ANALYSIS OF AUDIT TENURE, FIRM SIZE, AUDIT FEE, FINANCIAL DISTRESS, AND SOLVENCY ON AUDIT REPORT LAG IN NON-PRIMARY CONSUMER COMPANIES LISTED ON THE INDONESIAN STOCK EXCHANGE FOR THE PERIOD 2021-2023

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ABSTRACT: *This study empirically examines the effect of audit tenure, firm size, audit fee, financial distress, and solvency on audit report lag in non-primary consumer companies listed on the Indonesia Stock Exchange (IDX) for 2021–2023. This study employs secondary data from the annual financial statements of non-primary consumer companies listed on the IDX during 2021–2023. The population of this study consists of non-primary consumer companies listed on the IDX in 2021–2023. After excluding outliers, the sample size consists of 107 data, selected using a purposive sampling method and analyzed with the Statistical Package for Social Sciences (SPSS). The results of this study indicate that firm size significantly affects audit report lag in non-primary consumer companies listed on the IDX during the period 2021–2023. In contrast, audit tenure, fee, financial distress, and solvency do not significantly affect audit report lag in these companies.*

KEYWORDS: *Audit tenure, firm size, audit fee, financial distress, solvency, audit report lag.*

JEL CLASSIFICATIONS: *B26, M42.*

1. INTRODUCTION

Financial reports are the media used to obtain information about a company's financial position. The Financial Services Authority (OJK) in 2020, during the coronavirus disease (COVID-19) 19 pandemic, can extend the deadline for submitting

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company financial reports in 2020 to (2) two months longer than the predetermined expiration date. Based on Article 3, Paragraph (1) of OJK Regulation No. 7/POJK.04/2021 concerning policies to maintain the performance and stability of the capital market due to the spread of the coronavirus disease 2019 (State Gazette of the Republic of Indonesia, 2021, No. 81, Supplement to State Gazette of the Republic of Indonesia, No. 6671), the deadline for submitting annual financial statements and annual reports for issuers or public companies was extended by two months beyond the deadline set by the laws and regulations of the capital market sector.

In OJK Circular Letter No. 4/SEOJK.04/2022, which addresses changes in the relaxation of the deadline for submitting financial reports and annual reports, the deadline was extended by two months from the original submission deadline, additionally, by the Stock Exchange Regulation No. I-E, concerning information delivery obligations, must take submission of audited financial statements for 2023 must be made no later than the end of the third month following the date of the annual audited financial statements.

Delays in the submission of financial reports by companies are one of the key indicators often used as evaluation material for assessing company performance. Based on the data, the non-primary consumer sector experienced a notable increase in companies submitting financial reports late from 2021 to 2023. In 2021, 12 companies in this sector submitted reports late. This number remained consistent in 2022, with 12 companies failing to meet the deadline.

However, in 2023, the figure rose significantly to 19 companies, marking the highest increase during the observed period. This trend suggests that companies in the non-primary consumer sector face specific challenges in meeting their reporting obligations on time, which various internal and external factors may influence.

Based on the analysis's results, this study aims to provide empirical evidence of the influence of audit tenure, firm size, audit fee, financial distress, and solvency on audit report lag in non-primary consumer companies listed on the Indonesia Stock Exchange from 2021 to 2023.

2. LITERATURE REVIEW AND HYPOTHESES

The research results, using a sample of real estate, property, and building construction companies listed on the IDX in 2016-2019, were conducted reserach by Tampubolon & Siagian (2020) and showed that audit tenure positively affects audit report lag. That indicates that the longer the audit tenure, the longer the audit report lags. Research with audit tenure produced results (Shanti & Kusumawardhany, 2024) conducted on property and real estate companies listed on the IDX in the 2018-2022 period; namely, audit tenure affects audit report lag.

This study shows that the longer the engagement with the client, the closer the auditor is to the client. As a result, KAP can extend the audit time.

The hypothesis is: *H1: Audit Tenure Affects Audit Report Lag*

Siregar & Sujiman (2021) with a sample of manufacturing companies listed on the IDX for the 2018-2020 period shows that firm size hurts audit report lag.

This indicates that a higher firm size can minimize the occurrence of audit report lag. In addition, companies have sufficient financial resources to pay for audits for fast and precise services. The results of this study are based on Effendi & Tirtajaya (2022), namely, firm size positively affects audit report lag in non-financial companies listed on the IDX for the 2018-2020 period.

