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Sustainability Strategy through Audit Timeliness: A Study of Profitability, Leverage, Size, and Board Structure in the Real Estate Industry

Febriana Louw [*1], Nur Afifah[2], Mustaruddin[3]
[1]Doctoral Program in Management, Tanjungpura University
Faculty of Economics and Business, Widya Dharma University Pontianak
[2,3] Doctoral Program in Management, Tanjungpura University

[*]b3081241013@student.untan.ac.id

Abstract

Audit report lag (ARL) is a crucial factor influencing stakeholders' confidence in a company's financial statements. This study examines the effects of leverage, profitability, and firm size on audit report lag, with audit firm reputation and the board of directors serving as moderating variables. The research focuses on property and real estate companies listed on the Indonesia Stock Exchange during the 2019–2023 period. A total of 80 observations were obtained through purposive sampling. Using a quantitative approach, the study employs multiple linear regression and moderated regression analyses with SPSS version 26. The findings reveal that profitability and firm size have a significant negative effect on audit report lag, while leverage exerts a positive effect. Furthermore, audit firm reputation and the board of directors significantly moderate the relationships between profitability, firm size, and leverage with audit report lag.

Keywords: *audit report lag, profitability, firm size, leverage, audit firm reputation, Board of Directors*

Introduction

The timeliness of audits is a key indicator of good corporate governance practices, particularly in the real estate industry, which faces increasingly complex sustainability challenges. In today's competitive market, timely financial reporting is not merely a regulatory obligation but also a strategic factor that influences a company's long-term sustainability. Audit timeliness reflects both the operational efficiency of the firm and its commitment to transparency for stakeholders.

Over the past decade, Indonesia's real estate industry has experienced substantial growth. However, this expansion has been accompanied by heightened sustainability challenges and increased difficulty for firms in meeting financial reporting deadlines mandated by capital market authorities. This phenomenon raises important questions about the factors influencing audit timeliness and their implications for corporate sustainability.

Previous research has examined a range of determinants affecting audit report lag (ARL). Lisa (2015), in a study of manufacturing companies from 2011–2013, found that company size, solvency, and profitability significantly affected audit timeliness, with profitability contributing most to audit delay and company size most to timeliness. Similarly, Lo et al. (2023), through a meta-analysis of corporate governance and audit delay before and during the COVID-19 pandemic, confirmed that profitability, leverage, and firm size consistently affect audit delays across industries.

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Regarding profitability, Minaryanti et al. (2020) found that firms with higher profitability tend to issue audited financial statements more promptly, as they are motivated to convey positive performance ("good news") to stakeholders. However, Adrea (2022) argued that profitability does not always correlate negatively with ARL, particularly among firms with diverse project portfolios. The reputation of public accounting firms (KAP), especially those belonging to the Big Four, has also been shown to improve audit efficiency (Aryandra, 2018).

Company size has likewise been identified as a determinant of audit timeliness. Ahmed and Che-Ahmad (2016) found that larger companies in Malaysia experience shorter audit delays due to stronger internal control systems and more adequate resources. Similar findings were reported by Adrea (2022), who demonstrated that company size significantly influences audit delays among Indonesian listed firms.

With respect to leverage, Julita (2021) found that Indonesian firms with high leverage ratios tend to experience longer audit delays, as more complex audit procedures are required. Dewayani et al. (2017) similarly found that leverage significantly affects the timeliness of financial reporting in Indonesian manufacturing companies.

In terms of governance structure, Diliasmara and Nadirsyah (2019) observed that ownership structure affects financial reporting timeliness. Likewise, Sari and Ak (2021) found that board independence and audit committee competence significantly improve audit timeliness by strengthening oversight and encouraging management to disclose financial information promptly.

Despite these valuable insights, several research gaps remain, particularly within the context of Indonesia's real estate sector. First, most prior studies have focused on the manufacturing and financial sectors, whereas the real estate industry possesses unique characteristics—such as complex asset valuation and financing structures—that influence the audit process (Sambuaga & Santoso, 2020). Second, existing studies rarely integrate the concept of audit timeliness with broader sustainability implications, even though audit delays can affect investor perceptions and long-term firm value (Prabowo, 2017). Third, few studies have comprehensively examined the combined effects of leverage, profitability, firm size, and board structure within a single framework.

