



Research paper

Determinants of Audit Report Lags of Public Companies in Indonesia

Regita Annisa Agre¹, Rahmat Febrianto^{2*}^{1,2} Department of Accounting, Andalas University, Padang, Indonesia

ARTICLE INFO

Keywords:

Audit report lag, agency theory, profitability, leverage, accounting firm size, audit opinion

E-ISSN: 2958-6429

P-ISSN: 2958-6410

This is an open access article under the
CC BY-SA license.

Copyright © 2022 by author. Published
by ASTA Research Center

ABSTRACT

The Indonesian Financial Service Authority (FSA) mandates that every listed company submit its financial reports by the end of the fourth month following the end of the financial year. When COVID-19 struck the world in 2020, the FSA extended the reporting deadline until the end of May. This policy was implemented to account for delays caused by COVID-19. This research aims to determine the factors associated with audit report lags and ensure the timeliness of financial reporting. This research is categorized as descriptive verification research. The descriptive method employed in this study aims to elucidate the determinants of audit report lags. The verification research aspect involves conducting hypothesis tests to examine the relationship between profitability, leverage, the size of Public Accounting firms, and audit opinions on audit report lags. Our research was conducted to gather empirical evidence regarding the relationship between profitability, leverage, the size of accounting firms, and audit opinions on audit report lag. This research contributes to maintaining the relevance of the information contained in financial reports. The test results indicate that profitability positively correlates significantly with audit report lags. Companies audited by the Big Four firms have shorter audit durations compared to non-Big Four firms. Additionally, companies with standard audit opinions experience shorter audit durations than those with non-standard audit opinions. Leverage was found to have no significant correlation with audit report lags. Our findings suggest that smaller firms tend to delay their reports. However, they are published as soon as possible when audited by a reputable accounting firm and receive a standard audit opinion. The COVID-19 pandemic may have prompted our sample companies to postpone their reports. Future studies should consider the pandemic's impact on audit report lag.

1. INTRODUCTION

Financial reporting is a vital thing for every company to do. The primary purpose of financial reporting is to provide helpful information and can help its users, investors, creditors, and other users. Good information can benefit its users, so the information must have value. Information that can be used for decision-making is understandable and relevant (Suwardjono, 2014). The qualitative characteristics of accounting information based on the Financial Accounting Standard Board (FASB) are relevance, faithful representation, comparability, variability, timeliness, and understandability (FASB, 1980). In accounting information characteristics, timeliness is the most essential characteristic. The usefulness and relevance can be lost because of the need for timeliness (FASB, 2010). When the financial report is stated on time, it can be helpful for its users to use it as the basis of decision-making.

The timeliness of financial reporting should be done as soon as possible so users can use them. The smaller the gap in reporting time to the closing date of a financial report period, the more significant the benefits of financial reports for its users. An excellent financial report is a report that is presented accurately and reliably. Management and investors also realize that the timeliness of financial reporting is essential for the company because this can affect the value of its report. An audit opinion could represent the essential part of the financial report analysis and the company's performance. Investors will wait for its audit reports to be stated in the fiscal year so it has a relationship with the investors' trust. Usually, audit reports will affect the investors' decision whether they will invest in the company or not. Auditors will perform more inspection activities for a company with more extended audit report lags. The company needs better-quality financial reports (Obradovic, 2018). It is also can affect the value of information in financial reporting. Every public company in Indonesia must produce financial statements after each fiscal year, according to FSA Regulation No. 29/POJK.4/2016 Article 7 stipulates that the submission of financial reports for public firms is required. The FSA has determined this reporting requirement. The limit of

*Corresponding author.

E-mail: 1810531010_regita@student.unand.ac.id

financial reporting is at the end of the fourth month after the financial year-end. Due to the pandemic, the economy is currently unstable. This is one of the reasons financial report submissions take longer than expected. Due to the state of the economy, the FSA set a new deadline for submitting the financial report in March 2020 and stated that public companies might report their financial reports until May.

