

Audit Fees as a Moderator of the Effects of Auditor Switching and Audit Quality on Audit Report Lag in Manufacturing Companies Listed on the Indonesia Stock Exchange

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ABSTRACT

This study aims to examine the effect of auditor switching and audit quality on audit report lag with audit fees as a moderator. The sample determination used a purposive sampling technique and obtained 335 data from manufacturing companies from 2020-2024. The analytical tools used in this study were multiple linear regression analysis and moderated regression analysis using IBM SPSS Statistics 26 software. The results showed that auditor switching had a significant positive effect on audit report lag, audit quality had a significant negative effect, audit fees moderated the effect of auditor switching on audit report lag, and audit fees weakened the effect of audit quality on audit report lag.

Page: 383-398

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INTRODUCTION

Financial statements represent the culmination of a series of accounting processes within a company and serve as a benchmark for evaluating the company's performance. A good financial statement is one that is presented accurately and in a timely manner when needed by financial statement users (Sunersa et al., 2022). The financial statements presented are useful to financial statement users for decision-making. In Indonesia, companies that have gone public or are listed on the Indonesia Stock Exchange are required to present their audited annual financial statements in a timely manner. If there is a delay in the reporting of a company's annual financial statements, the company will lose the trust of investors, creditors, and other stakeholders. This can result in losses for the company due to a decline in the company's stock price in the capital market, as investors may hesitate to invest or increase their investments due to such issues.

According to information obtained from the website www.liputan6.com, in 2021 there were 52 publicly listed companies (issuers), including 13 manufacturing companies that were late in submitting their audited financial statements for the fiscal year ending December 31, 2020 (Melani, 2021). In 2022, based on information from the website investasi.kontan.co.id, there were 68 publicly listed companies (issuers), including 17 manufacturing companies that were late in submitting their audited financial statements for the fiscal year ending December 31, 2021 (Mahadi, 2022). Meanwhile, in 2023, based on information from the website www.liputan6.com, there were still 61



publicly listed companies (issuers), including 20 manufacturing companies, that were late in submitting their audited financial statements for the fiscal year ending December 31, 2023 (Melani, 2023).

Based on the above cases, the Indonesia Stock Exchange (IDX) imposed sanctions on companies that failed to fulfill their obligation to submit audited financial statements as stipulated in Provision II. 6.2 of Indonesia Stock Exchange Regulation No. I-H on Sanctions, namely, these companies were subject to a written sanction II and a fine of Rp50,000,000 for the late submission of financial statements more than two months after the deadline for submitting financial statements (Bursa Efek Indonesia, 2004).

Delays by companies in submitting audited financial statements (audit report lag) remain a common issue in financial reporting practices. Audit report lag refers to the time required to complete the audit process, specifically from the company's fiscal year-end to the date the auditor signs the independent auditor's report (Meckfessel & Sellers, 2017). The length of the audit report lag can affect the timeliness of financial report disclosure to the public. However, audit report lag does not always indicate problems in a company's financial statements. Such delays can be influenced by various factors, such as the complexity of the company's operations, the company's size, the company's internal conditions, or the characteristics of the auditor conducting the examination. Nevertheless, several empirical studies, such as the research conducted by Suffah (2022), indicate that longer audit delays may be associated with an increased risk of financial reporting issues or a more complex audit process.

Several factors influence audit report lag, one of which is auditor switching. Auditor switching (auditor rotation) refers to the replacement of a public accountant. This change in auditors is intended to ensure that an auditor's independence is maintained. However, this change often leads to audit report lag because financial statements are not completed on time. This is because the new auditor requires a significant amount of time to audit the financial statements, as they must adapt to the company's business characteristics and systems such as record-keeping, operational activities, and prior-period working papers at the start of the engagement (Sunersa et al., 2022).

