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The Effect Of Company Size, Public Accounting Firm Size, And Audit Tenure On Audit Report Lag With Auditor Industry Specialization As A Moderating Variable

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ABSTRACT

The number of days that elapse between the closing date and the date on which the auditor's report about the company's annual financial statements is disclosed is the formula for audit report lag, which is the time it takes to complete audit reports. In terms of numbers, the audit report lag is measured in days. The purpose of this research is to investigate the relationship between auditor industry specialization and audit report latency, as well as the effects of auditor tenure, firm size, and the size of public accounting firms. Using a purposive selection approach, 71 firms were selected for the study's sample from the population of manufacturing enterprises listed on the Indonesia Stock Exchange between 2019 and 2023. For this data analysis, we flipped to Moderated Regression Analysis (MRA). The results showed that firm size had a negative effect on audit report lag, business size had a favorable effect, and public accounting firm size had no effect. Although auditor sector specialization can lessen the influence of business size on audit report delay, it cannot offset the impact of public accounting firm size and audit duration in general.

INTRODUCTION

Management may answer to stakeholders through financial statements, which show the company's performance over a period of time. The purpose of financial statements is to provide information about an entity's cash flow, financial position, and financial performance so that those who utilize them can make better financial decisions. (Arizky & Purwanto, 2018). The financial statements must contain information that is reasonably relevant. As a result, timely submission of financial accounts is necessary to facilitate decision-making. The supplied information may become irrelevant if there is a delivery delay (Ginanjar, 2018). In order to be listed on the IDX, businesses that have gone public are required to present financial records that comply with Financial Accounting Standards (SAK). The report must be audited by a public accounting firm that is registered with both the Financial Services Authority and the Capital

Market Supervisory Agency. The business will be punished if the allocated time is exceeded. Since auditors must finish audit reports on schedule and in accordance with relevant standards to maintain the high caliber of the reports they produce, this might present a challenge for them (Menajang, 2019).

The deadline for the end of the accounting period and the date on which the auditor approves the audit report might affect how quickly financial statement information has to be revealed. Therefore, to ensure that the financial statements are adequate and relevant, timely reporting is essential. One indication of the accuracy of financial statement presentation is the audit report lag, which is the time between the closure date and the completion date of the audit report. When the time it takes to complete an audit exceeds the allocated time, it could postpone the release of financial results. Public enterprises are required to submit their annual reports to the Financial Services Authority (OJK) no later than the end of the fourth month after the conclusion of the closing year, as stated in OJK regulation no. 29/POJK 04/2016 (Financial Services Authority, 2016). The auditing firms see report lag as critical to the survival of the organization as it reveals the viability of the enterprise. The firm would undoubtedly suffer greatly from the existence of audit report lag as it will influence investors' choices about capital investments (Pratiwi, 2018).

Audit report delays can be caused by a number of factors, one of which being the company's size. In business parlance, "company size" refers to the sum of a firm's assets and revenues (Puryanti, 2018). One way to measure a company's size is by looking at its overall revenue or wealth for a certain accounting period (Dura, 2017). According to the philosophy of auditing, a larger organization requires a higher number of samples and a wider diversity of audit methodologies due to the increased number of transactions. For this evaluation, the total assets that the company holds could also be considered. The audit report lag and the firm's size are two factors that affect how long it takes to complete the audit. Audits are often finished more quickly by larger businesses than by smaller ones (Dura, 2017). Internal auditors at larger organizations are often more qualified, which helps promote faster and more accurate financial statement completion. This results in a reduced lag time for the audit report (Saputra, 2020). Studies by Candraningtyas et al. (2017) and Harahap et al. (2015) were successful in demonstrating that audit report latency is positively impacted by firm size. Puryanti (2018) asserts that quality human resources are more in demand by major organizations, which increases the competence of internal auditors. Better reported financial statements and faster audit timeframes reduce the time it takes to complete an audit. The size of a company has little impact on audit report delay, according to research by Parahyta and Herawaty (2020). On the other hand, Valentine and Effendi (2021) found that the longer the audit report lag, the smaller the firm was, suggesting that larger companies had a negative impact on the audit report lag.

