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THE EFFECT OF FINANCIAL DISTRESS, PROFITABILITY, AND SOLVENCY ON AUDIT REPORT LAG WITH AUDIT COMMITTEE AS MODERATING VARIABLE

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ABSTRACT

This study aims to analyze the effect of financial distress, profitability, and solvency on audit report lag with an audit committee, and examine the role of the audit committee as a moderating variable. The sampling technique used a non-probability sampling method with a purposive sampling approach. The data used is secondary data sourced from the annual reports of non-primary consumer goods sector companies listed on the Indonesia Stock Exchange for the period 2021-2023. The analysis technique used is panel regression with Moderated Regression Analysis (MRA) using Eviews 13 and Microsoft Excel software. The results showed: (a) financial distress has no effect on audit report lag; (b) profitability has no effect on audit report lag; (c) solvency has a negative effect on audit report lag; (d) audit committee has a negative effect on audit report lag; (e) the audit committee cannot moderate the effect of financial distress on audit report lag; (f) the audit committee cannot moderate the effect of profitability on audit report lag; (g) the audit committee is able to moderate the effect of solvency on audit report lag.

Keywords: audit report lag; financial distress; profitability; solvency; audit committee

Introduction

The capital market in Indonesia has experienced rapid development, which can be seen from the increase in the number of companies listed on the Indonesia Stock Exchange (IDX) and investor interest that continues to increase from year to year. In the period 2017 to 2023, there was an increase in the number of companies conducting Initial Public Offering (IPO) and a significant increase in the number of capital market investors. In 2017, the IDX recorded 37 new companies conducting IPOs, with the growth in the number of investors reaching around 1.12 million people (kumparan.com, 2017). This figure continues to increase every year, even in the midst of the Covid-19 pandemic in 2020, the IDX recorded 51 new companies conducting IPOs with the number of investors reaching 3.88 million (Akbar, 2020). By the end of 2023, the IDX recorded 79 new companies with the number of investors reaching 12.2 million (Durrohman, 2024). This growth not only indicates an increase in public investment interest, but also encourages the urgency of transparency and timeliness in the publication of company financial reports (Wokas *et al*., 2024). Financial reports are an instrument for stakeholders in evaluating management performance and making economic decisions (Pardiastuti & Herawati, 2020).

Public companies have an obligation to publish audited financial statements in accordance with the provisions of the Financial Services Authority (OJK). Based on POJK Number 14/POJK.04/2022, the deadline for the publication of audited financial statements is 90 days after the financial year ends. Financial reports not only serve as a form of accountability to shareholders, but are also a crucial source of information for investors and a supervisory tool for regulators (Alverina & Hadiprajitno, 2022). Delays in publication can have an impact on the relevance of information and the decision-making process of stakeholders, including in the context of general meetings of shareholders, credit ratings, and

3025-1192
(2024), 3 (2): 827–843

investment decisions (Saputri & Asrori, 2019). Although OJK has set clear regulations regarding the deadline for the publication of financial statements, the data shows that there are several companies that experience delays in fulfilling these obligations.

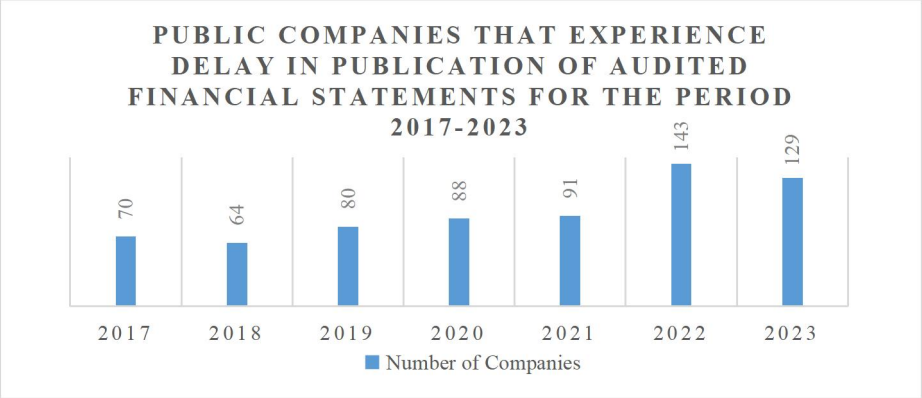

Figure 1. Number of Public Companies that Experience Delay in Publication of Annual Financial Statements for the Period 2017-2023

The data shows fluctuations in the number of listed companies that were late in publishing audited financial statements during the period 2017-2023. From 70 companies in 2017, this number had decreased to 64 companies in 2018, but then showed an increasing trend in the following four years. The spike occurred in 2022 with 143 companies or up 57.14% from the previous year. Despite a 9.79% decline in 2023 to 129 companies, this figure is still relatively high. This condition indicates that there are still challenges faced by public companies in fulfilling their financial reporting obligations on time.

