

Litigation Against Clients and Audit Report Lag Effect: The Moderating Role of State Ownership and Audit Committees with Legal Expertise in Indonesia

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ABSTRACT

Keywords:

Audit Report Lag; Litigation against Clients; State Ownership; Audit Committee with Legal Expertise

This study aims to examine the effect of litigation against clients on audit report lag (ARL) and analyze the role of state ownership and audit committees with legal expertise as moderating variables. This study uses a quantitative approach with secondary data sourced from the Directory of Decisions of the Supreme Court of the Republic of Indonesia and audited financial reports of companies listed on the Indonesia Stock Exchange (IDX). The research population includes all companies listed on the IDX during the 2021–2023 period, with a final sample of 628 companies obtained through purposive sampling after the outlier elimination process. Hypothesis testing was conducted using Tobit regression, considering the variables of litigation delay, number of litigation claims, and monetary amount of litigation claims, as well as including the moderating variables of state ownership and audit committees with legal expertise. The results show that litigation delays and the monetary amount of litigation claims have a positive effect on audit report lag, while the number of litigation claims has no effect on audit report lag. Furthermore, the existence of an audit committee with legal expertise has been shown to weaken the effect of litigation delays on audit report lag, while state ownership does not weaken the effect of litigation delays on audit report lag. These findings provide empirical contributions to expanding the audit literature related to litigation risk and emphasize the importance of corporate governance mechanisms in mitigating audit reporting delays, particularly in Indonesian companies post-COVID-19 pandemic.

INTRODUCTION

Timely submission of audit reports is a crucial aspect of stakeholder decision-making (Bepari et al., 2024). Delays in audit reports can postpone earnings announcements and reduce investor interest; therefore, companies that publish financial reports on time tend to be more trusted (Gontara et al., 2022). This aligns with Financial Services Authority (Otoritas Jasa Keuangan [OJK]) Regulation No. 29/POJK.04/2016, which requires companies to submit audited financial reports no later than the end of the fourth month after the annual financial reporting date. According to Ver et al. (2023), the timeliness of reporting is directly

proportional to the relevance and reliability of financial reports; therefore, delays can reduce the quality of the information presented.

This study focuses on factors influencing audit report lag (ARL). Untimely submission of financial reports can trigger negative reactions in the capital market (Lopes and Reis, 2019) and contradicts Pernyataan Standar Akuntansi Keuangan (PSAK) No. 1, Paragraph 38, which emphasizes the importance of timeliness in financial reporting. One factor suspected of contributing to ARL is litigation against clients. Companies facing litigation tend to experience reputational decline and bear the risk of significant costs (Helland, 2006; Malm et al., 2021; Krishnan et al., 2011). The uncertainty surrounding litigation outcomes must also be disclosed in accordance with PSAK 8, thereby increasing audit complexity and requiring additional time for auditors (Liu et al., 2021).

This phenomenon is reflected in 2023 data from the Indonesia Stock Exchange (Bursa Efek Indonesia [IDX]), which show that 41 companies were sanctioned for the late submission of audited financial reports, with 39% experiencing litigation issues and 56% facing more than one litigation case contributing to ARL for an average of three consecutive years. This indicates that litigation is a significant factor influencing the timeliness of audit reporting (Liu et al., 2021; Cutler et al., 2019).

This study also explores the roles of state ownership and audit committees with legal expertise as moderating variables in the relationship between litigation and ARL. State-owned companies tend to have stronger positions when facing lawsuits, potentially mitigating the impact of litigation on ARL (Lu et al., 2015). Furthermore, the presence of audit committees with legal expertise can increase awareness of litigation risks and improve the quality of financial reporting oversight, potentially minimizing ARL (Krishnan et al., 2011).

This study contributes to the literature by extending Liu et al.'s (2021) study on the impact of litigation on ARL, assessing the role of state ownership as proposed by Lu et al. (2015), and testing the effectiveness of audit committees with legal expertise as discussed by Krishnan et al. (2011). Unlike previous research, this study simultaneously tests two moderating variables and is the first to examine the relationship between litigation and ARL in Indonesia using the most recent data from 2020–2023.

The primary objective of this research is to examine the effect of litigation against clients on audit report lag in Indonesian listed companies. Specifically, the study aims to: (1) analyze the impact of litigation delays, the number of claims, and the monetary amount of claims on ARL; (2) test the moderating role of state ownership in the litigation–ARL relationship; and (3) examine whether audit committees with legal expertise weaken the effect of litigation delays on ARL.