The second factor is audit quality. Audit quality refers to the likelihood that an auditor will identify errors or violations within the accounting system of the audited company (Sunarsih et al., 2021). One tool for assessing the quality of a public accounting firm (PAF) is through the use of PAF metrics. These metrics can be assessed by determining whether the PAF is affiliated with the Big Four. The independence and quality of Big Four firms are considered superior, leading to the perception that they are better equipped to conduct audits of their clients' financial statements (Sinaga & Rachmawati, 2018). Companies that use Big Four firms to audit their financial statements can complete the audited financial statements in a shorter time. This is supported by the presence of experts who are more professional, experienced, highly skilled, and equipped with more advanced technology (Butarbutar & Hadiprajitno, 2017).

Among the factors mentioned above, there is also a factor that can strengthen or weaken the influence of auditor switching and audit quality on audit report lag: audit fees. Audit fees are the compensation or revenue received by auditors for the audit services they have provided, in recognition of the time and costs incurred during the engagement process (Prawira et al., 2017). Higher audit fees can enable auditors to allocate greater resources, including the use of experts, more advanced audit

technology, and additional audit hours. In the context of auditor switching, this can help new auditors accelerate the process of understanding the client company's characteristics and adjust audit procedures more efficiently, thereby reducing the potential for audit completion delays (Quntari & Wahidahwati, 2023). However, the relationship between audit fees and audit report lag is not always linear. High audit fees may also reflect increased audit complexity, a broader scope of examination, and more in-depth audit procedures to maintain or enhance audit quality (Darmaningtyas, 2018). Under such conditions, the audit process may actually require more time. Thus, audit fees can have two potential effects: accelerating the audit through improved resource efficiency, or slowing it down due to increased complexity and the depth of examination procedures. This implies that audit fees can either strengthen or weaken the influence of auditor switching and audit quality on audit report lag. Additionally, companies that engage the services of Big Four firms generally pay higher audit fees due to their global reputation, more advanced audit technology, and broader auditor experience. Big Four firms have the potential to enhance audit efficiency through superior resources, but they also frequently handle clients with higher levels of complexity. Therefore, the role of audit fees as a moderating variable in the relationship between auditor switching and audit quality on audit report lag needs to be understood more comprehensively, taking into account the dual effect of audit efficiency and complexity.

Based on previous studies, it has been found that several factors influence audit report lag. However, there are also factors that do not influence audit report lag. According to a study conducted by Sunersa et al. (2022), the results indicate that, in part, auditor switching does not influence audit report lag. Research by Verawati & Wirakusuma (2016) indicates that auditor switching has a positive and significant effect on audit report lag. Research conducted by Lisa & Hendra (2020) also shows the same result, namely that auditor switching has a positive and significant effect on audit report lag. This is in contrast to the study conducted by Saputri et al. (2021), which stated that auditor switching does not affect audit report lag. The study conducted by Budiman (2018) showed that audit quality does not affect audit report lag. This finding contrasts with the study by Suffah (2022), which showed that audit quality has a negative and significant effect on audit report lag. This discrepancy prompted the researcher to conduct a study using the same variables auditor switching and audit quality with audit fees as a moderating variable in manufacturing companies listed on the Indonesia Stock Exchange. This study aims to examine the effects of auditor switching and audit quality on audit report lag, with audit fees serving as a moderating variable. The study uses a sample from the manufacturing sector listed on the Indonesia Stock Exchange (IDX).

LITERATURE REVIEW

Agency Theory

Agency Theory was first proposed by Jensen & Meckling (1976), who defined it as a theory describing the partnership between two parties: the principal (owner) and the agent (management or task executor). In this relationship, decision-making authority is delegated to the principal, while the agent carries out tasks in the principal's best interest. This theory explains the occurrence of agency problems due to information asymmetry and conflicts of interest between the two parties; therefore, an auditor is needed as an intermediary or bridge between the principal and the agent by auditing financial statements and providing an opinion on the presentation of financial statements. Thus,

through audited financial statements, the principal can be assured in making decisions (Napisah & Soeparyono, 2024).

