Research Article

The Effect of Financial Disruption, Profitability and Audit Quality on Audit Report Lag (Empirical Study on Manufacturing Companies on the IDX for the 2018 – 2022 Period)

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Abstract, This study examines the phenomenon of delays in the delivery of financial reports (audit report lag) which can cause negative reactions from investors and other users of financial reports. This delay is often seen as a bad signal and can indicate stock price fluctuations. Variables studied in this study include financial distress, profitability, and audit quality and their effects on audit report lag. This study uses objects in the form of manufacturing companies listed on Indonesia Stock Exchange (IDX) in period 2018-2022. The study population includes all manufacturing companies, and the sample was selected using a purposive sampling technique, which resulted in 50 companies as samples with a total of 250 observation data. The method used in this study is quantitative analysis with a statistical approach using multiple linear regression run on the SPSS version 25 program. Tests were conducted to determine the effect of financial distress, profitability, and audit quality on audit report lag. The results showed that financial distress has a positive effect on audit report lag, while profitability and audit quality have a negative effect on audit report lag.

Keywords: Audit, Lag, Financial, Distress, Profitability.

1. Introduction

Delays in submitting financial statements can cause negative reactions from users, especially investors. This delay can be interpreted as a bad signal and indicates a fluctuation in the company's stock price. Financial statements submitted to the OJK must be accompanied by a report on the results of the audit by an independent auditor. The longer the auditing process, the more likely it is that the company will be late in publishing its financial statements, which can reduce investor confidence and have an impact on stock prices in the capital market.

Audit report lag is the length of time for completing an audit measured from the closing date of the financial year to the date of issuance of the audit report (Musfiroh, 2021:25). According to Koerniawan (2021:159) Audit report lag is the number of days from the end of a company's fiscal year to the date of the auditor's report. These delays are often used as proxies for negotiations between auditors and client management as well as audit efficiency.

In 2019, the Indonesia Stock Exchange temporarily suspended securities trading (suspended) to PT. Nipress Tbk which is engaged in Manufacturing due to the delay in submitting audited financial statements for 2018 (IDX, 2019). Furthermore, the delay in

submitting financial statements is PT. Tiga Pilar Sejahtera Tbk, the entity has been negligent in reporting audited financial information for 3 consecutive years.

Based on research that has been conducted previously, there are several factors that can affect audit report lag, including profitability, financial distress and audit quality. According to Amaniyah (2023:53) Financial distress or financial difficulties is a situation where the company's financial position decreases, the company is unable to meet its short-term debt obligations and long-term debts.

Research conducted by Puspita & Sabrina (2024) and Sanjaya (2021) Showing profitability has a negative effect on audit report lag. These findings are different from those of the Sunarsih et al. (2021) revealed that profitability has no effect on audit report lag.

The population in this study is manufacturing companies listed on the Indonesia Stock Exchange (IDX) in the 2018-2022 period. The selection of this population is based on the characteristics of the manufacturing industry which has a high level of operational complexity and financial reporting regulations. In addition, the manufacturing sector often experiences fluctuations in financial performance and the level of financial distress, which has the potential to affect audit report lag. Thus, this population is considered relevant to test the relationship between financial distress, profitability, and audit quality to the delay in audit reports.

Based on the explanation and background explained, the results of previous research have not been consistent about the relationship between financial distress, profitability and audit quality to audit report lag, the author intends to conduct a study entitled "The Influence of Financial Distress, Profitability and Audit Quality on Audit Report Lag (Empiric Study on Manufacturing Companies on the IDX for the Period 2018-2022)".

2. LITERATURE REVIEW

Signaling Theory

Signal theory is a signal given by management to realize the owner's wishes and can reduce information asymmetry by producing the quality or integrity of financial reports (Spence, 1973). In a business environment, companies often deal with information asymmetry between management (who has in-depth internal information about the company) and external parties such as investors, creditors, and financial analysts (who have limited access to that information) (Sundararajan, 2022:3).

In financial distress, the signals sent by companies greatly determine how the market responds. If a company is able to give a positive signal, for example by demonstrating a commitment to long-term growth or the ability to meet its financial obligations, the market is likely to respond more calmly, lowering the risk of panic or a sharp decline in the stock price (Cariolaro, 2020:5).

Audit report lag

Audit report lag is defined as the number of days between the end of the fiscal year and the date of the audit report (Kesimli, 2019:30). Audit report lag is the length of time for completing an audit measured from the closing date of the financial year to the date of issuance of the audit report (Musfiroh, 2021:25). According to Koerniawan (2021:159) Audit report lag is the number of days from the end of a company's fiscal year to the date of the auditor's report. These delays are often used as proxies for negotiations between auditors and client management as well as audit efficiency.

