

# The Effect of Good Corporate Governance and Earnings Management on Audit Report Lag

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**Abstract:** *Timely submission of financial statements is essential for companies listed on the Indonesia Stock Exchange (IDX) to maintain transparency and investor confidence. However, recent developments show an increasing number of firms delaying their financial reporting, creating urgency to examine the factors that contribute to audit report lag. This issue is particularly relevant in the consumer cyclicals sector, which is highly sensitive to economic shifts and post-pandemic recovery challenges. This study aims to analyze the influence of good corporate governance and earnings management on audit report lag. The novelty of this research lies in its focus on the 2020–2024 period, which reflects the unique conditions of the post-pandemic business environment, as well as its sector-specific analysis of consumer cyclicals companies—an area that has received limited empirical attention. This study employs a descriptive quantitative approach using secondary data obtained from the annual reports of IDX-listed firms. Multiple regression analysis is used to test the hypotheses. The results show that good corporate governance has a partially negative effect on audit report lag, indicating its role in enhancing reporting timeliness. Meanwhile, earnings management exhibits no partial effect. These findings contribute to a deeper understanding of the determinants of reporting quality within a sector undergoing dynamic economic changes.*

**Keywords:** *Audit Report Lag; Earnings Management; Good Corporate Governance.*

## 1. Introduction

Financial statements are a form of corporate accountability that reflect a company's overall performance achievements and serve as a basis for predicting its future performance [Astuti and Nelvirita, 2024]. The disclosure of financial statements is a process of conveying transparent information that must be carried out by companies as a form of responsibility to stakeholders [Putra et al., 2023]. The presentation of financial statements aims to provide information regarding a company's financial

condition and performance to users, so that it can be useful in making economic decisions [Erawati and Kondo, 2021].

Financial statements must undergo an audit process conducted by independent auditors to ensure the fairness of disclosures, thereby making the financial statements reliable for stakeholders [Pasaribu et al., 2023]. One of the main problems faced by companies in submitting their financial statements to users is the timeliness of auditors in completing their audit reports [Yusuf et al., 2022]. The audit of financial statements must comply with auditing standards, which can affect the time required to complete audit reports; however, adherence to these standards can also enhance audit quality [Atmojo and Darsono, 2017]. Audited financial statements reviewed by independent auditors provide assurance regarding the reliability of the information presented [Andrianingsih and Prasetyo, 2023]. During the audit process, there is typically a time gap between the fiscal year-end and the date the audited financial statements are issued [Susanto Salim, 2022].

The time gap between the fiscal year-end and the publication date of the audited financial statements is referred to as the audit report lag [Gustiana and Rini, 2022]. The duration of the audit process often causes delays in the submission of financial statements to the public [Ariningtyastuti and Rohman, 2021].

The Indonesia Stock Exchange (IDX), as the capital market authority, is responsible for analyzing and taking appropriate follow-up actions against companies that experience delays in submitting their audited financial statements. Regular announcements regarding the submission status of audited financial statements and the corresponding follow-up actions taken by the IDX are highly beneficial to the public. According to data from the IDX, in 2020 there were 42 companies that were late in submitting their audited financial statements; in 2021 there were 88; in 2022 there were 91; in 2023 there were 61; and in 2024 the number increased to 129. This data indicates that the number of companies experiencing delays fluctuated during the 2020–2024 period, with a significant increase observed in 2024.

The IDX issues a written warning letter I to issuers that are late in submitting their financial statements within one month. A written warning letter II and a fine of IDR 50,000,000 are imposed on issuers that are 31–60 days late. A written warning letter III and a fine of IDR 150,000,000 are imposed on issuers that have not submitted

their financial statements within 61–90 days. Suspension applies to issuers that still fail to meet their financial reporting obligations after 91 days until the final submission deadline. Based on these regulations, sanctions for delays include written warning letters I, II, III, and suspension.

Based on sector classification, the highest number of companies that were late in submitting their audited financial statements during the 2020–2024 period was found in the consumer cyclicals sector, with a total of 91 companies. This was followed by the property and real estate sector (71), energy (55), consumer non-cyclicals (39), industrials (37), basic materials (34), infrastructure (25), financials (20), technology (20), transportation and logistics (12), and the lowest was the healthcare sector with 8 companies.