Auditor Switching

Auditor switching is a situation where a company replaces its existing auditor with a new one. This change is initiated by the client company. Auditor switching can be mandatory or voluntary. The more frequently a company changes its auditor, the more likely it is to experience delays in the submission of audited financial statements, as the new auditor often requires a relatively long time to understand the business characteristics, assess audit risks, develop audit procedures, and manage the transition and transfer of documents between the new and former auditors compared to the previous auditor, who already had a deep understanding of the company. Auditor switching in this study is measured using a dummy variable: if a company changes its auditor, it is assigned a value of 1; if the client company does not change its auditor, it is assigned a value of 0 (Nazri et al., 2012).

Audit Quality

Audit quality is a measure of audit practices that reflects the extent to which an audit is conducted in accordance with established audit standards, resulting in financial statements that are reliable and free from material misstatements. Audit quality is influenced by various factors, including auditor competence, independence, the audit procedures applied, and professional ethics. One tool for assessing audit quality is to use the Big Four CPA firm metric, specifically based on the CPA firm collaborating with the company that is, a Public Accounting Firm affiliated with a Big Four firm. Big Four firms are considered to possess greater competence and expertise. Competence is assessed not only based on technical expertise but also on their scale, resources, and reputation. The measurement of audit quality in this study uses a dummy variable: if a company uses a Big Four firm to audit its financial statements, it is assigned a value of 1; if the company uses a non-Big Four firm, it is assigned a value of 0 (Prabowo, 2017).

Audit Report Lag

Audit report lag refers to the time period or number of days required by auditors to issue audited financial statements, with the audit process spanning from the company's fiscal year-end to the date indicated on the audited financial statements. In this study, audit report lag is measured as the time difference between the fiscal year-end date in the company's financial statements and the date the audited financial statements are issued. In this study, audit report lag is measured and expressed in the number of days starting from the company's fiscal year-end date until the date stated in the audit report on the audited financial statements (Abdillah et al., 2019).

Fee Audit

An audit fee is the compensation received for conducting an audit as part of a collaboration between a company and an auditor from a public accounting firm. An auditor works to receive compensation for the services provided in the form of an audit fee. The audit fee variable is measured using audit fee data from the professional services account and the expert services account in the financial statements (Deriah & Suhendra, 2023). However, since the professional services account consists of various expert services, such as administrative and notary services, this study uses audit fee data from

the audit fees listed in the company's annual report. However, because there were audit fees with extreme values in the SPSS program, data transformation was performed using the natural logarithm.

RESEARCH METHODS

This study utilizes secondary quantitative data from manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2020–2024 period. The sample was selected using purposive sampling based on the following criteria: 1) Manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2020–2024 period, 2) Companies that published audited financial statements for consecutive fiscal years during the 2020–2024 period, 3) Companies for which data related to the research variables are fully available (data available in financial statements or annual reports published during the 2020–2024 period). The observed data encompass 295 companies.

Hypothesis Development

The decision to switch auditors by the principal or agent is based on efforts to minimize agency costs and avoid adverse audit opinions (which could potentially undermine the auditor's independence or quality). Companies change auditors to enhance the independence and integrity of the audit process. However, auditor changes in the short term can cause companies to be late in submitting their financial reports. Research conducted by Asih (2017) also states that companies that change their auditors will experience a prolonged audit completion period (audit report lag). This is because the new auditor needs time to understand the business, the company's financial systems, and its internal control systems.

Based on the results of previous research conducted by Syifanaya (2021), auditor switching has a positive but insignificant effect on audit report lag. This aligns with research by Verawati & Wirakusuma (2016), who found that auditor switching affects audit report lag, and Lisa & Hendra (2020), who found that auditor switching has a positive and significant effect on audit report lag. This is because companies replace their old auditors with new ones. New auditors tend to require more time to study and adapt to the business characteristics and systems used by the company, particularly when conducting the audit process, which consumes the auditor's time during the audit and results in the delayed submission of the audited financial statements. Therefore, based on the above explanation, the following hypothesis is formulated:

(H1) Auditor Switching Has a Positive and Significant Effect on Audit Report Lag.