Furthermore, sectoral analysis refers to the IDX-IC classification applied by the IDX. This analysis identifies industry sectors that often experience delays in the publication of audited financial statements during the 2021-2023 period. Since January 25, 2021, the Indonesia Stock Exchange (IDX) has implemented a new classification for sectors and industries of listed companies, known as the "Indonesia Stock Exchange Industrial Classification" (IDX-IC). The data includes the number of companies from various sectors that experienced delays in the publication of financial statements based on the IDX-IC classification during the period.

Table 1. Distribution of Company Sectors that Experience Delay in Publication of Annual Financial Statements in 2021-2023

Sector	2021	2022	2023
Energy	13	16	15
Basic Materials	6	16	16
Industrials	8	10	8
Consumer Non-Cyclicals	8	14	13
Consumer Cyclicals	21	29	28
Healthcare	2	1	4
Financials	4	9	5
Properties & Real Estate	16	24	20

3025-1192
(2024), 3 (2): 827–843

Technology	5	7	7
Infrastructures	6	12	8
Transportation & Logistic	2	5	5
Total Company	**91**	**143**	**129**

The data shows fluctuations in the number of companies that experience delays in the publication of financial statements. It can be seen that the three sectors with the most delays in publishing financial statements for the 2021-2023 period are the consumer cyclicals (20-23%), property & real estate (15-17%), and energy (11-14%) sectors. The consumer cyclicals sector, which includes the automotive, textile, household goods, tourism, and entertainment industries, consistently shows the highest percentage of delays. Given the importance of the timeliness of the publication of audited financial statements for companies that use the capital market as a source of funding, the high number of delays in this sector is interesting to study further to understand the factors that influence it. Therefore, this study focuses on non-primary consumer goods sector companies listed on the IDX to analyze the determinants of the delay in the publication of their audited financial statements.

Audit report lag (ARL) or audit delay is the period of completion of the audit from the closing date of the book to the publication of the audited financial statements (Sunersa et al., 2022). The length of this audit time reflects the delay in the publication of financial statements where if the audit report lag is longer, the higher the likelihood that the company will be late in submitting financial reports to the Financial Services Authority (OJK) and stakeholders. Delays in the audit process can hinder the analysis of financial information and timely business decision making (Pasupati & Husain, 2020). Previous research Abdillah et al (2019) classified the determinants of ARL into company characteristics and auditor characteristics, with company characteristics having a more significant influence. Therefore, this study focuses on company characteristics that affect ARL, including financial distress, profitability, and solvency with the audit committee as a moderating variable.

Financial distress is a condition in which the company is experiencing financial difficulties which can slow down the audit process due to increased audit risk. Research by Yen & Herusetya (2023) revealed that companies with financial distress tend to experience longer audit report lags because unstable financial situations encourage auditors to increase the scope of audit procedures to reduce risk. These results are in line with the findings of Park & Choi (2023) which show a significant positive effect between financial distress and audit report lag. On the other hand, Nuladani & Saputra (2024) found a negative effect, and Sari et al. (2019) found no significant effect.

Profitability reflects the company's ability to generate profits and optimize the utilization of its assets. Companies with high profitability tend to accelerate the publication of financial statements as an effort to show positive performance to investors. Sari et al. (2019) identified that the higher the company's profit, the faster the audit report lag, driven by the motivation to convey favorable information to shareholders. However, different results were found by Machmuddah et al. (2020) who did not identify a significant effect, and Kristanti & Mulya (2021) who actually found a significant positive effect.

Solvency describes the company's ability to pay off both short-term and long-term obligations. A high level of solvency can reflect greater financial risk, thus slowing down the audit process due to the need for auditors to be more careful in evaluating the company's business continuity. Gaol & Sitohang (2020) found that solvency has a significant positive effect on audit report lag. However, different findings were found by Sunarsih et al. (2021) who found a negative effect, while Agustina & Jaeni (2022) found no significant effect.