Second, the size of the accounting firm (KAP) is an important factor to consider when determining the potential delay in audit reports. The term "public accounting firm" is defined by Abbas et al. (2019) as an organization that provides a variety of management-related services, including audits of financial statements. accounting, taxes, and consulting. Finding the evidence required for the audit process is thought to be easier for public accounting firms with Big Four affiliates. Compared to the Non-Big Four, the Big Four are able to complete financial statements on time because they have the assistance of knowledgeable professionals and cutting-edge technology (Sakti et al., 2017). According to the principle of agency, a third person must mediate the dispute between the principal and the agent. The Public Accounting Firm (KAP) or independent auditor is this third party. Numerous clients trust large public accounting firms to deliver high-quality audits and uphold the company's image. In order to prevent losses that might hurt the business, it is also critical for management to maintain the trust of debtors. Due to their larger resources, large public accounting firms can conduct audits more quickly and at a higher standard. According to Handoyo & Maulana (2019), audit report latency is negatively affected by the size of public accounting companies. This suggests that the audit will take less time and have less audit report lag if one of the Big Four public accounting firms does it. But according to Saputra et al., business size positively affects audit report latency. (2020). This indicates that large organizations are more likely to have longer audit delays because of their abundance of assets, which slows down the audit process. It differs, although, with Candra & Trisnawati's (2021) research, which found no relationship between audit report latency and the size of the public accounting firm. Audit tenure, or the duration of collaboration between public accounting firms and businesses, is the next element that may influence audit report latency (Alit, 2021). The more auditors engage with customers, the more they understand the financial statements of the organization, which can improve the audit process's correctness and thoroughness (Hartika, 2021).

As auditors gain more expertise, they are able to recognize and understand clients' financial statements more quickly, which helps organizations submit financial statements on time and reduces the gap in audit reports (Khaerunnisa, 2022). A tenure audit brief, on the other hand, suggests that the new business is collaborating closely with the auditor. This forces the auditor to examine the client's financial statements and current problems, It might lengthen the time it takes to disclose audited financial statements and lead to a large audit report lag (Alit, 2021). The relationship between audit tenure and agency theory is the length of time that a client and public accounting firm work together on an audit. The independence of the auditor could be jeopardized if the client and the public accounting company work together for too long. The quality of the audit could suffer as a result of auditors' potential prejudice or lack of objectivity while evaluating the client's financial records. Panjaitan asserts that when a public accounting company has a long-term relationship with a client, the quality of their audits and their ability to carry out independent audit activities are compromised (2014). The length of time that passes between the beginning of an audit and its completion is directly proportional to the duration of the client-auditor relationship, as shown in the study by Chandra (2018). According to Alit's (2021) research, auditors with more experience can quickly grasp clients' financial accounts, which means tenure audits can lower audit report delay. Research conducted by Herdaningrum & Hidayat (2023) indicates that audit report latency is negatively affected by audit tenure. The longer the time spent working together, the more likely it is that the report will be completed quickly. On the other hand, research conducted by Hartika in 2021 shows that audits of tenure do not affect the delay of audit reports. Apriwenni reports that auditors are only allowed to work with the same customer for a maximum of three consecutive years per POJK Number 13 of 2018. Because auditors have less time to fully understand their customers' financial statements during tenure audits, it is possible that these audits do not affect audit report delay.

The next factor that can affect audit report lag is the specialization of the auditor industry. The specialty of the auditor industry is auditors who specialize in a specific industry (Raya, 2020). Auditors who have specialists in a particular industry have a broader insight, and in-depth understanding of the characteristics, and operating systems of an industry, this will encourage auditors who have specialists in an industry to be faster in completing their audit reports so as to reduce the length of audit report lag (Makhabati, 2019). Client financial reporting systems, and complex accounting problems can be easier to understand, and more quickly solved by auditors who already have audit expertise in an industry that will reduce audit report lag (Yudhi, 2020). On the other hand, auditors without specialization do not have insight and experience in accounting problems that occur in a certain industry that can make financial statements experience reporting delays so that they can increase audit report lag (Makhabati, 2019). Signal theory is related to the specialization of the auditor industry because it is believed that it can complete financial statement audits on time compared to non-specialist auditors because they often deal with similar industrial companies, Furthermore, because they are already familiar with the features of a particular business, specialized auditors can spot mistakes in financial statements more rapidly in the event of major misstatements. While research by Muliyah et al. (2020) shows that the auditor industry's specialization cannot mitigate the impact of company size on audit report lag, research by Herdaningrum & Hidayat (2023) successfully demonstrates that the auditor industry's specialization can mitigate the impact of company size on audit report lag. The function of auditor sector specialization in mitigating the impact of public accounting firms' size on audit report latency accounts for the discrepancy in the subsequent study's findings. Although one study found that auditor specialization had no effect on the relationship between public accounting firm size and audit report lag (Yudhi et al., 2020), another study found that auditor expertise did mitigate this effect (Muliyah et al., 2020). Several studies have looked at how the specialization of auditors can moderate the factors that affect audit report lag, and the results have been all over the map. However, research by Makhabati (2019) found that industry specialization does not reduce the effect of audit tenure on audit report latency, in contrast to the findings of Yudhi (2020) which showed that sector specialization can.

