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AUDIT REPORT LAG UNDER TIGHTENED REGULATIONS: EVIDENCE FROM INDONESIA'S CONSUMER NON-CYCLICALS

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Abstract

This study examines the effects of operational complexity, management replacement, and firm size on audit report lag among consumer non-cyclical companies listed on the Indonesia Stock Exchange during 2021–2023, following the implementation of Financial Services Authority Regulation (POJK) No. 14/POJK.04/2022, which introduced tighter reporting deadlines. Using a quantitative approach and a sample of 65 purposively selected firms, the results indicate that higher operational complexity and management replacement significantly increase audit report lag. Contrary to expectations, firm size shows a positive effect, suggesting that larger firms experience longer audit delays. This study contributes to the audit report lag literature by explaining the underlying audit mechanisms, including increased verification risk, coordination complexity, and information asymmetry under regulatory tightening. By focusing on the consumer non-cyclical sector—characterized by large operational scale, regulatory exposure, and stable public demand—the study extends Agency Theory by demonstrating that regulatory pressure may intensify, rather than reduce, agency conflicts. Practically, the findings highlight the importance of strengthening internal controls during managerial transitions, improving audit planning for complex clients, and adopting more context-sensitive regulatory enforcement to enhance reporting timeliness without exacerbating audit delays.

INTRODUCTION

Financial report serves as primary medium through which companies communicate financial information to stakeholders as a basis for economic decision-making. Therefore, financial report must possess high relevance and reliability. Financial report not only be prepared in accordance with established accounting standards but also be delivered in a timely manner. The timeliness of audited financial reporting is a crucial aspect of maintaining the quality of financial reporting, particularly in capital markets that demand high levels of transparency and accountability. Audit report lag, defined as the time interval between the company's fiscal year-end and the date of the independent auditor's report, is widely used as an indicator to evaluate the timeliness of financial reporting as well as the effectiveness of the audit process. A longer audit report lag reduces the usefulness of financial information for investors, creditors, and regulators (Ikatan Akuntan Indonesia, 2016).

In recent years, capital market authorities in Indonesia have implemented stricter financial reporting regulations to enhance compliance, transparency, and investor protection. The timeliness of financial reporting has been strengthened through the implementation of Financial Services Authority Regulation (POJK) No. 14/POJK.04/2022, which requires companies to submit their audited annual financial statements no later than the end of the third month after the fiscal year-end. This regulatory tightening requires companies to submit audited financial reports more promptly while simultaneously increasing pressure on auditors to complete the audit process in accordance with applicable auditing standards. This regulatory framework reflects the perspective of compliance theory, which emphasizes that corporate compliance behavior is influenced by regulatory pressure and the potential sanctions associated with non-compliance. However, despite stricter reporting deadlines, delays in the submission of audited financial reports continue to occur, including in the period following the implementation of these regulations. This condition suggests that audit report lag may still be influenced by various internal firm characteristics, particularly among companies with different operational structures and complexities. Therefore, examining the determinants of audit report lag in the context of stricter reporting regulations becomes increasingly relevant.

From the perspective of agency theory (Meckling & Jensen, 1976), audit report lag can be understood as a consequence of conflicts of interest and information asymmetry between management (agents) and shareholders or investors (principals). Higher operational complexity increases the risk of misstatement and expands managerial discretion, requiring auditors to perform more extensive audit procedures to obtain reasonable assurance. Management replacement may also increase informational uncertainty due to changes in policies, strategies, and internal control systems, which can potentially delay the audit process. Meanwhile, firm size not only reflects greater resource capacity but also indicates a larger scale of operations and transaction complexity, which may increase the burden of audit verification, particularly under stricter reporting deadlines.

