The Effect of Management Change, Financial Distress, and Earnings Management on Audit Report Lag with the Number of Commissioners as a Moderating Variable

Galuh Setri Nuladani[1], Dian Saputra[2]
[1,2]Universitas Islam Riau, Pekanbaru, Indonesia
Email: galuhsetri@gmail.com

Abstract

Audit report lag or the timeline for completing the audit needs special attention for companies because it significantly contributes to preserving the relevance financial statements. The aim of this study is to examine and provide empirical evidence regarding influence the management of change, financial distress and earnings management on audit report lag with the number of commissioners as a moderating variable. This research was carried out at the mining companies listed on the Indonesia Stock Exchange in 2020-2022. Types of data used is secondary data is provided in the form of audited financial reports. Method of data analysis uses Structural Equation Modeling-Partial Least Square (SEM-PLS). The findings indicated that management change and earnings management had no effect on audit report lag, while financial distress had a significant effect on audit report lag and was strengthened by the number of boards of commissioners as a moderating variable. However, the number of boards of commissioners is not supported to be a moderating variable that strengthens the effect of management changes and earnings management.

Keywords: *Audit Report Lag, Management Change, Financial Distress, Earnings Management.*

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A. INTRODUCTION

The high demand for information on companies listed on the Stock Exchange frequently causes various problems for investors who want to invest in these companies. Financial statements are one form of information needed by investors, shareholders, and other stakeholders. Users of accounting information must be capable of accessing the data in the financial statements at the time they need it, which means that financial statements must available at the earliest opportunity. Otherwise, this data provided may no longer be valid (Uyob et al., 2022).

Financial reports can also be interpreted as a form of responsible for the management of the company made by management to get the resources entrusted and communicated to stakeholders and useful for strategic decision making for the company (Sunarsih et al., 2021). The published financial statements generally do not escape the risk of presentation that is considered not truthful or irrelevant from what has been displayed. To maintain the reliability and relevance of a financial report. This is in accordance with the statement in PSAK No. 1 in paragraph number 43: "If there is an undue delay in reporting, the resulting information will lose its relevance". In addition, to eliminate the risk of presentation that is considered less

than honest, it is important for companies to audit the financial statements they present. Because, Financial statements audited have increased a trust financial statement users in the financial statements produced by the company (Handoko et al., 2019).

Companies must submit their audited financial reports on schedule. Duration of amount that time duration for auditors to finish their work is indicated by that time gap between that time frame between the financial statements' date and the audit opinion date, this phenomenon commonly known as lag in audit report, (Handoko et al, 2019). In Indonesia, regulations regarding the submission of financial reports have been governed in several regulations, such as: (1) Capital Market and Financial Institutions Supervisory Agency (BAPEPAM) stipulates that financial statements must be audited in 90 days at the latest after the closing of the book; (2) based on Financial Services Authority (OJK) regulation No. 20/POJK/JK.04/2016: OJK reserves the right to impose a late sanction to emiten who are late in submitting the audit report such as penalty of Rp. 1,000,000/day from the closing date for the completion of the annual financial statements, that fourth month after their date. Although regulations related to reporting the financial statements have been issued, there are still many companies that violate these regulations.

Although there are many regulations governing the reporting of audited financial statements. In 2019, it was recorded that 26 emiten received sanctions in the form of administrative sanctions directly from the Indonesia Stock Exchange (IDX) for being late in submitting audit reports, then in 2021 the number of companies that received these sanctions increased to 91 companies. The phenomena shows that audit report lag is still important to be studied. Many previous research have examined what affects audit report lag, such as company size, leverage, profitability, governance, audit committee size, Board of Commissioners size on the delay in the audit report (Sunarsih et al., 2021, Lajmi & Yab, 2022, Kaaroud et al, 2020, Al-Qublani et al, 2020, Fujianti & Satria, 2020). In addition, there are some other factors such as management change, financial distress, and earnings management that are also used in research on audit report lag (Dewi Sri Susanti et al., 2023, Andrianingsih & Prasetyo, 2023).

Considering earlier studies carried out by Dewi Sri Susanti et al. (2023), They claim that the lag in audit reports is positively impacted by management turnover. This suggests that when a company's management changes more frequently, the audit process will be hampered, lengthening the audit period. Furthermore, they stated that the lag in audit reports is unaffected by financial distress. Additionally, this aligns with earlier studies carried out by Parahyta & Herawaty (2020). However, according to Karina & Julianto (2022), they stated that the delay in audit reports is negatively impacted by financial difficulty.