LITERATURE REVIEW

Agency Theory

According to Jensen & Meckling (1976), when agents work under the supervision of one or more principals, the principals delegate decision-making responsibilities to the agents. The agent is authorized to operate on behalf of the principle by the principle themselves. In business practice, the agent serves as management and the principle as a shareholder. Compared to the owner (principal), agents or management do have access to more information. Therefore, it is the agent's responsibility to advise the owner and the debtor of the company's current status in a clear and correct manner. This is crucial to minimize any possible conflicts of interest between the agent and principal and to enable the owner and debtor to make an educated decision based on the information at hand.

Signal Theory

According to Spence (1973), Signaling is a strategy used by management to give investors and other external parties pertinent information so they can make informed decisions. Compared to outside parties, the company's management is more informed about the internal state of the business and its prospects for the future. Therefore, management aims to provide information that might reduce the asymmetry and ambiguity of information between the firm and investors by sending signals (Sari & Priyadi, 2016). These signals can take the kind of clearly produced financial statements, strategy-related announcements, or other significant choices that demonstrate the company's success and future prospects to investors. The timeliness (relevance nature) of the public publication of audited yearly financial statements may be explained by signal theory, which indicates that the firm has good news or important information. The trading volume of stocks changes if the information's release is regarded as a positive indication. Investors view the promptness with which financial statements are released to the public as an indication that the business has excellent news that has to be shared right away.

Audit Report Lag

An "audit report lag" exists when the date on the report is later than the date the books were closed. Aryandra and Mauliza (2018) indicate that the time it takes to compile an audit report is known as audit report lag. This lag is calculated by adding up all the days that pass between the book closure date and the date on the auditor's report on the company's yearly financial statements. In terms of numbers, the audit report lag is measured in days. As a substitute for audit delay, the audit report might be prepared without the book's closing date.

Company Size

Nominal metrics like the quantity of revenue and all firm assets in a single accounting period are used to calculate the company's size. It is possible to gauge a company's size by looking at its total assets (Dura, 2017). Mutiara (2022) states that managers of companies with large total asset values tend to be more inclined to shorten the time it takes for audit reports to be issued. This is due to the fact that big businesses are often subject to more stringent examination from a variety of sources, including investors, regulators, and the general public, which motivates them to provide financial statements to the public more quickly. According to research by Sunarsih et al. (2021), audit report lag and business size have a positive relationship. This suggests that the financial statements may be completed more quickly for larger firms. Hapsari (2020) did the same thing; they found that a company's size affected how long it took for an audit report to be delayed. The findings of Lisdara, Budianto, and Mulyadi (2019) suggest that larger organizations have longer delays in audit reports, which contradicts this finding. The study found that the size of the firm had a negative impact on the time required to prepare an audit report. This could be an indication that audits of large corporations are becoming more challenging due to factors including increasingly complicated organizational structures and transactions.
H1 : Company Size has a positive effect on Audit Report Lag

Size of Public Accounting Firm

Public accounting firms are regulated businesses that employ independent auditors. The Minister of Finance has granted the Public Accounting Firm (KAP) a license, allowing public accountants to offer their auditing services. Public accounting firms are separated into two categories based on their size: small public accounting firms (non-Big four) and major public accounting firms (Big four). Size is another factor that influences the confidence of auditors at public accounting firms. Public accountants working for one of the "big four" firms may get their schedules worked around more easily and check financial records more rapidly than their counterparts at smaller businesses, according to research by Priyani and Badjuri (2022). After that, a hypothesis can be developed:
H2 : The Size of Public Accounting Firms has a Positive Effect on Audit Report Lag

