Minimization of Audit Report Lag through Corporate Governance and Audit Matters: Empirical Study on LQ 45 Companies Listed on the Indonesia Stock Exchange

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Abstract
Timely publication of financial statements needs to be done by companies so that stakeholders can make decisions according to their needs. This study uses a quantitative approach to explore how corporate governance and audit matters affect the length of time for financial report publication. The research population came from LQ-45 index companies and listed on the Indonesia Stock Exchange (IDX) in 2020-2022 which were analyzed using Multiple Linear Regression Analysis. The purposive sampling technique was used to select 90 research samples. This study uses secondary data from the official website of the Indonesia Stock Exchange (IDX) and the company's official website. The findings of this study are that the audit committee and independent commissioners have a significant negative effect on audit report lag, but key audit matters show an insignificant negative effect. Future research is expected to expand the sample to other industries or examine factors such as business complexity, level of regulation, and economic conditions. This research has important implications for the government, OJK, companies, and KAP. The government and OJK can design policies to encourage effective corporate governance practices, while companies and KAP can use the results of this study as motivation to increase transparency and accountability in audit reports.

Keywords: audit report lag; audit committee size; independent commissioner; key audit matters

INTRODUCTION
Audit report lag issues can increase information asymmetry and uncertainty, reflecting potential problems in an organization's operations (Naimi et al., 2014). Overall, timely financial reports are key to maintaining the credibility and reputation of the organization, as well as facilitating accurate decision making (Chalu, 2021).

Research shows that the busyness of audit committee members can have an impact on audit report lag. Less busy audit committee members can provide better oversight and support to the audit process, potentially reducing delays in issuing audit reports (Hundal, 2016). Although some studies show a negative relationship between audit committees and audit report lag (Sunarsih et al., 2021), other studies have found that audit committee size has a positive effect on ARL (Chalu, 2021; Nehme et al., 2015; Raweh et al., 2019).
In Indonesia, board independence is important in accordance with Financial Services Authority Regulation No.33/POJK. Previous research provides mixed results on the relationship between independent commissioners and audit report lag (ARL). Some studies find a positive relationship between independent commissioners and ARL (Mathuva et al., 2019), and there are also research results that state that independent commissioners have no effect on ARL (Kaaroud et al., 2020). Audit committees and independent commissioners are considered important in corporate governance because regulations such as SOX in the US have delegated the responsibility of appointing external auditors to audit committees (Ghafran & O’Sullivan, 2013).

It is also important to pay attention to new regulations such as audit reports that include key audit matters (KAM), which is a significant reform in audit reports (Sakin & Kuzu Yildirim, 2022). The KAM variable needs to be tested against ARL due to the relevance of KAM disclosure in the auditor's report in various aspects, including auditor responsibility, cost and audit quality considerations, investor reactions, and influence on management reporting practices. Thus, testing the effect of key audit matters on audit report lag is still relevant due to the lack of testing of these variables in this context.

Carver, (2016) found that the disclosure of key audit matters (KAM) can make the audit report less readable by non-professional investors and does not significantly change their judgment. Research by Abdullatif et al. (2023) found no significant relationship between the number of Key Audit Matters (KAM) reported and audit report lag (ARL), suggesting that KAM reporting may not directly affect ARL. However, Research by Baatwah et al. (2022) study found that KAM reporting negatively affects ARL.

Previous studies have examined the impact of audit characteristics on audit report lag, such as audit approach (Bianchi, 2018) and audit quality (Taktak & Mbarki, 2014). However, these studies have not considered key audit matters (KAM) as a factor that can affect Audit Report Lag. Previous research approaches in examining audit report lag vary, such as using combined audits and auditor turnover (Habib et al., 2019). This study is different from previous studies because it uses KAM to determine the causes of Audit Report Lag.