Based on research that has been conducted by previous the researchers, there are still many differences in research results which indicate there are many factors that influence audit report lag. Therefore, Scholars are eager to investigate the audit report lag by using management change, and financial distress as variables that will

be examined for their effects. However, it added earnings management as an additional variable because based on previous research conducted by Fakhfakh & Jarboui (2022), The research revealed that earnings management results in a detrimental impact on the duration of audit reports. Furthermore, the researchers introduced the extent of the commissioners' size as moderating variable, a novel form of previous research.

B. LITERATUR REVIEW

1. Agency Theory

The original proponent of agency theory was Jensen & Meckling (1976) states, The connection between principals and agents is described by agency theory, which also addresses issues that occur when agents act against the interests of the principle and how the principal might lessen these risks, according to their explanation. This agency theory is commonly applied in the context of the relationship between management and shareholders in a company. Where management is the agency and shareholders are the principal.

There is a conflict that often occurs regarding this agency theory, namely a conflict of different interests in the principal-agent relationship, commonly known as a conflict of interest. This underlies the existence of asymmetric information so that the distribution of information becomes incomplete and causes the principal to have difficulty in controlling the actions of the agent (Karina & Julianto, 2022). To solving a conflict-problems according to the notion of agency, the assignment of independent auditors is needed to carry out financial statement audit tasks. To make the financial statements' information is trustworthy because it has gone through an examination from a more independent external party. Additionally, the financial statements audit is also expected to control the process of issuing financial reports to be more precise in time.

2. Number of Commissioners

Making a significant and impactful role for the organization is responsibility of the Board of Commissioners. Because the board of commissioners will be accountable for overseeing and directing management in administration of the company under corporate governance (Putri & Rachmawati, 2019). The commissioners' composition size refers to quantity of commissioners on the board that a company has in its efforts to control management in running the business. Increasing the quantity of commissioners on the board is going to facilitate their work in monitoring and coordinating with management so that their duties can be completed properly. If monitoring and coordination are carried out effectively, this will have an impact on financial reports becoming more transparent according to the actual condition of the company (Faishal & Hadiprajitno, 2015).

3. Management Change and Audit Report Lag

According to Artaningrum (2017), one of the things that affects audit report delays is management change. Management change is interpreted as a change in the top executive. This management change can occur due to consideration of the company's conditions, the existing management structure turns out to be unable to manage the company properly. For this reason, the existing structure is replaced with a new management structure in the hope that it will bring improvements to company management (Aloysius, 2012).

The condition of the company that is not good and the change of management can hinder the promptness of financial reporting to the general public. Because, bad conditions will cause auditors to have to carry out a more complex audit process and these conditions can be exacerbated by management changes because they have the potential to change auditors which causes the audit time span to be longer. It is according to the results of the research Artaningrum (2017) and Dewi Sri Susanti et al. (2023) shows that management changes have a favorable impact on the audit report delay. Therefore, in study, the researchers formulated the following hypothesis:

H_1: Management change has a positive effect on audit report lag

3. Financial Distress and Audit Report Lag

A situation known as financial difficulty is one in which an entity is having financial hardships and is unable to fulfil its debts, like making loan payments or operating costs. This condition can be an early sign of possible bankruptcy or liquidation of the company (Muñoz Izquierdo et al, 2020). In addition, a financial hardship may also be interpreted as a condition before the company experienced bankruptcy. Because, at that time the financial condition that occurs in the company is in a state of crisis, where in a situation like this can cause the company to experience a decrease in funds in running the business. It can be caused by a decrease in revenue, sales results or operating results carried out by the company to earn profits, but the income or results obtained are not comparable to the liabilities or debts that are many and overdue (Sutra & Mais, 2019).

