

# The Effect of Company Size, Industry Classification, and Audit Tenure on Audit Report Lag

The Effect of  
Company Size

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## ABSTRACT

This study aims to empirically prove the effect of company size, industry classification, and audit tenure on audit report lag with complexity of operations as moderating variable of State or Regional Owned Enterprises (Badan Usaha Milik Negara/Daerah/BUMN/D) companies listed on the Indonesian Stock Exchange in 2020-2022. This study employs quantitative approach involving secondary data of the companies' annual report published on the official website of the Indonesia Stock Exchange collected through documentation. The samples selected through purposive sampling method include 111 observational data analyzed by multiple linear regression and moderated regression analysis. The results of the study show that company size has a negative effect and industry classification has a positive effect on audit report lag, with complexity of operations being able to moderate the effect of both variables. However, the results of this study cannot prove the existence of an effect between audit tenure and audit report lag, and complexity of operations is unable to moderate the effect of audit tenure on audit report lag.

**Keywords:** Audit Report Lag, Audit Tenure, Industrial Classification, Complexity of Operations, Company Size

## ABSTRAK

Penelitian ini bertujuan untuk membuktikan secara empiris pengaruh ukuran perusahaan, klasifikasi industri, dan audit tenure terhadap audit report lag dengan kompleksitas operasi sebagai variabel moderasi pada perusahaan BUMN/D yang tercatat di Bursa Efek Indonesia periode 2020-2022. Jenis penelitian ini adalah penelitian kuantitatif dengan metode dokumentasi melalui data sekunder dari laporan keuangan tahunan perusahaan yang telah dipublikasi pada website resmi Bursa Efek Indonesia. Sampel dalam penelitian ini diperoleh dengan menggunakan metode purposive sampling. Data observasi yang diolah dalam penelitian ini sebanyak 111 observasi dan diuji menggunakan analisis regresi linear berganda dan analisis regresi moderasi. Hasil penelitian menunjukkan bahwa ukuran perusahaan berpengaruh negatif dan klasifikasi industri berpengaruh positif terhadap audit report lag, dengan kompleksitas operasi yang mampu memoderasi pengaruh atas kedua variabel tersebut. Sementara hasil penelitian ini tidak dapat membuktikan adanya pengaruh antara audit tenure terhadap audit report lag, dan kompleksitas operasi tidak mampu memoderasi pengaruh audit tenure terhadap audit report lag.

**Kata kunci:** Lag Laporan Audit, Jangka Waktu Audit, Klasifikasi Industri, Kompleksitas Operasi, Ukuran Perusahaan

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## INTRODUCTION

Financial reports play an important role as a means of communication within the business sphere which functions to convey information about a company's financial performance to stakeholders. Information in financial reports is said to be useful if it meets the qualitative characteristics of being relevant, reliable, comparable, consistent, understandable, verified and timely. For companies listed on the Indonesia Stock Exchange, it is important to ensure timely submission of financial reports (Pinatih & Sukartha, 2017). Public companies have a legal responsibility to submit annual financial reports that have been audited periodically, in accordance with Financial Services Authority (*Otoritas Jasa Keuangan/OJK*) Regulation Number 14/POJK.04/2022. Financial reports must be announced to the public no later than the end of the third month after the financial reporting date. Audits carried out by public accountants can build investor confidence. This is reflected in the auditor's opinion on financial reports (Lestari & Latrini, 2018). However, presenting financial reports according to deadlines remains a challenge for some companies. In the official announcement issued by the Indonesia Stock Exchange via a circular which can be accessed on the official website [www.idx.co.id](http://www.idx.co.id), there was an increase in the number of companies experiencing delays in submitting financial reports during 2020-2022 compared to the previous year. This can be seen from the following graph:

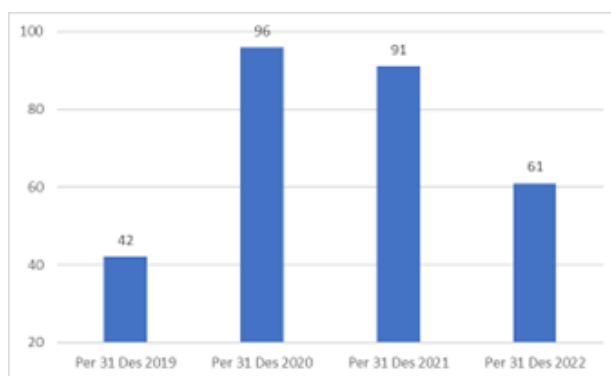


Figure 1. Delay in Submitting Financial Reports

Due to this delay, the Indonesian Stock Exchange issued written warnings and fines to each company as a firm measure to ensure discipline in complying with regulations and maintaining transparency. Delays in presenting financial report information can trigger negative responses from capital market players. This happens because audited financial reports are the basis for investors in making investment decisions regarding a company (Apitaningrum, 2017). Delays in submitting financial reports cannot be separated from the phenomenon called audit report lag (Prasetyo & Rohman, 2022). According to Carlsaw & Kaplan (1991), audit report lag is the time required to present financial reports, which refers to the period between the end of the financial reporting period until the date of publication of the audit report. Audit report lag is usually measured in number of days, the shorter the audit report lag, the faster the financial report can be submitted to stakeholders. On the other hand, the longer the audit report lag, the more likely it is that there will be delays in presenting financial reports. To suppress this agency issue, the existence of an independent party is important to reduce potential conflicts between principals and agents (Gaol & Sitohang, 2020). The public accountant is the independent party in question, in agency theory the public accountant acts as a third party to understand potential conflicts of interest that could arise between the principal and the agent. This aims to avoid fraudulent practices in preparing financial reports which can result in prolonged audit report lag delays.

Audit report lag may occur due to various factors that indicate it, both internal and external. Internal factors emphasize aspects related to the operations and situation of the

company itself, such as company size, which shows the size of a company. Company size has a negative and significant effect on audit report lag, because large-scale companies tend to have a strong internal control system to maintain the security of asset and wealth values, as well as ensuring that all company activities contribute to achieving the set goals and vision (Dewanto & Darsono, 2023). This is different from the results of other researchers which show that company size assessed by total assets at the end of the year has a positive influence on audit report lag, meaning that large-scale companies generally show a tendency to have a longer audit report lag period because their total assets are larger (Sunarsih et al., 2021). External factors refer to things that do not directly affect the company. One example is audit tenure, which refers to the period of collaboration between the auditor and auditee in the audit process. Research results Fayyum & Rustiana (2019) conclude that the longer the relationship between the auditor and the client, the shorter the audit completion time, because the auditor has more in-depth experience and knowledge about the characteristics and operations of the client's business. Audit tenure has no influence on audit report lag (Dewanto & Darsono, 2023).

Other factors that might influence audit report lag are industry classification and operational complexity. Industry classification groups companies based on certain criteria, such as financial and non-financial sectors. According to Alfiany & Triyanto (2023), in their research it was stated that industry classification has a positive influence on audit report lag, which means that non-financial companies require more in the audit process. Contrary to research Widyastuti & Astika (2017) which states that the type of industry has no effect. Operational complexity reflects the level of complexity of audit tasks which can be measured by the number of subsidiaries owned. According to Widyastuti & Astika (2017) and Alfiany & Triyanto (2023), operational complexity has a positive effect on audit report lag. The more complicated the company's operations, the longer the audit report lag tends to be. This research uses references from several previous studies, to re-examine the influence of company size, industry classification and audit tenure on audit report lag with operational complexity as a moderating variable (Fayyum & Rustiana, 2019; Dewanto & Darsono, 2023; Alfiany & Triyanto, 2023). The novelty of this research lies in the addition of operational complexity as a moderating variable. This means that the more complicated a business process is, the auditor will need more time to understand and audit the process, thereby extending the audit report lag. This can strengthen or weaken the influence of company size, industry classification, and audit tenure on audit report lag.

