

Financial Conditions and Audit Report Lag: Evidence from Indonesia's Non-Primary Consumer Sector

Abstract

This study examines the effect of financial conditions, proxied by solvability, profitability, and liquidity, on audit report lag in non-primary consumer goods companies listed on the Indonesia Stock Exchange during the 2020–2022 period. The study employs a quantitative approach using secondary data obtained from audited financial statements, with a total of 321 firm-year observations selected through purposive sampling. Multiple linear regression analysis is applied to test the proposed hypotheses. The results show that solvability has a positive and significant effect on audit report lag, indicating that firms with higher leverage tend to experience longer audit delays due to increased audit complexity and risk. In contrast, profitability and liquidity have negative and significant effects on audit report lag, suggesting that firms with better financial performance and stronger liquidity positions tend to complete the audit process more efficiently and report in a timelier manner. These findings support agency theory and signalling theory, highlighting that financial risk and performance serve as important determinants of audit timeliness. Firms with higher financial risk are associated with longer audit delays, while firms with stronger financial conditions provide positive signals that encourage timely reporting. This study contributes to the literature by providing sector-specific evidence from the non-primary consumer goods industry in Indonesia during the post-pandemic period. The findings also offer practical implications for management, auditors, and regulators in improving the efficiency and timeliness of financial reporting in emerging markets.

Keywords: *Audit Report Lag, Solvability, Profitability, Liquidity*

INTRODUCTION

The increasing number of publicly listed companies has intensified the demand for high-quality financial information among stakeholders. Financial statements play a crucial role as a medium for communicating a firm's financial condition and performance, and their usefulness is highly dependent on timeliness (Endri et al., 2024). Delayed financial reporting may reduce the relevance of information and potentially lead to inappropriate decision-making by investors and other users of financial statements (Abouelela et al., 2025).

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In the capital market context, timeliness is not only a matter of relevance but also a regulatory obligation. In Indonesia, publicly listed companies are required to submit audited annual financial statements no later than the end of the third month after the fiscal year-end, as stipulated in Otoritas Jasa Keuangan Regulation No. 14/POJK.04/2022. Failure to comply with these regulations may result in administrative sanctions, including financial penalties and restrictions on business activities. Despite these strict regulations, delays in financial reporting remain a recurring issue, indicating inefficiencies in the audit and reporting process.

The timeliness of audited financial statements is commonly measured by audit report lag (ARL), defined as the number of days between the fiscal year-end and the audit report date (Baldacchino et al., 2016). A longer audit report lag reflects delays in audit completion, which may arise from the complexity of audit procedures and the financial condition of the firm (Setiyowati & Januarti, 2022). The longer the audit process takes, the greater the delay in financial reporting, which in turn reduces the usefulness of financial information (Arens et al., 2016).

Empirical evidence in Indonesia indicates that audit delays continue to occur across various sectors. The number of companies experiencing delays in submitting audited financial statements has increased in recent years, particularly during the 2020–2022 period. This trend suggests that economic pressures, including post-pandemic recovery conditions, may contribute to increased audit complexity and reporting challenges (A. A. Dewi & Wahyuni, 2021). Among the sectors listed on the Indonesia Stock Exchange, the non-primary consumer goods sector exhibits one of the highest levels of reporting delays. This sector is highly sensitive to economic fluctuations, as its performance depends on consumer purchasing power and macroeconomic stability (Oktaviani, 2025).

Several cases highlight the consequences of delayed financial reporting. Companies that fail to submit their audited financial statements on time may face sanctions, including fines and trading suspensions, which ultimately harm investor confidence and corporate reputation (N. K. M. A. Sari & Sujana, 2021). In severe cases, prolonged delays may even lead to delisting from the stock exchange, further emphasizing the importance of timely financial reporting.

From a theoretical perspective, audit report lag can be explained using signalling theory and agency theory. Financial indicators such as solvency, profitability, and liquidity serve as signals to external stakeholders regarding the firm's financial health (Idawati et al., 2023). Firms with higher financial risk, such as those with high leverage, may require more extensive audit procedures, resulting in longer audit completion times (Hery, 2017). Conversely, firms with strong financial performance may have incentives to report financial information more

promptly to convey positive signals to the market (Lianto & Kusuma, 2010; Wijaya et al., 2024).

