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The Effect of Tax Avoidance Aggressiveness and Financial Distress on Audit Report Lag with Firm Size as A Moderating Variable

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ABSTRACT

This study aims to analyze the effect of tax avoidance aggressiveness and financial distress on audit report lag with firm size as a moderating variable. Audit report lag reflects the duration required to complete the audit process of financial statements and may affect the timeliness of financial reporting. This study used a quantitative method with secondary data obtained from annual financial statements of property and real estate companies listed on the Indonesia Stock Exchange during 2019–2024. The sampling technique used purposive sampling and resulted in 22 companies with 108 observation data after outlier elimination. Data analysis was conducted using panel data regression with the assistance of EViews 13. The results indicate that tax avoidance aggressiveness has a positive and significant effect on audit report lag, while financial distress does not significantly affect audit report lag. Furthermore, firm size is able to moderate the effect of tax avoidance aggressiveness on audit report lag, but is unable to moderate the effect of financial distress on audit report lag. These findings indicate that aggressive tax avoidance practices increase audit complexity and extend the audit completion period.
***Keywords**: audit report lag; tax avoidance aggressiveness; financial distress; firm size.*

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Introduction

The prompt submission of financial disclosures is essential for ensuring that accounting data remains both relevant and dependable for various market participants. As a cornerstone for economic evaluation, these reports allow investors, lenders, and government bodies to gauge a firm's health effectively. When data is shared punctually and precisely, it strengthens investor trust and promotes overall market integrity. However, when reporting windows are missed, the utility of the information diminishes, as outdated data often fails to reflect the current reality needed for strategic choices. This delay typically manifests as audit report lag, representing the duration from the close of the fiscal year to the formal signing of the audit opinion by an external professional (Utami & Yanti, 2023).

The duration of an audit from the end of the fiscal year to the issuance of a formal opinion serves as a critical indicator of a firm's reporting efficiency. When this timeframe, known as audit report lag, is extended, it suggests that the finalization of financial disclosures is facing significant hurdles. Such postponations often trigger skepticism among market participants, who may interpret the delay as a symptom of underlying issues, such as internal management weaknesses, operational inefficiencies, or fiscal instability.

Moreover, regulatory bodies like the Indonesia Stock Exchange enforce strict deadlines for annual report submissions to maintain market order. Consequently, this lag remains a focal point in academic and professional circles, as it directly influences the perceived quality of financial data and the overall transparency of a corporation's governance. High-quality reporting is fundamentally tied to the speed at which a firm can translate its complex activities into a verified, public document.

Audit report lag may be influenced by several factors, including tax avoidance aggressiveness. Tax avoidance aggressiveness refers to corporate actions aimed at minimizing tax obligations through various tax planning strategies that remain within legal boundaries. Although tax avoidance practices are generally considered legal, aggressive tax avoidance may increase transaction complexity and create higher audit risks. In the global economic landscape, tax avoidance has evolved into an intricate issue, driven by interconnected financial markets, the digital transformation of the economy, and disparate national regulations (Masruri et al., 2025). Companies engaging in aggressive tax planning tend to have more complicated financial structures and tax-related transactions that require deeper examination by auditors. Consequently, auditors need additional time to evaluate compliance with tax regulations and ensure that financial statements are fairly presented. Aggressive tax avoidance practices also increase the possibility of earnings management and financial statement manipulation, causing auditors to perform more extensive audit procedures (Khamisah et al., 2023)

Financial distress is identified as a critical determinant of audit report lag, as firms grappling with fiscal instability often present elevated audit risks (Arianti, 2021). This condition, characterized by a company's inability to satisfy its financial obligations or sustain operational stability, is typically marked by volatile earnings, eroding profitability, and a heightened risk of insolvency. Such precarious financial health intensifies auditor scrutiny regarding going concern assumptions, necessitating more rigorous testing and exhaustive evaluations. Consequently, these expanded audit procedures often prolong the examination phase, thereby extending the duration of the audit report lag.