Another difference is that the researchers updated the observation period by choosing the research year 2020-2022 since this period experienced the impact of the Covid-19 pandemic which had an impact on financial reporting activities. The test was carried out on State or Regional Owned Enterprises (*Badan Usaha Milik Negara/Daerah/BUMN/D*) companies listed on the Indonesia Stock Exchange for the 2020-2022 period, because BUMN/D companies play an important role in the context of the country's economy and development. Quoted from the page (cnbcindonesia.com, 2023) over the last five years, the contribution of BUMN to the country has increased. In 2021, BUMN will contribute to the state in the form of taxes, amounting to IDR 1,352 trillion. This figure is equivalent to 60% of the total cumulative fiscal contribution of BUMN of IDR 2,259 trillion. BUMN's contribution in the form of PNBPN amounted to IDR 660 trillion or 29%, and in the form of dividends amounted to IDR 247 trillion, or 11% of the total fiscal contribution. Therefore, it is important to ensure that BUMN/D are managed efficiently, transparently and accountably to optimize the benefits that can be provided to society and the country.

## LITERATURE REVIEW

Agency theory refers to a conceptual framework related to agency relationships, which are defined as contracts between principals and agents (Jensen & Meckling, 2019). The principal gives authority to the agent to carry out the operations of the organization, this also carries agency risks such as interests that may not always be aligned between the principal and the agent. The difference in goals between the principal and the agent results

in agency problems which often arise due to an imbalance of information or what is known as information asymmetry. In addressing this agency problem, the use of third parties, such as auditors, can help reduce its impact. The auditor acts as an independent entity that audits the company's financial reports and provides an audit opinion on the correctness of the financial reports (Mayling & Prasetyo, 2020). In the context of applying agency theory, audit report lag has a crucial role in overcoming information asymmetry between agents and principals, as discussed in research (Zahra, 2020). Audit report lag is associated with timeliness in the submission of financial reports as the key to reducing information asymmetry and ensuring that principals have timely and accurate access to the company's financial information.

According to Che-Ahmad & Abidin (2001) and Sabatini & Vestari (2019), audit report lag is defined as the period required to complete the audit process which will affect when the audited financial report can be published, which is measured in number of days using the formula:

$$\text{ARL} = \text{Audit Report Date} - \text{Financial Report Book Closing Date}$$

Company size refers to various metrics or dimensions used to assess the scale or size of a company, which can be assessed from the number of employees, annual revenue, total assets, existence of subsidiaries, and so on (Agustina & Jaeni, 2022). Company size is measured using the formula:

$$\text{SIZE} = \text{Ln}(\text{Total Assets})$$

Industry classification is defined as the grouping of companies based on several certain characteristics or factors. According to Goold & Campbell (1987) and Novianingsih (2018), classify industries into two main groups, namely financial and non-financial industries. Industry classification is measured using a dummy variable with the following code:

$$\begin{aligned} 0 &= \text{Financial Industry} \\ 1 &= \text{Non-Financial Industry} \end{aligned}$$

Audit tenure measures how long the work engagement for the financial report audit process is between the auditor and the client which is determined by the number of years (Fayyum & Rustiana, 2019). The Indonesian government limits the provision of audit services to the same client by KAPs for a maximum of 6 consecutive financial years, and by public accountants for a maximum of 3 consecutive financial years, in accordance with Minister of Finance Regulation Number 17/PMK.01/2008. Audit tenure measurement uses the following formula:

$$\text{TEN} = \sum(\text{Year of Engagement between Public Accountant and Client})$$