Previous studies examining the determinants of audit report lag have produced mixed results. Several studies find that solvency, profitability, and liquidity significantly influence audit report lag (Himawan & Venda, 2020; Kusuma et al., 2022; Natalia et al., 2021; Tjondro, 2022), while others report insignificant effects (Ayuningtyas & Riduwan, 2020; Bugeara & Triyanto, 2020; Mahendra, 2021; Riska, 2021). These inconsistent findings indicate that the relationship between financial characteristics and audit delay remains inconclusive and may depend on contextual factors such as industry characteristics and observation periods.

This study extends prior research by focusing on the non-primary consumer goods sector in Indonesia during the 2020–2022 period. This period is particularly relevant as it captures economic disruption and recovery following the COVID-19 pandemic, which may affect firms' financial conditions and audit processes. By examining the role of solvency, profitability, and liquidity in explaining audit report lag within this context, this study aims to provide a more comprehensive understanding of audit timeliness in emerging markets.

Accordingly, this study contributes to the literature in three ways. First, it provides sector-specific evidence from a consumer-driven industry that is highly sensitive to economic conditions. Second, it incorporates recent data reflecting post-pandemic dynamics. Third, it offers empirical insights into the role of financial indicators as determinants of audit delay, thereby enriching the literature on financial reporting timeliness and audit efficiency.

LITERATURE REVIEW

Agency Theory

Agency theory explains the contractual relationship between principals (shareholders) and agents (management), where principals delegate decision-making authority to agents to manage the firm on their behalf (Jensen & Meckling, 2019). However, this delegation creates potential conflicts of interest due to differences in objectives and risk preferences between the two parties. Such conflicts give rise to agency problems, particularly moral hazard and adverse selection. These problems are exacerbated by information asymmetry, where management possesses more information about the firm than shareholders (Sobhan et al., 2025). As a result, managers may delay or manipulate information disclosure to serve their own interests, reducing the transparency and reliability of financial reporting (Abdillah et al., 2019).

To mitigate these issues, independent auditors are engaged as monitoring mechanisms to ensure the credibility of financial statements (Michael & Rohman, 2017). However, the audit process itself requires time, and the extent of audit procedures may vary depending on the

firm's financial condition and risk profile. Consequently, audit report lag can be viewed as a manifestation of agency problems, where delays in audited reporting may reflect higher audit complexity or managerial incentives to withhold unfavorable information (Wati, 2023). Thus, agency theory provides a strong foundation for understanding how firm characteristics, particularly financial conditions, may influence the timeliness of audited financial reporting.

Signalling Theory

Signalling theory explains how firms convey information to external stakeholders to reduce information asymmetry. In the context of financial reporting, management uses financial statements as signals to communicate the firm's performance and prospects to investors (Endri et al., 2024).

Timeliness is a crucial aspect of signalling. A shorter audit report lag is considered a positive signal, indicating efficient reporting processes and strong financial conditions (Putri & Istiqomah, 2024). Conversely, a longer audit delay may be interpreted as a negative signal, suggesting potential financial distress, operational inefficiencies, or increased audit risk (Abdullatif et al., 2025).

Financial ratios such as solvency, profitability, and liquidity play an important role as signals. High profitability and strong liquidity typically signal good financial performance and stability, encouraging timely disclosure. In contrast, high leverage may signal higher financial risk, prompting more extensive audit procedures and potentially delaying the audit completion process (A. K. Dewi & Hariadi, 2024). Therefore, signalling theory explains how financial characteristics influence not only investor perception but also the timeliness of audited financial reporting.

Solvability and Audit Report Lag

Solvability reflects a firm's ability to meet its long-term obligations and is commonly associated with financial risk. Firms with higher leverage levels tend to face greater financial uncertainty, increasing the likelihood of going concern issues (W. Sari et al., 2025). From an agency perspective, higher solvability risk intensifies monitoring needs, requiring auditors to perform more extensive procedures, which may prolong the audit process (Sitanggang et al., 2026).

From a signalling perspective, high leverage can be interpreted as a negative signal, prompting auditors to exercise greater caution in verifying financial information. This increased scrutiny may lead to longer audit completion times (Pratiwi & Kusumawati, 2023). Several studies finding a significant relationship between solvability and audit report lag (Idawati et al., 2023; Kusuma et al., 2022; Tjondro, 2022). Based on these arguments, the

following hypothesis is proposed:

H1: Solvability has an effect on audit report lag.