Li (2017) uses a binary scale approach to measure KAM disclosure in companies in Indonesia. This approach involves giving a score of 1 for companies that disclose KAM and 0 for those that do not disclose. In contrast to previous studies, this study identified six categories of KAM, namely: Revenue recognition, Fair value recognition, Asset impairment, Deferred income tax, Equity transactions, Other accounting matters. A company's total KAM disclosure score is calculated by summing the individual KAM disclosure scores and then dividing by the total number of KAMs that should have been disclosed. This approach allows comparison of the level of KAM disclosure across companies and provides a clear indication of the extent to which companies provide relevant information to investors and other interested parties. Based on this description, the problem formulated in this study is how the influence of independent commissioners, audit committees and key audit matters on audit report lag. So that the purpose of this study is to analyze the effect of the size of the audit committee, the board of independent commissioners, and key audit matters on Audit Report Lag. This study is expected to provide academic benefits by enriching research on the effect of audit committee size and board independence on audit report lag in the manufacturing sector of companies listed on the Indonesia Stock Exchange for the period 2020-2022. For practitioners, the benefits of this research include input for the Public Accounting Firm in considering the factors that influence ARL and for OJK in making regulations related to the deadline for presenting financial reports for issuers.
LITERATURE REVIEW
Agency Theory, Audit Report Lag, Audit Committee, Independent Commissioner, Key Audit Matters

Agency theory explains the relationship between agents and principals. Jensen and Meckling (1976) in agency theory highlights the limitations of the principal in supervising or controlling agent actions that can lead to negative consequences, thus causing agency costs. The key assumption in agency theory is that there are differences in the objectives of principals and agents that can trigger conflicts, because principals have an interest in obtaining optimal and immediate investment returns, as reflected in the audit report lag. If agency conflict increases, the length of the audit report lag will increase because managers need more time to resolve the conflict.

Audit report lag (ARL) is the time required by the auditor to investigate financial statements. From previous literature, ARL can be calculated by measuring the number of days between the end of the accounting period and the date of issuance of the independent auditor's report (Al-Ebel et al., 2020; Al-Qublani et al., 2020). Habib (2015) noted that ARL is a crucial aspect in audit results, and a short ARL reflects audit efficiency. Moreover, it is mentioned that delivering audit reports on schedule can improve information balance (Owusu-Ansah & Leventis, 2006), reduce the risk of misinformation and rumors (Owusu-Ansah, 2000), and raise general reporting standards (Sultana et al., 2015). On the other hand, delays in submitting audit reports can harm the quality of financial information, delay the publication of financial statements, reduce investor confidence, and provide negative signals in the market.

The audit committee is tasked with monitoring financial reporting practices and responding to emerging problems in the company. In this situation, a competent and effective audit committee can increase the effectiveness of internal controls in the company and reduce the time required for external auditors to complete their audit (Lirungan & Harindahyani, 2018). Audit committee functions are not expected to be efficient if there are too few or too many members (Alqatamin, 2018). An adequate number of audit committee members allows the committee to utilize its experience and expertise in the best interest of stakeholders.

Independent commissioners are individuals who serve on boards, committees, or regulatory bodies, and are not associated with the organization or person they are responsible for overseeing (Dewi et al., 2022). They maintain impartiality and absence of conflict of interest in their role. They are responsible for ensuring compliance with rules or advising on policies and procedures. Their independence allows them to make rational and objective decisions without potential conflicts of interest (Al-Gamrh et al., 2020).

Key audit matters (KAM) are important issues identified during the audit process that require special attention and consideration by the auditor and management to ensure the accuracy and completeness of the financial statements (Hussin et al., 2023). These are identified based on the auditor's judgment and expertise, and may include significant estimates, accounting treatments, business risks, and transactions. Understanding key audit matters is important for stakeholders who rely on audit reports to assess a company's financial health and evaluate audit effectiveness.

