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Original Article

The Effect of Audit Committee, Public Accounting Firm Reputation, and Investment Opportunity Set on Audit Report Lag

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Abstract

The timeliness of financial reporting is a critical aspect of corporate transparency and investor decision-making, particularly in the banking sector where information asymmetry is pronounced. Delays in audit completion, commonly referred to as audit report lag, can undermine market confidence and regulatory compliance. This study aims to scrutinize the extent to which the audit committee, the reputational standing of public accounting firms (PAFs), and the investment opportunity set exert influence upon audit report lag in banking enterprises listed on the Indonesia Stock Exchange (IDX) spanning the period 2020-2024. A quantitative paradigm is employed, harnessing multiple regression analysis predicated on panel data through the Fixed Effects Model (FEM), encompassing 150 observations delineated via purposive sampling. The empirical findings divulge that the audit committee and the reputational standing of the PAF yield no discernible influence on audit report lag, whereas the investment opportunity set manifests a statistically significant bearing on the aforementioned variable. Concurrently, the audit committee, the reputation of the public accounting firm (KAP), and the investment opportunity set collectively exert a concomitant influence on audit report lag. These findings intimate that an augmentation in a company's investment opportunities is consequential in prolonging the temporal span requisite for audit completion, whilst the presence of an audit committee and the reputational prestige of the KAP do not constitute determinative antecedents in the punctuality of audit reporting.

Keywords: Audit Committee, Audit Report Lag, Banking Companies, CPA Firm Reputation, Investment Opportunity Set.

1. Introduction

A financial statement can be considered of high quality if it meets characteristics such as relevance, comparability and clarity. Tanujaya (2022) states that financial statements are an important tool used by companies to convey information regarding their performance and financial position to stakeholders. Timeliness is one of the crucial elements of relevance, although it is not the sole factor. Delays in the disclosure of financial information can undermine market integrity and efficiency, and may even hinder the decision-making process of financial statement users. Consequently, the level of trust that investors and other relevant parties place in a company is significantly influenced by the quality of the financial statements published.

A similar view is expressed by Silalahi and Malau (2020), who emphasize that the timely presentation of financial statements is a vital aspect in supporting the smooth operation of a company. Protracted delays in the presentation of financial statements invariably engender a diminution in the informational relevance of such disclosures (Listyarini & Umpusinga, 2025). The cardinal principle of relevance stipulates that financial statements must be furnished in a temporally judicious manner to the requisite stakeholders. Should such delays materialize, the

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financial statements forfeit their pertinence, as they become incapacitated in fulfilling the company's informational exigencies within an opposite timeframe. Compounding this predicament, tardiness in the dissemination of financial statements frequently serves as a harbinger of underlying procedural or substantive irregularities in the preparation of said reports, necessitating supplementary time for the company to reconcile and redress such deficiencies. Such epistemic latency harbors the propensity to precipitate an adverse reaction among capital market participants, and is consequently construed by investors as an inauspicious signal portending unfavorable organizational circumstance.

Serving as a crucial bridge in the financial system, the banking sector links surplus fund holders to borrowers. Purwadita et al. (2023), point out that this industry is marked by strict regulations, complex transaction processes, and a high degree of risk exposure. Furthermore, strict supervision by financial authorities necessitates a high degree of accuracy and compliance in reporting, which ultimately prolongs the audit process. These conditions encourage auditors to exercise greater diligence in conducting audits, as errors or omissions can lead to legal risks, damage reputation, and impact public confidence and the stability of the financial system. Higher levels of complexity and regulation within an entity therefore lead to a higher probability of delays in audit reporting. Between 2020 and 2024, examples emerged within the banking sector of businesses that failed to submit their audited financial statements to the Indonesia Stock Exchange (IDX) in a careful and prompt manner.

Table 1. Breakdown of the Number of Banking Companies That Failed to Submit Their Financial Statements on Time for the 2020-2024 Period

No.	Year	Number of Companies in Arrears
1.	2020	14
2.	2021	3
3.	2022	1
4.	2023	3
5.	2024	1

Source: Compiled by the author, 2025

Predicated upon Table 1, preliminary observations of corporate entities within the banking sector, drawing upon empirical data sourced from the official website of the Indonesia Stock Exchange, corroborate that there remain extant entities that have demonstrably failed to furnish their financial statements within the prescriptive deadline stipulated by the Financial Services Authority (OJK), specifically no later than 90 days subsequent to the culmination of the year-end financial statements (31 December). During the 2020 reporting period, a total of 14 banking entities were conspicuously recorded as having transgressed the stipulated submission deadline for their financial reports, encompassing Bank Raya Indonesia Tbk. (AGRO), Bank IBK Indonesia Tbk. (AGRS), Bank Capital Indonesia Tbk. (BACA), Bank JTrust Indonesia Tbk. (BCIC), Bank Ganesha Tbk. (BGTG), Bank Ina Perdana Tbk. (BINA), Bank Pembangunan Daerah Jawa Timur Tbk. (BJTM), Bank Bumi Arta Tbk. (BNBA), Bank Permata Tbk. (BNLI), Bank Sinarmas Tbk. (BSIM), Bank of India Indonesia Tbk. (BSWD), Bank Victoria Internasional Tbk. (BVIC), Bank Mayapada Internasional Tbk. (MAYA), and Bank Nationalnobu Tbk. (NOBU). Subsequent to this, during the 2021 reporting period, three corporate entities were likewise found to have not remitted their financial statements in a temporally compliant manner, namely Bank of India Indonesia Tbk. (BSWD), Bank Mayapada Internasional Tbk. (MAYA), and Bank Nationalnobu Tbk. (NOBU).

