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Auditor Business, Audit Committee, and Report Quality: Intervening Effect of Audit Delay

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ABSTRACT

This research analyzes the effect of auditor busyness and audit committee characteristics on financial reporting quality, with audit delay as a mediating variable. This research is quantitative and uses panel regression data as an analysis method. Listed cyclical goods companies in the Indonesia Stock Exchange are used as the sample data, ranging from 2018-2022, with 375 samples. The results from this research show no significant influence between auditor busyness and the characteristics of the audit committee on the financial reporting quality, with audit delay as a mediating variable. However, audit committee size and meetings show a significant positive influence on audit delays. Meanwhile, a significant positive impact was also found between audit delay and the quality of financial reports. The outcomes of this research are expected to benefit companies and investors in understanding some factors that cause audit delays. It is also expected to give investors a better understanding of where audit delay indicates doubts about the quality of financial reports. Research about auditor busyness is scarce, especially in Indonesia, and this study is the first in Indonesia to examine the factors that affect financial reporting quality, with audit delay as an intervening variable due to the importance of financial reporting quality as it is used for decision-making.

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1. INTRODUCTION

Auditors have an essential role in maximizing financial reporting quality by ensuring compliance with audit and accounting standards (Soroushyar, 2022). High reporting quality reduces information asymmetry and agency costs, enhancing investment effectiveness (Siregar & Nuryanah, 2020). Based on the idea that increased auditor busyness can reduce the time available to each client, previous research has suggested a negative impact between auditor busyness and financial reporting quality (Goodwin & Wu, 2016). This may occur due to an auditor who is too busy to fully comprehend each client's business and financial reporting (Gul et al., 2017). Additionally, it could impede the detection of earnings management practices, further undermining reporting quality (Lai et al., 2018). The audit committee is essential to preparing the business's financial statements. Its purpose is to ensure that the corporate financial report is published on schedule. Apart from this duty, the audit committee also supervises the organization's management and external auditors during the preparation phase so that a high-quality financial report can be generated (Chandra & Kellin, 2020).

Based on agency theory, conflicts often arise between principals and agents due to differing interests driven by information asymmetry (Krisyadi & Noviyanti, 2022; Yolanda et al., 2019). Information asymmetry occurs when principals cannot fully oversee all agent activities within their company. Therefore, auditors need to assess the fairness of the financial reports that have been prepared (Hapsari, 2017) and increase confidence in the financial reports that have been prepared for decision-making (Priantoko & Herawaty, 2019). Compliance theory outlines a conceptual framework highlighting the significance of following regulations and audit standards. This theory asserts that auditors are responsible for verifying that the company being audited, known as the auditee, has adhered to all relevant rules, standards, and regulations (Sihombing & Florencia, 2024). From a normative standpoint, employing compliance theory within accounting is appropriate. As stated in POJK No. 29/POJK.04/2016 regarding the submission of company annual reports, all public companies or registered companies in Indonesia must promptly submit their financial reports to OJK (Jura & Tewu, 2021).

Fifty-two listed companies were still found to have submitted their annual reports after the deadline in 2020 (Krisyadi & Noviyanti, 2022). Additionally, in 2021, the Indonesian Stock Exchange reported that 68 listed companies failed to turn in their financial reports on time, and as of early May 2023, 61 companies still hadn't submitted their reports (IDX, 2023). To enforce compliance, the Indonesian Stock Exchange halts trading in a firm's shares and imposes fines for prolonged report submission delays (Felicia & Pesudo, 2019). Despite these measures, report submission delays persist annually, potentially impacting the quality of financial reports. What's more, the large number of occurrences of fraud in financial reporting is also a pressing concern in this study. Cases of fraud committed by corporations might reduce the quality of a financial report (Im & Nam, 2019). According to the research of Singh et al. (2022), Wiedjaja and Eriandani (2021), auditor busyness positively affects audit delays, suggesting that a busy auditor may require additional time to complete the audit process, potentially impacting report quality. However, Raweh et al. (2021) discovered no significant impact of auditor busyness on audit delays. Meanwhile, Raweh et al. (2019) found that the number of audit committee members positively influences audit delays, indicating that a smaller committee can enhance monitoring effectiveness, contrary to findings by Bhuiyan and D'Costa (2020), Firnanti and Karmudiandri (2020), Oktavia and Tanujaya (2019).

