

ANALYSIS OF FACTORS AFFECTING THE DURATION OF AUDIT COMPLETION AT PT GARUDA INDONESIA TBK

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Abstract

This study investigates the elements that influence the audit completion time (Audit Report Lag/ARL) at PT Garuda Indonesia Tbk during the 2020–2024 period by applying a descriptive qualitative approach through case analysis. The study shows that ARL has three key elements, namely financial statement complexity, the company's financial condition (financial distress), and regulatory influence. The high complexity of financial statements and financial pressure due to the pandemic lengthen audit time, while strict supervision from the Financial Services Authority (OJK) and the Ministry of State-Owned Enterprises (SOEs) encourages compliance in reporting. ARL at Garuda has decreased drastically from 196 days in 2020 to 84 days in 2024, indicating progress in governance and efficiency of the audit process. The results of this study confirm that ARL reflects the interaction between internal and external factors in the preparation of financial statements. Keywords: Audit Report Lag, financial statement complexity, financial distress, regulatory pressure, PT Garuda Indonesia Tbk.

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INTRODUCTION

Audit Report Lag (ARL) is a crucial indicator for assessing the efficiency and accountability of an entity's audit process. At PT Garuda Indonesia Tbk, ARL fluctuated significantly during the 2020–2024 period, with peak delays occurring during the COVID-19 pandemic. This study demonstrates that ARL is influenced not only by technical audit factors but also by the company's internal conditions and complex external pressures. Therefore, a qualitative approach was used to gain a deeper understanding of the dynamics affecting audit completion at this company. The first factor influencing ARL is the complexity of financial reporting. PT Garuda Indonesia Tbk has a broad organizational structure, consisting of subsidiaries and cross-border joint ventures, as well as transactions in various currencies and reporting standards. This complexity requires auditors to perform more in-depth audit procedures, particularly in report consolidation and international transaction verification. The implementation of PSAK 72 also complicates the recognition of lease revenue and expenses, which are key characteristics of the aviation industry. This is in line with the findings of Ananta et al. (2024) that the more complex a company's structure, the longer the audit time required (Noviana & Aminah, 2023).

The second factor is the company's financial condition, particularly when experiencing financial distress. In 2020 and 2021, Garuda recorded significant losses and experienced liquidity problems, leading the auditor to issue a disclaimer of opinion. In such situations, auditors must conduct additional testing of the going-concern assumption and management estimates, such as the value of leased assets and accounts receivable. Park and Choi (2023) stated that financial distress increases audit risk, thus extending the completion time. However, when financial conditions began to improve in 2022, the ARL decreased significantly, reflecting the auditor's increasing confidence in the company's stability (Habib & Bhuiyan, 2011). The third factor is regulatory pressure and public oversight. As a state-owned enterprise and public issuer, PT Garuda Indonesia Tbk is under strict supervision from the Financial Services Authority (OJK), the Financial and Development Supervisory Agency (BPKP), and the Ministry of State-Owned Enterprises (SOEs). The 2018 financial statement manipulation case intensified oversight of the company, requiring auditors to expand their audit scope to ensure regulatory compliance. Jannah et al.

(2024) emphasized that regulatory pressure can prolong the audit process but also improve reporting quality. After 2022, Garuda demonstrated improvements in governance and compliance, as reflected in a decrease in the ARL to 84 days in 2024 (Ayu Amalia *et al.*, 2019). Overall, this study shows that ARL at PT Garuda Indonesia Tbk is influenced by the interaction between internal complexity, financial pressure, and external demands. The decline in ARL in recent years reflects the company's success in improving its reporting system, increasing collaboration with auditors, and strengthening regulatory compliance. This finding supports previous literature stating that audit delay reflects the overall condition of the organization, not solely the result of auditor performance (Sari & Sujana, 2021). Therefore, understanding the factors causing ARL can help companies and auditors design more efficient audit strategies that are responsive to the dynamics of the business environment.

LITERATURE REVIEW

Audit Report Lag (ARL)

Audit Report Lag (ARL) is defined as the time difference between the date of the financial statements and the date of the audit report issued by the independent auditor (Akhsani *et al.*, 2021). ARL is an important indicator in assessing the efficiency of the audit process and the quality of financial reporting. According to Nugraha and Herawaty (2023), a high ARL can reduce the credibility of financial statements and create information uncertainty for investors. Therefore, understanding the factors influencing ARL is crucial in the context of corporate governance.

