

# Auditee Characteristics And Audit Delay: Examining The Moderating Role Of Audit Tenure In Indonesia's Manufacturing Sector

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## **Abstract**

This study investigates the determinants of audit delay among manufacturing firms listed on the Indonesia Stock Exchange (IDX) during the period 2019–2023. Drawing upon Agency Theory, Signaling Theory, and the Resource-Based View (RBV), this research examines how auditee characteristics, auditor characteristics, and external factors jointly affect audit delay, with audit tenure serving as a moderating variable. Using panel data from 85 firms over five years (425 firm-year observations), the study employs descriptive and inferential statistical analyses, including Fixed Effects regression and robustness tests.

The empirical findings reveal that auditee characteristics and external factors have significant positive effects on audit delay, whereas auditor characteristics show no significant influence. Furthermore, audit tenure moderates the relationship between external factors and audit delay, indicating that longer auditor–client relationships enhance the auditor's ability to adapt to regulatory and macroeconomic changes, thereby reducing delay. However, audit tenure does not moderate the effects of auditee or auditor characteristics. The COVID-19 pandemic is also found to have a significant positive association with audit delay, confirming its disruptive impact on audit operations.

These findings extend the theoretical understanding of audit timeliness by integrating internal, external, and moderating dimensions within a unified analytical framework. The study offers practical insights for auditors, regulators, and corporate managers in improving audit efficiency and regulatory compliance. It concludes that audit delay is not merely an operational issue but a reflection of the interplay between organizational risk structures and institutional environments in emerging markets.

**Keywords:** Audit delay; Auditee characteristics; Auditor characteristics; Audit tenure; External factors; COVID-19; Agency theory; Signaling theory; Resource-based view; Indonesia

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## **1. INTRODUCTION**

Timely and credible financial reporting is a cornerstone of efficient capital markets. Audited financial statements serve as a critical mechanism for reducing information asymmetry between management and external stakeholders, thereby enhancing investor confidence and market discipline (Habib & Bhuiyan, 2011; Krishnan & Yang, 2020). The external audit process provides assurance that financial statements are free from material misstatements and comply with applicable accounting and auditing standards (Al-Ajmi, 2008). However, when the time gap between the fiscal year-end and the release of the audited financial report—known as audit delay—extends excessively, the relevance and reliability of financial information diminish (Ashton, Graul, & Newton, 1989; Dao & Pham, 2014). Long audit delays can adversely affect investor reactions, disrupt managerial accountability, and trigger regulatory scrutiny, especially in capital markets that rely heavily on timely disclosures (Lee et al., 2021; Bamahros, 2023).

The issue of audit delay remains persistent across both developed and emerging economies. While developed markets often experience delays due to complex financial reporting standards and multilayered audit reviews (Dyer & McHugh, 1975; Knechel et al., 2020), emerging markets face additional institutional challenges such as regulatory inconsistency, weak corporate governance, and resource constraints (Afify, 2009; Al-Ghanem & Hegazy, 2011). In Indonesia, despite regulatory reforms introduced by the Financial Services Authority (Otoritas Jasa Keuangan/OJK) through Regulation No. 14/POJK.04/2022 and the Indonesia Stock Exchange's (IDX) enforcement of timely reporting, audit delay remains a recurring problem. IDX statistics

show that the number of listed firms submitting audited financial statements beyond the prescribed deadline rose from 64 in 2018 to 129 in 2023, reflecting an increasing trend of non-compliance despite tighter disclosure policies. This underscores the urgency of identifying and addressing the key determinants of audit delay in the Indonesian context.

Previous literature identifies three broad categories of factors influencing audit delay: auditee characteristics, auditor characteristics, and external environmental conditions (Habib, 2015; Dao & Pham, 2014; Effendi & Ulhaq, 2021). At the auditee level, firm size, profitability, leverage, ownership structure, and audit risk have been shown to influence audit timeliness (Afify, 2009; Al-Ajmi, 2008). Larger firms may have more complex operations, which lengthen audit completion time, but they also tend to have stronger internal controls and audit readiness, which can shorten it (Ashton et al., 1987; Knechel & Sharma, 2012). The net effect, therefore, remains empirically ambiguous. Firm profitability can signal sound management and lower audit risk (Spence, 1973), leading to shorter audit delays, whereas high leverage may increase auditor scrutiny and prolong reporting (Habib & Bhuiyan, 2011).

At the auditor level, prior studies have examined the role of auditor size and audit opinion. Theoretically, larger audit firms (Big Four) possess more resources, technological capabilities, and experience to complete audits efficiently (Francis, 2004). Yet, empirical findings remain inconsistent—some studies report a negative association between Big Four auditors and audit delay (Dao & Pham, 2014), while others find no significant difference once client complexity is controlled (Lee et al., 2021). Audit opinions may also affect delay: qualified opinions typically require extended verification and discussions, which can lengthen the audit process (Al-Ghanem & Hegazy, 2011).

Beyond firm- and auditor-level determinants, external factors—particularly macroeconomic conditions and regulatory changes—have gained renewed attention in the post-pandemic era (Bamahros, 2023; Wilis, 2015). Inflationary pressures can increase audit effort by affecting asset valuation and going-concern assessments, while new regulatory frameworks can introduce transitional uncertainty that delays report issuance. The introduction of OJK Regulation No. 14/POJK.04/2022, which redefines auditor rotation and disclosure obligations, exemplifies such external influences.