During the 2022 reporting period, Bank Mayapada Internasional Tbk. (MAYA) was once again conspicuously documented as having transgressed the prescribed deadline for the

submission of its financial statements. Subsequently, in the 2023 reporting period, three additional corporate entities were similarly found to have incurred analogous delays, namely Bank Amar Indonesia Tbk. (AMAR), Bank KB Bukopin Tbk. (BBKP), and Bank JTrust Indonesia Tbk. (BCIC). Concluding this longitudinal observation, during the 2024 reporting period, Bank Mayapada Internasional Tbk. (MAYA) once again demonstrated a recalcitrant disposition in failing to remit its financial statements within the stipulated temporal parameters.

This recurrent phenomenon of submission tardiness unequivocally intimates that the timeliness of financial reporting persists as a salient and unresolved quandary within the banking sector. Such protracted delays are inextricably reflective of the pervasiveness of audit report lag, which may be precipitated by a constellation of contributory factors, including the inherent intricacy of the audit process, impediments encountered in the preparation of financial statements, and the exigencies of adhering to stringent regulatory standards and compliance obligations. Consequently, the obstinate recurrence of reporting delays within the banking sector underscores that audit report lag remains a consequential and exigent issue necessitating judicious attention, both from the internal governance apparatus of the implicated entities and from the overarching regulatory authorities.

Atmojo and Darsono (2017) describe audit report lag as the amount of time taken to conclude the audit process, measured from the date on the balance sheet or the end of the financial year through to the date the audited financial statements are distributed. An extended audit report lag reflects a more arduous and slow moving workload for auditors as they perform their professional duties, and such delays inevitably lead to late remittance of the audited financial statements to the Capital Market Supervisory Agency (BAPEPAM). Inordinate elongation of audit report lag is liable to attenuate the quality of financial statements, given that the information therein fails to satisfy the criterion of timeliness, thereby potentially corroding investor confidence in the capital market (Pratama & Lusiani, 2024). Consequently, the diligent monitoring of the duration of audit report lag is of paramount exigency in ensuring that the financial reporting process is conducted in consonance with prevailing regulations and that the veracity and dependability of the information enshrined within the financial statements is duly preserved.

The audit committee plays a key strategic role within corporate governance by safeguarding honest financial reporting and guaranteeing that such processes operate with openness and responsibility. Sunarsih et al. (2021) explain that the audit committee is one of several supporting committees formed by the board of commissioners, and it remains directly accountable to this board. The paramount function of this committee is to ensure the consistent and adequate operationalization of governance principles by management. An autonomous and independent audit committee is ostensibly positioned to superintend the financial reporting process with a view to attenuating the incidence of errors and fraudulent conduct, which in turn facilitates a more expeditious completion of the audit by auditors and consequentially curtails audit report lag.

An additional determinant exerting influence upon audit report lag pertains to the reputational standing of the Public Accounting Firm (PAF). Mayling and Prasetyo (2020) posit that PAFs endowed with an illustrious track record customarily adhere to delineated temporal standards in the execution of corporate audits. PAFs affiliated with preeminent international accounting conglomerates tend to demonstrably consummate the audit process with greater alacrity and operational efficiency in contradistinction to their non-affiliated counterparts. Furthermore, a PAF of elevated repute equally serves as an embodiment of the professional probity and credibility of its auditors in the conscientious fulfilment of their

fiduciary responsibilities. Corporate entities availing themselves of the services of a reputable PAF generally command a more substantial degree of confidence from investors and regulatory bodies alike. Accordingly, the judicious selection of a PAF of commendable reputation not only bears upon the temporal efficiency of the audit process but simultaneously augments the degree of trust reposed in the resultant financial statements.

An additional factor that may influence audit report lag is the Investment Opportunity Set (IOS). Fathussalmi et al. (2019) explain that the IOS describes the opportunities available to a company for growth and development in future periods. The IOS serves as a basis for forecasting growth prospects, whereby investment decisions made in the current period will shape investment opportunities in subsequent periods. Companies with a high IOS value reflect considerable growth potential and corporate worth, whilst a comparatively low IOS value indicates the opposite. The degree of IOS a company possesses may also bear upon the complexity of the audit process, given that companies with substantial investment opportunities typically engage in more diverse operational activities and transactions. Under such conditions, auditors must carry out a deeper investigation to guarantee that the financial statements correctly show the company's real economic value. Therefore, the larger a company's set of investment opportunities, the more likely audit report lag will occur. The reason lies in the additional demands on auditors, including a more burdensome workload and a more complex audit process.

