

## Factors Affecting Audit Report Lag (Empirical Studies on Manufacturing Listed Companies on the Indonesia Stock Exchange)

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### Abstract

This research aims to determine whether Company Size, Company Age, Debt to Equity (DER), Return on Assets (ROA), Audit Opinion, and Auditor Reputation significantly affect Audit Reports Lag. This research was conducted at manufacturing companies listed on the Indonesia Stock Exchange from 2015 to 2019. The study used 87 companies as samples, a total of 435 samples as a whole. The data analysis technique used is panel data analysis. The results obtained are that the Company Size and ROA have a significant negative effect on ARL. Company Age has a significant positive effect on ARL. In contrast, DER, Audit Opinion, and Auditor Reputation have no significant effect.

**Keywords:** Audit Report Lag, Company Size, Company Age, DER, ROA, Audit Opinion, Auditor's Reputation.

### 1. Introduction

Based on statistical data recorded in KSEI during 2020, there was an increase in the number of stock investors by 36.14% compared to 2019. This increase in stock investors led to an increase in the usefulness of the information presented in financial reports, primarily for the new investors. Financial reports describe a company's performance in a period; the timeliness of its presentation is one of the characteristics of a financial report that supports the investor's decision-making process (IASB, 2018). Factual and valuable information can be irrelevant if it is not available when it is needed. Delays in the release of financial reports can expose companies to adverse situations such as negative and unexpected responses from the market, increasing information asymmetry, and increasing erratic investment decisions (Abbot et al., 2012; Aryaningsih & Budiarta, 2014; Muktharuddin et al., 2015). The most significant thing that affects the timeliness of the release is the timeliness of the external audit reports. Companies may pressure their independent auditor to finalize the audit as quickly as possible when they want to convey the information, but the final decision remains with the auditor. Auditors want to avoid the risk of litigation; therefore, they will not issue the report without fair and good judgment. (Ezat, 2015). Financial reports that have been completed by the company's management and have gone through the audit process by an external auditor must be reported to the Financial Services Authority (OJK).

The objective is to gain legitimacy and increase public confidence in the financial statement presented to the public (Fujianti & Satria, 2020).

The regulations regarding audited financial report reporting are stated in POJK No. 29/POJK. 04/2016 about the Annual Report of Issuers or Public Companies. Despite the regulations, the IDX noted that up till June 30th, 2020, 80 issuers did not submit their 2019 annual reports on time. Audit Report Lag (ARL) or Audit Delay is measured by the period or the number of days from the end of the fiscal year till the date of signing the audit report (Pizzini & Ziegenfuss 2015). Decreasing the delay is considered essential to increase the timeliness and promote investors' trust in the company and capital markets (Sujarwo, 2019), and the delay can also affect the image and the company's quality in investors' eyes. Previous studies noted the importance of conducting more profound research about the delay due to its impact on timeliness and data disclosure (Oussii & Taktak, 2018, Nouraldeen et al., 2021).

There are many determinants stated in previous studies regarding ARL, namely; Company size, company age, solvency, profitability, information systems, audit committee, board size, gearing, extraordinary items, auditor switching, audit fees, auditor reputation, and other factors. (Suryanto, 2016; Ginting & Hidayat, 2019; Yuyanti & Mulya, 2020; Nouraldeen et al., 2021). This study focused on a few factors from the company and auditor side because the main factor causing audit report lag came from both

entities. Factors from the company side that influence ARL include company size, company age, DER, and ROA, while the auditor side factor that influence ARL include auditor opinion and auditor reputation. However, several inconsistencies regarding the result, especially about the direction and significance effect of the ARL determinants on ARL, also several limitations on previous studies regarding the period and company's sectors. The different results might also happen because of the different variables used, companies' industries or sectors, different periods, and the different calculation and research methods.

