

ABSTRACT

The timeliness of financial reporting is a crucial mechanism for mitigating information asymmetry between management and investors. This study aims to empirically examine the effect of Key Audit Matters (KAM) disclosure quantity on Audit Report Lag (ARL) and to evaluate the role of Audit Firm Size as a moderating variable. This research is grounded in Agency Theory and includes firm size, profitability, and audit opinion as supporting control variables.

The population of this study comprises manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2022-2024 period. The sample was selected using the purposive sampling method, resulting in a total of 726 observations. Hypothesis testing was conducted using panel data regression with the Fixed Effect Model (FEM) specification.

The empirical results demonstrate that the quantity of KAM has a significant negative effect on ARL. This finding rejects the workload hypothesis and supports the presence of a discipline effect, wherein the reporting complexity of ISA 701 compels auditors to advance their testing schedules, resulting in faster reporting. Conversely, Audit Firm Size has no significant effect on ARL due to the extensive internal quality control bureaucracy that extends the audit process for global affiliated audit firms. Furthermore, Audit Firm Size does not moderate the relationship between KAM and ARL, indicating a convergence of audit quality standards within the domestic market. Regarding firm fundamental factors, profitability (ROA) and unmodified audit opinions significantly reduce audit duration, whereas asset scale (firm size) does not provide time flexibility amidst uniform regulatory compliance pressures.

Keywords: Key Audit Matters, Audit Report Lag, Audit Firm Size, Agency Theory, Panel Data.