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Timeliness in Question: Analyzing the Impact of Financial Performance, Corporate Governance Mechanisms, and Audit Quality on Audit Report Late

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ABSTRACT

This study aims to analyze the factors that influence the audit reports late, by highlighting the influence of financial performance, corporate governance mechanisms, and audit quality. The timeliness of audit reports is a fundamental element in financial reporting that has a significant impact on decision-making by stakeholders as well as the perception of the reliability of the financial statements. This study adopts an explanatory approach using panel data analysis, which involves ordinary least squares (OLS), fixed effect, and random effect regression models. The secondary data used includes companies listed on the Indonesia Stock Exchange that experienced late submitting annual reports during the period 2018 to 2023. The results of the analysis show that financial performance has no significant effect on the audit reports late, although this variable shows a positive coefficient. Independent commissioners negatively significantly affect audit reports late, which is in line with agency theory that highlights the role of independent commissioners in reducing conflicts of interest. In contrast, the independent audit committee did not have a significant effect on audit reports late, indicating the need to strengthen the role of this committee in corporate governance. Audit quality was found to have a significant positive effect on audit reports late, suggesting that auditors with high reputations tend to take longer to complete the audit process. The findings of this study make an important contribution to the understanding of the determinants of audit reports late and its implications for corporate governance and auditing practices. This research is expected to contribute to the development of theory and practice in the field of financial reporting and auditing, as well as provide strategic recommendations to improve the timeliness of audit reports through strengthening financial performance, corporate governance, and audit quality.

INTRODUCTION

The timeliness of audit reports has long been recognized as a crucial aspect of financial reporting that has a significant impact on stakeholders' decision-making processes. The timely release of audit reports ensures that the information contained therein is relevant, accurate, and reflects the current financial condition of an organization (Ahmet, Halil, & Burcu, 2022). Audit reports late can create uncertainty and reduce the level of trust among investors, creditors, and regulators, which in turn can affect market valuations and company credibility (Gede & Ratna, 2021).

The importance of audit report timeliness is further emphasized by the regulatory framework imposed by authorities such as the Financial Services Authority (OJK) in Indonesia, which sets time limits for listed companies to submit their annual financial reports. However, despite these clear provisions, there are still companies that experience late in submitting their audit reports. This raises questions regarding the factors that contribute to such late (Gede & Ratna, 2021).

Previous research has examined various aspects that affect the delay of audit reports. (Abernathy, Barnes, Stefaniak, & Weisbarth, 2017) examined the impact of company complexity and auditor workload on the duration of audit completion, finding that these factors can extend audit time. Meanwhile, (Afify, 2009) identified the effect of company size, leverage, and foreign ownership on the timeliness of audit reports. While these studies provide valuable insights, there is a lack of literature examining the combined effect of financial performance, corporate governance, and audit quality together on audit reports late, especially in the context of companies listed on the Indonesia Stock Exchange. This study aims to fill this gap by exploring how these three factors-financial performance, corporate governance, and audit quality audit report late. With this approach, a more comprehensive understanding of the determinants of audit report late is expected.

Corporate governance is a framework that governs the relationship between a company's management, board of directors, shareholders, and other stakeholders. Strong corporate governance can help reduce the risk of fraud and financial data manipulation, which in turn can speed up the audit process (Anwar, Suleman, & Thalib, 2022). A larger composition of independent commissioners is believed to increase oversight of management and accelerate the audit reporting process.

Previous research shows mixed results regarding the effect of corporate governance on audit reports late. (Anwar et al., 2022; Gede & Ratna, 2021) found that a larger composition of independent commissioners can reduce audit reports late. On the other hand, research (Gede & Ratna, 2021) shows that the frequency of audit committee meetings does not always have a significant effect on the audit reports late. Other studies by (Al-Araj, 2023; Lajmi & Yab, 2022) also confirm the importance of corporate governance in reducing audit reports late, although the results vary depending on the proxies used.