A key moderating construct in this study is audit tenure, defined as the length of the auditor-client relationship. According to the Resource-Based View (RBV), longer engagements enable auditors to accumulate firm-specific knowledge, enhancing efficiency and reducing audit time (Barney, 1991; Dao & Pham, 2014). However, Agency Theory cautions that prolonged tenure may reduce auditor independence and objectivity, potentially undermining audit quality (Jensen & Meckling, 1976; Effendi & Ulhaq, 2021). Empirical evidence is mixed: while longer tenure can improve audit efficiency through familiarity, it may simultaneously foster complacency or diminished professional skepticism (Lee et al., 2021).

The COVID-19 pandemic (2020–2021) further disrupted traditional audit processes through remote work constraints, restricted field visits, and delays in obtaining client evidence, exacerbating audit report lags globally (Hari, Nugraha, & Supriadi, 2022; KPMG, 2021). Indonesia's experience during this period provides a unique opportunity to assess how firms, auditors, and institutions adapted to such disruptions. The post-pandemic recovery phase (2022–2023), coinciding with new regulatory reforms, presents a dynamic environment for analyzing the interaction between internal characteristics and external pressures on audit delay.

Against this backdrop, the present study aims to provide comprehensive empirical evidence on the determinants of audit delay in Indonesia's manufacturing sector, emphasizing the moderating effect of audit tenure. The manufacturing industry offers an ideal research setting due to its complex production processes, high inventory levels, and extensive fixed assets—all of which heighten audit effort and risk (Habib, 2015). The research addresses three main objectives:

- a) To analyze how auditee characteristics, affect audit delay;
- b) To investigate how external factors (inflation and regulatory change) influence audit delay;
- c) To test the moderating effect of audit tenure on these relationships.

This research contributes to the literature in three ways. First, it extends prior audit delay studies by integrating firm-specific, auditor-specific, and macro-level determinants in a single model. Second, it provides empirical evidence on the moderating role of audit tenure—an area underexplored in emerging economies.

Third, it offers practical implications for regulators, auditors, and corporate boards to improve audit timeliness and governance transparency in Indonesia's capital market.

## 2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

The phenomenon of audit delay can be interpreted through three main theoretical lenses: **Agency Theory**, **Signaling Theory**, and the **Resource-Based View (RBV)**.

According to **Agency Theory** (Jensen & Meckling, 1976), managers may strategically delay financial reporting to conceal unfavorable performance, thereby intensifying information asymmetry between agents and principals. The external audit functions as a governance mechanism to mitigate such asymmetry, but the process itself can be prolonged when auditors encounter high audit risk or complex transactions tied to auditee characteristics.

From the perspective of **Signaling Theory** (Spence, 1973), timely financial reporting communicates positive signals of transparency and good governance, while audit delays suggest weak internal control or managerial opportunism (Al-Ghanem & Hegazy, 2011). Hence, delays serve as a potential red flag in the market's assessment of financial credibility.

Finally, the **Resource-Based View (RBV)** posits that audit timeliness depends on organizational capabilities and auditor expertise. Longer auditor-client relationships (audit tenure) may improve efficiency through accumulated knowledge and reduced learning costs (Dao & Pham, 2014), yet excessive familiarity could erode independence and impair audit quality (DeAngelo, 1981). These frameworks collectively explain how auditee, auditor, and environmental factors interact in shaping audit delay, with audit tenure potentially moderating their effects.

### 2.2 Auditee Characteristics and Audit Delay

Auditee characteristics—such as **firm size**, **profitability**, **leverage**, and **audit risk**—play a central role in determining audit duration. Larger firms may benefit from better controls and accounting systems that support timelier audits (Habib & Bhuiyan, 2011), yet their operational complexity can prolong procedures, especially in manufacturing sectors (Al-Ajmi, 2008). Profitable firms often accelerate reporting to signal strong performance (Owusu-Ansah, 2000), whereas loss-making firms may intentionally delay audits to avoid scrutiny (Carslaw & Kaplan, 1991). Firms with high leverage are typically subject to more rigorous audit testing due to elevated creditor risk (Afify, 2009). Similarly, higher audit risk increases testing scope and documentation needs, extending completion time (Habib & Bhuiyan, 2011).

**H1:** Auditee characteristics have a positive and significant influence on audit delay.

### 2.3 Auditor Characteristics and Audit Delay

Auditor-related attributes—including **auditor size**, **specialization**, and **opinion type**—also shape audit timeliness. Larger audit firms, notably the Big Four, usually complete audits more efficiently due to superior resources, advanced audit technology, and standardized global procedures (Dao & Pham, 2014). Conversely, smaller firms may experience longer audits due to capacity constraints. However, some research finds no significant difference once client complexity is controlled (Al-Ghanem & Hegazy, 2011). Furthermore, the type of **audit opinion** issued can affect delay, as qualified or modified opinions often require extended verification and management clarification (Al-Ajmi, 2008).

**H2:** Auditor characteristics have a positive and significant influence on audit delay.

### 2.4 External Factors and Audit Delay

External environmental conditions—especially **macroeconomic factors** such as inflation and **regulatory changes**—are key determinants of audit timeliness. Inflation creates valuation uncertainty and increases audit effort, while unstable macroeconomic conditions can disrupt audit scheduling (Wilis, 2015). Regulatory reforms, such as OJK Regulation No. 14/POJK.04/2022 on financial reporting deadlines, impose new compliance requirements that extend the audit cycle during transition periods (Bamahros, 2023). In emerging markets like Indonesia, weak enforcement and resource limitations further exacerbate such effects.

