

**THE EFFECT OF COMPANY SIZE AND INVESTMENT
OPPORTUNITY SET ON AUDIT REPORT LAG WITH
FINANCIAL DISTRESS AS A MODERATING VARIABLE**
(Empirical Study of Infrastructure, Utilities and Transportation Sector Companies
in 2019-2021)

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Abstract

In the contemporary business landscape, financial reporting and auditing play a crucial role in maintaining transparency, accountability, and investor confidence within organizations. The timing of audit reports, commonly referred to as audit report lag, is an important aspect of financial reporting that reflects the efficiency and effectiveness of an organization's financial reporting process. Several factors can influence audit report lag, including the size of the firm, the presence of investment opportunities, and financial difficulties that a company might face. This study aims to empirically investigate the influence of firm size and investment opportunity sets on audit report lag, and whether financial difficulties can moderate the impact of company size and investment opportunity sets on the delay in audit reports. The research focuses on the infrastructure, utilities, and transportation sectors listed on the Indonesia Stock Exchange for the period 2019 to 2021. Employing a quantitative research approach, this study utilizes secondary data collection techniques, specifically documentation, and involves a sample of 24 companies. The findings reveal that Company Size significantly affects Audit Report Lag, while Investment Opportunity Set does not have a discernible impact on Audit Report Lag. Additionally, the study demonstrates that Financial Distress does not act as a moderating factor in the relationship between Company Size and Audit Report Lag, nor between Investment Opportunity Set and Audit Report Lag. When considered together, Company Size and Investment Opportunity Set concurrently exhibit a significant influence on Audit Report Lag.

Keywords: *Audit Report Lag, Financial Distress, Firm Size, Investment Opportunity Set*

1. INTRODUCTION

The economic growth of Indonesia has been increasing in recent times, evidenced by the rapid growth of companies listed on the Indonesia Stock Exchange (BEI) each year. This is accompanied by the soaring performance of the Composite Stock Price Index (IHSG) in the capital market. Companies listed in the capital market are required to submit financial reports in accordance with Financial Accounting Standards and have been audited by auditors. Issuance of financial and non-financial information will be useful for financial statement users only if they receive predictive and valuable feedback (Azami & Salehi, 2017). Financial statements are used by various parties, including investors. Investors utilize financial statements to gather information as these statements released by companies are one of the relevant pieces of information available, especially regarding stocks deemed significant by investors.

In times of high uncertainty regarding a company's operations, financial statements become a key indicator to more accurately and rationally estimate the company's future prospects (Artaningrum et al., 2017). According to (Pham et al., 2014), companies with high investment opportunities experience longer audit report delays. Companies with

higher investment opportunities tend to have greater audit risks due to increased uncertainty associated with future discretionary investment expenditures, managerial activity observation challenges, and weak internal controls.

Companies with high investment opportunities tend to hire Big 4 auditors compared to companies with low investment opportunities. Furthermore, it was found that companies with high investment opportunities tend to have more discretionary accruals. However, this relationship is weaker when these companies are audited by Big 4 auditors. This result indicates that the likelihood of income manipulation is higher for companies with high investment opportunities, but high-quality audits can curb such manipulation. Thus, higher quality auditors are beneficial for users of financial reports of companies with high investment opportunities, and these auditors are more likely to provide higher quality audits to these companies (Lai, 2009).

Additional audits conducted by auditors naturally require extra time, which affects the increase in the company's audit report lag (Susianto, 2017). The extent of the audit report lag can be influenced by the size of the company. In terms of cost expenditure, larger companies tend to have higher audit report lag, as auditors need more time to audit their financial statements due to the larger number of items to be audited. Conversely, smaller companies tend to have a faster audit process as their expenditures are not as extensive, resulting in fewer items to be audited compared to larger companies (Susianto, 2017). In research (Azami & Salehi, 2017) examined the relationship between audit report lag and investment opportunities. The results of the study reveal that the audit report lag is longer for companies with higher investment opportunities, this study also shows that small companies, companies that are falling and companies that have major weaknesses in their internal controls, usually have a longer audit reporting delay problem.