Empirical research into the link between financial distress and audit report lag has yielded conflicting results. One perspective argues that financial hardship leads to longer reporting delays as auditors exercise heightened caution and rigor when evaluating distressed financial statements. Conversely, other evidence suggests that financial distress has no significant impact on audit timelines, as auditors are bound by standardized professional protocols regardless of a client's fiscal health. These discrepancies underscore the necessity for further investigation to clarify the relationship between financial stability and audit duration, especially within the specific regulatory and economic environment of Indonesia.

Beyond its direct influence, corporate scale is anticipated to act as a significant moderating force on the relationship between reporting delays and both aggressive tax strategies and fiscal instability. Typically, expansive organizations benefit from more robust internal oversight mechanisms and highly advanced accounting infrastructures. Furthermore, the availability of specialized personnel and superior administrative resources within these larger entities often facilitates a more streamlined verification process, potentially offsetting the complexities that would otherwise stall the finalization of an audit (Jannah et al., 2025). In addition, large companies are usually under greater public and regulatory scrutiny, encouraging management to submit audited financial statements on time in order to maintain corporate reputation and investor confidence. Therefore, firm size may weaken the influence of tax avoidance aggressiveness and financial distress on audit report lag.

However, large companies also tend to have more complex operational activities and broader business transactions. The complexity of operations may increase audit difficulties and require auditors to conduct more extensive audit procedures. As a result, the role of firm size in moderating audit report lag may vary depending on company characteristics and operational conditions. This issue makes firm size an important variable to examine in relation to audit report lag.

The property and real estate sector was chosen for this study due to its complex operations, large-scale projects, and heavy reliance on significant financing. These factors, combined with substantial long-term investments and liabilities, naturally heighten audit complexity. Furthermore, the economic uncertainty between 2019 and 2024 faced by this sector increased the risk of financial distress, potentially impacting the timeliness of its financial disclosures.

Against this backdrop, the present research investigates the impact of aggressive tax planning and fiscal instability on the duration of audit completions. By focusing on the property and real estate industry listed on the Indonesia Stock Exchange between 2019 and 2024, the study also evaluates the capacity of corporate scale to function as a moderating factor. This inquiry aims to offer concrete empirical data on the drivers of reporting delays, thereby enriching the existing academic discourse on auditing practices. Ultimately, the findings serve to advance the understanding of financial transparency and the systemic challenges of maintaining reporting punctuality within the Indonesian regulatory landscape.

Literature Review And Hypothesis Development

Agency Theory

The foundational framework of agency theory, as introduced by Jensen and Meckling (1976), examines the complex dynamics between shareholders (principals) and corporate managers (agents). In this structure, owners delegate operational authority to management with the expectation that the firm will be steered toward maximizing shareholder value. However, this delegation often triggers inherent agency conflicts, as both parties are driven by distinct and sometimes competing self-interests. These misaligned motivations frequently result in managers making strategic choices that prioritize their own gains such as job security or short-term bonuses over the long-term wealth of the owners. This friction is significantly intensified by information asymmetry, a condition where management possesses superior knowledge of the company's internal affairs, making it difficult for shareholders to effectively monitor whether their interests are truly being served. In this context, agents possess superior internal information compared to the principal, leading to information asymmetry. Supervisory mechanisms are needed to reduce conflicts of interest, as information asymmetry can lead to opportunistic behavior such as the manipulation of financial reports or non-transparent disclosure of information.

Financial reports must be submitted on time to reduce information asymmetry between shareholders and management, given the importance of timely reporting. Investor uncertainty increases as the time between the preparation and publication of the report lengthens. Therefore, the audit report reflects changes in financial relationships influenced by business complexity, financial conditions, and management policies (Senduk et al., 2023).

Signalling Theory

Spence first proposed the signaling theory in 1973. This theory explains that the party possessing more information (management) will send signals to external parties (investors) to reduce uncertainty resulting from information asymmetry. A signal is a management action designed to inform investors about the company's current status and future outlook (Senduk et al., 2023).

