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Audit Committee and Firm Characteristics on Audit Report Lag: Moderated by Key Audit Matters

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Abstract: The purpose of this study is to assess the moderating role of the primary audit issue in energy sector businesses and to investigate the impact of audit committee size, frequency of audit committee meetings, company size, and leverage on audit report lag. Purposive sampling strategies were used to collect secondary data from the Indonesia Stock Exchange for the years 2023 to 2025 utilizing a causal quantitative methodology. Panel data regression analysis with a fixed effects model was applied as the main testing method. The research results prove that the size and meetings of the audit committee do not affect reporting delays. On the contrary, the size of the company has been proven to accelerate the release of reports, while a high level of debt significantly prolongs the audit completion time. Furthermore, the main audit issue did not prove to moderate the influence of audit committee or firm characteristics on audit duration. In conclusion, the timeliness of financial information release is highly dependent on the scale of assets and the entity's debt risk, where the complexity of auditor findings has become a standard procedure that no longer disrupts the reporting timeline.

Keywords: Audit Report Lag, Audit Committee, Firm Size, Leverage, Key Audit Matters.

INTRODUCTION

Users use financial statements as their primary source of information when making a variety of decisions, and the caliber of the audit can greatly increase the value of these reports (Baatwah et al., 2024). One of the primary responsibilities of any company's management is to provide investors and shareholders with financial information. For investors and shareholders to evaluate the company's performance and make wise choices, this information is essential (Alsheikh & Alsheikh, 2023). Delays in the distribution of financial information, generally known as audit report lag, can create information asymmetry and decrease public trust (Bajary et al., 2025). Since timeliness seems to be a key factor in determining the quality of corporate governance, companies should have a shorter audit report lag. Users of financial reports should have timely access to this information so they may make wise choices. In a similar vein, international financial reporting standards have stressed how crucial it is to reduce audit report latency in order to improve corporate governance transparency (Ghazi H Sulimany, 2024).

ARL is regarded as a stand-in for the caliber and reliability of financial statements for external users who lack comprehensive access to the company's financial statement processing. Investors typically like shorter ARLs because they allow the auditor's opinion to be disclosed more quickly, which speeds up the evaluation of the company's financial statement credibility because timeliness shows how transparent and high-quality the financial statements are. ARL can also provide a better knowledge of the efficiency of the audit involved, identifying what variables might be troublesome for the audit engagement or the audit client (Abdullatif et al., 2025). Regulatory-wise, the Financial Services Authority (OJK) and the Indonesia Stock Exchange (BEI) have set rigorous timelines for the production of audited yearly financial statements to protect investors' interests. However, the fact is that the occurrence of delayed reporting continues to occur again. The problem of audit report latency is getting worse, particularly for businesses in the energy industry. The energy sector's operating features, such as the volatility of global commodity prices, capital intensity, and the complexity of asset valuation and mine reclamation duties, make audit verification methods extremely time-consuming.

The International Auditing and Assurance Standard Board (IAASB) established Key Audit Matters (KAMs) after realizing the value of openness and the necessity of greater shareholder involvement. By offering more insights from their audit efforts, these KAMs inspire auditors to provide more thorough reports (Alawadhi et al., 2024). By eliminating information asymmetry between investors and auditors and providing context to investors regarding the company's financial reporting, KAM is projected to strengthen the trust and legitimacy of financial reporting, similar to advancements in other audit and accounting standards (Alhawamdeh et al., 2024). To improve openness, international regulators have made major adjustments to audit reporting. While the International Auditing and Assurance Standards Board (IAASB) required auditors to disclose major audit matters (KAM) beginning on December 15, 2016, the PCAOB introduced new audit reporting standards in 2017 that required auditors to address significant audit concerns in their reports (Bajary et al., 2025).

The agency theory put forth by (Jensen & Meckling, 1976), which holds that there is always a conflict of interest between the principal as the capital owner and the agent managing the business, is strongly linked to this phenomena. Complementing this, the signaling theory (Spence, 1973) emphasizes that the timeliness of reporting serves as a positive signal (good news) released by the company to mitigate market uncertainty. Generally, managers have the motivation to provide accurate information about the company's performance to the public as promptly as feasible. If the signals offered by the manager can convince the public, then the public will be impressed, which will be reflected in the stock price. However, trading choices and stock prices may also be impacted if the financial data offers an unfavorable evaluation. Investors require information signals to evaluate and decide whether or not to purchase the company's stock (Machmuddah et al., 2020).