Previous studies have identified several determinants of audit report lag, one of which is operational complexity. Operational complexity, reflected in the number of business segments, subsidiaries, and the diversity of transactions, has been shown to increase the duration of the audit process because auditors must conduct broader and more detailed audit procedures (Mubarok & Perdana, 2022; Hanif & Ariani, 2023). However, empirical findings regarding the relationship between operational complexity and audit report lag remain inconsistent. Some studies report that operational complexity does not significantly affect audit report lag, particularly in companies with strong internal control systems (Hanif & Ariani, 2023; Jannah et al., 2024). These inconsistent findings indicate the presence of a research gap. Prior research has generally not explicitly considered regulatory tightening in financial reporting as an institutional context that may influence the relationship between operational complexity and audit report lag. Moreover, many previous studies were conducted across different sectors and countries and tend to examine operational complexity in isolation without integrating other firm characteristics or theoretical perspectives such as agency theory and compliance theory. This suggests the existence of a relevant research gap that warrants further investigation, particularly within the consumer non-cyclical sector in Indonesia.

In addition to operational complexity, management replacement has also been identified as a potential factor influencing audit report lag. Management turnover may lead to changes in accounting policies, operational strategies, and reporting practices, requiring additional adjustments by auditors and potentially extending the audit process (Chang et al., 2020). However, studies by Afrida & Susanti (2017) and Susanti et al. (2023) found that management replacement does not always have a significant effect on audit report lag because the audit process primarily relies on the company's established systems and documentation. These differing findings indicate another empirical gap that requires further examination, particularly

in situations where companies face stronger compliance pressure due to stricter reporting regulations.

Firm size is another company characteristic frequently associated with audit report lag. Large firms generally possess greater resources, more sophisticated information systems, and more established reporting practices, which may facilitate faster audit completion (Dani & Silfi, 2023; Bahri & Amnia, 2020). However, large firms also tend to have more complex operations and transaction structures, which may instead prolong the audit process. These mixed findings suggest that the relationship between firm size and audit report lag remains inconclusive and requires further investigation within different institutional contexts.

Most audit report lag studies have been conducted in developed countries or without explicitly considering regulatory changes and reporting deadline tightening as the main analytical context. In addition, empirical studies that simultaneously examine the effects of operational complexity, management replacement, and firm size on audit report lag in Indonesia's consumer non-cyclical sector remain relatively limited. This sector is characterized by relatively stable demand for essential goods and stricter regulatory oversight, providing an important context for examining the determinants of audit report lag. Moreover, much of the prior literature focuses on testing firm characteristics across sectors while treating reporting regulations merely as a background institutional factor. Prior studies largely ignore how tightened reporting deadlines reshape audit complexity and alter the sensitivity of firm characteristics such as operational complexity, management replacement, and firm size to audit report lag, particularly in essential-goods firms. Consequently, understanding of the mechanisms through which regulatory pressure interacts with internal firm characteristics in influencing audit report lag remains limited. This indicates a mechanism-based research gap concerning how regulatory tightening modifies the relationship between firm characteristics and audit report lag.

Based on the identified research gaps, this study aims to explain audit report lag in the context of stricter financial reporting regulations by examining the role of operational complexity and firm characteristics, namely management replacement and firm size, in consumer non-cyclical companies in Indonesia during the 2021–2023 period. This study integrates agency theory and compliance theory as the conceptual framework to explain how information asymmetry, agency conflicts, and regulatory compliance pressures influence the timeliness of audit completion. Accordingly, this research is expected to contribute theoretically by enriching the audit report lag literature in the context of regulatory tightening, as well as to provide practical implications for corporate management, auditors, and regulators in improving the timeliness of audited financial reporting under stricter regulatory environments.

HYPOTHESIS DEVELOPMENT

Influence of Operational Complexity on Audit Report Lag

Operational complexity refers to the level of complexity of a company's operational activities, which can be reflected in the number of subsidiaries, diversification of business segments, and the geographical distribution of operations. The more complex a company's operational structure, the greater the volume and diversity of transactions that must be understood and verified by auditors.

In the auditing process, higher operational complexity increases the risk of material misstatement and expands managerial discretion, requiring auditors to perform more extensive audit procedures. These procedures include intercompany transaction testing, consolidation verification of financial statements, and the evaluation of internal control systems across multiple business units. The expansion of the scope and depth of audit procedures directly increases the time required to complete the audit, thereby contributing to a longer audit report lag.

This effect is expected to be more pronounced in consumer non-cyclical firms operating under stricter post-pandemic reporting deadlines, as essential-goods companies typically maintain continuous operations and extensive supply chains, which intensify audit complexity when reporting timelines are tightened. In other words, greater operational complexity leads to broader and deeper audit procedures, which ultimately prolong the time required to complete the audit and increase audit report lag.