In line with the research by (Pham et al., 2014) that examines investment opportunities and audit report lag, it demonstrates that the probability of a higher audit report lag is for companies with high investment opportunities. According to (Arofah et al., 2017), who examined profit and loss, the findings show that the profit and loss have no influence on audit delays. On the other hand, according to (Susianto, 2017), who studied profit and loss, KAP size, company size, and audit opinions, the findings indicate that losses have a positive effect on audit report lag, company size affects audit report lag, and audit opinions have a negative effect on audit report lag. However, KAP size has no effect on audit report lag. According to (Sari & Priyadi, 2016), who examined company size, KAP reputation, and audit opinions, the findings show that company size and KAP reputation have a negative effect on audit delay, while audit opinions have no effect on audit delay. Furthermore, according to (Widhiarsari & Budiarta, 2016), who studied company size, auditor reputation, and auditor turnover, the findings indicate that company size has no effect on audit report lag, auditor reputation has no effect on audit report lag, and auditor turnover has no effect on audit report lag.

(Kartika, 2011) tested company size, losses and gains, auditor opinions, and auditor reputation, and the results showed that company size significantly affects audit delay. On the other hand, losses and gains, auditor opinions, and auditor reputation have no influence on audit delay. Reporting from (Kontan.co.id., 2021) The Indonesia Stock Exchange (IDX) noted that, as of June 30, 2021, there were 52 listed companies that had not submitted audited financial reports as of December 31, 2020.

Audit report lag is the period between the end of a company's fiscal year and the date of issuance of the opinion on the audited financial statements. This variable serves

as an output of the audit process that can be observed by external parties, allowing external entities to measure the efficiency of the audit activities (Habib & Bhuiyan, 2011). The longer the audit report lag, the more likely the relevance of information within the financial statements diminishes. This is because one of the factors that enhance the relevance of a company's financial statements is timeliness (Bagaskara, 2023). The longer the information takes to be provided, the less useful it becomes (Ikatan Akuntan Indonesia, 2016). Therefore, auditors bear a significant responsibility to complete audits in a timely manner and in accordance with relevant regulations. The delay in the publication of financial reports for publicly listed companies is due to the requirement for the financial statements to undergo an audit before being published (Haryani & Wiratmaja, 2014).

Independent auditors require a certain amount of time to complete their audit work. The duration between the closing date of the fiscal year and the issuance of audited financial statements is referred to as the audit report lag or ARL (Pratiwi, 2018). Financial statements encompass various crucial pieces of information, such as earnings, which serve as performance indicators for companies and inform investors' decision-making process in investment. Thus, an audit report lag that exceeds the time limit can elicit negative reactions from market behavior (Ulfa & Primasari, 2017). In Indonesia, studies on audit report lag have been conducted, including research by (Kuslihaniati & Hermanto, 2016). The presence of factors influencing audit report lag underscores its pivotal role in terms of the timeliness of financial reporting for stakeholders involved in decision-making.

Based on the aforementioned background, the research aims to empirically determine the influence of company size and investment opportunity set on audit report lag. Additionally, it seeks to examine whether financial distress can moderate the impact of company size and investment opportunity set on audit report lag. This study also employs a sample of companies within the infrastructure, utilities, and transportation sectors listed on the Indonesia Stock Exchange from 2019 to 2021.

2. LITERATURE REVIEW

2.1. Agency Theory

Agency Theory is a contractual relationship between parties delegating certain decisions (principals/owners) and parties receiving the delegation (agents/management) (Divianto, 2011). Owners grant authority and authorization to managers to operate the company on behalf of the owners. In this context, the authority and responsibility for running the company are governed by mutually agreed-upon employment contracts.