In this study, the reputation of the public accounting firm (KAP) and the board of directors are introduced as moderating variables that influence the relationships among profitability, firm size, leverage, and audit report lag. The Indonesian property sector presents unique contextual factors that can prolong ARL, including long-term project cycles and complex licensing requirements (Puryati, 2020). Therefore, this study aims to analyze the effects of profitability, firm size, and leverage on audit report lag, while considering the moderating roles of audit firm reputation and board effectiveness.

Literature Review

1. Agency Theory

Agency theory, developed by Jensen and Meckling (1976), describes the contractual relationship between principals—those who delegate decision-making authority—and agents, who are entrusted to act on their behalf. In a corporate context, shareholders function as principals, while management assumes the role of agents. Information asymmetry often arises

in this relationship, as managers possess more detailed knowledge of the company's operations than shareholders.

Audit timeliness serves as an essential mechanism to reduce information asymmetry, as timely audit reports enhance transparency and signal the effectiveness of corporate governance. According to Puryati (2020), timely audits can minimize agency conflicts and strengthen investor confidence in financial statements. The shorter the audit report lag, the lower the information gap between principals and agents.

2. Signaling Theory

Signaling theory, introduced by Spence (1973), explains how agents convey information about a company's condition to external stakeholders. Brigham and Houston (2006) emphasize that signals are managerial actions designed to provide investors with insights into a company's future prospects. Financial statements serve as one of the most important signals, as they not only present financial data but also reflect managerial performance and organizational transparency.

Timely disclosure of audited financial statements provides an additional signal of credibility and reliability, assuring stakeholders that the company's reported financial condition aligns with reality. Thus, signaling theory underscores the importance of timely and accurate communication between companies and stakeholders to build market trust.

3. Stakeholder Theory

Stakeholder theory, as articulated by Freeman and McVea (2001), emphasizes that a company must consider the interests of all stakeholders, including shareholders, employees, customers, creditors, and society at large. In the context of audit report lag (ARL), firms that prioritize stakeholder interests are more likely to engage in transparent financial reporting practices. Therefore, stakeholder theory offers a complementary perspective for understanding the dynamics of ARL and its determinants.

4. Audit Report Lag

Julita (2019) defines audit report lag as the time interval between the fiscal year-end and the date of the auditor's report, encompassing both the client's preparation period and the audit process itself. According to the Indonesian Financial Services Authority (OJK) Regulation No. 29/POJK.04/2016, public companies must submit annual reports within 120 days of the fiscal year-end. Delays beyond this period are considered regulatory violations and may undermine the credibility of financial disclosures. The longer the audit report lag, the less relevant and useful the information becomes for stakeholders' decision-making.

5. Audit Firm Reputation

The reputation of a public accounting firm (KAP) reflects its perceived competence, integrity, and efficiency in performing audit engagements. Reputable audit firms—particularly the Big Four (PwC, EY, Deloitte, and KPMG)—are considered to uphold higher audit quality standards due to their expertise, resources, and global experience. According to the Ministry of Finance Regulation No. 17/PMK.01/2008, the scale and reputation of a KAP can influence the quality and timeliness of audit outcomes. Firms audited by reputable KAPs are therefore expected to experience shorter audit report lags due to greater audit efficiency and credibility.

6. Board of Directors

The board of directors plays a crucial role in supervising management and ensuring effective corporate governance. Sangaji and Nazar (2023) demonstrate that an effective board enhances oversight and coordination, thereby accelerating the audit process. Similarly, Irma Sari (2021) notes that an appropriately sized and well-functioning board can improve decision-making efficiency and strengthen monitoring, which collectively contribute to more timely financial reporting.

7. Profitability

According to Fahmi (2020), profitability measures the overall effectiveness of management in generating earnings relative to sales and investments. A commonly used metric, return on assets (ROA), assesses how efficiently management utilizes company assets to produce profits. Firms with higher profitability are generally more motivated to publish their audited financial statements promptly, as they tend to signal strong performance to investors.