As of December 31, 2024, 129 out of 907 companies listed on the IDX were sanctioned for failing to submit their audited financial statements on time. This phenomenon has persisted over the past five years (2020–2024), during which the consumer cyclicals sector consistently recorded the highest number of delays among the 11 sectors. This indicates that the consumer cyclicals sector accounted for 90 cases of delayed submissions out of a total of 411 companies from various sectors. Meanwhile, as of December 31, 2024, there were 151 companies categorized under the consumer cyclicals sector.

One of the factors that can influence audit report lag is good corporate governance (GCG). According to the Forum for Corporate Governance in Indonesia (FCGI), GCG refers to a set of rules that govern the relationships among investors, company management, creditors, the government, employees, and other stakeholders regarding their rights and responsibilities in controlling the company. The principles of GCG—transparency, accountability, responsibility, independence, and fairness—foster sound relationships between the company and its stakeholders, particularly in financial disclosure [Jumroh, 2024]. The implementation of GCG can reduce risks associated with delays in financial reporting, as it may shorten the time required by auditors to examine the company's financial statements. Consequently, companies are more likely to submit their financial statements in a timely manner [Wirotoomo and Achmad, 2018].

Research on the effect of GCG on audit report lag has been conducted by [Hasibuan et al., 2023], who found that GCG significantly affects audit report lag. Their

findings are consistent with those of [Wirotomo and Achmad, 2018]. However, these results contradict the findings of [Lo et al., 2023], who reported that GCG does not have a significant effect on audit report lag.

Another factor suspected to influence audit report lag is earnings management, which refers to actions taken by management to manipulate reported profits in financial statements [Putra et al., 2023]. Companies engaging in earnings management may delay the disclosure of financial information to the public because management focuses excessively on manipulating profit figures, reducing the timeliness of audited financial reporting [Rusmin and Evans, 2017]. Earnings manipulation can therefore contribute to delays in the submission of audited financial statements [Fakhfakh and Jarboui, 2022].

This factor has been examined by [Andrianingsih and Prasetyo, 2023], who found that earnings management has a significant positive effect on audit report lag. Their findings are consistent with those of [Isnaeni and Nurcahya, 2021]. However, these results differ from the study by [Kristianti and Setianingsih, 2022], who reported that earnings management does not have a significant effect on audit report lag.

Based on the issues identified, this study addresses the following research questions: 1) Does good corporate governance (GCG) significantly influence audit report lag in consumer cyclicals companies listed on the IDX during the 2020–2024 period? And 2) Does earnings management significantly influence audit report lag in consumer cyclicals companies listed on the IDX during the 2020–2024 period?

This study provides several important contributions. Theoretically, it enriches existing literature by offering updated empirical evidence on the determinants of audit report lag, particularly during the post-pandemic period, which has not been extensively explored in previous studies. The sector-specific focus on consumer cyclicals also adds novelty by highlighting a high-risk industry that consistently experiences the highest delays in financial reporting. Practically, the findings may serve as valuable insights for regulators, auditors, and corporate management in formulating policies and improving governance practices aimed at reducing audit delays. Additionally, the results can assist stakeholders in assessing reporting quality and identifying companies with higher audit timeliness risk.

## 2. Literature Review

### 2.1 Audit Report Lag

According to [Sembiring, 2021] in their book Analisis Laporan Keuangan, audit report lag is defined as the time span required to complete the audit of annual financial statements, measured by the number of days needed to obtain an independent auditor's report. Based on this definition, audit report lag represents the period required by auditors to complete the examination of a company's financial statements, calculated from the end of the fiscal year to the issuance date of the independent auditor's report.

[Halim, 2015] similarly explains that audit report lag refers to the length of time needed by auditors to examine a company's financial statements. [Hery, 2015] also states that audit report lag is the duration between the fiscal year-end and the date stated in the auditor's report. Differences in the time required by auditors to complete the audit create a time gap between the fiscal year-end and the audit report date, which is known as audit report lag [Blankley et al., 2015]. Thus, the timeliness of a company's financial reporting to the public depends on the auditor's ability to complete the audit process promptly [Fitriana and Bahri, 2022].