HYPOTHESIS DEVELOPMENT
Audit Committee on Audit Report Lag
The audit committee is responsible for overseeing financial reporting by monitoring reporting procedures and communicating with examiners (Oussii & Taktak, 2018). By providing specialized expertise in internal control and financial publications, audit committees are
expected to have a negative impact on audit report lag (Lybek & Morris, 2004). To ensure their effectiveness, audit committees need to be of an appropriate size.

Research found that a large audit committee is associated with the timeliness of financial reporting (Saeed et al., 2022). Based on agency theory, a large audit committee can provide better independent oversight, increase transparency, and manage conflicts of interest more effectively. Research also shows that audit committee size has a negative effect on audit report lag (Habib, et al., 2019; Oussii & Taktak, 2018).

Thus, the proposed hypothesis is:
H1: Audit committee size has a negative effect on audit report lag.

**Independent Board on Audit Report Lag.**

The presence of independent board members is expected to reduce the opportunistic behavior of directors (Fama et al., 1983) and encourage better financial reporting (Samaha & Dahawy, 2011). Board independence is an important mechanism in corporate governance that can help reduce audit report lag (ARL) (Lajmi & Yab, 2022). This is due to the close supervision by independent commissioners of management and the drive for accurate and timely financial reporting. Companies with more independent commissioners tend to have shorter ARL.

Some potential explanations are that independent commissioners tend to oppose the company’s adverse accounting decisions, hire high-quality auditors, and encourage management to release audit reports quickly. POJK Number 57/POJK.04/2017 requires a minimum of 30% independent members in the board of commissioners of public companies in Indonesia, emphasizing the importance of their presence. Independent commissioners are nominated and presented on the board to fight for shareholder welfare. Other studies also support that independent commissioners have a significant negative effect on ARL (Afify, 2009; Lajmi & Yab, 2022). Thus, the proposed hypothesis is:
H2: Independent commissioners have a negative effect on audit report lag.

**Key Audit Matter on Audit Report Lag.**

Disclosure of key audit matters (KAM) has the aim of providing additional information to users of financial statements, which has been shown to add value to audit reports (Christensen et al., 2014). KAM helps in identifying key risks in the audit, enabling more efficient audit focus, and improving communication between auditors and management (Al Lawati & Hussainey, 2022). However, the complexity of KAM can also extend the audit report lag (ARL) by requiring additional time for the audit, additional meetings with the audit committee, and greater documentation requirements (Rautiainen et al., 2021). Nonetheless, prior research suggests that KAM reporting has improved audit quality and reduced ARL (Baatwah et al., 2022; Habib, Bhuiyan, et al., 2019). Therefore, the proposed hypothesis is:
H3: Key audit matters negatively affect audit report lag.

This research in Indonesia's manufacturing sector examines how companies listed on the Stock Exchange from 2020-2022 are impacted by three factors on their Audit Report Lag (ARL): the number of people on the audit committee, the number of independent board commissioners, and whether they disclose key audit matters (KAM). The study's goal is to provide valuable insights for both academics and professionals. Academics will gain a deeper understanding of how these factors influence ARL, while public accounting firms can use the findings to improve their audit efficiency, and Indonesian financial regulators can leverage them to inform regulations on deadlines for financial reports.
METHOD

Sample Selection
This research uses quantitative methods with a positivism approach as described by Sugiyono, (2017). Data are collected and then analyzed in a quantitative way to test the hypothesis that has been proposed. The research population is from the financial statements and annual reports of companies included in the LQ 45 index on the Indonesia Stock Exchange for the period 2020-2022. The variables studied include audit report lag as the dependent variable, audit committee size, independent commissioners, and key audit matters as independent variables. Descriptive statistical analysis is used to describe the data, including median, average, standard deviation, largest, and smallest values (Ghozali, 2021).