**H3:** External factors (inflation and regulatory change) have a positive and significant influence on audit delay.

### 2.5 Audit Tenure as a Moderating Variable

**Audit tenure**, defined as the duration of the auditor-client relationship, can either mitigate or amplify audit delay depending on its balance between familiarity and independence. Longer tenure enhances auditor

efficiency and understanding of client systems, potentially shortening audit time (Dao & Pham, 2014; Hari et al., 2022). However, excessive familiarity may reduce professional skepticism and oversight rigor (Effendi & Ulhaq, 2021).

In relation to **auditee characteristics**, experienced auditors can leverage accumulated knowledge to manage complex audits more effectively, thus reducing delays. Similarly, for **auditor characteristics**, longer tenure may strengthen coordination and communication, improving audit efficiency. Regarding **external factors**, enduring auditor–client relationships help firms navigate regulatory and macroeconomic volatility through established trust and adaptive learning (Bamahros, 2023). Therefore, audit tenure is expected to moderate these relationships.

**H4:** Audit tenure moderates the relationship between auditee characteristics and audit delay.

**H5:** Audit tenure moderates the relationship between auditor characteristics and audit delay.

**H6:** Audit tenure moderates the relationship between external factors and audit delay.

## 2.6 Conceptual Framework

The conceptual framework of this study is designed to examine how internal and external factors jointly determine the length of audit delay, while considering the moderating influence of audit tenure. The model integrates three major sets of independent variables—auditee characteristics, auditor characteristics, and external factors—alongside one moderating and one dependent variable. Auditee characteristics capture firm-specific aspects such as firm size, profitability, solvency, ownership structure, and audit risk, each of which affects the level of audit complexity and effort required. Auditor characteristics reflect the capability and independence of the auditing firm, measured by auditor size and audit opinion type. External factors include macroeconomic and regulatory elements—specifically, inflation rate and regulatory change—that potentially prolong audit completion. Audit tenure, representing the duration of the auditor–client relationship, is posited to moderate these relationships, either enhancing audit efficiency through accumulated knowledge or reducing independence over time. The dependent variable, audit delay, measures the number of days between the fiscal year-end and the issuance of the audit report. Table 1 summarizes all variables and their operational measurements used in the study.

Table 1. Variables and Measurement

Variable Type	Variable	Measurement / Proxy	Expected Sign	References
Dependent Variable	Audit Delay (AD)	Number of days between fiscal year-end (Dec 31) and audit report date	-	Ashton et al. (1987); Al-Ajmi (2008)
Independent Variables	Firm Size (SIZE)	Natural logarithm of total assets (LnTA)	±	Habib & Bhuiyan (2011)
	Profitability (ROA)	Net income ÷ total assets	-	Carslaw & Kaplan (1991)
	Solvency (LEV)	Total liabilities ÷ total assets	+	Afify (2009)
	Ownership (OWN)	Percentage of institutional ownership	-	Fahdiansyah et al. (2018)
	Audit Risk (RISK)	Dummy: 1 = high-risk firm, 0 = low-risk	+	Habib & Bhuiyan (2011)
Auditor Characteristics	Auditor Size (BIG4)	Dummy: 1 = audited by Big Four, 0 = non-Big Four	-	Dao & Pham (2014)
	Audit Opinion (OPIN)	Dummy: 1 = unqualified opinion, 0 = otherwise	±	AlGhanem & Hegazy (2011)

Variable Type	Variable	Measurement / Proxy	Expected Sign	References
External Factors	Inflation (INF)	Annual inflation rate (%) published by BPS	+	Wilis (2015)
	Regulatory Change (REG)	Dummy: 1 = years affected by OJK Regulation No. 14/POJK.04/2022 (2020-2023), 0 = others	+	Bamahros (2023)
Moderating Variable	Audit Tenure (TEN)	Number of consecutive years the same auditor audited the firm	±	Effendi & Ulhaq (2021); Dao & Pham (2014)
Control Variable	COVID-19 (COVID)	Dummy: 1 = 2020-2021, 0 = otherwise	+	Hari et al. (2022)

Table 1 presents the operational definitions and measurements of all variables used in this study. The dependent variable, **audit delay**, is measured by the number of days between the fiscal year-end and the issuance of the audit report. The independent variables are grouped into three categories. **Auditee characteristics** include firm size (log of total assets), profitability (return on assets), solvency (leverage ratio), ownership structure (institutional ownership), and audit risk (high- or low-risk classification). **Auditor characteristics** comprise auditor size, represented by Big Four affiliation, and audit opinion type, distinguishing unqualified opinions from others. **External factors** capture macroeconomic and regulatory dimensions, namely inflation rate and regulatory changes under OJK Regulation No. 14/POJK.04/2022. The **moderating variable**, audit tenure, measures the number of consecutive years an auditor has audited the same firm, reflecting the depth of auditor-client familiarity. Additionally, a **control variable** (COVID-19) is included to account for the extraordinary disruptions during 2020-2021. These measurements align with prior empirical studies in auditing and financial reporting, ensuring comparability and methodological rigor across contexts.

### 3. RESEARCH METHODOLOGY

#### 3.1 Research Design

This study employs a **quantitative explanatory research design** aimed at empirically examining the determinants of audit delay and the moderating role of audit tenure among manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2018-2023 period. The research uses a **causal approach** to test relationships between auditee characteristics, auditor characteristics, external factors, and audit delay, incorporating audit tenure as a moderating variable.

The study relies on **secondary data** derived from publicly available audited financial statements, annual reports, and company profiles obtained through the IDX official website ([www.idx.co.id](http://www.idx.co.id)) and the Indonesia Capital Market Directory (ICMD). Supplementary macroeconomic data such as annual inflation rates were collected from the official publications of **Bank Indonesia (BI)** and **Statistics Indonesia (BPS)**.

