

“The determinants of audit report lag: Evidence from Indonesia”

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THE DETERMINANTS OF AUDIT REPORT LAG: EVIDENCE FROM INDONESIA

Abstract

The determining factors that cause delays in audit reports are essential for shareholders to pay attention to when making quick decisions. Delays in audit reports receive significant attention in the capital markets where audited financial statements in annual reports are the only reliable source of information available to investors. This study aims to identify factors that cause delays in audit reports in the form of company and industry specifics consisting of profitability, company size, audit committee, audit opinion, and size of a public accounting firm. The research method uses a panel data regression model to test five hypotheses based on data collected from annual reports from 2011 to 2021. The research sample selected were 46 companies in the construction and property services sector listed on the Indonesian Sharia Stock Index. Empirical findings show that a public accounting firm's profitability, audit opinion, and size hurt audit report lag, while the audit committee has a positive impact. Company size is the only factor that does not have an impact on audit reporting delays. The research results provide recommendations for company management and shareholders that delays in audit reports can be reduced by increasing company profits. Apart from that, audit delay lag can also be reduced by appointing a reputable or international public accounting firm and providing a quality audit opinion.

Keywords

audit opinion, profitability, firm size, Indonesia Islamic Stock Index

JEL Classification

M40, M41, M42, H54, N25

INTRODUCTION

Financial reports can show an enterprise's financial state in a specific reporting period. Financial reports are needed by many parties with an interest in the company, especially management and investors, in assessing performance achievements (Endri et al., 2020). Financial accounting standards mandate that an excellent financial statement must be convenient to understand, reliable, relevant, honest, and comparable, and have complete information on financial reports (Fatmawatie & Endri, 2022). Indonesia has regulated public enterprises to ensure timely submission of their enterprises' financial statements in Indonesia's law number 8 of 1995 regarding Indonesia's capital markets, and number 21 of 2011 regarding the Indonesia Financial Service Authority (OJK). Based on these regulations, public enterprises in Indonesia must submit reports to the OJK and shareholders. Their words include audited financial statements and annual reports. Public enterprises must publish them on the general enterprise website by four months after the end of the financial year.

Indonesia's prevailing regulations and legislation have paid attention to public enterprises' audit report lag (ARL). ARL has received attention and was foreseen by Indonesia's winning rules and regulations in paragraph 63, letter e, number 45 of 1995 Government Regulation regarding Enforcement in the capital market sector, which provides ad-

ministrative sanctions and fines for delay in submitting and publishing financial statements and annual reports. The Government intends to make no late issuers or public companies submit audited annual reports, or negligent issuers or public enterprises do not report. However, it turned out that in October 2018, fifteen public enterprises still failed to submit annual reports and audited financial statements, so they got administrative sanctions and fines. Seven are public enterprises registered on the Indonesia Islamic Stock Index (ISSI). In addition, four of them are construction and property enterprises. Then, in 2019–2021, the Indonesia Stock Exchange (IDX) suspended four construction and property service enterprises registered in the ISSI. Even the IDX gave a delisting warning to one of the construction and property service enterprises specializing in building projects based on predetermined contracts, where the recognition of business entity income is based on time payment for installation and costs to be received. This causes construction and property service enterprises to require more time to prepare financial statements and annual reports. The construction and property enterprises' financial statements, especially the income statements, are more complicated than the presentation of critical other financial statements. This is also strengthened in Indonesia's Financial Accounting Standards number 34 of 2014, accounting for income and costs related to construction contracts in construction and property service enterprises that differ between the date the contracting activity begins and the period activity is completed.

1. LITERATURE REVIEW

According to agency theory, Audit Report Lag (ARL) explains information asymmetry between management as agents and principals or users of financial reports. Therefore, financial reports must be presented on time to avoid information asymmetry. ARL is the period that elapses from the end of the closing of the financial year until the audit report is released (Ng & Tai, 1994). ARL is also defined as the period from the end of a company's fiscal year to the date of the audit report and is also seen as an important factor in determining the timeliness of financial reporting (Abernathy et al, 2017). Delays in audit reporting impact the timeliness of publishing financial reports (Chan et al., 2016). The ARL is a significant factor in capital markets, especially in developing and emerging countries where audited financial statements in annual reports are the only reliable source of information available to investors (Leventis et al., 2005). Failure in the timeliness of financial reporting results in a loss of investor confidence in the report and gives rise to authority problems (Ilaboya & Christian, 2014). In addition, as information providers, company managers may provide limited information to business owners for their own benefit.