Owners and managers often face information asymmetry due to managers having more information about the company compared to owners. This information asymmetry is referred to as information asymmetry. Information asymmetry denotes the discontinuity of information possessed by owners and managers, where owners lack sufficient information about managerial performance while managers possess more information about the work environment and the company as a whole.

2.2. Signaling Theory

Signaling theory, first introduced by Spence in his research titled "Job Market Signaling," suggests that signals provide a message to the sender (information owner)

attempting to provide relevant pieces of information that can be utilized by the receiver. The receiver then adjusts their behavior based on their understanding of the signal. Signaling theory posits that managerial actions, where management possesses more comprehensive and accurate information about internal company affairs and future prospects than investors, play a role.

Managers are obliged to signal the company's condition to stakeholders. Signals can be conveyed through accounting information such as financial statements (Metta & Effriyanti, 2020).

2.3. Financial Statements

Financial statements provide a structured presentation of an entity's financial position. The objective of financial statements is to provide information about the financial position, financial performance, and cash flows of an entity that is beneficial to a broad spectrum of financial statement users in making economic decisions (Ikatan Akuntansi Indonesia, 2015). The quality of communication achieved depends on the quality of financial statements.

2.4. Audit Report Lag

Audit report lag is the time difference between the closing date of the fiscal year and the date the audit report is signed (Iskandar & Trisnawati, 2010). According to Dyer and McHugh (1975) cited in (Utami, 2006), "Audit report lag is the open interval in days from the end of the fiscal year to the date recorded as the opinion signing date in the auditor's report."

2.5. Company Size

According to (Rondonuwu & Pontoh, 2010), company size is a scale by which companies are classified as large or small. Determination of company size is based on the company's total assets. According to Machfoedz (1994:56) cited in Febrianty (2011:297), company size is categorized into three: 1) Large Companies, 2) Medium Companies, 3) Small Companies.

2.6. Investment Opportunity Set

Hartono, (Jogiyanto, 2003) explains "Investment Opportunity" or Investment Opportunity Set (IOS) which portrays the breath of investment opportunities for a company introduces the investment opportunity set (IOS) in connection with achieving corporate objectives. According to them, the investment opportunity set (IOS) provides broader guidance where the company's value, as the primary goal, depends on future company expenditures. The investment opportunity set (IOS) combines owned assets (asset in place) and future options with a positive net present value.

2.7. Financial Distress

Financial distress is a sign that a company is heading towards bankruptcy, as it indicates the company's inability to meet its matured obligations (Beaver et al., 2011), serving as a signal of bankruptcy. According to (Teng, 2010), indicators of financial distress include declining market value, negative or decreasing profitability, poor or negative cash flows, inability to meet cash obligations, high employee turnover/low morale, declining sales volume, debt dependence, and recurring losses.

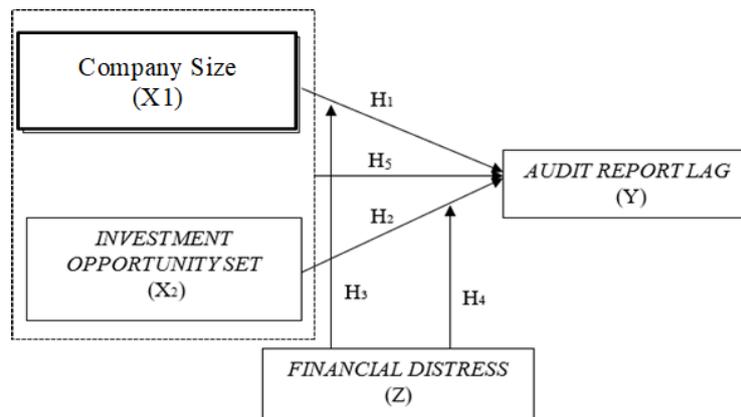


Figure 1. Research Framework

3. RESEARCH METHODS

The type of research used in this study is quantitative research. The researchers gathered data from the financial reports of companies in the Infrastructure, Utilities, and Transportation sectors listed on the Indonesia Stock Exchange (IDX) during the period of 2019 to 2021. The data was obtained from the website www.idx.co.id.