8. Firm Size

Firm size refers to the scale of a company's operations, commonly measured through total assets, sales, or market capitalization (Kusno et al., 2022). Larger firms typically have more extensive resources, stronger internal control systems, and greater public visibility, which collectively enable faster financial reporting (Anggraini & Agustiningsih, 2022). Consequently, firm size is often associated with shorter audit report lags, as these firms can support audit efficiency through better preparation and communication processes.

9. Leverage

Leverage refers to the extent to which a company relies on debt to finance its assets. Studies by Gazali and Amanah (2021) and Nurmalina (2023) suggest that firms with higher leverage levels tend to experience longer audit report lags due to increased audit complexity and risk exposure. Highly leveraged firms require more extensive verification procedures, which can extend audit completion times.

Hypothesis Development

1. The Effect of Profitability on Audit Report Lag

Profitability reflects a company's ability to generate profits from its operational activities. Firms with higher profitability tend to convey favorable information to shareholders and the public. Based on signaling theory, companies are motivated to disclose "good news" as quickly as possible to create positive market perceptions. Therefore, high profitability often leads to shorter audit report lags, as firms seek to promptly release financial statements to signal strong performance.

Profitability also encourages auditors to complete their work more efficiently, as favorable results reduce the likelihood of disputes and audit complications. Several studies—Caroline et al. (2023), Susanto and Utama (2022), Sasvinorita and Maine (2023), and S&P (2022)—found that profitability has a negative effect on audit report lag. In Indonesia's real estate sector, profitability serves as a key indicator for investors in evaluating company performance. Real estate firms with strong profitability are thus more likely to accelerate the audit process to enhance investor confidence and firm value.

H1: Profitability has a negative effect on audit report lag.

2. The Effect of Firm Size on Audit Report Lag

Firm size represents the scale of operations and the resources available to an organization. Large companies typically maintain stronger internal control systems and have sufficient resources to prepare financial reports on time. However, their operational complexity and higher transaction volumes may increase audit workload. From an agency theory perspective, larger firms face greater pressure from stakeholders to ensure timely disclosure, leading them to invest in efficient accounting systems that support faster audits.

Empirical evidence from Ariyani and Budiartha (2014), Ariani and Bawono (2018), Larisa and Salim (2021), and Zahra et al. (2024) indicates that firm size has a negative relationship with audit report lag. In the context of the real estate industry, larger firms often manage diverse projects, increasing audit complexity. Nevertheless, they possess sufficient human and financial resources to manage this complexity effectively and maintain reporting timeliness.

H2: Firm size has a negative effect on audit report lag.

3. The Effect of Leverage on Audit Report Lag

Leverage measures the extent to which a company's operations are financed through debt. High leverage indicates elevated financial risk, which can increase the complexity of audits. From an agency theory standpoint, firms with high debt levels may experience longer audit report lags due to the need for auditors to perform more rigorous testing and verification of liabilities. In contrast, some managers may intentionally delay reporting if leverage signals potential financial distress or covenant breaches.

Research by Gazali and Amanah (2021), Nurmalina (2023), and Prabowo et al. (2022) consistently shows that higher leverage is associated with longer audit report lags. In the real estate sector—characterized by large-scale, debt-financed projects—leverage significantly influences audit duration, as auditors must carefully assess funding risks and debt compliance.

H3: Leverage has a positive effect on audit report lag.

4. The Moderating Effect of Audit Firm Reputation on the Relationship between Profitability and Audit Report Lag

Profitability represents positive performance information that companies aim to disclose quickly. Firms with high profitability often engage reputable public accounting firms (KAP) that possess greater expertise, experience, and resources to complete audits efficiently. Reputable audit firms, such as the Big Four, uphold higher quality standards and are better equipped to manage complex engagements. Consequently, they can strengthen the negative relationship between profitability and audit report lag.

Empirical evidence from Sasvinorita and Maine (2023), Elvienne and Apriwenni (2019), and Ari Murti and Widhiyani (2016) confirms that KAP reputation moderates the relationship between profitability and audit report lag, reducing delays in financial reporting.

H4: Audit firm reputation moderates the relationship between profitability and audit report lag.