METHOD

This research was an associative quantitative study with one independent variable, namely litigation against clients, and one dependent variable, namely audit report lag. This study also included two moderating variables, namely state ownership and audit committees with legal expertise, as well as six control variables: modified audit opinion, Big 10 auditor, auditor industry specialization, board size, percentage of independent directors, and client size. Secondary data were obtained from the Indonesia Stock Exchange website and the Directory of Decisions of the Supreme Court of the Republic of Indonesia for the period 2021–2023. The

sample was determined using purposive sampling, resulting in 956 observations of companies listed on the Indonesia Stock Exchange for the period 2020–2023, with litigation data obtained from the Directory of Decisions of the Supreme Court of the Republic of Indonesia.

The data analysis techniques used in this study included descriptive statistical tests, classical assumption tests (including normality, multicollinearity, heteroscedasticity, and autocorrelation tests), and multiple linear regression analysis, including hypothesis testing through t-tests, F-tests, and R-square tests.

The formula applied in Tobit regression analysis is as follows:

$$ARL_i = \beta_0 + \beta_1 PL_i + \beta_2 PLnum_i + \beta_3 PLamount_i + \beta_4 (PL_i \times BUMN_i) + \beta_5 (PL_i \times LegalEXP_i) + \beta_6 (ControlVariabel) + \epsilon_i$$

Information:

ARL_i	= audit report lag of company i.
β_0	= constant or intercept.
$\beta_1 - \beta_6$	= coefficient.
PL_i	= litigation demands.
$PLnum_i$	= number of litigation claims against clients.
$PLamount_i$	= amount of money from pending claims.
$BUMN_i$	= state/state-owned enterprise ownership.
$LegalEXP_i$	= proportion of legal experts in the audit committee.
$ControlVariabel$	= control variable
ϵ_i	= term error or residual

Hypothesis Development

Cen et al. (2018) showed that in complying with PSAK 5, companies tend to strategically conceal negative information related to litigation losses, while litigation outcomes are difficult for auditors to predict, increasing audit complexity (Hennes, 2014). Auditors become more cautious in considering lawsuits at the financial statement date and require additional time to evaluate their implications, potentially lengthening the Audit Report Lag (ARL) (Trinugroho et al., 2022; Liu et al., 2021). Political connectedness through state ownership can mitigate the impact of litigation due to political support, thus giving SOEs a better chance of facing litigation (Lu et al., 2015), while the presence of an audit committee with legal expertise increases awareness of litigation risks and the quality of financial reporting monitoring (Krishnan et al., 2011); both factors act as moderating variables that weaken the relationship between litigation and ARL. In addition, the study controlled for various variables that could potentially influence ARL, namely modified audit opinions that tend to lengthen the audit process (Carslaw and Kaplan, 1991), the type of Big 10 auditors who apply more comprehensive audit procedures (Shin et al., 2016), auditor industry specialization that can speed up the audit process and reduce ARL, as well as company characteristics and governance such as state ownership, board size that increases monitoring effectiveness (Beasley and Salterio, 2001), board independence and CEO duality that increase audit risk and audit hours (Donaldson and Davis, 1991), and larger company size with higher audit complexity.

H₁ : There is a delay in litigation and ARL

Auditing client litigation requires additional effort and time because auditors must identify the existence of litigation in accordance with ISA 501.09–501.12, assess the reasonableness of management's estimates of the probability and amount of losses in accordance with ISA 540.01 and ISA 540.18, and resolve recognition and disclosure issues through discussions and negotiations with management. The litigation identification process involves inquiries of management and legal counsel and a review of relevant documents, which are often inadequate due to management's tendency to make strategic disclosures of litigation contingencies (Cen et al., 2018). Auditors also face difficulties in assessing litigation estimates due to limited information, differences in interpretations of loss probabilities across companies (Hennes, 2014), and differences in the roles of auditors and legal counsel that can impede the flow of information (Koprowski et al., 2009). Furthermore, potential tensions between auditors and management regarding the adequacy of litigation disclosures, as well as management's concerns about market reactions, increase the likelihood of negotiations that prolong the audit process (Cutler et al., 2019). Litigation can also be an indicator of a high risk of material misstatement in the financial statements as a whole (ISA 204), prompting auditors to conduct additional testing and gather more persuasive evidence, particularly when the auditor's involvement risk is increased due to the impact on the client's reputation (Malm et al., 2021; Donelson et al., 2019). Based on these three mechanisms—litigation identification, disclosure negotiation, and increased audit risk—this study hypothesizes that companies with pending litigation have a longer Audit Report Lag than companies without litigation.

