

# THE INFLUENCE OF COMPANY SIZE ON AUDIT REPORT LAG IN COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE

**Author:**

<sup>1</sup>Kusnadi Kibet Lesmana  
Department of Accounting  
Universitas Nurtanio Bandung  
[kibetlesmana74@unnur.ac.id](mailto:kibetlesmana74@unnur.ac.id)

<sup>2</sup>Faisal Ikhrum  
Department of Management  
Universitas Nurtanio Bandung  
[bangikhrum@gmail.com](mailto:bangikhrum@gmail.com)

<sup>3</sup>Zhillan Bahtera Syah  
Department of Accounting  
Universitas Nurtanio Bandung  
[zhillanbandicot@gmail.com](mailto:zhillanbandicot@gmail.com)

**Article History:**

Received: February 14<sup>th</sup>, 2024

Revised : February 21<sup>st</sup>, 2024

Accepted: February 21<sup>st</sup>, 2024

**How to cite this article:**

The Influence of Company Size  
on Audit Report Lag in  
Companies Listed on The  
Indonesian Stock Exchange

**Journal Homepage:**

<https://jurnal.unnur.ac.id/index.php/accrual>

Email:

[accrual@unnur.ac.id](mailto:accrual@unnur.ac.id)

**Copyright:**

© 2024. Published by  
Accrual: Accounting  
Reseach Journal  
Department of  
Accounting  
Universitas Nurtanio  
Bandung



**Abstract.** A financial report audit has the aim of providing an opinion regarding the fairness and conformity of financial reports with applicable principles. Financial report audits are carried out to provide assurance of the reliability of financial reports. Financial reports are a means of communication and accountability for internal company parties to external parties, especially for companies that go public. Company financial reports contain information that is a tool for stakeholders and users of financial reports in making decisions. To ensure that financial reports are useful in decision making, reliability and timeliness (relevance) are very important. If there is a delay in reporting financial reports, this can affect users of financial reports in making decisions and predictions This research was conducted on companies listed on the Indonesian stock exchange in 2018-2022 and a sample of 28 companies was obtained with 84 observations. Sampling used the purposive sampling method. The analysis technique uses simple linear regression. It was found that company size had an effect on audit report lag.

**Keywords:** Company Size, Audit Report Lag

## INTRODUCTION

Audit report lag is one of the factors that must be done taken into account by the company, because if the company is late providing an audit report this reflects that the company does not fulfill its obligations to investors who have invested capital to the company to get the latest information from company performance over the course of the year and can cause new investors who want to carry out investment activities are hampered due to the audit report being issued late due to in making investor decisions requires an audit report to be able to analyze the performance of the company in which capital will be invested.

Therefore, the company's timeliness in collecting audited financial reports is one of the big factors maintain investors' interest in investing in the company. Research on audit report lag was conducted by several previous studies. Tikollah & Samsinar (2019) stated that the company size factor has a negative influence on audit report lag, so the larger the company size can be shortening the time for audit report lag. This shows that Company

size has a dominant influence on audit report lag while  $\beta_2$  has a positive influence.

Financial information has an important role in the capital market. Therefore, BAPEPAM as the capital market authority and the Indonesian Stock Exchange (BEI) has established strict regulations regarding the quality, quantity and timeliness of submitting financial reports. BAPEPAM through its regulation number Kep-36/Kep/PM/2003 and BEI regulation number Kep-307/BEJ/07-2004 strictly regulates the time for submitting financial reports to the capital market. Financial reports are an important source of information in making investment decisions. However, the benefits of financial reports will be reduced if the reports are not available on time. It is recommended that companies issue financial reports no later than 4 months after the balance sheet date (PSAK No. 1, IAI, 2019:1.7).

The Professional Standards for Public Accountants from the Indonesian Accountants Association, especially regarding field work standards, regulate procedures for completing field work such as recording activities to be carried out, adequate understanding of the internal control structure, and collecting competent evidence through inspection, observation, asking questions, and confirmation as a basis for expressing an opinion on financial statements. Fulfillment of audit standards by auditors can affect the length of time for completing an audit report, but also improve the quality of audit results. The more in accordance with the standards, the longer it will take to carry out the audit. Conversely, the less conforming to the standard, the shorter the time required. This can create a dilemma for auditors. Annual financial reports must be submitted no later than the end of the fourth month of the following year, while semi-annual financial reports must be submitted no later than the end of the second month after the date of the quarterly financial report.

