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Beyond Numbers: The Dance of Determinants in Audit Report Timing for Indonesian Stock Exchange Manufacturers (2018-2020)

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Abstract

The purpose of this research was to determine the effect of audit tenure and Public Accounting Firm (KAP) reputation on the timeliness of submitting financial reports (report lag) of manufacturing companies listed on the Indonesia Stock Exchange (IDX). The samples for this research were collected from 112 companies over a period of 3 years, so the total number of samples obtained were 336. The testing of hypotheses in this research is done using logistic regression. The research results show that tenure audits influence the report lag, but KAP reputation does not influence the report lag.

Keywords: Report lag, Tenure Audit, KAP Reputations

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Abstrak

Tujuan dari penelitian ini adalah untuk mengetahui pengaruh dari audit tenure dan reputasi KAP terhadap ketepatan waktu dalam penyampaian laporan keuangan (report lag) pada perusahaan manufaktur yang terdaftar pada Bursa Efek Indonesia (BEI). Jumlah sampel pada penelitian ini yaitu sebanyak 112 perusahaan manufaktur dalam jangka waktu 3 tahun sehingga jumlah sampel yang di dapat yaitu sebanyak 336 perusahaan. Pengujian hipotesis pada penelitian ini yaitu menggunakan regresi logistic. Hasil Penelitian menunjukkan bahwa audit tenure memiliki pengaruh dalam ketepatan dalam penyampaian laporan keuangan dan reputasi KAP tidak memiliki pengaruh terhadap ketepatan dalam penyampaian laporan keuangan.

Kata Kunci: report lag, audit tenure, reputasi KAP

1. INTRODUCTION

Company financial reports are a vital source of information for various interested parties, including investors, creditors, government entities, managers, and other employees. Financial reports must exhibit relevant and reliable characteristics. A financial report is considered relevant and reliable if it is submitted on time (Harahap, 2011). Companies in the manufacturing sector listed on the Indonesia Stock Exchange rely on financial reports as a benchmark for assessing and measuring performance and supporting business continuity.

The company's financial reports, submitted to the financial services authority, hereinafter abbreviated as OJK, must be accompanied by an audit report issued by an independent auditor (KAP). However, when a company is late in submitting its financial reports to the OJK and other users, it can create issues.

The examination of financial reports or audits conducted by KAP serves as the foundation for assessing the fairness of financial reports. This audit process often takes a significant amount of time due to the multitude of transactions that require auditing, the complexity of these transactions, and inadequate internal controls, which lead to delays in the audit report.

Regulations regarding financial reports are outlined in Financial Services Authority Regulation No. 29/POJK.04/2016, Article 7, Paragraph (1). It stipulates that issuers or public companies are obligated to submit annual reports to the OJK no later than four months after the end of the financial year. Paragraph (2) states that publicly traded companies must submit financial reports prepared in accordance with Financial Accounting Standards and audited by public accountants (Finance, 2016).

Delays in submitting financial reports can negatively impact investor confidence, as investors often perceive such delays as resulting from management errors. The company's survival hinges on the accuracy of these audits, which is why delays in audit reports can be detrimental.

Numerous factors can influence audit report delays within a company, both originating from internal and external factors. Internal factors include the company's size, age, profitability, and solvency. External factors include KAP reputation, often represented by big four KAPs, audit opinions, audit engagement periods, and audit stress capacity.

According to CNBC media on May 9, 2019, there were still 24 companies that had not fulfilled their obligations to submit audited financial reports. As a result, these 24 issuers received written warning letters II and a fine of IDR 50 million (Ayuningtyas, 2019). The initial research data is presented in Table 1.

Table 1. Comparison of Companies that Submit Reports Punctually

Results	2018	2019	2020
Punctual	60	51	47
Non-Punctual	2	11	15
TOTAL	**62**	**62**	**62**

Source: IDX, 2022

Table 1 reveals that in 2018, among a sample of 62 manufacturing sector companies listed on the IDX, two companies failed to submit their financial reports punctually. In 2019, this number increased to 11, and in 2020, it further escalated by four, resulting in a total of 15 companies not meeting the timely submission requirement.