High audit quality is necessary to reduce information asymmetry between principals and agents and to enhance trust in the agents' reports. To achieve high audit quality, companies often engage large public accounting firms to audit their financial statements. The size of a public accounting firm can be determined by whether it is part of the Big Four or not (Shanti et al., 2023). The Big Four are the largest and most well-known public accounting firms. Companies that use Big Four firms to complete the audit process are often considered capable of delivering their audited financial statements on time. This is because Big Four firms possess greater resources, experienced professionals, and a global reputation that enhances companies' confidence in using them, thereby making the time required to complete the audit process relatively shorter.

Research conducted by Shanti et al. (2023) states that audit quality has a significant effect on audit report lag. Research by Suffah (2022) also indicates that audit quality has a negative and significant effect on audit report lag. This aligns with the study by Raditya Yogiputra & Syafruddin (2021), which found that audit quality measured by the firm's reputation has a negative but non-significant effect. This is because Big Four audit firms produce high-quality audits due to their professional auditors and high-quality resources, allowing them to conduct audits more quickly compared to non-Big Four audit firms. Based on the above discussion, the proposed hypothesis is:

(H2) Audit Quality Has a Negative and Significant Effect on Audit Report Lag.

Prior to the submission of financial statements, the company and the public accounting firm enter into an agreement and contract that includes provisions regarding the payment of fees (audit fees) for the services to be rendered. Audit fees are the compensation received by the auditor for the audit services performed. The audit fee is part of agency costs, specifically monitoring costs paid by the principal through the company to the auditor. According to Quntari & Wahidahwati (2023), the higher the audit fee paid by the company, the better the auditor's performance becomes, enabling the audit process to be completed quickly and the financial statements to be submitted on time. Auditor switching refers to the replacement of the existing auditor with a new one. Based on this, paying a high audit fee allows the new auditor to allocate more resources and experts to accelerate their understanding of the company and the audit process; thus, even if an auditor switch occurs, the new auditor can reduce the time required to conduct the audit process.

This aligns with prior research by Harris et al. (2023), who stated that audit fees influence audit report lag. Hadi & Gharniscia (2023) noted that audit fees and auditor switching have a positive but insignificant effect on audit report lag. Other researchers have also reported similar findings; specifically, Putri (2020) states that audit fees influence audit report lag but in a negative direction. Therefore, based on the above discussion, the following hypothesis is formulated:

(H3) Audit Fees Amplify the Effect of Auditor Switching on Audit Report Lag.

Before submitting audited financial statements, the company and the public accounting firm enter into an agreement and contract that includes provisions regarding the payment of fees for the services to be rendered. Audit fees are part of agency costs, specifically monitoring costs paid by the principal through the company to the auditor. Companies often engage auditors from the Big Four accounting firms with high audit fees to obtain high-quality results (Andriani & Nursiam, 2022). This aligns with the principal's interests. Auditors from the Big Four naturally charge higher audit fees to client companies because they possess greater resources, experienced and competent auditors, and utilize more advanced technology. Using auditors from the Big Four and allocating high audit fees can influence the timeliness of financial report issuance. This implies that audit fees can strengthen the influence of audit quality on audit report lag, thereby reducing audit report lag, as high audit fees allow the Big Four to allocate more resources and time to their clients, improving efficiency and accelerating the audit process.

This aligns with previous research conducted by Suffah (2022), which states that audit quality has a significant and negative effect on audit report lag, and research conducted by Rahmawati & Sudarma (2021), which states that audit fees affect audit report lag. Research by Hadi & Gharniscia

(2023) also states that audit fees affect audit report lag. Based on the above explanation, the following hypothesis is formulated:

(H4) Audit Fees Amplify the Effect of Audit Quality on Audit Report Lag.

