160   | 0.327  | 0.744    | -0.219; 0.395      | 0.001          |
| KM -> KA                 | -0.095                    | -0.092                | 0.073   | 1.288  | 0.198    | -0.272; 0.035      | 0.016          |

**Table 8. R squared Data**

|     | R Square | Adjusted R Square |
|-----|----------|-------------------|
| ARL | 0.327    | 0.281             |

**Table 9. Construct Crossvalidated Redundancy**

| Total  |         |         |                             |
|--------|---------|---------|-----------------------------|
|        | SSO     | SSE     | Q <sup>2</sup> (=1-SSE/SSO) |
| AD     | 159.000 | 123.169 | 0.225                       |
| FD     | 159.000 | 159.000 |                             |
| KA     | 159.000 | 159.000 |                             |
| KM     | 159.000 | 159.000 |                             |
| KM KA  | 159.000 | 159.000 |                             |
| KM ML  | 159.000 | 159.000 |                             |
| KM ROA | 159.000 | 159.000 |                             |
| ML     | 159.000 | 159.000 |                             |
| ROA    | 159.000 | 159.000 |                             |
| SOLVA  | 159.000 | 159.000 |                             |
| UP     | 159.000 | 159.000 |                             |

## E. CONCLUSION

The main objective of this study is to evaluate the effects of ROA, earning management, and audit committee on audit delay, with managerial ownership serving as a controlling factor. With real estate and property corporations as the subjects of analysis, this research especially examines the effects of ROA, earning management, and audit committees on audit delays.

Table 8 displays the study's findings, including each variable's direct impact on audit delay as well as its impact following the use of moderating variables. It is clear from this table that H1 and H3 are disproved. when the ROA significantly increases the audit delay. These findings suggest that the ROA, which is determined by how well the business uses its assets to turn a profit, will quicken the audit's completion time. The less time a corporation takes to report audited financial results, the higher

its ROA number. This outcome is inconsistent with studies (Umami et al., 2019) demonstrating that there is no audit committee bearing regarding audit time. (Umami et al., 2019) demonstrating the result of the The committee of auditing regarding the postponement of the audit. The moderating variable of managerial ownership size does not yield a statistically significant impact on ROA, earning management, or the audit delay by the audit committee. Thus, H4, H5, and H6 are disregarded.

The delay in audit reports can be significantly reduced by increasing earnings management, according to other results that also showed this ability to negatively influence the audit report lag. These findings are consistent with those of Bangun (2019); Ezat (2015); Fakhfakh & Jarboui (2022); Luypaert et al (2016); Sharad (2014)

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