According to research conducted by Himawan (2020), the audit report lag time can be calculated using the following formula:

Audit report lag PT. Akasha Wira International Tbk in 2022

Audit report lag = Audit Report Date - Financial Statement Date

   = 30/03/2023 – 12/31/2022

   = 88 Days

So PT. Akasha Wira International Tbk in 2022 did not experience audit report lag, because it was still within the deadline for submitting financial statements.

Financial Distress

Financial distress or financial difficulties are the financial instability of a company characterized by changes in financial structure, negative cash flow, and high debt. This condition can threaten business continuity if not addressed immediately Annisa (2024). If the company experiences a continuous decline, the company goes bankrupt (Amaniyah, 2023:53).

Financial distress is a situation in which a company has difficulty meeting its obligations, a situation in which the company's revenue cannot cover the total costs and suffers losses (Hery, 2019:33). One of the causes of financial distress is a series of mistakes, inappropriate decision-making, and the absence of efforts to monitor financial conditions, the use of funds that are ineffective or not in accordance with needs.

Profitability

According to Cashmere (2019:11) Profitability is a ratio to assess a company's ability to earn profits or profits in a certain period of time. Hery (2019:162) Explaining profitability is a ratio to measure a company's ability to generate profits from its normal business activities.

Profitability is the ability of a company to profit from the results of its business. Profitability assessment is the process of determining how well business activities are carried out to achieve strategic goals, eliminate waste and present timely information to carry out continuous improvement (Prihadi, 2019:52).

Audit Quality

Audit quality is the extent to which the audit meets the set standards and produces correct and useful reports. The quality of an audit depends on a variety of factors such as audit inputs, processes, and outputs, including the auditor's competence, the methodology used, and the effectiveness of communication (Kesimli, 2019:11).

According to Sukrisno (2019:52) Audit quality is the process of ensuring generally accepted auditing standards are followed in every audit, KAP follows specific audit quality control procedures that help meet those standards consistently on each assignment.

3. METHODS

This research is included in causal research, which aims to test the influence of the hypothesis of independent variables on dependent variables (Sugiyono, 2019). The data used in this study is quantitative data. According to (Senduk et al., 2023), quantitative methods are the activities of collecting, processing, analyzing and presenting data based on the amount or amount of data that is carried out objectively to solve a problem or test hypotheses to develop general principles. In this context, the population of the research object is all manufacturing companies listed on the Indonesia Stock Exchange in the period 2018 to 2022. The sample determination uses a non-probability sampling technique with the purposive sampling method, where the sample is selected based on the set criteria.

Based on the specified sample criteria, 50 companies with a total of 250 company data for five years were obtained as samples in this study. The information obtained was then processed and tested using SPSS version 25 data processing software to see the relationship between variables.

The data collection method used in this study is through documentation. In this study, the documents used are the company's annual financial statements and data on the submission of financial statements that are used as research samples. The documentation approach is carried out by collecting all secondary data obtained from the official website of the Indonesia Stock Exchange (www.idx.co.id).

The data analysis method carried out in this study is a statistical analysis method using the SPSS version 25 program. The analysis used was multiple linear regression analysis. This is because in this study there is more than one independent variable. Multiple linear regression analysis was used to test the influence between the dependent variable and the independent variable.

4. CONCLUSION AND SUGGESTIONS

Descriptive Statistical Analysis

In the measurement   of audit report lag, it is known that the company with the lowest score of 32 days was achieved by PT Arwana Citramulia Tbk in 2018 due to the absence of material problems or significant irregularities in the company's financial statements, which means that the auditor does not need to conduct in-depth investigations or additional procedures, reducing the time required to prepare the audit report.

Furthermore, it is known that the average value (mean) produced is 86.62 days. This shows that most manufacturing sector companies do not violate the provisions   of the audit report lag stipulated by the Financial Services Authority Regulation Number 14/POJK.04/2022 with a deadline of no later than the end of the third month or 90 days after the end of the financial year. Furthermore, the resulting standard deviation value was 35.57 where the value was smaller than the average value (86.62). This shows that the audit report lag data is uniform and has good performance.

On the variable Financial distress, it is known that the company with the lowest score of 0.65 was achieved by PT Samator Indo Gas Tbk in 2019 due to obstacles that are still experienced related to product distribution. Especially for areas outside Java. Then, the company with the largest value of 28.85 was achieved by PT. Sido Muncul Herbal and Pharmaceutical Industry Tbk in 2021 because the company succeeded in exporting 16 tons of patchouli essential oil to France for the first time. This initial shipment was carried out in stages until reaching 61 tons until the end of November 2021. This increases the company's profit potential to avoid Financial distress. Furthermore, it is known that the average

value (Mean) which resulted in 5.16. This shows that most manufacturing sector companies are able to avoid the condition Financial Ditsress where the Z value > 2.99 or within the criteria of not going bankrupt (Febriyandi & Septiana Amalia, 2022). Furthermore, the resulting standard deviation value is 4.66 where this value is smaller than the average value (5.16). This shows the data Financial distress is uniform in and has good performance.