The timing of an audit report's release can fundamentally influence how the market perceives the integrity of a firm's financial disclosures. When a company publishes its reports promptly, it acts as a "favorable signal" to the investment community, bolstering the organization's reputation for transparency and robust corporate oversight. Conversely, timely reporting helps reduce uncertainty, strengthening investor confidence in the reliability of the disclosed information. Consequently, signaling theory offers a framework for understanding why timely and reliable financial reporting is essential for effective investor decision-making (Utami & Yanti, 2023).

Audit Report Lag

According to Audit report lag refers to the duration required by an external auditor to finalize the examination of a company's financial records. This period is specifically measured as the total number of days elapsed between the official close of the fiscal year and the date the independent auditor formally signs the audit opinion. Effectively, it serves as a metric for the efficiency and timeliness of the external audit process, reflecting how quickly financial information is verified and released to the public.

Aggressive Tax Avoidance

According to (Pronosokodewo, 2023) aggressive tax avoidance refers to legal measures taken by company management to minimize tax liabilities without violating applicable lawsThese actions can prolong the audit process, as aggressive tax avoidance increases both audit risk and procedural complexity.

Financial Distress

According to (Bimo & Sari, 2022), Fiscal instability, often termed financial distress, poses a severe threat to long-term business viability. When an organization experiences volatile financial health or mounting economic pressure, its ability to maintain core operations is significantly compromised. This state of distress not only disrupts immediate liquidity but can also lead to a loss of stakeholder confidence, making it increasingly difficult to secure funding or manage debt obligations. Consequently, if left unaddressed, these sustained financial burdens can erode the company's foundational stability and lead to eventual insolvency.

Firm Size

According to (Sudjono & Setiawan, 2022), Total assets serve as a key metric for determining a company's scale. A larger firm size often indicates a superior capacity to manage internal systems effectively and maintain a more structured operational framework.

The Effect of Tax Avoidance Aggressiveness on Audit Report Lag

Organizations utilize aggressive tax planning to minimize their fiscal obligations and optimize cash retention within the boundaries of legal regulations. Although these actions remain within the bounds of tax regulations, their complexity can increase corporate risk and reduce the level of transparency of information received by shareholders.

This conflict may result in information asymmetry between investors as principals and management as agents. Furthermore, based on signaling theory, aggressive tax avoidance efforts can be perceived as a negative signal by the market, thereby potentially reducing shareholders' confidence in the quality of performance and the integrity of the company's management. The increased audit risk resulting from aggressive tax avoidance encourages auditors to expand their procedures and increase the level of audit testing.

Evidence from the study conducted by (Soeparjono & Senjani, 2024)reveals that aggressive tax avoidance strategies exert a substantial positive influence on audit report lag. This suggests that the intensity of a firm's tax planning serves as a central catalyst for delays in the disclosure of financial results.The implementation of such practices inherently increases the intricacy of financial data, leading to heightened information asymmetry between management and stakeholders. Because these maneuvers often obscure transparency, auditors are forced to dedicate additional time and resources to rigorous evaluative procedures. This expanded audit scope is necessary to ensure the integrity of the financial statements before a formal opinion can be rendered, ultimately lengthening the reporting timeline.

H1: Tax avoidance aggressiveness has a positive effect on audit report lag.

The Effect of Financial Distress on Audit Report Lag

Financial distress arises when an entity's operational results are insufficient to cover its liabilities, as noted by (Arianti, 2021). This failure acts as a "negative signal" to market participants, signaling potential instability. From an auditing perspective, this environment elevates inherent risk, specifically regarding the possibility of material inaccuracies in financial reporting and the critical evaluation of the company's ability to remain a going concern.

Studies conducted by (Soeparyono & Napisah, 2024) and (Lestari et al., 2024) validate that fiscal instability exerts a positive and statistically significant impact on audit report lag. Essentially, as a firm's financial health declines, auditors are compelled to adopt a posture of heightened professional skepticism. This necessitates more exhaustive risk assessment procedures and a broader scope of testing to address solvency concerns, a process that inevitably delays the issuance of the final audit report.

H2: Financial distress has a positive effect on audit report lag.

