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THE EFFECT OF LEASED ASSET VALUE, AUDIT QUALIFICATION OPINION, AND AUDIT FIRM SIZE ON AUDIT REPORT LAG

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ABSTRAK (Times New Roman, Bold, 11pt)

This study examines the effect of leased asset value, audit opinion, and audit firm size on audit report lag among retail companies listed on the Indonesia Stock Exchange following the adoption of PSAK 116. Using a quantitative approach based on secondary data obtained from annual financial statements, independent auditor reports, and Refinitiv Web Eikon involving 23 listed companies over the 2020–2024, the research is conducted. The findings indicate that leased asset value has a significant effect on audit report lag, with a negative direction, while audit opinion and audit firm size do not exhibit significant effects. These findings imply that leased asset values do not necessarily lead to longer audit completion periods, it improved audit efficiency after the implementation of PSAK 116. This research contributes to empirical audit literature by providing evidence on the relationship between leased assets and audit timeliness in the retail sector within an emerging market setting.

1. INTRODUCTION

The promptness of financial reporting represents a fundamental qualitative characteristic that has become progressively vital in the digital era, as investors increasingly demand immediate access to information to support their investment decisions (Celestin, Mishra, & Mishara, 2025). The audit report lag, defined as the interval between a company's fiscal year-end and the date the audit report is signed, serves as a crucial measure of financial reporting timeliness and has significant implications for information asymmetry between management and stakeholders.

In Indonesia, the Financial Services Authority (Otoritas Jasa Keuangan/OJK), through Regulation No. 29/2016 Article 7 paragraph (1), mandates that publicly listed companies must submit their audited financial statements no later than the end of the fourth month (120 days) following the fiscal year-end. Non-compliance with this regulation results in administrative sanctions, including written warnings and fines (OJK, 2016). Recent empirical evidence indicates that the average audit report lag in Indonesia is approximately 86 days, or around three months, in the post-pandemic period, with notable disparities observed across different industry sectors (Puspaningsih & Fabillah, 2024). This average, whilst within regulatory compliance, suggests considerable variation in audit completion efficiency across Indonesian listed companies.

The theoretical underpinnings of audit report lag are grounded in signalling theory. Prior audit literature indicates that : 1)longer audit delays are often associated with underlying accounting issues, audit complexities, and qualified audit opinions, suggesting potential problems in the financial reporting or auditing process (Ashton et al., 1987), 2)is not systematically driven by managerial incentives to delay unfavourable news, but is instead largely explained by operational constraints, audit process duration, and firm-specific characteristics (Dyer & McHugh, 1975), 3)accounting and reporting complexity arises from multiple sources and materially affects the audit process.

One of reporting complexities is transactional complexity that has increased due to globalization, evolving regulatory requirements, and the proliferation of sophisticated financial instruments, all of which heighten the risk of errors, require specialised expertise, and may delay the preparation of reliable financial statements (Chavan & Pathak, 2025). Accounting complexity in the audit context is largely driven by business complexity and the presence of accounting items requiring significant estimation and professional judgement, such as asset

valuation, impairment assessments, and revenue recognition. A further dimension of complexity is generated when new accounting standards come into effect. Evidence from interviews with audit partners and preparers shows that implementing new standards creates substantial additional workload, disrupts existing financial reporting processes, and increases both the length and complexity of financial reports, while also raising the likelihood of misstatements and delayed filings (Anding, 2025). Collectively, these findings demonstrate that accounting complexity whether arising from transactions, estimation, or new regulatory requirements demands more extensive auditor evaluation and contributes to longer audit duration.

The implementation of PSAK 116 introduces several areas of significant technical complexity that require substantial professional judgement. Firstly, determining the appropriate incremental borrowing rate for discounting lease liabilities presents considerable challenges, particularly for entities without recent borrowing activities or those operating in markets with limited comparable debt instruments. Secondly, identifying the lease term involves complex judgements regarding the likelihood of exercising extension or termination options. Thirdly, the separation of lease and non-lease components in contracts requires detailed analysis and allocation of consideration, particularly in arrangements bundling property rental with maintenance, utilities, or other service. These material balance sheet reclassifications necessitate auditors to reassess materiality thresholds, potentially lowering performance materiality levels due to increased asset and liability balances. The heightened materiality of lease-related balances intensifies audit procedures and evidence-gathering requirements.

Audit complexity has long been recognized as a factor that may contribute to extended audit report lag, as it increases the volume of audit work and the level of professional judgement required during the audit process. In large and diversified corporations, audit complexity commonly arises from organizational structures that include multiple subsidiaries and more extensive operational activities, which tend to increase the scope and duration of audit procedures. Empirical evidence from Indonesian listed companies supports this relationship. Irene (2024) finds that audit complexity has a positive and statistically significant effect on audit report lag, indicating that more complex audits are associated with longer audit completion periods. The study explains that larger and more complex firms generally require greater audit effort due to the scale of their resources and the increasing sophistication of their operations and information systems.