H 2 : Number of litigation claims against clients and ARL

When a company faces numerous litigation claims, the auditor must expend additional effort to carefully assess each claim and evaluate its impact on the financial statements, as required by the auditor's responsibility to disclose material information under ISA 700. Liu et al. (2021) state that the large number of litigation claims increases audit complexity because the auditor needs to assess the reasonableness of management's estimates for each claim. Although there are common audit procedures for testing management estimates, such as testing the effectiveness of controls (ISA 540.13(c)) and correspondence with the client's legal counsel (ISA 501.10), International Auditing Standards emphasize that these procedures are not sufficient to fully assess each claim (ISA 540.13; ISA 501.A19), requiring additional audit effort. Consequently, the time required for the auditor to ensure fair presentation of litigation claims increases with the number of claims, thus this study hypothesizes that the number of litigation claims is positively related to Audit Report Lag.

H 3 : Monetary amount of litigation claims and ARL

Disclosure of litigation claims requires auditors to ensure that the financial statements present sufficient information regarding the monetary amount, status of the claim, and likelihood of settlement, in accordance with the guidelines of ISA 501 and ISA 700. Auditors must also assess the going concern assumption based on generally accepted accounting principles, where legal proceedings that potentially give rise to large claims that the entity cannot satisfy may raise significant doubt about the going concern (ISA 570.A2; Liu et al., 2021). Empirical findings indicate that litigation losses can reach a material proportion of a company's assets, averaging 10% of assets (Cen et al., 2018) and even up to 33% in cases resulting in bankruptcy (Hennes, 2014). When the amount of litigation losses is large relative to the size of the company, auditors need to perform additional procedures and engage in more

intensive discussions with management to assess their impact on going concern, thereby prolonging the audit process. Therefore, this study hypothesizes that the amount of litigation losses is positively related to Audit Report Lag.

H 4 : State ownership of litigation against clients, and ARL

State-owned companies (SOEs) in Indonesia generally pursue objectives beyond profit maximization, such as job creation and regional development (Lin et al., 1998), and receive implicit government support, making them less likely to fail or face financial difficulties due to lawsuits (Lu et al., 2015). State-owned clients also tend to be less likely to lose litigation than non-state-owned companies, making management relatively reluctant to disclose such lawsuits. Durand (2019) states that audit report delays may reflect negotiations between auditors and clients; therefore, negotiations related to litigation reporting are expected to be less likely for state-owned clients. Furthermore, if there are adverse legal consequences, these losses are expected to be less financially significant due to government support. Therefore, this study predicts that the relationship between delayed litigation and Audit Report Lag will be weaker for state-owned companies, thus hypothesizing that state ownership weakens the effect of firms facing delayed litigation on ARL.

H 5 : Risk of pending litigation, audit committee with legal expertise, and *audit report lag*

Audit committee competence is a crucial factor influencing the effectiveness of corporate oversight, particularly when the audit committee has a legal background. Audit committees with legal expertise tend to be more thorough in overseeing corporate activities with legal implications, thus enabling them to anticipate and minimize the risk of litigation against clients, which could potentially lead to audit report delays. With adequate legal understanding, audit committees can encourage management to be more prepared for potential litigation, promptly correct errors that could potentially trigger legal disputes, and communicate effectively with the company's legal counsel. Findings by Krishnan et al. (2011) indicate a negative relationship between the audit committee's legal background and litigation risk against clients. Therefore, the presence of an audit committee with legal expertise is expected to mitigate the impact of litigation risk on audit report delays. This study hypothesizes that audit committees with legal expertise weaken the influence of companies facing delayed litigation on Audit Report Lag.