Based on the research by Ezat et al. (2021), audit committee financial expertise affects audit delay negatively because more members with financial expertise will accelerate the company's audit process. Contrary to this, according to the research by Pradipta and Zalukhu (2020), Tanujaya and Reny (2022), and Yopie (2021), audit delays are not significantly affected by the audit committee's financial expertise. In the meantime, Nehme et al. (2015), and Yopie (2021) research

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found that audit committee meetings affect audit delays positively because more meetings can lead to more consideration in decision-making which causes audit delays to be longer. Previous research only examines the factor of auditor busyness and audit committee characteristics to audit delays such as Bhuiyan and D'Costa (2020) and Raweh et al. (2021), or else directly towards financial reporting quality such as Yan and Xie (2016). There is rarely any research that examines the factor of auditor busyness and audit committee characteristics to financial reporting quality with audit delay as intervening variable, especially in Indonesia. This is the first research that examines the variables that influence financial reporting quality with audit delay as an intervening variable in Indonesia's cyclical consumer goods sector.

The timeliness of the audit report's completion date could impact the financial reports' quality. Good financial reporting quality requires accurate information and timely delivery (Harianja & Sinaga, 2022). The smaller the discretionary accruals, the better the quality of financial reporting will be. According to Harianja and Sinaga (2022) and Singh et al. (2022), audit delays have a significant positive effect on financial reporting quality. In contrast to the findings of Goodwin and Wu (2016), the impact of audit delay on financial report quality is insignificant. This research is critical since it impacts the quality of financial reports utilized for decision-making. Auditor busyness is also another topic that is infrequently studied in Indonesia. In this regard, this study aimed to evaluate how the auditor's workload affects the quality of financial reporting through the mediation of audit delays. Aside from that, this study also makes a theoretical contribution by including the correlation between the characteristics of audit committees and the reporting quality with the mediation of audit delays.

2. METHODS

This is quantitative research, which means that the research process uses numerical data to get answers to research problems. This research determines the 2018-2022 financial reports of companies registered on the Indonesian Stock Exchange as the object to be studied. The cyclical consumer goods sector is used as the unit of study because, over the past few years, they have been the most likely to be late in turning in their financial reports compared to the other sectors. This research collects data using a purposive sampling method, where sample selection is done according to certain objectives or criteria. These criteria are cyclical consumer goods sector companies registered on the Indonesia Stock Exchange in 2018-2022, companies that have released complete financial reports from 2018-2022, and companies that have never been delisted or suspended during the 2018-2022 period.

Besides that, the company hasn't just gone public in 2019-2022, as well as a company that has all the data needed for this research. The total sample used was 375 samples comprising 75 companies over 5 years. Panel regression is the data analysis approach employed in this study. With panel data, this method allows one to ascertain each independent variable's effect on the dependent. This method is also used to obtain better estimation results as the number of observations increases and to avoid variable omission errors. This data is created by combining cross-sectional and time series data. The program used for data testing in this study is called E-views. To evaluate hypotheses, the data gathered for this research will be subjected to various tests, including descriptive statistical tests, F-test, t-test, and coefficient of determination test.

The dependent variable of this study is financial reporting quality. Based on the study of Singh et al. (2022), this dependent variable can be measured by the modified Jones model of discretionary accruals. The four independent variables are auditor busyness and the characteristics of the audit committee, which include size, financial expertise, and meetings. Meanwhile, the four control variables in this research are the big four: audit opinion, return on asset, and leverage. **Table 1** below provides more information about the variables.

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Table 1. Variables measurement

Variables	Code	Measurements	References
Auditor Busyness	BUSY	Amount of clients audited by the same auditor in one year	(Goodwin & Wu, 2016; Habib et al., 2019; Raweh et al., 2021; Singh et al., 2022)
Audit Committee Size	AC_SIZE	Total audit committee members	(Oussii & Taktak, 2018; Sudradjat et al., 2023)
Audit Committee Financial Expertise	AC_FIN	Number of members who were expertized in the financial sector or have received education in the relevant field compared to the total members.	(Oussii & Taktak, 2018)
Audit Committee Meetings	AC_MEET	Amount of meetings conducted by the audit committee annually.	(Oussii & Taktak, 2018; Sudradjat et al., 2023)
Audit Delay	DELAY	Total days from the report cut-off dates until the audit report is signed.	(Bryan & Mason, 2020; Singh et al., 2022; Sudradjat et al., 2023; Wiedjaja & Eriandani, 2021)
Financial Reporting Quality	FRQ	$\frac{TAC_t}{Assets_{t-1}} = b_1\left(\frac{1}{Assets_{t-1}}\right) + b_2\frac{(\Delta Sales_t - \Delta AR_t)}{Assets_{t-}} + b_3\frac{PPE_t}{Assets_{t-1}} + e_{t-1}$	(Karina et al., 2023; Singh et al., 2022)
Big Four	BIG4	Score 1 if Big Four audits the company, 0 otherwise	(Raweh et al., 2021; Rusmin & Evans, 2017; Singh et al., 2022)
Audit Opinion	OPINION	Score 1 when the report received qualified opinion, 0 otherwise	(Bhuiyan & D'Costa, 2020)
Return on Asset	ROA	Net income divided to total assets	(Abdillah et al., 2019)
Leverage	LEV	Total debt divided to total assets	(Karina et al., 2023; Sutama & Lisa, 2018)