Previous studies examined company size variables' effect on ARL, and most of it provided evidence that the two variables are related significantly. Larger companies with greater total assets tend to quickly complete their audit process because they have better resources and are strictly monitored by investors, regulators, and the government. Contrary to Oussii & Taktak (2018), studies found that the larger company takes longer to complete the audit process. Another factor that led to ARL is company age, measured by the length of time the company has operated since listing. Older companies are considered to have better experience in reducing ARL; this is aligned study conducted by Amani & Waluyo (2016) but contrary with Widhiasri & Budhiarta (2016) that found the older the company, the longer the ARL. Nouraldeen et al. (2021) found that companies with higher DER levels tend to have longer ARL because the auditor will make more effort and be more cautious to examine the report, contrary to the study conducted by Fujianti & Satria (2020) that showed no significant relationship between two variables. According to Khoufi & Khoufi (2018), companies that can generate better profit based on certain assets tend to have shorter ARL, while studies conducted by Annisa & Hamzah (2020) showed that ROA has no significant relationship with ARL. A previous study about the relation between audit opinion by Lestarinigrum et al. (2020) found that companies with unqualified opinions tend to have shorter ARL, while a study conducted by Ibrahim & Triyanto (2020) did not find any relation between audit opinion and ARL. Another factor from the auditor side is auditor reputation. Irman (2017) found that Big4 Public Accounting Firm tend to complete audit faster and reduce the ARL, while Widhiasari & Budhiarta (2016) found no significant effect between the two variables.

This study was conducted on 435 annual financial reports from 87 manufacturing companies listed on Indonesia Stock Exchange from 2015 to 2019. The use of the manufacturing sector is because the listed

manufacturing company included few sectors that can reflect the reaction of the capital market. The usefulness of this research is to provide empirical support for the relationship between agency theory, signal theory, and compliance theory with the influence of company size, company age, DER, ROA, auditor opinion, and auditor reputation on ARL. In addition, this research is expected to be a reference material for future researchers and can be used as a reference for decision-making for investors.

The rest of this study arranged as follows: The second section presents the literature review about the grand theories, determinant factors and develops the study's hypotheses. The third section displays the research's methods. The fourth section displays the analysis result, and the fifth section discusses the result and also the limitations and directions for future research. Lastly, the sixth section presents the conclusion of the study.

## 2. Literature Review

### 2.1. Compliance Theory

Compliance theory is identified as an approach in the organization to integrate ideas and conceptions in policies that authorized parties often put together regarding certain matters through management participation. (Luneberg, 2012). When submitting the annual financial reports, public companies in Indonesia are expected to comply with the regulations stated in POJK No. 29/POJK.04/2016 about the Annual Report of Issuers or Public Companies. It was stated that public companies were required to submit their financial reports to the OJK no later than the end of the fourth month (120 days) after the financial year ends. In terms of financial reporting, companies are encouraged to report their financial statements because of the incentives that were obtained, namely good public response, and because it was considered a necessity, especially for a bigger company and public accountant public. This requirement could be one of the reasons to pursue timeliness in reporting the audited financial statement.

### 2.2. Signaling Theory

The signal theory states the behavior of managers in communicating information about the company's condition through signals (Givoly & Palmon, 1982). This theory is rooted in the pragmatic accounting theory that focuses on the influence of information on changing the information user's behavior. The relation

with the timeliness of financial reporting is that when companies submit financial reports in time means that the company has good news such as profit or the unqualified audit opinion. Companies with good news tend to want to immediately convey the news to the public faster, so that share prices are expected to increase. The timeliness of presenting a financial statement is a signal from companies that shows useful information for an investor to make a decision (Dewi & Suputra, 2017). Conversely, companies that are late in submitting financial reports can cause uncertainty in the stock price movement, and investors can assume that the lag was because the company has bad news that they do not want to publish immediately (Muktharuddin et al., 2015).

### 2.3. Agency Theory

Agency theory suggests a relationship between the principal as the party that gives authority or the investor and the agent to exercise the authority given or the manager. However, nonalignment of interest between the principal and agent would lead to asymmetric information and conflict of interest between two parties. Two underlying factors caused asymmetric information: moral hazard and adverse selection (Jensen & Meckling, 1976). These two factors required the third party to act as a mediator; in this case, the public accounting firm act as an intermediary between the principal and agent to reduce the risk of the agency problem. The information from the financial statement is essential; that is why getting the factual and valuable information from audited financial statements can be an essential benchmark to make it easier for the principal to make the right decision.