ARL has three components of determinant. First, fundamental enterprise components such as audit complexity are based on client size, export activi-

ties, subsidiaries, financial condition, and organizational risk. Second, corporation management components like audit committees, trustees, and occupancy concentration. Third, auditor and audit activities components such as affiliation public accounting enterprises where auditor work, auditor experience and expertise, the fee of audit, non-audit service, audit opinion, time to audit, audit on the hectic season, and internal control weaknesses (Abernathy et al., 2017). Based on a broader empirical literature review, several factors determine ARL. Therefore, this study limits the determinants of ARL investigated to consisting of internal company and audit components. Internal company factors include profitability and company size, while the audit component consists of the size of an audit committee, audit opinion, and the size of a public accounting firm.

A company's profitability can be indicated as a factor that influences ARL. A company that can generate high profits tends to experience a shorter ARL and positively impacts investors and other stakeholders. Companies with high profits tend to present their financial reports earlier because total sales are essential to company performance. Companies with low total sales tend to experience delays in financial reporting compared to companies with high sales (Celik et al., 2023). Profitability is considered a basis for assessing the performance of efficient company management. Earning high profits indicates the success of financial decisions tak-

en by company management (Fathony et al., 2020). Companies with the best financial performance are a positive signal to the public through the information obtained by publishing annual reports. Fujianti and Satria (2020) revealed that profitability is a factor that can shorten ARL. High profitability provides good news for investors and motivates companies to publish financial reports on time and reduce ARL. Companies with negative net income have longer audit delays than companies with positive net income (Ashton et al., 1989). Abdillah et al. (2019) prove that companies with high profitability cause shorter audit report lag.

Afify (2009) found that profitability significantly affects ARL. Alkhatib and Marji (2012) state that profitability greatly influences audit implementation and completion. The enterprises have the best performance, faster than the worst, in publishing their financial statements (Daoud et al., 2014). Blankley et al. (2014) revealed that audit timelessness correlates to ARL. Arifuddin and Usman (2017) have proven that profitability and ARL correlate negatively. Habib et al. (2019) also revealed a negative influence of profitability on ARL because a company's high profits provide more information about its performance. Agre and Febrianto (2023) reveal different findings that profitability has a positive impact on ARL. Al-Ajmi (2008) presented additional findings proving that profitability does not affect ARL.

Firm size can be assessed based on ownership of total asset value (Harahap et al., 2020). Strict control by investors encourages management to present audited financial reports promptly and provides incentives if it reduces the occurrence of ARL. Companies with large asset sizes are pressured to publish financial reports quickly, forcing auditors to submit audit results quickly (Asthana, 2014). Owusu-Ansah and Leventis (2006) reveal that firm size significantly impacts ARL. Mutiara et al. (2018) found that firm size influences ARL. Sudrajat et al. (2020), Fanny et al. (2019), and Wijayanti et al. (2019) show that firm size hurts ARL. Alkhatib and Marjib (2012) prove that firm size negatively correlates with audit timeliness. Durand (2019) revealed that the larger the size of the KAP, the shorter the delivery of financial reports, which results in a decrease in ARL. Ettredge (2011) and Henderson and Kaplan (2000) reveal

different findings that firm size has a positive effect on ARL. Fitri et al. (2021) and Basuony et al. (2016) show other empirical evidence that firm size does not impact ARL.

An audit committee with financial expertise has basic knowledge of accounting, financial reporting procedures, and the company's audit process, which can improve the supervisory function of management. An influential audit committee, through its supervisory function, encourages management to produce financial information promptly. The existence of an audit committee can ensure that the external auditor's work is carried out competently, understanding the audit assessment. The audit committee can mediate disagreements between auditors and company management, reducing audit report delays (Sultana et al., 2015). The audit committee can also monitor and report violations early to achieve compliance with the timeliness of financial reporting (Oussii & Taktak, 2018). The audit committee contributes to resolving agency conflicts that have an impact on improving overall audit quality by supervising the audit process. Afify (2009) revealed that the audit committee plays a vital role in reducing the time external auditors spend on audit work. Nerantzidis et al. (2023) found that audit committee diligence was associated with shorter audit report delays. Raimo et al. (2021) analyzed the influence of audit committee attributes on integrated reporting quality (IRQ) from an agency theory perspective. They proved the positive influence of the frequency of audit committee meetings on IRQ). Vuko and Culat (2014) found that the audit committee significantly affected ARL. Ojeka et al. (2015) found a negative effect of audit committee size on the quality of financial reporting. Different findings were revealed by Aljaaidi et al. (2015), who prove that the audit committee does not affect ARL.