Profitability and Audit Report Lag

Profitability reflects a firm's ability to generate earnings and is often associated with positive performance signals. Firms with higher profitability tend to disclose financial information more promptly to signal strong performance to investors (Kalbuana et al., 2025). From a signalling perspective, high profitability represents "good news" that firms are incentivized to report quickly (Febrianty & Raharja, 2024).

Conversely, firms with low profitability or losses may delay financial reporting to avoid negative market reactions. From an agency perspective, management may have incentives to postpone the disclosure of unfavourable financial information, potentially increasing audit report lag (Sunersa et al., 2022). Some studies find that profitability significantly reduces audit report lag (Himawan & Venda, 2020; Kusuma et al., 2022; Meirawati et al., 2022). Accordingly, the following hypothesis is proposed:

H2: Profitability has an effect on audit report lag.

Liquidity and Audit Report Lag

Liquidity reflects a firm's ability to meet its short-term obligations and indicates financial stability. Firms with higher liquidity are generally perceived as having lower financial risk and better operational conditions (Theng & Wie, 2022). From a signalling perspective, strong liquidity represents a positive signal that encourages timely financial reporting (Bong et al., 2024).

In contrast, firms with low liquidity may face financial constraints, increase audit complexity and potentially delay audit completion. From an agency perspective, financial distress may create incentives for management to delay disclosure, leading to longer audit report lag (Sudjono & Setiawan, 2022). Prior studies show finding that liquidity significantly affects audit report lag (Kusuma et al., 2022; Siagian et al., 2021; Tjondro, 2022). Thus, the following hypothesis is formulated:

H3: Liquidity has an effect on audit report lag.

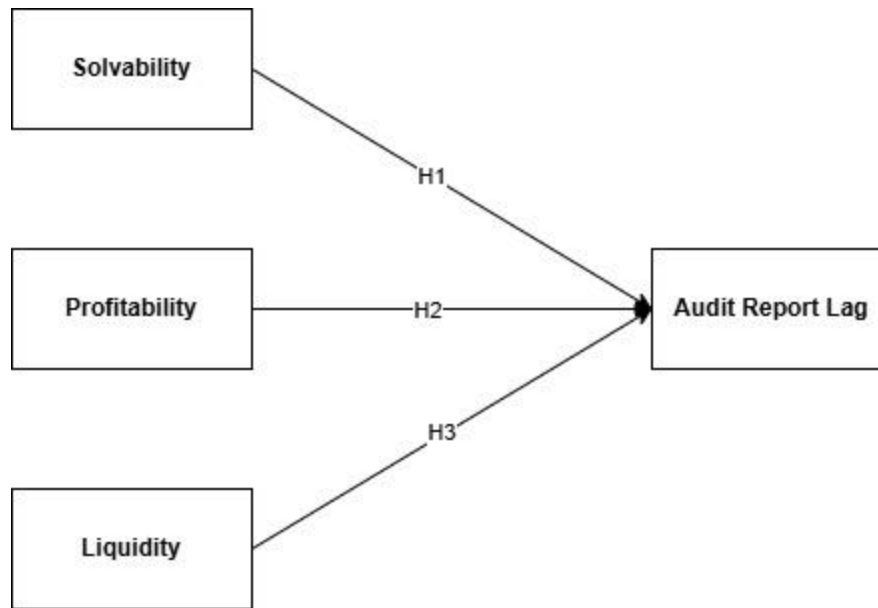


Figure 1. Research Model

RESEARCH METHODS

This study employs a quantitative research design using secondary data derived from audited financial statements of firms listed on the Indonesia Stock Exchange (IDX). The data were obtained from the official IDX website (www.idx.co.id). The observation period covers three years, from 2020 to 2022, allowing the study to capture recent financial reporting dynamics, particularly in the post-pandemic context.

The population of this study consists of all non-primary consumer goods companies listed on the Indonesia Stock Exchange during the 2020–2022 period. The sampling technique used is purposive sampling, which selects samples based on specific criteria (Sugiyono, 2019). The sample selection criteria are as follows:

1. Non-primary consumer goods companies that consistently published annual financial statements during 2020–2022.
2. Companies that conducted initial public offerings (IPO) prior to 2021.

Based on these criteria, the final sample consists of 107 companies, resulting in 321 firm-year observations over the three-year period.