A number of prior studies have examined the factors influencing audit report lag. However, the majority of these studies have been predominantly concentrated in the non-financial sector, rendering research specifically directed at the banking sector comparatively limited. Moreover, the existing literature contains relatively few studies that jointly examine how audit committees, the reputation of public accounting firms (PAFs), and the investment opportunity set (IOS) affect audit report lag specifically within the banking sector. To fill this gap, the current research aims to provide an empirical investigation into these three factors and their impact on audit report lag for banking firms listed on the Indonesia Stock Exchange.

The novelty of this study lies in its simultaneous examination of three determinants, audit committees, PAF reputation, and the investment opportunity set, within the Indonesian banking sector, a context that has been largely overlooked in prior literature. In doing so, this study contributes to the audit timeliness literature by providing sector-specific evidence from an emerging market, offering insights that may inform regulatory policy and corporate governance practices in the Indonesian banking industry.

2. Literature Review

2.1. Agency Theory

Krisyadi and Noviyanti (2022) explain that agency theory delineates the contractual relationship between two distinct parties, namely the principal, represented by the shareholders, and the agent, embodied by the company's management. Atmojo and Darsono (2017) further underscore that agency theory bears a close and inherent connection to the timeliness of financial reporting.

It is important to distinguish between two layers of agency relationships relevant to this study. In the classical agency relationship, shareholders (principal) delegate decision-making authority to company managers (agent), creating information asymmetry that necessitates external auditing as a monitoring mechanism. In the context of audit report lag, however, a secondary agency relationship emerges: the company (now acting as principal) engages an independent auditor (agent) to verify and validate financial information.

In the context of this study, the company assumes the role of the principal, whilst the auditor occupies the position of the agent. This connection becomes apparent through two key points. First, a company hires an independent auditor with the hope that the audit will finish on time, which helps maintain the quality of financial information. Second, how well a company performs operationally affects how quickly it reports its finances. Companies with poor performance tend to delay submitting their financial statements, whereas companies with strong performance usually try to speed up the reporting process. Therefore, audit report lag can be understood as an outcome shaped by both agency relationships simultaneously, managerial incentives influence when financial statements are prepared, whilst auditor efficiency and independence determine how quickly the audit is completed.

2.2. Signaling Theory

Rachmawati (2019) asserts that signaling theory functions as an evaluative indicator for investors in assessing a company's prospective outlook. Companies are expected to furnish information within their financial statements that adequately reflects either favorable or unfavorable news. Such signals, whether in the form of positive or negative disclosures, are capable of influencing fluctuations in share prices within the capital market. According to Fathussalmi et al. (2019), the nexus between signaling theory and audit report lag pertains to the transmission of signals concerning the accuracy and timeliness of financial statement presentation to the public. The signals conveyed by companies provide consequential information for decision-making purposes, particularly for stakeholders such as investors. Should a company tend to finalize its audit report expeditiously, this will be construed as favorable news by investors. Conversely, delays in the submission of financial statements will be perceived as an unfavorable signal by investors.

This dynamic is particularly observable in the Indonesian banking sector. For instance, banks listed on the IDX that consistently submitted audited financial statements within 60 days of their financial year-end, such as several large state-owned banks during the 2020-2024 period, were generally perceived as transparent and well-governed, which supported investor confidence. Conversely, smaller regional banks (Bank Pembangunan Daerah) that experienced extended audit report lags were more likely to face investor scrutiny and share price volatility, as prolonged delays signaled potential irregularities or weaknesses in internal controls. These empirical patterns in the Indonesian banking context underscore the practical relevance of signalling theory in understanding audit report lag.

2.3. Audit Report Lag

Rosharlianti (2021) defines audit report lag as the amount of time that passes from the end of the fiscal year to the date appearing on the audit report. The length of this lag matters greatly for a company because late publication of financial statements can reduce the usefulness of those disclosures, weaken investor trust, and create a negative impression of how the company performs and governs itself. On the other hand, a short audit report lag signals an efficient audit process and demonstrates the company's dedication to transparency through the prompt release of financial information.

2.4. Audit Committee

Silalahi and Malau (2020) elaborate that the audit committee fulfils a pivotal role within a company, as its presence is indispensable to the board of commissioners in its capacity as the primary oversight body in the implementation of corporate governance. The realization of a company's intended objectives necessitates the effective implementation of sound governance practices. An integral part of the company's management structure, the audit

committee comes with several defined duties and remains responsible to the board of directors. Beyond this, the committee supervises the financial reporting process, keeping watch over management and independent auditors at every stage of that process.

2.5. Reputation of Public Accounting Firms

Rosharlianti (2021) explains that the reputation of a Public Accounting Firm (PAF) reflects its achievements, good standing, and the public trust it has earned. Shorter audit times are one way for a KAP to maintain its position and retain clients. In order to bolster confidence in audit reports, companies generally tend to engage PAFs of commendable reputation. PAFs with a strong reputation are typically affiliated with prominent international accounting firms with extensive global networks, such as the Big Four Worldwide Accounting Firms (Big 4). PAFs affiliated with the Big Four generally demonstrate the capacity to complete the audit process more expeditiously than their non-Big Four counterparts. This is largely attributable to their superior access to innovative methodologies, advanced technological resources, and more highly competent human capital, rendering the audit process comparatively more effective and efficient.