RESULT AND DISCUSSION

Descriptive Statistical Analysis

Table 1 Descriptive Statistical Analysis

ITEM	Mean	Median	Maximum	Minimum	Std. Dev.	Observations
ARL	-97687	-91	278	-462	37622	1815
PL	0.139	0	1	0	0.346	1815
PLNUM	0.798	0	194	0	6926	1815
PLAMOUNT	590,000,000	0	397,000,000,000	0	11,900,000,000	1815
State-Owned Enterprises	0.0386	0	1	0	0.193	1815
LEGALEXP	0.0057	0	0	0	0.042	1815

BIG10	0.0441	0	1	0	0.205	1815
INDSPEC	0.4358	0	1	0	0.496	1815
BOARDSIZE	41928	4	9	3	0.650	1815
BINDEP	20711	2	5	1	0.359	1815
SIZE	26,000,000,000,000	2,900,000,000,000	2,170,000,000,000	20,000,000,000,000	127,000,000,000,000	1815

Source : Researcher Data Processing (2025)

Based on descriptive statistics, all variables comprise 1,815 observations, making them adequate for regression analysis. The average ARL of -97.7 days indicates that most companies complete audits faster than the regulatory threshold, with significant variation. Only about 13.9% of companies face litigation (PL), with most companies facing no litigation claims (PLNUM), but there are several companies with very large numbers and values of claims, widening the data distribution, particularly in PLAMOUNT. The proportion of state-owned enterprises (3.8%) and those with audit committees with legal expertise (0.6%) is relatively small. Control variables indicate that about 9% of companies receive an adverse audit opinion, 4.4% are audited by BIG10 auditors, and 43.6% use industry specialist auditors, with relatively moderate board sizes and independent directors, and highly variable company sizes. Pearson correlation results indicate a generally weak to moderate relationship between ARL, with significant positive correlations with litigation claim value and audit opinion, and significant negative correlations with governance variables, auditor quality, and company size. In addition, there are relatively strong correlations between governance variables and firm characteristics, especially between board size, independent directors, and firm size, which reflect structural linkages but do not change the overall descriptive interpretation.

Classical Assumption Test

1) Normality Test

The results of the normality test indicate that the residuals are not normally distributed, as reflected by a skewness value of -8.79 , a kurtosis of 138.55 , and a significant Jarque–Bera statistic. However, with a large sample size (1,815 observations), the residual non-normality does not affect the validity of the inference because, based on the Central Limit Theorem, the OLS parameter estimator remains close to a normal distribution in large samples (Kwak & Kim, 2017). In line with Gujarati & Porter (2009) and Wooldridge (2016), the t-test and F-test remain asymptotically valid, so the regression model remains suitable for use even though the residual normality assumption is not met.

2) Multicollinearity Test

The multicollinearity test results show that all independent variables have VIF values well below the threshold of 10, with most falling within the range of 1–3. The lowest values are found for PLAMOUNT (1.075) and PLNUM (1.141), while BOARDSIZE (3.709) and BINDEP (3.285) are still within safe limits. Thus, there is no indication of significant multicollinearity, so the regression model is considered stable and its coefficient estimates are reliable.

3) Heteroscedasticity Test

The Breusch–Pagan–Godfrey test results show an ObsR-squared value of 16.91023 with a probability of 0.0764 (>0.05), so the null hypothesis of homoscedasticity is not rejected. Thus, there is no indication of significant heteroscedasticity and the residual variance can be considered constant, so the regression estimate is considered reliable for inferential analysis.

4) Autocorrelation Test

Autocorrelation testing was not performed because the data used were not pure time series, but panel data, so residual autocorrelation was considered irrelevant (Basuki & Prawoto, 2017). Autocorrelation generally occurs in continuous time series data, and the data structure of this study does not meet these characteristics. Therefore, the evaluation of classical assumptions focused on tests for normality, multicollinearity, and heteroscedasticity, which are more appropriate to the characteristics of the data.

Multiple Linear Regression Test

This study uses multiple linear regression to examine the influence of independent, moderating, and control variables on audit report lag (ARL). This method allows for simultaneous and partial testing of relationships, while meeting all classical assumptions, allowing for accurate and reliable interpretation of coefficient estimates.