Data were collected using documentation and literature study methods. Documentation involved gathering annual reports and audited financial statements from the IDX database. Meanwhile, the literature study was conducted by reviewing relevant academic journals, books, and prior studies to support the theoretical framework and hypothesis development.

The dependent variable in this study is audit report lag (ARL). Audit report lag is defined as the number of days between the fiscal year-end (December 31) and the date of the independent auditor's report (Artaningrum et al., 2017; Baldacchino et al., 2016). A longer

audit report lag indicates a delay in the completion of the audit process.

Solvability reflects the firm's ability to meet its long-term obligations (Hery, 2017). In this study, solvability is proxied by the Debt to Asset Ratio (DAR), which measures the proportion of assets financed by debt. Higher leverage indicates greater financial risk, which may increase audit complexity and extend audit completion time.

Profitability measures the firm's ability to generate earnings from its operations (Hery, 2017). This study uses Return on Assets (ROA) as a proxy, calculated as net income divided by total assets. ROA is chosen because it reflects management effectiveness in utilizing assets to generate profits (Rosnawati et al., 2023).

Liquidity represents the firm's ability to meet its short-term obligations (Irham, 2017). In this study, liquidity is measured using the Current Ratio (CR), which compares current assets to current liabilities. A higher current ratio indicates better short-term financial stability.

This study employs quantitative data analysis using multiple linear regression analysis to examine the effect of solvability, profitability, and liquidity on audit report lag. The regression model is formulated as follows:

$$ARL = \alpha + \beta_1 DAR + \beta_2 ROA + \beta_3 CR + \epsilon$$

where:

ARL = Audit Report Lag

DAR = Debt to Asset Ratio

ROA = Return on Assets

CR = Current Ratio

α = constant

β_1 – β_3 = regression coefficients

ϵ = error term

Data processing was conducted using Microsoft Excel and SPSS (Statistical Package for the Social Sciences). The analysis includes descriptive statistics and classical assumption tests prior to regression estimation to ensure the validity of the model.

RESULTS AND DISCUSSION

The results of this study describe the characteristics of the data and the validity of the regression model used to examine the effect of solvability, profitability, and liquidity on audit report lag in non-primary consumer goods companies listed on the Indonesia Stock Exchange during the 2020–2022 period. The study initially consists of 321 firm-year observations derived from 107 companies.

Descriptive statistics indicate that audit report lag (ARL) has a minimum value of 34 days

and a maximum value of 237 days, with an average of 101.36 days. This suggests that, on average, companies require more than three months to complete the audit process and publish their financial statements. The relatively high maximum value also reflects that some firms experience substantial delays, which may reduce the relevance of financial information for decision-making.

In terms of financial characteristics, solvability (DAR) shows a mean value of 0.651660 with a relatively high standard deviation, indicating considerable variation in leverage across firms. Profitability (ROA), on the other hand, records a negative average value (-0.032498), suggesting that many firms experienced weak financial performance during the observation period, which may be associated with economic pressures in the post-pandemic period. Meanwhile, liquidity (CR) has an average value of 2.444188, indicating that firms generally have the ability to meet short-term obligations, although the large dispersion suggests heterogeneous financial conditions among companies.

Table 1. Descriptive Statistics of Research Variables

	Descriptive Statistics				
	N	Minimum	Maximum	Mean	Std. Deviation
Solvability	321	,0015	10,1866	,651660	,9870110
Profitability	321	-,8912	,7445	-,032498	,1474783
Liquidity	321	,0066	24,7973	2,444188	3,1863517
Audit Report Lag	321	34	237	101,36	36,809
Valid N (listwise)	321				

Source: Authors' own work.

Before conducting regression analysis, classical assumption tests were performed to ensure the validity of the model. The initial normality test using both graphical analysis and the Kolmogorov-Smirnov test indicates that the residuals were not normally distributed, as reflected by a significance value below 0.05. To address this issue, an outlier treatment was applied by removing several extreme observations, reducing the sample size to 312 firm-year observations. After this adjustment, the residuals exhibit a normal distribution pattern, supported by a Kolmogorov-Smirnov significance value of 0.200, indicating that the normality assumption has been fulfilled.