An audit opinion is a statement of audit results by an auditor that concludes an assessment of the fairness of the information presented in the financial statements. A long audit reporting delay makes a company more likely to receive a non-standard opinion in the following period. Companies that receive positive opinions can publish their annual reports earlier because they provide an excellent signal to the public regarding financial performance (Habib et al., 2019; Nelson

& Shukeri, 2011). Therefore, a company with a favorable audit opinion implies that its financial reports will be released more quickly to the public. Chan et al. (2016) found evidence that companies with very long audit reporting delays tend to carry out more restatements in the following year. Khoufi and Khoufi (2018), Hapsari et al. (2016), and Asthana (2014) reveal a significant relationship between audit opinion and ARL. Ashton et al. (1987) prove that audit delays are significantly longer for companies that obtain qualified audit opinions. Che-Ahmad and Abidin (2008) revealed that audit opinion significantly affects ARL audit delay. Companies that receive a wrong opinion from the auditor will require additional audit time to issue financial reports, which will take longer. Lai et al. (2020) found that companies with standard audit opinions released their audited financial reports earlier. In addition, companies with a fair audit opinion require a shorter audit period than companies with an unfair audit opinion (Agre and Febrianto (2023). Su'un et al. (2020) show that there is an opposite effect of audit opinion with audit delay where Fair audit opinions result in fewer delays in issuing financial statements and lower ARL Soltani (2002) revealed that a qualified audit opinion is given later than an unqualified opinion to make the delay more significant.

A Public Accounting Firm (PAF) is a public accounting organization that has been given the authority to conduct audit activities in a company (Habib et al., 2019). Habib and Bhuiyan (2011) state that PAF with auditors who are industry specialists have special knowledge and expertise and can easily understand the client's business activities. Therefore, they can complete audits more quickly than non-specialists. Rusmin and Evan (2017) revealed a negative relationship between industry specialist auditors and the timeliness of audit reports. Companies audited by industry specialist auditors have shorter audit delays. In addition, large PAFs, also known as the Big Four, have the resources to complete audit assessments better and faster (Owusu-Ansah & Leventis, 2006). In the Big Four category, PAF has technology, facilities, and personal and organizational control systems that can improve audit quality assessments. PAFs that are part of the Big Four also have many experts who can make the audit process more effective, unlike PAFs

other than the Big Four group (Habib, 2015). A large PAF indicates higher audit quality due to its resources and technology (Nelson & Shukeri, 2011). Baldacchino et al. (2016) prove that companies that use large PAFs tend to have shorter ARLs. Big Four PAFs have experienced auditors and well-programmed audit assessments to improve their professionalism in the audit process compared to small PAFs (Lee & Jahng, 2008). Agre and Febrianto (2023) found that companies audited by non-Big Four PAFs had longer audit durations than Big Four PAFs. The reputation of Big Four PAFs reflects the auditor's ability to act independently and professionally towards clients because they are not too dependent on clients (Amin et al., 2021). Big Four PAFs with significant assets can improve the quality of the audits produced better than small PAFs, thus encouraging companies to choose PAFs with a considerable reputation. Companies audited by internationally affiliated PAFs tend to get shorter ARLs (Hassan, 2016). Khoufi and Khoufi (2018) also revealed that companies audited by international accounting firms have different audit lag durations than companies with medium and small-sized accounting firms.

2. AIMS AND HYPOTHESES

The study aims to identify the impact of profitability, company size, audit committee size, audit opinion, and public accounting firm size on ARL in construction and property services companies listed on the Indonesian Sharia Stock Index for the 2011–2021 period. The estimation method uses a panel data regression model with the research hypothesis tested as follows:

- H1: *Profitability has a negative impact on ARL.*
- H2: *Company size has a negative impact on ARL.*
- H3: *The audit committee has a positive impact on ARL.*
- H4: *Audit Opinion has a negative impact on ARL.*
- H5: *The size of the Public Accounting Firm (PAF) has a negative impact on ARL.*

3. METHODS

3.1. Data

The study uses panel data, a combination of time series and cross-section data. Secondary research data were obtained from annual and audited financial reports from 2011 to 2021 for construction and property services sector companies registered with ISSI. The research sample selected 46 construction and property services companies listed on ISSI from 2011 to 2021. The research variable data analysis method used a panel data regression model.