Audit opinion also plays a role in shaping audit timeliness. The issuance of modified or non-standard opinions typically requires additional audit procedures, extended review processes, and careful evaluation of financial statement fairness. As emphasised by Nasution and Trisnawati (2024), determining whether financial statements are fairly presented inherently demands additional time and procedural rigor. Consequently, firms receiving non-standard audit opinions are more likely to experience longer audit report lags.

Accordingly, this study seeks to address these gaps by empirically examining the effect of leased asset value, audit qualification opinion, and audit firm size on audit report lag in retail companies listed on the Indonesia Stock Exchange during the 2020–2024 period. By integrating lease accounting complexity with auditor characteristics, this research extends prior audit timeliness literature and provides context-specific evidence on how major accounting standard changes influence audit efficiency in emerging markets.

2. THEORITICAL BASIS

Signalling Theory

Signalling theory, developed by Spence (1973), explains how parties in markets characterized by information asymmetry use observable actions or attributes to convey private information to other market participants (Spence, 1973). In the context of financial reporting, companies utilize various signals to communicate their quality and transparency to external stakeholders, thereby reducing information asymmetry and facilitating more efficient capital allocation. The timeliness of financial reporting has been identified as a crucial quality signal, with firms that consistently report earnings promptly being perceived as having superior internal controls, higher quality accounting systems, and more transparent management (Chambers & Penman, 1984). Conversely, delays in financial reporting are often interpreted by market participants as negative signals, potentially indicating accounting irregularities, operational difficulties, or weak governance mechanisms (Chambers & Penman, 1984).

The adoption of IFRS 16 Leases has introduced substantial complexity in financial reporting, particularly due to the requirement to recognize most lease contracts on the balance sheet. Morales-Díaz and Zamora-Ramírez (2018) demonstrate that the standard materially alters key financial ratios such as leverage and profitability, especially in sectors with intensive lease usage. Given this complexity, companies' ability to implement IFRS 16 effectively and

maintain timely audited financial statements can be perceived as a positive signal of strong accounting competence and robust internal control systems. Conversely, prolonged audit report lags during the transition period may reflect implementation difficulties or deficiencies in financial reporting processes. Knechel and Sharma (2012) show that shorter audit report lags often observed among clients of Big Four auditors are associated with lower discretionary accruals and fewer financial restatements, implying higher audit quality and stronger monitoring. Within the signaling framework, such timely audit completions can convey positive signals to investors regarding the firm's transparency, governance quality, and the auditor's competence. Consequently, audit report lag in this context can serve as a signal of both the company's implementation readiness and the auditor's thoroughness in addressing these complex reporting requirements.

Audit Report Lag

Audit report lag is defined as the number of calendar days between a company's fiscal year-end and the date on which the auditor signs the audit report (Ashton, Willingham, & Elliott, 1987). This temporal measure serves as an important indicator of audit efficiency and financial reporting timeliness. Subsequent research and regulatory frameworks in various jurisdictions have emphasized the need to minimize audit report lag to enhance the timeliness of audited financial information available to market participants. In Indonesia, the Financial Services Authority (OJK) mandates through Regulation Number 29/POJK.04/2016, subsequently amended by Regulation Number 16/POJK.04/2020, that listed companies must submit audited financial statements within four months of their fiscal year-end. Non-compliance with this deadline can result in sanctions ranging from written warnings to trading suspensions, underscoring the regulatory emphasis on timely financial disclosure.

The determinants of audit report lag have been extensively investigated in the auditing literature, with research identifying a constellation of factors spanning client characteristics, auditor attributes, and environmental conditions (Ashton et al., 1987). Auditor characteristics found to influence audit timeliness include auditor size (with Big Four firms generally associated with shorter lags due to superior resources and standardised methodologies), auditor industry specialisation, and audit firm tenure (Ashton et al., 1987). Environmental factors such as busy season effects, whereby audits of companies with December year-ends experience longer lags due to auditor capacity constraints, have also been documented (Ashton et al., 1987).

The adoption of IFRS 16 — later implemented in Indonesia as PSAK 116 — introduced substantial accounting complexity for lessees, especially in lease-intensive sectors such as retail, hotels, and transportation (Morales-Díaz & Zamora-Ramírez, 2018). PSAK 116, which was adopted from IFRS 16 and became effective in Indonesia on January 1, 2020, requires lessees to recognise right-of-use assets and corresponding lease liabilities for virtually all lease contracts, thereby eliminating the previous distinction between operating and finance leases under PSAK 30 (IAS 17). Consequently, these factors could reasonably be expected to extend audit report lags, particularly for companies with substantial lease portfolios (Lopes & Penela, 2024; Morales-Díaz & Zamora-Ramírez, 2018).

PSAK 116: Sewa

PSAK 116, which became effective for annual periods beginning on or after 1 January 2020, represents Indonesia's adoption of IFRS 16 Leases, marking the most significant change to lease accounting in over three decades (Morales-Díaz & Zamora-Ramírez, 2018). Under the new model, lessees are required to recognise a right-of-use asset, representing their right to use the underlying asset during the lease term, and a corresponding lease liability, representing their obligation to make lease payments, both measured at the present value of future lease payments.