Previous studies support this argument. Research by David & Bangun (2017), Mubarok & Perdana (2022), and Dani & Silfi (2023) shows that operational complexity has a significant effect on audit report lag. A large number of subsidiary entities requires auditors to perform more comprehensive audit procedures, which increases the time needed before the consolidated audit report can be issued by the parent company.

From the perspective of agency theory, operational complexity increases information asymmetry between management (agents) and shareholders (principals). This condition encourages auditors to conduct more rigorous verification procedures in order to obtain sufficient and appropriate audit evidence and to reduce the risk of material misstatement. Consequently, the audit process becomes longer, leading to an increase in audit report lag.

H_1: Operational complexity has a positive effect on audit report lag.

Influence of Management Replacement on Audit Report Lag

Management replacement, whether at the executive or top management level, reflects changes in a company's policies, strategies, and governance practices. Such changes are often accompanied by adjustments to financial reporting systems, operational procedures, and internal control structures.

In the auditing context, management replacement creates additional challenges because auditors must understand new policies, evaluate changes in accounting estimates, and reassess the effectiveness of internal control systems. These adjustments require auditors to devote additional time and effort to obtain sufficient audit evidence.

As a result, auditors are required to apply greater professional skepticism and expand audit procedures, which may prolong the completion of the audit process and increase audit report lag. Previous empirical studies generally indicate that companies experiencing management replacement tend to experience longer audit report lags compared to firms with stable management structures, although the magnitude of this effect may vary across contexts. Susanti et al. (2023) and Artaningrum & Wasita (2020) found that management replacement significantly affects audit report lag because such changes are often implemented in response to organizational challenges, requiring time for adjustment and restructuring within the new management system.

This relationship is expected to be stronger in consumer non-cyclical firms operating under tightened reporting deadlines, as managerial transitions in essential-goods companies may disrupt coordination across operational units that are required to remain continuously active.

From the perspective of agency theory, management replacement increases the risk of adverse selection and moral hazard, particularly when new management has incentives to modify accounting policies or revise previously reported performance. These conditions encourage auditors to increase the intensity of verification procedures, thereby extending the time required to complete the audit and increasing audit report lag.

H_2: Management replacement has a positive effect on audit report lag.

Inluence of Firm Size on Audit Report Lag

Firm size reflects the magnitude of organizational resources, operational scale, and the level of external monitoring faced by a company. In the literature, the relationship between firm size and audit report lag has produced two competing theoretical perspectives.

Research by David &Bangun (2017), Dani & Silfi (2023), and Zahrani et al. (2023) indicates that firm size influences audit report lag because large companies tend to possess more sophisticated internal control systems and are subject to stronger supervision from investors, regulators, and the public.

From the perspectives of agency theory and compliance theory, large firms face higher reputational pressure and stricter monitoring from stakeholders. These pressures create incentives for management to ensure timely completion of the audit in order to reduce information asymmetry and comply with regulatory reporting deadlines. Moreover, large firms generally have more established accounting systems and internal control mechanisms, which may facilitate a more efficient audit process.

However, firm size may also reflect greater organizational and operational complexity. In the consumer non-cyclical sector, large firms often operate with multi-layered bureaucratic structures, extensive supply chains, and complex coordination across business units. These characteristics may slow the provision of audit evidence and extend the time required for audit verification and decision-making during the audit process.

Despite these competing arguments, this study follows the dominant theoretical expectation that reputational pressure, stronger monitoring mechanisms, and greater resource capacity in large firms are likely to outweigh the potential delays caused by organizational complexity, particularly under stricter reporting deadlines.