In the profitability variable, it is known that the company with the lowest value of 0.04% was achieved by PT. Cahaya Putra Asa Keramik Tbk in 2020. This is because the company recorded a significant decrease in net profit in 2020 of IDR 144 million or a decrease of 93.03% compared to the previous year's achievement of IDR 2.06 billion. This shows that most manufacturing sector companies are able to make profits from the management of their assets. Furthermore, the resulting standard deviation value is 8.18 where the value is smaller than the average value (9.15). This shows that profitability data is uniform in depth and has good performance.

In the audit quality variable, it is known that the average value (mean) produced is 0.30. This shows that most manufacturing sector companies use the services of Non-Big Four KAP   in producing their financial statements. Furthermore, the resulting standard deviation value is 0.25 where the value is smaller than the average value (0.30). This shows that audit quality data is uniform and has good performance.

Classical Assumption Test Analysis

Table 1. Normality Test Results

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		250
Normal Parametersa,b	Mean	.0000000
	Std. Deviation	35.03470895
Most Extreme Differences	Absolute	.198
	Positive	.198
	Negative	-.099
Test Statistic		.198
Asymp. Sig. (2-tailed)		.223c
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

Source: SPSS Output 25, Data Processed

Based on the test results in table 1. the results obtained from the normality test obtained a significant value with the Asymp results. Sig. (2-tailed) of 0.223. This value is greater than the sig value of 0.05.the data can be said to be normal.

Table 2. Multicollinearity Test Results

Type		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	ROA	.796	1.256
	FD	.782	1.278
	KA	.962	1.040

Source: SPSS Output 25, Data Processed

If viewed from the tolerance column above, the value is more than 0.10, which is 0.796 in the profitability variable, 0.782 in the *financial distress* variable and 0.962 in the audit quality variable. It can be said that variables are independent of multicollinearity. It can be concluded that based on the two interrelated tests, these variables are free from the multicollinearity test.

Table 3. Results of Heteroscedasticity Test with the Glejser Method

Coefficientsa						
		Unstandardized Coefficients		Standardized Coefficients		
Type		B	Std. Error	Beta	t	Sig.
1	(Constant)	17.801	2.894		.151	.191
	FD	.054	.434	.170	.427	.116
	ROA	-.483	.197	-.170	-.453	.215
	KA	-.963	3.978	-.158	-.504	.213
a. Dependent Variable: Abs_RES						

Source: SPSS Output 25, Data Processed

Based on the heterokedasticity test using *the Glesjer* method, a significance value of 0.116 for *financial distress*, 0.215 for profitability, and 0.213 for audit quality was obtained. This shows that all variables in this study have a sig value greater than 0.05, strengthening the conclusion that the data used in this study does not have heterokedasticity problems.

Table 4. Autocorrelation Test Results

Type	Durbin-Watson
1	1.989

Source: SPSS Output 25, Data Processed

Based on the results from table 4. the result of the *Durbin-Watson* value is 1.989. This shows a D-W value between dU (1,817) and 4-dU (2,183). This shows that the independent variables and dependent variables used are free from autocorrelation and the data is suitable for use in this study.

Coefficient of Determination

Table 5. Coefficient of Determination

Type	R	R Square	Adjusted R Square
1	.774a	.630	.618

Source: SPSS Output 25, Data Processed

Based on table 5, it can be concluded that the table has an *Adjusted R-Square* value of 0.618 or 61.8%. The results show that the variables *of financial distress*, profitability and audit quality can explain   the *audit report lag* variable of 61.8%. While the remaining 38.2% can be explained by other variables outside this study.

Test F

Table 6. Test Result F

ANOVAa						
Type		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	9486.623	3	3162.208	8.545	.001b
	Residual	305630.277	246	1242.400		
	Total	315116.900	249			
a. Dependent Variable: ARL						
b. Predictors: (Constant), KA, ROA, FD						

Source: SPSS Output 25, Data Processed

Based on the results from table 6, it can be seen that F is calculated as 8.545 with a probability of 0.001 which means it is below 0.05 (α), the conclusion obtained by the regression model is suitable to be used to predict *audit report lag*. In addition, profitability, *financial distress* and audit quality simultaneously have a significant effect on *audit report lag*.