The financial distress of a company can be used as a bad signal for the company. Therefore, companies that are experiencing difficult financial conditions will tend to improve their financial statements to make them look better. These efforts will usually take a long time so they can extend the audit timeline., (Syofiana et al., 2018). That indicates a company experiencing financial distress will typically file its financial statements after the deadline. This is consistent with earlier studies carried out by Himawan & Venda (2020) and Choi & Park (2023). For that reason, in this research the hypothesis is put forth by the writers as follows:

H_2: Financial distress has a positive effect on audit report lag

4. Earnings Management and Audit Report Lag

As stated by Agustia et al. (2020), the term "*earnings management*" describes the application of accounting procedures that result in the intended financial statements, which are then used to represent the financial performance and position of a sound business. This earnings management process often involves adjusting financial statements, especially the bottom line, that is, profit, (Fakhfakh & Jarboui, 2022). Profit-managing management has the power to affect financial reporting audit delays in order to further specific goals. These interests can lead to agency problems which cause information asymmetry between agents and principals because management chooses not to disclose information that actually occurs to the principal truthfully and as it is (Fakhfakh & Jarboui, 2022).

Earnings management practices themselves have consequences that will affect the timeliness of financial statement reporting. However, managers who manage their profits as well as possible must have the aim of attracting investors and proving their performance to the principal. As a result, managers who practice earnings management tend to attempt to submit their financial reports on time. Therefore, high earnings management able to shorten the audit report's delay due in relation to the financial accounts' state that have been arranged as well as possible. this is consistent with study that was done by Andrianingsih & Prasetyo (2023) and Fakhfakh & Jarboui (2022). For that reason, in this research the following is how the authors present their hypothesis:

H_3: Earnings management has a negative effect on audit report lag

5. The Number of Commissioners as a Moderating Variable

The board of commissioners is needed the governance process in a company. The board of commissioners is elected the annual shareholders' meeting. It is intended the board of commissioners can assist shareholders in controlling and monitoring the performance of management in oversight of a business. The function of monitoring possessed by the board of commissioners will result in demand for better audit quality (Ariningrum & Diyanty, 2017). High audit quality will have high consequences for the length of time it takes. This monitoring role makes the board of commissioners an important part of company.

As a result, most businesses will want to raise the number of boards of commissioners to make management performance as effective as possible. Monitoring undertaken with the board of commissioners, making them take part in many matters regarding decision making in a company. As in making decisions related to management changes and earnings management. As evidenced by this, the good or bad condition of a company can be influenced by how effective the supervision executed by the Board of Commissioners is a situation of the business is closely associated with the length of the audit time. This is because poor company conditions will cause a more complex audit process and can take longer. So, it can be seen the existence of the commissioners' board has a major consequence on the audit

report lag of a company. For that reason, the author can formulate the hypothesis as follows:

H_4: The number of commissioners can provide a moderating effect for financial on audit report lag.

H_5: The number of commissioners can provide a moderating effect for management changes on audit report lag.

H_6: The number of commissioners can provide a moderating effect for earnings management on audit report lag.

C. METHOD

The research interprets data into statistical numbers in order to present factual data regarding the influence between factors through the use of quantitative methodologies. The mining companies are compiled in the Indonesia Stock Exchange between 2020 and 2022 comprise the demographic considered in this analysis. Secondary data from audited financial reports is the sort of data that is used. The data comes from the Indonesia Stock Exchange's official website (https://www.idx.co.id) and some reports are taken from the official website of each company. The study's sample consisted of determined using the technique of purposive sampling, that is, sample selection according to specific standards shown in table 1.

Table 1. Research Sample

Information	Total
Criteria:	
a. Companies listed on the IDX as of January 1, 2020	63
b. Companies that are delisted from the Indonesia stock exchange 2020-2022	(5)
c. Companies that do not include the recuired data	(9)
Research Sample	49
Year Observation	3
Total Observation	**143**

The dependent variable in this study is audit report latency and independent variables consist of management change, financial distress, and earnings management, besides that there are moderating variables that use the number of board of commissioners. The author also added control variables consisting of company size, KAP size, Return on Asset, gender diversity, and company age.

Lag in audit reports is the interval among the financial accounts' closure date and the audit's completion and signature by auditor (Choi & Park, 2023). Therefore, we compute days that have passed between the book's closing date and publication date of audited financial records in order to measure audit report lag in our research, This is consistent with previous research carried out by Lajmi & Yab (2022), Choi & Park (2023), and Karina & Julianto (2022).

ARL = Date of signing of the independent auditor's report – Date of book closure

Management change means whether a company changes management or not, in this case the replacement in question is the change of top executive or main director. This variable uses a nominal scale calculation or what is commonly known as a dummy variable, (Agustina et al., 2019). It means the variable calculation uses an approximate code in the form of round numbers such as 0, 1, and 2. Therefore, in this study the authors used the following code: If the company makes a change of directors, it is given a dummy code (1) and companies that do not make changes to the board of directors are given a dummy code (0).