Company financial performance is often the main indicator in determining the timeliness of audit reports. Companies with poor financial performance, as indicated by low profitability ratios or high levels of debt (leverage), tend to experience the latest in audit reporting. This is due to the additional complexity faced by auditors in evaluating companies that have financial problems. Some studies show that good financial performance can minimize audit reports late. For example, research by (Nawaiseh, 2017) shows that companies with high profitability ratios tend to complete audits faster. In contrast, research by (Arhinful & Radmehr, 2023) shows that a high level of leverage is correlated with late audit reports because auditors need more time to assess the financial risk and resilience of the company. However, research by (Agyei-Mensah, 2018) shows that despite high profitability, other factors such as company size and industry sector can also affect audit delay.

Audit quality, which is often measured by audit firm reputation and compliance with audit standards, also plays an important role in determining the timeliness of audit reports. Audit firms with high reputations tend to have a more efficient and professional audit process, which can accelerate audit completion. Research by (Fauziah & Setiawati, 2023; Leditho, Kusumastati, & Safiq, 2023) found that audit firms with international reputations tend to complete audits faster than smaller local firms. However, research by (Muhammad, 2020) shows that even if audit quality is high, factors such as company complexity and the level of risk faced can still extend the audit completion time. In addition, research by (Leditho et al., 2023)also shows that good audit quality can mitigate the risk of delay, although the impact may differ depending on the industry context and firm size.

This study aims to deeply explore and analyze the effect of financial performance, corporate governance mechanisms, and audit quality on audit reports late. This research seeks to uncover the complex interactions between these three factors and their impact on the timeliness of audit reporting, which is a crucial aspect in maintaining the credibility and reliability of financial information. By identifying the key determinants of audit report lateness, this study is expected to make a significant contribution to the academic literature as well as offer practical guidance for companies, auditors, and regulators. The findings of this study are expected to not only enrich the theoretical understanding of audit report late, but also provide strategic recommendations to strengthen corporate governance, improve financial performance, and ensure high audit quality to minimize the risk of report delay.

1. LITERATURE REVIEW

1.1 Agency Theory

Agency Theory was first introduced by Jensen and Meckling in 1976. This theory explains the relationship between the principal, who is the owner of capital, and the agent, who is the manager hired to run the company on behalf of the principal (Jensen & Meckling, 1976). In this relationship, the principal authorizes the agent to make strategic decisions aimed at maximizing firm value. However, conflicts of interest often arise because agents may have different objectives from the principal including conflicts of interest. After all, managers may have personal objectives that differ from the principal's objectives, such as pursuing personal gain or maintaining their position, which is not always in line with the interests of the owner (Fama & Jensen, 1983).

Information asymmetry is where managers have greater access to important information than owners. This allows managers to hide information or make decisions that are more favorable to themselves but can be detrimental to owners (Eisenhardt, 1989). Moral hazard where managers may make risky decisions because they do not bear the full risk, which is borne by the owners of the company. Adverse selection occurs when the principal has difficulty assessing the manager's competence and intentions before the agency relationship is formed. As a result, principals may choose managers who are incompetent or who do not really have good intentions in carrying out their duties (Kalbuana et al., 2022).

1.2 Audit Report Late

Audit report late or audit report late occurs when the audit report is not submitted within the specified time. This delay is often influenced by company complexity, poor financial conditions, and uncooperative management (Gede & Ratna, 2021). Good corporate governance, such as an active board of commissioners and an effective audit committee, can help speed up the audit process and reduce late (Kalbuana et al., 2022). In addition, the use of high-quality auditors, such as Big 4 firms, is also associated with faster audit completion as they have superior resources and technology (Saleh & Ragab, 2023). Audit report lateness is often a signal of a larger internal problem, such as management's attempt to delay the disclosure of negative information (Oradi, 2021). Therefore, audit report lateness can be considered a risk indicator in assessing corporate performance and governance.

