

Audit delay drivers: Liquidity, leverage, size & auditor specialization

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Abstract

Financial reports that exceed the deadline for the publication provisions of POJK number 14/POJK.04/2022 will experience delays in the publication of financial statements. Delay in the publication of financial statements indicates a problem with the company's financial statements, so it takes longer to complete the audit. The purpose of this study is to obtain empirical evidence and analyze the effect of liquidity, leverage, and company size on audit report lag with industry specialization auditors as moderating variables. Audit report lag is measured by the distance between the closing date of the company's financial statements and the date of the audit report. The population in this study was 559 companies with 15 companies as research samples, finally the total number of observations was 75. This study uses secondary data obtained from the Indonesia Stock Exchange and the official website of each company. Data collection in this study used purposive sampling technique. Data processing uses the WarpPLS 8.0 application. The results showed that liquidity and leverage have a significant positive effect on Audit Report Lag, company size has no significant effect on Audit Report Lag. Where as industry specialization, could be moderated liquidity and leverage on Audit Report Lag and fail to moderate company size on Audit Report lag.

Public interest statement

This study highlights the critical issue of audit report delays, which can signal financial transparency risks and undermine investor confidence. By examining how liquidity, leverage, and firm size influence audit timeliness—and the role of auditor specialization in mitigating delays—the findings provide actionable insights for regulators, companies, and auditors to enhance financial reporting efficiency and compliance with POJK No. 14/2022. Addressing these delays promotes accountability, market trust, and informed decision-making in Indonesia's capital markets.

Keywords: *Audit report lag, liquidity, leverage, size, specialization*

Paper type: Research paper

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Abstrak

Laporan keuangan yang melampaui batas waktu ketentuan publikasi POJK nomor 14/POJK.04/2022 akan mengalami keterlambatan publikasi laporan keuangan. Keterlambatan publikasi laporan keuangan mengindikasikan adanya masalah pada laporan keuangan perusahaan, sehingga membutuhkan waktu lebih lama dalam menyelesaikan audit. Tujuan penelitian ini adalah untuk memperoleh bukti empiris dan menganalisis pengaruh likuiditas, leverage, dan ukuran perusahaan terhadap audit report lag dengan auditor spesialisasi industri sebagai variabel moderasi. Audit report lag diukur dengan jarak antara tanggal penutupan laporan keuangan perusahaan dengan tanggal laporan audit. Populasi dalam penelitian ini sebanyak 559 perusahaan dengan 15 perusahaan sebagai sampel penelitian, akhirnya jumlah total observasi sebanyak 75. Penelitian ini menggunakan data sekunder yang diperoleh dari Bursa Efek Indonesia dan situs resmi masing-masing perusahaan. Pengumpulan data dalam penelitian ini menggunakan teknik purposive sampling. Pengolahan data menggunakan aplikasi WarpPLS 8.0. Hasil penelitian menunjukkan bahwa likuiditas dan leverage berpengaruh positif signifikan terhadap Audit Report Lag, ukuran perusahaan tidak berpengaruh signifikan terhadap Audit Report Lag. Sedangkan spesialisasi industri dapat memoderasi likuiditas dan leverage pada Keterlambatan Laporan Audit dan gagal memoderasi ukuran perusahaan pada Keterlambatan Laporan Audit.

Pernyataan kepentingan publik

Studi ini menyoroti masalah kritis keterlambatan laporan audit, yang dapat menandakan risiko transparansi keuangan dan merusak kepercayaan investor. Dengan memeriksa bagaimana likuiditas, leverage, dan ukuran perusahaan memengaruhi ketepatan waktu audit—dan peran spesialisasi auditor dalam mengurangi keterlambatan—temuan tersebut memberikan wawasan yang dapat ditindaklanjuti bagi regulator, perusahaan, dan auditor untuk meningkatkan efisiensi pelaporan keuangan dan kepatuhan terhadap POJK No. 14/2022. Mengatasi keterlambatan ini mendorong akuntabilitas, kepercayaan pasar, dan pengambilan keputusan yang terinformasi di pasar modal Indonesia.

