Determinants of Audit Report Lag: Evidence from Commercial Banks in Indonesia

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Abstract: This research aims to test and analyze the determinants of audit report lag. This research uses purposive sampling and includes commercial banking companies listed on the Indonesian Stock Exchange during 2017-2019. Using multiple regression analysis methods, the study found that companies have shorter ARL if they have an audit committee with members with financial expertise or are audited by auditors with industry specialization. These findings indicate that companies with an audit committee with financial expertise or those audited by auditors with industry specialization produce a shorter audit process. However, this research did not find evidence of the influence of the audit committee size, the number of audit committee meetings, and the reputation of independent auditors on ARL.

Keywords: Audit Report Lag, Audit Committee Size, Audit Committee Expertise, Audit Committee Meeting Frequency, Auditor Reputation, Industry-Specialist Auditor.

Kata kunci: Audit report lag, ukuran komite audit, keahlian komite audit, frekuensi rapat komite audit, reputasi auditor, auditor terspesialisasi industri

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1. Introduction

Banks are essential partners in all business sectors to develop their businesses. Further, financial market insufficiency has increased the bank’s role as a source of company debt financing (Attia et al., 2019). Thus, the banking sector is the key to sustainable economic development in Indonesia (Puspitasari et al., 2021).

Law Number 21 of 2011 states that the functions, duties, authorities, and supervision of financial service activities in the banking sector are regulated by the Financial Services Authority (OJK). It is required by strict policy enforcement that banking sector companies submit financial statements audited by independent auditors punctually. Although regulations have been made, financial reporting delays still occur yearly in various IDX sectors, including the banking sector. In 2013, IDX suspended Bank Century or Bank Mutiara Tbk (BCIC) for being late in publishing financial statements and not paying the prescribed fines (Liputan6, 2013). This sanction was imposed on BKE for submitting financial reports that were not reviewed on a limited basis and were not audited (Kontan, 2017). In 2018, a written sanction was also given to the North Sumatra Regional Development Bank (BSMT) for the late publishing of its semi-annual financial report. In addition, 43 companies were late in submitting interim financial reports for the first quarter of 2020. One of the companies was the Banten Regional Development Bank (BEKS), to which the IDX imposed a fine of IDR 50,000,000 (CNN Indonesia, 2020).

Further, OJK and IDX have issued regulations regarding gradual sanctions and fines for firms that cannot complete the submission of financial reports on time. However, until now, some companies still repeat the same pattern of submitting audited financial reports late. Timeliness is crucial for financial statement users. Published audited financial information that is overdue will result in the information being less relevant for users of financial statements, such as investors, regulators, and others (El-Bannany, 2008). The attribute used to describe timeliness is audit report lag (ARL). Therefore, research related to ARL is essential to solve the problem of delays in publishing financial information or at least reduce the problem (El-Bannany, 2008).

Regulators and investors need to know the causes of ARL. Leventis et al. (2005)
argue that regulators must understand to establish effective laws to prevent longer ARL. Similarly, investors with such an understanding of the determinants of ARL can comprehend what causes delays in publishing financial information (Jaggi & Tsui, 1999). Based on the above background, this study aims to investigate the effect of audit committee characteristics on ARL. Specifically, the research questions to be addressed are: Does audit committee size affect audit report lag (ARL)? Does the audit committee's expertise influence ARL? Does audit committee meeting frequency affect ARL? Does the auditor's industry specialization influence ARL? Does auditor reputation affect ARL?

Previous research on the determinants of ARL still shows inconsistent results. For example, in the setting of Islamic banking companies in the Malaysian Stock Exchange, Kaaroud et al. (2020) examine whether ARL is affected by audit committee characteristics. They find that firms with higher audit committee independence, expertise, and meeting frequency have shorter ARL. Rusmin & Evans (2017) also find that auditor industry specialization and auditor reputation influence ARL. However, Apadore & Mohd Noor's research (2013) find that there is no effect of audit committee independence, meeting frequency, and financial expertise on ARL.