Audit Tenure

The duration of the auditor's relationship with the client, measured in years, is called the audit tenure, according to Hasanah and Putri (2018). The Public Accounting Firm and the firm established an audit alliance to better understand the company's business units, which allows for more realistic audit programs and timely audit reports. (Nur Affifah & Susilowati, 2021). The auditor's comprehension of the relevant provisions will grow with the length of time that the Public Accounting Firm has been working with the client firm (Mufidah & Laily, 2019). Research by Mufidah and Laily (2019) indicates that audit tenure has a detrimental effect on audit report delay. This condition is consistent with Fayyum's (2019) finding that a longer relationship between the auditor and the client might minimize the lag time for the audit report. Audit tenure positively affects audit report delay, contrary to the findings of Budiarto and Suhardji (2021).
H3 : Audit Tenure has a positive effect on Audit Report Lag

Auditor Industry Specialization

Auditors who specialize in certain industry fields have higher credibility, and have an understanding of accounting, and problems in certain industry fields that will make many assets in large companies can be audited faster, this will reduce audit report lag that occurs (Hidayat, 2021). The results of Margaretha's (2021) Research has effectively demonstrated that the auditor industry's specialization may mitigate the impact of audit report lag organizations.

H4: The Auditor Industry Specialization can moderate the influence of Company Size on Audit Report Lag.

For businesses to conduct audit procedures with high quality and a positive reputation, an independent auditor is necessary. Financial statements can be audited more efficiently and in less time by auditors from the Big Four public accounting firms (Widiastuti & Kartika, 2018). Famous for their expertise and extensive resources, the Big Four accounting companies are sure to turn heads. Customers who work with respected public accounting firms whose auditors are experts in auditing will see a marked improvement in the time it takes to complete audit reports. The study's findings are consistent with those of Diastiningsih and Tenaya (2017), who found that the auditor industry's specialization can mitigate the impact of public accounting firms' size on audit report latency. This study's results, on the other hand, run counter to those of Prasetiyo et al. (2020), who discovered that the specialization of auditors cannot reduce the impact of public accounting firms on audit report latency.

H5 : Auditor Industry Specialization can moderate the effect of Public Accounting Firm Size on Audit Report Lag

The knowledge and competence possessed by an industry specialized auditor can increase the auditor's understanding of a company which is supported by the length of the employment engagement (audit tenure) on the client's characteristics so as to produce a more efficient audit process. According to Dewi and Yuyetta (2014), clients trust auditors with industry expertise to uphold their reputation so that reports may be finished on time. Additionally, the presence of overtime policies and incentive programs might encourage staff to complete all audit processes on schedule. According to the findings of a study by Hamdi (2018), which effectively demonstrated that the auditor industry's experience may extend the audit tenure in order to reduce the lag time between audit reports.

H6 : The impact of auditor tenure on audit report lag can be mitigated by industry specialization.

METHODS

Using a quantitative methodology and a causality approach, this study investigates the factors that effect audit report lag, including auditor sector specialization, business size, and audit tenure. It also examines the impact of public accounting firm size on audit report lag. Secondary data was used in the study. This data comes from pre-existing sources such as financial statements, annual reports, and company sustainability reports. It was selected based on the criteria of the research sample. Both the company's website and the Indonesia Stock Exchange (IDX) website, accessible at https://www.idx.co.id/id, provide access to the aforementioned information. For the years 2019–2023, the sample population consists of 220 food and beverage companies listed on the Indonesia Stock Exchange. A total of 355 data points, or 71 businesses multiplied by 5 years, were obtained through the use of purposeful sampling in the sampling procedure. From 2019 to 2023, up to 39 IDX-registered manufacturing organizations will not appear on the Indonesia Stock Exchange in a consecutive fashion, and up to 110 companies will submit audit results inconsistently during the 2019–2023 period. A number of variables are included in this study: audit tenure (TEN), audit report lag (ARL), company size (SIZE), public accounting firm size (KAP), auditor industry specialization (SPEC), and audit report lag (ARL). Moderated regression analysis (MRA) is the main approach used to analyze the data.