Timeliness in completing audited financial statements is regulated under Article 7, Paragraph 1 of the Regulation of the Financial Services Authority of the Republic of Indonesia (2016), which stipulates that public companies must submit their audited annual financial statements to the OJK no later than the end of the third month after the fiscal year-end. Companies that fail to comply with this requirement are subject to sanctions.

According to [Dyer and McHugh, 2011], delays in financial reporting can be classified into three categories:

- a. Preliminary lag, which refers to the interval between the fiscal year-end and the date the preliminary financial statements are received by the capital market.
- b. Auditor's signature lag, which refers to the interval between the fiscal year-end and the date stated in the auditor's report.
- c. Total lag, which refers to the interval between the fiscal year-end and the date the audited annual financial statements are published by the capital market.

In accordance with IDX Board of Directors Decree No. Kep-307/BEI/07-2004 regarding sanctions for listed companies that delay the submission of audited financial statements, the penalties are as follows:

1. Written warning I, issued when a company is late by 1–30 days after the deadline.
2. Written warning II and a fine of IDR 50,000,000, imposed when a company is late by 31–60 days after the deadline.
3. Written warning III and an additional fine of IDR 150,000,000, imposed when a company is late by 61–90 days after the deadline.
4. Suspension, or temporary trading halt, applied when a company remains non-compliant for more than 91 days after the deadline. The suspension may be lifted once the company submits its financial statements and pays the applicable penalties.

## 2.2 Good Corporate Governance

Good corporate governance (GCG) is one of the pillars of a market-based economic system. It is closely related to the level of trust, both in the companies that implement it and in the overall business climate of a country. The implementation of GCG promotes healthy competition and a conducive business environment. Therefore, the adoption of GCG by companies in Indonesia is crucial to support sustainable economic growth and stability. Moreover, GCG implementation is expected to assist government efforts in promoting good governance more broadly in Indonesia. Currently, the government is striving to implement good governance within its bureaucracy to create a clean and authoritative administration [KNKG, 2006].

The implementation of good corporate governance (GCG) can be driven by two approaches: ethical-driven and regulatory-driven. Ethical-driven motivation arises from the awareness of individual business actors to conduct business practices that prioritize the company's sustainability, consider stakeholder interests, and avoid short-term profit-seeking methods. On the other hand, regulatory-driven motivation "forces" companies to comply with the prevailing laws and regulations. Both approaches have their respective strengths and weaknesses and ideally complement each other to create a healthy business environment [KNKG, 2006].

Every company must ensure that the principles of GCG are applied to all aspects of its business and across all levels of the organization. The principles of GCG—transparency, accountability, responsibility, independence, and fairness—are necessary to achieve corporate sustainability while considering stakeholder interests [KNKG, 2006].

1. Transparency refers to openness in disclosing material and relevant information, as well as clarity and openness in the decision-making process.
2. Accountability refers to the clarity of functions and the effective implementation of the company's governance responsibilities.
3. Responsibility refers to the alignment of corporate management with applicable laws, regulations, and corporate governance principles.
4. Independence refers to the professional management of the company without undue influence or pressure from any party.
5. Fairness refers to justice and equality in fulfilling stakeholder rights arising from agreements and applicable laws and regulations.

### **2.3 Earnings Management**

According to [Sulistyanto, 2018] in his book *Manajemen Laba*, earnings management is defined as the effort of company managers to intervene in or influence the information in financial statements with the aim of misleading stakeholders who seek to understand the company's performance and condition.

Based on [Sulistyanto, 2018] statement, earnings management refers to actions taken by company management to alter financial information in order to mislead stakeholders interested in the company's actual condition.

[Fahmi, 2018] further explains that earnings management is the manipulation of profits according to the preferences of certain parties, particularly company management. Earnings management is one of the factors that can reduce the credibility of financial statements, increase bias in financial reporting, and diminish users' trust in the reported results, whether manipulated or genuine [Alie and Febrinta, 2020].

[Scott, 2015] defines earnings management as actions taken by management to influence profits in order to achieve specific profit reporting objectives. There are four common patterns of earnings management:

- a. Taking a bath, which occurs when management intentionally reports extremely low (or even negative) profits in the current period compared to previous or subsequent periods, or, conversely, reports extremely high profits.
- b. Income minimization, which involves reporting profits lower than the actual amount for the current period.
- c. Income maximization, which involves reporting profits higher than the actual amount for the current period.
- d. Income smoothing, which involves reporting profits in a relatively consistent manner across periods.