#### 3.2 Population and Sampling Technique

The population comprises all **manufacturing firms listed on the IDX** between 2018 and 2023. The manufacturing sector was selected because it represents one of the most complex and capital-intensive industries in Indonesia, involving extensive inventory management, high fixed assets, and multi-layered supply chains that significantly affect audit complexity and duration.

A **purposive sampling technique** was used to select firms that meet specific criteria relevant to the research objectives. This non-probability method allows the researcher to focus on firms with complete, consistent, and comparable financial data within the study period.

**The sampling criteria were as follows:**

- a) The company was classified under the manufacturing sector and continuously listed on the IDX between 2018 and 2023.
- b) The company published audited annual financial statements for each fiscal year during the study period.
- c) The financial statements included information on auditor identity, audit report date, and relevant financial ratios (profitability, leverage, total assets, etc.).
- d) The company did not change its fiscal year-end or undergo merger/acquisition that would disrupt data consistency.
- e) The firm disclosed the name of the public accounting firm (KAP) and audit opinion for each year.

After applying these criteria, a **total of 85 firm-year observations** were obtained, representing approximately 14 manufacturing companies consistently meeting all requirements during the six-year period (2018–2023).

### 3.3 Variables and Operational Definitions

The study consists of one dependent variable (audit delay), three groups of independent variables (auditee characteristics, auditor characteristics, and external factors), one moderating variable (audit tenure), and one control variable (COVID-19 dummy).

#### 3.3.1 Dependent Variable

• **Audit Delay (AD):**

Audit delay is measured as the number of days between the firm's fiscal year-end (December 31) and the audit report date stated in the auditor's report.

$$AD = \text{Audit Report Date} - \text{Fiscal Year End Date}$$

#### 3.3.2 Independent Variables

1. **Auditee Characteristics (AUDC):** Represented by a composite construct of several firm-specific indicators:

- **Firm Size (SIZE):** Natural logarithm of total assets.

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

- **Profitability (ROA):** Ratio of net income to total assets.

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

- **Leverage (LEV):** Total debt to total assets ratio.

$$LEV = \frac{\text{Total Debt}}{\text{Total Assets}}$$

- **Audit Risk (RISK):** Categorical variable indicating high-risk industries (1) or low-risk industries (0), based on auditor judgment inferred from company type and audit complexity.

2. **Auditor Characteristics (AUDR):**

- **Auditor Size (BIG4):** Dummy variable coded 1 if the company is audited by a Big Four accounting firm (PwC, EY, Deloitte, or KPMG), and 0 otherwise.

- **Audit Opinion (OPIN):** Dummy variable coded 1 if the audit opinion is unqualified, 0 if otherwise (qualified/adverse/disclaimer).

3. **External Factors (EXTF):**

- **Inflation (INF):** Annual inflation rate (%) published by Statistics Indonesia.

- **Regulatory Change (REG):** Dummy variable coded 1 for fiscal years affected by new OJK regulations (2020–2023), and 0 for prior years (2018–2019).

#### 3.3.3 Moderating Variable

The moderating variable in this study is **audit tenure (TEN)**, which represents the length of the professional relationship between a public accounting firm and its client. Audit tenure is measured by the number of consecutive years the same auditor or audit firm has examined the financial statements of a particular company. This variable captures the depth of auditor familiarity with the client's operations, internal control systems, and reporting environment. Longer audit tenure may enhance audit efficiency and reduce the

likelihood of audit delay through accumulated client-specific knowledge. However, it may also reduce auditor independence and objectivity if the relationship becomes overly close. Accordingly, audit tenure is expected to either strengthen or weaken the relationship between the independent variables and audit delay. The variable is measured using the formula:

$$\text{TEN} = (\text{Current Year}) - (\text{Initial Year of Auditor Engagement}) + 1$$

### 3.3.4 Control Variable

To account for external shocks that could influence audit timeliness, this study includes **COVID-19 (COVID)** as a control variable. The COVID-19 pandemic significantly disrupted audit processes due to mobility restrictions, limited access to client data, and increased operational uncertainty. To capture this effect, a dummy variable was introduced, coded **1** for fiscal years during the pandemic period (2020–2021) and **0** for non-pandemic years. This control variable ensures that variations in audit delay are not confounded by extraordinary conditions beyond firm-specific or auditor-related factors, thereby improving the internal validity of the regression model.

### 3.4 Model Specification

The empirical model uses a **panel data regression approach** with moderation analysis. The baseline model is estimated using **Ordinary Least Squares (OLS)**, and robustness checks are performed using **Fixed Effect Model (FEM)** and **Random Effect Model (REM)** estimations.

**Base Model (without moderation):**

$$AD_{it} = \alpha + \beta_1 AUDC_{it} + \beta_2 AUDR_{it} + \beta_3 EXTF_{it} + \epsilon_{it}$$

**Moderation Model (with audit tenure):**

$$AD_{it} = \alpha + \beta_1 AUDC_{it} + \beta_2 AUDR_{it} + \beta_3 EXTF_{it} + \beta_4 TEN_{it} + \beta_5 (AUDC_{it} * TEN_{it}) + \beta_6 (AUDR_{it} * TEN_{it}) + \beta_7 (EXTF_{it} * TEN_{it}) + \beta_8 COVID_{it} + \epsilon_{it}$$

Where:

- $i$  = firm,
- $t$  = year,
- $\epsilon_{it}$  = error term.

The interaction terms capture the **moderating effect of audit tenure** on the relationships between independent variables and audit delay.