Prior research with varying outcomes has motivated researchers to revisit the examination of non-financial factors influencing audit report lag, specifically audit tenure and KAP reputation.

Prior research findings (Syaifulloh and Khikmah, 2020; Yolanda and Indra Arza, 2019) contend that audit tenure has no discernible impact on audit report lag. In contrast, Michael & Rohman (2017) posit that audit tenure does indeed affect audit report lag. Michael & Rohman (2017) also argue that KAP reputation does not influence audit report lag, while Sari & Sujana (2021) contend that KAP reputation does have an impact on audit report lag.

The research's problem formulation is centered on two key inquiries emerging from the background information: firstly, whether the duration of audit tenure holds significance in influencing the audit report lag within manufacturing companies listed on the Indonesia Stock Exchange throughout the period spanning 2018 to 2020; and secondly, whether the reputation of KAPs (Kantor Akuntan Publik or public accounting firms) plays a role in shaping the audit report lag within the same cohort of manufacturing companies during the years 2018 to 2020.

This research aims to explore the impact of audit tenure and Kantor Akuntan Publik (KAP) reputation on the audit report lag within manufacturing companies listed on the Indonesia Stock Exchange from 2018 to 2020. The primary goal is to investigate the relationship between the duration of audit tenure and the time taken to issue audit reports, alongside assessing the influence of KAP reputation on this lag. By examining these factors within the specific context of the Indonesian manufacturing sector, the study aims to contribute valuable insights into the dynamics of audit processes, tenure, and reputation, offering meaningful implications for both the academic understanding of auditing practices and the efficiency of audit report issuance within this sector.

2. THEORETICAL REVIEW

2.1. Agency Theory

Jensen & Meckling (1976) define an agency relationship as a contractual arrangement where the owner delegates a set of tasks or responsibilities to another party, referred to as management. This management is vested with the authority to make decisions on behalf of the owner. If both parties engage in a contract that maximizes their utility, it is likely that management may not always act in the owner's best interests. An efficient contract is characterized by the satisfaction of two key assumptions:

a. Information symmetry, indicating that both owners and management possess an equal amount of information, eliminating information gaps or hidden knowledge that could potentially favor management.
b. Clear and certain rewards for agents, meaning that agents have a high level of certainty regarding the rewards they will receive.

According to Eisenhardt (1989), agency theory seeks to address issues arising in agency relationships:

a. Agency problems emerge when conflicting goals exist between the principal (owner) and the agent (management), making it challenging to verify whether the owner and management have acted in the best interests of the principal.
b. The issue of risk sharing arises from the separation of ownership between the owner and management within an agency relationship.

The principal's interest often lies in improving financial results, while the agent seeks satisfaction, typically in the form of compensation or salary with specific conditions. These differing interests can lead to attempts to maximize individual gains, sometimes resulting in financial information and

reports that do not accurately reflect the actual situation. This phenomenon is known as asymmetric information (information asymmetry). To mitigate such conditions, the involvement of an independent third party is crucial in mediating the principal-agent relationship. The third party serves the function of monitoring management behavior to ensure alignment with the owner's intentions. In this context, auditors play a vital role in bridging the interests of the principal and agent in the management of the company (Dewayanto, 2011).

2.2. Signal Theory

According to Ross (1977), signal theory posits that management possesses more comprehensive information about the company when it comes to conveying information to investors, resulting in information asymmetry between management and owners. This information is typically conveyed through the annual financial report, which encapsulates the company's current status, historical performance, and overall condition. Signal theory recommends that a company should proactively share information curated by management, aligning with the owner's objectives or disclosing financial data that sends either a positive signal, often referred to as "good news," or a negative signal, termed "bad news." The essence of signal theory underscores the importance of providing financial information to external stakeholders, primarily due to the inherent information disparities between the company and external parties.