### **The Effect of Good Corporate Governance on Audit Report Lag**

According to the Forum for Corporate Governance in Indonesia (FCGI), good corporate governance (GCG) refers to a set of regulations that govern the relationships among investors, company management, creditors, the government, employees, and other stakeholders regarding their rights and responsibilities in controlling the company. The implementation of good corporate governance can reduce risks associated with stakeholders, which in turn may shorten the time required by auditors to conduct financial statement audits, thereby enabling companies to submit their financial statements in a timely manner [Wirotomo and Achmad, 2018]. This is in line with compliance theory.

GCG is one of the pillars of a market economy system and is closely related to trust—both in the companies implementing it and in the overall business climate of a country. Its implementation promotes fair competition and fosters a conducive business environment. Therefore, the adoption of GCG by companies in Indonesia is crucial for supporting sustainable economic growth and stability [KNKG, 2006].

Research on the effect of good corporate governance on audit report lag conducted by [Hasibuan et al., 2023] found that good corporate governance has a significant effect on audit report lag. Their findings are consistent with those of [Wirotomo and Achmad, 2018]. However, these results contradict the findings of [Lo et al., 2023], who reported that good corporate governance does not have a significant effect on audit report lag.

H1: Good corporate governance (GCG) has an effect on audit report lag.

## The Effect of Earnings Management on Audit Report Lag

Earnings management refers to managerial actions taken within a company to manipulate profit figures reported in the financial statements [Putri, 2019]. Such practices may result in company performance information that is misleading or irrelevant to shareholders. This aligns with compliance theory, which suggests that companies engaging in earnings management fail to adhere to financial accounting standards. Companies that engage in earnings management may delay the dissemination of information to the public because management focuses excessively on manipulating profit figures, thereby reducing the timeliness of audited financial reporting [Rusmin and Evans, 2017].

According to [Fahmi, 2018], earnings management is the act of adjusting reported profits according to the preferences of certain parties, primarily company management. Earnings management can reduce the credibility of financial statements, increase bias in financial reporting, and decrease users' confidence in the reported results, whether engineered or actual [Alie and Febrinta, 2020].

Research by [Isnaeni and Nurcahya, 2021] found that earnings management has a significant positive effect on audit report lag. Similarly, [Banias and Kuntadi, 2022] reported that earnings management significantly and positively affects audit report lag. However, these findings contradict those of [Kristianti and Setianingsih, 2022], who found that earnings management does not have a significant effect on audit report lag.

H2: Earnings management has an effect on audit report lag.

### 3. Research Method

In this study, the independent variables are good corporate governance and earnings management, while the dependent variable is audit report lag. This research employs a descriptive quantitative approach. The population of this study consists of 151 consumer cyclicals companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period, with a total of 755 annual reports.

The sampling technique used in this study is non-probability sampling with a purposive sampling method. This method is used because not all companies in the population meet the criteria established by the researcher. Therefore, the researcher determined several criteria that must be fulfilled by the sample, namely:

1. Consumer cyclicals companies listed on the Indonesia Stock Exchange (IDX) during 2020–2024.
2. Consumer cyclicals companies that consecutively published annual reports and provided complete information for the research variables during 2020–2024.

Based on the criteria above, the total sample in this study consists of 100 company annual reports. The data used in this study are secondary data obtained from the companies' annual reports. The data analysis technique employed in this research is multiple regression analysis.

## 4. Result and Discussion

### 4.1 Result

**Table 1. Descriptive Statistics**

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
<b>GCG</b>	100	90,41	93,15	92,6705	,78797
<b>EM</b>	100	-,10	,08	-,0058	,04088
<b>ARL</b>	100	82,00	94,00	88,0000	2,23833
<b>Valid N (listwise)</b>	100				

Source: data processed from SPSS 25

Based on Table 1, the descriptive analysis shows that the audit report lag variable has a maximum value of 94 days and a minimum value of 82 days, with an average of 88 days and a standard deviation of 2.23833. The average value of 88 days indicates that the sample of companies in the consumer cyclicals sector tends to submit their audited financial statements on time, as it does not exceed the reporting deadline of 90 days after the end of the fiscal period.