Table 1 Variables Definitions, measurements, and sources

Var	Description	Type	Measurement Techniques	Source
ARL	Audit Report Lag		Audit Report Date - Financial Statement Date	IDX Annual & Web Report
SIZE	Company Size		Ln (total asset value)	IDX Annual & Web Report
KAP	Size of Public Accounting Firm		The size of the KAP is proxied with 1 = KAP Big Four and 0 = non-Big Four KAP.	IDX Annual & Web Report
TEN	Audit Tenure		0 = KAP Non The Big Four, 1 = KAP The Big Four.	IDX Annual & Web Report
SPEC	Auditor Industry Specialist		Number of auditor clients in a given industry / Total companies in a given industry	IDX Annual & Web Report

RESULTS

Table 2 Descriptive Statistical Test Results

	ARL	SIZE	KAP	TEN	SPEC	SIZE_SPEC	KAP_SPEC	TEN_SPEC
Mean	100.8676	27.45099	0.349296	2.633803	0.645070	17.62789	0.230986	1.698592
Median	89.00000	27.90000	0.000000	2.000000	1.000000	26.80000	0.000000	1.000000
Maximum	328.0000	33.70000	1.000000	5.000000	1.000000	33.70000	1.000000	5.000000
Minimun	36.00000	17.80000	0.000000	1.000000	0.000000	0.000000	0.000000	0.000000
Std.Dev	32.07102	3.230752	0.477420	1.396519	0.479167	13.35955	0.422058	1.679680
Observations	355	355	355	355	355	355	355	355

Source: Data processed, 2024

According to table 2 of the data processing findings, the Audit Report Lag variable has a median value of 89.00000 and an average value of 100.8676. For Audit Report Lag, the values vary between 328.0000 and 36.00000, with a standard deviation of 32.07102. The median value for the Company Size variable is 27.90000, while the mean is 27.45099. The size of the firm ranges from 17.80000 to 33.70000, with a standard deviation of 3.230752. The next statistic is the size of public accounting firms, which has a median of 0.000000 and an average of 0.349296. Both the maximum and minimum values The standard deviation of the 1,000,000,000 public accounting firms is 0.477420. The median value for the Audit Tenure variable is 2.000000, while the mean value is 2.633803. The range of values for the audit tenure is between 500,000 and 1,000,000, with a standard deviation of 1.396519.

Table 3 Chow Test Results

Effects Test	Statistic	d.f	Prob.
Cross-section F	3.149687	(70.281)	0.0000

Source: Data processed, 2024

The chance that the cross-section F of 0.00 < 0.05 is larger than 0.05, indicating that H0 is rejected and H1 is accepted, is displayed in Table 3. These results informed the selection of the Fixed Effect model.

Table 4 Hausman Test Results

Test Summary	Chi.Sq.Statiistic	Chi.Sqd.f	Prob.
Cross-section Random	2.314642	3	0.5097

Source: Data processed, 2024

The results of the Hausman test are shown in Table 4, which shows that when the likelihood of a random cross-section is 0.5097 > 0.05, H0 is accepted and H1 is rejected. Based on the results of this study, the Random Effect Model best describes the data.

Table 5 Lagrange Multiplier

	Cross-section	Test Hypothesis Time	Both
Breusch-Pagan	61.18421 (0.0000)	0.887950 (0.3460)	62.07216 (0.0000)

Source: Data processed, 2024

H0 is accepted and H1 is rejected when the probability of a random cross-section is 0.0000 < 0.05, as shown by the results of the Lagrange Multiplier test in Table 5. Based on the results of this study, the Random Effect Model best describes the situation.

Table 6 Regression Analysis for H1 to H6 Testing

Hyp	Details	Coeff	S.E	t-Stat	Sig	Remark
H1	Company Size	-1.600593	20.51042	8.120318	0.0344***	Supported
H2	Size of Public Accounting Firm	-6.376193	0.753560	-2.124043	0.3281	Not
H3	Audit Tenure	-6.169887	6.510301	-0.979401	0.0003**	Supported
H4	Company Size*Audit Industry Specialization	-0.459657	0.326697	-3.628009	0.0488***	Supported
H5	Size of Public Accounting Firm*Audit Industry Specialization	2.055142	6.366318	0.322815	0.7470	Not
H6	Audit Tenure* Audit Industry Specialization	2.566734	2.092716	1.226508	0.2208	Not
	F-Statistic Prob(F-Statistic)	9.261229 0.000007		R-Squared Adjusted R-Squared	0.073350 0.065430	