5. The Moderating Effect of Audit Firm Reputation on the Relationship between Firm Size and Audit Report Lag

Firm size often increases reporting complexity due to a greater number of transactions and broader operational scope. However, reputable audit firms possess the technical capacity, advanced methodologies, and experienced personnel necessary to manage large-scale audits efficiently. Studies by Rahardi et al. (2021), Sasvinorita and Maine (2023), Khusnah et al. (2022), and Fitri et al. (2021) demonstrate that audit firm reputation can mitigate the challenges posed by firm size and reduce audit delays.

H5: Audit firm reputation moderates the relationship between firm size and audit report lag.

6. The Moderating Effect of Audit Firm Reputation on the Relationship between Leverage and Audit Report Lag

A reputable public accounting firm signifies audit quality and credibility. Experienced auditors are better equipped to handle clients with high leverage, as they possess the expertise to evaluate complex debt structures and manage associated risks. Findings from Saputra et al. (2024) and Yuhelni (2023) suggest that reputable auditors are more effective in minimizing audit delays for highly leveraged firms by applying efficient procedures and professional judgment.

H6: Audit firm reputation moderates the relationship between leverage and audit report lag.

7. The Moderating Effect of the Board of Directors on the Relationship between Profitability and Audit Report Lag

Higher profitability generally corresponds to shorter audit report lags, and an effective board of directors can further strengthen this relationship. According to Luxviasah and Bawono (2024), firms with high profitability tend to complete audits more quickly as auditors can easily verify positive financial results. Moreover, an active and competent board enhances managerial oversight, ensuring timely financial reporting. Adams and Ferreira (2007) similarly found that a well-functioning board can identify and resolve potential issues before the audit begins, reducing audit delays.

H7: The board of directors moderates the relationship between profitability and audit report lag.

8. The Moderating Effect of the Board of Directors on the Relationship between Firm Size and Audit Report Lag

Firm size is negatively associated with audit report lag, and the board of directors may influence the strength of this relationship. Larger firms possess greater resources and more structured reporting systems, facilitating audit efficiency. However, studies by Kurniawan and Gunawan (2020) and Sangaji and Nazar (n.d.) indicate that complexity in larger organizations can also lead to longer audit durations. An effective board of directors can help mitigate this complexity through enhanced monitoring and coordination, supporting timelier audits.

H8: The board of directors moderates the relationship between firm size and audit report lag.

9. The Moderating Effect of the Board of Directors on the Relationship between Leverage and Audit Report Lag

High leverage often increases audit duration due to higher financial risks and more detailed verification procedures. However, an effective board of directors can mitigate this impact by strengthening internal control systems and facilitating better communication with auditors. According to Sangaji and Nazar (n.d.), the board's active involvement in governance and oversight can reduce audit report lag even in highly leveraged firms.

H9: The board of directors moderates the relationship between leverage and audit report lag.