The following is the first data regression equation in this research, toward the intervening variable audit delay:

$DELAY_{it} = \beta_0 + \beta_1 BUSY_{it} + B_2 AC\_SIZE_{it} + B_3 AC\_FIN_{it} + B_4 AC\_MEET_{it} + \beta_5 BIG4_{it} + \beta_6 OPINION_{it} + \beta_7 ROA_{it} + \beta_8 LEV_{it} + \varepsilon_{it}$ (1)

Meanwhile, the following is the second data regression equation in this research, towards the dependent variable financial reporting quality:

$FRQ_{it} = \beta_0 + \beta_1 BUSY_{it} + B_2 AC\_SIZE_{it} + B_3 AC\_FIN_{it} + B_4 AC\_MEET_{it} + \beta_5 DELAY_{it} + \beta_6 BIG4_{it} + \beta_6 OPINION_{it} + \beta_7 ROA_{it} + \beta_8 LEV_{it} + \varepsilon_{it}$ (2)

3. RESULTS AND DISCUSSION

3.1. Descriptive Statistics

This part contains descriptive information, hypothesis test results, and explanations of the results. **Table 2** below provides all variables' descriptive statistics based on 375 observation data. The quality of financial reporting assessed by earnings management shows an average of 2.47%. These results indicate that cyclical consumer goods companies registered on the Indonesia Stock Exchange (BEI) have low-profit increase actions. A company has up to 120 days from the cut-off date of the reporting period to submit its audited financial report, according to OJK standards. Based on the descriptive statistics below, the data sample has an average audit delay value of 98

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days, indicating that most companies punctually turn in their audited financial reports. The mean value of auditor busyness is 5.109, indicating that an auditor typically works with five clients at a time.

Meanwhile, the average audit committee size is 3.016, indicating that an average company employs three individuals for its audit team. Based on OJK No. 55/POJK.04/2015 regulation, the audit committee shall have at least three members. **Table 2** also shows that there are often two members of the auditing committee who are knowledgeable in finance. According to this data, most companies have complied with OJK regulation, which mandates that the audit committee must consist of at least one member with financial-related education.

Table 2. Descriptive statistics

Variables	Min	Max	Mean	Std. Dev
Financial Reporting Quality	0.000	6.118	0.247	0.484
Audit Delay	31.000	330.000	98.208	32.802
Auditor Busyness	1.000	21.000	5.109	3.969
Audit Committee Size	1.000	4.000	3.016	0.253
Audit Committee Financial Expertise	0.000	4.000	2.403	0.721
Audit Committee Meetings	0.000	47.000	5.827	4.455
Leverage	0.002	101.866	1.415	8.710
Return on Asset	-7.592	0.310	-0.054	0.579

Source: Analyzed data from 2018-2022 annual reports (2023)

Meanwhile, the average number of audit committee meetings is 5.827, indicating that the audit committee of a typical company meets five to six times a year on average. Based on the regulation by OJK No. 55/POJK.04/2015, the company's audit committee must hold a meeting at least once every three months. This means that on average companies have complied with this regulation. Based on the descriptive statistics, the average leverage figure is 1.415, indicating that the typical company has 141.5% debt compared to its assets. It may be inferred from this data that most companies have more debt than assets. According to the table, the average value of return on assets is -0.054, which indicates that the company's average performance in managing its assets to make profits is still relatively low.