2.3. Financial Report

Financial reports, in accordance with PSAK No. 1 in 2018, are an integral component of the financial reporting process. A comprehensive financial report typically encompasses a balance sheet, a profit and loss statement, a report detailing changes in financial position, and notes accompanying the financial report. These reports collectively provide a snapshot of a company's financial health, either at present or during a specific timeframe, as outlined by the Indonesian Accountants Association in 2018.

The key components of a complete financial report, as per the Indonesian Accountants Association (2018), include:

a. Statement of financial position at the end of the reporting period.
b. Statement of profit or loss and other comprehensive income for the same period.
c. Report on changes in equity throughout the reporting period.
d. Cash flow statement for the specified period.
e. Notes to the financial statements, which incorporate summaries, significant accounting policies, and other explanatory information.
f. Statement of financial position at the beginning of the immediately preceding period, particularly when the entity applies accounting policies retrospectively, revises the presentation of items in the financial statements, or reclassifies items within the financial statements.

Financial reports, meticulously prepared by management, undergo scrutiny by an independent auditor to determine their compliance with generally accepted accounting principles and their fairness concerning all material aspects. This assessment covers the company's financial position, business results, changes in equity, and cash flow. The auditor then issues an audit opinion, as stipulated by the Institute of Public Accountants Indonesia in 2011.

2.4. Audit Report Lag

Audit Report Lag is defined as the time difference between the conclusion of the company's fiscal year and the date mentioned in the independent auditor's report. It is quantified by the duration needed to complete the annual financial report audit, specifically the number of days it takes to obtain the independent auditor's report regarding the audit of the company's annual financial report. This timeframe is calculated from the closing date of the company's books as of December 31 to the date specified in the independent auditor's report.

2.5. Audit Tenure

Audit tenure is defined as the duration of years during which a KAP (Kantor Akuntan Publik or public accounting firm) conducts audit engagements with the same auditee. There is concern that an extended relationship between the auditor and the auditee might compromise the auditor's independence, potentially making it challenging to render a going concern judgment, as noted by Dewayanto in 2011. Indonesia is one of the countries that has enacted mandatory regulations for periodic auditor changes. This requirement is stipulated by the government through the financial services authority, known as OJK (Otoritas Jasa Keuangan), as outlined in the OJK (2017 Finance) Regulations, Chapter VI, Article 16, which specifies:

a. Entities engaged in financial services activities are mandated to limit their use of audit services from the same KAP for three consecutive financial years.
b. The use of audit services, as outlined in point (1), also extends to associated KAPs.
c. Entities involved in financial services activities can re-engage the same KAP mentioned in point (1) only after abstaining from using that particular KAP for two consecutive years.

The second general standard in SA Section 220, according to the Indonesian Institute of Public Accountants in 2011, emphasizes that auditors must maintain a stringent focus on matters concerning engagement, independence, and mental attitude. Auditors are required to maintain impartiality, free from external influence, and not subject to control by any party. Independence is a fundamental prerequisite for auditors to bolster the confidence of financial report users.

2.6. KAP Reputation

According to DeAngelo (1981), it is posited that larger-scale auditors possess a stronger incentive to avoid criticism and safeguard their reputation in comparison to smaller-scale auditors. Additionally, larger-scale auditors are more inclined to uncover underlying issues due to their greater ability to confront the potential risk of legal action. Quality auditors, as categorized, fall under the banner of The Big Four KAP (Rahayu and Suhayati, 2009). Table 2, which is provided for reference, illustrates affiliated KAPs in Indonesia.