3.2. Operational definition of variables and measurement of variables

3.3. Research estimation model

The research estimation model tested using the panel data regression method is as follows.

$$ARL_{it} = \alpha + \beta_1 ROA_{it} + \beta_2 FS_{it} + \beta_3 AC_{it} + \beta_4 AO_{it} + \beta_5 PAF_{it} + \varepsilon_{it}, \quad (1)$$

where ARL = Audit report lag, ROA = Return on Asset, FS = Firm Size, AC = Audit Committee, AO = Audit Opinion, PAF = Public Accountant Firm.

4. RESULT

A description of the statistical data is presented in Table 2. The 396 data panel that has been studied shows that the average, median, minimum, and maximum scores for every variable have a differ-

Table 1. Variables and their measurement

Variables	Equation symbols	Operational Definition	Measurement
Audit report lag	ARL	The time required for the audit process is from the close of the financial year until the audit report is issued.	Date of audit report minus the financial report date.
Profitability	ROA	The prosperity of enterprises generates net profits compared to total assets owned by enterprises.	Earning after interest and tax divided by total assets.
Firm size	FS	Enterprise's total assets annually during the research period.	The logarithm natural of total assets
Audit Committee	AC	Dummy variables for the committee were formed.	Value is one if the enterprise has a minimum number of members of audit committees consisting of 3 (three) people, and those among them are educated and have expertise in accounting and finances; value is zero otherwise.
Audit opinion	AO	Dummy variables for standard statements form public accounting based on the conclusion of the audit process carried out on the enterprise.	Enterprises with an unqualified opinion are given a value of one, whereas anything other than that is zero.
Public accountant firm	PAF	Dummy variables for the Office of Public Accountant audit affiliation.	Enterprises audited by auditors from the international big-4 affiliation are given one score, while others have a score of zero.

Table 2. Descriptive statistic data

Measurement	ARL	ROA	FS	AC	AO	PAF
Mean	83.09091	0.043719	29.13512	0.744949	0.44444	0.170293
Median	83.00000	0.037275	29.37888	1.00000	0.00000	0.000000
Maximum	182.00000	0.630370	35.10293	1.00000	1.00000	1.000000
Minimum	24.00000	-0.375160	23.77853	0.00000	0.00000	0.000000
Std Dev.	23.98242	0.072314	1.625033	0.436441	0.497533	0.384083
Skewness	0.786992	1.473707	-0.543566	-1.123906	0.223607	1.672102
Kurtosis	4.579914	19.31945	4.129384	2.263165	1.050000	3.795926
Jarque-Bera	82.06362	4537.695	40.54651	92.32716	66.04125	194.9839
Profitability	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Sum	32904.00	17.31288	11537.51	295.0000	176.0000	71.00000
Sum Sq. Dev	227186.7	2.065593	1043.090	75.23990	97.77778	58.27020
Observations	396	396	396	396	396	396

Table 3. Chow's study result of ARL

Redundant Fixed Effect Tests Equation: Untitled Test cross-section fixed effects			
Effect Test	Statistic	d.f	Probability
Cross-section F	3.776263	(35,355)	0.0000
Cross-section Chi-square	125.331509	35	0.0000

Table 4. Hausman's study results of ARL

Correlated Random Effects - Hausman Test Test cross-section random effects			
Test Summary	Chi-Square Stat.	Chi-Square d.f	Probability
Cross-section random	19.582611	5	0.0015

ence. However, the highest rank is ARL of 182, and the lowest is firm size of 0.375160. This study's highest deviation standard is ARL of 23.98242, and the lowest deviation standard is ROA of 0,072314.

Table 3 and Table 4 show the step of regression data panel selection, which concludes that the

Fixed Effect Model (FEM) has been used to analyze the ARL.

Table 5 shows the influence of ROA, firm size, audit committee audit, audit opinion, and PAF. Referring to the T-test, it is obtained that if the probability value (p-value) of profitability is

Table 5. Hypothesis

Variable	Coefficient	Std.Error	t-Statistic	Prob.
C	70.87158	31.40948	31.40948	0.0247
ROA	-104.2806	15.27303	15.27303	0.0000
FS	0.582049	1.080719	1.080719	0.5905
AC	5.812650	2.868087	2.868087	0.0434
AO	-5.83955	2.253618	2.253618	0.0100
PAF	-10.67749	5.996992	5.996992	0.0759