Measurement of the Variables
Audit Report Lag is the time span between the closing of the company's books and the date on the independent auditor's report (Baatwah et al., 2022). Audit report lag is measured by the difference between the date of signing the audit report and the final date of the financial statements, which is December 31. Audit Committee size refers to the number of members in the audit committee in charge of overseeing the company's financial reporting and external audit processes (Fariha et al., 2022). The size of this audit committee is measured based on the number of members of the company's audit committee. Independent Commissioners are parties outside the company whose job is to assess performance and make decisions for the progress of the company without any conflict of interest (Anwar et al., 2022). Independent commissioners are measured by the formula (Number of Independent Commissioners / Number of Board of Commissioners Members) x 100%. Key Audit Matters (KAM) is the main communication between auditors and shareholders that aims to increase the transparency of financial statements (al Lawati & Hussainey, 2022). Key audit matters are measured based on the number of KAM disclosures covering aspects such as revenue recognition, fair value measurement, asset impairment, deferred tax assets, taxes, and transactions with related parties.

Research Design
The data analysis technique in this research consists of several stages. First, descriptive statistical analysis provides an overview of the research variables. Then, a classical assumption test ensures that the regression model is free from heteroscedasticity, multicollinearity, and autocorrelation issues. Multiple linear regression analysis tests the relationship between the independent and dependent variables. The classical assumption test includes normality, multicollinearity, heteroscedasticity, and autocorrelation tests. The normality test checks if the data distribution is normal. The multicollinearity test ensures no high correlation between independent variables. The heteroscedasticity test detects any inequality in residual variance. The autocorrelation test checks for correlations between errors in different periods. The Goodness of Fit Test uses the F test to assess the significance of the regression model, and the coefficient of determination (R²) to determine the contribution of independent variables to the dependent variable. Multiple linear regression analysis uses the equation:
Figure 1. Research Framework

\[ EP_{it} = \alpha + \beta_1 ACS_{it} + \beta_2 IC_{it} + \beta_3 KAM_{it} + \epsilon_{it} \]

Description:
Y : Company Financial Performance
A : Constant
\( \beta_1-\beta_3 \) : Regression Coefficient
ACS : Audit Committee Size
IC : Independent Commissioner
KAM : Key audit matters
\( \epsilon_{it} \) : Random error

RESULTS AND DISCUSSION
Descriptive Statistical Analysis

<table>
<thead>
<tr>
<th>Variabel</th>
<th>Mean</th>
<th>Median</th>
<th>Min</th>
<th>Max</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Committee Size</td>
<td>3.92</td>
<td>3.00</td>
<td>3.00</td>
<td>8.00</td>
<td>1.51</td>
</tr>
<tr>
<td>Independent Commissioner</td>
<td>0.45</td>
<td>0.43</td>
<td>0.27</td>
<td>0.83</td>
<td>0.13</td>
</tr>
<tr>
<td>Key audit matters</td>
<td>0.09</td>
<td>0.00</td>
<td>0.00</td>
<td>0.67</td>
<td>0.15</td>
</tr>
<tr>
<td>Audit report lag</td>
<td>68.11</td>
<td>68.00</td>
<td>20.00</td>
<td>148.00</td>
<td>26.31</td>
</tr>
</tbody>
</table>

Audit Committee (X1) is measured by the number of audit committee members in the company. The average (mean) is 3.92, the median is 3.00, the minimum is 3.00, and the maximum is 8.00. The deviation value is 1.51, indicating an even distribution of data and good accuracy with a mean greater than the median. Independent Commissioners (X2) is measured as the percentage of the number of Independent Commissioners from the total Board of Commissioners. The mean is 45%, median 43%, minimum 27%, and maximum 83%. The deviation value is 0.13, indicating an even spread of data and good accuracy with a mean greater than the median. Key Audit Matters (X3) is calculated from the number of KAM disclosures made by the company. The mean is 0.09, median 0.00, minimum 0.00, and maximum 0.67. The deviation value is 0.15, indicating an uneven distribution of data but still good accuracy with an average greater than the median. Audit report lag (Y) is measured by the time it takes auditors to complete the audit. The mean is 68 days, median 68 days, minimum 20 days, and maximum 148 days. The deviation value is 26.31, indicating an even distribution of data and good accuracy with a mean greater than the median.
Classical Assumption Test

Before analyzing the relationship between variables, this research performed a series of tests to ensure the accuracy and reliability of the results. These tests, called classical assumption tests, checked for normality, multicollinearity, heteroscedasticity, and autocorrelation. The following section details the results of these classical assumption tests.