Notes : ARL, Audit Report Lag; SIZE, Company Size; KAP, Public Accounting Firm, Company Size; TEN, Audit Tenure; SPEC, Auditor Industry Specialization**p<0.05; p<0.01

Table 7 Identifying The Results Of The Moderation Test

Independent Variable	t-Statistics / Prob	Variable Moderation	t-Statistics/ Prob	Independent* Moderation	t-Statistics / Prob	Information
(SIZE-->ARL)	8.120318/ 0.0344			(SIZE*SPEC→ARL)	-3.628009 / 0.0488	Homologizer Moderator
(KAP-->ARL)	-2.124043/ 0.3281	(SPEC→ARL)	-1.667626/ 0.0963	(KAP*SPEC→ARL)	0.322815 / 0.7470	Predictor Moderator
(TEN-->ARL)	-0.979401/ 0.0003			(TEN*SPEC→ARL)	1.226508 / 0.2208	Quasi Moderator

Source: Data processed, 2024

Table 6 shows that there is a relationship between the Company Size and the Audit Report Lag; this relationship is significant (H1 is accepted) since the regression coefficient value is -1.600593. There is a 0.0344 < 0.05 likelihood that this regression coefficient result will be negative. The negative direction of the regression coefficient value (-6.376193) and the probability value (0.3281) > 0.05 for the size of the public accounting company in the Audit Report Lag suggests that the size of the firm is not affected by the Audit Report Lag (H2 rejected). Based on the regression coefficient value of -6.169887, which is generated by Audit Tenure on Audit Report Lag, the independent Commissioner has a detrimental effect on financial performance. This conclusion is supported by a probability value of 0.0003 < 0.05, indicating that H3 is authorized.

The results show that Auditor Industry Specialization can reduce the impact of Company Size on Audit Report Lag (H4 accepted), as indicated by a negative regression coefficient value of -0.459657 and a probability value of 0.0488 < 0.05 for Auditor Industry Specialization in Audit Report Lag. The Auditor Industry Specialist failed to mitigate the impact of the size of the public accounting firm on the Audit Report Lag, as shown by the positive regression coefficient value of 2.055142 and a probability value of 0.7470 > 0.05. As a result, H5 was rejected. We reject H6 because the Auditor Industry Specialist's attempt to moderate the influence of Audit Tenure on Audit Report Lag was unsuccessful (regression coefficient value of 2.566734; positive) and the probability value of 0.2208 > 0.05.

Table 6 shows that the statistical value F is 9.261229, even though the table with an α = 5% level, df1(k-1)=4 and df2(n-k)=66 produced an F value of 2.507. The probability value of the F-statistic is 0.000007<0.05, and the F-statistic (9.261229) is higher than the F Table (2.507). After that, we may say that the theory is correct. Company size, the size of the public accounting firm, the auditor's stay in the field, and the auditor's specialization all have a role in the length of time it takes for an audit report to be completed.

DISCUSSION

The Impact of Company Size on Audit Report Lag

According to the t-test results, Company Size (SIZE) has a positive impact on financial performance (H1 is accepted), with a statistical value of 8.120318 and a probability value of 0.0344. According to Mutiara (2022), because of the oversight of multiple related parties, including investors, regulators, Companies with high total asset values and their managements have a stronger motivation to keep audit report lag to a minimum so that the public may anticipate the publication of financial statements. Similarly, Hapsari's (2020) study found that the size of the company affected the delay in audit reports.

Impact of the size of public accounting firms on Audit Report Lag

The statistical value of t was determined by the t-test findings. A probability value of 0.3281 and a size of -2.124043 were associated with the public accounting company. This means that the size of the business did not have a substantial influence on the Audit Report Lag (H2 was rejected). Research by Apriani and Rahmanto (2017) shows that the size of the public accounting firm has no effect on the Lagdi Audit Report. Companies that have their financial statements audited by one of the four Big Four accounting firms are less likely to have the audits finished faster. This can be explained by the public accounting firm's superior human resources and stellar reputation. The professionalism of auditors is better supported by high-quality equipment when public accounting companies have strong resources. As a result, the audit will be finished sooner (Atmojo and Darsono, 2017).