## **LITERATURE REVIEW**

Agency theory explains the relationship between the agent (management of a company) and the principal (owner). The principal is the party who gives the mandate to the agent to perform services on behalf of the principal, while the agent is the party who is authorized. Thus, the agent acts as the party who has the authority to make decisions, while the principal is the party who evaluates the information. According to Godfrey in Hery (2017), agency theory is a contractual relationship between the company owner (principal) and management (agent), where the company owner gives authority to management to carry out the company's operational activities. The company owner hopes that management can utilize existing resources optimally to improve the principal's welfare in the short and long term.

Auditing is a systematic and critical examination carried out by an independent party on financial reports along with bookkeeping notes and supporting evidence with the aim of provide

an opinion regarding the fairness of financial statements (Agoes, 2017). Auditing is a communication from someone who has mastering conclusions about the reliability and statements of someone or what can be called attestation. An auditor provides an attestation regarding fairness of the financial statements of an entity. Auditing can provide added value to a company's financial statements because the auditor can provide an opinion regarding the fairness of the financial position, changes in equity and cash flow statements of a company. In general, the purpose of auditing is to provide opinion on the fairness of a financial report in all respects material, operating results, financial position and cash flows in accordance with accounting principles. An auditor needs sufficient evidence and supporting notes to identify and compile audit reports. Specifically, audit objectives are determined from the assertions made by management which is included in the financial report (Halim, 2018).

According to Menanjang et al (2019) audit report lag or audit delay is the audit completion period starting from the book closing date until the date stated in the audit report. Aryandra and Mauliza (2018) discuss that audit report lag is a time span completion of the audit report which is measured based on the length of the day required to obtain the auditor's report on the financial statements the company's annual basis starting from the date of closing of the books until the date stated in the auditor's report

The professional party who carries out the audit is called an auditor. Auditors are generally divided into two, namely internal auditors and external auditor. Internal auditors are independent assessors providing inspection and assessment services for performance and control risk and corporate governance. The internal auditor's job is to check and evaluate the internal control system and provide recommendations that will later be used to make improvements. Companies that have good internal control will have better time. What is needed by the auditor will be relatively short to carry out the process audit of financial reports and can shorten audit report lag.

In this research, the company acts as the principal, while the independent auditor acts as the agent. Companies, as stakeholders, assign auditors to carry out their duties effectively and efficiently so that audit reports can be presented on time. This aims to ensure that the report can be used by interested parties.

Financial reports are reports that describes performance and condition company, financial reports describe the entire achievement performance and future prospects company, company financial reports used as a basis for decision making decisions by investors. Therefore, the financial report submitted must be meet the qualitative objectives of the report financial statements that are relevant, understandable, verifiable, neutral, timely and comparability (APB

Statement No. 4).

Punctuality is one of the goals qualitative financial reports, here the importance of auditors and management companies work together to fulfill target time for report submission finances to avoid delays decision making because late presentation of laps There are lots of factors affecting audit report lag or this delay in financial reporting, namely size company and profitability. Size the company is used as a factor affects audit report lag because it's a big company have sufficient resources tend to avoid delays submission of the audit report to public while small companies are having limited resources experiencing delays in submission of the report to the public.

Companies listed on the stock exchange must comply with capital market authority regulations in order to continue to be able to access funding in the capital market. One of the regulations set by the capital market supervisory is the quality and timeliness of financial reports. Capital market issuers' financial reports must be audited by independent auditors and submitted on time.

In the audit process, audit planning is very important, including preparing a time budget that regulates the time required for each part of the audit. Using the right time budget has significant benefits, such as efficiency in staff scheduling, guidance in dividing audit tasks, providing incentives for audit staff to work efficiently, and as a tool for determining audit fees. However, if the time budget is not used appropriately, it can cause losses. The time budget is only a guide and is not absolute. If conditions change, the auditor may have to deviate from the time budget. Auditors sometimes feel pressured to meet time budgets to demonstrate their efficiency as auditors and evaluate their performance. However, just following a time budget is not appropriate. The main objective of an audit is to provide an opinion in accordance with generally accepted auditing standards, not just to meet a time budget. (Wasis, 2017: 17).