Financial distress or the stage on a decrease within the monetary condition of a company has many prediction or calculation methods. However, in this research, the researchers employing the Altman Z-Score method calculating the degree of financial hardship condition of a company. This is based on previous research, by Wahyuni & Rubiyah (2021) They explained when determining if a corporation is in financial distress, the Altman Z-Score technique is more accurate.. It was also supported by many previous studies that used the Altman Z-score method when examining its effect on audit report lag (Himawan & Venda, 2020, Parahyta & Herawaty, 2020 and Syofiana et al., 2018). Here is an explanation of the Altman Z-Score formula used in this research (Melinda & Wijaya, 2021):

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

Description:
X1 = Working Capital to Total Assets.
X2 = Retained Earning to Total Assets
X3 = EBIT to Total Assets
X4 = Book value of equity to Total liabilities.
Indicator:
Z > 2,6 : means that company is in the "safe zone".
1,1 < Z < 2,6 : means that company is in the "gray" zone.
Z < 1,1 : means the company has the potential for bankruptcy.

The calculation of earnings management is based on research conducted by Habbash & Alghamdi (2017). There they explain that the most appropriate method to measure earnings management is to use the jones and modified jones models. The method uses the calculation of discretionary accruals to assess earnings management practices and adds ROA to the model equation it uses. This is the steps of the calculation of discretionary accruals:

1. Calculate total accruals:

$$\mathbf{TAC_{it} = NI_{it} - CFO_{it}}$$

Description:

- TAC_{it} : Total accruals in the period of year t
- NI_{it} : Net income in the period of year t
- CFO_{it} : Cash flow from operation in the period of year t
- i : Represents the company
- t : Represents the year or period

2. Regressing the modeling to find beta values:

$$TAC_{it}/A_{it-1} = ß_0 + ß_1 (1/A_{it-1}) + ß_2 (\Delta REV_{it} - \Delta REC_{it})/A_{it-1}) + ß_3 (PPE_{it}/A_{it-1}) + ß_4 ROA_{it}$$

Description:

- TAC_{it} : Total accruals in the period of year t
- A_{it-1} : Total assets of the company at the end of year t-1
- ΔREV_{it} : The change in company revenue in year t
- ΔREC_{it} : Change in the company's receivables in year t
- PPE_{it} : Company's fixed assets in year t
- ROA_{it} : Return on Assets in the period of year t

3. Calculate the value of Nondiscretionary Accruals:

$$NDAC_{it} = ß_0 + ß_1 (1/A_{it-1}) + ß_2 (\Delta REV_{it} - \Delta REC_{it})/A_{it-1}) + ß_3 (PPE_{it}/A_{it-1}) + ß_4 ROA_{it}$$

4. Calculate the value of Discretionary accruals:

$$DAC = (TAC_{it} / A_{it-1}) - NDAC_{it}$$

Researchers used control variables in this study as well for the purpose of strengthen the explanation power of this research model, (Lajmi & Yab, 2022). The variables are relevant variables to be observed on audit report lag, such as company size, company age, gender diversity, size of the accounting firm in public, and ROA.

Within this study, after conducting the data collection process, the next process carried out is the process of checking and predicting hypotheses which will show the estimated influence involving the dependent and independent variables. Then, the process continues with the process of analyzing data used the structural equation modeling analysis - Partial Least Square (SEM-PLS). This study's premise is tested using the smart pls version 3.0 application.

With regard to the number of samples, lowest, maximum, and average (mean) values for each variable, the purpose is aims to provide a summary or explanation of the data in this descriptive study (Christiani & Nugrahanti, 2014). The PLS structure model comprises two sections, including an outside model that is a measuring model and an inner model that is structural. The model of structure shows relationship involving variables that cannot be observed directly, while the measuring model illustrates how the variables relate to one another that can be observed directly. Model fit is accustomed to measure model's ability to suit the data (Hair. Jr et al., 2021). Test of the structural model (Inner Model) is carried out by examining the R-squared amount which is an indicator in testing the goodness-fit model or the suitability of the model for the research conducted. The next measurement model is continued by conducting a significance test examining the value of the t statistic's significance and the parameter coefficient in the Bootstrapping Algorithm report - Path Coefficients (Arya Pering, 2020).