This extension of reporting time still cannot guarantee that a company can submit its financial report promptly. Some companies still need to start their financial reporting even though it is essential for every public company. Therefore, knowing the causes of lags in submitting financial reports is essential. Based on that, companies can anticipate the possibility of lags in financial reporting for their companies. The audit reports various factors, both internal and external, of the companies can cause lags. Companies with high profitability values will have shorter audit report lags (Abdillah *et al.*, 2019). Financial leverage can increase the duration of audit report lags (Hitz *et al.*, 2013). Companies that use larger accounting firms tend to have shorter audit report lags (Baldacchino *et al.*, 2016). Asthana (2014) concluded that there is a significant relationship between audit opinion and audit report lags.

The purpose of this study is (a) to obtain empirical evidence regarding the relationship between profitability and leverage on audit report lags, (b) to obtain empirical evidence regarding the duration of audit report lags in companies audited by Big Four and Non-Big Four, (c) to obtain empirical evidence regarding the duration of audit report lags in companies that receive standard audit opinions and non-standard audit opinions. This research contributes to the relevant literature. Based on this research, it can gain the reader's understanding of the timeliness of financial reports. By exploring the determinants of audit report lags. It shows the trends of its lags in companies in Indonesia.

The primary data source used in this research is from Refinitiv Datastream. First, we collect the list of companies and financial data from Refinitiv Datastream. After we sort the data, we finally process the data and do the calculation of the number of days of audit report lags. It is done by collecting the company's audited financial statements from *Kinerja Emiten*, *IDN Financial*, and its official pages. The 2010s data is used as the basis year. This research is essential because the timeliness of the information in financial reports can be impacted by its timeliness. Due to its significance as the basis for decision-making, it can affect the financial reports' relevancy. The importance of the data in the financial statements rises when a company completes its financial reports faster. This study was conducted over 11 years to identify audit reporting lag trends in Indonesian companies. In previous studies, there were still differences between the results.

2. LITERATURE REVIEW

Agency theory is a relationship in which one or more people (as principal) involve another person (as agent) to perform some service or service on their behalf, which involves delegating some authority over decision-making to the agent. The foundation of the theory is the assumption that the interests of the principal and the agent will be different. Principals can limit divergence in their interests by setting appropriate incentives for agents and issuing monitoring fees to limit deviations from agents. On the other hand, agents will pay the agents to ensure they will not take specific actions that could harm the principal. Therefore, it is usually impossible for the principal or the agent at zero cost. The definition of pure agency relationship theory aligns with the relationship between shareholders and management (Jensen & Meckling, 1976).

Agency problems can arise when: (a) the principal cannot verify whether the agent's behavior has been carried out correctly and (b) there are differences in attitudes between the principal and the agent due to different risk preferences. This agency theory will focus on solving the problems that arise in the agency relationship. The problems can arise when the principal does not know the exact actions taken by the agent. This can happen because of the influence of personal needs on the part of the agent. Two aspects of the agency problem are moral hazard and adverse selection. Moral hazard occurs when the effort on the part of the agent is lacking. This happens because of negligence on the part of an agent by not making efforts to follow what has been agreed. Adverse selection occurs when there is a misrepresentation of the agent's ability. This happens because the agent's claims do not match with the skills and abilities when they are hired (Eisenhardt, 1989).

This agency problem can occur in parties with different interests and impact company performance. Management (as an agent) is responsible for the financial statements made. Shareholders (as principals) are required to be able to make decisions following management. Thus, in assuring that both parties have fulfilled their responsibilities, there is a need for a third party, that is, an auditor. The auditor will ensure that management's reports can be used as a basis for decision-making. Auditors are needed as an audit function that can help shareholders assess the reports made by management.

The auditor will perform an audit analysis of financial statements. Based on this, shareholders can control the management performance. The auditor plays an important role here, especially in the timeliness of audit reporting. The longer lags occur when they perform the audit reports. The longer lag in audit reporting can affect the value of information in the financial statements. Companies must consider the determinants of audit reports that can cause lags.