Complexity of Financial Reports and financial condition

The length of the audit completion at PT Garuda Indonesia Tbk was significantly influenced by a combination of the complexity of the financial statements and the company's financial condition, particularly during the COVID-19 pandemic. PT Garuda has a broad organizational structure, consisting of subsidiaries and associated entities engaged in various fields such as air transportation, catering services, aircraft maintenance, and ground services. Furthermore, the company operates joint ventures with foreign airlines and engages in international transactions involving foreign currencies, aircraft leasing, and hedging contracts. This complexity poses significant challenges in the financial statement consolidation process, as most subsidiaries operate across jurisdictions with differing reporting standards. This high reporting complexity was exacerbated by the company's financial condition, which experienced severe pressure in 2020 and 2021. Garuda recorded a net loss of over USD 2.3 billion and experienced a negative equity balance, as well as defaulting on lease obligations and long-term debt. This situation prompted the auditor to issue a disclaimer of opinion due to the limited availability of sufficient audit evidence to assess the company's going concern. Under these circumstances, the auditor must conduct additional testing of management estimates and going-concern assumptions, including the value of leased assets and accounts receivable.

The combination of reporting complexity and financial pressures caused Garuda's Audit Report Lag (ARL) to reach very high levels, namely 196 days in 2020 and 192 days in 2021. This is in line with the findings of Ananta *et al.* (2024) and Park & Choi (2023), which stated that the more complex the company structure and the higher the financial risk, the longer the time required for auditors to complete the audit. The implementation of PSAK 72 also complicates the recognition of lease revenue and expenses, increasing the auditor's verification burden in the aviation industry. However, starting in 2022, Garuda's financial condition began to improve along with a recovery in domestic flight demand and a more stable financial restructuring. Auditors again issued an unqualified opinion, and the ARL decreased dramatically to 90 days, then continued to improve to 84 days in 2024. This decline reflected improved reporting efficiency, a strengthened financial information system, and better collaboration between management and auditors. While complexity remains high, greater financial stability allows auditors to complete the audit process more quickly and confidently.

Regulatory Pressure and Public Oversight

Public companies under strict oversight from regulators such as the Financial Services Authority (OJK) and the Indonesian Stock Exchange (IDX) face more complex reporting obligations. Jannah *et al.* (2024) stated that regulatory pressure can prolong the audit process because auditors must ensure compliance with various legal and administrative requirements. However, this pressure can also encourage companies to improve reporting quality and expedite the audit process in the long term (Ayu Amalia *et al.*, 2019).

Audit Opinion and Auditor Reputation

The audit opinion also plays a role in determining the length of the ARL. Companies receiving opinions other than unqualified (WTP) tend to experience delays because auditors need to explain significant findings in their reports (Nugraha & Herawaty, 2023). Furthermore, the reputation of the Public Accounting Firm (KAP) also influences the ARL. Auditors from large firms (the Big Four) tend to have more stringent audit procedures and more comprehensive documentation, which can lengthen or shorten the ARL depending on the complexity of the client.

METHOD

Research Approach

This research uses a descriptive qualitative approach with a case study method. This approach was chosen to gain an in-depth understanding of the factors influencing audit completion time (Audit Report Lag/ARL) at PT Garuda Indonesia Tbk during the 2020–2024 period. Case studies allow researchers to explore phenomena contextually and holistically, taking into account both the company's internal dynamics and relevant external pressures.

Research Object and Focus

The research object is PT Garuda Indonesia Tbk, a state-owned company and public issuer in the air transportation sector. The primary focus of the study is to analyze the relationship between three key variables: financial statement complexity, financial distress, and regulatory pressure, and the length of the annual ARL.

Data collection technique

Data was collected through documentation techniques and literature studies, including:

- Annual report and financial statements of PT Garuda Indonesia Tbk for 2020–2024
- Independent auditor's report and audit opinion
- Academic publications and scientific journals related to ARL, audit delay, and corporate governance
- Public information from the Financial Services Authority (OJK), the Indonesia Stock Exchange (BEI), and the Ministry of State-Owned Enterprises

Data Analysis Techniques

The analysis was carried out thematically and narratively with the following steps:

- Identifying ARL trends based on financial statement dates and audit report dates
- Examining the relationship between ARL and financial condition, audit opinion, and regulatory pressure
- Interpret data based on theories and findings from previous literature
- Develop an analytical narrative that explains the contribution of each factor to ARL change.

Audit Report Lag Measurement

Audit Report Lag (ARL) is the primary variable in this study and is measured as the time difference between the financial statement date and the date of the audit report issued by the independent auditor. This measurement aims to assess the efficiency of the audit process and the timeliness of a company's financial reporting. According to Akhsani et al. (2021), ARL can be calculated using the following formula:

$$\text{Audit Report Lag} = \text{Audit Report Date} - \text{Financial Report Date}$$

In the context of this research, ARL is calculated in calendar days, referring to the end date of the annual financial reporting period (usually December 31) and the official date of issuance of the audit report by the Public Accounting Firm (KAP). ARL data for PT Garuda Indonesia Tbk for the 2020–2024 period was obtained from officially published annual reports and independent auditors' reports. The ARL measurement is used as a basis for analysis to identify year-over-year trends in audit delays and relate them to influencing factors such as financial statement complexity, the company's financial condition, and regulatory pressure. A high ARL indicates potential obstacles in the audit process, while a lower ARL reflects improvements in reporting efficiency and governance. With a qualitative approach, the results of ARL measurements are not analyzed statistically, but are interpreted narratively and thematically to understand the dynamics of audit completion in the operational and regulatory context of PT Garuda Indonesia Tbk.