### 2.4. Audit Report Lag (ARL)

Audit Report Lag is the length/period of audit completion measured from the date of the financial statements (the end of the fiscal year) to the date when the audit report is signed. The submission of financial reports can influence the decisions made by investors. The delay in the presentation of financial statements would reduce the usefulness and economic value of information (Apadore & Noor, 2013). External stakeholders consider audit report as an important input for investment decision-making; hence the timing of the release is matter (Habib et al., 2018). The timeliness of preparing or reporting a financial report can affect the value of the financial report because ARL can reduce the quality of financial statement information (Fujianti & Satria, 2020).

### 2.5. Company Size

Company size can be classified into total assets, log size, the market value of shares, and others (Lai, 2019; Habib et al., 2018; Bangun & Subagyo, 2012). This study uses total assets as a proxy for measurement because it is considered more stable and describes the company size better than market capitalization and sales, which are influenced by demand and supply (Mareta, 2015). Previous studies that examined the relationship between company size and ARL provided evidence that the two variables are related significantly, but the direction still varies. Most studies have found that the larger the company size, the faster the company reports its audited financial statements. This is because larger companies are considered to have a stronger internal control system that minimizes their financial statements' errors. Also, larger companies have sufficient funding sources to pay higher audit fees, have better technology, and more investors and regulations that they must obey. Therefore, companies tend to report their financial reports more quickly and reduce the ARL (Nouraldeen et al., 2021; Hassan, 2016; Abbott et al., 2012; Habib & Bhuiyan, 2011). Contrary to others, Oussii & Taktak (2018) and Pizzini & Ziegenfuss (2015) found that company size positively affects ARL, and studies were done by Yanasari et al. (2021), and Yuyanti & Mulya (2020) found that the two variables did not significantly affect ARL. Based on the argument of these studies, the first research hypothesis is as follow:

H1: Company size has a negative effect on Audit Report Lag

### 2.6. Company Age

Company age is interpreted as the length of time the company has operated since its establishment. The company's age is calculated from its first time listed on the Indonesia Stock Exchange until the year of its research. Companies listed longer are considered to have better experience in dealing with problems because of their opportunity to learn from their experiences and are more likely to have strong internal control procedures (Dibia & Onwuchekwa, 2013). This argument is aligned with the learning curve theory, which in this research means that the more financial reports produced, the more likely it is to reduce the possibility of delays in reporting financial statements. Previous studies conducted by Amani & Waluyo (2016) and Dibia & Onwucheka (2013) showed that the older the companies, the shorter the ARL. So they had a significant negative effect between the two variables. However, on the contrary, Togasima

& Yulius (2014) and Widhiasi & Budiarta (2016) found that there is a significant positive effect between the two variables, while research conducted by Pradana & Wirakusuma (2013) and Laksono & Mu'id (2014) found that company age did not affect ARL. Based on the argument of these studies, the second research hypothesis is as follow:

H2: Company age has a negative effect on Audit Report Lag

## 2.7. Debt to Equity

Debt to Equity (DER) is an indicator of company health that measures its ability to pay off its obligations. Companies with a higher DER level may increase the likelihood of financial distress and put the company at risk. This situation requires companies to be more careful in presenting the financial statement and tend to be slower to report their financial statements because management wants to delay delivering the bad news. Auditors will make more efforts and be more cautious to examine financial reports to reduce the risks (Habib et al., 2018; Alali & Elder, 2014). This argument aligned with previous studies conducted by Nouraldeen et al. (2021), Pizzini & Ziegenfuss (2015), and Abbott et al. (2012) that showed a significant positive relation which means that companies who had higher DER will have longer ARL. However, Yuyanti & Mulya (2020) found a significant negative relation between DER and ARL, and the studies conducted by Fujianti & Satria (2020) and Annisa & Hamzah (2020) showed that there is no significant relationship between the two variables. Based on the argument of these studies, the third research hypothesis is as follow:

H3: Debt to Equity has a positive effect on Audit Report Lag

## 2.8. Return on Asset

Return on Asset (ROA) measures the company's ability to generate profits based on a certain asset level which is used as one of the measurement proxies used to measure the strength of the company's profitability (Abdillah et al., 2019). Higher ROA indicates the higher rate of return generated by the company, which means that the asset is utilized rightly. This finding made companies tend to report audited financial statements quicker to convey the good news to shareholders (Khoufi & Khoufi, 2018; Scott, 2010). This result aligned with studies conducted by Fujianti & Satria (2020) and Khoufi & Khoufi (2018) that found companies with higher ROA reduce ARL or has a significant negative effect between the two variables,

while studies conducted by Nouraldeen et al. (2021) and Oussii & Taktak (2018) found insignificant effect between ROA and ARL. Based on the argument of these studies, the fourth research hypothesis is as follow:

H4: Return on Asset has a negative effect on Audit Report Lag

## 2.9. Audit Opinion

The audit opinion is a standard report of the conclusions obtained by the auditor during the audit process based on evidence and findings evaluated during his duties (Arens et al., 2017). Companies that received unqualified opinions or got better audit opinions tend to report their financial statements more quickly because companies immediately notify shareholders of this good news. Companies that received opinions other than unqualified opinions will negotiate with the auditor, while the auditor will also need to consult with the senior auditor or other staff to make sure about the opinion given. This results in the longer ARL (Lestaringrum et al., 2021; Amani & Waluyo, 2016; Iskandar & Trisnawati, 2010). This is aligned with previous studies conducted by Lestaringrum et al. (2021), Yuyanti & Mulya (2020), and Apriliane (2015), who found that companies who got the unqualified opinion have a negative effect or reduce the ARL. While Jayati et al. (2020) and Lestari & Latrini (2018) found that Audit Opinion has no significant effect on ARL. Based on the argument of these studies, the fifth research hypothesis is as follow:

H5: Audit Opinion has a negative effect on Audit Report Lag

## 2.10. Auditor Reputation

The reputation of the Auditor or Public Accounting Firm (KAP) is the public trust held based on the firm size. Auditor reputation can be categorized into Big Four and Non-Big Four (Abdillah et al., 2019). A public accounting firm with a good reputation or the Big Four has an efficient, effective, and good audit quality to finish the audit process faster; this is also because they have a larger number of professional resources. (Juliardi et al., 2021). Public accounting firms tend to complete audits faster to maintain their reputation and also the clients' existence (Sunanungsih, 2013). Previous studies conducted by Irman (2017) show that Auditor Reputation negatively affects ARL, which means that the Big4 Public Accounting Firm reduces the ARL, while a study conducted by Widhisari & Budiarta (2016) shows that both

variables are insignificant. Based on the argument of these studies, the last research hypothesis is as follow:  
H6: Auditor's Reputation has a negative effect on Audit Report Lag

### 3. Methods

#### 3.1. Research Variables

The dependent variable in this research is Audit Report Lag, while the independent variables in this research are Company Size, Company Age, Debt to Equity, Return on Asset, Audit Opinion, and Auditor's Reputation.

**Table 1.** Research Variables

Variables	Measurement
Audit Report Lag ( $Y$ )	Auditor Sign Date – December 31st
Company Size ( $X_1$ )	ln (Total Aset)
Company Age ( $X_2$ )	Research Year – Listed Year
Debt to Equity ( $X_3$ )	(Debt / Total Equity) x 100%
Return on Asset ( $X_4$ )	(Net Profit/Total Asset) x 100%
Audit Opinion ( $X_5$ )	1: Unqualified Opinion; 0: Non-Unqualified Opinion
Auditor Reputation ( $X_6$ )	1: Big Four; 0: Non-Big Four

#### 3.2. Sampling

This research uses a descriptive method with secondary data of the manufacturing company listed on the Indonesia Stock Exchange, the data obtained from www.idx.co.id, and the official website from the company. The sampling technique used in this research is the purposive sampling techniques carried out based on the following criteria:

**Table 2.** Sampling Criteria

Variables	Measurement
Audit Report Lag ( $Y$ )	Auditor Sign Date – December 31st
Company Size ( $X_1$ )	ln (Total Aset)
Company Age ( $X_2$ )	Research Year – Listed Year
Debt to Equity ( $X_3$ )	(Debt / Total Equity) x 100%
Return on Asset ( $X_4$ )	(Net Profit/Total Asset) x 100%
Audit Opinion ( $X_5$ )	1: Unqualified Opinion; 0: Non-Unqualified Opinion
Auditor Reputation ( $X_6$ )	1: Big Four; 0: Non-Big Four

#### 3.3. Analysis Method

The data analysis technique used in this study is panel data regression analysis with the Random Effect Model. This method was used after going through the

Chow test, the Hausman test and the Langrange Multiplier test. The panel data regression model is as follow:

$$Y = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \beta_5 X_{5it} + \beta_6 X_{6it} + \varepsilon$$

Notes:

$Y$  : Audit Report Lag

$\alpha$  : Constant Term

$\beta_{1-6}$ : Regression coefficient

$X_1$  : Company Size

$X_2$  : Company Age

$X_3$  : Debt to Equity (DER)

$X_4$  : Return on Asset (ROA)

$X_5$  : Audit Opinion

$X_6$  : Auditor Reputation

$i$  : Entity –  $i$

$t$  : Period -  $t$

$\varepsilon$  : error

### 4. Results

#### 4.1. Descriptive Statistics Analysis

Based on the processed data, which includes the dependent variable, namely Audit Report Lag and independent variables: Company size, Company age, Debt to Equity, Return on Asset, Audit Opinion and Auditor Reputation. The minimum, maximum, mean, and standard values can be seen in the table as follows:

**Table 3a** Descriptive Statistic Analysis

	Frequencies	Mean	Min	Max
Audit Opinion	1	262	79.17	22
	0	173	82.01	29
Auditor Reputation	1	215	77.7	29
	0	220	83.22	22

Based on the descriptive statistical analysis results in table 3, the amount of data observed in this study was 485 data. The Audit Report Lag ( $Y$ ) variable has a minimum value of 22 days Semen Baturaja (Persero) Tbk owns. (SMBR) in 2017 while Sunson Textile Manufacturer Tbk owns the maximum value of 191 days. (SSTM) in 2017. The average ARL is 80.494 or 81 days, which means that the average company publishes its financial statements earlier than the regulations set by the OJK, which is 120 days. The standard deviation of this variable is 20.241.

The company size variable ( $X_1$ ) is proxied by ln (Total Assets). Natural logarithms are used to minimize the difference in numbers that are too far from the data obtained. The minimum value of this variable is 25.4879 equals Rp. 117.290.628.918 owned by

Betonjaya Manunggal Tbk. (BTON) in 2016, while the maximum value is 33.4945 equals Rp. 351.958.000.000.000 owned by Astra International Tbk. (ASII) in 2019. The average value of the company size variable is 28.5663 or approximately equals to Rp. 11.181.410.308.213 with a standard deviation of 1.5636. The company age variable ( $X_2$ ) has a minimum value of 1 owned by Impack Pratama Industri Tbk. (IMPC) in 2015, while the maximum value is 42 owned by Solusi Bangun Indonesia Tbk. (SMCB). The average value of this variable is 20.88 or 21 years, with a standard deviation of 8.9718.

The Debt to Equity ( $X_3$ ) variable has a minimum value of 0.067 or 6.97% owned by Inti Agri Resource Tbk. (IIKP) in 2019, which means the company uses Rp. 0.067 of debt financing for every Rp. 1.00 equity financing, while the maximum value is 5.442 or 544.26% owned by Alakasa Industrindo Tbk. (ALKA) in 2019, which means the company uses Rp. 5.442 of debt financing for every Rp. 1.00 equity financing. The average value of this variable is 0.977 or 97.7%, which means average companies use Rp. 0.977 of debt financing for every Rp. 1.00 equity financing, and the standard deviation is 0.831. The variable Return on Asset ( $X_4$ ) has a minimum value of -0.4014 or -40.14%, which Keramika Indonesia Assosiasi Tbk owns. (KIAS) in 2019, which means every Rp. 1.00 invested in asset produced Rp. 0.4014 of net loss, the maximum value is 0.921 or 92.1% owned by Merck Tbk. (MERK) in 2018, which means every Rp.1.00 invested in asset produced Rp. 0.921 of net profit. The average value of this variable is 0.0596 or 5.96% which means every Rp. 1.00 invested in asset produced Rp. 0.0596 of net profit, and the standard deviation is 0.09895.