1.3 Financial performance

Financial performance refers to how well a company uses its assets to generate revenue and manage its liabilities. Good financial performance is generally measured by financial ratios such as profitability, liquidity, leverage, and operational efficiency (Nawaiseh, 2017). Companies with strong financial performance tend to have a better ability to complete audits on time because they have a more organized financial system and better financial stability. Financial performance can also affect market perception and investor confidence. Companies with poor financial performance may try to delay the audit or manipulate financial statements to hide problems, which may cause late audit reports (Ahmet et al., 2022).
H1: Financial performance has a positive effect on audit reports late.

1.4 Corporate governance mechanism

Corporate governance mechanisms refer to the various tools and processes used to ensure that companies are run by good governance principles. These mechanisms include the structure of the board of directors, audit committees, the composition of independent commissioners, and risk management policies, all of which are designed to oversee and control management actions to conform to the interests of shareholders and other stakeholders (Anwar et al., 2022). Effective governance mechanisms can help minimize conflicts of interest between management and shareholders by ensuring that there is adequate oversight of the firm's strategic decisions and operations (Uzliawati et al., 2024).

Independent commissioners are a crucial component of the corporate governance mechanism, serving to objectively oversee management and ensure that the company's strategic decisions are in line with the interests of shareholders and other stakeholders (Anwar et al., 2022; Gede & Ratna, 2021). With no material or financial ties to the company, independent commissioners can maintain transparency and accountability, and provide critical judgment on management decisions. In addition, they play an active role in the audit committee and remuneration committee, thus contributing significantly to strengthening corporate governance and increasing investor confidence.

H2: Independent commissioners have a negative effect on audit reports late.

The independent audit committee is one of the vital elements in the corporate governance mechanism that serves to oversee the financial reporting process and ensure company compliance with applicable accounting standards and regulations. This committee consists of board members who have no material or financial relationship with the company, which allows them to act objectively and free from conflicts of interest (Fama & Jensen, 1983). The main role of the independent audit committee includes oversight of internal and external audits, evaluation of the effectiveness of internal controls, and verification of the integrity of the company's financial statements. By maintaining professional skepticism and ensuring transparency in the audit process, independent audit committees contribute significantly to strengthening corporate governance and increasing stakeholder confidence in the reliability of corporate financial statements (Al-Araj, 2023; Gede & Ratna, 2021; Lajmi & Yab, 2022).

H3: Independent audit committee have a negative effect on audit reports late.

1.5 Audit Quality

Audit quality refers to the auditor's ability to identify material misstatements and apply professional skepticism during the audit process. High audit quality is achieved when auditors have a deep understanding of their client's industry, use sophisticated audit technology, and adhere to strict ethical and independence standards. Public Accounting Firm (KAP) reputation is often used as an indicator of audit quality, where reputable KAPs, such as the Big 4 firms, are considered capable of providing more reliable and comprehensive audits (Ado, Rashid, Mustapha, & Ademola, 2020).

These large firms are known to excel in terms of resource availability, intensive auditor training, and access to the latest audit technology. In addition, scrutiny from regulators and high public expectations encourage them to continuously update audit methods and maintain integrity in every assignment they take on. Therefore, audits conducted by highly reputable firms not only improve the quality of financial statements but also provide positive signals to the market about the transparency and reliability of the company's financial information. Selecting high-quality auditors is essential in maintaining stakeholder trust and reducing the risk of late audit reporting (Leditho et al., 2023; Leventis, Weetman, & Caramanis, 2005; Sumunar & Anita, 2022).

H4: Audit quality has a positive effect on audit reports late.

2. METHODOLOGY

This study uses a quantitative approach to provide empirical evidence regarding the effect of financial performance, corporate governance mechanisms, and audit quality on audit reports late. Using an

explanatory approach, this study focuses on companies listed on the Indonesia Stock Exchange (IDX) that have experienced late in submitting audit financial reports during the period 2018 to 2023. The data used in this study are taken from the company's annual report accessed through the official IDX website (https://www.idx.co.id). This research utilizes panel data to combine relevant concepts, theories, and data in analyzing research variables using random effects, fixed effects, and Ordinary Least Square (OLS) models with the help of Stata software. This flexible regression model allows for a more in-depth analysis of the variables under study, providing significant flexibility in the analysis process. The results of these three models are presented in tabular form, which makes it easy to determine hypotheses and compare data thoroughly.