Based on Table 1, the descriptive analysis shows that the good corporate governance variable has a maximum value of 93.15% and a minimum value of 90.41%, with an average of 92.67% and a standard deviation of 0.78797. The average value of 92.67% indicates that the sample of companies in the consumer cyclicals sector has implemented effective corporate governance, as it exceeds 75%, which is classified as effective.

Based on Table 1, the descriptive analysis shows that the earnings management variable has a maximum value of 0.08% and a minimum value of –0.10%, with an average of 0.01% and a standard deviation of 0.04%. The average value of –0.01% indicates that the sample of companies in the consumer cyclicals sector is suspected of

engaging in earnings management by practicing income minimization, as it falls within the classification of EM = 0.00 to -0.01, which indicates income minimization.

**Table 2. Normality Test**

<i>One-Sample Kolmogorov-Smirnov Test</i>			
			Unstandardized Residual
<b>N</b>			100
<b>Normal Parameters<sup>a,b</sup></b>	Mean		,00000000
	Std. Deviation		2,07960560
	Absolute		,106
<i>One-Sample Kolmogorov-Smirnov Test</i>			
			Unstandardized Residual
<b>Most Extreme Differences</b>	Positive		,071
	Negative		-,106
<b>Test Statistic</b>			,106
<b>Asymp. Sig. (2-tailed)</b>			,007 <sup>c</sup>
<b>Monte Carlo Sig. (2-tailed)</b>	Sig.		,199 <sup>d</sup>
	95% Confidence Interval	Lower Bound	,191
		Upper Bound	,206
<b>a. Test distribution is Normal.</b>			
<b>b. Calculated from data.</b>			
<b>c. Lilliefors Significance Correction.</b>			
<b>d. Based on 10000 sampled tables with starting seed 2000000.</b>			

Source: data processed from SPSS 25

Based on Table 2, the results of the normality test using the Kolmogorov–Smirnov (K-S) exact test with the Monte Carlo method show a significance value (Monte Carlo Sig. 2-tailed) of 0.199. This result indicates that the significance value is greater than 0.05 ( $0.199 > 0.05$ ), suggesting that the data are normally distributed.

**Table 3. Multicollinearity Test**

<b>Model</b>	<b>Coefficients<sup>a</sup></b>		
		<b>Collinearity Statistics</b>	
		Tolerance	VIF
<b>1</b>	GCG	,998	1,002
	EM	,998	1,002
<b>a. Dependent Variable: ARL</b>			

Source: data processed from SPSS 25

Based on Table 3, the results of the multicollinearity test show that the tolerance values for both independent variables are greater than 0.1, and the Variance Inflation Factor (VIF) values are less than 10. These results indicate that the regression model meets the requirement of having no multicollinearity.

**Table 4. Heteroscedasticity Test**

<b>Correlations</b>			
	GCG	EM	Unstandardized Residual

<b>Spearman's rho</b>	GCG	Correlation Coefficient	1,000	-,039	-,001
		Sig. (2-tailed)	.	,703	,991
		N	100	100	100
	EM	Correlation Coefficient	-,039	1,000	-,015
		Sig. (2-tailed)	,703	.	,879
		<b>Correlations</b>			
		GCG	EM	Unstandardized Residual	
		N	100	100	100
Unstandardized Residual	Correlation Coefficient	-,001	-,015	1,000	
	Sig. (2-tailed)	,991	,879	.	
	N	100	100	100	

Source: data processed from SPSS 25

Based on Table 4, the results of the heteroscedasticity test show that the significance value for the good corporate governance variable is 0.991, which is greater than 0.05, and the significance value for the earnings management variable is 0.879, which is also greater than 0.05. These results indicate that the regression model meets the requirement of having no heteroscedasticity.