2.6. Investment Opportunity Set

According to Sanjaya (2021), the Investment Opportunity Set (IOS) is an indicator used to measure a company's growth rate. The IOS reflects the potential investment opportunities a company possesses to generate future profits through its investment activities. The higher the IOS value, the greater the potential for growth and investment activity undertaken by the company. In line with this, Balqis and Nr (2023) state that companies with high investment opportunities will face difficulties in the accounting recording process due to the large number of activities and transactions carried out. Therefore, the complexity of investment activities is one of the key factors that can influence the length of the audit report lag. Furthermore, this situation may also require auditors to conduct more in-depth examinations to ensure the fairness and reliability of the financial information presented by the company.

3. Methods

3.1. Type of Research

The present study adopts a quantitative approach of an explanatory nature, given that it seeks to elucidate the causal relationships among the hypothesised variables. A quantitative approach was deemed appropriate as the data utilised are numerical in character and amenable to objective measurement, thereby facilitating the statistical examination of the relationships between the variables under investigation.

3.2. Research Data Sources

Secondary data serve as the foundation for this study. Such data were drawn from the annual financial statements of banking entities listed on the Indonesia Stock Exchange (IDX) across the 2020-2024 timeframe. The acquisition of these annual financial statements took place via the IDX's official website, www.idx.co.id, as well as through the respective company websites for all businesses included in the research sample. Through this approach, the present study endeavours to furnish an empirical overview of the factors influencing the duration of the audit process. The variables examined encompass the audit committee, the reputation of the public accounting firm, and the investment opportunity set as independent variables, with audit report lag serving as the dependent variable.

3.3. Operational Variable

Sugiyono (2018) defines a research variable as any attribute, characteristic, or value belonging to a person, object, or activity that can vary. Researchers identify such variables for study and later draw conclusions from them. This study separates its variables into two distinct categories: dependent and independent. A dependent variable takes its value based on the presence and effect of independent variables. Here, audit report lag serves as the dependent variable. An independent variable, by contrast, brings about changes or exerts influence on the dependent variable. Three main independent factors appear in this study: the audit committee, the reputation of the Public Accounting Firm (PAF), and the investment opportunity set. Table 2 below provides further explanation of these variables.

Table 2. Operational Variables

No.	Variables	Indicators	Scale
1.	Audit Report Lag (Y)	Audit Report Lag = Audit Report Date - Balance Sheet Date	Interval
2.	Audit Committee (X1)	Audit Committee = ∑ Audit Committee Count	Nominal
3.	Audit Firm Reputation (X2)	Audit Firm Reputation = Dummy variable, 1: Big Four audit firm, 0: Non-Big Four audit firm	Nominal
4.	Investment Opportunity Set (X3)	$MBVE = \frac{Number\ of\ Shares\ Outstanding \times Share\ Price}{Total\ Equity}$	Ratio

Source: Compiled by the author, 2025

3.4. Population and Sample

The population of this study consists of 47 banking companies listed on the Indonesia Stock Exchange (IDX) during 2020-2024. A purposive sampling method was used, with samples selected based on predetermined criteria to ensure their suitability for the research objectives. The sample selection criteria are presented in Table 3.

Table 3. Sampling Criteria

No.	Criteria	Sample Violation	Sample Size
The population of banking companies listed on the Indonesia Stock Exchange			47
Sampling based on criteria (purposive sampling):			
1.	Banking companies listed on the Indonesia Stock Exchange for consecutive years during the period 2020-2024	(2)	45
2.	Banking companies that have published annual financial reports for consecutive years during the period 2020-2024	(1)	44
3.	Data that includes outliers		(14)
Sample size			30
Total research data over 5 years (30 × 5)			150

Source: Compiled by the author, 2025

Table 3 shows that for the period 2020-2024, there were 47 banking companies comprising the initial research population. Following the sampling process using purposive sampling criteria, 30 companies were identified as meeting the criteria and were selected as the research sample. The research observation period lasted for 5 years, resulting in a total of 150 observation data points, which is the product of 30 companies multiplied by 5 years of research.

3.5. Research Methodology

The research method employed in this study was the documentary method, entailing the systematic collection of secondary data. In the present study, this method was executed through the review and analysis of pertinent documents and references as the foundational basis for the compilation of research data. The secondary data utilised in this study consists of audited annual financial reports of banking sector companies listed on the Indonesia Stock Exchange (IDX) for the period 2020-2024. Such data were procured through the IDX's official website at www.idx.co.id as well as the respective official websites of the banking companies incorporated within the sample.

3.6. Statistical Methods

According to Sugiyono (2018), data analysis is the process that takes place once data from all respondents or other data sources has been collected. The data analysis techniques employed include descriptive statistical analysis and several other statistical tests, with data processing carried out using the E-Views Series 12 software.