The implementation of PSAK 116 has had substantial implications for corporate balance sheets, particularly in lease-intensive industries and also has multifaceted implications for both financial reporting and auditing. The standard introduces several areas that require substantial management judgement, including the determination of the lease term (particularly when renewal or termination options exist), the selection of an appropriate discount rate (either the interest rate implicit in the lease or the lessee's incremental borrowing rate), and the separation of lease and non-lease components within contracts (Morales-Díaz & Zamora-Ramírez, 2018).

Audit Qualification Opinion

Audit opinions represent the culmination of the audit process, conveying the auditor's professional judgement regarding whether the financial statements present fairly, in all material respects, the financial position and performance of the entity in accordance with the applicable financial reporting framework (International Auditing and Assurance Standards Board, 2020). The International Standards on Auditing (ISA 700, revised) and its Indonesian equivalent (SA

700) prescribe four types of audit opinions that auditors may issue: unmodified opinions, qualified opinions, adverse opinions, and disclaimers of opinion (International Auditing and Assurance Standards Board, 2020). An unmodified opinion, often referred to as a "clean" opinion, is issued when the auditor concludes that the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework and are free from material misstatement (International Auditing and Assurance Standards Board, 2020). Modified opinions, conversely, are issued when the auditor concludes that the financial statements contain material misstatements (qualified or adverse opinion) or when the auditor is unable to obtain sufficient appropriate audit evidence to form an opinion (qualified opinion or disclaimer of opinion) (International Auditing and Assurance Standards Board, 2020).

The issuance of a modified audit opinion, particularly a qualified, adverse, or disclaimer of opinion, has consistently been associated with extended audit report lags (Ashton et al., 1987; Knechel & Sharma, 2012). Ashton et al. (1987) found that companies receiving qualified opinions experienced audit report lags approximately 18 days longer than those with unmodified opinions. Such delays are often attributed to the additional audit work, consultations, and negotiations required when material issues are identified, which increase audit effort and extend the reporting process (Knechel & Sharma, 2012). Recent evidence from Indonesian manufacturing sectors confirms that audit opinion remains a significant determinant of audit delay, with companies receiving qualified or adverse opinions experiencing longer audit completion times compared to those with unmodified opinions (Utung, Pradnyani, & Artaningrum, 2025; Deianira, 2025). The complexity of the new lease accounting standard (PSAK 116, adopted from IFRS 16) creates multiple areas susceptible to material misstatement, particularly relating to lease term estimation, discount rate determination, and lease identification (Morales-Díaz & Zamora-Ramírez, 2018).

Audit Firm Size

The relationship between audit firm size and audit quality has been a central concern in auditing research. The auditor reputation hypothesis suggests that larger firms, particularly the Big Four; Deloitte, PwC, EY, and KPMG, possess significant reputation capital and client-specific quasi-rents that motivate them to provide higher audit quality (Tran, Pham, Tran, & Bui, 2025). These firms face greater risks of reputation and legal costs from audit failures, leading them to adopt more conservative and comprehensive audit procedures. Empirical evidence supports this notion: a study of Vietnamese listed companies (2007–2021) revealed

that Big Four auditors significantly reduced discretionary accruals by 0.086 units, with highly significant results (P>|t| = 0.000), indicating reduced earnings management and enhanced audit quality (Tran et al., 2025). Larger firms also maintain higher capital standards, employ more auditors, and have broader experience and reporting capacity, all of which strengthen audit outcomes.

However, the thoroughness hypothesis offers a complementary perspective, suggesting that Big Four firms may require more time to finalize audits due to extensive procedures, layered reviews, and heightened professional scepticism (Blankley, Hurtt, & MacGregor, 2014). Reputation concerns push these firms to perform detailed testing and dedicate additional time to complex areas, extending audit report lags despite resource advantages. Studies linking abnormal audit report lag with future restatements indicate that excessively long audits can reduce quality under intense deadline pressure, reaching a point of diminishing returns (Blankley et al., 2014). Time pressure may lead auditors to make sub optimal judgement, rely on easily obtainable rather than reliable evidence, or face challenges due to weak expertise or strong economic ties with clients—all of which may erode audit quality (Blankley et al., 2014).

Further evidence from Indonesian listed firms shows that structured engagement quality control reviews within Big Four firms uphold consistent quality standards, as these systems involve rigorous reviews of high-risk areas that extend audit timelines but enhance reliability (Febrianingrum, Ahzar, Meilani, Wijayati, & Pramesti, 2023). Professional scepticism and auditor competence also play key roles—certified auditors in large organisation adopt more comprehensive testing, leading to longer but higher-quality audits (Febrianingrum et al., 2023). Moreover, larger firms use incentive structures that reward long-term client retention and audit excellence rather than speed, aligning with the idea that reputational concerns outweigh time efficiency (Lasanthi & Akther, 2023). Consequently, Big Four auditors intentionally allocate sufficient audit hours and resources to safeguard quality, even at the cost of longer audit completion times (Tran et al., 2025; Lasanthi & Akther, 2023).