In this research, there are two variables, namely the dependent variable and the independent variable, as follows:

3.1. Dependent Variable:

In this study, the dependent variable is Audit Report Lag.

$$\text{Audit Report Lag} = \text{Audit Report Date} - \text{Financial Report Date}$$

Explanation:

Audit Report Date = Independent Audit Report

Financial Report Date = Financial Report for the period ending December 31

3.2. Independent Variables:

The independent variables in this study consist of:

- a. Company Size

The formula used to determine company size is formulated as follows:

$$SIZE = \ln \text{Total Assets}$$

- b. Investment Opportunity Set

Investment Opportunity Set is the availability of alternative investments in the future for the company.

$$\frac{MVE}{BVE} = \frac{\text{Number of Shares Outstanding} \times \text{Stock Closing Price}}{\text{Total Equity}}$$

Description:

MVE/BE	= Market to Book Value of Equity
Number of Shares Outstanding	= Issued and fully paid capital
Stock Closing Price	= Stock closing price as of December 31st
Total Equity	= Total capital

c. Moderating Variable

In this study, the moderating variable used is financial distress.

$$\text{DAR} = \frac{\text{Total Liabilities}}{\text{Total Assets}}$$

The population in this study consists of manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the years 2019-2021. The choice of the manufacturing industry is due to it being the most numerous industries listed on the IDX. The sample for this study comprises banking companies listed on the Indonesia Stock Exchange. The sample selection for this study uses purposive sampling method, a technique of selecting a sample based on specific considerations.

The use of purposive sampling aims to obtain a representative sample based on predetermined criteria, ease of data acquisition for the researcher, low-cost requirement, and more accurate and valid data as the published financial reports have been audited by public accountants. The data used in this study is secondary data obtained from www.idx.co.id for the years 2019-2021.

To gather the required data and information for the study, the data source used is secondary data, which is data in processed form. Secondary data serves as an indirect data source for the researcher through intermediary media. The data collection method employed in this study is the documentation method. Data collection involves studying, researching, and reviewing the financial reports of the sample companies. Data analysis techniques in this study utilize Microsoft Office Excel and Eviews 9 software.

4. RESULTS AND DISCUSSION

4.1. Result

4.1.1. Descriptive Statistical Analysis

Cross section data includes 24 companies in the infrastructure, utilities and transportation sector for the 2019-2021 period, so that the data available in this study, from the 2019-2021 period, there are 72 company data.

Table 1. Descriptive Statistical Analysis

	Y	X1	X2	Z
Mean	98.18056	26.86806	1246.148	0.484444
Median	92.50000	26.90000	1.485000	0.425000
Maximum	148.0000	31.40000	32624.09	3.140000
Minimum	55.00000	21.74000	-40.74000	0.080000
Std. Dev.	20.89365	2.418196	5456.944	0.432571
Skewness	0.425136	-0.373601	4.683883	3.762684

Kurtosis	2.850493	2.620524	23.91112	22.36618
Jarque-Bera	2.235945	2.106937	1575.090	1295.041
Probability	0.326942	0.348726	0.000000	0.000000
Sum	7069.000	1934.500	89722.68	34.88000
Sum Sq. Dev.	30994.65	415.1847	2.11E+09	13.28538
Observations	72	72	72	72

The results from the descriptive analysis table above indicate that the observed data consists of 72 data points obtained from 24 companies over a 3-year observation period from 2019 to 2021. The interpretation of Table 1 is as follows:

a. Audit Report Lag:

Based on the descriptive analysis results of the data during the research period, it can be seen that the lowest value of Audit Report Lag is 55.00. This means that the sampled companies complete their audit reports within 55 days after the company's fiscal year-end. The lowest Audit Report Lag value was found in Smartfren Telecom Tbk in 2019, and the highest value is 148.00, indicating that the sampled companies take 148 days to complete their audit reports after the fiscal year-end. The highest Audit Report Lag values were observed in Jasnita Telekomindo Tbk and Nusantara Infrastructure Tbk in 2020. The average (Mean) Audit Report Lag is 98.18056, indicating that, on average, the sampled companies take 98 days to complete their audit reports after the fiscal year-end. The data spread, measured by the standard deviation of 20.89365, demonstrates that the data in this variable is well-distributed due to the higher mean value compared to the standard deviation.