Effects Specification			
Cross-section fixed (dummy variables)			
R ²	0.409489	Mean dependent var.	83.09091
Adjusted R ²	0.342953	S.D dependent var.	23.98242
S.E. of regression	19.43978	AIC	8.870294
Sum squared resid	134156.3	SI	9.282511
Log-likelihood	1715.318	H-Q criterion	9.033602
F-stat.	6.154357	D-W statistic	1.464462
Prob. (F-Stat.)	0.000000		

$0.0000 < \alpha = 0.05$, which confirms that hypothesis *H1* is accepted. This means ROA significantly affects ARL. So, referring to the T-test, it has been proven that ROA, with coefficient β of -104.2806 and a t-statistic of -6.827762, influences ARL of construction and property service enterprises registered in the ISSI from 2011 until 2021 negatively and significantly. The probability value (p-value) of firm size is $0.5905 > \alpha = 0.05$ (5%), then H_0 is accepted. This means that firm size has no significant impact on ARL. So, referring to the t-test, it was found that firm size, with a coefficient β of 5.8126 and a t-statistic of 0.538575, has a positive correlation but has no significant impact on ARL in construction and property service enterprises registered in the ISSI from 2011 until 2021.

The probability value (p-value) of the audit committee is $0.0434 < \alpha = 0.05$ (5%), which confirms that hypothesis *H2* is rejected. This means the audit committee influences ARL significantly. So, referring to the t-test, it has been proven that the audit committee, with coefficient β of 5.812650 and t-statistic of 2.026664, influences ARL in construction and property service enterprises registered in ISSI from 2011 until 2021 significantly and positively. The audit opinion has a probability value (p-value) of $0.000 < \alpha = 0.10$ (10%), which confirms that hypothesis *H3* is accepted. It means audit opinion significantly affects ARL. So, based on the t-test, it has been proven that the audit opinion, with coefficient β of -5.839585 and a t-statistic of -2.591204, has been proven to influence ARL in construction and property registered in the ISSI from 2011 until 2021 significantly and negatively.

PAF has a probability value (p-value) of $0.0759 > \alpha = 0.10$ (10%), which confirms that hypothesis *H4* is accepted. The PAF significantly influences ARL. So, referring to the t-test, it has been proven that PAF, which has a coefficient β of -10.67749 and a t-statistic of -1.780474, has been proven to influence ARL in construction and properties registered in the ISSI from 2011 until 2021 significantly and negatively – the results of the F-stat. Value tests have been presented in Table 5, which is 6.154367 with p-value = $0.00000 < \alpha = 0.05$ (5%), which confirms that hypothesis *H5* is accepted. This means five inde-

pendent variables simultaneously influence the dependent variable. So, referring to the F-test, ROA, firm size, audit committee, audit opinion, and PAF affect ARL in construction and property registered in the ISSI from 2011 until 2021.

5. DISCUSSION

Empirical findings show that ROA significantly and negatively affects ARL in construction and property service enterprises registered in the ISSI from 2011 until 2021. The higher the profitability ratio, the longer the ARL. Thus, if a company is profitable, it will shorten the ARL. However, on the other hand, if an enterprise's situation is in a bad profitability ratio, it will make the ARL longer. Better companies issue financial statements sooner than declining companies. To reduce the audit report delay, construction and real estate services companies listed in the ISSI should improve their efficiency by continuously increasing the enterprise's net profit every year because ROA is a factor that has a significant impact on ARL. Abdullah (2006) found a negative influence on company profitability and reporting timeliness, which supports the information signal theory. Carslaw and Kaplan (1991) stated that companies experiencing losses tend to require auditors to start the audit process later than usual. The research results support studies by Afify (2009) and Mazkiyani and Handoyo (2017), which show that ROA significantly impacts ARL. Fujianti and Satria (2020) also prove that companies with high ROA present timely financial reports, impacting ARL reduction. Abdillah et al. (2019), Habib et al. (2019), and Hapsari et al. (2016) also concluded that there was a negative influence of profitability on auditor reporting delays because they argued that companies with the best financial performance were encouraged to release information as a positive signal.