Table 3. Descriptive Statistics of the Big Four

	Frequency	Percentage
0	267	71
1	108	29
Total	375	100

Source: Analyzed data from 2018-2022 annual reports (2023)

The outcome of a descriptive statistics analysis conducted on the Big Four dummy variable is shown in **Table 3**. This table indicates that 267 additional company data, or 71% of the total, use services from Non-Big Four companies, whereas the other 108 company data, or 29%, use services from Big Four companies. In the meantime, the audit opinion dummy variable's descriptive statistics test yielded the results shown in the following table. The test results below show that only 8 company data or around 2% of company data received a qualified opinion and the other 367 company data or around 98% received other than modified audit opinion.

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Table 4. Descriptive Statistics of Audit Opinion

	Frequency	Percentage
0	367	98
1	8	2
Total	375	100

Source: Analyzed data from 2018-2022 annual reports (2023)

The initial test in this study is to investigate how all independent and control variables impact the mediating variable, known as audit report lag. Hence, the Chow test is the initial step in identifying the optimal model. The Chow test revealed that the probability value for all independent variables and controls affecting audit report lag is 0.000, which is less than 0.05, indicating that the best model to use is the fixed effect model (FEM). The Hausman test results for all independent and control variables on the audit delay mediator indicate a probability of 0.049, also less than 0.05, suggesting that the most suitable model is the fixed effect model (FEM).

3.2. F Test Result

According to the outcome of the F test on the audit delay variable, the probability shows 0.0000, which is less than 0.05. This indicates that the auditor's busyness, the characteristics of the audit committee in the form of size, financial expertise, meetings, big four companies, audit opinion, leverage, and return on assets have a substantial impact simultaneously on the intervening variable, audit delay. Concurrently, the outcome of the F test on the dependent variable financial reporting quality also shows a probability value of 0.0000 below 0.05. This suggests that the auditor busyness variable, audit committee characteristics in size, financial expertise, meetings, audit delays, big four companies, audit opinion, leverage, and return on assets influence financial reporting quality significantly and simultaneously.

Table 5. F Test Result

Variables	Probability
Audit Delay	0.0000
Financial Reporting Quality	0.0000

Source: Data analysis result by Eviews (2023)

3.3. t-Test Result

The result of the t-test is shown in **Table 6**.

Table 6. t-Test Result on Audit Delay

Variables	Coefficient	Std. Error	t	Probability
Auditor Busyness	-0.004	0.006	-0.590	0.556
Audit Committee Size	0.178	0.081	2.194	0.029
Audit Committee Financial Expertise	-0.025	0.114	-0.218	0.827
Audit Committee Meetings	0.013	0.006	2.077	0.039
Big Four	0.339	0.173	1.960	0.051
Audit Opinion	0.173	0.162	1.068	0.286
Leverage	0.006	0.010	0.613	0.541
Return on Asset	0.099	0.126	0.786	0.432

Source: Data analysis result by Eviews (2023)

3.3.1. Effect of Auditor Busyness on Audit Delay

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As stated in the t-test result that examined auditor busyness and audit delay's relationship, the probability was 0.556 over 0.05. Despite concerns raised in the introduction regarding the potential negative impact of auditor busyness on report quality through audit delays, our findings suggest otherwise. This value demonstrates that the auditor's busyness has no discernible impact on the audit delay. Additionally, it aligns with compliance theory, as auditors are likely to adhere strictly to regulations, thereby maintaining financial reporting timely despite the pressures of a busy schedule. Consequently, while the introduction highlighted the risk of auditor busyness leading to audit delays, the findings suggest that this risk may be less significant than anticipated in the context of the companies studied.

The test results that reveal that auditor busyness does not significantly affect audit delay can be linked to the descriptive statistics, which demonstrate the low average number of auditor busyness. It indicates that auditors are not overwhelmed with excessive workloads. As a result, the low level of busyness is unlikely to contribute to delays in the audit process. Thus, since auditors are not heavily burdened, their busyness does not appear to be a factor influencing the timeliness of completing audits. These findings are reinforced by the findings of Raweh et al. (2021) that revealed that audit delays are not significantly affected by the auditor's busyness as the auditor can determine his workload optimally and certify that it doesn't affect the audit process' time and efficiency. Contrary to studies by Hussin et al. (2018), Singh et al. (2022), Wiedjaja and Eriandani (2021) that found a significant positive influence of auditor busyness on audit delays.

3.3.2. Effect of Audit Committee Size on Audit Delay

The introduction highlighted the crucial responsibility of the audit committee to ensure that the financial reports are prepared on schedule. According to the t-test that examined the audit committee size and the audit delay's relationship, a probability value was found below 0.05 which is 0.029. These findings demonstrate that the committee's size has a significant positive impact on audit delays, meaning that larger audit committees are correlated with longer audit times. This result aligns with the notion that while a larger committee may have more members to oversee the audit process, it can also lead to slower decision-making and coordination challenges, which could delay the audit.