Table 2. Results of the Data Normality Test After Outlier Removal

One-Sample Kolmogorov-Smirnov Test		Unstandardized Residual
N		312
Normal Parameters ^{a,b}	Mean	,0000000
	Std. Deviation	,28773676
Most Extreme Differences	Absolute	,045
	Positive	,034
	Negative	-,045

Test Statistic	,045
Asymp. Sig. (2-tailed)	,200 ^{c,d}

- a. Test distribution is Normal.
- b. Calculated from data.
- c. Lilliefors Significance Correction.
- d. This is a lower bound of the true significance.

Source: Authors' own work.

Furthermore, the multicollinearity test shows that all independent variables have tolerance values above 0.1 and variance inflation factor (VIF) values below 10, indicating the absence of high correlation among the independent variables. This suggests that each variable contributes uniquely to explaining audit report lag.

Table 3. Results of the Multicollinearity Test

Model		Coefficients ^a				Collinearity Statistics		
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Tolerance	VIF
		B	Std. Error	Beta				
1	(Constant)	4,617	,025		182,695	,000		
	Solvability	,057	,019	,159	3,014	,003	,744	1,344
	Profitability	-,734	,143	-,265	-5,139	,000	,774	1,293
	Liquidity	-,046	,005	-,399	-8,463	,000	,929	1,076

a. Dependent Variable: *Audit Report Lag*

Source: Authors' own work.

The heteroscedasticity test, conducted using scatterplot analysis and the Glejser test, demonstrates that the residuals are randomly distributed and do not form a specific pattern. Additionally, all variables have significance values above 0.05 in the Glejser test, confirming that the model is free from heteroscedasticity.

Table 4. Results of the Glejser Test

Model		Coefficients ^a				t	Sig.
		Unstandardized Coefficients		Standardized Coefficients	Beta		
		B	Std. Error	Beta			
1	(Constant)	,221	,015		14,535	,000	
	Solvability	-,007	,011	-,038	-,575	,565	
	Profitability	-,143	,086	-,108	-1,671	,096	
	Liquidity	,003	,003	,063	1,073	,284	

a. Dependent Variable: *Abresid*

Source: Authors' own work.

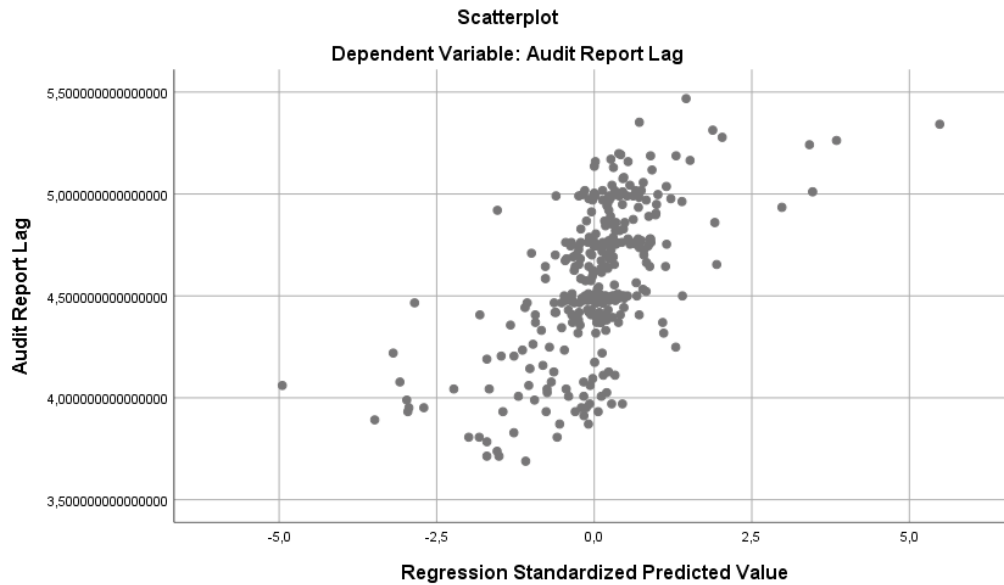


Figure 2. Heteroscedasticity Test

Finally, the autocorrelation test using the Durbin-Watson statistic yields a value of 1.525, which falls within the acceptable range, indicating that there is no autocorrelation problem in the regression model.

Table 5. Results of the Autocorrelation Test

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,604 ^a	,364	,358	,289134675989183	1,525

a. Predictors: (Constant), Liquidity, Profitability, Solvability

b. Dependent Variable: *Audit Report Lag*

Source: Authors' own work.