RESULTS AND DISCUSSION

year	period ends	auditor's report date	opinion	auditor	ARL
2020	December 31, 2020	July 15, 2021	disclaimer	KAP Tanudiredja, Wibisana, Rintis & Rekan (a member firm of the PwC global network)	196
2021	December 31, 2021	July 11, 2022	WTP		192
2022	December 31, 2022	March 31, 2023	WTP		90
2023	December 31, 2023	March 27, 2024	WTP		87
2024	December 31, 2024	March 25, 2025	WTP		84

Based on an examination of the Audit Report Lag (ARL) trend at PT Garuda Indonesia Tbk, significant fluctuations were observed between 2020 and 2024. In 2020 and 2021, audit reports were delayed by approximately six months after book closing. This situation was caused by the significant pressure the company experienced due to the impact of the COVID-19 pandemic, which directly impacted financial and operational performance, as well as the relatively complex debt restructuring process. Entering 2022, the ARL showed a drastic decrease to 90 days, reflecting increased efficiency in audit completion. This positive trend continued in subsequent years, with the ARL dropping to 87 days in 2023 and reaching a low of 84 days in 2024. This improvement indicates that PT Garuda Indonesia Tbk has successfully made significant improvements in financial report management and collaboration with external auditors, allowing for faster and more efficient audit completion.

DISCUSSION

Analysis of the annual report and independent auditors shows that the length of time required to complete the audit of PT Garuda Indonesia Tbk is influenced by several main factors, namely:

Complexity of the company's financial statements

PT Garuda Indonesia Tbk has several subsidiaries and associated entities operating in various sectors, including air transportation, catering services, aircraft maintenance, and ground handling. Furthermore, the company has a broad and diverse organizational structure, including subsidiaries in various countries, joint ventures with foreign airlines, and various international transactions involving foreign currencies, aircraft leasing, and hedging contracts. This complexity poses challenges in the financial statement consolidation process, particularly because most subsidiaries operate across jurisdictions with different currencies and reporting standards. This complexity requires auditors to perform more in-depth audit procedures, particularly in cross-entity data verification and assessing the risk of material misstatement. This finding aligns with previous research indicating that company complexity contributes to audit reporting delays (Sari & Sujana, 2021).

Data shows that in 2020 and 2021, Garuda's ARL reached 196 and 192 days, or approximately 6 months after the end of the period, which is a very high figure compared to the average for other public companies in the transportation sector. This condition is in line with previous research that company complexity has a positive effect on the length of time to issue a company's audit report. This is because the more subsidiaries a company has, the more complex the company is, thus lengthening the time required for auditors to examine and complete its audited financial statements (Ananta *et al.*, 2024). In addition, the implementation of PSAK 72 (Revenue from Contracts with Customers) also complicates the recognition of rental revenue and expenses for airlines like Garuda (Noviana & Aminah, 2023). Therefore, the high complexity of financial statements is a major factor in audit delays at PT Garuda Indonesia Tbk. After 2022, Garuda's ARL decreased sharply to 90 days and continued to improve to 84 days in 2024. This indicates a simplification of the reporting process, improvements to the financial information system, and adjustments to new, more mature accounting standards. Thus, while complexity remains high, the effectiveness of internal controls and collaboration with external auditors appears to have improved, resulting in more efficient audit completion times.

Financial distress

In 2020 and 2021, PT Garuda Indonesia Tbk faced severe financial pressure due to the impact of the COVID-19 pandemic. Based on the company's performance report during the COVID-19 pandemic, the company recorded a net loss of more than USD 2.3 billion and a negative equity balance. Furthermore, the company also

faced serious liquidity issues, including defaults on leasing obligations and long-term debt. This was due to the extreme pressure on the global aviation industry due to mobility restrictions, regional lockdowns, and a drastic decline in demand for air travel. This situation led the auditor to issue a disclaimer of opinion on the 2020 financial statements due to the limited availability of sufficient audit evidence to assess the company's going concern and the existence of material uncertainty regarding the company's ability to continue as a going concern (going concern uncertainty). These conditions increase audit risk, particularly in the inherent risk and going-concern risk components. Therefore, auditors extend audit time when companies face severe financial pressure, as they need to conduct a more in-depth assessment of business continuity assumptions and conduct additional testing of management estimates, such as the value of leased assets, accounts receivable, and allowances for possible losses (Mulyandani & Qintha, 2022). This condition caused the ARL at PT Garuda Indonesia Tbk in 2020–2021 to reach 196 days and 192 days, or more than the estimated six months. This is in line with previous research stating that as a company's financial pressure increases, the number of auditors' efforts in auditing financial statements also increases (Park & Choi, 2023).