RESULTS AND DISCUSSION

Normality Test

Table 1 shows that the Asymp. Sig. (2-tailed) value is < 0.05 , specifically 0.000. This indicates that the data are not normally distributed. Therefore, to ensure the data are normally distributed, it is necessary to remove outliers. The following are the results of the normality test after removing the outliers. Based on Table 2 (normality test), it can be seen that the Asymp. Sig. (2-tailed) value is greater than 0.05, specifically 0.200. This indicates that the data is normally distributed.

Table 1. Normality Test Before Outliers

		Unstandardized Residual
N		335
Normal Parameters ^{a,b}	Mean	,0000000
	Std. Deviation	19,96027337
Most Extreme Differences	Absolute	,115
	Positive	,115
	Negative	-,093
Test Statistic		,115
Asymp. Sig. (2-tailed)		,000 ^c

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

Source: Processed Data

Table 2. Normality Test After Outliers

		Unstandardized Residual
N		200
Normal Parameters ^{a,b}	Mean	,0000000
	Std. Deviation	11,22431145
Most Extreme Differences	Absolute	,047
	Positive	,041
	Negative	-,047
Test Statistic		,047
Asymp. Sig. (2-tailed)		,200 ^{c,d}

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

Source: Processed Data

Multicollinearity Test

Based on the results of the multicollinearity test in Table 3, in accordance with the criteria described above, the regression model used for the independent variables does not exhibit multicollinearity. The model is free from multicollinearity because the tolerance value is > 0.10 and the VIF value is < 10 .

Autocorrelation Test

In Table 4, the DW value determined through the autocorrelation test is 1.916. The data in this study do not exhibit autocorrelation because the table values for $dL = 1.748$ and $dU = 1.788$ yield a value of $4 - dU = 4 - 1.741 = 2.211$, where $1.788 < 1.916 < 2.211$.

Heteroscedasticity Test

Based on the table 5, it can be seen that all independent variables have a t-test significance level (sig.) > 0.05 ; therefore, it can be concluded that the analyzed data do not exhibit heteroscedasticity.

Table 3. Multicollinearity Test

Model	Collinearity Statistics	
	Tolerance	VIF
X1_Auditor Switching	,998	1,002
X2_Audit Quality	,572	1,748
ZTransform_Fee Audit	,572	1,750

a. Dependent Variable: Y_Audit Report Lag

Source: Processed Data

Table 4. Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,481 ^a	,231	,219	11,310	1,916

a. Predictors: (Constant), ZTransform_Fee Audit, X1_AuditorSwitching, X2_AuditQuality

b. Dependent Variable: Y_Audit Report Lag

Source: Processed Data

Table 5. Heteroscedasticity Test

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	-16,695	10,873		-1,535	,126
X1_Auditor Switching	,114	1,011	,008	,113	,910
X2_Audit Quality	-1,288	1,312	-,091	-,982	,327
ZTransform_Fee Audit	1,261	,546	,215	2,309	,022

a. Dependent Variable: ABRESID

Source: Processed Data

Table 6. F-Test for Multiple Linear Regression

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	2617,239	2	1308,619	8,595	,000 ^b
Residual	29992,741	197	152,247		
Total	32609,980	199			

a. Dependent Variable: *Y_Audit Report Lag*

b. Predictors: (Constant), *X2_Audit Quality*, *X1_Auditor Switching*

Source: Processed Data

Table 7. Test of the Coefficient of Determination (R²) for Multiple Linear Regression

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,283 ^a	,080	,071	12,339

a. Predictors: (Constant), *X2_Audit Quality*, *X1_Auditor Switching*

Source: Processed Data

Table 8. t-Test (Hypothesis Testing) for Multiple Linear Regression

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
(Constant)	84,500	1,442		58,592	,000
<i>X1_Auditor Switching</i>	3,866	1,778	,149	2,174	,031
<i>X2_Audit Quality</i>	-6,090	1,745	-,238	-3,490	,001

a. Dependent Variable: *Y_Audit Report Lag*

Source: Processed Data

Multiple Linear Regression Test

F-Test

Based on Table 6, it can be seen that the multiple regression analysis yielded a significance value of 0.000 for the F-test. This significance value is less than 0.05 (<0.05); therefore, based on these results, this study is deemed valid and passes the validity test because its significance level is less than 0.05.