**Table 3b.** Descriptive Statistics Analysis

	Frequencies	Mean	Min	Max
Audit Opinion	1	262	79.17	22
	0	173	82.01	29
Auditor Reputation	1	215	77.70	29
	0	220	83.22	22

The Audit Opinion Variable ( $X_5$ ) is a dummy variable; 0 means that the sample company has an Opinion other than Unqualified, and 1 means that the sample company has an Unqualified Opinion. Two hundred sixty-two financial reports got Unqualified Opinion with an average of 79.17 or 80 days, a minimum of 22 days, and a maximum of 157 days of ARL, while the other 173 financial reports got opinion other than Unqualified with an average of 82.01 or 83 days, minimum 29 days and maximum 191 days of ARL. The Auditor Reputation variable ( $X_6$ ) is also a dummy variable, 0 means that a non-Big Four KAP

audited the sample companies, and 1 means that Big Four KAP audited the sample companies. There are 215 financial reports audited by Big Four KAP with an average of 77.7 or 78 days, a minimum of 29 days, and a maximum of 150 days of ARL, while the other 220 financial reports audited by non-Big Four KAP with an average of 83.22 or 84 days, minimum 22 days and maximum 191 days of ARL.

**4.2. Model Selection Criteria**

There are three tests to choose the panel or estimation technique: the Chow test, the Hausman test, and the Lagrange Multiplier test. The result of the test can be seen in the table below:

**Table 4.** Model Fit Test

	Test	Prob.
Chow Test	Cross-Section F	0.0005
	Cross-Section Chi-Square	0.0000
Hausman Test		0.8702
Lagrange Multiplier Test		0.0003

The first test is the Chow test to choose between the Common Effect Method or the Fixed Effect Method. According to the test, the suitable model is the Fixed Effect Model because the Cross-Section F (P-Value) showed a significance level of 0.0000 (<0.05). The second test is the Hasman test to choose between the Fixed Effect Method or the Random Effect Method. According to the test, the suitable model is the Random Effect Method because the Cross-Section Random shows a significance level of 0.8702 (>0.05). The last test is the Lagrange Multiplier test to choose between the Common Effect Method or the Random Effect Method. According to the test, the most suitable model is the Random Effect Method because the Cross-Section Breusch-Pagan shows a significance level of 0.0003 (<0.05).

The three tests to find the suitable model show that the suitable model is the Random Effect Model.

**4.3. Data Panel Regression Analysis**

Based on EViews processed data, the model of data panel regression analysis with Random Effect Model in this study are as follows:

$$Y = 131.456 - 1.852X_1 + 0.3153X_2 + 0.1868X_3 - 50.5032X_4 - 2.7994X_5 - 0.2289X_6$$

Notes:

- $Y$  : Audit Report Lag
- $X_1$  : Company Size
- $X_2$  : Company Age

$X_3$  : Debt to Equity (DER)  
 $X_4$  : Return on Asset (ROA)  
 $X_5$  : Audit Opinion  
 $X_6$  : Auditor Reputation