The complexity of operations depends on the level of complexity of the audit task, where the higher the level of complexity of the audit task, the longer the audit process will take (Nirmalasari, 2018). Companies with multiple subsidiaries reflect a more complex level of operations. This indicates that more parts of the company's operations must be examined in each transaction and related records. The measurement of operational complexity is measured using the following formula:

$$\text{COMP} = \sum(\text{Owned Subsidiaries})$$

The research framework built to explain the relationship between independent, dependent and moderating variables is as follows:

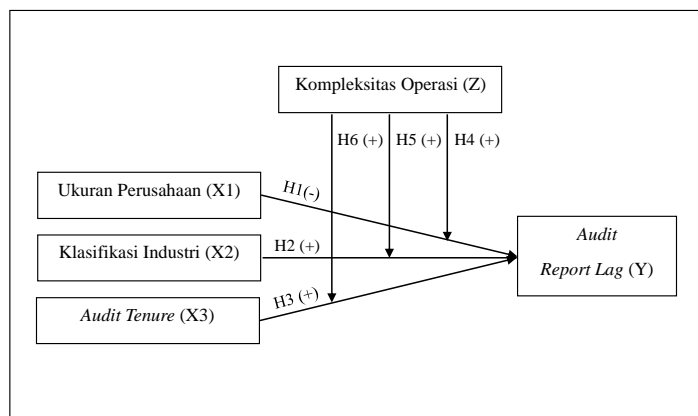


Figure 2. Research Framework

Company size is an indicator that describes the dimensions or scale of a company. In agency theory, agents are responsible for carrying out company operational activities and reporting company performance to the principal. Large companies generally receive greater public attention from various parties. Therefore, agents will pay more attention to all aspects of the company and create strong internal controls. Effective internal controls can help auditors carry out audits more easily, which means audits can be completed more quickly, thereby shortening audit report lag. Research by Prasetyo & Rohman (2022) and Dewanto & Darsono (2023), shows that company size has a negative effect on audit report lag. Based on this explanation, the formulation of the hypothesis for this research is as follows:

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

Different industry classifications may result in differences in audit duration. Referring to agency theory, when the complexity of a company increases, auditors will face increased complexity in providing and disclosing information. Companies operating in the financial industry tend to experience shorter audit report lags than companies in other industries (Courtis, 1976; Ashton et al., 1987 and Subekti & Widiyanti, 2004). An explanation for this finding can be found in the nature of the assets held by financial firms. Most financial company assets have a clear, easily measurable monetary value. This is different from company assets in other industries which may involve physical items such as inventory or intangible assets that are difficult to measure directly.

Non-financial companies tend to have a higher level of operating complexity, due to having complex and diverse inventories, as well as significant physical assets in business operations. As a result, the audit process in the non-financial industry takes longer than in the financial industry. This is supported by other researchers who state that companies in non-financial industries will experience longer audit report lag (Purnami & Kurniawan, 2019; Alfiany & Triyanto, 2023). Based on this explanation, the formulation of the hypothesis for this research is as follows:

H2: Industry classification has a positive effect on audit report lag.

Agency theory describes the conflicting relationship between principal and agent. The auditor is a third party or independent party who helps mediate conflicts of interest between principals and agents due to imbalances in information. One factor that can influence the auditor's effectiveness in completing audits is audit tenure. The length of the auditor's relationship with the client can shorten audit report lag (Fayyum & Rustiana, 2019). This is because auditors have more in-depth experience and knowledge of the client's business characteristics and operations, which allows the audit process to be completed more quickly. Based on this explanation, the formulation of the hypothesis for this research is as follows:

H3: Audit tenure has a negative effect on audit report lag.

Based on agency theory, the more complex the level of company operations, the more information that needs to be disclosed, which in turn can lengthen the audit process. Operational complexity and company size can be interconnected in influencing audit report lag. Large companies with high operational complexity tend to have longer audit report lags. Operational complexity has a positive influence on audit report lag (Darmawan & Widhiyani, 2017; Alfiany & Triyanto, 2023). Based on this explanation, the formulation of this research hypothesis is as follows:

H4: Operational complexity strengthens the influence of company size on audit report lag.