Table 2. KAP Big Four beserta Afiliasinya di Indonesia

No	*The Big Four*	Afiliasi di Indonesia
1.	*Price Waterhouse Coopers (PWC)*	KAP Haryanto Sahari
2.	*Delloite Touche Tohmatsu*	KAP Osman Bing Satrio
3.	*Ernst & Young (EY)*	KAP Purwanto dan Rekan
4.	*Kins, Peat Marwick, Goerdeller (KPMG)*	KAP Sidharta dan Rekan

Source: Author, 2023

3. RESEARCH METHOD

3.1. Population and Sample

The population for this research comprises all companies listed on the Indonesia Stock Exchange during the period from 2018 to 2020. A sample, as defined by Sugiyono (2015), is a subset selected from the population based on certain characteristics or criteria. In this research, sample selection was performed using the purposive sampling method, which involves the deliberate selection of samples based on specific criteria, as outlined by Sugiyono (2015). The criteria employed to determine the sample are as follows:

a. Inclusion of companies consecutively registered during the 2018-2020 period.
b. Ensuring that financial reports are presented in a complete and uninterrupted manner from 2018 to 2020.
c. Examination of reports ending on December 31 for the 2018-2020 period.
d. Ensuring that financial reports use the Indonesian rupiah monetary unit (IDR).

The sample selection process based on these criteria is presented in Table 3 for reference.

Table 3. Proses Pemilihan Sampel

No	Criteria	Companies
1.	Companies registered during the 2018-2020 period.	193
2.	Manufacturing companies that were not listed consecutively during the 2018-2020 period.	(12)
3.	Companies that inconsistently published financial reports during the 2018-2020 period.	(47)
4	Financial reports that did not end on December 31 for the 2018-2020 period.	(3)
5.	Financial reports that did not use the Rupiah as the monetary unit.	(19)
	Samples	112
	Observation	3
	Total observation	**336**

Source: IDX, 2022

The sample is classified into two distinct groups based on the quality of the audit report, with this quality being approximated by the timeliness of audit report submission. These two groups consist of companies that submit their reports on time and those that do not submit their reports on time. The distribution of sample companies, as categorized by the accuracy of report submission, is presented in Table 4 for reference.

Table 4. Comparative distribution of sample companies based on punctuality

Audit Findings	2018	2019	2020
Punctual	110	93	86
Non Punctual	2	19	26
Total	112	112	112

Source: IDX, 2022

3.2. Data Types and Sources

This research employs a quantitative approach, and data collection was conducted through the documentation method. The documentation method involves gathering data from financial

reports available on the Indonesian Stock Exchange website. This data is categorized as secondary data, encompassing annual financial reports and independent auditor reports of the companies.

3.3. Operational Definition and Variable Measurement

An operational definition is a specific definition given to a variable in the form of terms that can be tested using measurement criteria (Iksan, 2008). Succinctly, the operational definitions of variables and their respective measurements are presented in the Table 5:

Tabel 5. Measures and Operational Definition

No	Variable	Operational Definition	Indicator	Measures	Sources
1	Audit Report lag	The duration required to complete the audit process of a financial report within a company.	Auditor reporting date	Dummy variable Late in submitting financial statements = 0, Not late in submitting financial reports = 1	(Ekaputri and Apriwenni 2021) (Widayanti, Akuntansi, and Ekonomi, n.d.) (Keuangan 2016)
2	Audit Tenure	The duration of audit engagements conducted by KAPs on their auditees.	OJK Regulation no. 13 of 2017	Nominal	(Dewayanto 2011) (Keuangan 2017)
3	Reputation	Larger auditing firms, particularly members of the Big Four KAPs, are more motivated to uphold their reputation and maintain high audit quality.	KAP is included in the big four	Dummy variabel. Big four = 1 Non big four = 0	(DeAngelo 1981) (Rahayu and Suhayati 2009)

Source: Author, 2023

3.4. Data Analysis Method

The data analysis method employed in this research is logistic regression. This choice is made as the dependent variable is audit report lag, which is approximated by the delay in submitting qualitative financial report information. This will be measured through the use of dummy variables, while the independent variable combines both metric and non-metric data, as outlined by Ghozali (2016). Ghozali (2016) clarifies that logistic regression is utilized to determine whether the likelihood of the dependent variable's occurrence can be predicted by the independent variable. Furthermore, it's worth noting that logistic regression doesn't necessitate the assumption of data normality for the independent variable. The logistic regression model employed is represented by the equation:

$$\ln\frac{ARL}{1-ARL} = \propto+\beta_1 AT+\beta_2 OA$$

Notes:

$\ln\frac{ARL}{1-ARL}$ = probability of getting an audit report lag
$\propto$ = Constant
$\beta_1 AT$ = *audit tenure*
$\beta_2 OA$ = opini audit

According to Ghozali (2016), the stages in logistic regression testing are as follows:

1. **Assess the Overall Model:**

This test is conducted to determine whether the hypothesized model fits the data. The hypothesis for assessing model fit is as follows:

a. Ho: The hypothesized model fits the data.

b. H1: The hypothesized model does not fit the data.

The evaluation of the entire model involves comparing the values of -2 log likelihood (-2LL). This comparison is made between the beginning (block number = 0), where the model includes only a constant, and the end (block number = 1), where the model includes both constants and independent variables. If the value of -2LL for block number = 0 is greater than the value of -2LL for block number = 1, it indicates a good fit for the regression results (Ghozali, 2016).

2. **Determinant Coefficient (Naglkerke R Square):**

The R Square value illustrates the extent to which the independent variable can explain and influence the dependent variables. R Square values fall between 0 and 1. If the value is closer to 1, the model is considered a better fit; if the value is closer to 0, the model is considered a poorer fit (Ghozali, 2016).

3. **Assess the Feasibility of the Regression Model:**

The feasibility of the logistic regression model is determined using Hosmer and Lemeshow's Goodness of Fit Test. This test assesses whether the empirical data conforms to the model. The results, according to Ghozali (2016), are as follows:

a. If the statistical value of Hosmer and Lemeshow's Goodness of Fit Test is equal to or less than 0.05, the null hypothesis is rejected, indicating a significant difference between the model and observed values.

b. If the statistical value of Hosmer and Lemeshow's Goodness of Fit Test is greater than 0.05, the null hypothesis cannot be rejected, suggesting that the model can predict observed values effectively.

4. Results & Discussion

4.1. Descriptive Results

Descriptive statistical tests offer insights into data by examining various parameters, including the mean (average value), standard deviation (variation), variance, minimum and maximum values, sum, and range, as elucidated by Ghozali in 2016.

Table 6. Descriptive Statistics

	N	Range	Min	Max	Sum	Mean	Std. Dev.	Var
RL	336	1	0	1	289	0.86	0.347	0.121
AT	336	2	1	3	600	1.79	0.800	0.641
RK	336	1	0	1	97	0.29	0.454	0.206
Valid N (listwise)	336							

Source: Author, 2023

Notes: RL: Report Lag; AT: Audi Tenure; RK: Reputasi KAP.

4.2. Hypotheses Testing

In this research, a logistic regression test is employed to assess the two research hypotheses, with a significance level set at 95%. The initial step in hypothesis testing involves evaluating the feasibility of the regression model using the Hosmer and Lemeshow test. The results derived from this test are outlined below:

Tabel 7. Hosmer and Lemesshow Test

Step	Chi-Square	df	Sig
1	5.389	4	0.250

Source: Author, 2023

Table 7 displays a significance value of 0.250. In the context of the Hosmer and Lemeshow test, a regression model is considered feasible when the significance value is greater than or equal to 0.05. Consequently, based on this test result, it can be concluded that the null hypothesis is accepted, indicating that the model is well-suited for the data.