In 2022, when domestic flight demand began to recover, the company's situation began to improve. With improved cash flow and reduced operational uncertainty, auditors were finally able to issue an unqualified opinion, followed by a significant decrease in the ARL to 90 days in 2022 and continuing to decline to 84 days in 2024, indicating increased auditor confidence in Garuda's financial stability. These results align with research by Habib and Bhuiyan (2011), which found that companies with improved financial conditions tend to have shorter audit delays due to reduced audit risk (Habib & Bhuiyan, 2011). Therefore, the financial challenges experienced by Garuda during the pandemic not only affected the company's performance but also impacted the efficiency and timing of the audit. Auditors dealing with entities with potential going concern issues will be more cautious in issuing opinions, due to higher professional responsibilities and litigation risks. This is reflected in the extension of the audit period during the crisis, which is a form of professional vigilance required to ensure that the financial statements fairly and clearly reflect the company's economic condition.

Regulatory Pressure and Public Oversight Due to Garuda

PT Garuda Indonesia Tbk operates in a highly regulatory environment as a publicly listed and state-owned company, subjecting it to even greater pressure and regulations. PT Garuda Indonesia Tbk's auditors are accountable not only to management and shareholders, but also to regulatory bodies such as the Financial Services Authority (OJK), the Financial and Development Audit Agency (BPKP), and the Ministry of State-Owned Enterprises (BUMN). Oversight from these institutions necessitates a higher level of accuracy, transparency, and compliance than is generally the case for private companies. This regulatory complexity demands the preparation of financial statements that comply not only with Financial Accounting Standards (SAK) but also with high standards of public transparency. According to Jannah *et al.*, (2024), public companies that are late in submitting their financial reports will be subject to administrative sanctions and fines in accordance with the reporting deadlines set by the IDX and the Financial Services Authority (OJK). They emphasized that audit timeliness is an important indicator of financial report quality because it reflects the company's reliability and responsibility to the public. This condition is relevant to the situation of PT Garuda Indonesia, especially in the 2020–2021 period, when the company was under strict scrutiny following the 2018 financial report case, which was declared to contain manipulation by the OJK. This regulatory pressure caused auditors to expand the scope of their audits, including evaluating compliance with debt restructuring regulations, government subsidies, and revenue recognition from international flight contracts, which led to delays in issuing audit reports.

However, delays in 2020–2022 were interpreted as a sign of internal inefficiencies or regulatory compliance issues. Therefore, Garuda Indonesia, post-2022, appears to be working hard to improve reporting governance to send a positive signal to the market. This is evidenced by the reduction in ARL to just 84 days in 2024, indicating improved compliance with IDX and OJK reporting requirements. Consistent with previous research suggesting that regulatory pressure on public companies can have a dual impact, prolonging the audit process due to additional verification and improving the quality and credibility of financial reports (Ayu Amalia *et al.*, 2019). In the case of PT Garuda Indonesia Tbk, the multi-layered oversight from the Financial Services Authority (BPKP), the Financial Services Authority (OJK), and the Ministry of State-Owned Enterprises (SOEs) acted as a disciplinary mechanism that compelled the company to improve its internal reporting system.

CONCLUSION

This study shows that the audit completion time (Audit Report Lag/ARL) at PT Garuda Indonesia Tbk is influenced by three main factors: financial statement complexity, the company's financial condition, and regulatory pressure. The high complexity of the financial statements—due to numerous subsidiaries, international transactions, and the implementation of complex accounting standards—was the main cause of audit delays in the 2020–2021 period. Financial distress during the COVID-19 pandemic exacerbated this situation, requiring auditors to expand testing procedures and consider going concern risks. However, after 2022, PT Garuda Indonesia Tbk demonstrated significant improvements through enhanced reporting systems, strengthened governance, and streamlined audit processes. ARL decreased from 196 days in 2020 to just 84 days in 2024, reflecting the company's success in improving transparency and collaboration with external auditors. Furthermore, regulatory pressure from the Financial Services Authority (OJK), the Financial and Development Supervisory Agency (BPKP), and the Ministry of State-Owned Enterprises (SOEs) contributed to improvements in the quality and timeliness of financial reporting. Overall, the study confirms that Audit Report Lag reflects the synergy between internal and external factors that influence the effectiveness of a company's financial reporting.

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