2.1 Research Regression Model

This study applies the panel data regression analysis method, which allows the analysis of data covering various periods as well as different units of analysis, such as selected companies. This approach provides flexibility in identifying and measuring the influence of variables such as financial performance, the presence of independent commissioners, independent audit committees, and audit quality on audit reports late. The use of panel data, also known as longitudinal or micro panel data, allows dynamic monitoring of changes over time while considering variations between units of analysis. By defining the research variables in detail, this study develops an in-depth analytical model to explore the relationship between these factors and audit report late. After identifying and describing in detail the relevant independent and dependent variables, this study develops the equation model to be used as follows:

$$ARL_{i,t} = \beta_0 + \beta_1 FNP_{i,t,} + \beta_2 ICM_{,t} + \beta_3 IAC_{i,t,} + \beta_4 QUA_{i,t} + \mathcal{E} \text{ ....(1)}$$

To explain the variable model of financial performance, the presence of independent commissioners, independent audit committees, and audit quality on audit report late, it can be explained as follows:

Table 1. Variable Description

Symbol		*Description*
i	=	*Cross-section data*
t	=	Time series data
ARL	=	Audit Report Late
FNP	=	Financial Performance
ICM	=	Independent Commissioners
IAC	=	Independent Audit Committees
QUA	=	Quality Audit
α	=	Constanta
$\beta_1, \beta_2, \beta_3, \beta_4$	=	Regression coefficients of variables FNP, ICM, IAC, QUA
ϵ	=	Error

Source: Compiled by the authors

3. RESULTS AND DISCUSSION

3.1 Descriptive Statistics

The results of descriptive statistical analysis display the minimum, maximum, mean, and standard deviation values of the variables studied based on the company sample. These descriptive statistics provide an overview of the data distribution and variations that exist among the variables used in the study. Data presentation for a sample of companies listed on the Indonesia Stock Exchange during the 2018-2023 period can be seen in the following table:

Table 2. Descriptive Variables

Variables	*Obs*	*Mean*	*Std. Dev.*	*Min*	*Max*	*p1*	*p99*	*Skew.*	*Kurt.*
ARL	300	-1.257	23.715	-72.044	63.982	-67.515	61.843	-.178	3.851
FNP	300	-22.251	340.702	-5897.596	60.717	-68.207	57.594	-17.18	296.765
ICM	300	.419	.13	0	1	0	1	.939	8.202

IAC	300	.361	.142	0	1	0	1	1.773	10.872
QUA	300	20.174	1.168	17.767	23.448	17.842	23.108	.333	2.552

Source: Compiled by the authors

3.2 Pearson Correlation Test

The Pearson correlation test is used to measure the extent of the relationship between the variables of financial performance, independent commissioners, independent audit committees, and audit quality on audit report late. The results of this analysis are presented in the following output:

Table 3. Pearson Correlation Test

Variables	*(1)*	*(2)*	*(3)*	*(4)*	*(5)*
(1) ARL	1.000				
(2) FNP	0.037	1.000			
	(0.518)				
(3) ICM	-0.143	-0.035	1.000		
	(0.013)	(0.550)			
(4) IAC	-0.004	0.044	0.238	1.000	
	(0.946)	(0.451)	(0.000)		
(5) QUA	0.149	0.077	0.066	-0.075	1.000

Pairwise correlations

Variables	(1)	(2)	(3)	(4)	(5)
(1) ARL	1.000				
(2) FNP	0.037	1.000			
(3) ICM	-0.143	-0.035	1.000		
(4) IAC	-0.004	0.044	0.238*	1.000	
(5) QUA	0.149*	0.077	0.066	-0.075	1.000