The second step involves conducting an overall model test, often referred to as the "Overall Model Fit Test." This test evaluates whether the hypothesized model aligns with the data. The results derived from this test are detailed in Table 8:

Tabel 8. Overall Model Fit Test

Iteration		-2 Log likehood	Coefficients Constant
Step 0	1	278.231	1.440
	2	272.064	1.774
	3	271.990	1.816
	4	271.990	1.816

Source: Author, 2023

Table 8 reveals that the initial -2LogL value, at the beginning (block number = 0), is recorded as 278,231, while the final -2LogL value, at the end (block number = 5), stands at 271,990. It's noteworthy that the initial -2LogL value is greater than the final -2LogL value, leading to the conclusion that the hypothesized model is an appropriate fit for the data.

The third step in the process entails examining the coefficient of determination, often assessed through Nagelkerke's R Square Test. This test aims to quantify the extent to which the combination of independent variables can elucidate the dependent variable. The results derived from this test are elucidated as follows:

Tabel 9. Nagelkerke's R Square Test Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	264.915[a]	0.021	0.038

Source: Author, 2023

Table 9 presents Nagelkerke's R Square value, which is calculated at 0.038. This value indicates that approximately 3.8% of the variance in the accuracy of submitting financial reports can be attributed to the non-financial independent variables, namely audit tenure and KAP reputation.

Notably, the majority of the accuracy in submitting financial reports, approximately 97.2%, is influenced by other independent variables that fall outside the scope of this research.

The fourth step involves conducting a simultaneous testing known as the "Omnibus Test of Model Coefficient." This test is performed to examine whether the independent variables collectively have a significant impact on the dependent variable. The results obtained from this test are detailed in Table 10:

Tabel 10. Omnibus Test of Model Coefficients

		Chi-Square	df	Sig
Step 1	Step	7.075	2	0.029
	Block	7.075	2	0.029
	Model	7.075	2	0.029

Source: Author, 2023

Table 10 illustrates a significance value of 0.029. In hypothesis testing, when the significance level falls below 0.05, it indicates statistical significance. Consequently, it can be concluded that the independent variables, either used collectively or at least one of them, have a significant influence on the dependent variable.

4.3. Discussion

Tabel 11. Variables in the Equation

		B	S.E	Wald	df	Sig	Exp (B)	95% C.I For EXP (B)	
								Lower	Upper
Step 1	AT	-0.409	0.195	4.384	1	0.036	0.664	0.453	0.974
	RK	0.676	0.396	2.921	1	0.087	1.967	0.925	4.271
	Constant	2.417	0.416	33.750	1	0.000	11.213		

Source: Author, 2023

The logistic regression equation is as follows:

$$ln\frac{ARL}{1-ARL} = 2.417 - 0.409AT + 0.676RK$$

Notes:

$\ln \frac{ARL}{1-ARL}$ = probability of getting an audit report lag

$\propto$ = Constant

AT = *Audit Tenure, the period of the audit engagement, measured using interval measurements. 1 for 1 year, 2 to 2 years etc.*

RK = KAP reputation, measured by a dummy variable for the big four KAPs, and 0 for non-big four KAPs

4.3.1. The Effect of Audit Tenure on Accuracy in Submitting Financial Reports:

The audit tenure variable exhibits a negative regression coefficient of -0.409 with a significance level of 0.036, which is smaller than 0.05. This significance level indicates that the hypothesis is successfully supported. Therefore, it can be concluded that the audit tenure variable indeed has an influence on the accuracy in submitting financial reports. The research findings support the theory that a longer auditor-auditee relationship results in greater auditor familiarity, leading to reduced audit duration and faster financial report submission.

In summary, the relationship between audit tenure and financial reporting quality is complex and can vary depending on the specific context and measures used. While some studies suggest a positive

relationship between longer audit tenures and higher financial reporting quality, others find a negative impact. Additionally, the timeliness of financial reporting can also be influenced by audit tenure. Overall, it is important for companies to consider the potential effects of audit tenure on the accuracy and timeliness of their financial reports.

Furthermore, the timeliness of financial reporting can also be influenced by audit tenure. Sari et al. (2020) hypothesized that tenure audit has a positive effect on the timeliness of the publication of financial statements (Sari et al., 2020). However, Dewi et al. (2019) found that audit tenure and financial statement cannot be considered when companies submit their financial statements due to regulations regarding timeliness (Dewi et al., 2019).