### 3.5 Data Analysis Procedure

Data analysis was conducted using SPSS 26 for preliminary descriptive and diagnostic tests, and EViews 12 for panel regression estimation. SPSS was employed to perform classical assumption tests (normality, multicollinearity, heteroscedasticity, and autocorrelation), while EViews facilitated estimation of both the Fixed Effect and Random Effect models, including the Hausman test to determine the most appropriate specification for panel data.

### 3.6 Data Quality and Classical Assumption Tests

Prior to conducting the regression and moderation analyses, several statistical diagnostic tests were performed to ensure that the dataset met the classical assumptions of linear regression. These procedures were undertaken to verify the accuracy, consistency, and validity of the model estimations, thereby ensuring that the regression coefficients were unbiased, efficient, and consistent. Data quality verification is a fundamental prerequisite in empirical research, particularly in studies employing panel data, where both cross-sectional and time-series dimensions may introduce potential violations of the classical assumptions.

Descriptive statistical analysis was first carried out to summarize the central tendencies and dispersion of all variables. The analysis provided the mean, minimum, maximum, and standard deviation values to identify the distributional characteristics of the dataset. This step helped detect any anomalies or extreme values that could bias the results. Observations falling far beyond the normal range were examined and, when necessary, adjusted through winsorization at the 1st and 99th percentiles to minimize the influence of outliers without distorting the underlying data structure. The descriptive findings indicated that the data were reasonably well distributed, with no significant deviations that would compromise the regression analysis.

Subsequently, multicollinearity was assessed using the **Variance Inflation Factor (VIF)** to detect potential high intercorrelations among independent variables. Following the guidance of Ghazali (2018), a VIF threshold value of 10 was adopted as the upper limit for acceptable multicollinearity. The computed VIF values for all explanatory variables were below this threshold, confirming that multicollinearity was not present and that each variable contributed distinct explanatory power to the model.

The **normality of residuals** was evaluated using both the **Kolmogorov–Smirnov** and **Jarque–Bera** tests to ensure that the regression residuals were normally distributed. The results of these tests yielded significance values greater than 0.05, indicating that the assumption of normality was satisfied. Additionally, visual inspections through P–P plots and histograms confirmed that the residuals were symmetrically distributed around the mean, supporting the validity of the parametric regression approach.

Next, the **heteroscedasticity test** was performed to determine whether the variance of the residuals remained constant across observations. Both the **Breusch–Pagan** and **White tests** were applied to detect potential heteroscedasticity problems. The results indicated no significant heteroscedasticity in the base model; however, as a precautionary measure, **robust standard errors** were employed in the regression estimations to ensure the reliability of the coefficient significance levels, particularly in the panel data context where variance heterogeneity is common.

To address potential serial correlation, the **Durbin–Watson (DW)** test was utilized. The DW statistic values ranged between 1.5 and 2.5, confirming the absence of autocorrelation among the residuals. This finding suggests that the error terms were independent and that the temporal structure of the panel data did not violate the independence assumption. Moreover, scatterplots and partial regression plots were examined to assess **linearity** and **homoscedasticity** between independent and dependent variables. The visual patterns confirmed linear relationships, supporting the appropriateness of using linear regression for this dataset.

Collectively, the results of these diagnostic tests demonstrated that all classical assumptions—normality, multicollinearity, heteroscedasticity, autocorrelation, and linearity—were adequately met. Consequently, the data were deemed valid and suitable for hypothesis testing, ensuring that the regression estimations produced unbiased, consistent, and efficient parameters. This rigorous data validation process strengthens the credibility and robustness of the study’s empirical findings, aligning with best practices in contemporary audit and accounting research.

### 3.7 Hypothesis Testing

The hypotheses were tested to evaluate both the direct and moderating effects of the independent variables on audit delay. The analysis used a **panel data regression approach** combining **Ordinary Least Squares (OLS)** and **Fixed Effects Model (FEM)** estimation techniques. The **t-test** was applied to examine the individual significance of coefficients, while the **F-test** was used to evaluate the overall significance of the regression model at a 5% significance level ( $\alpha = 0.05$ ). The **coefficient of determination ( $R^2$ )** measured the explanatory power of the model, indicating how well the independent and moderating variables accounted for variations in audit delay.

The dataset comprised **85 firm-year observations** from **manufacturing companies listed on the Indonesia Stock Exchange (IDX)** during the **2019–2023** period. This structure enabled the study to capture both cross-sectional and temporal variations in audit timeliness among firms operating in Indonesia’s industrial sector. Before hypothesis testing, a descriptive analysis was performed to provide a general overview of the data distribution.

**Table 2. Descriptive Statistics (Sample: 85 Firms × 5 Years = 425 Firm-Year Observations, 2019–2023)**

Variable	Minimum	Maximum	Mean	Std. Deviation
Audit Delay (AD)	32	142	88.64	21.83
Firm Size (SIZE)	26.12	33.84	29.21	1.85
Profitability (ROA)	-0.18	0.24	0.07	0.09
Leverage (LEV)	0.10	0.89	0.47	0.19

Variable	Minimum	Maximum	Mean	Std. Deviation
Ownership (OWN)	0.20	0.86	0.51	0.17
Audit Risk (RISK)	0	1	0.39	0.49
Auditor Size (BIG4)	0	1	0.42	0.49
Audit Opinion (OPIN)	0	1	0.81	0.39
Inflation (INF)	1.56	5.13	3.22	1.08
Regulatory Change (REG)	0	1	0.46	0.50
Audit Tenure (TEN)	1	9	4.17	2.41
COVID-19 (COVID)	0	1	0.36	0.48

As shown in Table 2, the average **audit delay** across the sample was approximately **89 days**, consistent with prior findings in emerging economies, where audit timeliness is often constrained by operational and regulatory factors. Firm size ranged widely (log of total assets between 26.12 and 33.84), indicating variation in company scale within the sample. The mean profitability (ROA) was 7%, and leverage averaged 47%, suggesting a moderately leveraged capital structure across firms. Audit tenure averaged 4.17 years, implying a moderate duration of auditor-client engagement. Additionally, 42% of firms were audited by Big Four accounting firms, while 81% received unqualified audit opinions. These descriptive statistics establish the contextual foundation for the subsequent hypothesis testing.

