The Influence of Audit Opinion, Auditor Switching, and Number of Audit Committees on Audit Report Lag

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ABSTRACT: Despite the fact that listed firms must abide by standards set forth by the Indonesia Stock Exchange (IDX) to submit audited financial reports and publish them, it has not reduced the number of companies that do not publish their financial reports in accordance with the applicable rules. As of February 2023, a total of 32 issuers have been sanctioned for late publication of their financial reports. A high audit report lag Table results in inaccurate and outdated financial information. This research's main goal is to prove how the number of audit committees, the number of audit opinions, and auditor change may affect how long it takes to produce an audit report. A quantitative research approach utilizing secondary data is employed for this investigation. The research focuses on manufacturing and transportation firms publicly traded on the IDX during the years 2020-2021. The sample size encompasses 160 companies, spanning a 2-year research period and yielding 320 data points. The analysis' conclusions show that audit opinion has a big impact on the audit report lag; in contrast, auditor switching and the number of audit committees do not have a substantial influence on this duration. The researcher recommends that future studies consider broadening the scope of the research population to enhance result accuracy and incorporate a more diverse sample.

Keywords: Audit Report Lag, Auditor, Financial Information Quality

INTRODUCTION

The term "financial statements" refers to a combination of information portraying a company's financial health and performance, which can enhance its appeal and value to the public. These statements play a vital role in aiding investors' decision-making processes. However, when seeking such financial information, various challenges can arise, one of which we refer to as "audit report lag" (Abid et al., 2018).

The interval between financial statement releases and the auditor's assessment of those statements is referred to as "audit report lag" by (Fujianti & Satria, 2020). By comparing the financial
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Statements' publishing date to the business's book closing date, this information is ascertained. When this lag is excessively long, users of financial statements are unable to access accurate and current information about the company, making it crucial to draw the company's attention to address this issue promptly (Annisa & Hamzah, 2021).

Recently, (Ramli, 2023) reported through Kompas.com that as of February 10, 2023, 32 Recorded companies were fined 150 million Indonesian Rupiahs each for failing to publish their financial statements before September 2022. This penalty was imposed according to Provision II.6.3 of Exchange Regulation No. I-H, which stipulates penalties for corporations that late on reporting their financial statements or between the 61st and 90th days after the deadline. I Gede Nyoman, the Director of Company Assessment at the IDX, explained that the penalty process involved several stages, including Warning Letters I, II, and III, along with corresponding fines, for companies that failed to meet deadlines.

In another instance, (Purwanti, 2022) reported that, as of May 9, 2022, out of 785 recorded companies, only 668 had submitted their financial reports on time to the IDX (Indonesia Stock Exchange). The remaining 91 issuers were either late or had yet to submit their reports at all, resulting in sanctions in the form of Written Warning I, as outlined in Provision II.6.1 of Exchange Regulation No. I-H.

The delay in publishing financial reports deprives users of timely information and leads to financial penalties for companies. Despite the regulations set by the IDX, the number of companies failing to comply remains high, resulting in a significant audit report lag. These cases underscore the importance of addressing audit report lag within companies, prompting the researcher to investigate the factors influencing it.

One of the factors considered in this research is "audit opinion." (Darmayanti et al., 2021) explain audit opinion as the standardized statements made by auditors regarding a financial statement of the company based on the findings of the audit. Companies receiving unfavorable audit opinions tend to exhibit deficiencies in their financial statement presentations, leading auditors to spend more time on their audit procedures, thereby increasing audit report lag (Yuliusman et al., 2020). In other words, companies with better audit opinions tend to have fewer errors in their financial statements, reducing the need for extensive document searches and investigations and resulting in shorter audit procedures (Muda et al., 2020).

Additionally, "auditor switching" can also trigger audit report lag. Companies may switch auditors to maintain auditor independence and objectivity (Nawangsari & Iswajuni, 2019). However, when auditor switching occurs, it typically takes longer for the new auditor to familiarize themselves with the company and its procedures, potentially prolonging the audit report lag.