3025-1192
(2024), 3 (2): 827–843

The audit committee has an important role in internal supervision to ensure adequate financial reporting quality. In accordance with OJK regulation Number 55/POJK.04/2015, the audit committee is required to hold meetings at least four times a year. Regular meeting frequency allows for more effective identification and handling of issues that arise in the process of preparing financial statements (Aldoseri et al., 2021). Research by Susandya & Suryandari (2021) found a negative effect between the frequency of audit committee meetings and audit report lag, while Jesni & Yopie (2023) identified a significant positive effect. Meanwhile, Rusyana & Hadiprajitno (2023) did not find a significant effect.

In this study, the audit committee is thought to be able to moderate the effect between financial distress, profitability, and solvency on audit report lag. Tampubolon & Siagian (2020) found that the number of audit committee members strengthens the relationship between profitability and solvency on audit report lag, but Sunersa et al. (2022) showed the opposite result. This study takes a different approach by focusing on the frequency of audit committee meetings as a moderating variable. This focus, plus the existence of a research gap and an increase in audit delay cases in the non-primary consumer goods sector during 2021-2023, is the basis for conducting a study entitled "**The Effect of Financial Distress, Profitability, and Solvency on Audit Report Lag with the Audit Committee as a Moderating Variable**".

Research Methods

This type of research is quantitative research. The population used is non-primary consumer goods sector companies listed on the Indonesia Stock Exchange (IDX). Sampling using non-probability sampling through purposive sampling with criteria: 1) Non-primary consumer goods sector companies listed on the IDX for the period 2021-2023, 2) Companies that are listed consecutively in the 2021-2023 period, 3) Present complete audited annual financial reports for the 2021-2023 period, 4) Does not change sectors during the research period, 5) Uses rupiah currency in its financial statements, 6) Presents complete information. Based on the selection process, there are 84 companies with a total of 252 samples for 3 years of observation.

The dependent variable used in this study is audit report lag and the independent variables used are financial distress, profitability, and solvency, as well as the moderating variable, namely the audit committee. The measurements used are as follows:

Audit Report Lag (ARL) is defined as the time span from the close of the financial year to the date of issuance of the independent auditor's report, which reflects the duration of the company's financial statement audit process (Mufidah & Laily, 2019).

ARL = Audit Report Date – Financial Statement Date (December 31)

Financial Distress conditions occur when the company experiences a significant financial decline that threatens business continuity and has the potential to lead to bankruptcy if not resolved properly (Prabowo & Zulfikar, 2024). The measurement uses the Altman Z Score model (Altman et al., 2019).

$$Z'' = 6{,}56X1 + 3{,}26X2 + 6{,}72X3 + 1{,}05X4$$

X1 = Working Capital/Total Assets
X2 = Retained Earnings/Total Assets
X3 = Earnings Before Interest and Taxes/Total Assets
X4 = Book Value of Equity/Total Liabilities

3025-1192
(2024), 3 (2): 827–843

The company's ability to generate profits through the utilization of its assets is called profitability (Abdillah et al., 2019). Return on Assets (ROA) is used as a measuring tool, where a high ROA value indicates the efficient use of assets in generating profits (Handoyo & Maulana, 2019).

ROA = Net profit after tax / Total assets

Solvency describes the company's capacity to assess the proportion of operational funding that comes from debt (Yuliusman et al., 2020). This ratio compares the use of debt with own capital in operational funding, which is measured using the Debt to Equity Ratio (DER).

DER = Total Debt / Total Equity

In the corporate governance structure, the audit committee is formed to support the board of commissioners in the function of overseeing business operations (Kartikasari & Mutmainah, 2022). The intensity of the audit committee meeting plays a role in increasing the effectiveness of supervision of managerial problems. The measurement uses the Audit Committee Meeting Frequency (RKA).

RKA = Frequency of Audit Committee Meetings in a Year

This study uses panel data regression analysis with Moderated Regression Analysis (MRA) through EViews software. (Ghozali & Ratmono, 2017) state that EViews is a multivariate data analysis software and econometrics that is popular for its ability to process cross-section, time series, and panel data.