It will show that the larger the firm size, the greater the audit report lag can occur because the audit task becomes more complex, and there is an increase in the audit report lag.

The hypothesis is: *H2: Firm Size Affects Audit Report Lag*

Putri & Djamhuri (2022) conducted a study using a sample of companies listed on the IDX for the 2017–2019 period, revealing that audit fees negatively affect audit report lag. Companies tend to be more timely in submitting financial reports when they allocate higher audit fees to external auditors. Similarly, research by Harris, et al. (2023), conducted on manufacturing companies listed on the IDX for the 2019–2021 period, found that audit fees influence audit report lag.

This is because higher audit fees encourage auditors to perform audits more efficiently and demonstrate professionalism, reflected in their compensation. Auditors, as external parties, and company management, as internal parties, work together to achieve results that align with the expectations of both sides regarding remuneration.

Based on these findings, the hypothesis is: *H3: Audit Fee Affects Audit Report Lag.*

Research by Rahkmawati & Napisah (2023) found that financial distress significantly affects audit report lag. Companies tend to take measures to reduce costs when facing financial difficulties. To maintain investor confidence and prevent investors from seeking information from other sources, companies must prioritize preparing financial reports quickly and on time, even during periods of financial distress. Furthermore, auditors have greater confidence in the company's quality in financially stable companies.

Research by Rosharlianti & Hanifah (2023), conducted on mining companies listed on the IDX for the 2017–2021 period, revealed that financial distress significantly positively affects audit report lag. This study indicates that higher financial distress levels increase audit risk, particularly control and detection risk.

Higher audit risk requires auditors to gather more accurate evidence, which extends the audit process. Auditors may also identify material misstatements in financially distressed companies and improve audit procedures by increasing the number of audit staff to expedite the process. It can ultimately affect the timing of audit report completion.

Based on these findings, the hypothesis is: *H4: Financial Distress Affects Audit Report Lag*

This research conducted by Kusuma, et al. (2022) in wholesale companies listed on the IDX in 2017-2020 stated that solvency hurts audit report lag. High solvency will face a more extended audit. It shows a company's ability to fulfill its short- and long-term obligations using all its assets.

The results research of Dewanto & Darsono (2023) state that solvency affects audit report lag in other subject companies. This study used 327 samples from manufacturing companies during 2020-2021.

The dependent variable is affected by a high level of solvency, and the auditor takes a long time to prove that the company's situation is actual. The issuance of the audited report will delay, which can extend the audit process.

The hypothesis is: *H5: Solvency Affects Audit Report Lag*

3. RESEARCH METHODOLOGY

This study uses quantitative methods to partially and simultaneously determine each variable studied: the analysis of audit tenure, firm size, audit fee, financial distress, and solvency effect on audit report lag in non-primary companies from 2021-2023. This study also uses secondary data from annual reports and websites. The non-primary consumer sector is listed on the IDX as the unit of analysis in this study.

The data used in the study are secondary data on the annual financial statements of non-primary consumer companies listed on the IDX for 2021-2023 obtained from the IDX and the company's website. Sampling for this study using purposive sampling method and samples that meet the criteria in this study are 114 companies and 289 data samples in 2021-2023, and this study uses outliers, with the number being 65 companies and 107 data samples in 2021-2023.

This study's hypothesis uses panel data regression analysis. The data analysis steps used in this study are descriptive statistical tests, classical assumption tests, multiple linear regression analysis tests, f statistical tests, t statistical tests, and coefficient of determination tests. The formula in multiple linear regression in this study is as follows.

$$Y = a + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \beta 5X5 + \varepsilon \quad (1)$$

Description:
Z = *Standard Z-Score*
X1 = *Working Capital to Total Assets (WCTA)*
X2 = *Retained Earnings to Total Assets (RETA)*
X3 = *Earnings Before Interest and Taxes to Total Assets (EBIT)*
X4 = *Equity's Market Value to Total Liabilities (EMVTL)*
X5 = *Total Sales to Total Assets (SETA)*

4. RESEARCH RESULTS

This study used multiple linear regression tests and hypothesis testing with a t-test with a significance of 0.05 or 5%, with the results shown in Table 1.