Another aspect considered in this research is the "size of the audit committee". The audit committee, consisting of at least three members and mandatory for publicly traded companies, operates under the supervision of the company's board of commissioners (Setiadi & Siagian, 2022). A larger audit committee size may reduce audit report lag by enhancing oversight of the preparation of audit reports and minimizing errors in financial statements. Consequently, auditors can conduct their procedures more efficiently (Hasan et al., 2020).
Based on this information, the researcher has identified a problem to be studied within transportation and manufacturing companies recorded on the IDX for 2020-2021. This problem is framed as the research question: "Can audit opinion, auditor switching, and the number of audit committees influence audit report lag in transportation and manufacturing companies recorded on the IDX in 2020-2021?" This research target is to uncover the impact of audit opinion, auditor switching, and the amount of audit committees on audit report lag within these companies. By conducting this research, the researcher hopes to shed light on factors affecting audit report lag and, in turn, the delayed publication of financial statements, providing valuable insights for companies and serving as a reference for future researchers examining similar issues.

Audit Report Lag

Audit report lag refers to the timeframe encompassing the sequence of activities involved in auditing financial statements. This period commences from the moment a company concludes its bookkeeping processes and extends until the audited financial statements are officially released (Ginting & Hidayat, 2019). The swifter the completion of audit procedures, the shorter the resulting audit report lag. Conversely, the audit report lag tends to be more substantial when the audit process extends over a more extended period. A prolonged audit report lag can diminish the quality of a company's information because its relevance diminishes as financial statements are released later. Furthermore, a protracted delay in publishing financial statements, characterized by a high audit report lag, can signify underlying issues within the company's financial reporting (Rusmanto & Herlina, 2020).

Audit Opinion

An audit opinion represents the judgment of an independent external auditor upon concluding the examination of the adequacy of financial statements (Mbandlwa, 2022). Following their assessment of financial statement audit procedures, external auditors deliver a verdict in the form of an audit opinion, outlining the sufficiency of a company's financial statements. Companies that receive unfavorable audit opinions exhibit more discrepancies in their financial reporting (Nguyen & Trinh, 2020). Such companies complicate the audit process and necessitate a longer timeframe for audit activities, resulting in an extended audit report lag. Conversely, companies receiving a favorable audit opinion demonstrate the accuracy of their financial statement preparation, leading to expedited audit procedures and a reduced audit report lag. In essence, a company's financial statements garnering a more favorable audit opinion are related to a shorter audit report lag; in contrast, a less favorable opinion corresponds to a longer audit report lag.

Auditor Switching

Auditor switching refers to replacing a company's existing auditor with a new one (Budisantoso et al., 2017). This transition is undertaken to uphold the independence and objectivity of the auditor in executing the company's audit (Reid et al., 2019). When a company opts for auditor switching, the incoming auditor is unfamiliar with its operations and needs time to acquaint themselves with the organization thoroughly. Consequently, the new auditor requires an extended period to comprehend and familiarize themselves with the company, in contrast to the previous auditor who had prior audit experience with the company (Jura & Tewu, 2021). The introduction of a new auditor lengthens the audit duration, leading to a more significant audit report lag compared to the
former auditor, who had prior familiarity (Swandewi & Badera, 2021). Therefore, adopting auditor switching within a company tends to increase the audit report lag, whereas companies maintaining the same auditor generally experience a shorter audit report lag.

Number of Audit Committees

The audit committee is a mandated group established by companies, particularly those publicly traded in Indonesia (Pangaribuan et al., 2019). This committee, which must have a minimum of three members, is under the direction of the board of commissioners and includes two outsiders who preserve their independence from the business. Its primary role involves supervising the company's operations and ensuring its financial health is sound during each reporting period, encompassing the status of its financial statements (Abdillah et al., 2019). A greater number of audit committee members within a company translates to more effective oversight of financial statement preparation and the monitoring of document completeness. Consequently, this facilitates the efficiency of the company's audit process and allows for proactively addressing of issues that may arise during the audit (Su & Wu, 2017). In simpler terms, an increased count of audit committee members in a company corresponds to a decreased audit report lag; in contrast, a lower number of committee audits is linked to a longer delay in the company's audit report.

Research Hypotheses

H1: Audit opinion has a negative impact on audit report lag.

H2: Auditor switching has a positive impact on audit report lag.

H3: The quantity of audit committee members has a positive impact on audit report lag.

METHOD

This study uses secondary data and a quantitative methodology. The research population consists of 215 businesses from the manufacturing and transportation industries that were publicly listed on the IDX in 2020-2021. The annual reports of these businesses on the IDX website (www.idx.co.id) provided the data for this study.