**Table 5. Autocorrelation Test**

Model	Model Summary <sup>b</sup>				
	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
<b>1</b>	,370 <sup>a</sup>	,137	,119	2,10094	1,895

**a. Predictors: (Constant), EM, GCG**  
**b. Dependent Variable: ARL**

Source: data processed from SPSS 25

Based on the SPSS output, the Durbin–Watson (DW) value obtained is 1.895. This value is then compared with the Durbin–Watson Test Bound Table using a 5% significance level, a sample size of 100 (N = 100), and two independent variables (k = 2). The lower bound value (dL) is 1.6337 and the upper bound value (dU) is 1.7152, while the value of 4 – dU is 2.2848. Based on these results, it can be concluded that there is no autocorrelation in the regression model.

**Table 6. Multiple Linear Regression Analysis**

Model		Coefficients <sup>a</sup>				
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
<b>1</b>	(Constant)	184,786	24,852		7,435	,000
	GCG	-1,044	,268	-,368	-3,894	,000
	EM	1,553	5,169	,028	,300	,764

**a. Dependent Variable: ARL**

Source: data processed from SPSS 25

Based on the IBM SPSS output in Table 6, the multiple linear regression model obtained is as follows:

$$Y = 184.786 - 1.044X_1 + 1.553X_2 + 0.05$$

- 1) The constant value of 184.786 indicates that if good corporate governance and earnings management ( $X_1$ ,  $X_2$ ) are equal to zero, the audit report lag will remain constant at 184.786.
- 2) The regression coefficient for the good corporate governance variable is  $-1.044$ , meaning that if good corporate governance increases by one unit, the audit report lag will decrease by 1.044 units.
- 3) The regression coefficient for the earnings management variable is 1.553, meaning that if earnings management increases by one unit, the audit report lag will increase by 1.553 units.

**Table 7. Correlation Coefficient Analysis**

		Correlations		
		GCG	EM	ARL
<b>GCG</b>	Pearson Correlation	1	-,040	-,369**
	Sig. (2-tailed)		,693	,000
	N	100	100	100
<b>EM</b>	Pearson Correlation	-,040	1	,043
	Sig. (2-tailed)	,693		,671
	N	100	100	100
<b>ARL</b>	Pearson Correlation	-,369**	,043	1
	Sig. (2-tailed)	,000	,671	
	N	100	100	100

**\*\*.** Correlation is significant at the 0.01 level (2-tailed).

Source: data processed from SPSS 25

Based on the correlation coefficient analysis, the good corporate governance variable has a correlation value of  $-0.369$ , indicating an inverse relationship with audit report lag at a low level of association. Meanwhile, the earnings management variable has a correlation coefficient of  $0.043$ , indicating a direct relationship with audit report lag at a very low level of association.

**Table 8. Coefficient of Determination for Good Corporate Governance**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
<b>1</b>	,369 <sup>a</sup>	,136	,127	2,09116

**a. Predictors: (Constant), GCG**

Source: data processed from SPSS 25

Based on Table 8, the coefficient of determination (R Square) for good corporate governance is 0.136, indicating that the good corporate governance variable explains 13.6% of the variation in audit report lag.

**Table 9. Coefficient of Determination for Earnings Management**

Model	Model Summary			
	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,043 <sup>a</sup>	,002	-,008	2,24763

a. Predictors: (Constant), GCG

Source: data processed from SPSS 25

Based on Table 9, the coefficient of determination (R Square) for earnings management is 0.002, indicating that the earnings management variable explains 0.2% of the variation in audit report lag.

## 4.2 Discussion

### 4.2.1 The Effect of Good Corporate Governance on Audit Report Lag

The results of this study support the first hypothesis, which states that the good corporate governance (GCG) variable has a negative effect on audit report lag in companies within the consumer cyclicals sector listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. This is indicated by the regression coefficient of the independent variable, which is  $-1.044$ , meaning that for every one-unit increase in GCG, the audit report lag decreases by 1.044 days. The coefficient of determination ( $R^2$ ) is 0.136, indicating that 13.6% of the variation in audit report lag (Y) is explained by GCG, while 86.4% is influenced by other variables not included in this hypothesis testing. The t-count value is  $-3.894$ , while the t-table value is 1.985, with a significance value of 0.000. This result shows that GCG ( $X_1$ ) has a significant negative effect on audit report lag (Y).