Previous studies on the influence of corporate governance and firm factors on audit report latency have produced contradictory findings. Some studies found that the size of the audit committee, the frequency of audit committee meetings, and the size of the company have a significant negative impact on reducing audit report lag (Fujianti & Satria, 2020; Jizi et al., 2025; Merter & Özer, 2024; Octaviani & Febriyanti, 2025). However, other studies documented insignificant results or even found a positive effect that extended the reporting duration, especially when faced with entities with high capital structure (leverage) risk (Abdullatif et al., 2025; Octaviani & Febriyanti, 2025; Yuliana et al., 2025). This inconsistency indicates a research gap that needs to be further investigated.

This research offers novelty by placing key audit matters (KAMs) as a moderating variable in the relationship between governance mechanisms, company characteristics, and audit report delays in energy sector companies in Indonesia during the period 2023–2025,

which is still relatively rarely explored empirically in this sector. From the perspective of agency theory and signaling theory, effective oversight governance mechanisms and large company scale are expected to detect material issues earlier and provide positive signals to the market thru timely publication of financial reports (Octaviani & Febriyanti, 2025). On the other hand, key audit matters, as reflections of the complexity and risk of external auditor findings, are predicted to affect the effectiveness of governance and the superiority of company characteristics in accelerating reporting time. This is because the high complexity of issues disclosed in KAMs will force auditors to expand substantive testing and distract the focus of the audit committee's oversight, potentially delaying report completion (Khotanlou & Kazemiloum, 2026).

According to the aforementioned explanation, the purpose of this study is to examine how audit committee size, audit committee meetings, firm size, and leverage affect audit report lag with key audit matters as a moderating variable in energy sector companies listed on the Indonesia Stock Exchange between 2023 and 2025. The following is the formulation of the research hypothesis based on theory and prior research:

H1: Audit committee size negatively affect audit report lag.

H2: Audit committee meeting negatively affect audit report lag.

H3: Firm size negatively affect audit report lag.

H4: Leverage positive affect audit report lag.

H5: Key audit matters moderates the effect of audit committee size on audit report lag.

H6: Key audit matters moderates the effect of audit committee meeting on audit report lag.

H7: Key audit matters moderates the effect of firm size on audit report lag.

H8: Key audit matters moderates the effect of leverage on audit report lag.

METHOD

Using a quantitative approach with a causal-explanatory design, this study aims to empirically prove how the characteristics of the audit committee (size and meeting frequency) and company characteristics (entity scale and leverage) affect the duration of the Audit Report Lag (ARL). In order to determine if these important issues strengthen or decrease the link of audit delay, this study additionally emphasizes the role of Key Audit Matters (KAMs) as a moderating variable. Secondary data from annual reports and audited financial statements of energy companies listed on the Indonesia Stock Exchange (IDX) during the 2023–2025 observation period was used. Considering that the data structure is a combination of observational data from various companies (cross-section) over several years (time-series), panel data regression analysis was chosen as the testing method using the Eviews 14 application. Finally, from the total population of energy companies, the sample selection was focused using purposive sampling technique to ensure that the processed data truly represent the research criteria. Based on Table 1, 70 companies met the research criteria over three observation periods, resulting in a total of 210 research samples.

Table 1. Purposive Sampling Technique

No	Criteria	Quantity
1	Energy sector companies listed on the Indonesia Stock Exchange (IDX) during the observation period 2023-2025.	91
2	Companies that do not have a fiscal year ending on December 31.	(1)
3	Companies that do not publish Annual Reports and Audited Financial Statements with incomplete and non-comprehensive data related to all research variables.	(17)
4	Companies that experience delisting or permanent suspension of stock trading during the observation period.	(3)
Companies that meet the criteria to be research samples		70
Number of sample analysis units (70 companies x 3 years)		210