Kata Kunci: *Audit report lag*, likuiditas, leverage, ukuran, spesialisasi

INTRODUCTION

Indonesia Stock Exchange (IDX) On April 19, 2024 noted that there were 129 Listed Companies that had not submitted their Annual Audited Financial Statements as of December 31, 2023 (www.idx.co.id). This shows that there are still many listed companies that experience Audit Report Lag or the cause of the delay in sending financial reports to the regulator. Financial Services Authority Regulation Number 14 / POJK.04 / 2022 concerning Submission of Periodic Financial Statements of Issuers or Public Companies states that annual financial reports must be submitted to the Financial Services Authority and announced to the public no later than the end of the third month or (90 days) after the date of the annual financial statements or book closing date. Although there are regulations set to anticipate delays in annual financial reporting, there are still companies that violate these regulations.

The time interval or distance between the closing date of the company's financial statements and the date of the audit report is referred to as Audit Report Lag (Silalahi & Malau, 2020). It shows how long it takes to complete the audit of financial statements by the auditor. The longer the time span between the closing of the financial statements book and the issuance of financial reports to the public, the late financial information will be submitted to interest parties, this will have an impact on the decision-making process (Lazimatul & Sholehah, 2023).

Company management will take actions that can be categorized as Signalling, which provides clues to investors about how the company anticipates prospects (Rønning, 2021).

Signaling is a management policy based on the fact that companies have access to more complete and accurate information about the internal operations and future prospects of the company compared to investors. The correlation between signal theory and Audit Report Lag is that the accuracy and accuracy of financial reports submitted to the public is a signal from the company that important information is available for the decision-making process (Utami & Dama Yanti, 2018).

Financial reports, which are management assertions, are very important because they will provide information about the company's performance to shareholders and allow them to assess management performance. Therefore, financial reports must be able to provide information that is timely, relevant, comparable, and easily understood by users. Not only timeliness makes information relevant, but market efficiency and integrity also affect timeliness (Tanujaya & Reny, 2022). Financial statements must meet financial accounting standards or be verifiable, neutral, and honest. Financial reporting must be completed on time to minimize the occurrence of information asymmetry between shareholders and management (Ichalina & Handayani, 2019).

Prior studies have examined the effect of company size on audit report lag, but gaps remain regarding the influence of liquidity, leverage, and the moderating role of industry-specialist auditors. For instance, Fujianti & Satria (2020) found that leverage has no effect on audit report lag, while Niandari & Novelia (2022) concluded the opposite. Similarly, Putra & Subiyanto (2022) showed that liquidity positively affects audit report lag, but Erita (2020) and Tumanggor & Lubis (2022) found no such effect.

Ariani & Bawono (2018) demonstrated that company size negatively impacts audit report lag, whereas Tannuka (2018) found no significant effect. Given these inconsistencies, this study introduces auditor industry specialization as a moderating variable to assess how it weakens or strengthens the relationship between the independent variables (liquidity, leverage, size) and audit report lag.

Given the inconsistencies in prior findings and the critical role of timely financial reporting in maintaining market confidence, this study is essential to clarify the impact of liquidity, leverage, and firm size on audit delays. By introducing auditor industry specialization as a moderating variable, the research not only addresses gaps in the literature but also provides practical insights for regulators and auditing firms to improve audit efficiency. Ultimately, this study aims to strengthen financial reporting transparency by identifying factors that accelerate or delay audit completion, ensuring compliance with POJK No. 14/2022 and enhancing trust in Indonesia's capital markets.

HYPOTHESIS DEVELOPMENT

Signaling Theory

Signal Theory conveys information that provides cues or signals about the condition of a company to stakeholders in the decision-making process (Aurely et al., 2021). This signal contains disclosure of accounting information, such as the publication of audited financial statements. Company management has more comprehensive information about company activities than investors. Information owned by company management includes a financial structure that will provide signals to the market. Investors will use company signals as information to support their decision making. The accuracy of published reports is a positive indicator for investors. Published information will generally trigger a market reaction as a signal of good or bad news. If the market

reacts and gives a positive signal to a company, then the value of the company will increase, providing benefits for investors in decision making.

Audit Report Lag

Audit Report Lag is defined as the duration required to complete the audit report between the end date of the company's financial year and the date of issuance of the audit report (Aprilly & Nursasi, 2021). The time difference between the date of the financial statements and the date of the independent auditor's report reflects the duration of the audit completion performed by the auditor. Financial reports that are not submitted in a timely manner can cause a reduction or loss of relevance of the value of the information contained in the financial statements. Timeliness of the presentation of financial statements is important because it is a signal from the company that indicates the existence of useful information needed by investors to make decisions.