b. Company Size:

Descriptive analysis results during the research period reveal that the lowest value of Company Size is 21.74000, recorded in Transcoal Pacific Tbk in 2020. The highest value is 31.40000, observed in Smartfren Telecom Tbk in 2021. The mean (Mean) Company Size is 26.86806, indicating that the sampled companies have an average size of 26.86806, with a standard deviation of 2.418196. As the mean value (Mean) is greater than the standard deviation, $26.86806 > 2.418196$, this suggests a well-distributed size distribution among the companies.

c. Investment Opportunity Set:

The descriptive analysis during the research period shows that the lowest value of Investment Opportunity Set is -40.74000, seen in Sidomulyo Selaras Tbk in 2021. The highest value is 32624.09, recorded in Transcoal Pacific Tbk in 2021. The mean (Mean) Investment Opportunity Set is 1246.148, indicating an average of 1246.148 for the sampled companies, with a standard deviation of 5456.944. As the mean value (Mean) is smaller than the standard deviation, $1246.148 < 5456.944$, this suggests an uneven distribution of Investment Opportunity Set values.

d. Financial Distress:

The descriptive analysis during the research period indicates that the lowest value of Financial Distress is 0.080000, observed in Visi Telekomunikasi Infrastruktur Tbk in 2020 and Putra Rajawali Kencana Tbk in 2021. The highest value is 3.140000, recorded in Express Transindo Utama Tbk in 2020. The mean (Mean)

Financial Distress is 0.484444, with a standard deviation of 0.432571. Since the mean value (Mean) is greater than the standard deviation, $0.484444 > 0.432571$, this suggests a well-distributed Financial Distress distribution.

4.1.2. Chow Test

Table 2. Chow Test Result

Redundant Fixed Effects Tests			
Equation: Untitled			
Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.785.044	-23,46	0.0470
Cross-section Chi-square	45.929.540	23	0.0031

Based on the chow test results above, it can be seen that the chi- square probability is $0.0031 < 0.05$, it can be concluded that H_0 is rejected and it means that the fixed effect model is better than the common effect model. When the model used is the fixed effect model, it is necessary to do the Hausman test.

4.1.3. Hausman Test

Table 3. Hausman Test Result

Correlated Random Effects - Hausman Test			
Equation: Untitled			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.155693	2	0.9251

Based on the test results above, it can be seen that the chi-square probability is $0.9251 > 0.05$, it can be concluded that H_0 is accepted and the model that should be used is the random effect model compared to the fixed effect model. When the selected model is random effect, it is necessary to do the lagrange multiplier test, so that the selected data uses random effect..

4.1.4. Lagrange Multiplier Test

Table 4. Lagrange Multiplier Test Result

Lagrange Multiplier Tests for Random Effects			
Null hypotheses: No effects			
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives			
	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	3.017.859 (0.0824)	9.135.099 (0.0025)	1.215.296 (0.0005)
Honda	1.737.199 (0.0412)	3.022.433 (0.0013)	3.365.568 (0.0004)
King-Wu	1.737.199 (0.0412)	3.022.433 (0.0013)	3.390.370 (0.0003)
Standardized Honda	2.134.812 (0.0164)	4.034.121 (0.0000)	0.005859 (0.4977)
Standardized King-Wu	2.134.812 (0.0164)	4.034.121 (0.0000)	1.767.273 (0.0386)
Gourieroux, et al.	--	--	1.215.296 (0.0008)

The results of testing with the Lagrange Multiplier (LM) test above show that the value of Both Breusch-Pagan is 0.0005 < 0.05, which means that H0 is rejected, which means that the random effect model chosen is random.