Source: Research data, 2026

Table 2. Variable Operationalization Measuring

Variable	Symbol	Measuring
Audit Report Lag	ARL	Number of days between year-end date to auditor report date (Aldoseri et al., 2021; Alshammari, 2024)
Audit Committee Size	ACS	Total number of AC members (Jizi et al., 2025; Maranjory & Kouchaki Tajani, 2022)
Audit Committee Meeting	ACM	Total number of AC meetings (Alhawamdeh et al., 2024; Ghazi H Sulimany, 2024)
Firm Size	FS	Natural log of total assets (Abdullatif et al., 2025; Bajary et al., 2025)
Leverage	LEV	Total liabilities divided by total assets (Abdullatif et al., 2025; Bajary et al., 2025)
Key Audit Matters	KAMs	Number of KAM items on auditor report (Abdullatif et al., 2025; Bajary et al., 2025; Rahaman & Bhuiyan, 2025)

Source: Research data, 2026

RESULTS AND DISCUSSION

The dependent variable of audit report lag (ARL) had an average (mean) value of 83.42 days. The duration of audit completion shows a significant variation between companies, with the fastest completion time (minimum value) being 48 days, while the slowest completion (maximum value) took up to 180 days. The standard deviation value of 18.84, which is much smaller than the average, indicates that the distribution of ARL data is quite good and the data does not experience extreme fluctuations.

From a governance perspective, the variable for the size of the audit committee (ACS) has an average of 3.15 members, with a range between 2 to 9 members. This average figure indicates that the majority of the sampled companies have complied with the Financial Services Authority (OJK) regulations, which require the audit committee to consist of at least three members. Meanwhile, the level of supervisory activity, as proxied by the frequency of audit committee meetings (ACM), shows an average of 7.02 meetings per year, with the most intensive meeting frequency reaching 39 times.

The inherent characteristics of the company measured thru the size of the entity (FS) have an average value of 28.94 (in the Natural Logarithm proxy). Next, on the capital structure variable (LEV), the average debt ratio of the sampled companies is 0.47 (or 47.21%). This indicates that, in general, almost half of the total asset financing in the energy sector companies is funded by liabilities or debt, with the most extreme (maximum) debt level reaching a ratio of 2.38.

Lastly, the moderating variable of Key Audit Matters (KAMs) shows an average score of 1.34 points. This proves that the majority of auditors report at least 1 critical audit issue (minimum value of 1.00) in each of their reports and detail up to a maximum of 4 KAM items for companies with high transaction complexity. Overall, the standard deviation values of the independent and moderating variables, which are smaller than their average values, indicate that the data is normally distributed and has a very adequate variation to support the feasibility of panel data regression testing in the subsequent stages.

Table 3. Descriptive Statistical Test Results

Variable	N	Mean	Min	Max	Std. Dev.
ARL	210	83.4190	48.0000	180.0000	18.8404
ACS	210	3.1523	2.0000	9.0000	0.5915
ACM	210	7.0190	0.0000	39.0000	6.0602
FS	210	28.9436	24.7163	32.7152	1.8518
LEV	210	0.4721	0.0312	2.3803	0.3247
KAMs	210	1.3428	1.0000	4.0000	0.5590

Source: Research data, 2026

The Chow test is the initial testing phase that compares the effectiveness of the Fixed Effect Model (FEM) and Common Effect Model (CEM) approaches. The Cross-section Chi-square probability's significant value serves as the basis for the decision-making rule; if it is less than 0.05 ($\alpha = 5\%$), the FEM model is more suitable. The Redundant Fixed Effects test produced a Cross-section Chi-square statistic value of 253.72 with a probability level (Prob.) of 0.0000 based on the estimation findings in Table 4. Since this probability value is much smaller than the significance level of 0.05 ($0.0000 < 0.05$), the null hypothesis (H_0) is rejected. This proves that statistically, the Fixed Effect Model (FEM) approach is more appropriate and more consistent to use compared to the Common Effect Model (CEM).

Table 4. Chow Test

Effects Test	Statistic	d. f.	Prob.
Cross-section F	4.456825	(69,131)	0.0000
Cross-section Chi-square	253.724154	69	0.0000

Source: Research data, 2026

Considering that the Chow Test recommends the use of the FEM model, the testing phase continues to the Hausman Test. This test is crucial to determine the final choice, whether the FEM model from the previous stage should be retained, or whether the Random Effect Model (REM) is more efficient in regressing the data. The assessment is based on the significance value of the random cross-section. Based on the results of the Correlated Random Effects estimation in Table 5, a random cross-section statistic value of 31.53 was obtained with a probability (Prob.) of 0.0002. This probability value again shows a figure far below the significance standard of 0.05 ($0.0002 < 0.05$). Thus, the null hypothesis (H_0) supporting REM is rejected. Based on the series of formal tests above, since the Chow Test favored FEM and the Hausman Test also favored FEM consecutively, a solid final conclusion can be drawn that the best estimation approach for this research is the Fixed Effect Model (FEM). All classical assumption tests and hypothesis tests (t-test and F-test) in the next stage will be executed referring to the specifications of this FEM model.

