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ASSESSING AUDIT TIMELINESS: THE IMPACT OF FIRM SIZE AND AUDIT FEE ON AUDIT REPORT LAG IN INDONESIA

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Abstract

Abstract to examine the influence of firm size and audit fees on the duration required to finalise the audit report. This study examines firms in the non-cyclical consumer sector listed on the Indonesia Stock Exchange from 2021 to 2023. The employed method is descriptive and verificative, utilising a quantitative approach. Employing a purposive sampling strategy, 26 companies were chosen as samples, yielding 78 data observations. The data was examined by multiple linear regression analysis utilising SPSS. The research findings indicate that both firm size and audit fees concurrently exert a substantial influence on audit report delay. These two variables exhibit a negative and considerable impact on audit report delay. Consequently. The larger the company and the higher the audit charge, the more expedited the completion of the financial statement audit.

Keywords: *ARL, Company Size, Audit Fee*

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1. Introduction

Financial statements represent the formal depiction of an entity's financial condition over a specific period. In addition to serving as a tool to assess financial performance, these reports also reflect management's stewardship in utilizing the assets entrusted to them (IAI, 1998). For the information provided to function as a basis for decision-making by stakeholders—including investors, creditors, regulators, and management—financial reports must be relevant, reliable, and timely (Widiastuti & Kartika, 2018).

Timely submission of financial statements is essential to maintain the integrity of information. Delays in financial reporting may reduce the relevance and credibility of the information presented, thus diminishing its usefulness to stakeholders in the decision-making process (Khakim & Ardini, 2017). The Indonesia Stock Exchange (IDX) mandates that annual financial reports must be submitted no later than three months (90 days) after the end of the fiscal year, as stated in Regulation Number I-E, Clause III.1.1.6.1 regarding Information Disclosure Obligations. Therefore, compliance with financial reporting deadlines is crucial, especially for publicly listed companies.

Audit Report Lag, an indicator of financial reporting timeliness, measures the interval between the end of the fiscal year and the date of the independent auditor's report issuance (Mufidah & Laily, 2019). Empirical data published by the IDX shows that delays in audited financial report submissions remain a persistent issue. In 2021, 91 companies experienced delays, 7 of which came from the consumer non-cyclicals sector. In 2022, the number of delayed companies decreased to 61, including 6 from the same sector. However, in 2023, this number rose to 129 companies, with 13 from the consumer non-cyclicals sector. These facts indicate the presence of several contributing factors to audit report lag.

One factor presumed to influence audit report lag is firm size, which can be identified based on market value, total assets, and total revenue. Classification of firms based on operational scale (large vs. small) may serve as a variable for investor decision-making (Susliyanti & Al'Aisah, 2019). Larger firms typically have more efficient internal control mechanisms and sufficient human resources. These factors facilitate the collection and presentation of financial data required by auditors, thus accelerating the audit process (Senduk et al., 2023). Additionally, larger firms face stricter public and investor scrutiny, which increases the demand for timely financial reporting (Muhamad & Desy, 2025). However, studies examining the impact of firm size on audit report lag have produced mixed results. Widiastuti & Kartika (2018) and Siregar & Sujiman (2021) found a negative correlation, whereas Lisa & Hendra (2020) found a significant positive effect. Foster et al. (2021) reported a significant impact without specifying the direction of the relationship, and Agustina & Jaeni (2022) concluded no significant effect.

Aside from firm size, audit fee may also influence the audit duration. Audit fee is the compensation paid by the auditee to the external auditor for services rendered. The fee is determined based on the complexity and associated

risks of the audit (IAPI, 2024). Studies by Foster et al. (2021) and Damayanti (2022) showed that audit fee has no effect on audit report lag. On the other hand, Hadi & Gharniscia (2023) reported a substantial positive effect. Similarly, studies by Khamisah et al. (2023) and Santana et al. (2022) found a significantly adverse effect of audit fees on audit report lag. Meanwhile, Hidayati & Sasongko (2024) found no significant effect. Given these inconsistent findings, this study aims to re-examine the effects of firm size and audit fee on audit report lag.