4.1.5. Hypothesis Test (T Test)

Tabel 5. T Test Result

Variable	Coefficient	Std. Error	T-Statistic	Prob.
C	1.948.575	3.631.284	5.366.077	0.0000
X1	-3.588.842	1.334.501	-2.689.276	0.0090
X2	-0.000202	0.000586	-0.344783	0.7313

Table 6. Random Effect Moderation Test Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	9.537.768	4.425.608	2.155.132	0.0000
X1*Z	0.167079	0.224327	0.744803	0.4589
X2*Z	0.001002	0.001202	0.833066	0.4077

The following is the interpretation of the t test results:

- a. First, namely Company Size has a significant effect on Audit Report Lag, it can be seen from the results of the t test output that the Company Size variable has a probability value smaller than the significance level, namely 0.0090 smaller than 0.05 so that Company Size has an effect on Audit Report Lag.
- b. Second, namely Investment Opportunity Set has no significant effect on Audit Report Lag, it can be seen from the results of the t test output that the Investment Opportunity Set variable has a probability value greater than the significance level, namely 0.7313 greater than 0.05 so that Investment Opportunity Set has no significant effect on Audit Report Lag.

4.2. Discussion

4.2.1. The Influence of Firm Size on Audit Report Lag.

The first hypothesis of this study is that Firm Size has an impact on Audit Report Lag. The results indicate that the probability value for Firm Size is 0.0090, which is smaller than 0.05. Therefore, it can be concluded that Firm Size significantly affects Audit Report Lag. Firm size is measured based on its nominal scale, such as the total value of assets, total sales during a one-year sales period, workforce count, and fixed asset value. In this study, firm size is measured using the total asset value scale. Larger companies typically exhibit stronger internal controls.

Effective internal control is a crucial element in company management. Effective companies assist in enhancing company compliance with relevant regulations and laws, ensuring accurate and timely financial and management reporting, as well as promoting efficiency and effectiveness in business operations. It also facilitates auditors in examining financial reports and reduces errors in their audit work.

Research outcomes from (Ariyani & Budiarta, 2014; Nurkholik & Amaliyah, 2021) show that firm size influences audit report lag. A company's size can be classified as either large or small based on various perspectives, such as total asset value, total sales, workforce count, among others. However, (Alvianto, 2017; Nurkholik & Amaliyah, 2021) found no influence of firm size on audit report lag.

4.2.2. Influence of Investment Opportunity Set on Audit Report Lag

The second hypothesis of this study states that Investment Opportunity Set affects Audit Report Lag. The results show that the probability value for Investment Opportunity Set is 0.7313, which is greater than 0.05. Therefore, this study's findings suggest that Investment Opportunity Set does not have a significant impact on Audit Report Lag. This implies the rejection of the second hypothesis, concluding that Investment Opportunity Set has no significant influence on Audit Report Lag.

This conclusion differs from previous research by (Azami & Salehi, 2017; Pham et al., 2014; Sarraf et al., 2016), which indicated a significant positive impact of Investment Opportunity Set on Audit Report Lag. This is due to high investment opportunities increasing audit risk, leading independent auditors to expand their audit scope to map out risks effectively and determine appropriate audit plans. Consequently, heightened audit risk may delay the completion of independent auditor examinations.

The investment opportunity set refers to investment decisions or future investment opportunities combining owned assets and investment choices (Yudhi et al., 2020). The research by (Balqis & Erinos, 2023) explains that high investment opportunities correlate

with higher audit risks, necessitating extended testing and audit examination. However, our study shows that investment opportunity set does not significantly affect Audit Report Lag due to the indication that high investment opportunities reflect the company's potential to profit from growth prospects. Thus, firms with high investment opportunities signal good present and future performance.

Companies with high investment opportunities deliver positive financial performance news to management, investors, and creditors. This is due to the profitability of company growth prospects, which benefits investors seeking higher returns on their invested capital. Consequently, with positive performance indicators, company management is inclined to announce audited financial reports to the public promptly as a signal of high growth prospects.