Table 5. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	31.532258	9	0.0002

Source: Research data, 2026

After the best model specification is selected (FEM), the next step is to ensure that the model is free from deviations from classical assumptions so that the regression results are valid and unbiased (Best Linear Unbiased Estimator). In panel data regression, the testing is focused on multicollinearity and heteroscedasticity tests. The multicollinearity test aims to evaluate whether there is a correlation or linear relationship that is too strong among the independent variables in the model. In this study, the detection of multicollinearity is executed using the Pearson Correlation Matrix method. The model is considered free from harmful multicollinearity symptoms if the correlation coefficient values between variables are below the threshold of 0.90. The use of this correlation matrix is very ideal and more transparent for the moderation regression analysis (MRA) model.

Based on the Pearson correlation matrix in Table 6, it can be observed that the correlation values among the main independent variables (ACS, ACM, FS, LEV, and KAMS) are very safe and far from the critical point of 0.90. For example, the highest correlation among the main variables occurs only between the frequency of audit committee meetings (ACM) and company size (FS), which is 0.403. This figure confirms that each main variable has unique and non-overlapping information. Therefore, it can be confidently concluded that this

regression model is free from the disturbing issue of multicollinearity, allowing each variable coefficient to be estimated independently and validly.

Table 6. Multicollinearity Test

	ACS	ACM	FS	LEV	KAMS
ACS	1.0000	0.2474	0.3548	-0.0090	0.0438
ACM	0.2474	1.0000	0.4034	-0.0780	-0.0245
FS	0.3548	0.4034	1.0000	0.0262	0.1009
LEV	-0.0090	-0.0780	0.0262	1.0000	0.0236
KAMS	0.0438	-0.0245	0.1009	0.0236	1.0000

Source: Research data, 2026

The heteroscedasticity test aims to examine whether there is a difference in the variance of residuals (errors) from one observation to another in the regression model. If the variance is constant, it is called homoscedasticity (the ideal model). In this study, the testing was conducted using the Glejser Test, which involves regressing the absolute residual value (Absolute Residual / ABS_RESID) against all independent variables and moderation variables. The model is declared free from heteroscedasticity if the probability (Prob.) values of all variables are > 0.05 .

Based on the Glejser test results in Table 7, it can be clearly seen that all independent variables and moderation interaction have significance (Prob.) values far above the 0.05 tolerance standard. The probability values are respectively: ACS (0.9898), ACM (0.2230), FS (0.7278), LEV (0.4395), KAMS (0.5608), ACS_KAMS (0.8975), ACM_KAMS (0.1289), FS_KAMS (0.3795), and LEV_KAMS (0.8295). Since none of the variables have a probability value < 0.05 , the hypothesis stating the presence of heteroscedasticity symptoms is rejected. Thus, it can be firmly inferred that the panel data regression model in this study is free from heteroskedasticity difficulties (having constant variance / homoscedastic) and is extremely acceptable to proceed to the hypothesis testing stage.

Table 7. Heteroscedasticity Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.055	0.128	0.434	0.6650
ACS	-0.000	0.041	-0.012	0.9898
ACM	-0.001	0.001	-1.224	0.2230
FS	-0.001	0.003	-0.348	0.7278
LEV	-0.005	0.007	-0.775	0.4395
KAMS	0.036	0.062	0.583	0.5608
ACS_KAMS	0.002	0.020	0.129	0.8975
ACM_KAMS	0.001	0.000	1.527	0.1289
FS_KAMS	-0.001	0.002	-0.881	0.3795
LEV_KAMS	-0.000	0.002	-0.215	0.8295

Source: Research data, 2026

The F-test (simultaneous test) attempts to evaluate the generated regression model's goodness of fit based on the regression findings in Table 8. The output findings showed that an F-statistic value of 4.623 with a probability (Prob. F-statistic) of 0.000000 was obtained. The regression model is deemed highly fit as this probability value is significantly less than the significance level of 0.05. This proves that collectively (simultaneously), the governance variables (ACS, ACM), company characteristics (FS, LEV), and their interaction with KAMs are able to have a significant impact on the duration of the Audit Report Lag (ARL).