This research specifically focuses on non-cyclical consumer sector companies listed on the Indonesia Stock Exchange during the 2021–2023 period. The results are expected to provide managerial insights to improve financial reporting efficiency and serve as a reference for external auditors in identifying factors affecting audit completion time.

Signaling Theory

In his seminal work "Job Market Signaling" (1973), Michael Spence explains that signals function as a means of conveying information to interested parties (Rakhman et al., 2017). According to Brigham and Houston, signaling can be understood as strategic actions taken by companies to communicate specific information to stakeholders. These actions serve as indicators of a company's condition or prospects from the management's perspective. In this context, financial statements act as signals reflecting how management communicates and discloses information to stakeholders. The relationship between audit report lag and signaling theory suggests that a shorter time lag between fiscal year-end and audit report issuance sends a positive signal that financial reporting is timely. The shorter the audit report lag, the stronger the positive signal perceived by the market, enhancing the company's transparency and performance credibility in the eyes of external stakeholders.

Hypotheses

H1: Firm size has a negative effect on audit report lag.

H2: Audit fee has a negative effect on audit report lag.

2. Research Method

The method in this study uses descriptive and verification methods. This descriptive analysis explains the size of the company and audit fees on the Audit Report Lag. While the verification analysis is to test the hypothesis. So that it can explain how much the size of the company and audit fees affect the Audit Report Lag. This study uses secondary data in the form of annual reports accessed from www.idx.co.id. The population in this study includes all companies included in the consumer non-cyclicals sector and listed on the Indonesia Stock Exchange (IDX) during the period 2021 to 2023. The selection of this time span is based on data released by the IDX, which shows that there are still companies in the sector that experience delays in submitting financial reports during that period. According to (Sugiyono, 1967), a sample can be interpreted as part of the entire population that reflects certain characteristics. In this study, sampling was carried out using the purposive sampling technique. This technique refers to the selection of samples based on the suitability of previously determined characteristics and criteria.

Table 1. Sample Selection Process

No.	Kriteria	Jumlah
1.	Perusahaan Sektor Consumer Non Cyclicals terdaftar di BEI 2021-2023	123
2	Perusahaan Sektor Consumer Non Cyclicals yang tidak mempublikasikan Annual Report secara lengkap dari tahun 2021-2023	(55)
3.	Perusahaan Sektor Consumer Non Cyclicals yang tidak memuat informasi terkait variabel audit fee tahun 2021-2023	(17)
4.	Perusahaan Sektor Consumer Non Cyclicals yang memiliki *audit report lag* kurang dari 90 hari dan lebih dari 60 hari	(25)
Jumlah Sampel		26
Jumlah Tahun Pengamatan		3
Jumlah Sampel Penelitian Terpilih		78

Sourcer: Secondary data processed, 2025

This study adopts the multiple linear regression analysis method processed using SPSS software. The analysis model used in this study is formulated as follows:

$$Y = \alpha + \beta 1X1 + \beta 2x2 + e$$

Y : Audit Report Lag

α : Constant

β : Regression Coefficient

X1 : Company Size

X2 : Audit Fee

e : Error

3. Result and Discussion

Descriptive Statistics

Table 2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error
X1	78	25	31	28.72	1.661	-.496	.272
X2	78	18	24	20.72	1.394	.167	.272
Y	78	38	178	89.50	33.884	.685	.272
Valid N (listwise)	78						

Sourcer: Secondary data processed, 2025

Based on the results of the descriptive statistical test using SPSS as shown in the table above, the average value of firm size—measured using the logarithm of the entity's total assets—is 28.72. The minimum firm size is 25, and the maximum is 31. The average audit fee is 20.72, with the lowest value being 18 and the highest being 24. Table 1 also shows that the standard deviations of firm size and audit fee are smaller than the mean of each respective variable, indicating that the data distribution is relatively tight, with little variation among observations.