4.2.3. Influence of Firm Size on Audit Report Lag with Financial Distress as a Moderating Variable

Drawing from the research by (Himawan & Venda, 2020), which suggests that financial distress negatively affects audit report lag due to increased audit risks, particularly in control and detection aspects, the third hypothesis posits that Financial Distress moderates the influence of Firm Size on Audit Report Lag. The results show that the probability value for Firm Size moderated by Financial Distress is higher than the significance level at 0.05, specifically 0.4589. Consequently, it can be concluded that Financial Distress cannot moderate the impact of Firm Size on Audit Report Lag.

The study results show that Financial Distress does not moderate the impact of Firm Size on Audit Report Lag. Financial distress in a company can elevate audit risks, particularly in control and detection areas, for independent auditors. This increased risk prompts auditors to conduct risk assessments before initiating the audit process. The effect of firm size on Audit Report Lag intensifies in the context of financial distress. When auditing financially distressed large companies, auditors assign higher audit risk than for companies without financial distress.

4.2.4. Influence of Investment Opportunity Set on Audit Report Lag with Financial Distress as a Moderating Variable

The fourth hypothesis of this study suggests that Financial Distress moderates the impact of Investment Opportunity Set on Audit Report Lag. The research findings show that the probability value for Investment Opportunity Set, moderated by Financial Distress, exceeds the significance level of 0.05, specifically at 0.4077. Therefore, it can be concluded that Financial Distress cannot moderate the influence of Investment Opportunity Set on Audit Report Lag. This aligns with the results of the study by Rosharlianti et al. (2022), which suggests that organizations with good performance and profit-seeking retail investors, regardless of growth prospects, do not affect this outcome.

The study's results indicate that Financial Distress does not have a moderating effect on the impact of Investment Opportunity Set on Audit Report Lag. However, it is important to note that Financial Distress in a company can introduce audit risks. Firms with high Investment Opportunity Set levels and increased audit risks due to challenges in monitoring activities and extensive audit coverage might experience an increase in Audit Report Lag.

4.2.5. Influence of Firm Size and Investment Opportunity Set on Audit Report Lag

The fifth hypothesis in this study is that Company Size and Investment Opportunity Set simultaneously affect Audit Report Lag. The results show that the prob-F value shows a value of 0.018129 which means that the prob-F value is smaller than the significant value of 0.05. So, it can be concluded that the variables simultaneously affect the Audit Report Lag.

The results in this study have proven to be influential, because timeliness in submitting audited financial reports is a very important thing for public companies in the capital market as a source of funding. However, auditors will need a long time to collect competent evidence that can support their opinion. The results of research (Ariyani & Budiarta, 2014; Nurkholik & Amaliyah, 2021), also show that company size affects audit report lag. Companies can be said to be large or small can be seen from several points of view such as total asset value, total sales, total workforce and so on.

5. CONCLUSION

The research findings and analysis regarding the impact of Company Size, Investment Opportunity Set, and Financial Distress on Audit Report Lag in the Infrastructure, Utilities, and Transportation sector during the period of 2019-2021, reveal that Company Size significantly influences Audit Report Lag. This indicates that the dimension of company size plays a crucial role in determining the length of audit reporting time. Factors related to company size, such as total assets, total sales, and the number of employees, need to be well managed to minimize delays in audit reporting.

Then, Investment Opportunity Set does not show a significant impact on Audit Report Lag. While some previous studies have indicated a connection between Investment Opportunity Set and delayed audit reporting, the results of this study do not support such a relationship in the context of companies in this sector. Therefore, companies in the Infrastructure, Utilities, and Transportation sector may need to focus on other aspects that could potentially affect the timing of audit reporting. As a recommendation, companies in this sector should explore other factors that may contribute to delayed audit reporting and take steps to enhance the efficiency of the audit reporting process.

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