Partial Test (t-Test)

Table 2 Partial Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5.789766	0.071394	81.09609	0.0000
PL	0.025180	0.009598	2.623452	0.0088
PLNUM	0.000743	0.002925	0.254013	0.7995
PLAMOUNT	0.012140	0.002698	4.500548	0.0000
PL*BUMN	0.029218	0.026347	1.108991	0.2676
PL*LEGALEXP	-0.223613	0.113774	-1.965411	0.0495
BIG10	0.002898	0.014904	0.194443	0.8459
INDSPEC	-0.015215	0.006331	-2.403217	0.0164
BOARDSIZE	-0.018873	0.008674	-2.175786	0.0297
BINDEP	0.010651	0.014781	0.720599	0.4712
SIZE	-8.95E-17	2.99E-17	-2.989518	0.0028

Source : Researcher Data Processing (2025)

Based on results partial test testing or t-test is generated conclusion as following:

1) Impact of pending litigation on ARL (PL)

The PL variable has a positive and significant effect on ARL ($p\text{-value} < 0.05$), indicating that the existence of pending litigation extends the audit report lag because the auditor performs additional procedures.

2) The impact of the number of litigation claims on ARL (PLNUM)

The PLNUM variable does not have a significant effect on ARL ($p\text{-value} > 0.05$), which indicates that the number of litigation claims does not affect the length of the audit process.

- 3) The impact of the amount of litigation losses on ARL (PLAMOUNT)
The PLAMOUNT variable has a positive and significant effect on ARL (p-value < 0.05), so the greater the value of litigation losses, the longer the audit report lag.
- 4) The moderating effect of state-owned enterprise status (PL*BUMN)
The PL*BUMN interaction does not have a significant effect on ARL (p-value > 0.05), which indicates that BUMN status is unable to moderate the effect of pending litigation on audit report lag.
- 5) The moderating effect of audit committee legal expertise (PL*LEGALEXP)
The PL*LEGALEXP interaction has a negative and significant effect on ARL (p-value < 0.05), which indicates that the audit committee's legal expertise is able to weaken the impact of pending litigation and accelerate audit completion.

Simultaneous Test (F Test)

Table 3 Simultaneous Test Results (F Test)

F-statistic	7.489151
Prob(F-statistic)	0.000000

Source : Researcher Data Processing (2025)

The results of the F test show The F-statistic value is 7.489 with a Prob(F-statistic) of 0.000000 (< 0.05), which confirms that that all over variables independent in a way simultaneous influential significant on audit report lag (ARL). This indicates that the research model is significant, fit, and suitable for explaining the factors influencing ARL.

Coefficient of Determination Test (R²)

Table 4 Results of the Determination Coefficient Test (R²)

R-squared	0.039859
Adjusted R-squared	0.034537

Source : Researcher Data Processing (2025)

The R-squared value of 0.039859 indicates that the model explains approximately 3.98% of the variation in audit report lag, while most of the variation is influenced by factors outside the model. The relatively similar Adjusted R- squared value confirms that the addition of variables does not significantly increase explanatory power. This finding is common in ARL research because audit length is influenced by many external and unobserved factors, so even though the model is simultaneously significant, its explanatory power remains limited.

Litigation delays have a positive impact on ARL

The test results indicate that litigation delays have a positive effect on audit report lag, consistent with theoretical arguments that litigation increases uncertainty, the risk of misstatement, and the need for additional audit procedures as stipulated in ISA 501, ISA 540, and ISA 204. Auditors require more time to identify litigation, assess management estimates, conduct legal confirmations, review events after the balance sheet date, and negotiate with management regarding the adequacy of disclosures (Cutler et al., 2019). This increased complexity and risk encourage auditors to conduct more extensive testing, thereby prolonging the audit process. This finding is consistent with Liu et al. (2021) who stated that ongoing

litigation causes auditors to allocate more audit time, and is supported by Tsipouridou (2024) who showed that risky and complex audit issues, including the complexity of Key Audit Matters and auditor rotation, are associated with longer audit report lags.

The number of litigation claims against clients has a positive impact on ARL

The results show that the number of litigation claims does not affect audit report lag, indicating that auditors tend to assess litigation risk at the company-wide level by considering the effectiveness of internal controls, including the presence of a General Counsel. Therefore, increasing the frequency of claims does not always increase audit effort proportionally (Oh, Kim, and Sohn, 2023). The number of litigation claims reflects the frequency of cases rather than the quality of risk or the strength of controls, so it does not always impact audit report lag. This finding is also consistent with Abernathy et al. (2019) who stated that audit delays are more driven by the complexity and low readability of financial statement footnotes than by litigation itself, which is often a consequence of such risks. However, this result is inconsistent with the arguments and findings of Liu et al. (2021) which states that the more litigation claims there are, the greater the auditor's efforts to assess the reasonableness of each claim through audit procedures which, although similar, still require separate assessments as recognized in ISA 540.13(c), ISA 501.10, ISA 540.13, and ISA 501.A19, which can theoretically extend the audit report lag.