2.1. Relationship of Audit Report Lags with Company Profitability

Companies with high profitability values will have shorter audit report lags and may encourage management to push the auditor to do a faster audit process (Abdillah *et al.*, 2019). Profitability can be defined as a benchmark by which business people can measure their achievements and justify compensation claims (Fridson & Alvarez, 2011). Not all companies can create positive value in their financial statements and generate profitability. Several companies reported a negative value of net income, leading to losses. Good news financial reports can encourage management to ask the auditor to complete the audit process as soon as possible. The financial report will contain good news when the companies report high profitability. (Abdillah *et al.*, 2019). Companies with higher profitability value have shorter audit report lags, meaning the company has a lower audit risk (Chan *et al.*, 2015). Companies with poor financial conditions will likely have a longer audit report lag (Leventis *et al.*, 2005). Thus, companies that can report positive income will have a shorter duration of audit report lags. A company with high profitability will contain good news in its financial report and have lower audit risk. The higher level of profitability will affect the lag duration in audit reporting (Abdillah *et al.*, 2019). However, some studies argue that there is no significant relationship between profitability and audit report lags. Based on the existing research, hypothesis 1 of this study is:

Hypothesis 1: Profitability has a negative relationship with audit report lags

2.2. Relationship of Audit Report Lags with Financial Leverage

Auditors must be more careful in performing the audit process for companies with a high level of leverage (Hsu, 2016). Companies with good financial will not reduce the auditor's efforts because the auditor still has to check and do an inspection. This is to ensure that audit results are reliable and accountable. When companies have high leverage value, it shows up as red flags for the auditor (Hitz *et al.*, 2013). One of the reasons for audit report lags could have been due to delays in audit reporting by the auditors (Xiang *et al.*, 2015), unlike Lai *et al.* (2020), which states that leverage does not significantly affect audit delay. Leverage positively has a relationship with audit delay, but statically, it is not significant (Turel & Tuncay, 2016). Based on the prior research, there are inconsistencies in the research results, and the trend of leverage in audit reports lags in Indonesia. Leverage has a significant positive relationship with audit report lags (Hsu, 2016). Lai *et al.* (2020) stated that leverage did not significantly affect audit report lags. Based on existing research, hypothesis 2 of this study is:

Hypothesis 2: Financial leverage has a positive relationship with audit report lags

2.3. Relationship of Audit Report Lags with the Size of Public Accounting Firms

According to Law No. 5/2011, an accounting firm is an agency established based on provisions and regulations and has obtained a business license under the public accounting law. Companies categorized as Big Four public accounting firms are the four largest accounting firms in the United States that provide professional accounting services. They are PricewaterhouseCoopers (PwC), Deloitte Touche Tohmatsu (Deloitte), Ernst & Young (E&Y), and Klynveld Peat Marwick Goerdeler (KPMG). Apart from providing audit services, these four accounting firms also provide several other services, such as consulting, valuation, assurance, and legal advisory services. Companies audited by the Big Four have a significantly shorter duration of audit report lags than Non-Big Four (Abidin & Ahmad-Zaluki, 2012). Audit qualifications are one of the causes of the longer duration of reporting financial statements. Companies audited by international accounting firms will have a different audit lag duration when compared to companies with medium and small-size accounting firms (Khoufi & Khoufi, 2018).

A company that uses more extensive accounting or audited by international auditors tends to be faster in completing the audit process. Therefore, the company will have shorter audit report lags than smaller accounting firms (Baldaccino *et al.*, 2016). Companies with shorter audit report lags will gain great stakeholder trust and can provide reliable audit reports (Obradovic *et al.*, 2018). This is different from Turel & Tuncay (2016), who concluded that the value of auditor size is positive but statistically not significant to audit delays. Auditor size is not statistically significant in explaining delays in audit reporting. Accounting firm size should be considered in explaining audit reporting delays (Bonson-Ponte, 2008). Thus, prior research still has different results on the relationship between accounting firm size and audit report lags. Some researchers conclude that the more significant accounting firms will have a shorter lag duration. Conversely, some results state no significant relationship between accounting firm size. Based on existing research, hypothesis 3 of this study is:

Hypothesis 3: The difference in duration of audit report lags between companies audited by the Big Four and companies audited by the Non-Big Four