The average Audit Report Lag is 89.50 days. This indicates that, on average, the time required by auditors to issue audit reports for companies

during the 2021–2023 period was 89.50 days. The shortest Audit Report Lag was 38 days, while the longest was 138 days.

Classical Assumption Test

Normality Test

Table 3. Normality Test

One-Sample Kolmogorov-Smirnov Test

			Unstandardized Residual
N			78
Normal Parameters[a,b]	Mean		.0000000
	Std. Deviation		27.12420950
Most Extreme Differences	Absolute		.090
	Positive		.090
	Negative		-.051
Test Statistic			.090
Asymp. Sig. (2-tailed)[c]			.185
Monte Carlo Sig. (2-tailed)[d]	Sig.		.118
	99% Confidence Interval	Lower Bound	.110
		Upper Bound	.126

Sourcer: Secondary data processed, 2025

The results of the Kolmogorov-Smirnov test are presented in the table generated by SPSS. The regression analysis in this study shows a significance value, or Asymp. Sig. (2-tailed), of 0.185, which exceeds the threshold of 0.05. Therefore, it can be concluded that the data in this study follow a normal distribution.

Heteroscedasticity Test

According to Ghozali (2018), heteroscedasticity testing is conducted to assess whether the variance of residuals remains constant across all observations. Unequal variance violates one of the key assumptions of linear regression, which requires residuals to exhibit homoscedasticity—i.e., constant variance. An initial way to detect this issue is by observing the residual scatterplot; if the residuals are randomly and evenly dispersed above and below the zero line on the Y-axis without any visible pattern, this suggests the absence

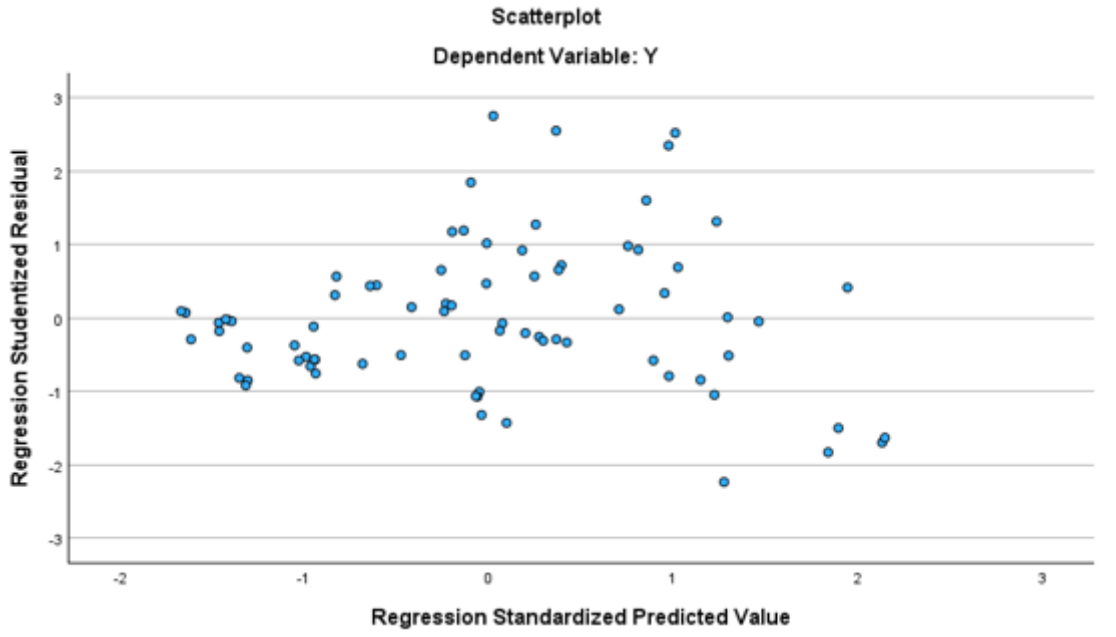
of heteroscedasticity. For a more statistically robust assessment, the Glejser test, based on Gujarati's econometrics framework (2003), can be applied by regressing the absolute residuals on the independent variables.