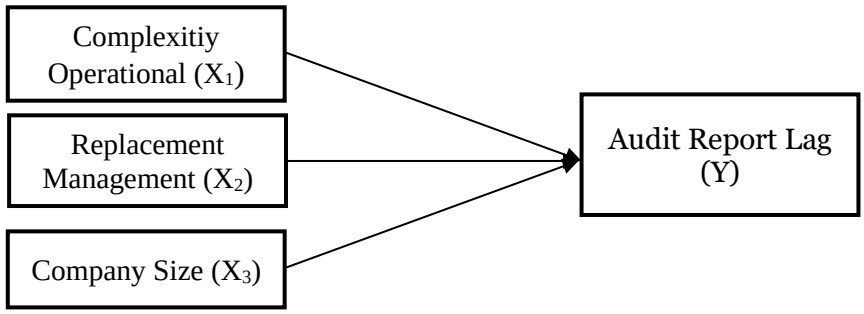
H_3: Firm size has a negative effect on audit report lag.

RESEARCH METHODS

Sample and Type of Research

This study employs a quantitative descriptive research design aimed at examining the influence of several variables on audit report lag using statistical analysis of numerical data. A quantitative approach is chosen because it allows hypotheses to be tested objectively based on measurable data and facilitates the identification of causal relationships between variables.

The population of this study consists of all companies in the consumer non-cyclicals sector listed on the Indonesia Stock Exchange (IDX) during the 2021–2023 period. This sector is selected because it is characterized by relatively stable operational performance compared to cyclical sectors, while still facing considerable operational complexity and increased regulatory compliance pressures following the post-pandemic tightening of financial reporting regulations implemented by the Financial Services Authority (OJK).



Sources: Data Processed by the Author, 2024

Figure 1.
Research Model

The samples in this study were determined using purposive sampling, which is the selection of samples based on specific criteria relevant to the research objectives. The sample criteria included:

1. Consumer Non-Cyclicals sector companies that published complete financial reports for the 2021–2023 period.
2. Companies that were not delisted during the observation period.
3. Companies that provided the data required by the researcher.

Table 1.
Sampling Recapitulation

No.	Criteria	Amount
	Population	**129**
1.	Sector companies Consumer Non -*Cyclicals* report his finances No can obtained during 2021-2023 period	(64)
2.	Sector companies *Consumer Non-Cyclicals* that were delisted during 2021-2023 period	0
3.	Companies that do not provide the data needed by researchers	0
	Total Company	65 company
	Amount of Year	3 years
	Amount of Sample	195 Datas

Sources: Processed Data, 2025

Based on criteria of these, 65 companies were obtained as sample study with period observation for 3 years, so that the total observations used in study This is 195 *firm-year observations.*

Types, Sources, and Data Collection Techniques

This study uses quantitative data as the primary type of data. According to Sugiyono (2018), quantitative research methods are based on the philosophy of positivism and are used to examine a specific population or sample with the aim of testing predetermined hypotheses. The data collection technique employed in this study is the documentation method, which involves collecting data from available official documents. The data used in this research are secondary data obtained from the annual financial statements and independent audit reports of the sample companies. These documents were accessed through the official website of the Indonesia Stock Exchange (IDX) (www.idx.co.id).

In addition, supporting information was obtained through literature review, including textbooks, scientific journal articles, and other relevant academic sources related to the research topic.

Variable Measurement

To provide clarity regarding the constructs examined in this study, each variable is operationalized based on established measures in prior research. The definitions and measurement approaches for all variables are summarized in Table 2.

Table 2.
Definition Operational Variables and Their Measurement

No.	Variables Study	Definition	Measurement
1.	*Audit Report Lag* (Y)	*Audit Report lag* is difference time between date end year book company with date audit report signed by an independent auditor (Diastiningsih & Tenaya, 2017)	*Audit report lag* measured in unit day, namely difference between December 31st with date independent auditor's report Audit Report Lag = Fiscal year closing date – audit report date (Diastiningsih & Tenaya, 2017)

No.	Variables Study	Definition	Measurement
2.	Complexitiy Operational (X_1)	Complexitiy Operational reflect level complexity activity companies affected by the structure organization and existence child company (Fitrianingsih & Triyanto, 2020).	In research this, complexity operational measured use dummy variable, namely given value 1 if company own One or more child company, and 0 if no own child company. Use dummy variables are selected for guard consistency measurement and avoidance difference practice reporting amount child company between issuer. Although approach This No fully catch variation level complexity in a way quantitative, measurement This still relevant for differentiate company with structure operational simple and complex, as general used in previous audit research. (Fitrianingsih & Triyanto, 2020)
3.	Replacement Management (X_2)	Replacement management describe condition occurrence change board of directors in something potential companies influence accuracy time settlement report finance (Susanti et al., 2023).	Variables This measured use dummy variable, with value 1 if company do replacement directors in the year running and 0 if no. (Susanti et al., 2023)
4.	C ompany Size (X_3)	Company Size show big small companies that can classified based on total assets, market value, or indicator other (Jogiyanto, 2016).	In research this, company size measured use natural logarithm of total assets. Ln= Total Aset (Jogiyanto, 2016)