2.4. Relationship Between Audit Report Lags with Audit Opinion

Investors can use audit report lags as a sign of a company's health (Asthana, 2014). The sign of the company's health can be seen from the audit opinion. When the auditor has finished conducting the audit, the auditor will issue an audit opinion. An audit opinion is a report regarding an independent opinion issued by the auditor (Hayes, 2005). Giving confidence in financial reports to investors and creditors who usually depend on reliable financial reports is beneficial. Companies with non-standard audit opinions and reporting losses had a longer audit report lag. This

could have happened because of the concerns over the market reactions, leading the company to delay reporting (Hu *et al.*, 2017). A company issues non-standard audit reports, which can lead to prolonged lags in audit reporting (Turel & Tuncay, 2016). The more often a company issues a non-standard audit report, the longer the duration of lags in audit reporting (Chan *et al.*, 2015). Based on the interview with the auditor, it is revealed that mid-size auditors had different reactions to problems. They prefer to extend the audit process time, which has affected the length of duration in delaying the audit report rather than qualifying an audit opinion (Baldacchino, 2016). This differs from Bonson-Ponte (2008), which states that companies with standard opinions are statistically insignificant in explaining the factors causing audit delays. From the prior research, we can conclude that auditor tends to delay issuing their financial report when it has non-standard audit opinion or reporting losses in the fiscal year. However, only some of the prior research has stated this, and there is research stating that audit opinion is not significant to audit report lags. An audit opinion is one of the essential things that can describe the company's health and the timeliness of financial reporting. Based on existing research, hypothesis 4 of this study is:

Hypothesis 1: Audit report lags in companies with standard audit opinions are not the same as companies with non-standard audit opinions

3. METHODS

This research is a descriptive verification research. Descriptive research can be interpreted as research conducted to provide a systematic and accurate description of the facts and characteristics of a particular population or area of interest (Dulock, 1993). The descriptive method in this study is to explain the determinants of audit report lags. Verification research is research carried out on specific populations or samples to conduct hypothesis analysis according to what has been determined (Sugiyono, 2017). Verification research in this study is to run the hypothesis test about the relationship of profitability, leverage, the size of Public Accounting firms, and audit opinion on audit report lags. This research was carried out within 11 years from 2010 - 2020. The data in this study is secondary data obtained from Refinitiv Datastream (eikon.thomsonreuters.com), *Kinerja Emiten* (emiten.kontan.co.id), IDN Financial (<https://www.idnfinancials.com>), and the company's official page. The data obtained from the website will be processed according to the needs of this research and the data analysis so conclusions can be drawn based on the results of this study. Audit report lags are the dependent variable in this study.

Audit reports can be calculated based on the number of days after the end of the financial reporting period until the date of issue of the audit report. The independent variables in this study include profitability, leverage, accounting firm size, and audit opinion. Profitability is measured using the return on assets (ROA) value based on Abdillah *et al.* (2019). The ROA is measured by comparing net income to total assets. Leverage based on Lai *et al.* (2020) measured using debt-to-equity ratio. Accounting firm size is a nominal variable assessed as 1 for the companies audited by the Big Four and 0 for companies audited by the Non-Big Four based on Turel & Tuncay (2016). Audit opinion is a nominal variable assessed as 1 for companies that receive standard audit opinions, and for non-standard audit opinions, it will be assessed as 0.

This research was conducted to know the determinants of the audit report lags in public companies in Indonesia. Information about the relationship between profitability, leverage, accounting firms' size, and audit opinion on audit report lags can be obtained. The population in this study is all of the public companies in Indonesia. The sample in this study was determined using purposive sampling. The criteria for selecting the sample in this study are as follows:

- a) All companies listed on the Indonesia Stock Exchange (IDX)
- b) The company uses Rupiah in its financial statements
- c) Companies that have data returns on assets, net income, liabilities, and assets in Refinitiv Datastream
- d) Companies that publish their financial reports from 2010 – 2020
- e) Companies that publish their audit reports from 2010 – 2020

Table 1. Sample Selection Process

Explanation	Total
Companies listed on the IDX	780
Companies with incomplete data	422
Companies with inaccessible audit reports from 2010-2020	93
2010's data is used as the base year data	265
Total research sample	265
Total Processed Data	2650

$$ARL_n = \beta_0 + \beta_1 PROFITABILITY + \beta_2 LEV + \beta_3 ACCFIRM + \beta_4 OPINION + \varepsilon_i$$

Where:

ARL	=	The audit report needs to catch up from the date of closing the books to the date of audited financial reporting.
PROFITABILITY	=	The value of profitability using ROA by comparing the net income to the company's total assets.
LEV	=	Leverage is measured using the debt-to-equity ratio.
ACCFIRM	=	dummy variable; 1 if audited by Big Four; 0 others.
OPINION	=	dummy variable; 1 if standard audit opinion; 0 others.
$\beta_1, \beta_2, \beta_3, \text{ and } \beta_4$	=	The estimated parameters.
ε_i	=	error term

The primary data source used in this research is from Refinitiv Datastream. First, we collect companies listed in the Indonesia Stock Exchange (IDX) and financial data from Refinitiv Datastream. After that, we sort the data and remove the incomplete data. Next, we process the data and calculate the lags in audit reporting. It is done by collecting the company's audited financial statements from *Kinerja Emiten*, IDN Financial, and its official pages. Some companies needed a complete audited financial statement.

The 2010 data is used as the basis year of this research. Next, we perform the descriptive statics and multiple linear regression tests using SPSS. We could analyze the relationship of every determinant to the audit report lags based on the results of the relationship of the regression models to audit report lags of companies in Indonesia. We also perform the test of delta ROA and past accounting firms to support the results of the relationship of profitability and accounting firm size to audit report lags. Based on the analysis, we can conclude the relationship between profitability, leverage, accounting firm size, and audit opinion to audit report lags.

4. RESULTS

The table above shows the results of descriptive statistics analysis. It shows that the average profitability is 0.0958. It means that the average profitability of the companies studied is 9.58%. The result of the average value of leverage is 1.8115. The average financial leverage in this study is 181.15%, which means it has a high financial leverage value.

Table 2. Descriptive Statics Results (N=2650)

	Min.	Max.	Mean	Mode	Std. Deviation
PROFITABILITY	-15,68	35,41	0,0958	N/A	0,81031
LEV	-753,54	138,63	1,8115	N/A	16,33789
ACCFIRM	0	1	N/A	0	0,496
OPINION	0	1	N/A	0	0,476
DELTA_ROA	-35,30	35,59	-0,014	N/A	1,09213
PAST_ACCFIRM	0	1	N/A	1	0,384

The mode of the accounting firm size is 0. Based on the processed data, most companies are audited by the Non-Big Four. The mode value of audit opinion is 0. It means that most data processed are companies with non-standard audit opinions. Based on the results, it is known that the average change in profitability is -0.014. It means that the average value of the changes in profitability decreased in the following year by 1.4%. The modulus for the past accounting firm variable is 1. It means that most of the data processed is from companies audited by the same accounting firm in the following year.

Table 3. Hypothesis Test Results

Variable	Coefficients	t	Sig.
Constant	89,183	64,016	0,000
PROFITABILITY	1,870	2,012	0,044**
LEV	-0,012	-0,360	0,719**
ACCFIRM	-10,834	-9,466	0,000***
OPINION	-8,226	-6,911	0,000***
DELTA_ROA	1,462	2,123	0,034**
PAST_ACCFIRM	-0,701	-0,477	0,633**
F	31,132		0,000
Adj. R Square		0,064	

a. Dependent Variable: Audit Report Lags

** Significant at $\alpha = 5\%$

*** Significant at $\alpha = 1\%$

The results of the multiple regression model above show that the significance value is $0.000 < 0.05$. The coefficient value of the constant is 89.183. It means that when all independent variables are 0 (zero), the audit report lags would be 89.183 days. The coefficient of profitability is 1.870. It means that every 1% increase in profitability will be related to the longer duration of audit report lags. The profitability variable has a significant value of $0.044 < 0.05$. Based on these results, it is known that there is a significant relationship between profitability and audit report lags.

The coefficient of leverage is -0.012, meaning there is a negative relationship with audit report lags. The analysis shows that the value of the significance of the leverage is $0.719 > 0.05$. It means that statistically, leverage cannot explain its relationship to audit report lags. The coefficient of accounting firm size is -10.834, which means a difference in the duration of audit report lags between companies audited by the Big Four and Non-Big Four. Companies audited by Big KAPs will have a shorter duration of audit report lags, which is 10,834 days, than Non-Big Four. The analysis results show that the accounting firm size is significant at $0.000 < 0.01$.