According to agency theory, in situations where a company is increasingly complex, auditors may need to spend more time and resources understanding the company's operations, identifying risks, and conducting the audit process. As a result, for non-financial companies with high operational complexity, audit report lag will tend to be longer because there are more elements that must be checked and verified by the auditor. The complexity of operations and industrial classification can cause audit report lag to be longer (Darmawan & Widhiyani, 2017; Alfiany & Triyanto, 2023). Based on this explanation, the formulation of the hypothesis for this research is as follows:

H5: Operational complexity strengthens the influence of industry classification on audit report lag.

From an agency theory perspective, independent auditors act as mediators between principals and agents. The strength of the relationship between audit tenure and audit report lag can be influenced by operational complexity. According to agency theory, the high complexity of company operations will cause a lot of information to be disclosed and increase agency costs. When a company has high operational complexity, this can cause difficulties for the audit team and require longer time in the audit process, thereby extending the audit report lag. Operational complexity can cause audit report lag to be longer (Alfiany & Triyanto, 2023). Based on this explanation, the formulation of the hypothesis for this research is as follows:

H6: Operational complexity strengthens the influence of audit tenure on audit report lag.

## **METHOD**

This type of research is quantitative with the aim of testing the influence of independent variables (company size, industry classification, and audit tenure) on the dependent variable (audit report lag) with a moderating variable (operational complexity) which can influence the extent of the relationship between the independent variable and the dependent variable. This research is based on secondary data, and documentation data collection techniques sourced from financial reports. The population that is the focus of this research is State/Regional Owned Enterprises (*Badan Usaha Milik*

*Negara/Daerah/BUMN/D*) that have gone public and are listed on the Indonesian Stock Exchange. Sampling uses a purposive sampling method by considering appropriate factors and criteria to determine the number of samples to be studied. The criteria used as a reference for determining the sample in this research include BUMN/D companies listed on the Indonesia Stock Exchange in the 2020-2022 period with a book closing date on December 31 each year, BUMN/D companies on the Indonesia Stock Exchange that have published audited financial reports, and can be accessed for the 2020-2022 period, BUMN/D companies on the Indonesia Stock Exchange which provide complete and relevant information regarding data for research purposes and BUMN/D companies on the Indonesian Stock Exchange which use the Rupiah reporting currency.

This research conducted hypothesis testing using the Statistical Product and Service Solution (SPSS) version 25 application. The first stage of data analysis started with descriptive statistical tests to provide an overview of the characteristics of the data to be studied. The second stage involves testing classical assumptions including normality, heteroscedasticity, multicollinearity, and autocorrelation. The third stage, multiple linear regression test is used to test the independent variable against the dependent variable. The final stage is the moderation regression test to understand the role of the moderating variable in strengthening or weakening the extent of the relationship between the independent variable and the dependent variable.

## RESULT

By considering the sample categories that have been determined, using the purposive sampling method, the following is the number of samples used in this research:

Information	Amount
BUMN listed on the IDX for the 2020-2022 period with a book closing date of December 31 each year	37
BUMNs listed on the IDX for the 2020-2022 period with a book closing date of December 31 each year	7
BUMN/D that does not provide complete data required for research	(3)
BUMN/D that uses a reporting currency other than Rupiah	(4)
<b>Number of companies</b>	<b>37</b>
<b>Number of years</b>	<b>3</b>
<b>Total sample</b>	<b>111</b>

Table 1 shows that 44 State or Regional Owned Enterprises (*Badan Usaha Milik Negara/Daerah/BUMN/D*) companies listed on the Indonesian Stock Exchange have relevant data for this research. Of this number, 7 companies were not included in the required sample criteria. Thus, the number of samples taken for this research was 37 companies.