These findings are consistent with research by [Kristianti and Setianingsih, 2022], who examined the tourism, hotel, and restaurant sectors and concluded that GCG affects audit report lag. [Wirotomo and Achmad, 2018], who analyzed companies included in GCG implementation rankings, also found that GCG influences audit report lag. Similarly, [Yusuf et al., 2022], in their study on the basic industry and chemical sector, reported comparable results. However, this study contrasts with the findings of [Hasibuan et al., 2023] and [Lo et al., 2023] who stated that GCG has no effect on audit report lag.

According to [Wirotoomo and Achmad, 2018], GCG influences audit report lag because companies, as agents, have implemented corporate governance practices that allow auditors, as principals, to conduct audits more efficiently, enabling companies to report their financial statements on time. In this study, corporate governance affects audit report lag because the companies have met the effectiveness criteria of governance implementation, resulting in minimal delays in submitting audited financial reports. This finding aligns with the general guidelines of good corporate governance in Indonesia, which state that proper implementation of GCG can minimize existing risks, including the risk of delays in financial statement submission.

#### **4.2.2 The Effect of Earnings Management on Audit Report Lag**

The results of this study do not support the second hypothesis, indicating that the earnings management variable does not affect audit report lag in companies within the consumer cyclicals sector listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. This is shown by the regression coefficient of  $X_2$ , which is 1.553, meaning that for every one-unit increase in earnings management, the audit report lag decreases by 1.553 days. The coefficient of determination ( $R^2$ ) is 0.002, indicating that only 0.2% of the variation in audit report lag ( $Y$ ) is explained by earnings management, while 99.8% is influenced by other variables not included in this hypothesis testing. The t-count value is 0.300, while the t-table value is 1.986, with a significance value of 0.764. These results indicate that earnings management ( $X_2$ ) does not have a significant effect on audit report lag ( $Y$ ).

These findings are consistent with research by [Kristianti and Setianingsih, 2022], who examined the tourism, hotel, and restaurant sectors and reported that earnings management does not affect audit report lag. [Fitriyanto and Triyono, 2025], who analyzed companies in the property and real estate sector, also found that earnings management has no effect on audit report lag. However, this study contradicts the findings of [Isnaeni and Nurcahya, 2021] and [Andrianingsih and Prasetyo, 2023], who stated that earnings management influences audit report lag.

[Kristianti and Setianingsih, 2022] used discretionary accruals as an indicator of earnings management and found that it did not affect audit report lag. This occurs because auditors who possess knowledge of earnings management techniques can more easily detect material misstatements within an industry. Auditors with expertise in fraud

detection and substantial experience in identifying earnings management practices are able to complete the audit process more efficiently, thereby preventing delays in the issuance of audit reports.

Similarly, in this study, earnings management does not affect audit report lag because auditors, being familiar with company policies and earnings management techniques, can quickly identify potential misstatements. Consequently, the audit process can be completed efficiently, minimizing delays in audit report submission. This finding indicates that even if a company intentionally engages in earnings management—whether to inflate or deflate profits—it does not significantly impact the duration of the financial reporting process.

## 5. Conclusion

Based on the results of the statistical tests and the discussion regarding the effect of good corporate governance and earnings management on audit report lag in companies within the consumer cyclicals sector listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period, it can be concluded that good corporate governance has a partial negative effect on audit report lag, whereas earnings management has no significant effect on audit report lag.

The partial effect of good corporate governance was relatively low at 13.6%, indicating that a larger portion of the variance in audit report lag is explained by other factors not examined in this study. Similarly, the effect of earnings management was found to be insignificant. These findings suggest that audit report lag is influenced by multiple factors beyond the scope of this research.

Research limitations include the focus on only one sector (consumer cyclicals) and the use of secondary data from annual reports, which may not fully capture the nuances of corporate practices or the impact of other contextual variables. Additionally, the study covers only a five-year period, which may limit the generalizability of the findings across different time frames or economic conditions.

Managerial implications of this study are that companies should prioritize the implementation of good corporate governance principles, as it has a measurable impact on improving the timeliness of financial reporting. Management should also be aware that earnings management alone does not significantly affect audit report lag, suggesting

that efforts to enhance reporting timeliness should focus more on strengthening governance mechanisms, internal controls, and audit processes.

For future researchers interested in extending this study, it is recommended to examine other variables that may influence audit report lag, expand the research population, increase the sample size, or explore additional industrial sectors to enable a more comprehensive comparison of results with previous studies.

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