4. Results and Discussion

4.1. Research Results

4.1.1. Results of Descriptive Statistical Tests

Table 4. Results of Descriptive Statistical Tests for Research Variables

Date: 11/17/25 Time: 10:55
Sample: 2020 2024

	ARL	KA	KAP	IOS
Mean	66.58000	3.993333	0.506667	0.994733
Median	68.50000	4.000000	1.000000	0.810000
Maximum	145.0000	7.000000	1.000000	2.920000
Minimum	15.00000	2.000000	0.000000	0.310000
Std. Dev.	26.50928	1.143976	0.501630	0.565052
Skewness	0.138529	1.011592	-0.026669	1.236931
Kurtosis	2.606082	3.585828	1.000711	3.979422
Jarque-Bera	1.449581	27.72791	25.00000	44.24541
Probability	0.484426	0.000001	0.000004	0.000000
Sum	9987.000	599.0000	76.00000	149.2100
Sum Sq. Dev.	104708.5	194.9933	37.49333	47.57334
Observations	150	150	150	150

Source: Data analysis using E-views 12, descriptive statistics, 2025

Based on the results of the descriptive statistical analysis (Table 4) of the total research data comprising 150 observations, the dependent variable Audit Report Lag (ARL) has a minimum value of 15.00000, a maximum value of 145.0000, a mean of 66.58000, and a standard deviation of 26.50928, indicating a significant difference in the length of the audit report lag between companies, with the majority of companies having an audit duration within the range of approximately 40-93 days. The first independent variable, the Audit Committee (AC), has a minimum value of 2.000000, a maximum value of 7.000000, a mean of 3.993333, and a standard deviation of 1.143976, indicating a variation in the number of audit committee members of approximately 1.14 members from the mean, meaning that most companies have audit committees comprising between 3 and 5 members.

The second independent variable, the Reputation of the Public Accounting Firm (PAF), has a minimum value of 0.000000, a maximum value of 1.000000, a mean of 0.506667, and a standard deviation of 0.501630, indicating a fairly high degree of variation in the selection of PAFs across companies, as the PAF reputation value consists of only two categories (0 and 1), resulting in a fairly balanced distribution. The third independent variable, the Investment Opportunity Set (IOS), registers a minimum value of 0.310000, a maximum value of 2.920000, a mean of 0.994733, and a standard deviation of 0.565052, indicating a considerably notable degree of variation in investment opportunities across the sampled companies, with the majority of IOS values concentrated within the approximate range of 0.43 to 1.56.

4.1.2. Results of the Classical Assumptions Test

A. Normality Test

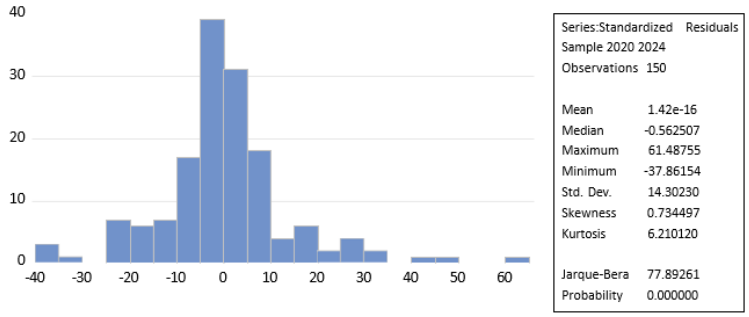

Figure 1. Results of the Normality Test
Source: Data analyzed using E-views 12, normality test, 2025

The normality test outcomes displayed in Figure 1 above give a Jarque-Bera probability of 0.000000. Because this value sits below the 0.05 significance level, the conclusion is that the regression model's residuals fail to follow a normal distribution. However, Ajija et al. (2011) state that a normality test is not mandatory if the number of observations exceeds 30, as the error distribution generally approximates a normal distribution with large sample sizes. In this study, there are 150 observations; therefore, based on this consideration, the issue of residual non-normality can be disregarded, and the regression model remains suitable for further analysis.

B. Multicollinearity Test

Table 5. Results of the Multicollinearity Test

	KA	KAP	IOS
KA	1.000000	0.157965	0.033897
KAP	0.157965	1.000000	-0.247663
IOS	0.033897	-0.247663	1.000000

Source: Data analysis using E-views 12, multicollinearity test, 2025

According to the multicollinearity test results displayed in Table 5, every correlation coefficient for the independent variables falls comfortably under the 0.80 cutoff. Specifically, the correlation value between the audit committee (AC) and the public accounting firm's reputation (PAF) is 0.157965. The audit committee (AC) shows a correlation of 0.033897 with the investment opportunity set (IOS). Meanwhile, the correlation between PAF reputation

(PAF) and the investment opportunity set (IOS) comes out as -0.247663. As all observed values fall within the permissible threshold, it can be ascertained that the regression model is free from any multicollinearity among the independent variables.