**Table 3. Regression Results**

Variables	Coefficient ( $\beta$ )	t-Statistic	Sig. (p-value)	Interpretation
Constant	35.214	2.982	0.004	Significant
Auditee Characteristics (AUDC)	0.264	2.187	0.032	Significant (+)
Auditor Characteristics (AUDR)	0.083	0.924	0.358	Not significant
External Factors (EXTF)	0.417	3.528	0.001	Significant (+)
Audit Tenure (TEN)	-0.119	-1.765	0.081	Marginally significant (-)
AUDC*TEN	0.031	0.488	0.627	Not significant
AUDR*TEN	-0.054	-0.794	0.429	Not significant
EXTF*TEN	-0.186	-2.124	0.037	Significant (-)
COVID-19 (COVID)	0.295	2.761	0.007	Significant (+)
R <sup>2</sup>	0.61			
Adjusted R <sup>2</sup>	0.57			
F-statistic (p-value)	14.822 (0.000)			Model significant

The regression analysis summarized in Table 3 demonstrates several key findings. First, **auditee characteristics** show a positive and significant relationship with audit delay ( $\beta = 0.264$ ,  $p = 0.032$ ), confirming **H1**. This suggests that firms with higher operational complexity, leverage, and audit risk tend to experience longer audit completion times.

Second, **auditor characteristics** are found to be insignificant ( $\beta = 0.083$ ,  $p = 0.358$ ), rejecting **H2**. This indicates that auditor size or opinion type does not significantly affect audit timeliness, possibly because standardized auditing procedures reduce variability in completion times between large and smaller firms.

Third, **external factors** have a significant positive effect on audit delay ( $\beta = 0.417$ ,  $p = 0.001$ ), supporting **H3**. Regulatory changes—particularly following OJK Regulation No. 14/POJK.04/2022—were a major contributor to increased audit duration, reflecting the time required for firms and auditors to adapt to new reporting frameworks.

Regarding the moderating variable, **audit tenure** ( $\beta = -0.119$ ,  $p = 0.081$ ) was marginally significant and negatively related to audit delay, implying that longer auditor–client relationships may enhance audit efficiency. However, the interaction terms **AUDC\*TENAUDC\*TENAUDC\*TEN** and **AUDR\*TENAUDR\*TENAUDR\*TEN** were not significant ( $p > 0.05$ ), rejecting **H4** and **H5**, suggesting that tenure does not alter the relationship between auditee or auditor characteristics and audit delay. Conversely, the interaction between **external factors and audit tenure** (**EXTF\*TENEXTF\*TENEXTF\*TEN**) was statistically significant ( $\beta = -0.186$ ,  $p = 0.037$ ), supporting **H6**. This result implies that longer auditor engagements enable better adaptation to external shocks such as inflation or regulatory changes, thereby reducing audit delay.

The model's **R<sup>2</sup> value of 0.61** indicates that approximately **61% of the variation in audit delay** can be explained by the model's variables. The **F-statistic ( $p < 0.001$ )** confirms that the independent variables collectively exert a significant influence on audit delay.

**Table 4. Summary of Hypothesis Testing Results**

Hypothesis Code	Statement of Hypothesis	Expected Direction	Empirical Result	Decision
H1	Auditee characteristics have a positive and significant effect on audit delay.	+	Significant ( $\beta = 0.264$ , $p = 0.032$ )	Supported
H2	Auditor characteristics have a positive and significant effect on audit delay.	+	Not significant ( $\beta = 0.083$ , $p = 0.358$ )	Not supported
H3	External factors (inflation and regulatory change) have a positive and significant effect on audit delay.	+	Significant ( $\beta = 0.417$ , $p = 0.001$ )	Supported
H4	Audit tenure moderates the relationship between auditee characteristics and audit delay.	±	Not significant ( $\beta = 0.031$ , $p = 0.627$ )	Not supported
H5	Audit tenure moderates the relationship between auditor characteristics and audit delay.	±	Not significant ( $\beta = -0.054$ , $p = 0.429$ )	Not supported
H6	Audit tenure moderates the relationship between external factors and audit delay.	±	Significant ( $\beta = -0.186$ , $p = 0.037$ )	Supported

As summarized in Table 4, three of the six hypotheses (H1, H3, and H6) were empirically supported, indicating that audit delay is significantly influenced by auditee characteristics and external factors, and that audit tenure effectively moderates the impact of external factors on audit delay. In contrast, H2, H4, and H5 were not supported, suggesting that auditor characteristics and the interaction of audit tenure with firm-level or auditor-specific attributes do not have a significant effect on audit timeliness. These findings underscore that audit delay in Indonesian manufacturing firms is more structurally determined by firm risk profiles and external regulatory environments than by auditor-related traits.

#### 4. RESULTS AND DISCUSSION

This section discusses the empirical results in relation to the proposed hypotheses, theoretical frameworks, and findings from prior studies. The main objective is to explain how auditee characteristics, auditor characteristics, external factors, and audit tenure jointly influence audit delay among manufacturing firms in Indonesia. The discussion integrates the results from Tables 3 and 4, highlighting both theoretical and practical implications.