3. RESEARCH METHOD

This study employs a quantitative research approach with a causal-associative design to examine the relationships between independent variables that are leased asset value, audit qualification opinion, and audit firm size. And the dependent variable is audit report lag. This research utilizes secondary data obtained from publicly available financial statements and audit

reports of retail companies listed on the Indonesia Stock Exchange (IDX) during the period 2020–2024. The research population comprises all retail companies listed on the Indonesia Stock Exchange during the observation period 2020–2024. And this study employs purposive sampling, a non-probability sampling technique that selects sample elements based on predetermined criteria aligned with the research objectives.

The secondary data for this study will be obtained from the following sources: (1) Indonesia Stock Exchange Official Website (www.idx.co.id) including audited annual financial statements, annual reports, and corporate actions and disclosures; (2) Company Investor Relations Websites including downloadable financial statements and annual reports, supplementary disclosures and investor presentations, and corporate governance reports; and (3) IDX Official Monthly Statistics and Company Profiles including historical market capitalization data, listing status verification, and sector classification information

4. RESEARCH RESULTS AND DISCUSSION

Research Results

Descriptive Statistical Analysis

Descriptive Statistics

Variable	N	Mean	Std. Deviation	Percentage[a]	Frequency[a]
ARL	115	87.24	18.918		
LEASE	115	0.1395	0.1216		
AFS	115			58.30%	67
OPINION	115			99.10%	114
SIZE	115	Rp 1,650,476,292,121	Rp 5,112,796,944,617		
ROA	115	0.0157	0.1144		
LEV	115	0.5860	0.2704		
Valid N (listwise)	115				

a. Percentage and Frequency of companies for which AFS as dummy variables are coded as 1 (Big Four) and OPINION as dummy variables are coded as 0 (Unqualified).

Source: Data processed by the author using SPSS (2025)

Table 4.1 – Descriptive Statistics

Table 4.1 presents the descriptive statistics of all variables based on their original values prior to transformation included in this study based on 115 firm-year observations. This

approach is adopted to facilitate meaningful interpretation of the data distribution and magnitude. The dependent variable, audit report lag (ARL), exhibits an average of 87.24 days and a standard deviation of 18.918 days. This indicates a moderate variation in the timeliness of audit reporting among retail companies during the observation period.

The lease variable (LEASE), measured as the proportion of right-of-use assets with a mean value of 0.1395 and a standard deviation of 0.1216. This suggests considerable diversity in the extent of lease utilisation across the sampled firms. The audit firm size (AFS), represented as a dummy variable has 58,3% of the observations were audited by Big Four public accounting firms. Similarly, the audit opinion variable (OPINION) shows a big percentage of 99.1% reflecting that most of proportion of firms received audit opinions unqualified opinions.

Firm size (SIZE), measured by total assets, demonstrates substantial average of IDR 1.65 trillion, highlighting significant differences in firm scale within the retail sector. Profitability, as measured by return on assets (ROA) with a mean of 0.0157, indicating that, on average, firms generated relatively modest returns during the period. Lastly, leverage (LEV) with a mean value of 0.5860, suggesting differing capital structures among the sampled firms.

Overall, the descriptive statistics indicate substantial variation across both dependent and independent variables, providing an appropriate basis for subsequent regression and hypothesis testing.

Normality Test

Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Unstandardized Residual	0.098	115	0.009	0.939	115	<,001

a. Lilliefors Significance Correction

Table 4.2 – Normality Test Results

The normality of the regression residuals was examined using the Kolmogorov–Smirnov and Shapiro–Wilk tests. The results indicate that the significance values of both tests are below the 5 per cent level, suggesting that the residuals are not normally distributed.

Nevertheless, this condition does not invalidate the regression analysis. According to Field (2018), when the sample size is sufficiently large, the violation of the normality assumption has a limited effect on the reliability of OLS estimators. In line with the Central Limit Theorem (CLT), the sampling distribution of the estimated coefficients approaches normality as the number of observations increases. Given that this study is based on 115 firm-year observations, the regression analysis is considered appropriate, and hypothesis testing may be conducted with reliable and consistent results.

The non-normality observed in the residual distribution is likely attributable to the presence of highly skewed financial variables, particularly firm size (SIZE) measured in monetary terms, rather than the inclusion of dummy variables. According to Field (2018), dummy variables are not required to follow a normal distribution, and the normality assumption applies to the regression residuals rather than to individual predictors.