C. Heteroscedasticity Test

Table 6. Results of the Heteroscedasticity Test

Dependent Variable: ABS(RESID) Method: Panel Least Squares Date: 11/19/25 Time: 09:47
Sample: 2020 2024
Periods included: 5
Cross-sections included: 30
Total panel (balanced) observations: 150

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.826197	3.498435	1.379530	0.1704
KA	0.040520	0.713730	0.056772	0.9548
KAP	-1.859650	2.685478	-0.692484	0.4900
IOS	1.223701	1.174314	1.042056	0.2995

Source: Data analysis using E-views 12, multicollinearity test, 2025.

As evidenced in Table 6 above, the probability values for the variables AC, PAF, and IOS are recorded at 0.9548, 0.4900, and 0.2995 respectively. Given that all of these values surpass the 0.05 significance threshold, it can be duly concluded that the regression model employed in this study is devoid of any heteroscedasticity problem.

D. Autocorrelation Test

Table 7. Results of the Autocorrelation Test

Cross-section fixed (dummy variables)			
Root MSE	14.25455	R-squared	0.708918
Mean dependent var	66.58000	Adjusted R-squared	0.629305
S.D. dependent var	26.50928	S.E. of regression	16.14010
Akaike info criterion	8.592029	Sum squared resid	30478.82
Schwarz criterion	9.254369	Log likelihood	-611.4022
Hannan-Quinn criteria.	8.861117	F-statistic	8.904625
Durbin-Watson stat	1.813617	Prob(F-statistic)	0.000000

Source: Data analysis using E-views 12, autocorrelation test, 2025

As reflected in the outcomes of the autocorrelation test presented in Table 7 above, the Durbin-Watson (DW) value is recorded at 1.813617. The Durbin-Watson Upper (dU) value is correspondingly 1.7741, whilst the value of 4 - dU is 2.2259. Given that the DW value exceeds dU yet remains below 4 - dU, satisfying the condition $1.7741 < 1.813617 < 2.2259$, it can be conclusively determined that the regression model employed in this study is free from autocorrelation. By extension, the model utilized in this study is deemed to be unencumbered by autocorrelation issues and is therefore deemed suitable for deployment in subsequent analytical procedures.

4.1.3. Results of Multiple Linear Regression Analysis

Table 8. Estimation Results for the Fixed-Effects Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	44.17326	11.78612	3.747906	0.0003
KA	1.925469	2.404532	0.800767	0.4249
KAP	7.468933	9.047288	0.825544	0.4107
IOS	10.99133	3.956227	2.778236	0.0064
Effects Specification				
Cross-section fixed (dummy variables)				
Root MSE	14.25455	R-squared	0.708918	
Mean dependent var	66.58000	Adjusted R-squared	0.629305	
S.D. dependent var	26.50928	S.E. of regression	16.14010	
Akaike info criterion	8.592029	Sum squared resid	30478.82	
Schwarz criterion	9.254369	Log likelihood	-611.4022	
Hannan-Quinn criteria.	8.861117	F-statistic	8.904625	
Durbin-Watson stat	1.813617	Prob(F-statistic)	0.000000	

Source: Data analysis using E-views 12, fixed-effects model, 2025

The results of the multiple linear regression analysis using the Fixed Effects Model (FEM) in the Table 8 can be expressed as follows:

$$ARL = 44.17326 + 1.925469\ (KA) + 7.468933\ (KAP) + 10.99133\ (IOS) + e$$

This equation illustrates the magnitude of influence exerted by the Audit Committee (AC), the Reputation of the Public Accounting Firm (PAF), and the Investment Opportunity Set (IOS) upon the Audit Report Lag (ARL). The interpretation of this equation is elaborated as follows:

A. The constant value is 44.17326. This number means that when every independent variable equals zero, the predicted Audit Report Lag (ARL) reaches 44.17326 days. This figure shows how many days a company would need as a starting point to finish its yearly audit process.
B. A positive relationship exists between the Audit Committee (AC) and Audit Report Lag (ARL), as shown by the AC coefficient of 1.925469. Holding all other independent variables fixed, each one unit rise in AC causes ARL to go up by 1.925469 days.
C. A positive relationship with ARL is also demonstrated by the Public Accounting Firm (PAF) reputation coefficient of 7.468933. If other variables remain unchanged, increasing PAF reputation by one unit pushes ARL upward by 7.468933 days.
D. A coefficient of 10.99133 for the Investment Opportunity Set (IOS) signals a positive relationship between this variable and ARL. Assuming no change in the other variables, each one unit increase in IOS extends the Audit Report Lag by 10.99133 days.

4.1.4. Hypothesis Testing

A. F-test (Simultaneous Test)

Table 9. Results of the F-test (Simultaneous)

Cross-section fixed (dummy variables)			
Root MSE	14.25455	R-squared	0.708918
Mean dependent var	66.58000	Adjusted R-squared	0.629305
S.D. dependent var	26.50928	S.E. of regression	16.14010
Akaike info criterion	8.592029	Sum squared resid	30478.82
Schwarz criterion	9.254369	Log likelihood	-611.4022
Hannan-Quinn criteria.	8.861117	F-statistic	8.904625
Durbin-Watson stat	1.813617	Prob(F-statistic)	0.000000

Source: Data analysis results using E-views 12, F-test (simultaneous), 2025

As demonstrated by the outcomes of the F-test presented in Table 9 above, the Prob. (F-statistic) value is recorded at 0.000000, signifying that this value falls below the 0.05 significance threshold. Accordingly, H0 is rejected in favor of H1. These results substantiate that the Audit Committee (X1), the Reputation of the Public Accounting Firm (X2), and the Investment Opportunity Set (X3) collectively exert a significant simultaneous influence on Audit Report Lag (Y).