Utilizing a purposive sampling method over a 2-year observation period, the researcher identified 160 companies meeting the following criteria: (1) Inclusion in the manufacturing and transportation sectors and recorded on the IDX in 2020-2021, (2) Accessibility of annual reports covering the period from 2019 to 2021, and (3) Inclusion of relevant data in their annual reports pertinent to this research. From this group of eligible companies, 320 data samples were collected.

Research Variables

Audit Report Lag

Audit report lag is the study's dependent variable. The company's yearly financial reports contain the information needed to calculate audit report lag. The number of days between the publication of the company's financial report and the date its books were closed is used to calculate the audit report lag. The difference or time gap obtained from this subtraction is recorded in days.
Audit Report Lag = Audit Report Date - Financial Report Date

Audit Opinion

Audit opinion serves as an independent variable in this research. The data source is drawn from the company's annual financial reports, specifically the independent auditor's report. A dummy variable is used to assess the audit opinion, where 1 = unqualified opinion, and 0 = other than an unqualified opinion.

Auditor Switching

Auditor switching functions as an independent variable in this research. As the data source, the researcher utilizes the company's annual financial reports, and a dummy variable is employed for the measurement method. 1 = companies that switched auditors during the research period, 0 = companies that did not undergo auditor switching during the research period.

Number of Audit Committees

Another independent variable in this research is audit committees number, with the company's annual financial reports as the data source. The audit committee members are counted in order to measure this variable, including the chair and any committee members that worked for the company during a particular time period. This data will then be utilized as the basis for the research.

Regression analysis is conducted in this research to examine the relationships between variables. In this study, audit report lag was the dependent variable, and audit opinion and audit opinion lag were the independent factors (a dummy variable), the number of audit committees, and auditor switching (both dummy variables). Regression analysis is performed in this research to demonstrate the relationships between variables. The SPSS program is used to analyze the data.

As applied in regression analysis, the following equation:

$$ARL = \alpha + \beta_1 AO + \beta_2 AS + \beta_3 NAC + \varepsilon$$

Explanation:

ARL = Audit Report Lag
\(\alpha\) = Constant
\(\beta_1 - \beta_4\) = Regression Coefficients
AO = Audit Opinion
AS = Auditor switching
NAC = Number of Audit Committees
\(\varepsilon\) = Standard Error
RESULT AND DISCUSSION

Descriptive Statistics Test

Analysis Descriptive statistical analysis in this study is used to analyze data from variables that are not dummy variables. Descriptive statistical analysis is performed to comprehensively describe the research data, including displaying the mean, minimum (min), maximum (max), and standard deviation of the data.

The non-dummy variables in this research are the number of audit committees and audit report lag. The results of the descriptive analysis of these variables, which pertain to manufacturing and transportation companies Recorded on the IDX in 2020-2021, are presented in Table 1.

Table 1. Descriptive Statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Report Lag</td>
<td>320</td>
<td>34,00</td>
<td>236,00</td>
<td>102,4531</td>
<td>32,94068</td>
</tr>
<tr>
<td>Number of Audit Committees</td>
<td>320</td>
<td>1,00</td>
<td>6,00</td>
<td>3,0688</td>
<td>0.42080</td>
</tr>
</tbody>
</table>

Source: Data processed by researchers with IBM SPSS Statistics 26 (2023)

The result of the descriptive statistical analysis, as displayed in Table 1, reveals that our dataset comprises 160 company samples observed over two years, resulting in a total of 320 research samples (N=320). Table 1 also indicates that the standard deviation is smaller than the mean, which means that the dispersion of the data variable is small or there is not a significant gap, making the data suitable for analysis.

In terms of audit report lag within the research sample, the minimum recorded value is 34 days, representing the shortest time taken by an auditor to complete the audit process in the sampled companies; in comparison, the maximum value stands at 236 days, denoting the longest duration. On average, the audit report lag is 102.45 days, with a standard deviation of 32.94.

Concerning the composition of audit committees within the research sample, the smallest number observed is 1, indicating that some companies have only one audit committee member; in contrast, the largest number recorded is 6, representing the highest count of audit committee members in the research sample. On average, there are approximately 3.0688 audit committee members, with a standard deviation of 0.42080.