Multicollinearity Test

Coefficients[a]

Model		Collinearity	
		Tolerance	VIF
1	(Constant)		
	LEASE	0.623	1.605
	OPINION	0.644	1.553
	AFS	0.547	1.829
	ROA	0.483	2.070
	LEV	0.486	2.056
	LN_SIZE	0.406	2.464

a. Dependent Variable: LN_ARL

Source: Data processed by the author using SPSS (2025)

Table 4.3 – Multicollinearity Test Results

The multicollinearity test was conducted to examine the presence of high correlations among the independent variables in the regression model. This test was assessed using the tolerance and Variance Inflation Factor (VIF) values, as presented in Table 4.4. A regression model is considered free from multicollinearity if the tolerance value exceeds 0.10 and the VIF value is below 10.

The results show that all independent variables, namely lease (LEASE), audit opinion (OPINION), audit firm size (AFS), firm size (SIZE), return on assets (ROA), and leverage

(LEV), exhibit tolerance values ranging from 0.406 to 0.644 and VIF values between 1.553 and 2.464. These values fall well within the acceptable thresholds.

Accordingly, it can be concluded that the regression model does not suffer from multicollinearity, and all independent variables may be simultaneously included in the regression analysis.

Heteroscedasticity Test

Coefficients[a]

Model		Sig.
1	(Constant)	0.377
	LEASE	0.534
	OPINION	0.053
	AFS	0.149
	ROA	0.736
	LEV	0.115
	LN_SIZE	0.827

a. Dependent Variable: ABS_RES

Source: Data processed by the author using SPSS (2025)

Table 4.4 – Heteroscedasticity Test Results

The heteroscedasticity test was conducted using by regressing the absolute residual values (ABS_RES) on all independent variables. The results of the test are presented in Table 4.4.

The findings indicate that most independent variables, namely lease (LEASE), audit opinion (OPINION), Audit Firm Size (AFS), firm size (SIZE), return on assets (ROA), and leverage (LEV), have significance values above the 5 per cent level which mean free from heteroscedasticity.

Autocorrelation Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.512[a]	0.262	0.221	0.18738	1.632

a. Predictors: (Constant), LN_SIZE, ROA, LEASE, AO, AFS, LEV
b. Dependent Variable: LN_ARL
Source: Data processed by the author using SPSS (2025)

Table 4.5 – Durbin-Watson Test Results

The autocorrelation test was conducted to determine whether the residuals of the regression model are correlated across observations. This study employs the Durbin–Watson (DW) statistic, as presented in Table 4.5.

The results show a Durbin–Watson value of 1.632. According to the general rule of thumb, a DW value between 1.5 and 2.5 indicates the absence of autocorrelation in the regression model. Therefore, the obtained value suggests that there is no autocorrelation among the residuals.

Based on this result, it can be concluded that the regression model satisfies the autocorrelation assumption and is appropriate for further regression and hypothesis testing.

Multiple Linear Regression Analysis

Multiple linear regression analysis is employed to examine the relationship between the independent variables and audit report lag. The multiple linear regression analysis is conducted using the transformed values of audit report lag and firm size, while other variables are retained in their original forms. The regression equation is formulated as follows:

Coefficients[a]			
Model		Unstandardized Coefficients B	Sig.
1	(Constant)	4.710	<.001
	LEASE	-0.807	<.001
	OPINION	0.158	0.503
	AFS	-0.031	0.520
	ROA	-0.089	0.687
	LEV	-0.112	0.233
	LN_SIZE	-0.003	0.532

a. Dependent Variable: LN_ARL

Source: Data processed by the author using SPSS (2025)

Table 4.6 – Multiple Linear Regression Results

The multiple linear regression analysis is conducted to examine the effect of lease intensity, audit opinion, audit firm size, profitability, leverage, and firm size on audit report lag. The dependent variable is the natural logarithm of audit report lag (LN_ARL), while the independent and control variables are included simultaneously in the model. The results of the regression analysis are presented in Table 4.6.

The regression results indicate that lease intensity has a negative and statistically significant effect on audit report lag, with a coefficient of –0.807 ($p < 0.001$). This finding suggests that higher lease intensity is associated with a shorter audit report lag. In contrast, audit opinion and audit firm size exhibit positive and negative coefficients respectively; however, both variables are statistically insignificant, indicating that they do not have a significant impact on audit report lag in the observed sample.

With respect to the control variables, profitability (ROA), leverage (LEV), and firm size (LN_SIZE) also do not show statistically significant effects on audit report lag. Overall, the regression model demonstrates that, among the variables examined, lease intensity is the only factor that significantly influences audit report lag during the observation period.

Model 1: Individual Effects (Hypotheses H1, H2, H3)

$$ARL = 98.009 + -54.348LEASE + 9.921OPINION + -2.520AFS + 7.900E\text{-}13SIZE + -8.670ROA + -5.073LEV + \varepsilon$$

Where:

ARL = Audit Report Lag (dependent variable);

LEASE = Leased Asset Value (right-of-use assets / total assets);

OPINION = Audit Qualification Opinion (1 = modified, 0 = unmodified);

AFS = Audit Firm Size (1 = Big Four, 0 = non-Big Four);

SIZE = Firm Size (natural logarithm of total assets);

ROA = Profitability (return on assets);

LEV = Leverage (total debt / total assets);

β_0 = Intercept;

β_1 to β_{11} = Regression coefficients;

ε = Error term.