B. T-test (Partial Test)

Table 10. Results of the T-test (Partial)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	44.17326	11.78612	3.747906	0.0003
KA	1.925469	2.404532	0.800767	0.4249
KAP	7.468933	9.047288	0.825544	0.4107
IOS	10.99133	3.956227	2.778236	0.0064

Source: Data analysis using E-views 12, t-test (partial), 2025

Drawing upon the outcomes of the t-test presented in Table 10 above, the findings pertaining to each hypothesized relationship examined in this study are delineated as follows:

1) Testing the Audit Committee (X1) against Audit Report Lag (Y)

The t-test results give the audit committee variable a significance probability of 0.4249, which is above the 0.05 threshold. Therefore, H0 is upheld and H2 is not supported. Based on this outcome from the partial test, one can conclude that Audit Committee (X1) has no meaningful effect on Audit Report Lag (Y).

2) Testing the Public Accounting Firm Reputation (X2) on Audit Report Lag (Y)

According to the t-test findings, the reputation of the public accounting firm yields a significance probability of 0.4107, which is above the 0.05 cutoff. As a result, the study accepts H0 and rejects H3. Based on this partial test, one can infer that the Public Accounting Firm Reputation variable (X2) does not significantly affect Audit Report Lag (Y).

3) Testing the Investment Opportunity Set (X3) against Audit Report Lag (Y)

According to the t-test findings, the Investment Opportunity Set variable has a significance probability of 0.0064, which is lower than the 0.05 threshold. Therefore, the study rejects H0 and accepts H4. Based on this partial test, one can conclude that the Investment Opportunity Set variable (X3) exerts a meaningful effect on Audit Report Lag (Y).

C. Test of the Coefficient of Determination

Table 11. Results of the Coefficient of Determination Test

Cross-section fixed (dummy variables)			
Root MSE	14.25455	R-squared	0.708918
Mean dependent var	66.58000	Adjusted R-squared	0.629305
S.D. dependent var	26.50928	S.E. of regression	16.14010
Akaike info criterion	8.592029	Sum squared resid	30478.82
Schwarz criterion	9.254369	Log likelihood	-611.4022
Hannan-Quinn criteria.	8.861117	F-statistic	8.904625
Durbin-Watson stat	1.813617	Prob(F-statistic)	0.000000

Source: Data analysis results from E-views 12, coefficient of determination test, 2025

Based on the outcomes of the coefficient of determination test presented in Table 11 above, an Adjusted R-Squared value of 0.629305 was obtained. This value denotes that

62.93% of the variation in Audit Report Lag (Y) is explicable by the variables Audit Committee (X1), Public Accounting Firm Reputation (X2), and Investment Opportunity Set (X3). The residual 37.07%, meanwhile, is attributable to other factors lying outside the boundaries of the research model. On this basis, the regression model demonstrates reasonably satisfactory explanatory capacity, given that more than half of the variation in the data is accounted for by the variables under examination.

4.2. Discussion

4.2.1. The Simultaneous Effect of the Audit Committee, the Reputation of the Public Accounting Firm, and the Investment Opportunity Set on Audit Report Lag

According to the F-test outcomes, the Prob. F-statistic stands at 0.000000, a figure beneath the 0.05 threshold. This outcome verifies that audit report lag is significantly influenced by the combination of the audit committee, public accounting firm reputation, and investment opportunity set. Such results demonstrate that all three independent variables together account for the variations seen in audit completion time.

From an agency theory perspective, this simultaneous significance reflects the multi-layered nature of the principal-agent relationship in the audit process: shareholders, management, and auditors each contribute to the conditions that determine audit duration. No single factor operates in isolation; rather, governance structures, auditor characteristics, and company complexity interact to shape audit completion time. This is consistent with the findings of Ahmet et al. (2022), who similarly reported that multiple corporate governance and firm-level variables jointly explain audit report lag. This intimates that audit duration is not governed by any singular specific factor, but rather by the interplay of various internal organizational aspects inherently associated with the audit process. Accordingly, the audit committee, the reputation of the public accounting firm, and the investment opportunity set collectively exert a significant bearing on audit report lag. For banking entities, this finding implies that endeavors to curtail audit report lag necessitate a holistic approach, one that concurrently addresses governance structures, auditor selection, and operational complexity, rather than treating each element in isolation.

4.2.2. The Impact of the Audit Committee on Audit Report Delays

With a probability value of 0.4249 from the t test, the audit committee variable shows a figure above 0.05. Consequently, the conclusion is that audit committee (X1) has no meaningful impact on audit report lag (Y). This outcome can be understood using agency theory, which suggests that the audit committee's core role involves reducing information asymmetry between shareholders and management through supervision and control, rather than stepping directly into the audit procedures. As such, the audit committee's influence is directed at the quality and integrity of financial reporting rather than its timeliness. This interpretation aligns with Widhiasari and Budiartha (2016), who found that audit committee size does not significantly affect audit report lag, arguing that the supervisory role of the audit committee is structurally separate from auditor workflow.