Sources: *Processed Data, 2025*

Data Analysis Methods

This study uses secondary data collected from the financial reports of Consumer Non-Cyclicals sector companies listed on the Indonesia Stock Exchange (IDX) during the period 2021–2023. The collected data were tabulated using Microsoft Excel before being further processed with SPSS version 25. The sampling technique was carried out using purposive sampling, with a total population of 129 companies. After adjusting for research criteria, 65 companies were found to be eligible as samples, resulting in a total of 195 data observations used.

Although the research data had a panel structure, this study used multiple linear regression with a pooled approach because the focus of the analysis was on the structural relationship between variables and model simplicity (parsimonious model). This method was chosen to maintain consistency of measurement between periods and avoid estimation complexity that could potentially obscure the interpretation of the results. Before conducting the regression analysis, this study tested the classical assumptions. The initial test results showed a violation of the normality assumption due to the existence of extreme data. Therefore, outlier detection was performed using the casewise diagnostics method in SPSS, which resulted in the removal of 10 extreme observations. Thus, the final number of data used in the analysis was 185 firm-year observations.

This study acknowledges methodological limitations related to the use of ordinary linear regression on panel data and the exclusion of control variables such as profitability, leverage, audit opinion, and KAP size. Further research is recommended to use panel data techniques such as fixed effects or random effects to address potential unobserved heterogeneity and to add control variables to improve the accuracy of model estimation.

RESULTS AND DISCUSSION

Research Results

This study aims to analyze the influence of operational complexity, management replacement, and firm size on audit report lag in consumer non-cyclical companies listed on the Indonesia Stock Exchange during the 2021–2023 period. Based on the purposive sampling method, a total of 65 companies were selected as the research sample, resulting in 195 firm-year observations. After eliminating outliers using casewise diagnostics, the final number of observations analyzed in this study was 185 firm-year observations.

Descriptive Statistics

Descriptive statistics provide an overview of the data by presenting the mean, standard deviation, minimum, and maximum values of each variable. This analysis aims to describe the general characteristics of the research variables before conducting further statistical testing. The descriptive statistical results for the variables audit report lag (Y), operational complexity (X_1), management replacement (X_2), and firm size (X_3) are presented in Table 3.

Table 3.
Statistical Test Descriptive

	N	Minimum	Maximum	Mean	Standard Deviation
Audit Report Lag	185	51.00	89.00	62,6541	4.93207
Complexity Operational	185	0.00	1.00	,9514	,21572
Replacement Management	185	,00	1.00	,5027	,50135
Company Size	185	25.91	32.86	28,2346	1.14058
Valid N (*listwise*)	185				

Sources: Data processed using SPSS 25, 2025

Based on Table 3, the average audit report lag for companies in the consumer non-cyclicals sector is 62.65 days, with a range between 51 and 89 days. This finding indicates that, in general, companies remain within the regulatory reporting deadline; however, there is considerable variation in reporting delays among firms.

Operational complexity and management replacement are measured as binary variables, with mean values of 0.95 and 0.50, respectively. These values indicate that the majority of companies have group structures (subsidiaries), while approximately half of the sampled firms experienced management changes during the observation period. Firm size has an average value of 28.23 (measured as the natural logarithm of total assets), reflecting the dominance of medium- to large-sized companies in the research sample.

Diagnostic Tests of the Regression Model

Before conducting the regression analysis, several diagnostic tests were performed to ensure that the regression model met the classical assumptions. The normality of residuals was examined using the Kolmogorov–Smirnov test. As presented in Table 4, the test produced an Asymp. Sig. (2-tailed) value of 0.200, which is higher than the significance level of 0.05, indicating that the residuals are normally distributed. This result confirms that the normality assumption required for valid statistical inference in regression analysis is satisfied (Ghozali, 2018).