Liquidity

Liquidity is the company's ability to meet its financial obligations that must be met immediately (in the short term). According to Nidrah (2019), a high level of liquidity is good news for the company, so the company will timely publish its financial statements. High liquidity illustrates that the company has good performance so that it provides good news for users of financial statements. This makes company management ask the auditor to immediately complete the audit process of the company's financial statements so that the good news can be conveyed to the public on time (Tannuka, 2018).

Research conducted by Putra & Subiyanto, (2022) related to liquidity show that has a positive effect on Audit Report Lag, but these results contradict research by Erita, (2020); Tumanggor & Lubis, (2022) show that liquidity has no effect on Audit Report Lag. The stronger the liquidity position of a company, the faster the company will publish its financial statements for audit. Based on the description above, the first hypothesis can be formulated, namely:

H1: Liquidity affects Audit Report Lag.

Leverage

Leverage refers to a company's capacity to meet all of its obligations. Leverage also reflects the management of the sources of funds used by the company, which is related to the company's capital structure. According to Sudjono & Setiawan, (2022) A high proportion of debt indicates a risky company condition, so that auditors will increase vigilance in the audit process, resulting in an extension of the audit report delay period.

Research conducted by Fujianti & Satria, (2020), shows that leverage has no effect on Audit Report Lag, on the other hand, research conducted by Niandari & Novelia, (2022) proves that leverage has a significant effect on Audit Report Lag. Based on the description above, the second hypothesis can be formulated, namely:

H2: Leverage has an effect on Audit Report Lag.

Company size

Company size can be defined as a scale where the size of the company can be classified in various ways expressed in total assets, stock market value and others. Companies with a large scale are closely monitored and controlled by capital supervisors, investors, and the government.

According to Nurlaila & Kurnia (2018), the larger the company, the company has large assets, therefore the internal control of large companies tends to be better. Large companies tend to have good internal controls, competent workforce, sophisticated equipment and technology that can support management performance better so as to minimize delays in sending financial reports (Marcelino & Mulyani, 2021). The larger the company size, the shorter the audit report.

In research conducted by Ariani & Bawono, (2018), shows that company size has a negative effect on Audit Report Lag. In contrast to research conducted by Tannuka, (2018), that company size has no significant effect on Audit Report Lag. Based on the description above, the third hypothesis can be formulated, namely:

H3: Company size has an effect on Audit Report Lag

The effect of Auditor Industry Specialization on Liquidity on Audit Report Lag

Research by Rosharlianti & Hanifah (2023) shows that auditors who have industry specialization can complete work faster than non-specialist auditors, due to deeper knowledge and experience in a particular industry. This can reduce the time it takes to complete an audit in identifying liquidity-related problems. Liquidity is the ability of a company to meet its short-term financial obligations. Companies with good liquidity are generally considered more financially sound and attractive to investors. Auditors who have expertise in a particular industry can be more efficient in identifying areas of potential liquidity-related problems, thereby reducing the time required to complete the audit. Based on the description above, This moderation hypothesis can be built based on the understanding that Industry Specialization Auditors can moderate the relationship between liquidity and Audit Report Lag by accelerating the audit process through more precise and efficient assessments, namely:

H4: AIS (Auditor Industry Specialization) moderates the relationship between liquidity and Audit Report Lag.

The effect of Auditor Industry Specialization on Leverage on Audit Report Lag

Auditor specialization is an auditor with special skills in a particular industry obtained from special training on auditing in a particular industry or from experience in carrying out audits, therefore maximizing audit quality (Raya & Laksito, 2020). Industry Specialization Auditors tend to complete their duties more efficiently than non-specialized auditors, this is because they have qualified skills in checking for errors, so they can maximize the honesty and efficiency of financial statements (Anggreni & Latrini, 2016). Leverage is an important indicator in assessing the financial health of a company. Companies with high leverage levels generally have greater financial risks. Auditors have a crucial role in evaluating the fairness of financial statements, including the leverage component. Auditors who specialize in a particular industry have a deeper understanding of the business practices and risks associated with that industry. So that it can help companies better manage leverage risk, and provide stronger signals to users of financial statements regarding the quality of financial information. Based on the description above that industry specialization auditors can moderate the relationship between leverage and Audit Report Lag by increasing the perceived reliability and timeliness of financial reporting, the fifth hypothesis is formulated, namely:

H5: AIS (Auditor Industry Specialization) moderates the relationship between leverage on Audit Report Lag