This study results in H1, namely the effect of audit tenure on audit report lag in non-primary consumer companies listed on the IDX in 2021-2023, showing a significance level of 0.685 or greater than the predetermined significance level of 0.05, so it can conclude that H1 in this study, rejected.

Table 1. Hypothesis Test Results

Hypothesis	t	Sig.	Information
H1	-,407	0,685	Rejected
H2	2,102	0,038	Accepted
H3	,016	0,987	Rejected
H4	-,722	0,472	Rejected
H5	-1,025	0,308	Rejected

Source: Data Processed By Researchers, 2024

Namely, audit tenure does not affect audit report lag in non-primary consumer companies listed on the IDX in 2021-2023.

Audit tenure to complete the audit report has no impact on the delay in submitting the audit report, which indicates that the duration of the auditor's working relationship with the client does not affect the completion time of the audit report. KAP has audit standards applied, where auditors complete audits within a specific time and are not affected by the length of the relationship with the client.

That is in line with research on property and real estate companies listed on the IDX for 2019-2022 by researchers Utami & Yanti (2023), namely that audit tenure does not affect audit report lag.

The firm size variable has a significance value of 0.038 on audit report lag in non-primary consumer companies listed on the IDX in 2021-2023; this variable has a significance value smaller than the predetermined significance level of 0.05, so it can concluded that H2 in this study is accepted, namely firm size affects audit report lag in non-primary consumer companies listed on the IDX in 2021-2023.

The results of this study support research on mining companies listed on the IDX in 2016-2018 by researchers Sunarsih, et al. (2021), who state that firm size positively affects audit report lag.

This study results in H3, namely the effect of audit fee on audit report lag in non-primary consumer companies listed on the IDX in 2021-2023, showing a significance level of 0.987 or greater than the predetermined significance level of 0.05, so it can concluded that H3 in this study, rejected, namely audit fee do not affect audit report lag in non-primary consumer companies listed on the IDX in 2021-2023.

It shows that audit fees have no effect on the size or size of the audit fee, and there are professional audit standards that apply to auditors, making the audit process unaffected by the fee received. This study's results supported research on plantation companies listed on the IDX by researchers Malau, et al. (2024), who found that audit fees do not affect audit report lag.

The financial distress variable has a significance value of 0.472 on audit report lag in non-primary consumer companies listed on the IDX in 2021-2023.

This variable has a significance value more significant than the predetermined significance level of 0.05, so it can concluded that H4 in this study is accepted.

Namely, financial distress does not affect audit report lag in non-primary consumer companies listed on the IDX in 2021-2023.

It means that companies experiencing financial difficulties do not impact delays in submitting financial reports. The auditor completes the audit by professional standards, and the company's financial condition does not affect the length of the audit. Research support on property and real estate sector companies listed on the IDX in 2016-2020 by researchers Rahayu, et al. (2021) showed that financial distress does not affect audit report lag.

This study's results on H5, which examines the effect of solvency on audit report lag in non-primary consumer companies listed on the IDX during 2021–2023, indicate a significance level of 0.308, more significant than the predetermined significance threshold of 0.05. Therefore, it concluded that H5 is rejected-eaning solvency does not affect audit report lag in non-primary consumer companies listed on the IDX from 2021 to 2023.

This finding suggests that the company's ability to fulfill its obligations does not impact the time required for auditors to complete the audit process. Auditors follow audit standards by promptly examining the fairness of financial statement presentations, regardless of the company's solvency level.

This research aligns with the findings of Rahayu, et al. (2021), who studied property and real estate sector companies listed on the IDX from 2016 to 2020. Their research also concluded that solvency does not affect audit report lag, as the company's total debt does not influence the process of completing financial statements.

5. CONCLUSIONS

This research proves that firm size affects audit report lag in non-primary consumers 2021-2023. The results of this study also demonstrate that audit tenure, audit fee, financial distress, and solvency do not affect audit report lag in non-primary consumer companies listed on the IDX in 2021-2023.

This study has research limitations; factors besides audit tenure, firm size, audit fee, financial distress, and solvency can affect audit report lag.

The results in this study described as much as 67%, and the remaining 33% came from other variables that were not in this research. In addition, OJK has a period of policy relaxation set in 2021-2022.

Namely, companies get leeway in terms of financial reporting and audit completion. In 2023, additional time relaxation is not required for submitting company financial reports outside the relaxation period.

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