Based on the descriptive statistic data, the audit committee size has an average number of three indicating that the average company employs three individuals for its audit team which complies with the regulation of OJK. The descriptive statistic data also shows that audit delay averages 98 days, indicating that most of these companies turn in their audited financial reports punctually. The test result between these two variables reveals a substantial relationship, which implies that having the right amount of members or not having too many members in the committee will lead to the punctuality of the audit process.

The findings of Raweh et al. (2019) support the result that the committee's size has a positive influence on audit delays because the effectiveness of the auditing committee's supervision can be enhanced by having fewer auditors on the committee. Consequently, the length of audit delays may be shortened with a smaller audit committee. Unlike previous studies by Bhuiyan and D'Costa (2020), Firnanti and Karmudiandri (2020), Oktavia and Tanujaya (2019), a negative relationship was found between the committee's size and audit delays. Additionally, it deviates from research done by Ezat et al. (2021), Oussii and Taktak (2018), Pradipta and Zalukhu (2020), Tanujaya and Reny (2022), and Yopie (2021) which found that audit delays are not significantly affected by the committee's size.

3.3.3. Effect of Audit Committee Financial Expertise on Audit Delay

The introduction emphasizes the audit committee's critical role in overseeing the production of financial statements, with the expectation that those involved with financial expertise would

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improve the quality and timeliness of reporting. Based on a t-test that examined the committee's financial expertise and audit delay's relationship, it shows 0.827 over 0.05 in the probability. This value proves that the committee's financial expertise did not significantly affect the audit delay. This result challenges the assumption that having financial specialists on audit committee would naturally lead to more efficient and timely audits. It suggests that while financial expertise is undoubtedly valuable for ensuring the accuracy and integrity of financial reports, it may not directly influence the speed of the audit process.

The descriptive statistics reveal that, on average, there are two audit committee members with financial expertise, which exceeds the OJK's minimum requirement of having at least one financially knowledgeable member. Additionally, with an average audit delay of 98 days, companies generally submit their audited financial reports well within the deadline. This lack of effect implies that while compliance with financial expertise requirements is met, the quantity of these experts on the committee has no impact on the overall audit delay. These findings were reinforced by the research of Pradipta and Zalukhu (2020), Tanujaya and Reny (2022), Yopie (2021) which revealed that the financial experts of the audit committee did not contribute much to the audit delay since, despite certain members' qualifications, they may not apply them correctly to their jobs. It also varies with the Firnanti and Karmudiandri (2020) study, which indicated that audit committee financial expertise positively impacts audit delays. Ezat et al. (2021) discovered that the committee's financial expertise had a negative influence on audit delays as well.

3.3.4. Effect of Audit Committee Meetings on Audit Delay

According to the t-test result between the committee's meetings and audit delays revealed a probability of 0.039 less than 0.05. The finding that audit committee meetings significantly affect audit delay positively aligns with the introduction's discussion of the audit committee's role. Audit committees are pivotal in overseeing the preparation of financial statements and ensuring timely publication. However, when audit committees meet more frequently, it could signal increased scrutiny and deliberation, potentially causing delays in the audit process.

The descriptive statistics show that, on average, audit committees meet approximately five to six times per year, which is above the OJK's minimum requirement of four meetings annually. However, the test findings show a strong positive correlation between the number of audit committee meetings and audit delay. This suggests that the additional meetings may indicate more thorough or extended review processes, potentially leading to greater delays in finalizing and submitting the audited financial reports. Therefore, while companies adhere to the meeting requirements, the increased frequency of these meetings appears to be linked with extended audit timelines.

These findings were reinforced by the Yopie (2021) study which proved that audit delays were influenced by audit committee meetings significantly positively. However, this study did not get the same results as Aldoseri et al. (2021), Ezat et al. (2021), Oussii and Taktak (2018), Tanujaya and Reny (2022) who found that audit delays were not significantly affected by audit committee meetings.