The effect of Auditor Industry Specialization on Company size on Audit Report Lag

Larger companies tend to have more complex operations and higher transaction volumes, which can have implications for the time required to complete an audit. Specialized auditors can make a more accurate assessment of audit risks specific to companies of a certain size. Based on research conducted by Herdaningrum & Hidayat, (2023) industry specialization auditors can moderate the effect of company size on audit report lag. Auditors who specialize in certain industrial fields have higher credibility, and have an understanding of accounting, and problems in certain industrial fields which will make the large number of assets in large companies faster to audit. Specialized auditors provide stronger signals to users of financial statements regarding the quality of financial information, which is especially important for large companies with complex operations. Signaling theory supports that audit industry specialization can moderate the relationship between firm size and Audit Report Lag by increasing the perceived reliability and timeliness of financial reporting. Based on the description above, the sixth hypothesis can be formulated, namely:

H6: AIS (Auditor Industry Specialization) moderates the relationship between company size and Audit Report Lag

RESEARCH METHODS

This study uses secondary data in the form of company financial reports taken from the official website of the Indonesia Stock Exchange. The method used is quantitative (Sugiyono, 2019) . The population of this study are companies in the Energy, Properties & Real Estate, Consumer Non-Cyclicals, Infrastructures, Transportation & Logistics, Industrials, & Non-Primary Consumer Goods sectors listed on the Indonesia Stock Exchange from 2019 to 2023 and the research sample was selected based on criteria that meet the data requirements according to the research variables, as follows in Table 1.

Table 1.

Research Sample Criteria

No	Criteria	Total
1	Public companies listed on the Indonesia Stock Exchange that meet the criteria as Audit Report Lag	559
2	Companies that do not publish complete financial reports for the period 2019-2023	(24)
3	Companies that are pre-listed or delisted during the period 2019-2023	(129)
4	Companies whose financial statements do not contain data according to testing needs	(391)
Number of Sample Companies		15
Number of Sample Periods (Years)		5
Total Sample Data		75

Source: Data obtained from the author, 2024

This study was conducted with the aim of analyzing the effect of Liquidity, Leverage, Company Size on Audit Report Lag with industry specialization auditors as moderators. The independent

variables are Liquidity (X1), Leverage (X2), Company Size (X3), Auditor Industry Specialization moderates Liquidity (X1Z), Auditor Industry Specialization moderates Leverage (X2Z), Auditor Industry Specialization moderates Company Size (X3Z) with the dependent variable being Audit Report Lag (Y). The data that has been collected and sampled is then processed using the help of WarpPLS 8.0 software.

Measurement

Table 2

Research Variables and Measurement Variables

No	Variable	Measurement	Reference
1	<i>Audit Report Lag</i>	Audit Report Lag = Date of Issuance of Financial Audit Report - Financial Statement Book Close Date	(Niandari & Novelia, 2022)
2	Liquidity	CR = Current Asset / Current Liability	(Arief & Tirtajaya, 2022)
3	Leverage	DER = Total Debt / Total Equity	(Larasati & Subiyanto, 2024)
4	Company size	Ln(Total Asset)	(Dewi & Hadiprajitno, 2017)
5	Auditor Industry Specialization (AIS)	AIS = Number of KAP Clients in the Industry / Number of all Issuers in the Industry *0 for <i>Non Auditor Industry Specialist</i> *1 for <i>Auditor Industry Specialist >10% as auditor in certain industry sector each year</i>	(Rosharlianti & Hanifah, 2023)

Source: Data obtained from the author, 2024

HASIL DAN EVALUASI

Outer Model and Inner Model Evaluation

Based on the test results, the results of outer loading and inner loading are obtained. The outer weight value in table 3 shows that all indicators have a P-value of <0.001, which means that the P-value is <0.000 or 0.05, so the indicator meets the indicator reliability criteria. There are also test results showing the Variance Inflation Factor (VIF) value is 1.289 <3.3 which means that there is no multicollinearity.

The results of testing the inner model in table 4 get the value of APC, ARS, AARS each worth less than 0.5 so it can be concluded that the research model meets the criteria. Next, the AVIF (1.289) and AFVIF (1.701) values show results <3.3 which means the model is feasible. The GOF value (0.508) shows that the value is > 0.36 which means the research model is large. Furthermore, the value of Adj. R Squared (0.289) which means that the independent variables used in the study have an influence on the dependent variable, namely the Audit Report Lag of 28.9%, the remaining 71.1% is influenced by variables outside the study. The Q-squared value (0.434) shows the result > 0, which means that the Audit Report Lag has a predictive value.