Normality Test

<table>
<thead>
<tr>
<th>Table 2. Normality Test Results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>One-Sample Kolmogorov-Smirnov Test</strong></td>
</tr>
<tr>
<td>Unstandardized Residual</td>
</tr>
<tr>
<td>Test Statistic</td>
</tr>
<tr>
<td>Asymp. Sig. (2-tailed)</td>
</tr>
</tbody>
</table>

From the information contained in table 2, the Kolmogorov-Smirnov significance value is found to be 0.200, which exceeds the $\alpha = 0.05$ value. This result indicates that the data distribution tends to be normal, allowing for the continuation of further research.

Autocorrelation Test

<table>
<thead>
<tr>
<th>Table 4. Autocorrelation Test Results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Model</strong></td>
</tr>
<tr>
<td>1</td>
</tr>
</tbody>
</table>

Based on the Durbin-Watson test, there is no autocorrelation in the regression of this study. This is evidenced by the Durbin-Watson value (1.985) which is between the lower limit (1.7264) and the upper limit (2.2736) obtained from the Durbin-Watson table for $n = 90$ and $k = 3$. In conclusion, the assumption of no autocorrelation in this study is met.

Multicollinearity Test

<table>
<thead>
<tr>
<th>Table 3. Multicollinearity Test Results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Model</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>KAM</td>
</tr>
<tr>
<td>KI</td>
</tr>
<tr>
<td>KA</td>
</tr>
</tbody>
</table>

Looking at the multicollinearity test results in table 3, it can be concluded that there is no multicollinearity problem in the regression model. It is characterized by a tolerance value of more than 0.1 and VIF less than 10. So it can be concluded that there is no multicollinearity between the independent variables.
Heteroscedasticity Test

Table 5. Park Test Results

<table>
<thead>
<tr>
<th>Model</th>
<th>B</th>
<th>Std. Error</th>
<th>Beta</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>KAM</td>
<td>-0.687</td>
<td>1.342</td>
<td>-0.054</td>
<td>-0.512</td>
<td>0.610</td>
</tr>
<tr>
<td>KI</td>
<td>-2.193</td>
<td>1.549</td>
<td>-0.15</td>
<td>-1.415</td>
<td>0.161</td>
</tr>
<tr>
<td>KA</td>
<td>0.246</td>
<td>0.133</td>
<td>0.198</td>
<td>1.84</td>
<td>0.069</td>
</tr>
</tbody>
</table>

It can be seen from the results of heteroscedasticity testing using the Park test that the significance value of the key audit matters variable is 0.610, the independent commissioner variable is 0.161, and the audit committee variable is 0.069. Since the value is greater than 0.05, the conclusion is that there is no heteroscedasticity.

Uji Fit Model

F test

Table 6. F Test Results

<table>
<thead>
<tr>
<th>ANOVA*</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td>Sum of Squares</td>
<td>df</td>
<td>Mean Square</td>
<td>F</td>
<td>Sig.</td>
</tr>
<tr>
<td>Regression</td>
<td>4.231</td>
<td>3</td>
<td>1.41</td>
<td>9.201</td>
<td>.000b</td>
</tr>
<tr>
<td>Residual</td>
<td>13.182</td>
<td>86</td>
<td>0.153</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>17.412</td>
<td>89</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In table 6, it is concluded that when the significance value of F (0.000) is less than 0.05, it states that together, good corporate governance, profitability, leverage, and firm size have a significant impact on firm value. These findings support the validity of the regression model used in this study, and the model is appropriate for use in the context of this study.