Similarly, Abdillah et al. (2019) find that industry specialization and auditor reputation do not affect ARL. Those studies do not include comprehensive characteristics of the audit committee and external auditor, which may explain the inconsistent findings. Accordingly, this study aims to investigate audit committee characteristics that influence ARL by including more comprehensive characteristics of the audit committee, i.e., its size, expertise, and meeting frequency, as well as the characteristics of the external auditor, i.e., the industry specialization and reputation of the auditor.

2. Theoretical Framework and Hypothesis Development

2.1 Agency Theory

Agency theory provides explanations of the relationship between company management (agents) and company owners or shareholders (principals) (Jensen &
Meckling, 1976). According to the theory, the principal gives responsibility to the agent to do the work and delegates decision-making authority regarding the company's activities (Jensen & Meckling, 1976). In this study, the agency problem exists as the risk of unbalanced information between the agent and the principal can result in implications for the usefulness of financial statements and decision-making (Kaaroud et al., 2020). An audit is one of the instruments used to deal with unbalanced information between principals and agents (Morris, 1987). The auditor's role as an independent external party is expected to reduce problems that arise if the manager is not the company's owner. The Indonesian Institute of Certified Public Accountants (IAPI) in Auditing Standards ("SA") 200 states that the purpose of auditing financial statements is to improve investors’ confidence in financial statements and to ensure that the statements are prepared on undisputed principles of accounting. In this context, audits strengthen financial statements’ accountability and trust.

Companies whose financial statements are audited by independent auditors can provide reliable reports and increase credibility from the perspective of financial statement users (Halim, 2018). The Institute of Chartered Accountants reinforced that auditing activities will provide confidence and increase the confidence of parties who depend on the company's financial statements, such as owners and creditors related to corporate governance carried out by management (ICAEW, 2005).

2.2 Financial Statements

The Indonesian Institute of Accountants (IAI, 2019), in the Statement of Financial Accounting Standards (PSAK) 1, clarifies that financial statements belong to the financial reporting process that presents an individual's financial position and financial performance. The regulations and procedures for submitting financial reports for companies that have gone public have been regulated in the Regulation of the Financial Services Authority of the Republic of Indonesia Number 29/POJK.04/2016 concerning Annual Reports of Issuers or Public Companies. It is stated in chapter III, Article 7, that it is mandatory for issuers or public companies registered in the capital market to make submissions of annual reports to the OJK. The regulation is also strengthened in the
Financial Services Authority Regulation Number 7/POJK.04/2018 concerning the Submission of Reports Through the Electronic Reporting System of Issuers or Public Companies. The regulation explains that issuers or public companies must complete the report submitted to the OJK through the Electronic Reporting System (SPE), which can be accessed online at https://spe.ojk.go.id.

2.3 Audit Report Lag (ARL)

Audit report lag (ARL) is the total number of days between the end of the financial year and the time of signing the report (Kaaroud et al., 2020). ARL is measured by counting the total day from the company book closing to the day when an independent auditor signs on the audit report (Abdillah et al., 2019). Knechel & Payne (2001) divide the audit report lag into three periods, as follows:

1. **scheduling lag**, which is the difference between the time when the auditors start work from the fiscal year;
2. **fieldwork lag**, which is the time difference between the commencement of audit work in the field and the one for audit completion;
3. **reporting lag** is the gap between the audited reporting date and the audit work commencement.