In audit opinion, the significance value is $0.000 < 0.01$. Based on the analysis, it is known that the coefficient value is -8.226. Based on these results, it is known that companies with standard audit opinions have shorter audit report lags of 8.226 days when compared to companies with non-standard audit opinions. The ROA change results show that the significance value is $0.034 < 0.05$.

Delta ROA shows a positive value of 1.462. It means that companies that experience positive changes in ROA will have more extended audit report lags. This change is statistically significant to audit report lags. The past accounting firm variable has a negative relationship with audit report lags of -0.701. The significance value of this variable is $0.633 > 0.05$. Based on these results, this variable has no significant relationship with audit report lags.

5. DISCUSSION

Based on the research, it is known that statistically, profitability has a significant relationship with audit report lags. Companies with high profitability will experience audit report lags for a longer time. The analysis results show that the earnings changes have a significant relationship with audit report lags. When the ROA in the following year

is higher than the current year, the duration of the audit report lags will be longer. Based on this, Hypothesis 1 was rejected because it found that there is a different direction from the expectations.

The changes in profitability were tested using the change in ROA value. The analysis shows a significant relationship between the changes in ROA and audit report lags. It is known that when the ROA in the following year is higher than the current year, the company has a longer duration of audit report lags. It means that companies that experience an increase in profitability will have a longer duration of audit report lags. The findings in the profitability change align with the results of the relationship between profitability and audit report lags. Thus, this could also happen because of the pressure from management, who asked the auditor to issue financial reports quickly. Management will want to report the financial statement faster when it contains good news. In contrast, auditors need longer to collect the audit evidence when performing audit processes in all sectors. This causes audit report lags because of high profitability, so the auditor must check the company's profit sources.

This finding differs from Abdillah et al. (2019), who concluded that companies with high profitability value will have a shorter duration of audit report lags. Based on this, it is known that there is a different direction of relationship from the research findings. Leventis et al. (2005) state that no significant relationship exists between profitability and audit report lags.

Leverage is statistically insignificant with audit report lags, so Hypothesis 2 is rejected. This aligns with Al-Ghanem and Hegazy (2011), which shows no significant relationship between leverage and audit report lags. Hsu (2016) revealed that leverage has a significant positive relationship with audit report lags.

Companies audited by the Big Four will have significantly shorter 10,834 days than those audited by the Non-Big Four, so Hypothesis 3 is accepted. It is found that the audit report lags will differ depending on the size of accounting firms and how they perform the audit process. When the Big Four audits a company, it is known to have a shorter duration of audit report lags than a company audited by the Non-Big Four. Therefore, this could happen because an accounting firm with a larger size, such as the Big Four, will have better quality control. The fulfillment of responsibilities is professional to the clients. It relates to audit report lags that are more quickly done, impacting the shorter duration of audit report lags. This is in line with Baldacchino et al. (2016), which states that companies audited by more significant accounting firms will have a shorter duration of audit report lags. The findings in this study align with Abidin and Ahmad-Zaluki (2012), who concluded that companies audited by the Big Four have a significantly shorter audit timeliness compared to companies audited by the Non-Big Four.

Ocak and Ozden (2018) found that companies audited by the Big Four and Non-Big Four have no significant relationship between financial leverage and audit report lags. Turel and Tuncay (2016) concluded no significant relationship existed between accounting firm size and audit delay. Based on the test, it is known that accounting firm size has a positive relationship with audit delay. It means no significant difference exists between companies audited by the Big Four and Non-Big Four.

Audit report lags in companies with standard audit opinions differ from those with non-standard audit opinions. Companies with standard audit opinions will have shorter lags of 8,226 days than those with non-standard audit opinions. Hypothesis 4 is accepted based on these findings because it aligns with research expectations. This could happen because the auditor takes more extended time in the audit process to gather the audit evidence.

A negative coefficient on audit opinion may occur because a company with a standard opinion can be considered healthy. It means that the company in a certain period is running well, and there are no immaterial accounts. Audit evidence collected by the auditor can fulfill the information being audited, so the company's financial statements have been presented fairly. This can shorten the audit time of a company, which will also impact the shorter duration of audit report lags.

Companies that receive standard audit opinions show different audit report lags than non-standard audit opinions (Asthana, 2014). The more often a company issues non-standard audit reports, the longer it will result in audit reporting (Chan et al., 2015). Different from Bonson-Ponte (2008) concluded that a standard audit opinion cannot explain its relation to audit report lags.