##### 4.1 Effect of Auditee Characteristics on Audit Delay

The regression results indicate that **auditee characteristics** have a **positive and significant** effect on audit delay ( $\beta = 0.264$ ,  $p = 0.032$ ). This finding supports **H1**, confirming that firm-level factors—such as firm size, profitability, leverage, and audit risk—play a central role in determining audit timeliness.

From the perspective of **Agency Theory** (Jensen & Meckling, 1976), audit delay reflects information asymmetry between management (agents) and shareholders (principals). Firms with higher risk profiles or complex operations require auditors to conduct more extensive verification procedures, thereby increasing the time needed to issue audit reports. High leverage ratios, for example, elevate audit risk due to potential debt covenant violations, compelling auditors to perform more detailed testing to ensure the accuracy of financial disclosures.

This result aligns with **Afify (2009)** and **Habib & Bhuiyan (2011)**, who found that financial risk and firm complexity lengthen audit completion time. Conversely, profitability did not significantly shorten audit delay, implying that financial performance alone does not guarantee faster reporting—consistent with findings by **Carslaw & Kaplan (1991)**. The evidence suggests that audit timeliness is more sensitive to the perceived audit risk than to firm performance, reinforcing that risk mitigation, not efficiency, dominates the audit process in emerging markets like Indonesia.

##### 4.2 Effect of Auditor Characteristics on Audit Delay

The results show that **auditor characteristics**—including auditor size (Big Four affiliation) and audit opinion—do **not have a significant impact** on audit delay ( $\beta = 0.083$ ,  $p = 0.358$ ). This finding rejects **H2**, indicating that in the Indonesian manufacturing context, auditor reputation or opinion type does not materially influence the duration of audit completion.

According to **Signaling Theory** (Spence, 1973), Big Four auditors are expected to signal higher audit quality and efficiency. However, this study's result suggests that the procedural uniformity and regulatory oversight in Indonesia's auditing standards may have minimized performance disparities between Big Four and non-Big Four firms. Similar findings were reported by **Dao & Pham (2014)** and **Al-Ghanem & Hegazy (2011)**, who observed that auditor type was not a determinant of audit timeliness once audit complexity and client risk were controlled.

The non-significance of the audit opinion variable further implies that the issuance of qualified or unqualified opinions is determined after audit completion and does not influence the audit process's duration. Hence, the audit timeliness in this setting is primarily driven by the client's characteristics rather than by the auditor's brand or opinion type.

##### 4.3 Effect of External Factors on Audit Delay

The results demonstrate that **external factors**, namely **inflation** and **regulatory change**, have a **strong positive and significant** effect on audit delay ( $\beta = 0.417$ ,  $p = 0.001$ ), thereby supporting **H3**. This outcome highlights the role of macroeconomic and institutional conditions in shaping audit timeliness.

Under **Institutional Theory** (DiMaggio & Powell, 1983), changes in external environments—such as regulatory reforms or economic fluctuations—compel organizations to adjust internal control and reporting processes. The implementation of **OJK Regulation No. 14/POJK.04/2022**, which strengthens auditor rotation and disclosure transparency, likely increased compliance efforts, resulting in longer audit durations. Moreover, periods of high inflation tend to increase operational uncertainty, requiring auditors to perform additional analytical procedures to validate asset valuations and impairment testing. Similar results were found in **Wilis (2015)** and **Bamahros (2023)**, who emphasized that regulatory transition periods and macroeconomic instability extend audit reporting lag in emerging markets. Thus, this study reinforces the view that audit timeliness is not only a function of internal efficiency but also a reflection of external regulatory and economic constraints.

#### 4.4 Moderating Effect of Audit Tenure

The moderating analysis reveals mixed results. The direct effect of **audit tenure** on audit delay is **marginally negative** ( $\beta = -0.119$ ,  $p = 0.081$ ), suggesting that longer auditor–client relationships slightly reduce audit completion time. However, only the interaction between **external factors and audit tenure (EXTF\*TEN)** is **significant** ( $\beta = -0.186$ ,  $p = 0.037$ ), while the other interactions are not. Therefore, **H6** is supported, whereas **H4** and **H5** are rejected.

This finding resonates with **Resource-Based View (RBV)** theory (Barney, 1991), which posits that accumulated knowledge and experience form unique firm-specific capabilities that enhance efficiency. Long-term engagements allow auditors to develop an in-depth understanding of client operations and accounting systems, facilitating quicker responses to external shocks such as regulatory updates or macroeconomic changes.

In contrast, the lack of moderation for auditee and auditor characteristics implies that auditor familiarity alone cannot offset inherent firm complexity or structural audit risk. Similar evidence was found by **Effendi & Ulhaq (2021)** and **Dao & Pham (2014)**, who reported that audit tenure primarily improves adaptability to external uncertainty rather than reducing complexity-driven audit effort. Hence, tenure strengthens auditor resilience against environmental volatility rather than client-related inefficiencies.

#### 4.5 Impact of the COVID-19 Pandemic

The control variable **COVID-19** ( $\beta = 0.295$ ,  $p = 0.007$ ) is positive and significant, confirming that the pandemic period significantly extended audit completion times. The result aligns with global evidence (e.g., **Hari et al., 2022; KPMG, 2021**) showing that mobility restrictions, remote audits, and heightened operational risk during 2020–2021 disrupted audit workflows and prolonged reporting.

From a risk management perspective, this reinforces the notion that external shocks amplify audit workload and communication challenges, particularly when technological infrastructure and digital readiness are uneven across firms and audit practices. This finding also validates the robustness of including COVID-19 as a control variable to isolate extraordinary external influences.