Impact of Audit Tenure on Audit Report Lag

According to the findings of the t-test, Audit Tenure has a negative impact on financial performance (H3 rejected), with a statistical value of t-0.979401 and a probability value of 0.0003. A low tenure audit indicates that the new business works with a public accounting firm as an auditor. As a result, auditors still need to review the client's financial statements and any issues that may arise, which could lead to a significant delay in the audit report and an extension of the time needed to report audited financial statements (Alit, 2021).

Moderation of Auditor Industry Specialization on Company Size Against Audit Report Lag

The findings of the t-test showed that the statistical value of t was -3.628009 and the probability value was 0.0488, indicating that the Auditor Industry Specialization can mitigate the effect of Company Size on Audit Report Lag. The results of the H4 hypothesis were accepted. Because they are more credible and have a better grasp of accounting, auditors who specialize in particular industries can examine numerous assets in large firms more quickly, which will cut down on the amount of time that audit reports take to arrive (Hidayat, 2021). The findings of Margaretha's (2021) study effectively showed that the auditor industry's specialization may mitigate the impact of audit report lag firms' size.

Moderation of Auditor Industry Specialization on the Size of Public Accounting Firms Against Audit Report Lag

The hypothesis is rejected, according to the H5 hypothesis test findings. Audit report lag is significantly influenced by the size of public accounting firms, as shown by the t-test, which yielded a statistical value of t-0.322815 and a probability value of 0.7470. This proves that the size of a public accounting firm has no bearing on the time needed to complete the audit. Based on the hypothesis in this study, it is said that the Big 4 public accounting firms need a shorter time to complete the audit, because the Big 4 public accounting firms are considered to be able to audit efficiently and have flexibility in completing the audit in a timely manner. The findings of this study run counter to those of Rachmawati (2008), who established a robust relationship between Audit Report Lag and the evaluation of accounting firms. Nonetheless, this analysis supports the findings of a study conducted in 2014 by Sumaristini and Widhiyani, which found no relationship between audit report latency and the number of public accounting companies.

Moderation of Auditor Industry Specialization in Audit Tenure Against Audit Report Lag

This result disproves the H6 theory. The t-test findings showed that the auditor industry specialization was unable to moderate the effect of audit tenure on audit report lag, with a statistical value of t of 1.226508 and a probability value of 0.2208. Wiguna (2012) found that the degree of specialization in the auditor business had no significant effect on the correlation between audit tenure and audit report latency. The positive value of t in table 4 is well-known. This data reveals that specialized auditors would provide more delayed audit reports than their non-specialist counterparts. Accordingly, when it comes to tenure audits, the audit report lag is higher for organizations that use specialized auditors compared to non-specialist auditors. The findings of this study contradict those of Habib and Bhuiyan's (2011) study, which found that the audit report latency may be shortened by the auditor specialty industry.

CONCLUSION

It is possible to draw the conclusion that company size positively affects audit report latency based on the analysis and discussion results. There is no correlation between the size of the firm and the audit report delay. The duration of an audit has a detrimental effect on the timeliness of audit reports. Expertise within the auditing profession reduces the effect of company size on audit report delay. However, the impact of audit tenure and the size of public accounting firms on audit report latency cannot be mitigated by the auditor industry specialization.

LIMITATION

The study's findings offer empirical support for the idea that auditors do not play a specialized role in regulating the growth of public accounting firms and audit tenure. In poor nations, these two items serve as corporate governance tools to guarantee the caliber of financial reporting. The study's theoretical implications include the finding of evidence that the audit report lag associated with the stock exchange submission of financial information may be influenced by audit tenure and size. Additionally, in order to avoid putting auditors at danger of giving conclusions that are consistent with the company's financial situation, the practical consequences for businesses must guarantee financial circumstances and boost the audit committee's efficacy. so that management may increase the timeliness of financial reporting and quickly understand the plan for handling the company's going concern. In order to maintain their independence and ensure that the audit report lag process is finished in compliance with relevant norms and regulations, auditors maintain their professionalism even when the public accounting firm has a lengthy engagement term with associated firms. According to the recommendation for additional research, public accounting firms should be able to better plan the audit process so that audits can be implemented effectively, efficiently, and on time; public companies should not limit the scope of auditors in conducting audits so that the audit process on financial statements and audit results can be submitted appropriately; and further research should expand by expanding the scope of research objects and sample size in order to obtain more accurate results.

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