Variable	Min	Max	Mean	Std. Dev
SIZE	27.8	35.2	30.8	1.93
IND	0	1	0.76	0.43

TEN	1	3	1.77	0.78
ARL	19	151	68.7	24.7
COMP	0	36	6.61	7.34

Based on data obtained from 111 samples belonging to 37 BUMN/D companies, it was found that the audit report lag of BUMN/D companies ranged from 19 to 151 days for the duration of the audit completion time. The average (mean) audit report lag is 69 days. PT Bank Syariah Indonesia Tbk experienced the shortest audit report lag of 19 days in 2021, while PT Pembangunan Jaya Ancol Tbk experienced the longest audit report lag of 151 days in 2020. Company size, industry classification, and audit tenure are independent variables in this research. Company size is measured based on the natural logarithm (Ln) of the company's total assets. The calculation results show that the minimum value is 27.83 which is equivalent to total assets of IDR 1,225 billion belonging to PT Delta Djakarta Tbk, while the maximum value reaches 35.22 indicating total assets of IDR 1,992 trillion belonging to PT Bank Mandiri Tbk in 2022. Average values the average of the natural logarithm of total assets is 30.82 which is equivalent to around IDR 166 trillion, with a standard deviation value of 1.934.

To measure industry classification, the dummy variable is coded 0 for the financial industry and code 1 for the non-financial industry. The results show that 9 companies operate in the financial industry or around 24% and the remaining 28 companies are in the non-financial industry. Audit tenure is measured based on the length of the engagement period between the public accountant and the client. Descriptive statistics show that the lowest audit tenure is 1 year, while the highest is 3 years. with a mean of 1.77, the numbers in this variable represent the number of periods. Operational complexity as a moderating variable is measured based on total subsidiaries with a minimum value of 0.00, which means it does not have subsidiaries, namely PT Bank Raya Indonesia Tbk, PT Bank Tabungan Negara Tbk, PT Bank Pembangunan Daerah Banten Tbk, PT Bank Pembangunan Daerah Jawa Timur Tbk, PT Bank Syariah Indonesia Tbk, and PT Waskita Beton Precast Tbk. Meanwhile, PT Semen Indonesia Tbk has a maximum value of 36. The average value of operational complexity in BUMN/D companies shows 6.61 and the standard deviation is 7.34.

**Table 3.** Coefficient of Determination

R	R Square	Adj. R Square	F	Sig.
0.546	0.298	0.278	15.153	0.000

Based on the R-Square value of 0.278, which means company size, industry classification, and audit tenure can explain the audit report lag of 27.8%. Meanwhile, the remaining 72.2% is influenced or explained by other variables outside this research. Based on the results of the F test, it can be concluded that together, the independent variables have a significant influence on the dependent variable. This is proven by the significance value being smaller than the alpha level obtained, namely 0.000.

**Table 4.** Hypothesis Testing

	Variable	B	T	Sig.	Hypothesis
T Test	Con	176.38		0.000	
	SIZE	-3.747	-2.880	0.005	Accepted



	IND	18.267	3.109	0.002	Accepted
	TEN	-3.362	-1.302	0.196	Rejected
	Con	234.03	3.577	0.001	
Moderation T test	SIZE*COMP	0.730	2.528	0.013	Accepted
	IND*COMP	3.938	2.890	0.005	Accepted
	TEN* COMP	-0.386	-1.106	0.271	Rejected