R2 Test

Table 7. Correlation and Determination Coefficient

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.493a</td>
<td>0.243</td>
<td>0.217</td>
</tr>
</tbody>
</table>

From Table 7, it is found that Adjusted R Square has a value of 0.217 or equivalent to 21.7%. This indicates that the Audit Committee, Independent Commissioner, key audit matters, can explain as much as 21.7% of the variation in the Audit report lag variable. Meanwhile, the remaining 78.3% is explained by other variables not included in this research model.
Hypothesis testing

Table 8. The results of the t test

<table>
<thead>
<tr>
<th>Model</th>
<th>B</th>
<th>T</th>
<th>prob</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>5.021</td>
<td>28.595</td>
<td>0.000</td>
</tr>
<tr>
<td>Audit Committee</td>
<td>-0.069</td>
<td>-2.461</td>
<td>0.016</td>
</tr>
<tr>
<td>Independent Commissioner</td>
<td>-1.300</td>
<td>-3.977</td>
<td>0.000</td>
</tr>
<tr>
<td><em>key audit matters</em></td>
<td>-0.295</td>
<td>-1.041</td>
<td>0.301</td>
</tr>
</tbody>
</table>

Based on Table 8, it can be explained that:

a) The audit committee variable has t count 2.461, significant at 0.000, and t table \(1.98761\). Because t count > t table (2.461 > 1.98761) and significant (t < 0.05), H1 is accepted. This means that the audit committee has a negative effect on Audit Report Lag.

b) The independent commissioner variable has t count 3.977, significant at 0.301, and t table 1.98761. Because t count > t table (3.977 > 1.98761) and significant (t < 0.05), H2 is accepted. This means that independent commissioners have a negative effect on Audit Report Lag.

c) Key Audit Matters variable has t count 1.041, significant at 0.000, and t table 1.98761. Because t count < t table (1.041 < 1.98761), H3 is rejected. This means that Key Audit Matters has no effect on Audit Report Lag.

DISCUSSION

Effect of Audit Committee on Audit Report Lag

The findings from the research results that the audit committee variable has a negative regression coefficient of 0.069 with a significance value of 0.016, which is lower than the 0.05 value set, indicates a significant negative impact on the audit report lag. Which may indicate that hypothesis H1 is accepted. The audit committee plays an important role in reducing the delay in audit reports by improving the quality of the audit process through open communication between auditors and management, as well as effective periodic monitoring to ensure optimal auditor performance (Backof et al., 2022). Audit committee members’ expertise in finance and accounting also helps in resolving complex issues. Audit committees also increase investor confidence by ensuring financial reports are accurate and timely, which encourages investment and strengthens the company’s image (Nguyen & Kend, 2021; Velte & Issa, 2019). Concrete steps that can be taken include reviewing financial statements before publication, ensuring the application of appropriate accounting methods, and overseeing the internal audit process. This increases management accountability and helps reduce delays in audit reports, in accordance with the principles of agency theory. This study is in line with the findings of Habib et al., (2019) dan Oussii & Boulila Taktak, (2018), but is different from other studies such as (Chalu, 2021) which found a positive effect of audit committee size and ARL.

The Effect of Independent Commissioners on Audit Report Lag

The results showed that the independent commissioner variable had a negative regression coefficient of 1.300, with a significance value of 0.000, which is smaller than the predetermined 0.05 value. That the independent commissioner variable has a significant negative effect on the length of time the audit report is published. Therefore, hypothesis H2 is accepted. Independent commissioners play an important role in reducing ARL in LQ45 companies, by offering an objective and critical perspective on auditor performance and the audit process (Rahmina & Agoes, 2014). They improve audit efficiency and accuracy through a better understanding of business operations, internal controls, and company policies. In addition, independent
commissioners help identify and address potential weaknesses in audit procedures, thus speeding up report preparation. Independent boards also strengthen corporate governance, enhancing accountability and credibility (Al Amosh & Khatib, 2022). They help build trust with external auditors, reduce the risk of conflicts of interest, and speed up the audit process. This is in line with the findings of Yeh & Woidtke, (2005), and Black et al., (2012) who state that independent commissioners can serve as a substitute for a weak legal environment and protect minority shareholder rights. Their presence minimizes audit report delays and improves reporting accuracy and speed. This study also supports agency theory, which identifies board independence as a way to overcome agency problems and increase investor confidence in financial information (Arora & Sharma, 2016). Overall, the results of this study are consistent with the findings of Afify, (2009), Alfraih, (2016), and Mathuva et al., (2019) which associate independent commissioners with a significant negative effect on ARL in contrast to Khan et al., (2023) who found no evidence of the effect of independent commissioners on ARL.