This research has four control variables, namely the big four, audit opinion, leverage, and return on assets. According to the t-test findings, the Big Four control variable has a probability value 0.051, indicating that it does not significantly impact audit delay. Similarly, the audit opinion control variable has a probability value of 0.286, suggesting it does not impact audit delays. A probability value of 0.541 for the leverage variable is higher than 0.05, indicating that leverage does not have a notable impact on audit delays. Additionally, the test results indicate that the probability for the return on assets variable is 0.432, higher than 0.05, indicating that return on assets also does not significantly impact audit delays.

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Table 7. t-Test Result on Financial Reporting Quality

Variables	Coefficient	Std. Error	t	Probability
Auditor Busyness	-0.001	0.005	-0.230	0.818
Audit Committee Size	-0.004	0.093	-0.044	0.965
Audit Committee Financial Expertise	0.184	0.088	2.088	0.038
Audit Committee Meetings	0.000	0.005	-0.097	0.922
Audit Delay	0.222	0.071	3.153	0.002
Big Four	-0.113	0.053	-2.126	0.034
Audit Opinion	0.301	0.150	2.014	0.045
Leverage	0.096	0.011	8.549	0.000
Return on Asset	1.841	0.168	10.969	0.000

Source: Data analysis result by E-views (2023)

3.3.5. Effect of Audit Delay on Financial Reporting Quality

According to the t-test that analyzed the connection between audit delay and financial report quality, a probability figure of 0.002 was found to be less than 0.05. This value indicates that the quality of financial reports, which is proxied by earning management, is strongly affected by audit delay. The finding that audit delay affects financial reporting quality is closely linked to the issues discussed in the introduction. Extended audit delays can harm financial reporting quality, as prolonged periods before the finalization of reports may increase the likelihood of errors, inaccuracies, or manipulations. This indicates that a greater audit delay rate leads to greater discretionary accrual values, so the reporting quality will be lower too. Based on the descriptive statistical data, audit delay averages 98 days, indicating that most of these companies turn in their audited financial reports punctually. Results of the test between audit delay and financial reporting quality show a significant effect which implies that submitting the financial report punctually will lead to a better quality of financial reports. These findings are reinforced by Harianja and Sinaga (2022), and Singh et al. (2022), which revealed that the financial reporting quality is significantly affected by audit delays. Unlike Goodwin and Wu (2016) studies, which stated that the reporting quality is not significantly influenced by the audit delay.

One of the four independent variables, audit committee financial expertise, has a probability of less than 0.05 according to the t-test results regarding financial reporting quality. This shows that the financial knowledge of the committee has a direct and strong impact on enhancing the quality of financial reporting. The higher the number of committee members with expertise in finance, the reduced amount of earnings management, resulting in improved financial reporting quality. In contrast, auditor busyness, audit committee size, and meetings didn't directly and significantly impact financial reporting quality.

Based on the t-test findings regarding financial reporting quality, the dependent variable, and all four control variables - namely the big four, audit opinion, return on asset, and leverage - directly influence financial reporting quality significantly. In more detail, the control variable Big Four indicates a significance level of 0.034, below 0.05, signifying that the Big Four has a significant and negative influence on the quality of financial reports measured by earning management. Audit opinion with a probability value 0.045, below 0.05, indicates a direct and positive impact on financial reporting quality. At the same time, leverage displays a significance level of 0.000 less than 0.05, indicating that leverage positively influences the quality of financial reporting. Similarly, return on asset has a probability value of 0.000, indicating a direct, positive, and significant influence on financial report quality.

3.4. Coefficient Determination Test

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An adjusted r-squared result of 0.296 was obtained when the independent and control variables were tested against the audit delay intervening variable. This means 29.6% of the model's variables can explain the audit delay variable. In contrast, the research does not include the remaining 70.4% of variables, such as solvency, profitability, and firm size. Meanwhile, the quality of the financial report has an adjusted r-squared value of 0.380 when the determination coefficients of all the independent variables, mediation, and control are tested. This indicates that 38.8% of the model's variables can explain the dependent variable. In comparison, the remainder 61.2% are explained by variables that haven't been included in the research, such as board size and corporate size.

Table 8. Coefficient Determination Test Result

Variables	Adjusted R-Squared
Audit Delay	0.296
Financial Reporting Quality	0.380

Source: Data analysis result by Eviews (2023)

3.5. Sobel Test

Table 9 displays the outcome of the Sobel test for each independent variable's impact on the dependent with the audit delay serving as an intervening variable.