Hypothesis Testing

t-Test (Simultaneous Test)

Coefficients[a]

Model		Unstandardized Coefficients B	t	Sig.
1	(Constant)	4.710	30.675	<.001
	LEASE	-0.807	-4.411	<.001
	OPINION	0.158	0.672	0.503
	AFS	-0.031	-0.646	0.520
	ROA	-0.089	-0.404	0.687
	LEV	-0.112	-1.199	0.233
	LN_SIZE	-0.003	-0.626	0.532

a. Dependent Variable: LN_ARL

Source: Data processed by the author using SPSS (2025)

Table – 4.8 Test Results (Coefficients)

The t-test was conducted to examine the partial effect of each independent variable on the dependent variable, Audit Report Lag (ARL). The results of the partial test are presented in Table 4.8.

H1 Test: Leased Asset Value → Audit Report Lag

Hypothesis H1 proposes that leased asset value has a positive effect on audit report lag. The null hypothesis (H_0) states that the regression coefficient is less than or equal to zero ($\beta_1 \leq 0$), while the alternative hypothesis (H_1) assumes a positive coefficient ($\beta_1 > 0$).

The regression results show that the coefficient for Lease is –0.807 with a t-value of –4.411 and a significance level of less than 0.001. Although the coefficient is statistically significant, indicating that higher leased asset values are associated with a shorter audit report lag.

Based on the decision rule, H_0 is rejected only if the coefficient is both statistically significant and positive. Since the coefficient is significant but negative, the null hypothesis cannot be rejected. Therefore, H1 is not supported. This finding suggests that leased assets do not increase audit report lag; instead, they appear to reduce the time required to complete the audit process.

The empirical results indicate that leased asset value has a significant negative effect on audit report lag, contradicting the initial hypothesis that higher lease intensity would extend the audit completion period. This finding suggests that the adoption of lease accounting under PSAK 116 does not necessarily increase audit delay.

From an audit planning perspective, this result is consistent with the view that auditors are required to design audit procedures that are both effective and efficient, even when new or complex accounting standards are implemented. As emphasised by Arens et al. (2021), audit planning incorporates client characteristics, industry-specific risks, and prior audit experience, enabling auditors to anticipate the impact of new accounting requirements on audit procedures.

Furthermore, auditors are expected to possess adequate technical competence and continuously update their knowledge of newly issued standards. Familiarity with the client's business model and accounting policies allows auditors to integrate lease-related procedures into the overall audit plan without necessarily extending audit completion time (Arens et al., 2021).

Additional audit delays are more likely to arise only when substantive audit issues are identified, particularly those leading to modified audit opinions, which require expanded audit procedures and professional judgement (Arens et al., 2021). In the absence of such findings, higher leased asset values do not appear to impose significant additional audit complexity.

Accordingly, the rejection of Hypothesis 1 indicates that the implementation of PSAK 116 has been effectively accommodated within auditors' planning and execution processes, resulting in timelier audit reporting rather than prolonged audit delays.

H2 Test: Audit Qualification Opinion → Audit Report Lag

Hypothesis H2 states that a qualified or modified audit opinion positively affects audit report lag. The null hypothesis (H_0) assumes $\beta_2 \leq 0$, while the alternative hypothesis (H_2) assumes $\beta_2 > 0$.

The regression output indicates that Audit Opinion has a positive coefficient of 9.921; however, the effect is not statistically significant, with a p-value of 0.635. As the coefficient does not meet the significance threshold of 5 per cent, the decision rule for rejecting the null hypothesis is not satisfied.

Accordingly, H2 is not supported. This result implies that the type of audit opinion issued does not significantly influence the length of audit report lag in this study, but shorten audit report lag.

The empirical results of this study indicate that audit opinion does not have a statistically significant effect on audit report lag. Consequently, Hypothesis 2 (H2) is rejected, and the null hypothesis is accepted, suggesting that the type of audit opinion issued does not influence the timeliness of audit completion.

This finding is consistent with the empirical evidence reported by Jayati et al. (2017), who documents that audit opinion does not systematically prolong audit report lag. The absence of a significant relationship implies that auditors generally complete their audit procedures within the planned timeframe regardless of whether the audit opinion is modified or unmodified. This may reflect auditors' professional obligation to finalise audit work efficiently and in accordance with predetermined audit schedules, even when additional audit considerations arise.

However, the result of this study contrasts with earlier findings by Ashton et al. (1987) and Knechel and Sharma (2017), who argue that modified audit opinions tend to extend audit report lag due to additional audit procedures, extended negotiations with management, and consultations with senior audit partners. These studies suggest that the issuance of a modified opinion increases audit complexity and, consequently, audit completion time.