Test of the Coefficient of Determination (R²)

Table 7 shows an R² value of 0.080 (8%), leading to the conclusion that the independent variables in this study auditor switching and audit quality account for 8% of the variation in the dependent variable, audit report lag, while the remaining 92% is attributed to other variables outside the scope of this study.

t-Test (Hypothesis Testing)

Based on the regression results, the multiple linear regression equation is as follows:

$$ARL = 84.500 + 3.866AS + (-6.090AQ) + e$$

Based on Table 8, it can be seen that in the multiple regression test, the t-test result for X1 (the auditor switching variable) shows a significance level of 0.031 with a t-value of 2.174. Since 0.031 < 0.05, H1 is accepted and H0 is rejected. Thus, it can be concluded that the auditor switching variable has a significant and positive effect on audit report lag. In this multiple linear regression model (the first

model), auditor switching acts independently and has a positive and significant effect on audit report lag.

For X2 (the audit quality variable), the significance level of the t-test result is 0.001, with a t-value of -3.490. This indicates that $0.001 < 0.05$, so H2 is accepted while H0 is rejected. It can be concluded that audit quality has a significant and negative effect on audit report lag. In this multiple linear regression model (first model), audit quality independently influences audit report lag in a negative and significant manner.

Moderated Regression Analysis (MRA)

F-Test

Based on Table 9, it can be seen that the multiple regression analysis yielded a significance value of 0.000 for the F-test. Since this value is less than 0.05 (<0.05), the results indicate that the independent and moderating variables in this study jointly or simultaneously influence audit report lag.

Test of the Coefficient of Determination (R²)

Table 10 shows an R² value of 0.267 (26.7%), thereby allowing the conclusion that the explanatory power of the independent variables in this study—namely auditor switching and audit quality, as well as audit fees as a moderating variable—in explaining the variation in the dependent variable, audit report lag, is 26.7%, while the remaining 73.3% is attributed to other variables outside the scope of this study.

Table 9. F-Test for Moderated Regression Analysis (MRA)

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	8711,057	5	1742,211	14,142	,000 ^b
Residual	23898,923	194	123,190		
Total	32609,980	199			

a. Dependent Variable: *Y_Audit Report Lag*

b. Predictors: (Constant), M2, M1, ZTransform_Fee Audit, X1_Auditor Switching, X2_Audit Quality

Source: Processed Data

Table 10. Coefficient of Determination (R²) Test for Moderated Regression Analysis (MRA)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,517 ^a	,267	,248	11,099

a. Predictors: (Constant), M2, M1, ZTransform_Fee Audit, X1_Auditor Switching, X2_Audit Quality

Source: Processed Data

Tabel 11. Uji t (Uji Hipotesis) Regresi Moderated Regression Analysis (MRA)

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	131,317	27,460		4,782	,000
X1_Auditor switching	24,189	27,977	,930	,865	,388
X2_Audit quality	111,558	35,896	4,368	3,108	,002
Z_Fee audit	-2,362	1,376	-,222	-1,716	,088
M1	-1,024	1,357	-,811	-,755	,451
M2	-5,301	1,741	-4,448	-3,045	,003

a. Dependent Variable: Y_Audit report lag

Source: Processed Data

Uji t (Uji Hipotesis)

Based on the regression results, the moderation regression is as follows:

$$ARL = 131.317 + 24.189 AS + 111.558 AQ + (-2.362 FA) + (-1.024 AS*FA) + (-5.301 AQ *FA)$$

Based on Table 11 above, it can be seen that the multiple regression test shows a significance value of 0.451 for the interaction between auditor switching and audit fee. This result indicates that $0.451 > 0.05$, so it can be concluded that audit fee cannot moderate the effect of auditor switching on audit report lag. In the first model the multiple linear regression model auditor switching has a significant and positive effect on audit report lag. After the interaction with audit fees, in this second moderation regression model, auditor switching has no effect on audit report lag. Therefore, in Model 2, it can be concluded that the audit fee variable disrupts the relationship between the auditor switching variable and audit report lag; consequently, the research results in this second model indicate that the auditor switching variable does not affect audit report lag.