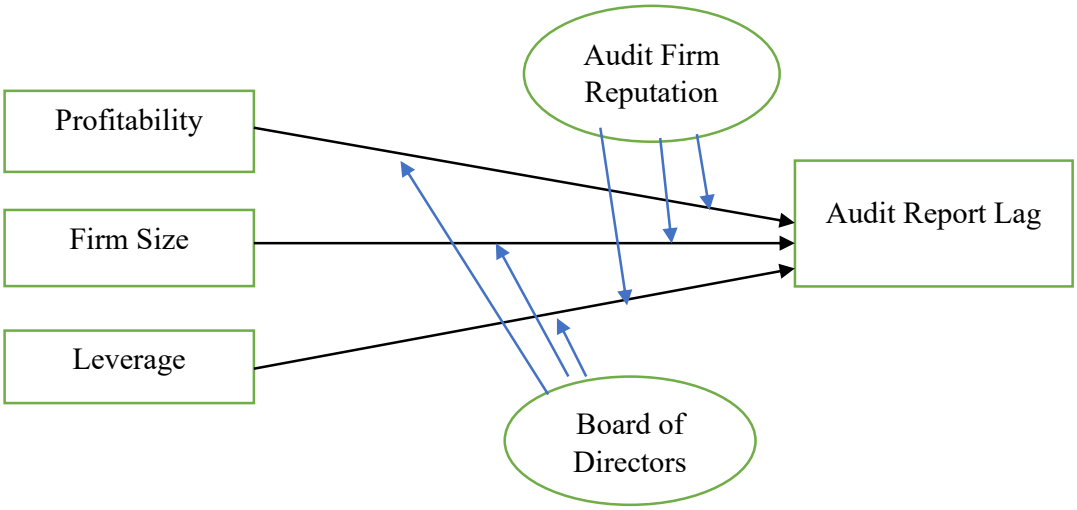

Figure 1 Conceptual Framework

Research Methodology

This study employs an associative quantitative approach using secondary data derived from audited financial statements. The population consists of 92 companies in the property and real estate sectors listed on the Indonesia Stock Exchange (IDX) during the 2019–2023 period. From this population, 16 companies were selected as the research sample through purposive sampling, based on specific inclusion criteria to ensure data relevance and consistency.
The variables used in this study are defined as follows:

Audit Report Lag (ARL)

According to Fitri et al. (2021), *audit report lag (ARL) refers to the time span required to complete the audit of annual financial statements, measured from the end of the fiscal year to the date of the independent auditor's report*. The ARL is calculated using the following formula:

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

Profitability

Van Horne and Wachowicz (2005) define profitability as *a measure of a company's overall effectiveness in generating profit through its available assets*. In this study, profitability is proxied by Return on Assets (ROA), which reflects management's efficiency in utilizing company assets to generate income.

$$\text{ROA} = \frac{\text{Net Income}}{\text{Total Assets}}$$

Firm Size

Firm size represents the scale of a company, indicating its operational capacity and market presence. Following Larisa and Salim (2021), firm size is measured using the natural logarithm of total assets, as formulated below:

$$\text{Firm Size} = \ln(\text{Total Assets})$$

Leverage

Leverage illustrates the extent to which a company relies on debt financing relative to its equity. According to Fahmi (2020), the Debt-to-Equity Ratio (DER) provides an overview of a company's financial structure and risk exposure. The leverage variable is calculated using the following formula:

$$\text{DER} = \frac{\text{Total Debt}}{\text{Total Equity}}$$

Audit Firm Reputation

Khusnah et al. (2022) explain that the reputation of a public accounting firm (KAP) is assessed using a dummy variable, where a score of 1 is assigned to companies audited by Big Four-affiliated firms (PwC, EY, Deloitte, or KPMG), and 0 otherwise. This distinction reflects differences in audit quality and efficiency between reputable and non-reputable firms.

Board of Directors

According to Anggraini and Agustiningsih (2022), the Board of Directors (BoD) plays a central role in ensuring effective corporate governance and oversight. The size of the BoD is measured by the total number of board members in each company, expressed as follows:

$$\text{BoD} = \text{Number of Directors}$$

Research Results and Discussions

Descriptive Statistical Analysis

The results of the descriptive statistical analysis of the variables tested in this study can be seen in Table 1:

Table 1.
Results of Descriptive Statistical Analysis Test

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
LENGTH (X1)	80	,00014	,19972	,0579410	,04270150
FS (X2)	80	27,46827	31,83314	29,8128568	1,17772415
DER (X3)	80	12,9864	29,32098	20,57898	0,678903
HOOD (Z1)	80	0	1	,29	,454
BOD (Z2)	80	0	5	1,456	0,6243
ARL (Y)	80	41	147	83,55	21,074
Valid N (listwise)	80				

Source: SPSS Output Version 26, 2025

Based on Table 1, the descriptive statistical analysis was conducted on 80 observations derived from 16 companies over a five-year period (2019–2023). The results provide an overview of the characteristics and variability of each variable used in this study. The profitability (ROA) variable (X1) has a mean value of 0.0579, with a minimum of 0.00014 and a maximum of 0.19972, indicating relatively low variation, as reflected by its standard deviation of 0.0427. The firm size (FS) variable (X2) shows a mean of 29.8129, ranging from 27.4683 to 31.8331, with a standard deviation of 1.1777, suggesting a fairly consistent data distribution among the sampled companies.