**** p<0.01, ** p<0.05, * p<0.1*

Source: Compiled by the authors

The table shows that the Independent Commissioner and Audit Fee variables have a significance value below 0.05 (5%), 0.013, and 0.010 respectively. This indicates that both variables have a significant relationship with audit report late, meeting the eligibility criteria for use in model validation. On the other hand, ROA and Independent Audit Committee variables have significance values above 0.05 (5%), indicating that these variables do not have a significant relationship with audit report lateness. However, the relationship between independent variables, such as between the Independent Audit Committee and Independent Commissioner, shows significance at the 1% level (p<0.01), which is consistent with the previous reliability test results, indicating that these variables provide consistent results when tested. These results confirm that variables with significance below 0.05 can be validly used in the research model.

3.3 Goodness of Fit Model Testing

Hypothesis testing plays an important role in research because it can determine the scientific level of the research conducted. To assess the feasibility of the model scientifically, three types of tests have been carried out, namely Ordinary Least Square (OLS) Regression, Fixed Effect, and Random Effect, with the following output results:

Table 4. Goodness of Fit Model

	(Model 1)	*(Model 2)*	*(Model 3)*
Variables	*Ordinary Least Square Test*	*Fixed Effect*	*Random Effect*
FNP	.001	-.001	.001
	(.004)	(.004)	(.004)
	0.764	0.783	0.846
ICM	-29.882***	-49.799***	-31.566***

Variables	(Model 1) Ordinary Least Square Test	(Model 2) Fixed Effect	(Model 3) Random Effect
	(10.724)	(16.569)	(11.141)
	0.006	0.003	0.005
IAC	7.777	22.478	8.745
	(9.862)	(18.106)	(10.377)
	0.431	0.216	0.399
QUA	3.285***	6.929	3.362***
	(1.166)	(4.398)	(1.257)
	0.005	0.116	0.007
Constant	-57.801**	-128.325	-59.002**
	(24.03)	(89.167)	(25.882)
Observations	300	300	300
R-squared	.048	.044	.z
Number of Year	5	5	5

Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1
Source: Compiled by the authors

3.4 Discussion of Research Results

3.4.1 Financial Performance Has A Positive Effect on Audit Report Late

Financial Performance (FNP) shows a positive coefficient estimate, but this result is not by the initial hypothesis which states that financial performance significantly affects audit report late. The t-test results show that FNP has no significant effect on audit report late in all models tested: p-value of 0.004 ≥ 0.05 (5%) in the OLS model, and the same p-value in the Fixed Effects (FE) and Random Effects (RE) models. This finding indicates that although the FNP coefficient is positive, the effect of financial performance on audit report late cannot be considered statistically significant in these models.

These empirical findings do not support the initial hypothesis proposed, where FNP is expected to have a significant influence on audit report late. The hypothesis is rejected because the p-value is greater than 0.05 (5%), and although the coefficient shows a positive direction, this is not enough to indicate a real relationship between financial performance and audit delay. The direction of this hypothesis is also inconsistent with some previous research findings that show a significant positive relationship between financial performance and audit delay in different contexts.

This study shows different results from previous studies, such as those conducted by (Ahmet et al., 2022), which found a positive and significant influence between good financial performance and audit report late. The discrepancy between the direction of the initial hypothesis and these empirical findings may be due to the greater complexity of financial performance in companies with better performance, which can actually extend the time required to complete the audit, or it may also be related to variations in the industry and period analyzed in this study.

From an Agency Theory perspective, these results can be interpreted in the context of the relationship between managers (agents) and shareholders (principals) (Jensen & Meckling, 1976).. In companies with good financial performance, managers may feel they are in a strong position, and therefore, they may not feel compelled to accelerate audit completion. Managers may focus on achieving short-term goals that enhance their image, such as showing impressive performance results, while potential issues that require the auditor's attention may be delayed or managed longer, ultimately leading to late in the audit report.