Table 9. Sobel Test Result on Financial Reporting Quality through Audit Delay

Variables	Test statistic	p-value
Auditor Busyness	-0.580	0.562
Audit Committee Size	1.801	0.072
Audit Committee Financial Expertise	-0.218	0.828
Audit Committee Meetings	1.735	0.083

Source: Data analysis result (2023)

3.5.1. Effect of Auditor Busyness on Financial Reporting Quality Mediated by Audit Delay

Based on the outcome of the Sobel test that analyzed the influence of the auditor's busyness on the reporting quality with audit delay as an intervening variable, the probability was 0.562 above 0.05. The statistic test value of -0,580 was likewise less than 1.96. According to the test findings, it is possible to conclude that the financial reporting quality is unaffected by the auditor's busyness with the audit delay that mediates. This can be due to the auditor's ability to appropriately determine the workload limitations and ensure that neither the time nor the effectiveness of the audit process are impacted so that the busyness does not significantly influence the audit delay. The financial reporting quality will not be significantly impacted by the absence of audit delay.

From a theoretical perspective, auditor busyness does not affect financial reporting quality mediated by audit delay because auditors are equipped with rigorous professional standards and internal controls designed to uphold audit quality. Auditors are trained to manage their time and resources effectively, ensuring that an increased workload does not lead to delays or declining audit effectiveness. Auditors implement systematic approaches to prioritize tasks, manage deadlines, and maintain thoroughness, thereby neutralizing the potential negative impact of busyness. Consequently, even under high workloads, the auditor’s adherence to established protocols ensures that audit delays do not compromise the accuracy and reliability of financial reporting.

3.5.2. Effect of Audit Committee Size on Financial Reporting Quality Mediated by Audit Delay

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Referring to the outcomes of the Sobel test that tested the impact of the number of audit committees on the quality of financial reports through the audit delay as an intervening variable, the p-value was 0.072, which was over 0.05. In other words, it can be summed up that the size of the committee with the intervening of audit delay doesn't affect the quality of the report. This is because the average audit delay in the companies included in the sample in this study is 98 days below the maximum limit of financial statements submission imposed by the OJK which is 120 days. So, audit delays cannot be proven to mediate the relationship between the number of audit committee members and the reporting quality.

Theoretically, audit committee size doesn't affect financial reporting quality mediated by audit delay because according to agency theory and the theory of corporate governance, a well-functioning audit committee is characterized by its members' competency, independence, and diligence, rather than the sheer number of members. Effective communication and decision-making processes within a small, well-organized committee can ensure timely oversight and review, thereby mitigating potential delays. Consequently, the size of the audit committee has less influence on financial report quality through audit delay as long as the committee maintains high standards of oversight and control.

3.5.3. Effect of Audit Committee Financial Expertise on Financial Reporting Quality Mediated by Audit Delay

Based on the Sobel test that tested the impact of members of the audit committee with financial expertise on the report quality with the mediating audit delay, the p-value showed a figure of 0.828 above 0.05. It can be concluded that the quality of the report isn't affected by the committee's financial expertise with the audit delay that mediates. This is because some audit committees may have the necessary qualifications and skills, but fail to utilize them effectively when carrying out their duties. Consequently, the expertise of the auditing committee does not influence the audit delay significantly. Without the delay in auditing, the quality of the financial report is also not substantially affected. Therefore, the audit delay did not prove to mediate the connection between the financial expertise and the reporting quality.

Meanwhile, from a theoretical standpoint, financial expertise is crucial for interpreting and evaluating financial information. Still, it may not directly influence the audit firm's operational processes, which may lead to delays. The expertise of committee members enhances their ability to question and challenge the audit process, yet it does not change the logistical and procedural aspects of how audits are conducted. Thus, while expert knowledge improves oversight, it does not alter the fundamental operational mechanisms that could result in audit delays and, hence, does not impact the quality of financial reports through this mediator. However, from the test result, the member's financial expertise can considerably influence the quality of financial reporting without audit delays.

3.5.4. Effect of Audit Committee Meeting on Financial Reporting Quality Mediated by Audit Delay

According to the result of the Sobel test which analyzes the influence of the meeting of the committee on the report quality with intervening variable audit delays, the p-value shows 0.083 above 0.05. The test statistic value of 1.735 is also below 1.96. This means that from the test outcomes, the financial reporting quality is not affected by the meetings of the audit committee with audit delay that mediates. This is because the average audit delay in the companies included in the sample in this study is 98 days below the maximum limit of financial statements submission imposed by the OJK which is 120 days. So, audit delays cannot be proven to mediate the correlation between the committee's meetings and the reports' quality.