The inconsistency between this study and prior findings may be explained by differences in institutional settings, regulatory environments, and audit practices. In the Indonesian context, auditors may anticipate the possibility of issuing modified opinions during the audit planning stage, allowing them to allocate sufficient time and resources in advance. As a result, the final audit opinion does not necessarily delay the issuance of the audit report.

Furthermore, several empirical studies cited in Jayati et al. (2017) also report either an insignificant or even a negative association between audit opinion and audit report lag, indicating that modified opinions do not always lead to longer audit delays. These findings support the argument that improvements in audit planning, audit technology, and regulatory oversight have reduced the marginal impact of audit opinion on audit timeliness.

H3 Test: Audit Firm Size → Audit Report Lag

Hypothesis H3 predicts that audit firm size has a negative effect on audit report lag, based on the efficiency hypothesis. The null hypothesis (H_0) states that $\beta_3 \geq 0$, while the alternative hypothesis (H_3) assumes $\beta_3 < 0$.

The regression results show that Audit Firm Size (AFS) has a negative coefficient of –2.520; however, the relationship is not statistically significant, as indicated by a p-value of 0.471. Although the coefficient sign is consistent with the hypothesised direction, the effect is not statistically significant.

Therefore, the null hypothesis cannot be rejected, and H3 is not supported. This finding suggests that audit firm size does not have a significant effect on audit report lag, despite the expected efficiency advantages of larger audit firms.

The relationship between audit firm size and audit report lag has been extensively discussed in the auditing literature; however, empirical evidence remains inconclusive due to the presence of competing theoretical perspectives (Ashton et al., 1987; Knechel & Payne, 2001; Tran et al., 2025). The efficiency hypothesis, rooted in resource-based theory, argues that

larger audit firms particularly Big Four auditors are able to complete audit engagements more promptly owing to superior human capital, advanced audit technologies, and highly standardised audit methodologies (Francis & Yu, 2009; Knechel & Payne, 2001). Within the context of PSAK 116, Big Four auditors' prior exposure to IFRS 16 implementation may further enhance their ability to manage complex lease accounting issues efficiently.

Conversely, the thoroughness hypothesis suggests that larger audit firms may require longer audit completion times due to more stringent quality-control procedures, conservative materiality thresholds, and multiple layers of internal review designed to mitigate litigation and reputational risks (Ashton et al., 1987; Tran et al., 2025). These additional procedures, while strengthening audit quality, may offset potential efficiency gains, particularly in firms with complex transactions and substantial accounting judgements following the adoption of PSAK 116.

Empirical findings across jurisdictions continue to demonstrate mixed results. While Knechel and Payne (2001) report that audits conducted by Big Six firms were completed approximately 10–12 days faster than those undertaken by smaller audit firms, Ashton et al. (1987) find no statistically significant difference in audit report lag attributable to audit firm size. Similarly, evidence documented in Jayati et al (2017) study indicates that audit firm size does not exert a significant influence on audit report lag, supporting the view that organisational characteristics of the auditor alone may be insufficient to explain audit timeliness. Although more recent studies conducted in emerging markets, such as Tran et al. (2025) and Indreswari et al. (2023), provide support for the efficiency hypothesis by identifying a negative association between audit firm size and audit report lag, the present study aligns with prior research suggesting that audit firm size does not necessarily determine audit completion speed.

Summary of Hypothesis Testing Results

Hypothesis	Description	Result
H1	Leased Asset Value → ARL	Not supported
H2	Audit Opinion → ARL	Not supported
H3	Audit Firm Size → ARL	Not supported

H4	Simultaneous Effects → ARL	Supported

Table 4.9 – Summary of Hypothesis Testing Results

F-Test (Partial Test)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.348	6	0.225	6.399	<,000[b]
	Residual	3.792	108	0.035		
	Total	5.140	114			

a. Dependent Variable: LN_ARL

b. Predictors: (Constant), LN_SIZE, ROA, LEASE, AO, AFS, LEV

Source: Data processed using SPSS, 2025

Table 4.10 – ANOVA Test Results

The F-test was performed to assess whether the independent variables collectively have a significant effect on the dependent variable, Audit Report Lag (ARL). The results of the simultaneous test are presented in Table 4.10.

H4 Test: Simultaneous Effects of Independent Variables → Audit Report Lag

Hypothesis H4 examines whether the independent variables jointly affect audit report lag. The null hypothesis (H_0) assumes that all regression coefficients are equal to zero ($\beta_1 = \beta_2 = \beta_3 = 0$), while the alternative hypothesis (H_4) states that at least one coefficient differs from zero.

The ANOVA results show an F-statistic of 6.399 with a significance value of less than 0.001. Since the significance level is below 0.05, the null hypothesis is rejected.

Thus, H4 is supported, indicating that Lease, Audit Opinion, Audit Firm Size, Company Size, Return on Assets, and Leverage collectively have a significant effect on audit report lag. This result confirms that the regression model is statistically valid and that the independent variables, when considered together, explain variations in audit report lag. Accordingly, it can be concluded that the multiple linear regression model applied in this study is appropriate and suitable for further analysis.