Firm Size Moderates the Aggressiveness of Tax Avoidance on Audit Report Lag

Tax avoidance affects the performance of external auditors because auditors must be more cautious and perform more in-depth audit procedures (Ekaputri & Apriwenni, 2021). This situation results in the audit process taking longer, causing audit reports to be delayed and delivered late to the public.

Large companies generally have more complex organizational structures, a wider variety of transaction types, and face higher levels of public and regulatory scrutiny. As a result, aggressive tax avoidance measures are taken against large companies, leading to increased complexity and high audit risk, which in turn results in longer audit times.

H3: Firm size can moderate the aggressiveness of tax avoidance on audit report lag

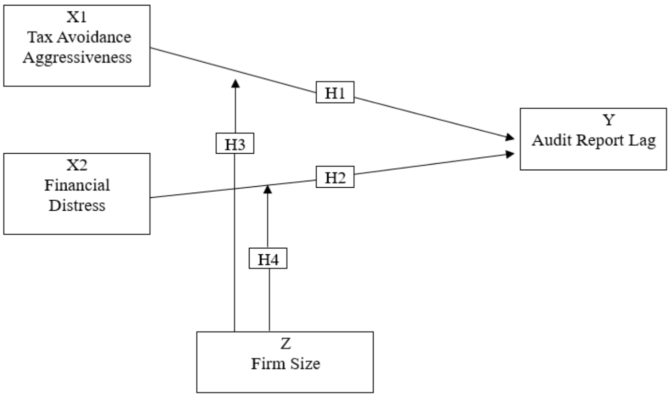
Firm Size Moderates Financial Distress on Audit Report Lag.

The market receives bad news about companies experiencing financial difficulties. These conditions have prompted companies to postpone the publication of their financial reports and have led auditors to exercise greater caution, resulting in longer delays in the issuance of audit reports (Ekaputri & Apriwenni, 2021).

The extent to which financial distress affects the duration of the audit process varies across businesses. Company size can also influence this. Larger companies generally have more complex organizational structures, higher transaction volumes, and face stricter public and regulatory oversight. Consequently, large companies face greater financial pressure due to higher audit complexity and risk, which requires auditors to spend more time on the audit.

H4: Firm size can moderate financial distress on audit report lag.

Based on the background of the problem and the theoretical foundation presented above, the conceptual framework is formulated as follows:



Source: Data Processing, 2026

Research Method
Object of Research

Employing a quantitative methodology, this research relies on secondary information extracted from the annual financial disclosures of property and real estate firms listed on the Indonesia Stock Exchange between 2019 and 2024. The participant pool was determined through a purposive sampling technique based on predefined parameters, resulting in a final dataset of 22 corporations. Following the exclusion of extreme outliers to ensure data integrity, the analysis was conducted on a total of 108 distinct observations.

Variable Operationalization

To assess the primary outcome, this study utilizes audit report lag as the dependent variable, quantified by the total days elapsed between the close of the fiscal year and the formal signing of the audit opinion. The explanatory framework incorporates two independent variables: tax avoidance aggressiveness, proxied by the Effective Tax Rate (ETR), and financial distress, evaluated through the Altman Z-Score model. Furthermore, corporate scale represented by the natural logarithm of total assets is integrated as a moderating factor to examine its interactive effects. The statistical validation of these relationships was conducted through panel data regression analysis, facilitated by EViews 13 software.

Regression Models

Panel data integrates time-series and cross-sectional data by tracking multiple entities over a specific period. The regression equation is defined as:

Model 1 (The Effect of Tax Avoidance Aggressiveness on Audit Report Lag).

$$Y = \alpha + \beta 1X1 + e$$

Model 2 (The Effect of Financial Distress on Audit Report Lag).

$$Y = \alpha + \beta 2X2 + e$$

Model 3 (The Effect of Firm Size as a Moderating Variable on The Aggressiveness of Tax Avoidance on Audit Report Lag).

$$Y = \alpha + \beta 1X1 + \beta 3Z + \beta 4(X1\times Z) + e$$

Model 4 (The Effect of Firm Size as a Moderating Variable on Financial Distress on Audit Report Lag).

