

CHAPTER V

SUMMARY AND CONCLUSIONS

5.1 Summary of Findings

This study investigates the determinants of audit report lag (ARL) among retail firms listed on the Indonesia Stock Exchange in the post-adoption period of PSAK 116. Drawing on 115 firm-year observations and employing multiple linear regression analysis, the research examines the impact of leased asset value, audit opinion, and audit firm size on audit timeliness, while controlling for profitability, leverage, and firm size.

The empirical findings reveal that leased asset value has a significant negative association with audit report lag, indicating that firms recognising higher lease-related assets tend to experience shorter audit completion periods. Accordingly, the first hypothesis, which proposed a relationship between leased assets and audit report lag, is supported.

In contrast, the results demonstrate that audit opinion does not exert a statistically significant influence on audit report lag. This outcome leads to the rejection of the second hypothesis, suggesting that whether an audit opinion is modified or unmodified does not systematically affect the audit reporting timeline within the sampled firms.

Similarly, audit firm size, as proxied by Big Four versus non-Big Four auditors, is found to have no significant effect on audit report lag. Consequently, the third hypothesis is also not supported, indicating that the scale of the public accounting firm does not determine audit timeliness in this research setting.

Overall, the study provides evidence that audit report lag in Indonesian retail companies is influenced by lease recognition following the implementation of PSAK 116, while audit opinion and audit firm size do not appear to play a significant role in explaining variations in audit timeliness.

5.2 Conclusion

This study concludes that the implementation of PSAK 116 has a discernible impact on audit report lag among retail firms listed on the Indonesia Stock Exchange. The empirical results indicate that leased asset value is linked to shorter audit completion periods, whereas audit opinion and audit firm size do not exhibit a statistically significant influence on audit report lag.

These findings imply that auditors have effectively adjusted to the reporting requirements introduced by PSAK 116 and are able to perform audit engagements efficiently without undermining audit quality. Moreover, the results suggest that audit timeliness is not determined solely by the scale of the audit firm or the type of audit opinion issued, but is more closely related to the effectiveness of audit planning and execution.

Accordingly, this research contributes to the literature on audit timeliness by offering empirical evidence from a post-PSAK 116 setting within an emerging market, with specific emphasis on the retail industry.

5.3 Recommendations

Based on the findings of this study, several recommendations can be proposed.

First, auditors are encouraged to continue enhancing their understanding of new accounting standards and integrating them into audit planning to maintain audit efficiency. Continuous professional development and knowledge sharing within audit teams are essential to ensure timely audit completion.

Second, companies should maintain transparent and well-structured financial reporting systems, particularly in relation to lease accounting, to facilitate efficient audit procedures. Strong internal controls and clear documentation can further reduce audit delays.

Third, future researchers are advised to extend the scope of analysis by examining other industries or regulatory environments to assess whether the findings remain consistent across different contexts. Additional explanatory variables, such as audit complexity or internal control quality, may also be incorporated to enrich future analyses.

5.4 Limitations of the Study

This study is subject to a number of limitations that should be taken into account when interpreting the results. These constraints largely stem from factors outside the researcher's control and are inherent in the research design, data availability, and institutional setting of the study.

First, the study relies exclusively on secondary data obtained from published annual reports, audited financial statements of retail companies listed on the Indonesia Stock Exchange, and Company data from Refinitiv Web Eikon. Consequently, the analysis depends on the accuracy, completeness, and consistency of disclosures made by each company. Any measurement errors, omissions, or differences in disclosure practices particularly in relation to lease-related information under PSAK 116 may influence the observed results but cannot be independently verified by the researcher.

Second, leased asset value is employed as a proxy for lease-related accounting complexity. Although this measure reflects the economic magnitude of recognised right-of-use assets, it may not fully capture qualitative aspects of complexity, such as management judgement in determining lease terms, discount rates, or embedded leases. These qualitative elements are not directly observable from publicly available financial statements and therefore remain beyond the scope of this study.

Third, the research is limited to retail companies during the 2020–2024 period, which coincides with the initial implementation phase of PSAK 116 and the broader economic disruption caused by the COVID-19 pandemic. External conditions such as regulatory adjustments, temporary rent concessions,

macroeconomic volatility, and operational disruptions may have affected audit processes and reporting timelines in ways that cannot be fully isolated within the empirical model.

Fourth, the study does not incorporate auditor-specific operational factors, such as audit team size, partner workload, audit technology usage, or internal scheduling pressures during peak audit seasons. These factors may significantly influence audit report lag but are not publicly disclosed and therefore cannot be controlled for in the analysis.

Fifth, although return on assets, leverage, and firm size are widely used as control variables in studies of audit timeliness, the findings of this research show that these variables do not have statistically significant effects on audit report lag. This outcome suggests that, within the retail industry, differences in profitability, capital structure, and organisational scale may not play a decisive role in explaining variations in audit completion time. One possible explanation relates to the relatively uniform regulatory framework and reporting deadlines applicable to listed retail firms, which may reduce cross-sectional differences in audit timeliness. In addition, audit report lag is likely to be driven more by audit process-related factors than by indicators of firm performance. Consequently, the inclusion of these control variables primarily functions to isolate the effects of the key independent variables, rather than to provide substantive explanatory power on their own.

Sixth, The audit qualification opinion variable exhibits a highly skewed distribution, as the vast majority of firm-year observations received unqualified audit opinions, with only a single observation reflecting a different audit outcome. This extreme imbalance limits the variability of the variable and reduces its statistical power in regression analysis. As a consequence, the insignificant result for audit opinion should be interpreted with caution, as it may reflect data distribution constraints rather than the absence of a substantive relationship with audit report lag. This limitation is common in audit research conducted in emerging markets, where modified audit opinions are relatively rare among listed firms.

Finally, the explanatory capacity of the regression model is inherently limited, given that audit report lag is shaped by a broad set of firm-specific, auditor-related, and environmental factors. Key variables, including internal control effectiveness, corporate governance quality, audit committee attributes, and auditor–client negotiation processes, are not incorporated due to data availability constraints, which may result in a portion of the variation in audit report lag remaining unexplained.

Despite these limitations, the study provides relevant empirical insights into audit timeliness in the post-PSAK 116 environment and contributes to the understanding of lease-related accounting complexity and auditor characteristics within the Indonesian retail sector.