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Theoretically, the number of times the audit committee meets may not affect financial reporting quality mediated by audit delay because the primary impact of these meetings is on oversight and communication rather than directly influencing audit timelines. According to governance theory, regular audit committee meetings are intended to ensure ongoing supervision and address any issues promptly. However, the quality of the financial report is more directly influenced by the effectiveness and thoroughness of the audit itself rather than the frequency of meetings held. Consequently, frequent meetings don't inherently impact the speed of the audit or alter the factors contributing to audit delays that might affect financial reporting quality.

Agency theory emphasizes the importance of auditors acting independently from management to fulfill their role as agents of shareholders. It suggests that auditors should prioritize shareholders' interests over those of management. The test result shows that auditor busyness doesn't significantly impact financial reporting quality, it may imply that auditors are effectively managing their workload without compromising their independence or integrity. In this scenario, auditors may still prioritize their responsibilities to shareholders and diligently carry out their duties despite being busy with multiple engagements. According to agency theory, conflicts between principals and agents occur because of differing interests and information asymmetry. Audit delays prolong the period of information asymmetry between shareholders and management. This delay increases uncertainty and reduces the ability of shareholders to monitor management effectively. Shareholders may perceive delayed financial reporting as a sign of management's reluctance to provide transparent and accurate information, leading to diminished trust and exacerbating agency conflicts.

However, the finding that financial expertise within the audit committee characteristics directly influences reporting quality also aligns well with agency theory. A financially knowledgeable audit committee is better equipped to understand complex financial matters, scrutinize financial statements, and provide effective oversight. This enhanced scrutiny reduces agency conflicts between managers and shareholders, thus improving financial reporting quality. Meanwhile, the finding that financial expertise within the audit committee characteristics directly influences reporting quality also supports compliance theory. A financially literate audit committee is more likely to understand and comply with regulatory requirements, ensuring that financial reporting processes adhere to standards and best practices. This contributes to maintaining the organization's credibility and legitimacy. The test result shows that audit delay significantly impacts the quality of financial reporting. From a compliance theory perspective, audit delays indicate inefficiency or negligence in meeting regulatory obligations. Stakeholders, including investors and regulators, may interpret delays as a lack of commitment to transparency and accountability, leading to low reporting quality.

The findings of this study have various implications for the overall accounting industry. The study emphasizes the importance of auditors' and audit committees' roles in ensuring the quality of financial reports. Companies need to pay attention to auditors' qualifications, performance, and involvement in their financial reporting processes. Another implication of this research is enhancing transparency and accountability in financial reporting. Auditors and audit committees must maintain their independence and ensure that financial reports reflect the actual financial condition of the business entities.

Furthermore, accounting professionals must focus on effectively managing audit delays to prevent any detrimental effects on the financial reports. The other implication is the need for greater emphasis on professionalism and ethics in accounting practice. Auditors and audit committee members should prioritize integrity and objectivity in carrying out their duties to

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ensure the reliability of financial reports. By comprehending and putting into practice these consequences, the accounting field can enhance the investors' and other stakeholders' trust in the financial market by improving integrity, transparency, and quality of the reports.

4. CONCLUSION

The research aims to evaluate the impact of the auditor's busyness and the audit committee's features, namely the size, financial expertise, and meetings on the financial report quality, with audit delay as an intervening variable. A positive impact is found in the test results of audit committee size and meetings on audit delays. That means the more members and execution of meetings can lead to audit delays. Meanwhile, the auditor's busyness and the financial expertise of the committee proved to have no influential impact on the delay. The test results also showed that the financial report quality measured with discretionary accruals is significantly affected by audit delays. Based on the Sobel test results, audit delays don't mediate the relationship between the auditor's busyness and all the audit committee features on the reporting quality.

Auditors must communicate well with clients and collect sufficient evidence to avoid audit delays. In this case, the auditor must also recognize his ability to be able to accept the appropriate clients and the appropriate amount. Meanwhile, every audit committee member must also fulfill their responsibility to carry out supervision. Both the auditor and audit committee also need to maintain their independence and ensure that the reports accurately represent the real financial status of the company. In this way, audit delays can be avoided and the quality of financial reports can be maintained. The research's results are expected to help companies and potential investors understand some of the factors that lead to audit delays. Prospective investors are also expected to gain knowledge from the results that an audit delay indicates doubts in the company's financial reports quality. Furthermore, the discoveries of this study are also expected to increase the auditors' caution about the size and meetings of the audit committee.

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