Furthermore, the insignificant effect of FNP on audit report late may also reflect a situation where managers may use additional time to fine-tune their financial statements to match shareholders' expectations or to minimize the risk of disclosure of information that could harm them. This could be a form of self-serving behavior that reflects the misalignment of interests between agents and principals, which is at the core of Agency Theory.

3.4.2 Independent Commissioners Have a Negative Effect on Audit Reports Late

Independent Commissioners (ICM) shows a significant negative coefficient estimate, which supports the initial hypothesis that the presence of independent commissioners has a negative effect on audit reports late. The t-test results confirm that ICM has a significant effect on audit report late with a p-value below 1% ($p<0.01$) in all models tested, including OLS, Fixed Effects (FE), and Random Effects (RE) models. This indicates that an increase in the presence of independent commissioners significantly reduces the delay in submitting audit reports.

The results of these empirical findings support the previous studies, such as those conducted by (Anwar et al., 2022; Gede & Ratna, 2021), in which ICM is expected to have a negative and significant influence on audit report late. This hypothesis is accepted because the very small p-value indicates a strong relationship between ICM and the reduction of audit delay. This negative coefficient indicates that the greater the proportion of independent commissioners in the company, the faster the completion of the audit report.

In the context of Agency Theory, this result is in line with the expectation that independent commissioners serve as an effective supervisory mechanism to reduce conflicts of interest between management (agents) and shareholders (principals). Independent commissioners are expected to act objectively and free from management influence, so they can supervise the audit process more closely and ensure that financial statements are presented promptly. This more effective oversight helps reduce the possibility of management delaying audit reporting for personal gain or to hide internal company problems.

The presence of more independent commissioners on the board of commissioners can pressure management to act more transparently and efficiently, thus reducing the time required to complete the audit. The supervisory effectiveness of independent commissioners is reflected in the negative and significant coefficient found in this study, which indicates that they can affect the efficiency of audit reporting time.

This study is consistent with previous findings showing that independent commissioners can play an important role in reducing audit reports late. The effectiveness of independent commissioners may be related to their independence from management, which allows them to provide tighter supervision and reduce potential bias in the reporting process. This finding reinforces the importance of the role of independent commissioners in good corporate governance, especially in ensuring that financial reporting is conducted in a transparent and timely manner.

3.4.3 Independent Audit Committees Have a Negative Effect on Audit Reports Late

The results of the analysis show that the Independent Audit Committee (IAC) has a positive coefficient estimate on audit report late, which is not by the initial hypothesis. The initial hypothesis states that the existence of an independent audit committee has a negative effect, or reduces audit report late. However, the t-test results indicate that the effect of IAC is not significant, with a p-value greater than 0.05 (p-value > 0.05) in all models tested, including OLS, Fixed Effects (FE), and Random Effects (RE) models. Although the direction of the coefficient shows a positive relationship, the insignificance of this result suggests that the presence of an independent audit committee does not substantially affect the reduction of audit late. This study shows different results from previous studies, such as those conducted by (Al-Araj, 2023; Gede & Ratna, 2021; Lajmi & Yab, 2022).

In the context of Agency Theory, independent audit committees are expected to reduce conflicts of interest between management and shareholders by ensuring that financial statements are audited promptly and accurately. However, the results of this study suggest that the role of independent audit committees in reducing audit reports late may not be as effective as expected. Several factors may explain this ineffectiveness. Limited oversight effectiveness of independent audit committees may occur if they do not have full access to necessary information or do not have sufficient authority to influence changes in the audit process. In this situation, despite the committee's efforts to ensure that the audit is completed on time, internal constraints within the company may hinder its oversight effectiveness. The positive coefficient found, although not significant, may indicate that the presence of an independent audit committee is associated with a more in-depth and detailed audit process. These committees may demand a higher

level of scrutiny from auditors, which in turn extends the time taken to complete the audit. Thus, independent audit committees may indirectly lead to increased audit late due to their focus on quality and rigor in financial reporting.