Results and Discussion

Model Estimation Analysis

According to Basuki & Prawoto (2016), there are three approaches in estimating panel data regression models: Common Effect Model, Fixed Effect Model, and Random Effect Model. The best model selection is done through three tests:

1. Chow Test

   Chow test which compares Common Effect and Fixed Effect with the criteria of cross section F probability value.

Table 2. Chow Test Results

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	2.111043	(83,161)	0.0000
Cross-section Chi-square	185.560463	83	0.0000

The test results show that the Chow test obtained a cross section F probability value of 0.0000 < 0.05 which leads to the selection of the Fixed Effect Model, so proceed to the Hausman test.

3025-1192
(2024), 3 (2): 827–843

2. Hausman Test

Hausman test to choose between Random Effect and Fixed Effect based on random cross-section probability value < 0.05.

Table 3. Hausman Test Results

Correlated Random Effects – Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. D.f.	Prob.
Cross-section random	9.363704	7	0.2276

The Hausman test produces a random cross section probability value of 0.2275> 0.05 which indicates the Random Effect Model is more appropriate.

3. Lagrange Multiplier Test

Lagrange Multiplier test comparing Random Effect and Common Effect with Breusch pagan probability value criteria < 0.05.

Tabel 4. Lagrange Multiplier Test Results

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	15.54037 (0.0001)	137.7954 (0.0000)	153.3357 (0.0000)

The Lagrange Multiplier test shows the selected Random Effect Model with a Breusch pagan probability value of 0.0001 < 0.05. Based on this series of tests, it can be concluded that the Random Effect Model (REM) is the best regression model for this study.

Classical Assumption Test

1. Normality Test

The normality test aims to ensure that the residual distribution follows a normal distribution, with a probability value criterion > 0.05. The results of the normality test in this study are as follows:

3025-1192
(2024), 3 (2): 827–843

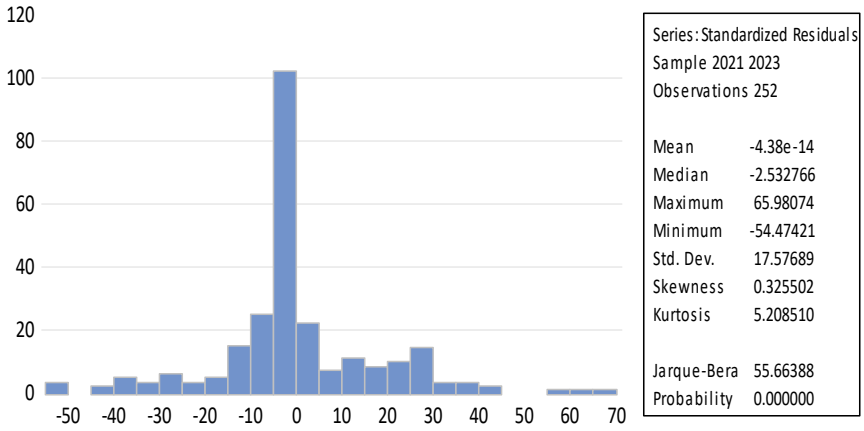

Figure 2. Normality Test Results

The normality test results show that the data is not normally distributed (probability 0.000000 < 0.05). However, referring to (Gujarati & Porter, 2009), with the number of observations of 252 (>100), the normality assumption can be relaxed based on the Central Limit Theorem (CLT). For panel data which is a combination of cross-section and time series with a large sample, the non-normality of the distribution does not reduce the validity of the research results.

2. Multicollinearity Test

Multicollinearity test uses Variance Inflation Factor (VIF) to detect correlation between independent variables, with VIF value limit < 10. The multicollinearity test results in this study are as follows:

Table 5. Multicollinearity Test Results

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	4.776238	3.669237	NA
FD	0.000222	2.339926	2.325400
ROA	3.799518	2.346499	2.322769
DER	0.007903	1.016870	1.000745
RKA	0.118819	3.633436	1.002148

The multicollinearity test shows that all variables have VIF < 10, indicating no multicollinearity.

3. Heteroscedasticity Test

Heteroscedasticity test with the Glejser method evaluates the consistency of the residual variance, where the probability value must be > 0.05. The results of the heteroscedasticity test in this study are as follows:

Table 6. Heteroscedasticity Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.