The leverage (DER) variable (X3) has a mean value of 20.5789, with a minimum of 12.9864 and a maximum of 29.3210, and a standard deviation of 0.6789, indicating moderate variability. For the moderating variables, the audit firm reputation (HOOD) (Z1) variable has a mean value of 0.29, with minimum and maximum values of 0 and 1, respectively, reflecting the binary nature of this variable. Meanwhile, the Board of Directors (BOD) (Z2) variable records a mean of 1.456, ranging from 0 to 5, demonstrating variation in board composition among the firms studied.

Finally, the dependent variable, Audit Report Lag (ARL) (Y), has a mean value of 83.55 days, ranging from 41 to 147 days, with a standard deviation of 21.074. This relatively high dispersion indicates significant variation in the timeliness of audit completion across companies in the property and real estate sectors.

Classic Assumption Test

In this study, the classical assumption test includes residual normality, multicollinearity, heteroscedasticity, and autocorrelation tests. The test results showed that all classical assumptions were met, so that the data used were valid and the regression model did not experience deviations from classical assumptions.

Multiple Linear Regression Analysis

The following are the results of the multiple linear regression analysis test which can be seen in Table 2:

Table 2.
Multiple Linear Regression Analysis Results

Coefficient

Type		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	135,254	40,009		3,381	,001
	LAG_ROA (X1)	-91,199	48,959	-,204	-1,863	,036
	LAG_FS (X2)	-5,281	2,592	-,283	-2,038	,045
	LAG_DER (X3)	17,480	7,538	,327	2,319	,023
	LAG_KAP(Z1)	13,284	6,555	,275	2,026	,046
	LAG_BOD (Z2)	-2,414	1,679	-,239	-1,438	,047

Dependent Variable: LAG_ARL (Y)

Source: SPSS Output Version 26, 2025

Based on Table 2, the multiple linear regression equation can be expressed as follows:

$$Y = 135.254 - 91.199X_{1,t-1} - 5.281X_{2,t-1} + 17.480X_{3,t-1} + 13.284Z_{1,t-1} - 2.414Z_{2,t-1} + e_{i,t}$$

The results of the regression analysis indicate significant relationships between financial indicators, governance mechanisms, and Audit Report Lag (ARL). Specifically, return on assets (LAG_ROA) and firm size (LAG_FS) exhibit significant negative effects on ARL. This suggests that companies with higher profitability and larger asset bases tend to complete their audits more quickly. Such firms typically possess more effective internal control systems, better resource allocation, and timely documentation processes, which facilitate audit efficiency.

Conversely, leverage (LAG_DER) shows a significant positive effect on ARL, implying that companies with higher debt ratios require longer audit durations. This can be attributed to the increased audit complexity and risk assessment associated with highly leveraged firms. The audit firm reputation (LAG_KAP) variable also demonstrates a significant positive relationship with ARL, indicating that companies audited by highly reputable public accounting firms (e.g., Big Four) may experience slightly longer audit completion times due to the rigor and comprehensiveness of their procedures. Meanwhile, the Board of Directors (LAG_BOD) variable exerts a significant negative influence on ARL, implying that a more effective board structure can enhance oversight and coordination, leading to more timely audit completion.

Overall, all variables in the model show statistical significance ($p < 0.05$), confirming that both financial performance and corporate governance factors jointly exert a meaningful influence on audit timeliness. These findings reinforce the argument that a company's operational efficiency and governance quality play a crucial role in determining the duration of its audit process, particularly in Indonesia's property and real estate sector.

Moderated Regression Analysis (MRA)
The following are the results of the multiple linear regression analysis test which can be seen in Table 3:

Table 3.
Moderated Regression Analysis Results
Coefficient

Type		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	146,125	41,596		3,513	,001
	LAG_ROA (X1)	-322,637	146,812	-,721	-2,198	,031
	LAG_FS (X2)	-5,040	2,720	-,270	-1,853	,068
	LAG_DER (X3)	-12,232	22,465	-,229	-,544	,588
	LAGX1_LAGZ1	-18,233	248,143	-,014	-,073	,022
	LAGX2_LAGZ1	2,475	,947	,872	2,614	,011
	LAGX3_LAGZ1	-94,522	35,591	-1,463	-2,656	,010
	LAGX1_LAGZ2	101,544	51,116	,709	1,987	,041
	LAGX2_LAGZ2	-,608	,237	-1,087	-2,565	,012
	LAGX3_LAGZ2	17,853	8,899	1,844	2,006	,049