The significance value of the interaction between audit quality and audit fee is 0.003. Since $0.003 < 0.05$, it is concluded that audit fee moderates the effect of audit quality on audit report lag, with a t-value of -3.045, indicating that audit fee strengthens the effect of audit quality on audit report lag. In the first model, namely the multiple linear regression model, audit quality has a significant and negative effect on audit report lag. In the second model, audit quality has a positive and significant effect on audit report lag, and after interacting with audit fees, the direction of this effect changes to negative; thus, it can be concluded that audit fees amplify the negative effect of audit quality on audit report lag.

DISCUSSION

The research results indicate that auditor switching (X1) has a significant positive effect on audit report lag. This means that the first hypothesis is accepted. The relationship between auditor switching and audit report lag can be explained through the lens of agency theory, particularly regarding the increased monitoring costs and audit risks that arise from auditor changes. In an agency relationship, external auditors serve as an independent oversight mechanism to reduce information asymmetry between management (the agent) and company owners (the principal). When auditor switching occurs, the new auditor faces initial limitations in understanding the client's business characteristics, accounting systems, internal controls, and operational risks. This situation increases audit risk and prompts the new auditor to perform more in-depth examination procedures as a form

of risk mitigation. Additionally, the new auditor requires a learning curve or adaptation period to fully understand the company's environment. This process increases monitoring costs and audit time, as the auditor must reacquire the understanding previously held by the former auditor. Consequently, auditor changes can prolong the audit report lag. Thus, agency theory supports this relationship through mechanisms involving increased agency costs, information asymmetry, and the need for additional oversight arising during the auditor transition period. The relationship with agency theory is consistent with the findings, which indicate that auditor switching has a significant and positive effect on audit report lag. The conclusions drawn from this study align with the findings of research conducted by Verawati & Wirakusuma (2016), Syifanaya (2021), and Lisa & Hendra (2020), namely that auditor switching has a positive effect on audit report lag.

The results of the study indicate that audit quality (X2) has a significant negative effect on audit report lag. This means that the second hypothesis is accepted. Agency theory is rooted in conflicts of interest and information asymmetry between principals and agents. High audit quality serves as a mechanism to reduce agency conflicts and decrease information asymmetry. Audit quality is assessed based on the public accounting firm (PAF) engaged by the company. In this study, audit quality is characterized by the size of the CPA firm, categorized as Big Four or non-Big Four. Companies that use Big Four firms to conduct their audits are often considered capable of delivering their audited financial statements on time. This is because Big Four firms possess significantly greater resources, including highly experienced and trained audit teams, as well as a strong global reputation as international firms, which enhances companies' confidence in using these firms, thereby shortening the time required to complete the audit process. It is precisely due to this shorter audit process that companies and the audit firm can submit audited financial statements on time (Shanti et al., 2023). The results obtained from this study align with the findings of the research conducted by Shanti et al. (2023), namely that audit quality has a negative effect on audit report lag.