3025-1192
(2024), 3 (2): 827–843

C	11.48236	1.639381	7.004084	0.0000
FD	0.006862	0.011172	0.614215	0.5396
ROA	-0.171094	1.462181	-0.117013	0.9069
DER	-0.028863	0.066687	-0.432819	0.6655
RKA	0.082084	0.258570	0.317453	0.7512

The heteroscedasticity test resulted in a probability value of all variables > 0.05, indicating that the error variance is constant.

4. Autocorrelation Test

The Autocorrelation test uses the Lagrange Multiplier Test to ensure that there is no correlation between residuals, with the criteria for the probability value of Obs*R-squared > 0.05. The results of the autocorrelation test in this study are as follows:

Table 7. Autocorrelation Test Results

Breusch-Godfrey Serial Correlation LM Test:
Null hypothesis: No serial correlation at up to 2 lags

F-statistic	1.762727	Prob. F(2,242)	0.1738
Obs*R-squared	3.618421	Prob. Chi-Square(2)	0.1638

Based on the results of the Autocorrelation test using the LM Test above, it shows that there is no autocorrelation in the regression model, indicated by the Obs * R-squared probability value of 0.1638 > 0.05.

Moderated Regression Analysis

This study uses moderation regression analysis to examine the effect of financial distress, profitability, and solvency on audit report lag with audit committee as a moderating variable. Based on a series of panel data model tests, the Random Effect Model (REM) was selected as the most suitable model. The results of the Random Effect Model (REM) are then obtained as follows:

Table 8. Moderation Regression Results, T Test, F Test, and R^2 Test

Dependent Variable: ARL
Method: Panel EGLS (Cross-section random effects)
Date: 09/19/24 Time: 23:26
Sample: 2021 2023
Periods included: 3
Cross-sections included: 84
Total panel (balanced) observations: 252
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ARL	95.75754	2.607457	36.72450	0.0000
FD	-0.030500	0.054484	-0.559798	0.5761
ROA	4.351090	6.611734	0.658086	0.5111

DER	-1.989885	0.521251	-3.817520	0.0002
RKA	-1.241086	0.424838	-2.921318	0.0038
FD_RKA	0.013039	0.015496	0.841461	0.4009
ROA_RKA	-1.526624	1.919389	-0.795370	0.4272
DER_RKA	0.464749	0.130491	3.561544	0.0004

Effects Specification		
	S.D.	Rho
Cross-section random	9.272688	0.2725
Idiosyncratic random	15.15242	0.7275

Weighted Statistics

R-squared	0.079178	Mean dependent var	61.76418
Adjusted R-squared	0.052761	S.D. dependent var	15.64392
S.E. of regression	15.22563	Sum squared resid	56564.07
F-statistic	2.997234	Durbin-Watson stat	1.818419
Prob(F-statistic)	0.004897		

Based on the results of panel data regression processing with random effect model, the following equation is obtained:
ARL = 95.75754 – 0.030500FD – 4.351090ROA – 1.989885DER – 1.241086RKA + 0.013039FD*RKA – 1.526624ROA*RKA + 0.464749DER*RKA

Regression Coefficient Test Results (T Test)

The T test or partial regression coefficient test is used to assess the significance and direction of the influence of variables partially in the regression model. In this study, the dependent variable analyzed is audit report lag (ARL) with the best regression model used is the random effect model (REM). The test is conducted at a significance level of 0.05, which means that if the probability value (prob.) is less than 0.05, the alternative hypothesis (Ha) is accepted. This indicates a significant effect of the independent variable, moderating variable, or interaction between variables on the dependent variable.

Partial test results show that financial distress and profitability have no significant effect on ARL. Meanwhile, solvency and audit committee have a significant negative effect. For the moderating effect, audit committee meetings are not significant in moderating the relationship between financial distress and profitability on ARL. However, audit committee significantly weakens the relationship between solvency and ARL.

Model Feasibility Test Results (F Test)

The F test is used to assess whether the regression model used as a whole is significant or not. The F test results are listed in table 4.8. From the regression results, the F-statistic value of 2.997234 and Prob (F-statistic) of 0.004897 indicate that this model is significant at the 5% significance level. This indicates that the regression model is feasible to use because the independent variables simultaneously have a significant effect on ARL.