D. RESULTS AND DISCUSSION

1. Descriptive Statistic

Considering table 2, it is observable descriptive statistical data applied in this study. Audit Report Lag symbolized by ARL has a 95,816 average value with a maximum worth of 202,000 and a minimum of 46,000. It shows the average mining

company submits its financial statements within 95 days after the annual book's closure date. In addition, according to Table 2's data, It is also observable the mean, median, max, and min values of every variable employed in this research. From standard deviation value in table 2, It's also evident that the data used has a normal data distribution because, the lower the standard deviation value, a better quality of data is produced (Hidayat et al., 2019).

Table 2. Descriptive Statistic

Variable	Mean	Median	Min	Max	S.DEV
ARL	95.816	89.000	46.000	202.000	27.913
MC	0.102	0.000	0.000	1.000	0.303
FD	1.333	2.000	0.000	2.000	0.860
EM	0.000	-0.012	-0.350	0.547	0.130
NOC	4.252	4.000	2.000	11.000	2.020
FS	29.082	28.677	25.266	32.758	1.821
ROA	0.061	0.033	-0.442	0.616	0.163
KAP SIZE	0.320	0.000	0.000	1.000	0.466
GD	0.476	0.000	0.000	4.000	0.819
AOF	30.878	27.000	5.000	103.000	17.521

2. Analysis of Measurement Model

To test the model of measurement (Outer model) in SEM-PLS, there are several steps, the first is the validity and reliability test, then the outer loadings test to measure how well the indicators used in measuring the construct being measured. After that, conduct a cross-loading test, convergent test and finally conduct a discriminant test, (Hair et al., 2020).

The first test conducted is the validity and reliability test by testing the outer loading as listed in table 3. In light of the data displayed at the table 3, it will be concluded that all indicators can measure their constructs very well. Because, according to Hair et al. (2020) Outer loading can be considered good if it has a value above 0.7 or 0.5. Next, a test is necessary the construct reliability. This test can be performed using two methods: Composite Reliability (CR) and Cronbach's Alpha.

Table 3. Outer Loading

	AOF	ARL	EM	ME 1	ME 2	ME 3	FD	FS	GD	KAP SIZE	MC	NOC	ROA
AOF	**1.000**												
ARL		**1.000**											
EM			**1.000**										
EM*NOC						**0.992**							
FD							**1.000**						
FS								**1.000**					
GD									**1.000**				
KAP SIZE										**1.000**			
MC											**1.000**		
MC*NOC					**1.230**								
NOC												**1.000**	
NOC*FD				**0.968**									
ROA													**1.000**

Furthermore, testing construct reliability. Construct reliability will be measure in Cronbach's alpha (α) and composite reliability (CR) are the two approaches. The alpha of Cronbach's measured by calculating the consistency between the indicators used to measure the construct, while composite reliability (CR) determines the reliability of a structure by considering the weight of each indicator (Hair et al., 2020). Table 4's data shows the data used is reliable. Because, a data can be considered trustworthy if has a Cronbach's alpha value of more than 0.6 and than a composite reliability (CR) value above 0.7. In addition, from the data in table 4, we can see the convergent validity value of the data displayed in the Average Variance Extracted (AVE) column. The standards for the AVE value must be more than 0.5. It can be concluded that this research data is safe in the convergent validity test.

Table 4. Construct Reliability and Validity

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
AOF	1.000	1.000	1.000	1.000
ARL	1.000	1.000	1.000	1.000
EM	1.000	1.000	1.000	1.000
ME 1	1.000	1.000	1.000	1.000
ME 2	1.000	1.000	1.000	1.000
ME 3	1.000	1.000	1.000	1.000
FD	1.000	1.000	1.000	1.000
FS	1.000	1.000	1.000	1.000
GD	1.000	1.000	1.000	1.000
KAP SIZE	1.000	1.000	1.000	1.000
MC	1.000	1.000	1.000	1.000
NOC	1.000	1.000	1.000	1.000
ROA	1.000	1.000	1.000	1.000

The final step is to conduct a discriminant test. This test is conducted by testing cross loading. Closs loading has 2 tests, namely fornell lecker and HTMT as shown in tables 5 and 6. The results of Table 5 are displayed the discriminant validity test with fornell lacker criterion which shows that the data used is in accordance with the criteria where the value displayed at the top is the highest value. While in table 6, it is evident the discriminant validity examination with HTMT show that the data used are also in accordance with the criteria or are classified as safe. This is because from table 6 it seen the importance of each data is below 0.9 (Hair et al., 2020).