A constant value of 131.456 means that if the variables of Company Size, Company Age, DER, ROA, Audit Opinion, and Auditor Reputation are in a stable position (value 0), the ARL that occurs is 131.456 or 132 days. The coefficient value of -1,852 on the company size variable ( $X_1$ ) means that if every increase of 1 (one) unit variable is associated with a decrease in ARL of 1.85 or 2 days with the assumption that other variables are constant. The coefficient value of 0.3153 on the Company Age variable ( $X_2$ ) means that increase of 1 unit of the variable is associated with an increase in ARL of 0.3153 or 1 day with the assumption that other variables are constant. The coefficient value of 0.1868 in the Debt to Equity ( $X_3$ ) variable means that if every increase of 1 (one) unit variable is associated with an increase in ARL of 0.1868 or 1 day, assuming that other variables are constant. The coefficient value - 50.5042 on the Return on Asset ( $X_4$ ) variable means that if every increase of 1 (one) unit variable is associated with a decrease in ARL of 50.5042 or 51 days, assuming that other variables are constant. The coefficient value - 2.7994 on the Audit Opinion variable ( $X_5$ ) means that if every increase of 1 (one) unit variable or getting an unqualified opinion is associated with a decrease in ARL of 2.7994 or 3 days, assuming that other variables are constant. The coefficient value of 0.2289 on the Auditor Reputation variable ( $X_6$ ) means that if every increase of 1 (one) unit variable is associated with a decrease in ARL of 0.2289 or 1 day with the assumption that other variables are constant.

**Table 5.** Panel Data Analysis

Variable	Coefficient	Std. Error	t	Prob.
(Constant)	131.4560	18.9819	6.9253	0.000
Company Size	-1.852	0.6878	-2.6931	0.007
Company Age	0.3153	0.1108	2.8459	0.004
DER	0.1868	1.1637	0.1605	0.872
ROA	-50.5032	10.1368	-4.9821	0.000
Audit Opinion	-2.7994	1.9682	-1.4223	0.155
Auditor Reputation	-0.2289	2.230	-0.1026	0.918
	R-Square			0.363990
	Adj. R-Squared			0.192899
	F-Statistic			8.095496
	Prob(F-Statistic)			0.000000

The coefficient of determination ( $R^2$ ) measures how far the research model can explain variations in the dependent variable (Ghozali, 2018: 97). Table 5 indicated the R-Square value is 0.3639. The dependent variable ARL can be explained by variations in the independent variables, namely Company Size,

Company Age, DER, ROA, Audit Opinion, and Auditor Reputation of 36.39%. In comparison, other variables can explain the rest, 63.61%.

The F test is conducted to test whether the independent variable significantly affects the dependent variable. To be significant, the value of sig. F <0.05. In table 5, there is an F value of 8.095496 with a significance level of 0.000 (<0.05). In conclusion, the regression model in this study can be used and, the independent variable affects the dependent variable.

The t-test is carried out to test whether the independent variable can explain the variation of the dependent variable (Ghozali, 2018: 98). A variable can be said to be significant if the value is sig. t <0.05. In table 5, three independent variables have a sig.t value of > 0.05, namely the Debt to Equity variable has a value of 0.872, the Audit Opinion variable has a value of 0.155 and, the Auditor Reputation variable has a value of 0.918. It means that the three variables do not have a significant effect on ARL. The other three variables, namely Company Size, Company Age, and Return on Asset, significantly affect ARL. The Company Age variable has a sig.t value of 0.004 (<0.05) and a coefficient value of 0.3153; even though it has a significant value, the direction's result is different from the initial hypothesis. The other two variables, namely Company Size and Return on Asset, have both significant effects and the same direction as the hypothesis.

## 5. Discussion

The coefficient of -1.852 with a significance level of 0,007 (<0.05) means that the first hypothesis is accepted, and there is a significant negative influence of Company Size on ARL. The results of this study are in line with studies conducted by Ginting & Hidayat (2019), Irman (2017) and, Muktharuddin et al. (2015). Companies with larger assets have shorter ARL compared to the company with smaller assets for several reasons. First, larger companies are considered to have stronger internal control systems due to better information systems and technology that can minimize errors (Abbott et al., 2012). Second, the companies have sufficient funding to pay higher audit fees to push the auditor to present the audited financial statement faster (Modugu et al., 2012). Third, larger companies face higher pressure as they are monitored closely by investors, regulatory agencies, and trade unions to present their financial statements faster (Fujianti & Satria, 2020). The company Age variable has a coefficient of 0.3153 with a significance level of 0.004 (<0.05), which means that the Company Age positively influences ARL. Even though the two variables have a

significant relationship, the result is not in line with the second hypothesis of this study, so the second hypothesis is rejected. The results of this study contradict the previously proposed theory regarding the learning curve theory, but this research is in line with the research results of Widhisari and Budiarta (2016) and Laksono and Mu'id (2014). Company age cannot guarantee that the completion of the audit will be faster. First, older companies have a bigger operational scope and also more complicated transactions due to the branches in several regions (Lianto & Budi, 2010). Second, the newer listed companies want to publish their financial statement faster to attract investors to buy their stock (Laksono & Mu'id, 2014).