Empirical findings show that firm size does not affect ARL in construction and property services companies registered with ISSI in 2011–2021. These results indicate that differences in company asset ownership do not determine whether audit reports are released sooner or later. Fitri et al. (2021), Basuony et al. (2016), and Aljaaidi

et al. (2015) support the empirical finding that firm size does not affect ARL. The research results differ from the findings of Owusu-Ansah and Leventis (2006), Afify (2009), Hassan (2016), and Mutiara et al. (2018), which prove that firm size significantly influences ARL. Companies with significant assets can pressure auditors to present audits of financial statements more quickly, thereby shortening the ARL (Carslaw & Kaplan, 1991). Khoufi and Khoufi (2018) state that company size has a negative effect on audit delay. Alkhatib and Marjib (2012) prove that company size negatively correlates with audit timeliness. Al Mutawa and Suwaidan (2022) found that company size significantly affects the timeliness of financial reporting. Larger companies are proven to publish their audited financial reports more quickly.

Empirical findings show that the audit committee significantly and positively influenced ARL in construction and property services enterprises registered in the ISSI from 2011 until 2021. For companies with at least three audit committee members who are educated and skilled in accounting and finance, the ARL will be longer, and vice versa. The research results can also be explained by agency theory that the existence of an audit committee shows the importance of corporate governance structure as a control mechanism to guarantee and convince shareholders to obtain a return on invested capital (Shleifer & Vishny, 1997). McMullen (1996) states that the audit committee is part of a corporate governance mechanism that ensures the credibility of financial reports by reducing the possibility of errors and other irregularities. The research results are supported by Raweh et al.'s (2019) findings and Apadore and Noor's (2013) findings, which revealed that audit committee size is positively related to ARL. Different findings were revealed by Sari et al. (2019) and Ojeka et al. (2015), who proved that audit committee size hurts the quality of financial reporting, while Aljaaidi et al. (2015) found that audit committee did not affect ARL.

Empirical findings show that audit opinions negatively and significantly influenced ARL for

construction and property services registered with ISSI from 2011 to 2021. The research results show that companies that receive a fair audit opinion publish their financial reports earlier than companies that do not receive an unfair audit opinion. An unreasonable audit opinion is considered bad news, causing a slowdown in the release of financial reports (Gajevszky, 2013). Daoud et al. (2014) reveal that companies that obtain an unqualified audit opinion publish their financial reports more quickly than companies that still require a qualified opinion. The research results support the findings of Su'un et al. (2020) and Soltani (2002), who concluded that audit opinion negatively influenced ARL. Mukhtaruddin et al. (2015) revealed different findings that audit opinion had a positive effect on ARL.

Empirical findings show that the PAF size negatively and significantly influences ARL in construction and property services registered in the ISSI for 2011–2021. The agency theory assumes that public auditors with high qualifications must work in large public accounting firms with an excellent reputation to produce quality audited financial reports in a shorter timeframe. In addition, large PAFs submit financial reports carefully and do not rush to provide audit assessments to maintain audit independence and reduce the risk of litigation arising from audit assignments (Inneh et al., 2022). Fauzi and Locke (2012) revealed that large PAFs are more likely to reduce the time required to complete audit reports. Management chooses a large and well-qualified PAF to audit its company, and obtaining an unqualified audit opinion from the public auditor is an achievement of the best performance for shareholders to avoid conflicts of interest between them. The research results that conclude the negative influence of PAF on ARL are supported by the findings of Owusu-Ansah and Leventis (2006) and Lee and Jahng (2008). This also strengthens the findings of Lee and Jahng (2008) and Ahmed and Ahmad (2016). Thus, the results of this study support the opinion that the size of the Public Accounting Firm has a negative and significant effect on ARL.

CONCLUSION

The study aims to investigate the impact of company and industry-specific factors such as profitability, company size, audit committee, audit opinion, and PAF size on ARL in construction and property services sector companies registered in ISSI. The study found that profitability, audit opinion, and the size of the public accounting firm hurt audit report lag. Companies with high-profit levels and reasonable audit opinion results can speed up audit reports. Besides that, public accounting firms belonging to the Big 4 carry out audit work significantly faster than their counterparts who are not in the Big 4. Apart from that, research also reveals that audit committees positively impact ARL. Company size is independent of audit report delays. Empirical findings recommend that company management optimize its net profit to speed up audit reports. Companies should prepare financial reports by considering accounting standards reasonably and carefully to obtain good audit opinion results. Choosing a public accounting firm classified as Big-4 with experienced and skilled auditors can reduce delays in financial report audits. Concerning the audit committee, what can reduce the ARL level is the selection of audit members with expertise and experience in the fields of accounting and finance. Besides that, research findings contribute to sharing valuable information for those interested in financial reporting, such as company management, investors, regulators, policymakers, and auditors. This can help them in the decision-making process because it can minimize information asymmetry and increase the quality of financial reporting.

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