Overall, the results of these diagnostic tests confirm that the regression model satisfies the classical assumptions and can be categorized as BLUE (Best Linear Unbiased Estimator). Therefore, the model is appropriate for further hypothesis testing and analysis.

Multiple Linear Regression Analysis

The regression analysis results provide empirical evidence regarding the effect of solvability, profitability, and liquidity on audit report lag.

Table 6. Results of the Multiple Linear Regression Analysis

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4,617	,025		182,695	,000
	Solvability	,057	,019	,159	3,014	,003
	Profitability	-,734	,143	-,265	-5,139	,000
	Liquidity	-,046	,005	-,399	-8,463	,000

a. Dependent Variable: *Audit Report Lag*

Source: Authors' own work.

Based on the estimation results, the regression model can be expressed as follows:

$$ARL = 4.617 + 0.057 \text{ DAR} - 0.734 \text{ ROA} - 0.046 \text{ CR}$$

The constant value of 4.617 indicates that when all independent variables are held constant, the audit report lag remains at a baseline level. More importantly, the regression coefficients reveal the direction and magnitude of the relationships between financial characteristics and audit delay.

Solvability (DAR) shows a positive coefficient ($\beta = 0.057$), indicating that higher leverage is associated with longer audit report lag. This suggests that firms with greater debt levels tend to require more extensive audit procedures, leading to delays in audit completion.

In contrast, profitability (ROA) has a negative coefficient ($\beta = -0.734$), indicating that firms with higher profitability tend to report audited financial statements more quickly. Similarly, liquidity (CR) also shows a negative relationship ($\beta = -0.046$), suggesting that firms with stronger short-term financial conditions are able to complete the audit process more efficiently.

Further analysis of the model's explanatory power shows that the coefficient of determination (R^2) is 0.364. This indicates that approximately 36.4% of the variation in audit report lag can be explained by solvability, profitability, and liquidity, while the remaining 63.6% is influenced by other factors not included in the model. This level of explanatory power is considered moderate, suggesting that financial characteristics play a meaningful but not exclusive role in determining audit delay.

Table 7. Results of the Coefficient of Determination

Model	Model Summary ^b			
	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,604 ^a	,364	,358	,289134675989183

a. Predictors: (Constant), Liquidity, Profitability, Solvability

b. Dependent Variable: *Audit Report Lag*

Source: Authors' own work.

The hypothesis testing results, based on the t-statistics and significance values, indicate that all independent variables significantly influence audit report lag. Solvability has a positive and significant effect ($t = 3.014$; $p = 0.003$), indicating that higher leverage increases audit delay. Profitability has a negative and significant effect ($t = -5.139$; $p = 0.000$), suggesting that firms with better performance tend to report more quickly. Liquidity also has a negative and significant effect ($t = -8.463$; $p = 0.000$), indicating that firms with stronger liquidity positions experience shorter audit report lag. These findings confirm that financial conditions play an important role in determining the timeliness of audited financial reporting.

Table 8. Partial Test (T-Test)

Model	Coefficients ^a				
	Unstandardized Coefficients	Std. Error	Standardized Coefficients	t	Sig.
1 (Constant)	4,617	,025		182,695	,000
Solvability	,057	,019	,159	3,014	,003
Profitability	-,734	,143	-,265	-5,139	,000
Liquidity	-,046	,005	-,399	-8,463	,000

a. Dependent Variable: *Audit Report Lag*

Source: Authors' own work.

Discussion

The empirical findings of this study provide important insights into how firms' financial conditions influence audit report lag. Overall, the results confirm that solvability, profitability, and liquidity play significant roles in determining the timeliness of audited financial reporting, although the direction and implications of these effects vary across variables.

The results indicate that solvability has a positive and significant effect on audit report lag. This finding suggests that firms with higher leverage tend to experience longer delays in completing the audit process. From an agency theory perspective, higher debt levels increase monitoring complexity and agency conflicts, as creditors and shareholders demand greater assurance regarding the firm's financial condition. Consequently, auditors are required to perform more extensive audit procedures, particularly in assessing going concern risks, which ultimately prolongs the audit process.