Table 5. Discriminant validity-Fornell-Lacker Criterion

	AOF	ARL	EM	ME 1	ME 2	ME 3	FD	FS	GD	KAP SIZE	MC	NOC	ROA
AOF	1.000												
ARL	-0.276	1.000											
EM	0.055	-0.026	1.000										
ME 1	0.055	-0.180	-0.105	1.000									
ME 2	0.098	0.134	0.026	-0.142	1.000								
ME 3	0.212	0.002	-0.249	-0.036	0.208	1.000							
FD	0.115	-0.508	0.066	-0.097	-0.131	-0.103	1.000						
FS	0.264	-0.202	-0.069	-0.022	0.093	0.035	0.044	1.000					
GD	0.183	-0.157	0.173	0.104	-0.081	-0.062	0.296	0.068	1.000				

KAP SIZE	0.280	-0.217	-0.062	0.095	0.075	0.029	0.192	0.512	0.011	1.000			
MC	0.167	-0.053	0.084	-0.166	0.219	0.032	0.105	0.102	-0.059	0.106	1.000		
NOC	0.386	-0.309	-0.036	0.164	0.162	0.093	0.195	0.605	0.269	0.312	0.103	1.000	
ROA	0.215	-0.386	-0.000	-0.058	-0.082	-0.241	0.512	0.340	0.144	0.343	0.002	0.331	1.000

Table 6. Discriminant validity-HTMT

	AOF	ARL	EM	ME 1	ME 2	ME 3	FD	FS	GD	KAP SIZE	MC	NOC	ROA
AOF													
ARL	0.276												
EM	0.055	0.026											
ME 1	0.055	0.180	0.105										
ME 2	0.098	0.134	0.026	0.142									
ME 3	0.212	0.002	0.249	0.036	0.208								
FD	0.115	0.508	0.066	0.097	0.131	0.103							
FS	0.264	0.202	0.069	0.022	0.093	0.035	0.044						
GD	0.183	0.157	0.173	0.104	0.081	0.062	0.296	0.068					
KAP SIZE	0.280	0.217	0.062	0.095	0.075	0.029	0.192	0.512	0.011				
MC	0.167	0.053	0.084	0.166	0.219	0.032	0.105	0.102	0.059	0.106			
NOC	0.386	0.309	0.036	0.164	0.162	0.093	0.195	0.605	0.269	0.312	0.103		
ROA	0.215	0.386	0.000	0.058	0.082	0.241	0.512	0.340	0.144	0.343	0.002	0.331	

3. Analysis of Structural Model

The structural analysis of this model has several stages, such as assessing the collinearity of the model for structure, checking the extent and importance of the coefficients of path, checking the R^2 value Using endogenous factors for prediction within a sample, then evaluating the effect size of f^2 for in-sample prediction and finally testing The significance of Q^2 prediction (Hair et al., 2020).

4. Structural Model Collinearity

Based on the data displayed within table 7, It is evident that the results of the coloniality test in model used do not show significant multicollinearity. This is indicated by the VIF value of all variables which is less than 3.0 and the bivariate correlation between construct scores is less than 0.50. This aligns with the explanation in study Hair et al. (2020), which explains that if the VIF value is below 3, then there is no collinearity problem. In addition, for the VIF value of bivariate correlation between create scores, If the two variables correlation is more than 0.50, then there is a multicollinearity problem which can have an impact on the sign of the path coefficient being large or small.