The DER variable has a significant level of 0.872 ( $>0.05$ ) with a coefficient value of 0.1868, which means that DER has no significant effect on ARL so that the third hypothesis in this study is rejected. These results align with research conducted by Annizah & Hamzah (2020) & Debbianita et al. (2017). There was an indication that companies with higher DER reported their financial statement before 120 days in this study; for example, Indomobil Sukses Internasional (IMAS) has an average DER of 293.87%, but their average ARL is 89.2 or 90 days and Indal Aluminum Industry Tbk. (INAI) has an average DER of 370.41%, but their average ARL is 81.2 or 82 days. These indicate that auditors have enough time to complete the audit process for liabilities, so large liability would not affect the audit completion on a financial statement. A value of sig indicates acceptance of the fourth hypothesis.  $t$  0.000 ( $<0.05$ ) and a coefficient value of -50.5032, which means that ROA has a negative effect on ARL. The greater the company's ability to generate profits means that the company wants to inform the good news that is there immediately, and of course, this will accelerate the ARL. The results of this study are in line with research conducted by Fujianti and Satria (2020), Estrini & Laksito (2013) and, Lianto and Kusuma (2010).

Audit Opinion has an insignificant effect on ARL; statistically, this is evidenced by the sig.  $t$  value of 0.155 ( $>0.05$ ). In this study, 262 financial reports got Unqualified Opinion, and the average ARL is 80 days, while the other 173 financial reports which got other than unqualified opinion have an average ARL of 83 days. The results of the average ARL between the two opinions are not too far apart. Suppose the company gets an unqualified opinion with a long ARL. In that case, this could be due to the long time it takes for the auditor to gather evidence and the conditions needed for audit qualification. The result of this study is in line with studies conducted by Jayati et al. (2020),

Lestari & Latrini (2018), and Ulfa & Primasari (2017). Auditor reputation was initially thought to influence ARL, but the results of this study state that the auditor's reputation variable does not affect ARL; this can be seen in the value of sig.  $t$  0.9183 ( $> 0.05$ ). This indicates that both Big Four and Non-Big Four Firm do not affect financial reporting because all Public Accountant Firm is increasingly competing to provide good services and always try to show high professionalism. This research is also in line with several previous studies, namely research conducted by Widhisari & Budiarta (2016) and Angruningrum and Made (2013).

The managerial teams can use this result to help them prevent the audit report lag by noting few variables that negatively affect the audit report lag, namely, Company Size and ROA, because these two variables can reduce the ARL. Maintaining the company's total assets and profit might attract new investors because it can make the investor confident in the company. As for the Company Age variable that has a significant positive effect on audit report lag, companies have to take extra care of their operating system, branch office and keep learning to achieve better as the company gets more experience. However, those are not the only variables that can be used to determine the factors affecting audit report lag. This research still has many limitations and needs to be perfected to have a better result. This research only used five years of data and only used the manufacturing companies as the sample. It could be better to increase the research years and also use the other sectors as the sample.

## 6. Conclusions

It is concluded that the Company Size and ROA variables have a significant negative effect on ARL. The larger the company and the higher the ROA level, the audit process will tend to be carried out faster. Meanwhile, the Company Age variable has a significant positive effect on ARL due to the complex operations, and many branches the companies have might increase the ARL. The other three variables like DER, Audit Opinion, and Auditor Reputation, do not significantly affect ARL. The DER level does not prove to affect ARL because it is believed that auditors have enough time to conduct an audit on the liability in the manufacturing companies. As for the audit, opinions do not affect ARL because the average ARL days are not too far apart. With the increasingly competitive Audit Firm providing good services, the auditor's reputation is considered less capable of showing an influence in ARL.



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