2.4 Hypothesis Development

2.4.1 Audit Committee Size and Audit Report Lag

The audit committee plays a vital role in assisting the board of commissioners in overseeing the auditing implementation. The committee provides direct effects on the actions of external auditors as well as the schedule to proceed with financial statements (Oussii & Taktak, 2018). Moreover, the committee assists in keeping track of the auditing process. Based on the argument in the agency theory (Jensen & Meckling, 1976), there are conflicts and information asymmetry between principals and agents; thus audit committee is expected to strengthen company supervision in reporting its finances in a timely manner. To be effective, the committee must consist of a sufficient number of members, as more resources available in the company can encourage agents to produce audited financial reports in a timely manner (DeZoort et al., 2002).
Anderson et al. (2004) argue that an audit committee with a larger size will provide a better assessment of the roles, responsibilities, and work performance of independent auditors so that they can better overcome the problems faced by the company. Raweh et al. (2019) argue that the number of committees in a company can improve the quality of supervision of company activities, especially in financial reports. Habib et al. (2019) and Raweh et al. (2019) provide evidence that audit committee size has a negative effect on audit report lag. The audit committee size is expected to affect ARL because more committee members will increase the company's effectiveness and efficiency in presenting its financial reports. Thus a larger audit committee will result in a shorter ARL. Based on the above argument and empirical findings, the following hypothesis is proposed:

**H1:** Audit committee size has a negative effect on audit report lag.

### 2.4.2 Audit Committee Expertise and Audit Report Lag

Having expertise in the financial field is essential for audit committee members, as the scope of responsibilities in the committee is mainly related to financial reporting. Audit committee members with financial expertise can increase the committee's success in executing supervisory duties (Oussii & Taktak, 2018). The relationship between the audit committees, financial expertise, and timely reporting is essential because the committee oversees audit engagements (Sarbanes-Oxles, 2002). Abernathy et al. (2014) also argue that committees whose members have financial expertise are more likely to submit financial reporting on time. The committee is a mediator between management and auditors; therefore, they need financial expertise to work effectively.

The committee members with financial expertise can also improve the committee’s ability as they can ensure that the auditor's task is well completed, understand the audit assessments, and act as professional intermediaries between management and auditors (Sultana et al., 2015). Mohamad-Nor et al. (2010) also added that the committee could discover and find solutions for potential problems that might occur in the reporting process, such as the risk of misstatement, which can affect the risk of ARL occurrence. Suggestions and recommendations given by the audit committee are based on applicable
standards to reduce the ARL level in the company. Kaaroud et al. (2020), Oussii & Taktak (2018), and Anugrah & Laksito (2017) find that the expertise of audit committee members is associated with shorter ARL. Accordingly, hypothesis 2 is proposed as follows:

**H2: Audit committee expertise has a negative effect on audit report lag.**

### 2.4.3 Audit Committee Meeting Frequency and Audit Report Lag

The audit committee meeting is a forum to discuss the financial reporting process and monitor financial reporting issues. From the perspective of agency theory, the company’s owner (principal) requires managers (agents) to fulfill transparency, absence of negligence, and punctuality. Meetings held by the audit committee will update knowledge and information regarding audit or accounting so that they can mobilize the company's internal and external resources to resolve problems in a timely manner. Regulations regarding audit committee meetings in Indonesia are stipulated in the Financial Services Authority Regulation Number 55/POJK.04/2015 concerning the Establishment and Guidelines for the Work Implementation of the Audit Committee. Meetings among the committee members are only held when more than half of the members are present, and they should be held regularly (at least four times a year). Regular meetings would lead to a more effective supervisory role of the committee (Kaaroud et al., 2020). The more frequent meetings, the more the committee will be informed on the latest issues in accounting and auditing. Therefore, the audit committee meetings will identify and mitigate potential problems more timely (Nelson & Shukeri, 2011).

Audit committee meetings serve as a medium to ensure that all principles and rules required by accounting standards are fulfilled in the financial statements. A more frequent meeting will improve communication and coordination among committee members in performing their supervisory duties to management. Thus companies can respond to problems and resolve them immediately (Anugrah & Laksito, 2017). Ika & Ghazali (2012) argue and find evidence that companies whose audit committees have more frequent meetings are more likely to submit financial reports as scheduled. Companies with less frequent audit meetings will take more time to resolve their
problems. Kaaroud et al. (2020), Habib et al. (2019), and Apadore & Mohd Noor (2013) argue and find evidence that audit committee with more frequent meetings has shorter audit report lag.