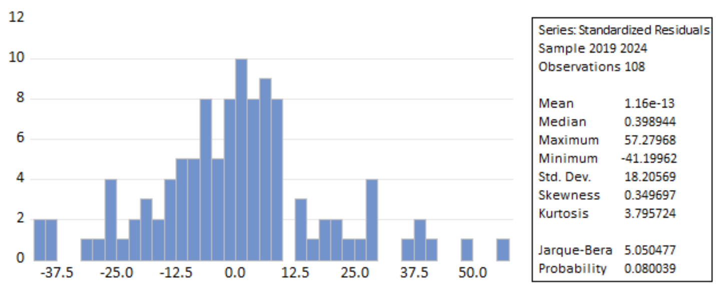
$$Y = \alpha + \beta 2X2 + \beta 3Z + \beta 5(X2\times Z) + e$$

Explanation:
Y: Audit report lag
X1: Tax avoidance aggressiveness
X2: Financial distress
Z: Firm size (moderating variable)
X1Z: Interaction between Tax Avoidance Aggressiveness and Company Size
X2Z: Interaction between Financial Distress and Company Size
α: Constant
β1–β5: Regression Coefficients
e: Error

Result

Normality Test

To verify that the regression model's residuals follow a normal distribution, a normality assessment is performed using the Jarque-Bera method. Under this statistical framework, the distribution is deemed normal if the p-value is greater than the 0.05 threshold, indicating that the residuals meet the necessary assumptions for reliable inference.



Source: Output Eviews 13

As illustrated, the normality test produced a Jarque-Bera statistic of 5.050477 with a corresponding p-value of 0.0801. Given that this probability exceeds the established 5% significance threshold (alpha = 0.05), the null hypothesis (H0) is retained. This statistical evidence confirms that the residuals within the research model follow a normal distribution, satisfying one of the fundamental assumptions for robust linear regression.

Multicolinearity Test

Variabel	ETR	FD
ETR	1.000000	-0.289363
FD	-0.289363	1.000000

Source: Data Processing, 2026

The results indicate that the correlation coefficient between Tax Avoidance Aggressiveness and Financial Distress is -0.2894. This value is well below the established tolerance threshold of 0.80, suggesting that the relationship between these two independent variables is weak. Consequently, there is no evidence of significant multicollinearity, ensuring that the variables do not interfere with one another within the estimation model**.**

Heteroscedasticity Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3081.763	5371.638	0.573710	0.5674
ETR	-22890.33	27839.11	-0.822237	0.4129
FD	-311.4982	812.1903	-0.383529	0.7021
SIZE	-102.4750	177.7125	-0.576634	0.5655
ETR_SIZE	782.8786	933.9840	0.838214	0.4039
FD_SIZE	12.09058	27.21493	0.444263	0.6578

Source: Data Processing, 2026

Based on the findings presented in Table 10, the heteroscedasticity assessment yielded an F-statistic of 1.950068 alongside a probability value of 0.092504. Since this p-value surpasses the standard 5% significance threshold (\alpha = 0.05), the null hypothesis (H_0) cannot be rejected. This result demonstrates that the regression model maintains a constant variance in its residuals, thereby satisfying the homoscedasticity requirement and ensuring the model is not compromised by heteroscedasticity.

Autocorrelation Test

Durbin Watson stat			2.120381
N	K	DL	DU
108	5	1.5900	1.7800

Source: Data Processing, 2026

The diagnostic results for autocorrelation, derived from the Durbin-Watson test, are displayed in the provided table with a calculated value of 2.1204. Because this figure is situated within the conventional bounds of 1.5 and 2.5, the findings suggest that the regression model does not suffer from serial correlation, confirming the independence of the error terms.

Panel Data Analysis

Selecting the appropriate model is a critical step when analyzing panel data. Researchers generally choose between three primary approaches: Common Effect, Fixed Effect, and Random Effect.

To ensure the most robust results, it is necessary to perform a series of statistical diagnostic tests specifically the Chow Test, Hausman Test, and Lagrange Multiplier Test prior to finalizing the model selection.

Based on the results of these diagnostic evaluations for this study, the Random Effect Model was determined to be the most suitable approach for the analysis.