Dependent Variable: LAG_Y
Source: SPSS Output Version 26, 2025

Based on Table 3, the *moderated regression analysis* equation can be formed as follows:

$$Y = 146{,}125 - 322{,}637X_{1,t-1} - 5{,}040X_{2,t-1} - 12{,}232X_{3,t-1} - 18{,}233X_1Z_{1,t-1} + 2{,}475X_2Z_{1,t-1} - 94{,}522X_3Z_{1,t-1} + 101{,}544X_1Z_{2,t-1} - 0{,}608X_2Z_{2,t-1} + 17{,}853X_3Z_{2,t-1} + e_{i,t}$$

The moderated regression analysis (MRA) in Table 3 provides deeper insights into how moderating variables influence the relationship between independent variables and Audit Report Lag. The resulting equation is $Y = 146.125 - 322.637X_1 - 5.040X_2 - 12.232X_3 - 18.233X_1Z_1 + 2.475X_2Z_1 - 94.522X_3Z_1 + 101.544X_1Z_2 - 0.608X_2Z_2 + 17.853X_3Z_2$. In this model, LAG_ROA continues to show a significant negative effect on ARL, while LAG_FS and LAG_DER become independently non-significant. Interestingly, almost all interactions between independent variables and moderator variables demonstrate significant effects.

The interaction between LAG_ROA and LAG_KAP (X_1Z_1) strengthens the negative effect of profitability on ARL, indicating that audit firm quality enhances audit efficiency in companies with high profitability. However, the interaction of LAG_ROA with LAG_BOD (X_1Z_2) weakens this effect. For firm size, its interaction with LAG_KAP (X_2Z_1) weakens the negative effect, while interaction with LAG_BOD (X_2Z_2) strengthens it. The interactions of debt ratio with both moderators also show different effects.

These results reveal that the roles of public accounting firms and boards of directors are highly complex in moderating the relationship between a company's financial characteristics and the timeliness of audit reporting, with important implications for corporate governance practices and regulatory oversight. The findings suggest that moderating variables significantly alter the nature and strength of relationships between financial performance metrics and audit report timeliness, highlighting the importance of considering these interaction effects in audit planning and corporate governance.

Correlation Coefficient (R) and Coefficient of Determination (R2) Test

The following are the results of the correlation coefficient and determination coefficient test which can be seen in Table 4:

Table 4.
Results of Correlation Coefficient and Determination Coefficient

Model Summary

Type	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,450a	,313	,167	12,66872

Predictors: (Constant), LAG_Z2, LAG_X1, LAG_Z1, LAG_X2, LAG_X3

Source: SPSS Output Version 26, 2025

Based on Table 4, it is known that the value of the correlation coefficient in the study is 0.450, the value of the determination coefficient or R^2 is 0.313 or equal to 31.3 percent. This figure means that independent variables consisting of *profitability*, *firm size, leverage*, *audit firm reputation* and *Board of Directors* simultaneously affect the dependent variable, namely *audit report lag* of 31.30 percent, while the remaining 68.70 percent is influenced by other variables that are not studied.

Test F

Based on Table 5 below, it can be known that the significance value of Sig. obtained is 0.000 or (0.000 < 0.05), so it can be interpreted that the variables of profitability, firm size, leverage,

audit firm reputation and the Board of Directors simultaneously have a significant influence on audit report lag so that it is feasible to continue or use.

Table 5.
Results of the F Test

Type		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	5416,842	5	1083,368	6,750	,000b
	Residual	11876,733	74	160,496		
	Total	17293,575	79			

Dependent Variable: LAG_Y

Predictors: (Constant), LAG_Z2, LAG_X1, LAG_Z1, LAG_X2, LAG_X3

Source: SPSS Output Version 26, 2025

T test

Based on Table 2, the significance value for profitability is 0.036, which is lower than the 0.05 threshold, with a regression coefficient of –91.199. Therefore, H1 is accepted, indicating that profitability has a significant negative effect on audit report lag (ARL). This finding suggests that companies with higher profitability tend to complete audits more quickly, consistent with the notion that profitable firms are motivated to promptly communicate positive performance results to stakeholders.