The effect of key audit matters on audit report lag

The results showed that the key audit matters variable had a negative regression coefficient of 0.295 and a significant value of 0.301 > 0.05, which means that the key audit matters variable had no significant effect on the audit report lag. This means that statement H3 is rejected. Although key audit matters (KAM) reporting provides information to shareholders and other parties regarding significant audit procedures and findings on audited financial statements (Gold & Heilmann, 2019), its application has several weaknesses. For example, the selection process by auditors related to the determination of KAMs is considered highly subjective and requires significant professional judgment. KAM reporting also faces concerns related to issues such as the tendency of auditors to use standardized KAM reports (rather than client-specific information) to reduce reported information, which may trigger conflicts with clients, be confidential, or pose a risk of increased auditor liability and potential lawsuits (Abdullatif & Al-Rahahleh, 2020). These findings are in line with research by Reid et al., (2019) and (Gutierrez et al., 2018), but differ from the results found by (Baatwah et al., 2022).

CONCLUSION

The purpose of this study was to analyze the effect of audit committee size, independent board of commissioners, and key audit matters on Audit Report Lag. Based on the test results, it is found that the audit committee size has a significant negative effect on audit report lag. The significant role of the Audit Committee in reducing delays in financial reports is recognized. This committee improves the audit process by facilitating open communication between auditors and management, effectively monitoring auditor performance so that financial reports are presented appropriately and on time. Independent Commissioner also has a significant negative effect on audit report lag. Its role can increase objectivity and criticality in auditor performance, accelerate audit report reporting, and improve the reliability of financial information. Independent commissioners are significant in strengthening corporate governance, reducing the risk of conflicts of interest, and helping to deal with audit issues, thus effectively speeding up the reporting process. In line with agency theory, audit committees and independent commissioners contribute to reducing audit report delays and strengthening investor confidence. However, key audit matters (KAMs) have no impact on audit report delays. Although the reporting of key audit matters (KAM) provides important information for shareholders, there are shortcomings in its implementation. The KAM selection process is considered subjective and may lead to conflicts with clients. KAMs may also be difficult for less experienced financial statement users to understand, reducing the effectiveness of value communication.

This study has several limitations. First, the research sample is limited to LQ-45 companies, so the results may not apply to companies outside the group. Second, the research
period is short, only covering data from 2020 to 2022, so it cannot see long-term effects. Third, the imperfect measurement of Key Audit Matters (KAM) may affect the research results. Finally, there are still other factors that can affect audit report lag that are not analyzed.

Suggestions for future research are to expand the sample by involving companies from various sectors and categories to increase the generalization of research results, as well as to extend the research period to see long-term effects. Improvement of KAM measurement is also recommended by using primary data and more accurate methods. In addition, it is necessary to identify and analyze other factors that can affect audit report lag. For related parties, companies are expected to strengthen the role of the audit committee and independent commissioners and improve the quality of KAM disclosure. Public accounting firms need to streamline the implementation of KAM and provide training for auditors related to KAM. Investors are advised to pay attention to corporate governance and KAM factors in making investment decisions. Finally, OJK is expected to strengthen regulations related to audit committees, independent commissioners, and KAM, and increase education to the public.

REFERENCES