Coefficient of Determination Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.512[a]	0.262	0.221	0.18738	1.632

a. Predictors: (Constant), LN_SIZE, ROA, LEASE, AO, AFS, LEV
b. Dependent Variable: LN_ARL
Source: Data processed by the author using SPSS (2025)

Table 4.11 – Model Summary (R Square and Adjusted R)

The coefficient of determination test was conducted to assess the ability of the independent variables to explain variations in the dependent variable, Audit Report Lag. The results of the model summary are presented in Table 4.11.

The results indicate that the correlation coefficient (R) is 0.512, suggesting a moderate relationship between the independent variables and Audit Report Lag. The R Square value is 0.262, which implies that 26.2 per cent of the variation in Audit Report Lag can be explained by Leased Assets (LEASE), Audit Opinion (OPINION), Audit Firm Size (AFS), Company Size (SIZE), Return on Assets (ROA), and Leverage (LEV).

Furthermore, the Adjusted R Square value of 0.221 indicates that, after adjusting for the number of independent variables included in the model, 22.1 per cent of the variation in Audit Report Lag is explained by the regression model, while the remaining 77.9 per cent is influenced by other factors not included in this study. The standard error of the estimate is 16.697, indicating the average deviation of the observed values from the regression line. In addition, the Durbin–Watson statistic is 1.617, which suggests that there is no serious autocorrelation problem in the regression model. At the end the regression model demonstrates a moderate explanatory power in explaining Audit Report Lag, indicating that the selected independent variables are able to explain part of the variation in audit reporting timeliness.

Discussion

The rejection of the first hypothesis suggests that the implementation of PSAK 116 does not increase audit complexity to the extent that it delays audit completion. On the contrary, the negative relationship between leased asset value and audit report lag indicates that auditors are able to adapt efficiently to the recognition and measurement requirements of lease

accounting. This finding implies that both internal and external auditors have incorporated PSAK 116 into their audit planning and procedures, thereby minimizing the need for extended audit work, except in cases involving material misstatements or heightened audit risk.

The absence of a significant relationship between audit opinion and audit report lag further indicates that the audit reporting timeline is not necessarily affected by whether the auditor issues a modified or unmodified opinion. This result aligns with the view that audit opinions are typically final outcomes of the audit process rather than determinants of audit duration, particularly when audit planning and risk assessments are conducted effectively from the outset.

With respect to audit firm size, the findings suggest that Big Four auditors do not complete audits significantly faster or slower than non-Big Four auditors in the retail sector. This result implies that audit timeliness may be influenced more by client-specific characteristics and regulatory deadlines than by differences in audit firm resources or brand reputation. The mixed evidence in prior literature may therefore reflect contextual factors rather than universal efficiency advantages associated with large audit firms.

Taken together, the results indicate that audit report lag in the post-PSAK 116 environment is largely shaped by effective audit planning, auditor familiarity with client operations, and standardised audit procedures, rather than by lease intensity, audit opinion, or audit firm size alone.

5. SUMMARY AND CONCLUSIONS

Summary of Findings

This study examines the determinants of audit report lag among retail companies listed on the Indonesia Stock Exchange during the post-implementation period of PSAK 116. Using 115 firm-year observations and multiple linear regression analysis, the research investigates the effects of leased asset value, audit opinion, and audit firm size on audit timeliness, while controlling for profitability, leverage, and firm size.

The empirical results indicate that leased asset value has a significant negative effect on audit report lag, implying that higher recognized lease values are associated with shorter audit completion times. Consequently, the first hypothesis, which predicted a positive relationship between leased assets and audit report lag, is rejected.

Furthermore, the findings show that audit opinion does not have a statistically significant effect on audit report lag. This result leads to the rejection of the second hypothesis, suggesting that the issuance of modified or unmodified audit opinions does not systematically delay the audit reporting process in the sampled firms.

Similarly, audit firm size (Big Four versus non-Big Four) is found to have no significant impact on audit report lag. As a result, the third hypothesis is also rejected, indicating that the size of the public accounting firm does not determine audit timeliness in this research context.

Overall, the study provides evidence that audit report lag in Indonesian retail companies is not prolonged by the adoption of PSAK 116, nor is it significantly influenced by audit opinion or audit firm size.

Conclusion

This study concludes that the adoption of PSAK 116 does not extend audit report lag among retail companies listed on the Indonesia Stock Exchange. The empirical evidence demonstrates that leased asset value is associated with shorter audit completion times, while audit opinion and audit firm size have no significant effect on audit report lag.

These findings suggest that auditors have successfully adapted to the requirements of PSAK 116 and are capable of conducting audits efficiently without compromising audit quality. The results also indicate that audit timeliness is not solely dependent on the size of the audit firm or the nature of the audit opinion, but rather on the effectiveness of audit planning and execution.

Accordingly, this study contributes to the audit timeliness literature by providing evidence from a post-PSAK 116 context in an emerging market, particularly within the retail sector.

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