Table 4. Heteroscedasticity Test

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	145.768	31.871		4.574	<,001
	X1	-1.375	1.830	-.129	-.751	.455
	X2	-4.142	2.181	-.327	-1.899	.061

Source: SPSS, processed, 2025

Figure 1. Scatterplot



Source: SPSS, processed, 2025

The heteroscedasticity test results, conducted using SPSS with the Glejser method, show that the significance values for both firm size and audit fee exceed the 0.05 threshold. This indicates that the regression model is free from heteroscedasticity problems. Furthermore, the scatterplot confirms this finding, as the data points are randomly distributed along the Y-axis, originating from the center with no discernible pattern.

Multicollinearity Test

According to Ghozali (2018), the multicollinearity test aims to determine whether there is a high correlation among independent variables in the regression model. Significant intercorrelation violates one of the classical linear regression assumptions, which requires independent variables to be mutually uncorrelated. A well-specified regression model should show no signs of multicollinearity. This can be evaluated through tolerance values (should be above 0.10) and Variance Inflation Factor (VIF) values (should be below 10).

Table 5. Multicollinearity Test

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	433.738	54.504		7.958	<,001		
	X1	-6.454	3.130	-.316	-2.062	.043	.363	2.756
	X2	-7.671	3.730	-.316	-2.057	.043	.363	2.756

Source: SPSS, processed, 2025

Based on the multicollinearity test results presented in Table 5, the tolerance values for both firm size and audit fee are 0.363—well above the 0.10 threshold. Additionally, their corresponding VIF values are 2.756, which is below the critical limit of 10. These findings confirm that the dataset is free from multicollinearity issues.

Autocorrelation Test

As stated by Ghozali (2018), the purpose of the autocorrelation test is to detect whether there is a correlation between error terms in a regression model across time—specifically, between the error at time t and the error at time t-1. The Durbin-Watson (DW) test is used for this purpose. The absence of autocorrelation is confirmed when the DW value lies between du and 4 – du.

Based on the Durbin-Watson test results shown in Table 6, the DW value is 1.702, and the upper bound (du) is 1.6851 (with n = 78, k = 2). Because the DW value lies within the range 1.6851 < 1.702 < 2.3149 (i.e., 4 – du), it can be concluded that the regression model does not suffer from autocorrelation.

Table 6. Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.599[a]	.359	.342	27.483	1.702

Source: SPSS, processed, 2025

Coefficient of Determination (R^2)

According to Ghozali (2018), the coefficient of determination (R^2) measures the proportion of variation in the dependent variable that can be explained by the independent variables in the model. A higher R^2 value indicates a stronger explanatory power of the model and suggests a better fit between the model and the data.

Table 7. Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.599[a]	.359	.342	27.483	1.702

Source: SPSS, processed, 2025

The adjusted R^2 value, as shown in the results of the coefficient of determination test, is 0.342. This means that approximately 34.2% of the variation in audit report lag can be explained by the variables firm size and audit fee, while the remaining 65.8% is influenced by other factors not included in the model.

F Test (Simultaneous Test)

Table 8. F test

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	31752.849	2	15876.424	21.019	<,001[b]
	Residual	56650.651	75	755.342		
	Total	88403.500	77			

Sourcer: Secondary data processed, 2025

The F-test results presented in the ANOVA table indicate a significance value of 0.001 for the combined effect of firm size and audit fee on audit report lag. Since this value is well below the 0.05 significance threshold, it can be concluded that firm size and audit fee jointly have a statistically significant impact on audit report lag. This finding confirms that the proposed regression model is valid and appropriate for explaining variations in audit report lag.

t-Test (Simultaneous Test)

The t-test is used to assess the individual impact of each independent variable in explaining the observed variability in the dependent variable.