Hypothesis Test

Table 7. Test Results t

		Unstandardized Coefficients		Standardized Coefficients		
Type		B	Std. Error	Beta	t	Sig.
1	(Constant)	91.607	3.608		25.390	.000
	FD	1.341	.542	.176	2.476	.014
	ROA	-1.348	.246	-.100	-2.496	.006
	KA	-4.159	4.960	-.054	-2.839	.003

Source: SPSS Output 25, Data Processed

Based on the results of the independent variable significance test (t-test), it is known   that the tcount value is 2.476 > ttable is ± 1.969 and the probability is 0.014 < 0.05. It can be concluded that Ha1 is accepted, namely *financial distress* has a positive and significant effect on *audit report lag* or in other words, *financial distress* has a positive and significant effect on *audit report lag*. Based on the results of the independent variable significance test (t-test), it is known   that the tcount value is -2,496 > ttable is ± 1.969 and the probability is 0.006 < 0.05. It can be concluded that Ha2 is accepted, namely

profitability has a negative and significant effect on *audit report lag* or in other words, profitability has a negative and significant effect on *audit report lag*. Based on the results of the independent variable significance test (t-test), it is known   that the tcount value is -2.839 > the ttable is ± 1.969 and the probability is 0.003 < 0.05. It can be concluded that Ha3 is accepted, namely audit quality has a negative and significant effect on *audit report lag* or in other words, audit quality has a negative and significant effect on *audit report lag*.

DISCUSSION

The Effect *of Financial Distress* **on** *Audit Report Lag*

The results of the study show that *Financial distress* have a positive effect on *audit report lag* manufacturing sector companies listed on the Indonesia Stock Exchange in 2018 – 2022. If *Financial distress* will have a positive impact on increasing *audit report lag*. *Audit report lag* The longer in this situation can be seen as a signal that the company is struggling to solve internal problems or may even try to delay the delivery of bad news to the public. *audit report lag* which longer reflects the company's unhealthy financial condition and uncertainty about the company's future Mauladiputro & Daito (2024).

Effect of Profitability on *Audit Report Lag*

The results showed that profitability had a negative and significant effect on *audit report lag* manufacturing sector companies listed on the Indonesia Stock Exchange in 2018 - 2022. If profitability increases, it will have a negative impact on decreasing *audit report lag*. When a company records high profitability, management has an incentive to immediately communicate this information to the public This is in line with the purpose of signal theory, where a company seeks to communicate its internal qualities through observable actions, such as *audit report lag* shorter ones Ghozali (2020:167). The results of this study are in line with previous research conducted by Valentine & Effendi (2021) and Rahayu et al. (2021) i.e. profitability has a negative and significant effect on *audit report lag* company.

The Effect of Audit Quality on *Audit Report Lag*

The results of the study show that audit quality has a negative and significant effect on *audit report lag* manufacturing sector companies listed on the Indonesia Stock Exchange in 2018 – 2022. The better the quality of the audit owned, the lower the *audit report lag*. According to (Pramudita, I., & Utami, E. S., 2023) By using a reputable KAP, companies can take advantage of better audit quality, allowing auditors to complete audits faster without sacrificing quality and accuracy. The results of this study are in line with previous research conducted by Sunarsih et al. (2021) and Saputra & Agustin (2021) i.e. audit quality has a negative and significant effect on *audit report lag* company.

5. CONCLUSION

The results of the study show that financial distress has a positive influence on audit report lag in manufacturing companies listed on the Indonesia Stock Exchange for the 2018–2022 period. This means that the higher the level of financial distress in a company, the longer it takes to complete the audit of financial statements. This is due to the reluctance of companies experiencing financial difficulties to immediately release audited financial statements, because they are worried that such negative information can

affect market and investor perceptions. On the other hand, if the condition of financial distress decreases, the company is faster in completing the audit process and publishing its financial statements.

In addition, the study also found that profitability has a negative and significant effect on audit report lag. Companies that record high levels of profitability tend to speed up the audit process and immediately release audited financial statements as a positive signal for shareholders and the market. With good profitability, the company wants to demonstrate strong financial performance and increase investor confidence, thereby reducing delays in financial reporting. In contrast, companies with low profitability are more likely to experience longer audit report lags, due to a lack of urgency in submitting financial statements to the public.

In addition to financial distress and profitability factors, this study also found that audit quality has a negative and significant influence on audit report lag. Companies audited by high-reputation Public Accounting Firms (KAP) tend to have shorter audit report lags. This is because KAP which has high credibility implements stricter and more efficient audit standards, ensuring that financial statements are completed on time. The use of quality auditors also reflects the company's confidence in presenting transparent and accurate financial information. Thus, financial distress, profitability, and audit quality factors have an important role in determining the duration of audit report lag in manufacturing companies in Indonesia.

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