4.3.2. The Influence of KAP Reputation on Accuracy in Submitting Financial Reports:

The KAP reputation variable demonstrates a positive regression coefficient of 0.676 with a significance level of 0.087, which exceeds 0.05. Because the significance level is greater, the hypothesis cannot be supported, implying that the KAP reputation variable does not have a discernible influence on the accuracy of submitting financial reports. These research results do not align with the theory, as the size of a Public Accounting Firm does not seem to affect the accuracy of financial report submission. This discrepancy may be attributed to the general audit standards, which necessitate auditors to possess adequate technical training and skills for conducting audits.

One key aspect of auditing office reputation is the reputational costs borne by outside directors, especially audit committee members, in the event of financial reporting failure (Srinivasan, 2005). This suggests that individuals associated with reputable auditing offices have a strong incentive to ensure the accuracy of financial reports to protect their own reputation.

Furthermore, questionable audits can impair the reputation of an auditing office and adversely affect its ability to obtain and retain clients in the local market (Li, 2009). This implies that auditing offices with a strong reputation are more likely to attract clients who value accurate financial reporting.

High-reputation companies also have strong incentives to maintain and signal their financial reporting quality, which increases their demand for audit quality (Xuan & Kang, 2018). This suggests that companies seek out reputable auditing offices to enhance the accuracy of their financial reports.

The reputation of audit committee members, who play a crucial role in monitoring the financial reporting process, also serves as a strong incentive for them to ensure the accuracy of financial reports (Khoo et al., 2020). This indicates that individuals associated with reputable auditing offices are more effective in monitoring the financial reporting process, leading to increased accuracy.

Moreover, the reputation of auditing offices can have an impact on the timeliness of financial reporting. Auditing offices with a strong reputation are more likely to complete the audit of financial statements promptly, enabling client companies to publish their financial reports in a timely manner (Wulandari & Barokah, 2022).

4.4. Research Limitations:

The research exhibits limitations in its focus on the relationship between audit tenure, KAP reputation, and financial report accuracy. The study acknowledges the complexity of this connection and highlights varying findings from different sources, suggesting a lack of consensus in the existing literature. This complexity may arise due to the absence of a more comprehensive analysis considering industry-specific regulations, geographical variations, and other pertinent factors that

could influence the observed associations. Moreover, based on the Nagelkerke R Square values, the independent variables have a relatively modest influence, accounting for only 3.8% of the variance in audit report lag. Future research is encouraged to explore additional non-financial variables that could impact audit report lag.

5. Conclusion & Recommendation

5.1. Conclussion

In interpreting the findings from the conducted tests, several key conclusions emerge. Firstly, the analysis revealed a significant correlation between audit tenure and audit report lag, indicating that an extended duration of the auditor-auditee relationship notably accelerates the submission of financial reports. This outcome supports the notion that increased familiarity and understanding between the auditor and the auditee contribute to more efficient audit processes. However, the investigation found no substantial impact of KAP reputation on the audit report lag. Regardless of a KAP's reputation, the study suggests that the timely submission of financial reports remains consistent, reflecting the adherence to auditing standards mandating punctual inspections. This absence of influence may imply that other factors beyond reputation may play a more crucial role in the timeliness of financial report submissions.

5.2. Suggestion

For prospective research endeavors, the incorporation of supplementary non-financial factors could enrich the comprehension of their influence on the accuracy of financial report submissions. Broadening the scope beyond purely financial considerations could offer a more comprehensive understanding of the dynamics affecting timely report submissions. Furthermore, replacing the measurement scale of the dummy variable with the actual report lag variable is recommended for a more precise evaluation of the timing of financial report submissions. Utilizing the actual time taken for report submission, rather than a categorical representation, would afford a more granular and accurate assessment, potentially yielding deeper insights into the temporal aspects of audit processes.

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