The monetary amount of litigation claims has a positive effect on ARL

The test results indicate that the amount of litigation losses has a positive effect on audit report lag, in line with the hypothesis that large litigation losses increase the need for additional audit procedures, particularly related to the going concern assessment as stipulated in ISA 570.A2 and confirmed by Liu et al. (2021). Empirical evidence from Cen et al. (2018) and Hennes (2014) indicates that the potential for significant litigation losses to company assets requires auditors to conduct more in-depth procedures and discussions with management, thereby extending audit time and increasing the ARL. However, this finding differs from the arguments of Maksymov et al. (2022) who stated that resolving disputes through agreements can clarify claim information earlier and potentially expedite the audit process, and Bryan and Mason (2020) who showed that reducing auditor risk perception can boost audit efficiency and reduce ARL. Furthermore, Owusu and Lin (2025) argue that increasing the monetary amount of litigation claims is not always responded to by auditors through changes in audit procedures, but rather is reflected in adjustments in client behavior, so the impact on ARL is not always direct.

State ownership weakens the relationship of delaying litigation against ARL

The results of this study indicate that state ownership does not significantly weaken the relationship between litigation delays and audit report lag. Although state-owned enterprises obtain implicit guarantees that potentially lower audit fees, auditors remain sensitive to audit engagement risks arising from delayed litigation, so state ownership does not accelerate the audit process or reduce risk assessment (Chen, Liu, and Zhang 2025). This finding aligns with Sulimany (2023) who stated that government ownership has no significant effect on audit delays, as auditors do not view state ownership as an effective control mechanism for

accelerating reporting. This finding is inconsistent with the arguments of Lu et al. (2015) who emphasize implicit government support for SOEs, resulting in lower failure risk and litigation pressure, and Durand (2019) who stated that auditor-client negotiations tend to be smaller, which should weaken the effect of litigation delays on ARL.

Audit committee legal experts weaken the relationship of litigation delays to ARL

The results show that audit committees with legal expertise weaken the relationship between litigation delays and audit report lag. Expertise on the audit committee has been shown to reduce audit report delays. The presence of audit committee members with legal expertise can also weaken the relationship between litigation delays and audit report lag by improving their ability to handle and clarify legal issues more quickly for auditors (Maranjory and Kouchaki Tajani 2022). This is in line with Krishnan et al., (2011), which showed a negative relationship between the audit committee's legal background and client litigation, meaning that the presence of legal expertise on the audit committee can reduce litigation risk. Because litigation risk is a cause of audit report lag, the reduced risk weakens the effect of delayed litigation on audit report lag.

CONCLUSION

The results of this study indicate that litigation delays have a positive effect on audit report lag, as the resulting legal uncertainty encourages auditors to perform additional audit procedures, thus extending the audit completion time. Conversely, the number of litigation claims has no effect on audit report lag, indicating that auditors place greater emphasis on the quality of litigation risk, the complexity of the case, and the effectiveness of internal controls rather than simply the number of lawsuits faced by the company. Furthermore, the magnitude of litigation losses has a positive effect on audit report lag, given that large claims require more in-depth audit considerations, particularly regarding accounting estimates and going concern assessments. In terms of moderating variables, state ownership is unable to weaken the effect of litigation delays on audit report lag, as auditors continue to view pending litigation as a significant risk requiring additional audit time. Conversely, the presence of an audit committee with legal expertise can weaken this effect by enhancing its oversight function and accelerating the clarification of legal issues to auditors, thereby helping to reduce uncertainty and expedite the completion of the audit process. These findings emphasize the importance of corporate governance, particularly the role of the audit committee, in improving the efficiency of the audit process amidst litigation risk. In addition, the results of this study provide practical implications for management and regulators in strengthening supervisory mechanisms to reduce delays in issuing audit reports. Future research is recommended to expand the observation period, include cross-country comparisons, and examine additional governance variables, such as board legal expertise or risk management committees, to provide a broader understanding of factors affecting ARL.

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