Based on the results of the hypothesis test, the company size variable (X1) has a significant and negative influence on audit report lag. The significance value of this variable is 0.005, which is below the 5% significance level, so H1 is accepted. Industry classification (X2) has a significance value of 0.002 which is below the significance level, namely 5% in this study. Thus, H2 is accepted in this research, industry classification has a significant and positive effect on audit report lag. Audit tenure (X3) does not affect audit report lag, with a significance value of 0.196 which is greater than 0.05. The results of multiple linear regression testing produced a coefficient value of -3.362. So, it can be concluded that H3 is rejected. The R-Square value obtained is 0.323. This value has increased from 0.278 before the moderating variable. This means that the influence of the independent variable on the dependent increased after the moderating variable (complexity of operations) from 27.8% to 32.3%. This shows that operational complexity strengthens the influence of the independent variable on the dependent variable. The operational complexity variable can moderate the influence of company size on audit report lag. This is indicated by the significance value of the interaction variable of 0.013 which is smaller than the alpha level of 0.05 with a coefficient value of 0.730. The operational complexity variable can moderate the influence of industry classification on audit report lag. This is indicated by the significance value of the interaction variable of 0.005, which is smaller than the alpha level used, namely 0.05 with a coefficient value of 3.938. The operational complexity variable has not been able to moderate the effect of audit tenure on audit report lag. This is indicated by the significance value of the interaction variable being 0.271 greater than the alpha level used, namely 0.05 with a coefficient value of -0.386.

The results of this research are in accordance with the proposed hypothesis, that company size has a negative influence on audit report lag, so the first hypothesis is accepted. In line with agency theory, which states that principals rely on agents to run company operations well, and a strong internal control system is key in ensuring compliance, security and optimal performance efficiency. Large reputable companies tend to get more attention from various parties, such as investors and the government. Effective internal controls also facilitate the external audit process due to better documentation and transparency in company activities. The conclusion that can be drawn is that large-scale companies tend to have stronger internal control systems. Good internal control allows auditors to more easily access the necessary information and shortens audit report lag. These results strengthen the statement that company size has a negative effect on audit report lag (Prasetyo & Rohman, 2022; Dewanto & Darsono, 2023).

The research results show that industry classification which is divided into financial and non-financial industries has a positive influence on audit report lag. These findings are consistent with the proposed hypothesis, so the second hypothesis is accepted. This shows that companies with non-financial industrial types that operate in the manufacturing sector often have more complex business aspects compared to financial companies. This finding is in line with agency theory, where the level of complexity of a company can influence the audit process. Diverse inventory, significant physical assets, and complex manufacturing processes can add to the level of audit complexity. The audit process in non-financial industries requires a deep understanding of various aspects of a company's operations, including inventory management, production cycles, and physical

assets. Variability in transactions and operational activities can also increase the risk of errors or fraud, so auditors need to carry out more detailed and thorough checks. This can result in additional time in carrying out the audit. Companies in the non-financial industry will experience a longer audit report lag compared to companies in the financial industry (Purnami & Kurniawan, 2019; Alfiany & Triyanto, 2023).

The research results show that the length of the auditor's engagement with the client has no effect on audit report lag. This is contrary to the proposed hypothesis, so the third hypothesis is rejected. The inconsistency between the results of this research and agency theory shows that in the context of the relationship the auditor is an independent party who mediates conflicts of interest between the principal and the agent due to information asymmetry. Factors such as audit tenure cannot always influence the auditor's effectiveness in completing audits. This is supported by previous research that the engagement period between the KAP and the company has no effect on audit report lag (Sabatini & Vestari, 2019; Makhabati & Adiwibowo, 2019; Dewanto & Darsono, 2023). Audit tenure cannot necessarily shorten audit report lag can be related to several other factors that can influence audit report lag, such as complexity and challenges, availability of information, and audit procedures faced by auditors. While the relationship with the client remains the same, a deep understanding of the company needs to be re-established by the auditor, which can impact on the time it takes to complete the audit. Thus, findings from previous research provide a perspective that supports the argument that audit tenure does not always have a significant impact on audit report lag.

The test results conclude that operational complexity can moderate the influence of company size on audit report lag, thus supporting the acceptance of the fourth hypothesis. Increasing operational complexity is thought to increase audit risk, forcing auditors to spend more time on the audit process. This interpretation is in line with agency theory which shows a relationship between operational complexity, company size, and audit report lag. In the agency framework, high operational complexity is considered a factor that can increase the need for information and transparency, which in turn can increase agency costs. Company size is often related to the complexity of operations, where large companies may have multiple business units or complex operations. When a company has large scale and complex operations, the audit report lag tends to be longer. This can be explained by the fact that auditors need more time and resources to carry out the audit process. Thus, it can be concluded that operational complexity is able to moderate the influence of company size on audit report lag. The relationship between the three can be explained through information needs, agency costs, and the role of internal control systems. Operational complexity has a positive effect on audit report lag (Alfiany & Triyanto, 2023).