The firm size variable shows a significance value of 0.045 and a regression coefficient of –5.281. Accordingly, H2 is accepted, confirming that firm size has a significant negative effect on ARL. Larger firms generally possess stronger internal control systems and more extensive resources, enabling them to finalize audited financial statements in a timelier manner.

The leverage variable demonstrates a significance value of 0.023 and a regression coefficient of 17.480. Thus, H3 is accepted, indicating that leverage has a significant positive effect on ARL. Companies with higher debt ratios require more comprehensive audit procedures due to elevated financial risk, which tends to lengthen the audit process.

For the audit firm reputation variable, the significance value is 0.046 with a regression coefficient of 13.284, indicating a significant positive effect on ARL. This result suggests that firms audited by highly reputable auditors—such as the Big Four—may experience longer audit durations due to the more rigorous verification processes applied by these auditors.

Finally, the board of directors' variable has a significance value of 0.047 with a regression coefficient of –2.414, which, despite being close to the threshold, still indicates a significant negative effect on ARL. This finding implies that an effective board of directors can enhance governance oversight and coordination, thereby reducing the audit completion time.

The Role of Audit Firm Reputation as a Moderating Variable

Based on the results presented in Table 3, the interaction terms between profitability, firm size, and leverage with audit firm reputation (X_1Z_1, X_2Z_1, X_3Z_1) show significance values of 0.022, 0.011, and 0.010, respectively—each below the 0.05 threshold. These findings indicate that

audit firm reputation significantly moderates the relationships between profitability, firm size, leverage, and audit report lag (ARL). Therefore, hypotheses H4, H5, and H6 are accepted.

This implies that the presence of a reputable audit firm strengthens the negative influence of profitability and firm size on ARL and amplifies the positive effect of leverage. In other words, companies audited by high-reputation firms (such as Big Four auditors) experience greater scrutiny and procedural rigor, which can influence how financial and structural factors affect audit completion times.

The Role of the Board of Directors as a Moderating Variable

As shown in Table 3, the interaction between profitability, firm size, and leverage with the board of directors (X_1Z_2, X_2Z_2, X_3Z_2) yields significance values of 0.041, 0.012, and 0.049, respectively—all below 0.05. These results demonstrate that the board of directors significantly moderates the relationships between profitability, firm size, leverage, and audit report lag. Hence, hypotheses H7, H8, and H9 are accepted.

This suggests that an effective board of directors can enhance the influence of financial characteristics on audit timeliness by improving coordination between management and auditors, enforcing stronger internal controls, and ensuring timely disclosure of financial information.

Conclusion and Recommendation

This study concludes that profitability and firm size have a significant negative effect on audit report lag, indicating that firms with higher profitability and larger size tend to complete their audits more promptly. Conversely, leverage exerts a significant positive influence on audit report lag, suggesting that companies with higher debt levels generally require longer audit completion times due to increased audit complexity and risk.

Furthermore, both audit firm reputation and board of directors are proven to play a moderating role in the relationship between financial characteristics and audit report lag. A reputable audit firm enhances the impact of profitability and firm size on audit timeliness through higher audit quality and efficiency, while an effective board of directors strengthens the governance mechanisms that facilitate faster financial reporting and communication with auditors.

However, this study acknowledges several limitations. The sample is restricted to companies in the property and real estate sectors listed on the Indonesia Stock Exchange (IDX) during the 2019–2024 period, which limits the generalizability of the findings across other industries and timeframes. In addition, the coefficient of determination (R^2) of 0.313 (31.3%) indicates that the independent variables collectively explain only a modest portion of the variance in audit report lag, leaving 68.7% influenced by other factors not included in the model.

Future research is therefore encouraged to incorporate additional variables—such as ownership structure, audit tenure, internal control effectiveness, or regulatory compliance—and to extend the observation period to capture long-term dynamics and the impact of evolving economic and regulatory environments on audit timeliness.

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