The multiple regression model is significantly related to audit report lags. It is known that the independent variable affects 6.4% of audit reporting delays. It means that 93.6% of other variables that have not been discussed in this study influence the dependent variable, audit report lags.

6. CONCLUSION

Based on the results, the multiple regressions model is significantly related to the audit report lags. When ROA increases, it will affect the longer duration of audit report lags. This can happen because of the changes in profitability to a positive direction, which causes the longer duration of audit report lags. Companies with higher profitability may experience longer audit lags because the auditor needs more time to check matters relating to the company's profit.

Leverage is known to have no significant relationship with audit report lags. Companies audited by the Big Four will have shorter audit report lags than companies audited by the Non-Big Four. This could have happened because most of the data studied was known to be companies audited by Non-Big Four, showing a negative relationship to the duration of audit report lags. Companies with non-standard audit opinions will have a longer duration of audit report lags than companies with standard audit opinions. This could happen because most data processed are companies with non-standard audit opinions.

This research has been carried out correctly and with great care, but there are still some things that could be improved in this study. The data studied in this research is only 265 companies. In comparison, the other 515 companies could not be included because the required data was incomplete, could not be accessed, or the company's financial reports had not been published. The profitability value is proxied by the ROA. The leverage is proxied by the debt-to-equity ratio value. The accounting firm size is proxied into the Big Four and Non-Big Four.

This research is expected to help further researchers as a source of literature. The next researcher can process the data by comparing the duration of audit report lags before COVID-19 occurred and when it happened. Researchers can also use independent variables by proxy using different values. In addition, researchers can analyze by focusing only on an independent variable and reveal its relationship to audit report lags.

REFERENCES

- Abdillah, M. R., Mardijuwono, A. W., & Habiburrochman, H. (2019). The effect of company characteristics and auditor characteristics to audit report lag. *Asian Journal of Accounting Research*, 4(1), 129-144. <https://doi.org/10.1108/AJAR-05-2019-0042>
- Abidin, S., & Ahmad-Zaluki, N. A. (2012). Auditor industry specialism and reporting timeliness. *Procedia-Social and Behavioral Sciences*, 65, 873-878. <https://doi.org/10.1016/j.sbspro.2012.11.213>
- Al-Ghanem, W. and Hegazy, M. (2011). An empirical analysis of audit delays and timeliness of corporate financial reporting in Kuwait. *Eurasian Business Review*, 1, pp.73-90. <https://doi.org/10.14208/BF03353799>
- Ashton, R.H., Willingham, J.J. and Elliott, R.K. (1987). An empirical analysis of audit delay. *Journal of accounting research*, pp.275-292. <https://doi.org/10.2307/2491018>
- Ashton, R.H., Graul, P.R. and Newton, J.D. (1989). Audit delay and the timeliness of corporate reporting. *Contemporary accounting research*, 5(2), pp.657-673. <https://doi.org/10.1111/j.1911-3846.1989.tb00732.x>
- Asthana, S. (2014). Abnormal audit delays, earnings quality and firm value in the USA. *Journal of Financial Reporting and Accounting*, 12(1), 21-44. <https://doi.org/10.1108/JFRA-09-2011-0009>
- Azwar, Saifuddin. 2001. *Metode Penelitian*. Yogyakarta: Pustaka Pelajar.
- Baldacchino, P. J., Grech, L., Farrugia, K., & Tabone, N. (2016). An analysis of audit report lags in Maltese companies. *In Contemporary Issues in Finance: Current Challenges from Across Europe* (Vol. 98, pp. 161-182). Emerald Group Publishing Limited. <https://doi.org/10.1108/S1569-37592016000098010>
- Bonsón-Ponte, E., Escobar-Rodríguez, T., & Borrero-Domínguez, C. (2008). Empirical analysis of delays in the signing of audit reports in Spain. *International journal of auditing*, 12(2), 129-140. <https://doi.org/10.1111/j.1099-1123.2008.00375.x>
- Chan, K. H., Luo, V. W., & Mo, P. L. (2016). Determinants and implications of long audit reporting lags: evidence from China. *Accounting and Business Research*, 46(2), 145-166. <https://doi.org/10.1080/00014788.2015.1039475>
- Durand, G. (2019). The determinants of audit report lag: a meta-analysis. *Managerial Auditing Journal*, 34(1), 44-75. <https://doi.org/10.1108/MAJ-06-2017-1572>
- Eisenhardt, K. M. (1989). Agency theory: An assessment and review. *Academy of management review*, 14(1), 57-74. <https://doi.org/10.5465/amr.1989.4279003>
- Financial Accounting Standards Board (FASB). (1980). Statement of financial accounting concepts no. 2: qualitative characteristics of accounting information.
- Financial Accounting Standards Board (FASB). (2010). Statement of financial accounting concepts no. 8: conceptual framework for financial reporting.
- Fridson, Martin dan Fernando Alvarez. (2011). *Financial Statement Analysis A Practitioner's Guide Fourth Edition*. John Wiley & Sons, Inc.
- Gujarati, Damodar N., Porter, Dawn C. (2009). *Basic Econometrics Fifth Edition*. McGraw Hill Companies.
- Hayes, Rick, Roger Dassen, Arnold Schilder, Philip Wallage. (2004). *Principles of Auditing: An Introduction to International Standards on Auditing Second Edition*. Pearson Education Limited.