The existence of an audit committee therefore places greater emphasis on the supervisory function rather than influencing the speed at which auditors complete their work. From a practical standpoint, this suggests that banking companies should not rely solely on expanding audit committee membership as a strategy for accelerating audit completion; instead, attention should be directed toward improving coordination between the audit committee and external auditors to streamline the information-sharing process.

4.2.3. The Effect of a Public Accounting Firm's Reputation on Audit Report Lag

With a probability value of 0.4107 from the t test, the Public Accounting Firm (PAF) reputation variable registers above the 0.05 cutoff. Hence, the conclusion is that the PAF reputation variable (X2) does not produce a statistically significant effect on audit report lag (Y). Viewed through signalling theory, one might initially expect Big Four firms to complete audits more swiftly as a signal of operational efficiency and superior resources. However, the non-significant result suggests that in the Indonesian banking sector, the signalling advantage of Big Four affiliation does not translate into faster audit completion.

Although Big Four firms possess greater resources and adhere to international audit standards, the examination procedures they apply are generally stricter and more thorough, meaning that the audit process still requires considerable time even when conducted by highly experienced auditors. This finding is consistent with Puspitasari and Latrini (2014), who found no significant relationship between KAP reputation and audit report lag in Indonesian listed companies, attributing this to the more rigorous and procedurally intensive nature of Big Four audits. Practically, this implies that companies in the banking sector should not assume that engaging a Big Four firm will inherently reduce audit duration, and should instead focus on ensuring comprehensive pre-audit documentation and internal readiness regardless of auditor affiliation.

4.2.4. The Effect of the Investment Opportunity Set on Audit Report Lag

With a probability value of 0.0064 from the t test, the investment opportunity set (IOS) variable falls under the 0.05 cutoff for significance. Hence, the conclusion is that the investment opportunity set (X3) exerts a statistically meaningful influence on audit report lag (Y). Agency theory and signalling theory together provide the theoretical foundation for this result. From an agency theory perspective, companies with a high IOS exhibit greater operational complexity and a broader range of transactions, which intensifies the information asymmetry between management and auditors, necessitating more extensive audit procedures. From a signalling theory perspective, companies with high growth prospects face greater pressure to ensure the accuracy of their financial disclosures, as any misstatement could send adverse signals to investors in the capital market, further motivating thoroughness over speed.

Companies with a high IOS generally have strong growth prospects and more dynamic operational activities, creating more complex transaction structures that require auditors to conduct more thorough examinations. This finding is supported by Rusmin and Evans (2017), who reported that the investment opportunity set significantly prolongs audit report lag in Indonesian listed companies due to the increased complexity of audit procedures required. For banking companies specifically, this implies that management should invest in strengthening internal control systems and audit readiness protocols to offset the complexity associated with high investment activity, thereby assisting auditors in completing their work within regulatory timeframes set by the OJK.

5. Conclusion

The testing outcomes and discussion regarding the influence of the audit committee, public accounting firm (PAF) reputation, and investment opportunity set (IOS) on audit report lag in banking sector firms listed on the Indonesia Stock Exchange from 2020 to 2024 lead to the following conclusions. Simultaneously, the three variables together produce a significant effect on audit report lag, so H0 is rejected and H1 is accepted. On a partial basis, however, the audit committee does not have a significant effect on audit report lag. This means H0 is

accepted while H2 is rejected, showing that the audit committee's size does not directly determine how promptly an audit is completed. Likewise, the reputation of the public accounting firm does not significantly affect audit report lag, with H0 accepted and H3 rejected. This implies that whether a company engages a Big Four or a non Big Four firm leads to no meaningful difference in how long the audit takes. In contrast, the investment opportunity set significantly affects audit report lag, resulting in the rejection of H0 and acceptance of H4. This suggests that greater investment opportunities, which indicate more complex business activities, lengthen the time required for auditors to finish the audit process.

This study contributes to the literature by extending the application of agency theory and signalling theory to the Indonesian banking sector, providing empirical evidence that company-level complexity, as proxied by the investment opportunity set, is a more meaningful determinant of audit report lag than governance structures such as audit committee size or PAF reputation. For practitioners, the findings suggest that banking companies should strengthen internal audit readiness to mitigate delays arising from complex investment activities, whilst regulators such as the OJK should consider company-specific complexity when enforcing financial reporting deadlines.

The present study faces multiple limitations. Generalizability is limited because the sample consists solely of banking companies listed on the Indonesia Stock Exchange. Furthermore, the investment opportunity set was operationalized using a single proxy, and such a narrow measurement may not fully represent the multifaceted nature of the construct. Future research is encouraged to broaden the sample across multiple industries, employ composite proxies for the investment opportunity set, and incorporate auditor-level variables such as team size and partner experience to yield a more comprehensive understanding of audit report lag determinants.

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