The Adjusted R-squared value is used in the analysis of the coefficient of determination to determine how much the variation in the independent variables may account for the variance

in the dependent variable. The test results show an Adjusted R-squared value of 0.5748 or 57.48%. This figure indicates that 57.48% of the changes (length or shortness) in the duration of the Audit Report Lag are successfully intervened and explained by the audit committee size, meeting frequency, company size, leverage, and KAM moderation. In the meantime, other variables not covered by this research model account for the remaining 42.52%.

Table 8. F-test and Adjusted R-squared

Adjusted R-squared	F-statistic	Prob(F-statistic)
0.574894	4.623616	0.000000

Source: Research data, 2026

Based on the regression results in Table 9, this test aims to address the eight proposed hypotheses (H1-H8). The decision to accept or reject the hypothesis is made by comparing the probability (Prob.) values of each variable with the tolerance limit of 0.05, while also considering the direction of the coefficients.

The ACS variable recorded a coefficient value of 0.560 with a probability of 0.9631. Since the probability value exceeds 0.05 (> 0.05), H1 is rejected. The ACM variable has a coefficient of 0.248 with a probability value of 0.8228. Considering its probability is greater than 0.05 (> 0.05), H2 is rejected. The FS variable shows a negative coefficient value of -17.147 supported by a very strong probability level of 0.0073 (< 0.05). With this result, H3 is accepted. The negative coefficient value convincingly proves that the larger the size of a company, the shorter (faster) the Audit Report Lag duration will be. The LEV variable shows a positive and substantial coefficient value of 68.739 with a probability level of 0.0002 (< 0.05). With these results, H4 is accepted. This positive coefficient empirically proves that the higher the company's debt level, the longer the audit process will take.

The focus of the Moderated Regression Analysis (MRA) lies in the interaction coefficients. Based on Table 9, it can be seen that all interaction variables (ACS_KAMS, ACM_KAMS, FS_KAMS, and LEV_KAMS) have probability values that are well above the threshold of 0.05 (each respectively being 0.8720; 0.7457; 0.7174; and 0.3091). Based on the absolute empirical evidence, it can be firmly concluded that H5, H6, H7, and H8 are rejected. In other words, the presence of Key Audit Matters (KAMs) is not significantly proven to moderate (either strengthen or weaken) the relationship between the characteristics of audit committee governance and company characteristics on the Audit Report Lag.

Table 9. Partial Significance Test (T-test)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	536.0892	175.1570	3.060621	0.0027
ACS	0.560814	12.09773	0.046357	0.9631
ACM	0.248007	1.105367	0.224366	0.8228
FS	-17.14703	6.295022	-2.723903	0.0073
LEV	68.73919	17.72154	3.878850	0.0002
KAMS	25.45857	36.69710	0.693749	0.4891
ACS_KAMS	-1.042937	6.460380	-0.161436	0.8720
ACM_KAMS	0.216111	0.664902	0.325027	0.7457
FS_KAMS	-0.548201	1.511296	-0.362736	0.7174
LEV_KAMS	-4.300201	4.211659	-1.021023	0.3091

Source: Research data, 2026

The Effect of Audit Committee Size on Audit Report Lag

The test results show that the size of the audit committee does not have a significant influence on audit report lag, as evidenced by a probability value of 0.9631 (> 0.05); therefore, the first hypothesis is rejected. These findings indicate that the number of audit committee

members is merely a formality to comply with OJK regulations (minimum of three members) without enhancing the technical effectiveness of oversight to expedite reporting. These results are consistent with previous research that found the size of the audit committee does not affect the duration of audit report delays (Aldoseri et al., 2021; Alhawamdeh et al., 2024; Alshammari, 2024; Lajmi & Yab, 2022; Maranjory & Kouchaki Tajani, 2022; Merter & Özer, 2024; Yuliana et al., 2025). On the other hand, these findings contradict research (Jizi et al., 2025; Octaviani & Febriyanti, 2025) that demonstrated a significant negative impact, and differ from findings (Endri et al., 2024; Ghazi H Sulimany, 2024) that found the size of the audit committee positively affects ARL.