Table 9. t test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	433.738	54.504		7.958	<,001		
	X1	-6.454	3.130	-.316	-2.062	.043	.363	2.756
	X2	-7.671	3.730	-.316	-2.057	.043	.363	2.756

Sourcer: Secondary data processed, 2025

Based on the t-test results obtained through SPSS, the multiple linear regression equation in this study is formulated as follows:

$$Y = 433.738 - 6.454\ X_1 - 7.671\ X_2 + e$$

Where:

a. Y represents Audit Report Lag

b. X_1 is Firm Size

c. X_2 is Audit Fee

d. e is the error term

The firm size variable yields a t-value of -2.062 with a significance level of 0.043. Since the p-value is below the 0.05 threshold, this result indicates a statistically significant negative effect of firm size on audit report lag. In essence, larger firms tend to complete their audit processes more quickly.

Similarly, the audit fee variable has a t-value of -2.057 and a significance level of 0.043, also below the 0.05 significance level. This confirms that audit fee has a statistically significant negative effect on audit report lag, meaning that higher audit fees are associated with faster audit completion.

The Effect of Firm Size on Audit Report Lag

Firm size reflects the scale of a company's operations and the extent of resources it controls. Generally, larger firms have more structured financial reporting systems and sufficient human capital to support timely reporting. From a signaling theory perspective, large firms tend to submit their financial statements promptly as a positive signal to the market. Timely reporting is perceived as an indicator of a company's credibility and its commitment to transparency.

The results of this study indicate that the firm size variable has a t-value of -2.062 with a significance level of 0.043. Since the p-value is less than 0.05, the hypothesis is accepted. This implies that firm size has a negative and significant partial effect on audit report lag. In other words, the larger the firm, the shorter the time required to complete the audit process. These findings are consistent with previous studies by Widiastuti & Kartika (2018) and Siregar & Sujiman (2021), confirming an inverse relationship between firm size and audit delay. Larger organizations typically complete their audits more efficiently and within a shorter timeframe.

The Effect of Audit Fee on Audit Report Lag

Audit fee represents the compensation paid to auditors for the audit services they provide. According to signaling theory, a higher audit fee can be interpreted as a company's commitment to financial accountability and transparency. In this study, the regression analysis reveals that the audit fee variable has a t-value of -2.057 with a significance level of 0.043. As this value is below the 0.05 threshold, it can be concluded that audit fee has a negative and significant partial effect on audit report lag.

In practical terms, the higher the audit fee paid by a company, the quicker the audit process is completed. This finding aligns with prior research by Khamisah et al. (2023), which also identified a negative and significant relationship between audit fee and audit report lag. The results support the view

that increased auditor remuneration may contribute to greater efficiency and timeliness in the audit process.

4. Conclusion

Conclusion

Based on multiple linear regression analysis conducted using SPSS on a sample of 26 Consumer Non-Cyclicals sector companies listed on the Indonesia Stock Exchange (IDX) for the period 2021 to 2023, it can be concluded that firm size and audit fee have a statistically significant simultaneous effect on audit report lag, as indicated by the F-test results. Furthermore, the partial t-test results reveal that firm size has a negative and significant effect on audit report lag. This implies that larger firms tend to complete their audit processes more quickly. Similarly, audit fee also shows a negative and significant effect on audit report lag, suggesting that higher audit fees are associated with shorter audit completion times.

Suggestions

This study has several limitations. First, the sample is limited to companies from the consumer non-cyclicals sector listed on the IDX. Second, the analysis covers a relatively short period of three years, from 2021 to 2023. Third, the study only considers two independent variables—firm size and audit fee—thus excluding other potential factors influencing audit report lag.

Future research is encouraged to expand the scope by including additional variables such as gender diversity in the audit committee, audit committee composition, management turnover, and audit opinion. Moreover, future studies should extend the observation period and include a broader range of sectors with a larger sample size. Increasing the sample size will enhance the robustness of the analysis and improve the validity of the findings.

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