Table 3.
Outer Weight Testing Results

Indicator	Type	Pvalue
Liquidity	Formative	<0.001
Leverage	Formative	<0.001
Company size	Formative	<0.001
AIS	Formative	<0.001
ARL	Formative	<0.001
AIS*Liquidity	Formative	<0.001
AIS*Leverage	Formative	<0.001
AIS*Company size	Formative	<0.001

Source: Data obtained from the author, 2024

Table 4
Inner Model Testing Output

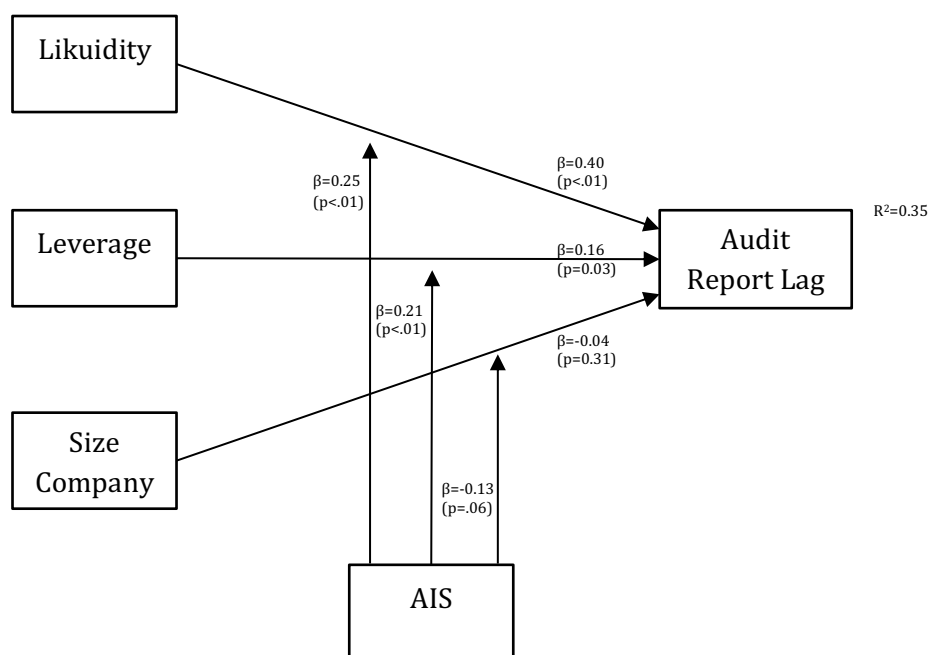
Testing	Results	Conclusion
Average path coefficient (APC)	P=0,005<0,05	Meets Criteria
Average R-squared (ARS)	P=0,001<0,05	Meets Criteria
Average adjusted R-squared (AARS)	P=0,001<0,05	Meets Criteria
Average block VIF (AVIF)	1,289<3,3	No multicollinearity
Average full collinearity VIF (AFVIF)	1,701<3,3	No multicollinearity
Tenenhaus GoF (GoF)	0,508	Large
R Squared	0,346	Moderates
Adj. R Squared	0,289	Moderates
Q-squared	0,434	Model has predictive value

Source: Data obtained from the author, 2024

Hypothesis Testing

The diagram presents a compelling visualization of how key financial variables influence audit report timeliness, with noteworthy patterns emerging. Starting with leverage, we observe three distinct positive relationships, all statistically significant at conventional levels ($B=0.25$, $p<0.1$; $B=0.21$, $p<0.1$; $B=0.16$, $p=0.03$). These consistent results strongly suggest that companies with higher leverage ratios consistently experience longer audit delays, likely due to the additional scrutiny required for risk assessment in highly leveraged firms.

The liquidity variable demonstrates an even more pronounced effect, showing the strongest positive relationship in the model ($B=0.40$, $p<0.1$). This substantial coefficient indicates that firms with greater liquidity face significantly longer audit processes, possibly because liquid assets require more verification procedures or because such companies tend to have more complex financial structures.



Picture 1.