Frequency Statistics Test

Frequency statistics were applied to the dummy variables used in this study, specifically audit opinion and auditor switching, to provide a summary of the research findings. The corresponding data is displayed in Table 2 and Table 3.
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Table 2. Frequency of Audit Opinion

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>0,00</td>
<td>6</td>
<td>1,9</td>
</tr>
<tr>
<td>1,00</td>
<td>314</td>
<td>98,1</td>
<td>98,1</td>
</tr>
<tr>
<td>Total</td>
<td>320</td>
<td>100,0</td>
<td>100,0</td>
</tr>
</tbody>
</table>

Source: Data processed by researchers with IBM SPSS Statistics 26 (2023)

Table 2 shows that out of the 320 data samples of the audit opinion variable for manufacturing and transportation companies recorded on the IDX in 2020-2021, 314 companies received an unqualified opinion, while six other companies received a non-unqualified opinion. From the data above, it can be concluded that 98.1% of the total research samples have an unqualified audit opinion, and 1.9% received a non-unqualified opinion.

Table 3. Frequency of Auditor Switching

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>0,00</td>
<td>279</td>
<td>87,2</td>
</tr>
<tr>
<td>1,00</td>
<td>41</td>
<td>12,8</td>
<td>12,8</td>
</tr>
<tr>
<td>Total</td>
<td>320</td>
<td>100,0</td>
<td>100,0</td>
</tr>
</tbody>
</table>

Source: Data processed by researchers with IBM SPSS Statistics 26 (2023)

Table 3 indicates that out of the 320 data samples of the auditor switching variable for manufacturing and transportation companies recorded on the IDX in 2020-2021, 279 companies did not undergo auditor switching, which accounts for 87.2% of the whole samples. Meanwhile, 41 other companies experienced auditor switching, representing 12.8% of the total samples.

Coefficient of Determination Test

Table 4. Coefficient of Determination

<table>
<thead>
<tr>
<th>Model Summaryb</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mode</td>
</tr>
<tr>
<td>1</td>
</tr>
</tbody>
</table>

Source: Data processed by researchers with IBM SPSS Statistics 26 (2023)

According to Table 4's R-square value of 0.083, the audit report lag variance across the cited companies for the specified time period is only 8.3% explained by audit opinion, auditor switching, and the audit committees number used in this study. The majority of this variability is attributed to factors other than the ones under investigation.
Furthermore, the adjusted R-square value of 0.074, equivalent to 7.4%, represents the combined explanatory power of audit opinion, auditor switching, and the audit committees number in clarifying the audit report lag variable.

The coefficient of determination test, as displayed in Table 4, reveals a Multiple R value of 0.288, notably distant from 1. This value signifies that the effect of audit opinion, auditor switching, and the number of audit committees on audit report lag in manufacturing and transportation companies Recorded on the IDX in 2020-2021 is relatively weak.

### Table 5. Coefficients*

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>(Constant)</td>
<td>165,139</td>
<td>19,204</td>
</tr>
<tr>
<td>Audit Opinion</td>
<td>-69,041</td>
<td>13,116</td>
</tr>
<tr>
<td>Auditor Switching</td>
<td>1,129</td>
<td>5,307</td>
</tr>
<tr>
<td>Number of Audit</td>
<td>1,602</td>
<td>4,237</td>
</tr>
</tbody>
</table>

*Source: Data processed by researchers with IBM SPSS Statistics 26 (2023)*

$$ARL = 165,139 - 69,041AO + 1,129AS + 1,602NAC + \varepsilon$$

The results derived from the regression analysis equation yield the following conclusions: Evidently, the companies examined exhibit a positively weighted audit report lag, approximating around 165 days. This implies an inherent potential for audit report lag, represented by a constant value of 165. The outcomes of the regression analysis demonstrate an inverse coherence between audit report lag and audit opinion. In simpler terms, a company receiving a more favorable audit opinion completes the audit process more swiftly, resulting in a shorter audit report lag, as implied by the coefficient value of -69.041. Moreover, the regression analysis results reveal a positive correlation among audit report lag and instances of auditor switching. This signifies that when a company undergoes auditor switching, the audit report lag tends to extend, as indicated by the coefficient value of 1.129. Furthermore, the analysis shows a favorable correlation between the size of the audit committee and the audit report lag. This implies that a higher count of audit committee members corresponds to a larger audit report lag within the company, supported by the coefficient value of 1.602. These findings align with the research of [Kurniawan & Mutmainah, 2020], which posits that an enlarged audit committee members numbers can lead to reduced individual responsibilities due to coordination and communication challenges.