The results of the moderation regression analysis indicate that there is no interaction between audit fees (Z) and auditor switching (X1) on audit report lag. This means that the third hypothesis, which states that audit fees moderate the effect of auditor switching on audit report lag, is rejected. The findings of this study do not support a relationship between audit fees and auditor switching on audit report lag, as explained in agency theory. The findings of this study indicate a non-significant relationship between audit fee and auditor switching on audit report lag. This implies that even when a long-standing auditor is replaced by a new one, the allocated audit fee does not influence an auditor's ability to complete the audit process or reduce audit report lag. This is because the auditor's primary priority is to mitigate the increased audit risk resulting from the auditor switch, rather than maximizing the speed of the audit process based on the fee provided. Due to high audit risk, auditors will perform extensive procedures that take a long time, and audit fees cannot accelerate this process. The conclusion drawn in this study aligns with the findings of a study conducted by Sari (2021) that audit fees do not influence audit report lag. Research conducted by Umar et al. (2024) states that audit fees and auditor switching do not affect audit report lag. It can be concluded that audit fees and auditor switching do not interact with audit report lag.

The results of the moderation regression analysis indicate a negative interaction between audit fees (Z) and auditor quality (X2) on audit report lag; therefore, it can be concluded that the fourth hypothesis which states that audit fees amplify the effect of auditor quality on audit report lag is

accepted. Agency theory explains the contractual relationship between owners (principals) and management (agents). Agency problems arise due to information asymmetry. Therefore, an auditor is needed to act as an intermediary in resolving this information asymmetry by preparing audited financial statements to provide assurance regarding the fairness of the financial statements to owners/investors. From an agency perspective, higher audit fees can be viewed as monitoring costs incurred by the principal to ensure optimal audit quality. Companies often engage auditors from the Big Four accounting firms with high audit fees to obtain high-quality results (Andriani & Nursiam, 2022). Engaging auditors from the Big Four accounting firms with high audit fees can influence the timeliness of financial statement issuance. This implies that audit fees can strengthen the influence of audit quality on audit report lag, thereby reducing audit report lag, as high audit fees enable the Big Four to allocate more resources and time to their clients, enhancing efficiency and accelerating the audit process. The conclusions drawn from this study align with the findings of research conducted by Rahmawati & Sudarma (2021) and Hadi & Gharniscia (2023), which state that audit fees influence audit report lag, as well as Suffah (2022), who asserts that audit quality affects audit report lag. It can be concluded that audit fees and audit quality interact with audit report lag. This indicates that the audit fee variable acts as a moderating variable.

CONCLUSION

Good financial statements are those that are presented transparently, accurately, and in a timely manner to enhance investor confidence in the company. Companies that fail to report their financial statements on time will be subject to sanctions and fines in accordance with applicable regulations. Such delays are problematic because they suggest that the company is unable to report its financials properly, which in turn affects investor decision-making. The delays observed in this study were caused by auditor switching and audit quality; therefore, this study aims to determine the effect of the independent variables auditor switching and audit quality on the dependent variable audit report lag as well as the interaction of the moderating variable, audit fees. Based on the results of the tests on the variables in this study, it can be concluded that: 1. Auditor switching has a significant positive effect on audit report lag. This means that the more frequently a company changes auditors, the longer the resulting audit report lag will be, as auditors need time to familiarize themselves with the business characteristics, systems, and processes of the audited company, as well as the business risks present within that company. 2. Audit quality has a significant negative effect on audit report lag. This implies that if a company engages a Big Four firm to audit its financial statements, the resulting audit report lag may be shorter than the established deadline. This is because Big Four firms possess and can allocate experts with global reputations, greater experience, and more human resources. 3. The results of the moderation regression analysis indicate that there is no interaction between audit fees and auditor switching regarding audit report lag. This implies that audit fees cannot moderate the effect of auditor switching on audit report lag. Whether a change in auditors occurs with high or low audit fee allocations, it does not affect the continuity of the audit process; therefore, it cannot yet be concluded that it reduces audit report lag. 4. The results of the moderation regression analysis indicate that audit fees amplify the effect of audit quality on audit report lag. This means that when a company allocates high audit fees to a high-quality audit firm in this case, a Big Four firm the quality of the

audit becomes increasingly significant in reducing audit report lag. This occurs because auditors can allocate more time and resources to complete the audit effectively and efficiently.

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