Source: Data obtained from the author, 2024

Company size presents a more nuanced picture. While one path shows a marginally significant negative relationship ($B=-0.13$, $p=0.06$), another appears insignificant ($B=-0.14$, $p=0.31$), and a third shows a positive but untested relationship ($B=0.35$). This inconsistency aligns with previous research findings that firm size alone doesn't systematically affect audit timeliness, suggesting that other factors may mediate this relationship.

The diagram's structure implies these relationships may be part of a more complex model, potentially examining direct and indirect effects. The multiple paths for leverage particularly suggest it may influence audit delays through several mechanisms. These visual findings corroborate the earlier statistical results while providing additional insight into the relative strength of each relationship, with liquidity emerging as the most impactful factor, followed by leverage, while company size shows ambiguous effects that warrant further investigation.

Table 5.
Summary of Research Hypotheses

Hypothesis	Koefisien	P Values	Results	Conclusion
Liquidity on Audit Report Lag	0,401	0,001	Significant positive effect	Accepted hypothesis
Leverage on Audit Report Lag	0,158	0,033	Significant positive effect	Accepted hypothesis
Company size on Audit Report Lag	-0,042	0,311	No Effect	Hypothesis rejected
Moderation AIS on the relationship between Liquidity on ARL	0,25	0,002	moderate	Accepted hypothesis
Moderation AIS on the relationship between Leverage on ARL	0,209	0,008	moderate	Accepted hypothesis
Moderation AIS on the relationship between Company size on ARL	-0,133	0,060	Fail to moderate	Hypothesis rejected

Source: Data obtained from the author, 2024

The empirical findings demonstrate that liquidity ($\beta = 0.401$, $*p* = 0.001$) and leverage ($\beta = 0.158$, $*p* = 0.033$) have a significant positive effect on audit report lag (ARL), supporting the hypotheses. This suggests that firms with higher liquidity or leverage tend to experience longer audit delays, possibly due to complex financial assessments or risk verification processes. In contrast, company size ($\beta = -0.042$, $*p* = 0.311$) showed no statistically significant impact on ARL, leading to the rejection of the hypothesis.

AIS significantly moderated the relationships between both liquidity ($\beta = 0.25$, $*p* = 0.002$) and leverage ($\beta = 0.209$, $*p* = 0.008$) with ARL, indicating that specialized auditors amplify these effects—potentially due to stricter scrutiny or additional procedures in high-risk industries. However, AIS failed to moderate the link between company size and ARL ($\beta = -0.133$, $*p* = 0.060$), suggesting that firm size operates independently of auditor specialization in influencing audit timeliness.

These results highlight the asymmetric influence of financial factors on audit delays, with auditor specialization playing a contingent role. For practitioners, the findings underscore the need for firms with high liquidity/leverage to allocate more time for audits, while regulators might consider AIS as a factor in audit efficiency policies.

Discussion

The Effect of Liquidity on Audit Report Lag

The results of this study indicate that liquidity as measured by the company's ability to pay off its current obligations that expire soon. The results reveal that liquidity shows a significant positive effect on Audit Report Lag. The lower the company's liquidity level, namely the company's ability to meet its short-term obligations, the longer the audit process of the company's financial

statements will be. This shows that unhealthy financial conditions, characterized by a current ratio below 1, make the audit process more complex and take longer. So that auditors pay greater attention to companies with high liquidity risk. This study supports research by Putra & Subiyanto (2022) showing that liquidity has a positive effect on Audit Report Lag. However, in contrast to research conducted by Erita (2020) and Tumanggor & Lubis (2022) shows that liquidity has no significant effect on Audit Report Lag. Companies with low liquidity should be more proactive in preparing the necessary documentation and information for the audit to minimize delays. In addition, auditors need to consider liquidity risk as an important factor in planning and conducting audits.

The Effect of Leverage on Audit Report Lag

Based on the results of hypothesis testing, it shows that leverage has a significant positive effect on Audit Report Lag. This research is in line with signal theory which states that companies with high leverage can signal greater risk to auditors, so it takes longer to complete the audit. This study supports the results of research by Sudjono & Setiawan (2022) showing that high leverage indicates a risky company condition, so that auditors increase vigilance in the audit process, which results in an extension of the Audit Report Lag period. The higher the leverage value, the auditor is careful in performing calculations and requires complete disclosure and confirmation of the amount of debt because a high leverage value is not good news for the company. Companies with high leverage must be more transparent in financial reporting to reduce Audit Report Lag. This is important to ensure that relevant financial information can be delivered on time to stakeholders.