Multicollinearity was assessed using tolerance values and the Variance Inflation Factor (VIF). According to Ghozali (2018), multicollinearity is considered absent when tolerance values exceed 0.10 and VIF values are below 10. As shown in Table 5, all independent variables—operational complexity, management replacement, and firm size—have tolerance

values above 0.10 and VIF values well below 10, indicating that there is no significant correlation among the independent variables and that the regression model is free from multicollinearity.

Heteroscedasticity was tested using Spearman's rank correlation method to determine whether the variance of residuals remained constant across observations. The results presented in Table 6 show that the significance values for operational complexity, management replacement, and firm size are 0.975, 0.674, and 0.124, respectively, all exceeding the threshold of 0.05. These findings indicate that the regression model does not suffer from heteroscedasticity and that the residual variance is relatively constant (Ghozali, 2018).

Finally, the autocorrelation test was conducted using the Durbin–Watson statistic to determine whether residuals are correlated across time periods. As reported in Table 7, the Durbin–Watson value is 1.883, which lies within the acceptable range of $DU < DW < 4 - DU$ ($1.7924 < 1.883 < 2.2076$). This result indicates that no autocorrelation problem is detected in the regression model, suggesting that the residuals are independent and that the regression estimates are reliable.

Hypothesis Test Results

Equality Multiple Linear Regression

In this study, hypotheses 1, 2, and 3 were tested using a multiple linear regression model to obtain a comprehensive picture of the effects of operational complexity, management turnover, and company size on audit report lag in non-cyclical consumer companies listed on the Indonesia Stock Exchange (IDX) for the period 2021–2023. Data analysis was performed using SPSS software version 25. The results of statistical data processing using SPSS for partial testing (t-test) are presented in Table 4 below.

Table 4.
Analysis Results Multiple Linear Regression

Model		B	Beta	T	Sig.	Results
1	(Constant)	19,777		2,936	,004	
	Complexity Operational	2,482	,109	2,019	,045	Accepted
	Replacement Management	5,902	,600	11,170	,000	Accepted
	Company Size	1,330	,308	5,718	,000	Accepted

Sources: Data processed using SPSS 25, 2025

The results of the multiple linear regression analysis are presented in Table 4. The t-test was conducted to examine the individual effect of each independent variable on audit report lag at the 5% significance level. The results show that operational complexity has a positive and significant effect on audit report lag, with a coefficient value of 2.482, a t-statistic of 2.019, and a significance value of 0.045. Since the significance value is lower than 0.05 and the t-statistic (2.019) exceeds the critical t-value (1.973), Hypothesis 1 (H1) is accepted. This result indicates that firms with more complex operational structures tend to experience longer audit completion times due to the broader scope of audit procedures required to verify diverse transactions and subsidiaries.

The regression results further indicate that management replacement has a positive and significant effect on audit report lag, with a coefficient value of 5.902, a t-statistic of 11.170, and a significance value of less than 0.001. Because the significance value is below the 0.05 threshold, Hypothesis 2 (H2) is accepted. This finding suggests that companies experiencing management changes tend to require longer audit completion periods, as auditors must reassess internal control systems, accounting policies, and managerial decisions under the new leadership.

Finally, firm size is also found to have a positive and significant effect on audit report lag, with a coefficient value of 1.330, a t-statistic of 5.718, and a significance value of less than 0.001. Since the significance value is well below 0.05, Hypothesis 3 (H3) is accepted. This result indicates that larger firms tend to experience longer audit report lag, likely due to the greater operational scale, transaction volume, and organizational complexity that require more extensive audit verification.

Overall, these findings suggest that operational complexity, management replacement, and firm size significantly influence the timeliness of audit completion among consumer non-cyclical firms listed on the Indonesia Stock Exchange.