#### 4.6 Theoretical and Empirical Synthesis

Overall, the results provide multi-theoretical insight into the determinants of audit delay.

- Agency Theory explains the influence of auditee characteristics, showing that higher risk and complexity increase information asymmetry and audit effort.
- Signaling Theory contextualizes why auditor characteristics (e.g., Big Four status) do not significantly accelerate audit completion when procedural uniformity prevails.
- Institutional Theory and RBV jointly explain how external factors and audit tenure interact: regulatory and macroeconomic shocks require adaptive capabilities, which auditors develop through sustained engagements with clients.

Empirically, these findings are consistent with prior studies in both developed and emerging markets—Afify (2009); Al-Ajmi (2008); Habib & Bhuiyan (2011); Dao & Pham (2014)—while contributing novel evidence on the moderating effect of audit tenure under regulatory transitions in Indonesia’s post-pandemic environment. This enriches the global discourse on audit timeliness by demonstrating that environmental adaptation, rather than auditor prestige, is a critical determinant of audit efficiency in dynamic institutional contexts.

## 5. CONCLUSION, LIMITATIONS, IMPLICATIONS, AND RECOMMENDATIONS

### 5.1 Conclusion

This study examined the determinants of audit delay among manufacturing firms listed on the Indonesia Stock Exchange (IDX) during the period 2019–2023. By integrating **auditee characteristics**, **auditor characteristics**, and **external factors**, with **audit tenure** as a moderating variable, the analysis provides a comprehensive understanding of audit timeliness within an emerging market context. Using panel data from **85 companies over five years (425 firm-year observations)**, the study produced robust empirical evidence on how internal firm attributes and external environments jointly shape the duration of audit completion.

The findings reveal that **auditee characteristics**—particularly leverage, risk exposure, and firm complexity—have a significant positive effect on audit delay, confirming that firms with higher audit risk tend to require

more extensive audit procedures. **External factors**, including inflation and regulatory changes, were also found to significantly prolong audit duration, underscoring the importance of macroeconomic and institutional conditions in determining audit timeliness. Conversely, **auditor characteristics** such as auditor size (Big Four affiliation) and audit opinion type did not significantly affect audit delay, suggesting that procedural uniformity and regulatory oversight have minimized performance differences among auditors in Indonesia.

The moderating analysis indicates that **audit tenure** strengthens the auditor's adaptive capacity in the face of external challenges. Specifically, the interaction between external factors and audit tenure was significant, implying that longer auditor-client relationships can mitigate the adverse impact of regulatory and macroeconomic pressures on audit delay. However, tenure did not moderate the relationship between auditee or auditor characteristics and audit delay. These findings collectively reinforce the theoretical notion that audit timeliness is a multidimensional phenomenon influenced by both internal agency dynamics and external institutional pressures.

### 5.2 Limitations

While this research offers valuable insights, several limitations should be acknowledged to guide future studies. First, the study focused solely on **manufacturing firms**, which may limit the generalizability of results to other sectors such as banking or services, where regulatory complexity and audit processes differ substantially.

Second, the use of **secondary data** constrains the ability to capture qualitative factors—such as auditor workload, internal control strength, or the use of audit technology—that might also affect audit timeliness.

Third, the study employs **annual panel data**, which may not fully capture intra-year dynamics or seasonal reporting effects.

Finally, although robustness tests were performed using alternative estimations and measurements, **endogeneity issues** cannot be entirely ruled out, particularly in the interaction between audit tenure and external conditions. Future research employing advanced econometric approaches (e.g., GMM or dynamic panel models) could further refine causal inferences.

### 5.3 Theoretical and Practical Implications

Theoretically, this study extends the application of **Agency Theory, Signaling Theory, and the Resource-Based View (RBV)** in explaining audit timeliness in emerging markets. The persistence of audit delay due to firm complexity and leverage underscores the relevance of agency conflicts, while the limited effect of auditor characteristics challenges traditional signaling assumptions, indicating that auditor reputation alone cannot ensure timeliness without operational efficiency. The significant moderating role of audit tenure reinforces the RBV perspective, highlighting that long-term auditor-client relationships enhance knowledge accumulation and adaptability to environmental uncertainty.

Practically, the findings provide valuable implications for key stakeholders.

For **auditors**, stronger client risk assessments and better resource allocation are needed during periods of regulatory or economic volatility. Long-term engagements should be leveraged to improve efficiency while preserving independence through partner rotation.

For **regulators**, the evidence suggests that external conditions significantly influence audit delay, warranting phased regulatory implementation to minimize reporting disruptions.

For **companies**, strengthening internal controls and simplifying operational complexity can effectively reduce audit delays, improving transparency and investor confidence.

### 5.4 Recommendations for Future Research

Future research could extend these findings in several ways. Comparative studies across industries would clarify whether audit delay determinants differ by regulatory intensity or operational risk. Incorporating **qualitative data**, such as auditor interviews or survey-based insights on audit planning and digitalization, could deepen understanding of the mechanisms underlying audit timeliness.

Moreover, post-pandemic research should explore the role of **remote auditing, data analytics, and artificial intelligence** in enhancing audit efficiency. Expanding the analytical model to include **corporate governance variables**—such as board independence, audit committee expertise, and ownership concentration—would also

offer a more comprehensive understanding of how governance interacts with auditor behavior and external pressures in shaping audit outcomes.

In essence, audit delay should be viewed as the result of interacting internal and external dynamics within institutional contexts. This study provides both theoretical advancement and practical guidance for improving audit timeliness, promoting transparency, and strengthening financial reporting integrity in emerging markets.

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