The Effect of Company Size on Audit Report Lag

Based on the results of hypothesis testing, it shows a P-value of 0.311 with a coefficient of -0.042. The results of this study rejected the hypothesis, which means that company size has no significant effect on Audit Report Lag. Supporting the results of research conducted by (Tannuka, 2018) shows that company size has no significant effect on Audit Report Lag. This can be interpreted that large and small companies have no effect on the length of the financial presentation audit.

The Effect of Auditor Industry Specialization as a Moderator between Liquidity on Audit Report Lag

Based on the results of hypothesis testing, the P-value of 0.002 <0.05 with a coefficient of 0.25 indicates a positive influence, which means that the Auditor Industry Specialist can strengthen the relationship between liquidity and Audit Report Lag. The results of this study indicate that Industry Specialist Auditors have an important role in strengthening the relationship between company liquidity and the length of time to complete the audit report. Rosharlianti & Hanifah's research (2023) also shows that auditors who specialize in certain industries tend to complete work faster than non-specialist auditors, due to deeper knowledge and experience. With their specialized expertise in a particular industry, they can more quickly understand the complexity of financial statements and the associated liquidity risks, which allows them to perform more effective and efficient assessments, thereby speeding up the audit process. Similarly, the opposite will occur if the company is not audited by an Industry Specialist Auditor, but in this study the Industry Specialist Auditor turns out to strengthen the occurrence of Audit Report Lag.

The Effect of Auditor Industry Specialization as a Moderator between Leverage on Audit Report Lag

Based on the results of hypothesis testing, the P-value of 0.008 <0.05 with a coefficient of 0.209 shows a positive effect, which means that Auditor Industry Specialists can strengthen the relationship between leverage and Audit Report Lag. This means that when companies have high

leverage and are audited by NonAuditor Industry Specialists, the effect of leverage on the length of audit time becomes even greater. NonAuditor Industry Specialists may take longer to understand the complexity of specific industries, especially if the company has a high level of debt. This may increase audit risk and require a more in-depth examination. Auditors who do not have in-depth knowledge of a particular industry can reduce information asymmetry and improve audit efficiency with a better understanding of the business practices and risks associated with that industry. Highly leveraged companies should consider engaging the services of auditors who specialize in their industry to ensure faster and higher quality audits.

The Effect of Auditor Industry Specialization as a Moderator between Company Size and Audit Report Lag

Based on the results of hypothesis testing, the P-value of $0.06 > 0.05$ with a coefficient of -0.133 indicates that the hypothesis is rejected, which means that the Auditor Industry Specialist cannot moderate the relationship between company size and Audit Report Lag. It can be concluded that the presence of an Industry Specialist Auditor does not have a significant effect on speeding up or slowing down the audit process in large companies that have large or small total assets. Herdaningrum & Hidayat's research (2023) shows that although industry specialist auditors have higher credibility and a better understanding of accounting issues in certain industrial fields, this does not necessarily mean that they can speed up the audit process in large companies. Large companies have better internal controls and more adequate resources to support the audit process, thus reducing the need for industry specialization.

CONCLUSION

The results of this study indicate that liquidity and leverage have a significant positive effect on Audit Report Lag, while company size has no significant effect on Audit Report Lag. Company size, both large and small, has no effect on the length of time to audit financial statements. In this study, of the 75 research sample companies, only 17.3% (13 companies) were audited by Auditors Industry Specialization, the remaining 82.7% (62 companies) were audited by NonAuditor Industry Specialization.

The results of this study support signal theory, which states that companies with good liquidity and leverage tend to have shorter audit report lags. This suggests that auditors see liquidity and leverage as positive signals that reduce audit risk. This study provides empirical evidence on the benefits of auditor industry specialization. Regulators may consider encouraging or requiring the use of industry-specialized auditors to improve audit efficiency.

Based on the conclusions of the research results that have been carried out, suggestions for future researchers on factors that can affect Audit Report Lag are as follows:

- a. Research results from Adj. R Squared of 28.9% on Audit Report Lag, then for further research it can be increased again by adding other variables that affect Audit Report Lag and research sample data.
- b. In this study, of the 75 research sample companies, only 17.3% were audited by Industry Specialist Auditors, the remaining 82.7% were audited by NonAuditor Industry Specialists. We recommend that further research are not use dummy for using the measurement and we suggest to use the criteria measurement using ratios for Auditor Industry Specialization.

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