The Effect of Audit Committee Meeting on Audit Report Lag

The test results show that the frequency of audit committee meetings does not have a significant impact on audit report delays, as evidenced by a probability value of 0.8228 (> 0.05); therefore, the second hypothesis is rejected. These findings indicate that committee meetings are strongly suspected to focus only on general administrative agendas, rather than being dedicated to solving complex accounting issues with auditors, thus the high frequency of meetings does not reduce ARL. This result is consistent with research (Aldoseri et al., 2021; Alhawamdeh et al., 2024; Alshammari, 2024; Ghazi H Sulimany, 2024) which found that the frequency of audit committee meetings does not affect the speed of report release. On the contrary, this finding contradicts the research (Merter & Özer, 2024) that documented a negative impact compressing audit time, and is not in line with the findings (Jizi et al., 2025; Lajmi & Yab, 2022) that found a positive impact.

The Effect of Firm Size on Audit Report Lag

The test results show that firm size has a negative and significant effect on audit report lag, evidenced by a probability value of 0.0073 (< 0.05); therefore, the third hypothesis is accepted. These findings indicate that the larger the scale of the entity, the faster the completion of the audit report, in line with the signaling theory where large companies have market incentives and superior internal control infrastructure. These results are consistent with previous research that found company size to have a negative impact on ARL (Fujianti & Satria, 2020). However, these findings differ from the study (Endri et al., 2024; Machmuddah et al., 2020; Octaviani & Febriyanti, 2025) which did not find a significant impact of entity scale, and contradict the research (Khan et al., 2023) which actually proved that company size extends the duration of ARL (positive impact).

The Effect of Leverage on Audit Report Lag

The test results show that the debt ratio has a positive and significant impact on audit report lag, evidenced by a probability value of 0.0002 (< 0.05); therefore, the fourth hypothesis is accepted. These findings indicate that a high proportion of debt triggers extra due professional care from auditors regarding the risk of financial distress, thereby extending time-consuming audit procedures. These empirical results are consistent with the research (Abdullatif et al., 2025) which found that leverage positively affects the duration of report delays. Conversely, these results contradict the studies (Fujianti & Satria, 2020; Octaviani & Febriyanti, 2025; Yuliana et al., 2025) which claim that leverage has no significant effect, and differ from the findings (Kristanti & Mulya, 2021) which conclude that debt negatively affects ARL.

Key Audit Matters Moderates the Effect of Audit Committee Size on Audit Report Lag

According to the test results (Prob. 0.8720 > 0.05), KAMs cannot mitigate the impact of audit committee size on audit report delay; therefore, the fifth hypothesis is rejected. These

findings indicate that the disclosure of KAMs has become an anticipated standard operating procedure, thus no longer being a contingency that undermines the effectiveness of governance measures. These results are consistent with the research (Alhawamdeh et al., 2024) which found that KAMs do not interact or fail to act as significant moderators.

Key Audit Matters Moderates the Effect of Audit Committee Meeting on Audit Report Lag

The test findings demonstrate that KAMs cannot mitigate the impact of audit committee meeting frequency on audit report delays (Prob. $0.7457 > 0.05$); therefore, the sixth hypothesis is rejected. These findings indicate that the number of disclosures of critical issues does not distract from the work efficiency or performance intensity of audit committee meetings. The insignificant result of this interaction role is in line with previous research conducted by (Alhawamdeh et al., 2024) which states that KAMs do not moderate reporting time.

Key Audit Matters Moderates the Effect of Firm Size on Audit Report Lag

The test results suggest that KAMs are unable to attenuate the influence of firm size on audit report delays (Prob. $0.7174 > 0.05$); therefore, the seventh hypothesis is rejected. The rejection of this moderation hypothesis actually contributes an interesting perspective to the literature. Considering that research on KAMs as moderators is still very limited, the insignificant interaction effect found can be linked to the study (Abdullatif et al., 2025; Rahaman & Bhuiyan, 2025) which examined KAMs purely as independent variables, where they found that KAMs [do not have a significant influence / have a negative influence] on ARL. The lack of moderation function in this study reinforces that the presence of critical audit issues (KAMs) tends to be independent and fails to intervene or change the direction of the relationship between the superiority of large companies and the duration of ARL. Conversely, this argument is certainly different from the independent findings of (Bajary et al., 2025; Khotanlou & Kazemiloum, 2026) which claim that KAMs have a strong positive influence on audit delay.