Descriptive Statistic

To offer a comprehensive perspective on the dataset's attributes, descriptive statistics are utilized to highlight the minimum and maximum values, as well as the average and standard deviation for every variable. This preliminary examination clarifies the overall state and spread of the data, ensuring that the fundamental patterns within the study are accurately recognized.

	ARL	ETR	FD	SIZE	ETR*SIZE	FD*SIZE
Mean	87.14815	0.042512	6.295000	29.98146	1.266389	187.0489
Median	86.00000	0.022272	6.050000	30.13458	0.640000	179.4600
Maximum	148.0000	0.215657	16.73000	31.96206	6.240000	493.9800
Minimum	41.00000	0.000106	0.910000	27.34715	0.000000	27.72000
Std. Dev.	19.98916	0.051383	3.528958	1.092743	1.524267	102.7756
Observations	108	108	108	108	108	108

Source: Data Processing, 2026

The descriptive statistical results, reveal distinct characteristics across the research variables. Audit Report Lag ranges from 41.00 to 148.00, with a mean of 87.14 and a standard deviation of 19.98, its lower standard deviation relative to the mean indicates a homogeneous data distribution. Similarly, Financial Distress and Firm Size exhibit homogeneity, with Firm Size showing a mean of 29.981 closely approaching its maximum of 31.962 which suggests that the sampled companies generally possess significant assets.

In contrast, the data for Tax Avoidance Aggressiveness and its interaction with Audit Report Lag are characterized as heterogeneous. For these variables, the standard deviations (0.051 and 1.524, respectively) exceed their mean values (0.042 and 1.266), signaling a high level of variance and a substantial gap between individual observations. Finally, the moderation effect of Firm Size on Financial Distress shows a mean of 187.05 with a standard deviation of 102.78, since the deviation remains below the mean, this interaction variable is considered relatively stable and less varied across the dataset.

Regression Test

Variable	Coefficient	t-Statistic	Prob.	Description
ETR	97.32991	2.583495	0.0111	Positive and Significant Effect
FD	-0.060276	-0.081177	0.9355	No Effect
ETR*SIZE	-82.72109	-2.520748	0.0132	Significant Moderating Effect
FD*SIZE	-1.016262	-1.022135	0.3091	Insignificant Moderating Effect

Source: Data Processing, 2026

Based on the results presented in the table, the regression equation for the study is formulated as follows:

Model 1 (The Effect of Tax Avoidance Aggressiveness on Audit Report Lag).

$$Y = 83{,}01047 + 97{,}32991 + e$$

Model 2 (The Effect of Financial Distress on Audit Report Lag).

$$Y = 87{,}52758 - 0{,}060276 + e$$

Model 3 (The Effect of Firm Size as a Moderating Variable on The Aggressiveness of Tax Avoidance on Audit Report Lag).

$$Y = 94{,}20556 + 2555{,}195\ ETR - 0{,}36445\ SIZE - 82{,}72109\ (ETR \times SIZE) + e$$

Model 4 (The Effect of Firm Size as a Moderating Variable on Financial Distress on Audit Report Lag).

$$Y = 88{,}74137 + 29{,}27960\ FD + 0{,}139498\ SIZE - 1{,}016262\ (FD \times SIZE) + e$$

Discussion

Tax Avoidance Aggressiveness to Audit Report Lag

Statistical analysis reveals that the Tax Avoidance Aggressiveness variable carries a coefficient of 97.3299, supported by a t-statistic of 2.5835 and a p-value of 0.0111. Because the probability value falls below the 5% significance threshold (alpha = 0.05), the null hypothesis (H0) is dismissed in favor of the alternative hypothesis (H1).

These findings demonstrate that aggressive tax strategies exert a statistically significant positive influence on audit report lag. The positive nature of the coefficient indicates that an increase in the Effective Tax Rate (ETR) is associated with a more protracted audit duration. A elevated ETR suggests that the firm manages a substantial tax load relative to its earnings, pointing toward complex fiscal responsibilities that naturally impede the auditing timeline. Additionally, such a high ETR can serve as a red flag for increased audit risk, requiring examiners to adopt a more conservative stance and broaden their investigative procedures to mitigate the risk of significant inaccuracies in tax-related reporting.