- Hitz, J. M., Löw, P., & Solka, M. (2013). Determinants of audit delay in a mandatory IFRS setting/Bestimmungsfaktoren der Prüfungsdauer von verpflichtend aufzustellenden IFRS-Abschlüssen. *Die Betriebswirtschaft*, 73(4), 293.
- Hu, N. W., & Cheng, W. (2017, June). Empirical study on the phenomenon of audit report lag and financial restatement in Chinese listing corporation. In *2017 International Conference on Service Systems and Service Management* (pp. 1-6). IEEE. <https://doi.org/10.1109/ICSSSM.2017.7996227>
- Hsu, H. (2016). An Empirical Analysis on the Determinants of Audit Report Lag. In *3rd International Conference on Social Science, ss* (pp. 732-735).
- Khoufi, N., & Khoufi, W. (2018). An empirical examination of the determinants of audit report delay in France. *Managerial Auditing Journal*. <https://doi.org/10.1108/MAJ-02-2017-1518>
- Leventis, S., Weetman, P., & Caramanis, C. (2005). Determinants of audit report lag: Some evidence from the Athens Stock Exchange. *International journal of auditing*, 9(1), 45-58. <https://doi.org/10.1111/j.1099-1123.2005.00101.x>
- Obradovic, A., Mizdrakovic, V. and Avlijas, (2018). Analysis of Audit Report Lag on Serbian Stock Exchange. *Finiz 2018-The Role of Financial and Non-financial Reporting in Responsible Business Operation*, 113-117. <https://doi.org/10.15308/finiz-2018-113-117>
- Otoritas Jasa Keuangan Republik Indonesia. 2016. *Peraturan Otoritas Jasa Keuangan Nomor 29/POJK.04/2016 Tentang Laporan Tahunan Emiten Atau Perusahaan Publik*. Jakarta.
- Pemerintah Republik Indonesia. 2011. *Undang-Undang Republik Indonesia Nomor 5 Tahun 2011 Tentang Akuntan Publik*. Lembaran Negara 2011 Nomor 51, Tambahan Lembaran RI Nomor 5215. Jakarta: Sekretariat Negara.
- Sugiyono. (2017). *Metode Penelitian Kuantitatif Kualitatif dan R&D*. Bandung: Penerbit Alfabeta Bandung
- Suwardjono. (2014). *Teori Akuntansi Perekayasaan Pelaporan Keuangan Edisi Ketiga*. Yogyakarta: Fakultas Ekonomika dan Bisnis UGM.
- Turel, A., & Tuncay, F. E. (2016). An empirical analysis of audit delay in Turkey. *Annales Universitatis Apulensis Series Oeconomica*, 18, 97-105.
- Xiang, R., Chen, Y., & He, X. (2015). Financial characteristic and disclosure delay of annual report: Evidence from listed companies in China. In *Proceedings of the Ninth International Conference on Management Science and Engineering Management* (pp. 817-828). Springer Berlin Heidelberg. https://doi.org/10.1007/978-3-662-47241-5_69