Coefficient Test Determination (R^2)

The coefficient of determination (R^2) measures the extent to which the independent variables explain variations in the dependent variable. The regression results show an Adjusted R^2 value of 0.470, indicating that 47% of the variation in audit report lag can be explained by operational complexity, management replacement, and firm size. The remaining 53% is influenced by other factors not included in this study, such as profitability, audit risk, and auditor characteristics. These results suggest that firm structural and managerial characteristics play an important role in explaining delays in audit completion.

Discussion

Operational Complexity and Audit Report Lag

The findings of this study indicate that operational complexity plays an important role in explaining audit report lag in consumer non-cyclical companies listed on the Indonesia Stock Exchange. Firms with more complex operational structures tend to experience longer audit completion periods. This condition arises because complex organizational structures, particularly those involving multiple subsidiaries, increase the complexity of financial reporting and the consolidation process. Differences in accounting systems, internal policies, and the volume of intra-group transactions require auditors to conduct broader verification procedures and more extensive internal control assessments.

From a regulatory perspective, this effect becomes more relevant under increasingly stringent reporting requirements. The implementation of Financial Services Authority Regulation (POJK) No. 14/POJK.04/2022 has tightened financial reporting deadlines, thereby increasing the pressure on companies and auditors to ensure timely reporting while maintaining audit quality. In such an environment, operational complexity may create additional challenges in coordinating financial information across business units and ensuring the accuracy of consolidated reports.

These results support the perspective of compliance theory, which suggests that organizations face greater challenges in fulfilling regulatory obligations when internal organizational complexity increases (May & Wood, 2003;Christensen & Lægreid, 2020). As firms expand their operational scope, the effort required to ensure compliance with reporting regulations also becomes more demanding. Consequently, the audit process may require additional time to verify financial information and ensure adherence to regulatory standards.

The findings are consistent with previous studies that highlight operational complexity as an important determinant of audit report lag (David & Bangun, 2017; Mubarok & Perdana, 2022; Dani & Silfi, 2023). However, some studies have reported insignificant relationships between operational complexity and audit reporting timeliness (Hanif & Ariani, 2023; Jannah et al., 2024). These differences may be explained by variations in industry context, regulatory environments, and measurement approaches used in prior research. Studies conducted before the tightening of reporting regulations or in sectors with lower organizational complexity may produce different results.

From a practical perspective, these findings highlight the importance of strengthening internal financial reporting systems in companies with complex group structures. Early coordination between management and auditors, supported by well-documented internal reporting procedures, may help reduce potential delays in audit completion. In addition, regulators may consider operational complexity when designing reporting policies to ensure that timeliness requirements remain achievable without compromising audit quality.

Management Replacement and Audit Report Lag

The results of this study also show that management replacement is an important factor influencing audit report lag. Leadership transitions within an organization may create uncertainty in financial reporting processes and internal governance structures. Changes in management are often accompanied by revisions in accounting policies, strategic priorities, or internal control procedures, which may require auditors to conduct additional evaluations during the audit process.

This finding is consistent with agency theory, which emphasizes that changes in management can increase the potential for information asymmetry between managers and stakeholders (Jensen & Meckling, 1976). When new management assumes leadership, auditors may face greater uncertainty regarding the reliability of financial reporting practices, particularly during the early stages of managerial transition. As a result, auditors may increase their level of professional skepticism and expand the scope of verification procedures.

The effect of management replacement on audit report lag may also depend on the readiness of organizational systems. Firms with well-established internal controls and comprehensive accounting documentation may experience smoother transitions, whereas companies with weaker governance structures may face greater challenges in maintaining reporting timeliness during leadership changes.

These findings are consistent with prior studies that identify management turnover as a factor associated with longer audit report lag (Susanti et al., 2023; Artaningrum & Wasita, 2020). The results also extend the application of agency theory by emphasizing that managerial stability and continuity are important determinants of audit efficiency. Stable management structures may facilitate better coordination with auditors and improve the consistency of financial reporting practices.

From a practical standpoint, organizations should carefully manage leadership transitions to minimize disruptions to financial reporting processes. Establishing structured transition procedures, maintaining comprehensive documentation, and ensuring effective communication between new management and auditors may help reduce potential delays in audit completion.

Firm Size and Audit Report Lag

The results further indicate that firm size is associated with audit report lag in consumer non-cyclical companies. Larger firms tend to experience longer audit completion periods compared to smaller firms. Although large firms generally possess more advanced financial reporting systems and stronger internal controls, they also face higher levels of organizational complexity and transaction volume.