Table 7. Outer and Inner VIF

Outer VIF		Inner VIF												
	VIF	AOF	ARL	EM	ME 1	ME 2	ME 3	FD	FS	GD	KAP SIZE	MC	NOC	ROA
AOF	1.000	1.358												
ARL	1.000													
EM	1.000	1.162												
ME 1	1.000	1.220												
ME 2	1.000	1.200												
ME 3	1.000	1.325												
FD	1.000	1.648												

FS	1.000	2.190												
GD	1.000	1.267												
KAP SIZE	1.000	1.561												
MC	1.000	1.154												
NOC	1.000	2.123												
ROA	1.000	1.827												

5. Path Analysis and Hipotheses Testing

Considering the outcomes of the path analysis shown in table 8, results of bootstrapping analysis with a significance level of alpha 0.05 or 5% show that management changes have a p-value (0.844) ≥ (0.05), this indicates that management changes have no significant effect on audit report lag. Thus, it can be said that H_1 is not accepted. Where in the mining company, management changes do not possess a noteworthy impact on audit report lag. This is consistent with studies carried out by (Agustina et al., 2019). So, it can be concluded that even though the management of a company changes, the audit process won't be interrupted, and the auditor will proceed with the audit procedure in accordance with the regulations.

In addition, financial distress can be seen to have a p-value (0.000) ≤ (0.05), this indicates that a substantial correlation exists between financial strain and the latency of audit reports. However, based the original sample value, it can be seen that value is negative, so we can conclude that financial distress has a negative effect on audit report lag, then H_2 is rejected. This is consistent with the research carried out by Karina & Julianto (2022). The company's financial issues have a detrimental effect on the delay of audit reports because they tend to increase audit risk. In response, the auditor creates control procedures that are appropriate for the company's circumstances, which means that even though the client company is in poor condition, the audit process won't take as long. Meanwhile, earnings management has a p-value (0.457) ≥ (0.05). This indicates that earnings management has no significant effect on audit report lag that H_3 is rejected. Earnings management practices completed by management in the audit process' duration will not be influenced by the mining business. Because even though managers try to manage their profits as best they can, the auditor will still try to complete the audit period in accordance with the planning they have done.

The test of moderating effects shows that moderating effect 1, that is, Financial distress's impact on audit report latency with the size of the board of commissioners as a moderating variable, has a p-value of (0.027) ≤ (0.05) indicating that the size of the board of commissioners can have a moderating effect on financial distress on audit report lag. Thus, it may be said that H_4 is accepted. The size of the board of commissioners can strengthen the bad effect of financial distress on audit report lag because there are more members on the board of commissioners in a company when the company is experiencing financial distress, detection and control of these conditions will be carried out quickly. Because, the large number on the board of commissioners will cause supervision of each division in the company to be

more optimal. Therefore, the large number on the board of commissioners in companies experiencing financial distress can be an indicator that will reduce the length of the audit process.

Meanwhile, test of moderating effects 2 and 3, namely management changes and management of earnings on audit report latency with the size of the board of commissioners as a moderating variable, shows a p-value of (0.268) and (0.421) or ≥ (0.05) so that H_5 and H_6 are rejected because the size of the board of commissioners cannot have a moderating impact on the management changes and earnings management on audit report lag. These results indicate that even though there are many boards of commissioners in the mining company, this cannot strengthen or weaken the effect of management change and earnings management on audit report lag.

The next step is to analyze R squared. This stage aims to evaluate the model's capacity for prediction, because it shows how much variance of a variable is explicable in light of the variables that predict on that model. The bigger R squared value, therefore the stronger predictive power of the model. Table 9 displays the test results, and it is evident that R squared has a value of 39%, with a 33.7% adj R squared value. This shows 39% the independent variable can account for a portion of the dependent variable's volatility. While other factors that the researchers left out of the model account for the remainder.

The last test in this research is to test the Q-Square (Q^2) value, this stage uses the blindfolding test on SmartPLS. By Hair et al. (2020) The Q-Squared test provides an estimate of how well the PLS-SEM model can predict the dependent variable. Table 10 displays the Q2 value, which is 0.30, that suggests that the model prediction assessment is moderate. This is stable with the justification provided by Hair et al. (2020) which that states Q^2 above 0.25 and 0.50 indicates medium and large predictive power.