Key Audit Matters Moderates the Effect of Leverage on Audit Report Lag

According to the test results, KAMs cannot mitigate the impact of debt level on audit report delay (Prob. $0.3091 > 0.05$); therefore, the eighth hypothesis is rejected. These findings indicate that the complexity of KAM reporting fails to act as a multiplicative effect that exacerbates the length of the audit time due to the high level of debt (leverage). Similarly to the previous variable, the absence of this moderating role confirms the research direction of (Baatwah et al., 2024; Rahaman & Bhuiyan, 2025) which positions KAMs as independent variables and finds that KAMs indeed [do not have an effect / have a negative effect] on ARL. This finding indicates that the audit procedures for high debt already automatically include the evaluation of crucial issues that will later become KAMs, so KAMs do not have any significant additional interaction power. Of course, this phenomenon of KAMs' independence contradicts the independent research from (Alawadhi et al., 2024; Khotanlou & Kazemiloum, 2026) which believes that KAMs alone will certainly add (positively affect) the duration of reporting.

CONCLUSION

This study considers the moderating role of Key Audit Matters (KAMs) while examining the impact of firm and audit committee characteristics on Audit Report Lag (ARL). Based on the results of data analysis from observations of energy sector businesses listed on the Indonesia Stock Exchange (IDX) throughout the period from 2023 to 2025, it was concluded that internal governance mechanisms, both in terms of the size and frequency of audit committee meetings, were not proven to influence the speed of audit report completion. The

existence and activities of the audit committee in energy sector companies tend to be oriented only toward fulfilling administrative regulatory compliance without providing the effectiveness of technical oversight that can reduce auditor working time. On the other hand, the inherent characteristics of the firm have proven to be the absolute determinants of timely reporting. Entities of large size consistently manage to accelerate the duration of audits thanks to market reputation incentives and established control systems, whereas a high proportion of debt (leverage) significantly extends the audit completion time due to the extra caution procedures that auditors must undertake in response to the risk of financial failure.

Related to the research objective of testing the role of contingency, this study concludes that Key Audit Matters do not have the ability to moderate the relationship between audit committee characteristics or firm characteristics and Audit Report Lag. The level of disclosure of critical audit issues does not weaken the advantages of large-scale companies, does not exacerbate the delay effects due to debt, and does not distract from the routine performance of the audit committee. This confirms that the resolution of issues within KAMs has become a standard operating procedure that is thoroughly anticipated by independent auditors from the planning stage. The complexity of KAMs has proven not to act as a moderating effect that disrupts the audit timeline, but rather has been absorbed into the normal adjustments of audit procedures.

The findings in this study provide significant contributions and improvements to the development of financial accounting and corporate governance literature. Scientifically, this research tests a new empirical model by positioning KAMs as a moderating variable, which ultimately proves that the complexity of KAMs is independent and fails to intervene in the dominance of fundamental firm characteristics (scale and debt) on audit timing. Practically, the results of this study provide strategic insights for investors and regulators (Financial Services Authority) that the assessment of the prospects for timely release of financial information should focus on evaluating the company's debt risk profile and asset scale, rather than merely relying on compliance with the formalities of audit committee formation or the number of KAMs items published.

This research is not without a number of limitations that should be considered for the interpretation of the results and as a basis for future research. First, the scope of the population and sample in this study focuses exclusively on energy sector companies listed on the Indonesia Stock Exchange within a relatively short observation period, namely three years (2023–2025). This condition causes the research findings to not be absolutely generalizable to other industrial sectors, particularly those with very different regulatory characteristics and reporting complexities, such as the banking or financial institution sectors. For future researchers, it is recommended to expand the scope of the research objects by involving a more diverse range of industrial sectors and extending the observation period so that the results of the panel data analysis become more robust and macro-representative. Future researchers are also highly encouraged to explore the addition of other variables that theoretically can absorb the remaining variability of Audit Report Lag, such as going concern audit opinions, auditor industry specialization, or the effectiveness of the company's internal control system. In addition, the development of measurement methods for the Key Audit Matters variable based on textual analysis or word length evaluation will be very beneficial for examining the quality of disclosures in greater depth.

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