Large firms often operate multiple business units, extensive supply chains, and geographically dispersed operations. These characteristics increase the complexity of financial information that must be verified during the audit process. Consequently, auditors may require more time to evaluate internal controls, verify financial transactions, and ensure the accuracy of consolidated financial statements.

In addition, larger firms typically face greater scrutiny from investors, regulators, and other stakeholders. This heightened level of monitoring may encourage auditors to adopt more

conservative audit approaches in order to maintain audit quality and reduce potential litigation or reputational risks. As a result, the audit process may become more thorough and time-consuming.

These findings are consistent with several previous studies that document a positive relationship between firm size and audit report lag (David & Bangun, 2017; Dani & Silfi, 2023; Zahrani et al., 2023). However, other studies report opposite findings, suggesting that larger firms may complete audits more quickly due to stronger internal control systems and greater reporting resources (Bahri & Amnia, 2020; Sambuaga & Santoso, 2020; Rahayu & Khikmah, 2021). Differences in research context, industry characteristics, and regulatory environments may explain these contrasting results.

From a theoretical perspective, these findings contribute to the application of agency theory in auditing by highlighting that firm size can increase the complexity of information flows between management and stakeholders. As firms grow larger, the potential for information asymmetry also increases, requiring auditors to perform more comprehensive verification procedures to ensure the reliability of financial reporting.

From a managerial perspective, large companies should strengthen coordination between accounting departments and auditors throughout the reporting cycle. Improving internal reporting systems and ensuring timely data availability may help mitigate delays in audit completion.

Overall, the findings suggest that audit report lag arises from the interaction between organizational complexity, managerial stability, and firm size. Operational complexity expands the scope of audit procedures, management replacement introduces uncertainty in financial reporting processes, and firm size increases the scale of audit verification. Together, these factors shape the timeliness of audit completion, particularly in sectors operating under heightened regulatory scrutiny.

CONCLUSION

This study investigates the determinants of audit report lag in consumer non-cyclical companies listed on the Indonesia Stock Exchange during the 2021–2023 period. The findings indicate that operational complexity, management replacement, and firm size significantly influence the timeliness of audit completion. These results suggest that delays in audit reporting are not merely administrative issues but reflect the increasing challenges faced by auditors in verifying financial information, particularly in environments characterized by complex organizational structures, managerial transitions, and large operational scales. The tightening of financial reporting deadlines following the implementation of Financial Services Authority Regulation (POJK) No. 14/POJK.04/2022 further intensifies these challenges.

From a theoretical perspective, this study extends the application of agency theory and compliance theory in the auditing context by demonstrating that firm structural and managerial characteristics shape the level of information asymmetry and audit risk faced by auditors. Operational complexity increases the scope of audit verification, management replacement introduces uncertainty in financial reporting processes, and firm size amplifies the scale of transactions and organizational structures that must be audited. These factors collectively contribute to longer audit completion periods, indicating that larger and more complex firms may require more extensive audit procedures despite stronger governance structures.

From a practical perspective, the findings highlight the need for regulators, auditors, and corporate management to adopt more adaptive approaches to financial reporting timeliness. Regulators may consider implementing risk-based reporting supervision that accounts for differences in firm complexity and managerial transitions. Auditors should strengthen risk-based audit planning and initiate earlier coordination with clients, particularly when auditing large and operationally complex firms. Meanwhile, corporate management should improve

internal reporting systems and strengthen coordination between accounting functions and auditors to support more efficient audit processes.

This study has several limitations. The observation period is relatively short, covering only three years, and the measurement of operational complexity relies on a limited proxy. In addition, the study employs a quantitative approach based on secondary data, which may not fully capture organizational dynamics that influence the audit process. Future research is encouraged to extend the observation period, adopt broader measures of organizational complexity, and integrate qualitative approaches to provide deeper insights into the mechanisms influencing audit report lag. Further studies may also examine the moderating role of corporate governance mechanisms, auditor characteristics, or interim audit practices in shaping the relationship between firm characteristics and audit reporting timeliness.

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