From a signaling theory perspective, high leverage can be interpreted as a negative signal regarding the firm's financial stability. Firms with higher financial risk may face greater scrutiny from auditors, leading to longer audit completion times. This finding supports prior studies by Karnawati & Kartika (2022) and Tjondro (2022) that show a positive relationship between solvability and audit delay. However, it contrasts with studies such as Simbolon (2022), which find no significant effect, indicating that the impact of solvability may be context-dependent, particularly across sectors and economic conditions. In the context of this study, which focuses on a consumer-driven sector during a period of economic uncertainty, leverage appears to play a more critical role in shaping audit complexity.

In contrast, profitability is found to have a negative and significant effect on audit report lag. This indicates that firms with higher profitability tend to complete their audit process more quickly. This result is consistent with signaling theory, where high profitability represents "good news" that firms are incentivized to disclose promptly to the market. Firms with strong performance have fewer incentives to delay reporting and are more likely to accelerate the audit

process to maintain investor confidence.

Conversely, firms with low profitability or losses may delay financial reporting due to concerns about negative market reactions. From an agency perspective, management may have incentives to postpone the disclosure of unfavorable financial information, which can extend audit report lag. This finding aligns with previous studies by Ayuningtyas & Riduwan (2020) and Meirawati et al. (2022) that show a negative relationship between profitability and audit delay. The result reinforces the argument that financial performance is a key determinant of reporting timeliness, particularly in environments where market perception is highly sensitive to earnings information.

Similarly, liquidity is found to have a negative and significant effect on audit report lag. Firms with higher liquidity tend to report their audited financial statements more quickly, indicating that strong short-term financial conditions facilitate a smoother audit process. From a signaling perspective, high liquidity serves as a positive signal of financial stability, reducing uncertainty and audit risk. As a result, auditors can complete their procedures more efficiently.

From an agency theory standpoint, firms with strong liquidity are less likely to face financial distress, thereby reducing agency conflicts and the need for intensive audit verification. This finding is consistent with prior studies by Ayuningtyas & Riduwan (2020) and Tjondro (2022), which show that liquidity negatively affects audit delay. The result highlights the importance of short-term financial health in enhancing reporting efficiency.

Taken together, these findings suggest that financial risk and financial performance jointly shape audit timeliness. Firms with higher risk (high leverage) tend to experience longer audit delays, while firms with better performance and financial stability (high profitability and liquidity) are able to report more quickly.

Importantly, this study extends prior research by providing evidence from the non-primary consumer goods sector during the 2020–2022 period, which captures post-pandemic economic dynamics. The findings indicate that in economically sensitive sectors, financial conditions play a more pronounced role in influencing audit processes. This highlights the importance of considering sectoral context and macroeconomic conditions when examining audit report lag in emerging markets.

CONCLUSIONS AND SUGGESTIONS

This study examines the effect of solvability, profitability, and liquidity on audit report lag in non-primary consumer goods companies listed on the Indonesia Stock Exchange during the 2020–2022 period. The findings indicate that all three financial variables significantly influence audit report lag, although with different directions of effect.

Solvability is found to have a positive effect on audit report lag, suggesting that firms with higher leverage tend to experience longer audit delays. This condition reflects higher financial risk, which requires more extensive audit procedures and increases the time needed to complete the audit process. In contrast, profitability and liquidity are found to have negative effects on audit report lag. Firms with higher profitability tend to disclose financial information more promptly, as strong financial performance represents positive signals that management is incentivized to communicate to the market without delay. Similarly, firms with higher liquidity are better able to meet short-term obligations, which reduces financial uncertainty and facilitates a more efficient audit process. Overall, these findings highlight that financial condition plays a crucial role in determining the timeliness of audited financial reporting. Firms with higher financial risk tend to delay reporting, while firms with stronger financial performance and stability are more likely to report in a timely manner.

However, this study is not without limitations. The explanatory power of the model remains moderate, indicating that a substantial portion of audit report lag is influenced by other factors beyond solvability, profitability, and liquidity. In addition, the need to eliminate several observations due to outlier treatment may affect the generalizability of the results.

Therefore, future research is encouraged to incorporate additional variables such as firm size, audit quality, and corporate governance mechanisms to obtain a more comprehensive understanding of audit report lag. Expanding the research scope across different sectors and longer observation periods is also recommended, particularly to capture structural changes following regulatory developments in financial reporting. From a practical perspective, these findings suggest that companies need to maintain financial stability, especially in managing leverage and liquidity, to improve audit efficiency and reporting timeliness. At the same time, regulators and auditors should continue to strengthen oversight and risk-based audit approaches to ensure the credibility and timeliness of financial reporting.

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