The test results found that operational complexity was able to moderate the influence of industry classification on audit report lag, in accordance with the proposed hypothesis, so the fifth hypothesis was accepted. This is in line with agency theory. When the complexity of a company increases, auditors are faced with additional challenges in providing and disclosing the required information. Non-financial companies often face a higher level of operational complexity. Complex inventories, significant physical assets, and various types of business transactions can make the audit process more complicated. This complexity can create additional challenges in providing and disclosing the information required by auditors. Auditors must conduct more detailed and thorough examinations to understand various aspects of the company's operations and verify that the information presented in the financial statements is reliable. The results of this research support previous research which states that operational complexity and industry classification have a positive effect on audit report lag (Darmawan & Widhiyani, 2017; Alfiany & Triyanto, 2023). The importance of a deep understanding of these complex aspects creates a more demanding audit environment, which in turn can lengthen the time required to complete an audit.

Testing the moderation regression hypothesis shows that operational complexity has not been able to moderate the effect of audit tenure on audit report lag, so the sixth

hypothesis is rejected. The results of this research are not able to support agency theory which assumes that in situations where operational complexity is high, the audit team can experience difficulties and require longer time in the audit process, thereby extending the audit report lag. In this regard, the finding that operational complexity does not play a moderating role in accordance with agency theory provides a new perspective that may require a deeper understanding of other factors influencing this interaction. These findings indicate that, although company operations are increasingly complex, the lengthening or shortening of audit tenure is not significantly influenced by this complexity. In other words, operational complexity is not a moderating factor that strengthens or weakens the correlation between audit tenure and audit report lag. This is supported by previous research which states that operational complexity has no effect on audit report lag and audit tenure has no effect on audit report lag (Wijayanti & Effriyanti, 2019; Makhabati & Adiwibowo, 2019).

## CONCLUSION

This research was conducted on State/Regional Owned Enterprises listed on the Indonesia Stock Exchange for the 2020-2022 period. The aim of this research is to conduct empirical tests regarding the influence of company size, industry classification, and audit tenure on audit report lag with operational complexity as a moderating variable. Based on the results of the analysis, it was concluded that company size and industry classification have an influence on audit report lag. Company size has a negative effect on audit report lag, meaning that the larger the company size, the shorter the time required to complete the audit process. Meanwhile, the industry classification which is divided into financial and non-financial industries has a positive influence on audit report lag, meaning that the non-financial industry will experience a longer audit report lag compared to the financial industry. Likewise, operational complexity can moderate the influence of these two variables. Meanwhile, audit tenure has no effect on audit report lag, and operational complexity is unable to moderate the effect of audit tenure on audit report lag.

The limitation of this research is that there are several State or Regional Owned Enterprises (*Badan Usaha Milik Negara/Daerah*/BUMN/D) companies that do not meet the specified sample criteria, such as not providing complete data required in the research. Furthermore, based on the results of the analysis, this research has limitations with a coefficient of determination value of 27.8%. This figure indicates that at 72.2% there are still other factors outside the scope of research that can influence audit report lag, especially in BUMN/D companies. Suggestions for further research are to add other variables in the analysis of BUMN/D companies, such as profitability, solvency, KAP size, etc. which might influence audit report lag. In addition, further research could consider using financial report data from BUMN/D companies that are not listed on the stock exchange (non-go public) to expand the scope of the research and obtain a more diverse sample. Thus, it is hoped that further research can make a more significant contribution to understanding the factors that influence audit report lag.

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