Audit report lag can reduce the usefulness of report information finances because when a decision is made it is needed timely information support due to appropriate financial reports. Time is an important element in assessing the quality of something company financial report information. Timeliness of delivery A company's financial report that has been audited by an auditor can Helping companies avoid fines. This is in accordance with decision of the Board of Directors of the Jakarta Stock Exchange Number: Kep-307/BEJ/07-2004. According to Halim (Halim, 2018), the timeliness of report submission Finance can be useful for users in making decisions before the financial statements lose their usefulness for influence or make a difference in decision making. Delay in submitting financial reports can also be identified there are problems in the company.

Company size is the size of the company which is determined from nominal measures such as the number of sales and all company assets in one accounting period. In order to Measuring a company can be seen from the total assets owned company (Dura, 2018). Definition of company size according to several researchers are as follows: a. According to Menanjang et al (2019) company size is a characteristic that are often associated with audit report lag related to the size of the amount of wealth owned by the company. b. Tikollah & Samsiar (2019) company size is a classification scale companies, both large scale and small scale, are assessed from nominal size of companies listed on the IDX. c. Aryandra & Mauliza (2018) definition of company size is the size of the company that can be determined in total assets, stock market value, total sales owned by the company listed in the company's audited financial statements.

Public companies face hidden problems in presenting audited financial reports to be submitted to BAPEPAM and the stock exchange. This problem is known as audit report lag or audit delay. Most previous studies define audit report lag as the period of time between the closing date of the financial year and the date of the audit report. However, audit report lag is not only a matter of the time required by auditors to audit financial reports, but is also influenced by auditor attributes such as the size of the public accounting firm (KAP) and the experience of the KAP. Auditee attributes also have a significant effect on audit report lag, such as company size (in terms of total assets), company type, financial performance (profit/loss), and industry classification.

Factors that influence audit report lag can come from inside or outside the company. In this research, the internal factor that influences audit report lag is company size. According to Ashton, et al (1987) and Owusu-Ansah (2011), large companies report more quickly than small companies. However, Boynton and Kell in Halim (2011) state that the audit report lag will be longer if the size of the company being audited is larger. This is related to the number of samples that must be taken and broader audit procedures. However, the results of Ashton's research can be explained by Dyer and McHugh in Halim (2017). Management of large companies tends to have an incentive to reduce audit report lag because they are closely monitored by investors, capital regulators, and the government. Therefore, large companies tend to face higher external pressure to publish audit reports early.

## **RESEARCH METHODS**

In this research, data analysis methods are used in the form of quantitative research methods with a statistical analysis approach using simple regression equations This research was conducted on companies listed on the Indonesian stock exchange in 2018-2022 and a sample of 28 companies was obtained with 84 observations. The data analysis process begins by processing

the data using Microsoft Excel and SPSS software. The steps begin by entering the research variables into the SPSS program and producing outputs according to the predetermined data analysis method.

## **DISCUSSION**

The data required in this research is secondary data obtained from [www.idx.co.id](http://www.idx.co.id). This data is financial data for a sample of companies going public from 2018 to 2022 which is described in statistical form. The variables in this research consist of company size as the independent variable and audit report lag as the dependent variable. Descriptive Statistics is used to present information that is more interesting, useful and easy to understand in both tabular and graphical form. Descriptive statistics for the variables in this study are samples from companies that went public during the period 2018 to 2022.

In the company size variable, the mean value is IDR 209,860.30 billion, which means that the average of all company size values is IDR 209,860.30 billion. The standard deviation of company size is IDR 1,441,472.14 billion. Standard deviation is used to measure the average spread of the sample, which means the average spread of the sample regarding company size is IDR 1,441,472.14 billion. The minimum value is IDR 0.28 billion, which means that the lowest value of all company size values is IDR 0.28 billion. The maximum value is IDR 14,581,492.14 billion, which means that the largest value of all company sizes used as research samples on the Indonesian Stock Exchange is IDR 14,581,492.14 billion.

In the audit report lag variable, the average value is 73.49 days. This means that the average of all audit report lag values is 73.49 days. The standard deviation of the audit report lag is 12.51 days. Standard deviation is used to measure the extent of the sample mean spread, which means that the sample mean spread regarding the audit report lag is 12.51 days. The minimum value is 40 days, which means that the lowest value of all audit report lag is 40 days. The maximum value is 123 days, which means that the largest value of all audit report lags used as research samples on the Indonesia Stock Exchange is 123 days.