Test Results of the Coefficient of Determination (R^2)

The coefficient of determination test measures how well the regression model can explain variations in the dependent variable. The Adjusted R-squared value is 5.28%. This

value indicates that the independent variables in the model are only able to explain 5.28% of the variation that occurs in the dependent variable, while the remaining 94.72% is explained by other variables not included in this research model. Other factors that may affect ARL but are not included in this study include company size, reputation and size of the public accounting firm (KAP), audit turnover, audit opinion, complexity of company operations, and others.

Discussion

The Effect of Financial Distress on Audit Report Lag

The results showed that financial distress has no significant effect on audit report lag (ARL), In the context of agency theory, the results do not support the theory which states that companies with financial distress will experience an increase in conflict of interest between management and shareholders due to potential manipulation of financial statements, which should extend the audit report lag. However, the study found an insignificant relationship because auditors have developed efficient procedures for various financial conditions of the company. In addition, companies with financial distress still show readiness in the audit process because they realize the importance of transparency. In line with Rachmawati et al. (2024), not all companies in difficult conditions practice window dressing, so it does not always have an impact on delaying the audit process. These results are in line with the research of Rachmawati et al. (2024), Sari et al. (2019), Pah et al. (2023), Rahayu et al. (2021), Putri & Friyatmi (2023), and Sofiana et al. (2018) which reveal that financial distress has no significant effect on audit report lag because companies with financial difficulties still adhere to the audit schedule to enable strategic responses to market reactions.

Effect of Profitability on Audit Report Lag

Based on the results of the analysis, profitability has no significant effect on audit report lag (ARL). The results of this study do not support agency theory which states that high profitability should accelerate the audit process through reduced conflicts of interest between management and shareholders. This theory assumes that companies with large profits will motivate management to publish financial statements immediately and auditors will encounter fewer problems in the audit process. However, since the majority of the sample companies experienced losses, the motivation for accelerated publication is irrelevant. In addition, auditors still apply the same audit standards regardless of the company's profitability level, where both management and auditors prioritize compliance with financial reporting rules over the speed of the audit process. These results are consistent with the research of Bahri & Amnia (2020), Sunarsih et al. (2021), Riana & Suci (2023), Ginting & Hidayat (2019) and Aditya et al. (2022) which show no difference in the audit process between companies with low and high profitability.

The Effect of Solvency on Audit Report Lag

The results showed that solvency has a significant negative effect on audit report lag, where companies with a higher Debt to Equity Ratio (DER) actually have a shorter ARL as an effort to increase transparency and meet the demands of creditors. From an agency theory perspective, this finding supports Jensen & Meckling (1976) argument in Widiastuti & Kartika (2018) that companies with high solvency ratios tend to disclose more information,

3025-1192
(2024), 3 (2): 827–843

but contradicts the prediction that increasing solvency can increase agency costs that extend the audit process. More comprehensive information disclosure includes capital structure management strategies, debt risk management, debt covenants, and cash flow projections. This condition increases the transparency of the company's capital and debt structure and encourages management accountability in funding management. This makes it easier for auditors in the audit process because structured information allows faster access to documentation and a comprehensive understanding of the company's funding strategy. These results are in line with research by Sunarsih et al. (2021), Tampubolon & Siagian (2020), and Kristanti & Mulya (2021) which reveal that companies with high solvency tend to provide information related to debt and supporting documents to auditors which facilitate the audit process.

Effect of Audit Committee on Audit Report Lag

The results found that the audit committee has a significant negative effect on audit report lag, where the more often the audit committee meetings are held, the shorter the audit completion time. The results support agency theory, where conflicts of interest between management and shareholders can be minimized through effective audit committee oversight. As part of Good Corporate Governance (GCG), audit committees play a role in monitoring financial reporting and ensuring management actions are aligned with stakeholder interests. A higher frequency of audit committee meetings reflects diligence in supervision and strengthens coordination between members in evaluating issues in an organized manner (Wulandari & Barokah, 2022). This results in an increase in the intensity of meetings being effective in accelerating audit report lag (ARL) because the committee can immediately address potential problems in the financial statements. This result is consistent with the research of Susandya & Suryandari (2021), Werdaningrum & Laksito (2021), and Shinta & Satyawan (2021) which explain that the intensity of audit committee meetings plays an important role in improving the effectiveness of supervision and the quality of the company's financial reporting through rapid detection and resolution of business problems.