The result of the hypothesis test for audit opinion, as presented in Table 5, indicates a significant p-value of 0.000, falling below the significance threshold of 0.05. Therefore, audit opinion indeed plays a significant role in influencing the audit report lag within manufacturing and transportation companies.
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companies Recorded on the IDX in 2020-2021. The t-value in Table 5 is -5.264, indicating that audit opinion exerts a adverse effect on the audit report lag. In essence, a more favorable audit opinion correlates with a reduced audit report lag, while a less favorable opinion tends to prolong the audit report lag. Consequently, derived from these findings, H1 is affirmed, and H0 is rejected. These results align with the conclusions of (Hanafi & Usman, 2017), who found a significant negative impact of audit opinion on audit report lag in manufacturing companies Recorded on the IDX from 2012 to 2015. Similarly, (Ani, F., Chomsatu, Y., Dan Dewi, 2020) arrived at similar outcomes, demonstrating the significant impact of audit opinion on audit report lag in banking companies Recorded on the IDX between 2014 and 2017. However, the results differ from those obtained by (Made et al., 2021), suggesting that audit opinion does not exert an effect on audit report lag in mining companies Recorded on the IDX from 2016 to 2018.

The hypothesis test results for auditor switching yield a significant p-value of 0.832, exceeding the significance threshold 0.05. This implies that the auditor switching on 2020–2021 and documented on the IDX has not affect the lag on audit report in manufacturing and transportation sectors. Consequently, H1 is rejected, and H0 is accepted. These findings align with the conclusions of (Angelia & Mawardi, 2021), who also found that auditor switching does not impact the lag on audit report in manufacturing companies Recorded on the IDX from 2015 to 2018. However, these results contrast utilizing the research done by (Rezi et al., 2022), who concluded that auditor switching does influence the lag on audit report in property and real estate companies Recorded on the IDX during the period 2016-2019. In Table 3 was found that as much as 87.2 percent of companies did not undergo auditor switching because the research year's sample was taken from 2020-2021, which was during the COVID-19 period, causing companies to tend not to switch auditors.

Similarly, the hypothesis test concluded that the number of audit committees yielded a significant p-value of 0.706, surpassing the significance threshold of 0.05. This suggests that the number of audit committees does not exert a significant impact on the lag of audit report within manufacturing and transportation companies Recorded on the IDX in 2020-2021. Therefore, H1 is rejected, and H0 is accepted. These findings are consistent with the results obtained by (Dzulkifli & Dewayanto, 2022), who found that the number of audit committees does not influence the lag of audit report in Islamic banking entities Recorded under OJK during the period from 2016 to 2020. Nevertheless, these outcomes diverge from the research conducted by (Uly & Julianto, 2022), which concluded that the audit committee number does have a significant impact on audit report lag in manufacturing sector companies Recorded in Kompas 100 and registered on the IDX from 2018 to 2020.
CONCLUSION

In summary, the research's findings indicate that the audit opinion variable can indeed influence the delay in audit reports for manufacturing and transportation companies recorded on the IDX in 2020-2021. This conclusion stems from the hypothesis test involving audit opinion, which resulted in a significant value of 0.000, falling below the customary threshold of 0.05.

However, it is noteworthy that auditor switching does not exert any discernible impact on the delay of audit reports within the same set of companies during the specified period. The hypothesis test for auditor switching and its impact on audit report lag, which produced a significant result of 0.832 and exceeded the 0.05 cutoff, supports this finding. Thus, it can be inferred that auditor switching does not play a significant impact on audit report lag.

Furthermore, the research concluded that audit committee number does not have a substantial impact on audit report lag among manufacturing and transportation companies recorded on the IDX in 2020-2021. This result is established through the hypothesis test involving the audit committee number, which produced a significant value of 0.706, exceeding the 0.05 threshold.

As a suggestion for future research, the author recommends considering the inclusion of additional variables to explore other factors that might contribute to audit report lag. Additionally, expanding the research sample to include a more diverse and extensive population could lead to more accurate and comprehensive results.

REFERENCE


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