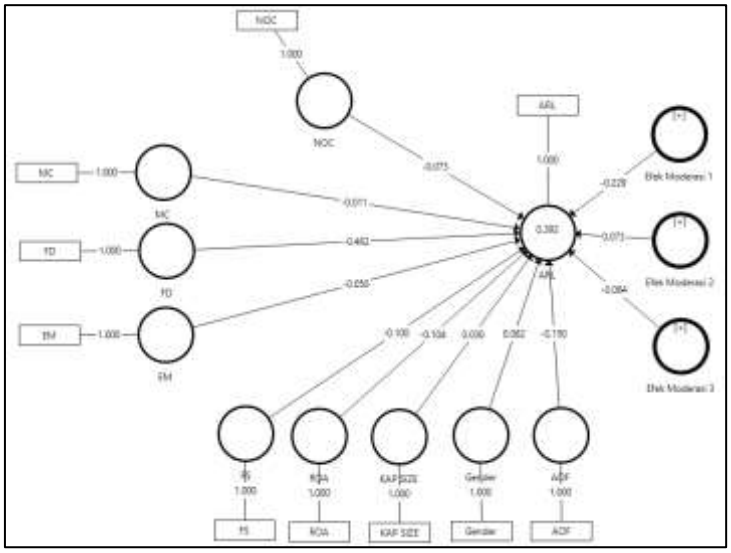

Figure 1. Path Coeficient

Table 8. Structural model and hypotheses testing

	Original Sample (O)	Sample Mean (M)	(STDEV)	T Stat	P Values	CI [2,5%;97,5%]	f^2
Direct Effect							
MC -> ARL	-0.011	-0.012	0.055	0.197	0.844	-0.113; 0.093	0.000
FD -> ARL	-0.462	-0.451	0.085	5.470	0.000	-0.604; -0.285	0.213
EM -> ARL	-0.050	-0.032	0.067	0.745	0.457	-0.157; 0.102	0.003
NOC -> ARL	-0.073	-0.087	0.111	0.654	0.514	-0.342; 0.099	0.004
FS -> ARL	-0.100	-0.085	0.111	0.900	0.369	-0.299; 0.133	0.008
ROA -> ARL	-0.104	-0.101	0.086	1.207	0.228	-0.276; 0.055	0.010
KAP SIZE -> ARL	0.036	0.028	0.077	0.472	0.637	-0.121; 0.180	0.001
GD -> ARL	0.082	0.087	0.089	0.924	0.356	-0.076; 0.270	0.009
AOF -> ARL	-0.105	-0.158	0.063	2.385	0.017	-0.273; -0.031	0.027
Moderating Effect							
Moderating effect 1	-0.229	-0.209	0.103	2.212	0.027	-0.404; -0.012	0.066
Moderating effect 2	0.073	0.069	0.066	1.109	0.268	-0.040; 0.209	0.011
Moderating effect 3	-0.064	-0.046	0.079	0.805	0.421	-0.204; 0.110	0.005

Table 9. R squared data

	R Square	Adjusted R Square
ARL	0.392	0.337

Table 10. Construct Crossvalidated Redudancy

	SSO	SSE	Q^2 (=1-SSE/SSO)
AOF	147.000	147.000	
ARL	147.000	102.931	0.300
EM	147.000	147.000	
Moderating Effect 1	147.000	147.000	
Moderating Effect 2	147.000	147.000	
Moderating Effect 3	147.000	147.000	
FD	147.000	147.000	
FS	147.000	147.000	
GD	147.000	147.000	
KAP SIZE	147.000	147.000	
MC	147.000	147.000	
NOC	147.000	147.000	
ROA	147.000	147.000	

E. CONCLUSION

Examining how management changes, financial hardship, and earnings management affect audit report latency is the primary goal of this research, with board size serving as a moderating factor. Specifically, this research used management change, financial distress and earnings management to test their impact on the latency of audit reports through mining corporations as the object of research. Table 8 displays the research's findings, which displays the direct result of each variable on audit report lag as well as the effect of each variable after using moderating variables. The summary and findings of this research are as follows: 1) This table indicates that audit report lag is not significantly impacted by

management changes or earnings management. it rejected hypothesis 1 (H_1) and hypothesis 3 (H_3); 2) An addition of the size of the board of commissioners as a moderating variable also does not provide a significant change or response to the effect of management change and earnings management on audit report lag. So, these results can show that H_5 and H_6 are also rejected; 3) The correlation between financial difficulties and audit report delays was examined. A negative relationship was found. So, the results of this research is reject H_2; 4) The present of the size of the board of commissioners which represents the number of members of the board of commissioners as a moderating variable also has a good effect. It is evidenced by the P-value in table 8 which shows the moderating effect 1 value of (0.027) ≤ (0.05). From this data it can be concluded there is an increase in the P-value from (0.000) to (0.027). So, it can be concluded that H_4 is accepted, because the size of the board of commissioners can strengthen the effect of financial distress on audit report lag.

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