Audit Committee Moderates the Effect of Financial Distress on Audit Report Lag

The results revealed that the audit committee was unable to moderate the effect of financial distress on audit report lag, contrary to agency theory and the findings of Collier & Gregory (1999) in Rahmat et al. (2009) which state that a higher frequency of audit committee meetings should provide a more effective supervisory mechanism. Although FCGI requires audit committees to meet 3-4 times a year and some companies in the research sample meet more than these provisions, the frequency of meetings is not always directly proportional to the effectiveness of supervision. Septiansyah & Prihandini (2022) and Wulandari & Barokah, (2022) emphasize that the performance of the audit committee should be assessed based on the quality and effectiveness of the discussion results in meetings, not just the frequency, because frequent meetings can actually reflect the number of issues that need to be addressed. Nurwidayanti & Bawono (2024) add that the limited resources and complexity of problems in companies experiencing financial distress are serious obstacles to the effectiveness of audit committee supervision. This is exacerbated by the difficulty in detecting uncertainty and additional risks during the audit process, especially in companies

experiencing financial distress, which according to Sutra & Mais (2019) can be caused by a decrease in revenue or operating results that are not comparable to maturing liabilities.

Audit Committee Moderates the Effect of Profitability on Audit Report Lag

The results showed that audit committee meetings could not moderate the effect of profitability on audit report lag, not in line with agency theory explained by Alverina & Hadiprajitno (2022) where the combination of management performance and effective supervision of the audit committee should result in good profitability. Sonia & Khafid (2020) and Kartikasari & Mutmainah (2022) explain that although the audit committee is obliged to monitor the implementation of company management, audit committee meetings do not directly affect management performance without implementation support from various parts of the company. Negoro & Wakan (2022) reinforce this argument by stating that although audit committee meetings can improve oversight of the company, audit committee meetings do not discuss policies that affect profitability decisions because the main responsibility for decision making remains with management. Nurwidayanti & Bawono (2024) added that the audit committee has not been fully able to evaluate and oversee the effectiveness of the company's internal control system, so that potential fraud and errors that can affect profitability cannot be fully prevented.

Audit Committee Moderates the Effect of Solvency on Audit Report Lag

The results of the analysis prove that the audit committee is able to moderate the effect of solvency on audit report lag by weakening the negative relationship and extending ARL. In the context of agency theory, Jensen & Meckling (1976) emphasize that debt contracts create potential conflicts of interest between managers and lenders, especially in companies with high solvency. Widiastuti & Kartika (2018) explain that in this situation, companies tend to disclose more information as an effort to reduce conflicts of interest. Noviarty et al. (2021) and (Saputri & Asrori (2019) emphasize the important role of the audit committee as a supervisory mechanism to minimize conflicts of interest and increase supervision of the use of debt through a higher frequency of meetings. In line with Alqaraleh & Nour (2020), the extension of audit time occurs because stricter supervision requires a more detailed review of financial statements, especially regarding disclosure and debt management. Machmuddah et al. (2020) added that auditors tend to be more careful in examining companies with high solvency ratios due to greater risk. Werdaningrum & Laksito (2021) state that when the audit committee carries out its duties and obligations effectively, it can increase creditor confidence because it reflects efforts to improve the quality and credibility of financial statements.

Conclusion

This study analyzes the effect of financial distress, profitability, and solvency on audit report lag with audit committee as a moderating variable in non-primary consumer goods sector companies on the IDX for the 2021-2023 period. The results showed that financial distress and profitability have no significant effect on audit report lag, because auditors apply consistent procedures regardless of the company's financial condition. Meanwhile, solvency has a significant negative effect, indicating that companies with high debt levels tend to complete financial reports faster due to pressure from creditors. The frequency of audit

committee meetings proved to have a significant negative effect on audit report lag, indicating that more intense supervision results in more effective financial monitoring. In its role as a moderating variable, the audit committee is unable to moderate the effect of financial distress and profitability, but is able to moderate the effect of solvency by weakening the negative relationship between solvency and audit report lag.

For future research, it is recommended to expand the scope of research by including other sectors on the IDX and increasing the observation period. Measurement of audit committee effectiveness can also be enriched by adding other proxies such as member competence, educational background, and work experience. Researchers can also consider using other moderating variables such as auditor specialization, audit complexity, and KAP reputation to deepen understanding of the factors that influence audit report lag.

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