Shows that the significance probability value or p-value is 0.004 or smaller than 0.025 or 2.5 percent and the regression coefficient is positive at 6.703. This analysis indicates that company size has a positive influence on Audit Report Lag, so that hypothesis 3 which states "Company size has a positive influence on Audit Report Lag" can be accepted. In the results of the regression test analysis, it can be seen that company size has a positive and significant influence on audit report lag. This can be seen from the unstandardized beta coefficient of the company size variable which has a positive value of 6.703 with a significance level of 0.004 which is smaller than  $\alpha = 0.05$ . These results indicate that there is a positive and significant

influence between company size on audit report lag.

Company size has a positive influence on the length of the audit report. The test results show that Hypothesis 1 has been proven correct. This means that the larger the company size, the quicker the audit report will be completed. This is because these companies receive strict supervision from investors, capital supervisors and the government. In addition, independent auditors who carry out audits at large companies usually carry out interim audits or start audits during the current year. This interim audit can speed up the independent audit process for the company. Large companies also have a more complete organizational structure, such as a more professional Internal Audit Unit (SPI) and an audit committee that can speed up audits by external auditors. The results of this research support research conducted by Pourali, et al (2013), which states that the management of large companies has the motivation to reduce the length of audit reports and delays in submitting financial reports. This is because these companies receive strict supervision from investors, capital supervisors and the government. According to research by Khalatbari, et al (2013) and Purnamasari (2012), large companies report their financial reports more quickly than small companies. Andi Kartika's research (2009) also states that company size has a significant influence on the length of the audit report. Thus, it can be concluded that company size is a factor that influences the length of the audit report.

## **CONCLUSION**

The company size variable influences the audit report lag. In this research, if the company size is large, an audit report will be required lag tends to increase. This is due to the large amount of data must be consolidated and the number of positions increased so the information path may be late conveyed or even not conveyed to stake holder's interest. This research confirms it that there is a positive influence between company size with audit report lag where the larger the company size then time will go faster audit completion, while increasingly small the size of the company then it will the slower the audit completion time, each increase by one unit of measurement The company will speed up the term audit reporting time is 14 days late audit reporting or audit report lag. Company size has a positive influence on audit report lag. This means that large companies tend to reduce audit report lag and delays in submitting financial reports. This is due to the strict supervision of these companies by investors, capital supervisors and the government. Apart from that, large companies also have a more complete organizational structure, such as a professional Internal Audit Unit (SPI) and an audit committee that can speed up the audit process by external auditors.

## **REFERENCES**

Anissa, Nur. 2004. Timeliness of Submission of Financial Reports: Study of Management

Performance, Auditor Quality, and Audit Opinion, *Balance 2*, p. 42-53.

- Arifin. 2005. *The Role of Accountants in Enforcing the Principles of Good Corporate Governance (Review of the Agency Theory Perspective)*. Professor's Inauguration Speech, UNDIP, Semarang.
- Dura, J. (2018). Influence of Profitability, Liquidity, Solvency, and Size Companies on Audit Report Lag in Companies Registered in Indonesia stock exchange. *Scientific Journal of Asian Business and Economics*, 11(1), 64–70. <https://doi.org/10.32812/jibeka.v11i1.34>.
- Ebrati, M. R., Kangarloui, S. J., Sales, J. B., & Ashtab, A. (2021). Presenting a Model for the Effect of Corporate Governance Measures on Audit Report Lag by a Structural Equation Approach. 7(24), 191–204.
- Fujianti, L., & Satria, I. (2020). Firm Size, Profitability, Leverage as Determinants of Audit Report Lag: Evidence from Indonesia. *International Journal of Financial Research*, 11(2). <https://doi.org/10.5430/ijfr.v11n2p61>.
- Ghozali, I. (2018). *Multivariate Analysis Application with the IBM SPSS Program*. Yogyakarta: Diponegoro University. In (9th Edition). Semarang: Publishing Agency.
- Ghozali, I., & Ratmono, D. (2017). *Multivariate Analysis and Econometrics*. Diponegoro University Publishing Agency.