The interaction between the independent audit committee and management may also affect the committee's effectiveness. In some cases, management may not be fully cooperative with the independent audit committee, especially if there are different views on how the audit should be conducted. Such conflicts can slow down the audit process as discussions and negotiations are required to reach an agreement on the content of the financial statements. Structural or cultural constraints within the company may also limit the role of the independent audit committee. For example, in a highly centralized corporate culture, audit committees may not be given full freedom to exercise their oversight, which may reduce their effectiveness in ensuring that audits are completed on time.

3.4.4 Audit Quality Has A Positive Effect on Audit Report Late

Empirical test results show that Audit Quality has a significant positive coefficient estimate on audit reports late. These results consistently support the initial hypothesis proposed, namely that higher audit quality is associated with increased audit reports late. The t-test results indicate that the effect of audit quality on audit report late is significant with a p-value below 1% ($p<0.01$) in the OLS and Random Effects (RE) models, although it is not significant in the Fixed Effects (FE) model. This indicates that auditors who are more thorough and careful, which is indicated by higher audit quality, tend to require more time to complete the audit, thus causing an increase in audit reports late.

The results of these empirical findings support the previous studies, such as those conducted by (Leditho et al., 2023; Leventis et al., 2005; Sumunar & Anita, 2022), that audit quality has a positive effect on audit delay (Hypothesis Accepted). The significant positive coefficient indicates that higher-quality auditors may apply more stringent and detailed examination standards, which in turn require more time to ensure that all aspects of the financial statements have been audited properly and according to standards.

In the context of Agency Theory, reputable and high-quality auditors serve as a stronger monitoring mechanism to reduce potential conflicts of interest between management and shareholders. Higher-quality auditors have an incentive to ensure that financial statements are not only accurate but also free from material misstatement, which may require additional time in the audit process. Therefore, while high audit quality increases confidence in financial statements, it may also lead to late audit reporting due to greater attention to detail and adherence to strict auditing standards.

This result is consistent with the existing literature, which suggests that higher audit quality is often accompanied by a more in-depth audit process, which may extend the audit duration. As such, this finding reinforces the importance of considering the trade-off between audit quality and timeliness of audit reporting, especially in the context of large companies audited by reputable audit firms that apply higher standards in audit execution.

CONCLUSION AND POLICY RECOMMENDATION

This study aims to investigate the effect of financial performance, corporate governance mechanisms, and audit quality on audit reports late in companies listed on the Indonesia Stock Exchange (IDX) during the period 2018-2023. Through panel data regression analysis, several important findings were identified. Financial performance shows a positive coefficient, but this variable does not have a significant effect on audit reports late. This finding suggests that there is higher complexity in the audit process for companies with good financial performance, which may require more detailed and extensive examinations that extend the audit time.

The existence of independent commissioners is proven to have a significant negative effect on audit reports late. This finding is consistent with Agency Theory which emphasizes the important role of independent commissioners in reducing conflicts of interest between management and shareholders, which

in turn can accelerate audit completion through increased supervision and accountability. This result confirms the importance of effective corporate governance in ensuring the timeliness of audit reporting.

The independent audit committee did not show a significant effect on audit report lateness. Although these committees are expected to reduce audit late, the results suggest that their effectiveness may be limited by internal company constraints or lack of sufficient authority to substantially influence the audit process. This suggests the need to strengthen the role and authority of independent audit committees in the context of corporate governance.

Audit quality is shown to have a significant positive influence on audit reports late. Auditors with higher reputations and quality tend to apply more rigorous and detailed examination standards, which in turn require additional time to complete the audit. Nonetheless, these results emphasize the importance of the balance between audit quality and timeliness of reporting, especially in maintaining the reliability and integrity of financial statements.

Overall, this study highlights the crucial role of independent commissioners in expediting the audit process, while showing that higher audit quality may cause late, despite improving report quality. The findings also underscore the importance of further research to understand the more complex dynamics of the audit process, particularly about the insignificant role of financial performance and independent audit committees in this context. Further research is expected to provide greater insight into other factors that may influence audit reports late, as well as policy implications in improving the effectiveness of corporate governance in Indonesia.

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