These findings align with studies by (Lestari et al., 2024), (Soeparjono & Senjani, 2024), and (Khamisah et al., 2023) which confirm that tax avoidance aggressiveness has a positive and significant impact on audit report lag.

Financial Distress to Audit Report Lag

Evidence from the study suggests that a firm’s financial condition is not a significant driver of audit report lag, indicating that the Altman Z-score does not fundamentally dictate how quickly financial disclosures are released (Maryani & Handayani, 2024). This outcome aligns with the nature of the property and real estate industry, where the asset base comprised largely of immovable property and land retains a degree of value stability even during volatile economic cycles.

Additionally, since the entities in this study are listed on the Indonesia Stock Exchange, they operate under a unified framework of surveillance by the government, regulatory bodies, and the investing public. This collective oversight ensures that the obligation to provide punctual financial information remains a universal requirement, irrespective of a firm's specific solvency status. Provided a corporation can sustain enough liquidity to cover its basic operational needs, it can successfully meet its reporting deadlines even while navigating periods of fiscal instability.

These findings align with studies by (Rahayu & Saifudin, 2024), (Maryani & Handayani, 2024), and (Putri & Silaen, 2022), all of which conclude that financial distress does not influence audit report lag.

Firm Size Moderates the Aggressiveness of Tax Avoidance to Audit Report Lag.

Analysis of the 108 data points indicates that corporate scale serves as a significant moderator in the link between tax strategy and reporting delays, evidenced by a coefficient of 2,555.195 and a t-statistic of 2.6143. With a probability value of 0.0103 which is well beneath the 5% significance threshold (alpha = 0.05) the null hypothesis (H0) is dismissed, confirming the validity of the alternative hypothesis (H1).

These findings suggest that the impact of aggressive tax planning on audit report lag diminishes as a company's size grows. This mitigating effect is largely attributed to the superior and more structured internal oversight mechanisms typically found in larger organizations. As a result, while tax-related complexities may increase the workload, these substantial firms have the administrative capacity to supply necessary documentation to auditors more rapidly, effectively curbing the potential for extended reporting delays.

Firm Size Moderates Financial Distress to Audit Report Lag.

The interaction between corporate scale and fiscal instability yielded a negative coefficient, supported by a t-statistic of -1.0221 and a probability value of 0.3091. Because the p-value exceeds the 5% significance threshold (alpha = 0.05), the null hypothesis (H0) is retained while the alternative hypothesis (H1) is dismissed. These statistical results demonstrate that firm size does not act as a significant moderator in the relationship between financial distress and reporting delays.

While it might be expected that larger firms could leverage their superior resources and advanced internal oversight to accelerate audits during periods of instability, the data suggests that financial hardship remains an internal obstacle that persists independently of a company's size. Essentially, the inherent complexities and pressures triggered by fiscal distress are not alleviated by the scale of the organization. This conclusion aligns with the work of (Soeparyono & Napisah, 2024) which similarly determined that the magnitude of a firm is insufficient to mitigate the impact of financial distress on the duration of an audit.

Conclusion

The findings of this study can be synthesized into four pivotal conclusions regarding the factors that drive audit report lag. First, tax avoidance aggressiveness exerts a positive and significant influence on the duration of the audit process; as companies engage in more complex tax strategies, auditors must perform more extensive verifications, which inherently extends the reporting timeline. Second, financial distress was found to have no significant impact on audit report lag, suggesting that a firm's fiscal instability does not automatically result in delays, as auditors maintain consistent professional standards regardless of the client's financial health. Third, firm size effectively serves as a moderating variable in the relationship between tax avoidance and reporting delays. Larger corporations, equipped with more sophisticated internal controls and superior resources, are better able to mitigate the audit complexities arising from aggressive tax planning, thereby shortening the lag. Finally, firm size fails to moderate the impact of financial distress on audit report lag, indicating that the risks associated with financial hardship are a persistent internal challenge that remains unaffected by the scale of the organization.

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