**H3**: The frequency of audit committee meetings has a negative effect on audit report lag.

### 2.4.4 Industry-Specialist Auditor and Audit Report Lag

Industry-specialist auditors are auditors with special knowledge of a particular industry because they have received training and practical experience. Thus, these auditors will perform audits more effectively, and complete audit works faster than non-industry-specialist auditors (Rusmin & Evans, 2017). Auditors who are specialists in the banking industry will improve the quality of audits to be more efficient and ultimately improve the quality of financial reports (Dopuch & Simunic, 1982). Habib & Bhuiyan (2011) argue that industry-specialist auditors can develop knowledge and expertise in specific industries that their specialization to carry out audit work faster than auditors with non-industrial specialists. From the agency theory perspective, auditors with good quality can detect factors that affect late reports to minimize agency problems such as information asymmetry. Industry-specialist auditors with the ability and expertise in specific industries are believed to be able to detect errors in financial statements more quickly and thus avoid audit delay.

The auditors' specialization in specific industries may affect the efficiency of the audit process and speed up the financial statement completion time. Companies audited by industry-specialist auditors are believed to be better than non-specialist auditors because the knowledge possessed by audit specialists regarding a particular industry makes the audit time shorter. This is because specialist audits can detect errors quickly, especially if there is a material misstatement of the financial statements. After all, they already know the characteristics of specific industries. Therefore, experienced auditors in the banking industry report the financial statements in good time and reduce ARL levels. Rusmin & Evans (2017), Ahmad et al. (2016), and Dao & Pham (2014) find evidence that auditor industry specialization has a negative effect on audit report lag. Accordingly, we propose the following hypothesis:
H4: Industry-specialist auditor has a negative effect on audit report lag.

2.4.5 External Auditor Reputation and Audit Report Lag

The auditor's reputation is the public trust the auditor holds on his behalf. The assessment of the auditor's reputation is based on the public accounting firms’ affiliation with global public accounting firms that are included in the Big Four category. Public accounting firms affiliated with the Big four serve better audit quality than the non-Big Four (DeAngelo, 1981). Big Four KAPs have stronger incentives to provide or employ more qualified auditors, have a larger number of clients, and more opportunities for recruitment, training, and technology (Caneghem, 2004; Chung et al., 2005). Leventis et al. (2005) find that employing more qualified and trained auditors and sophisticated audit technology utilization is believed to require less time for audit completion. The statement's credibility can be increased using the services of an auditor from a reputable public accounting firm.

From the agency theory perspective, using auditor services from the Big 4 can resolve conflicts between agents and principals. Accounting firms included in the Big 4 have a good reputation and are expected to complete financial report audits more promptly. Auditor reputation can be maintained by completing the audit of the financial statements promptly while maintaining audit quality so that client companies can publish financial reports timely and decrease the ARL levels. Rusmin & Evans (2017), Khoufi & Khoufi (2018), Alfraih (2016), and Habib & Bhuiyan (2011) find evidence that auditor reputation has a negative effect on audit report lag.

H5: External auditor reputation has a negative effect on audit report lag.

3. Research Methods

3.1 Data and sources

This study employs quantitative explanatory research using secondary data from the IDX banking sector’s annual and corporate governance reports from 2017-2019. Table 1 presents the definition of variables in the study.
Table 1.
Variable Definition and Measurement

<table>
<thead>
<tr>
<th>Variable</th>
<th>Operational Definition</th>
<th>Variable Measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Report Lag</td>
<td>The timeframe for completing the audit of a company’s annual financial statements.</td>
<td>The number of days from the company book closing day to the day the audit report is signed or until it is issued.</td>
</tr>
<tr>
<td>Audit Committee Size</td>
<td>The number of audit committee members in a company.</td>
<td>The number of audit committee members in a company (Oussii &amp; Boulila Taktak, 2018; Anderson et al., 2004; Anugrah &amp; Laksito, 2017; Kurniawan &amp; Mutmainah, 2020).</td>
</tr>
<tr>
<td>Audit Committee Expertise</td>
<td>Audit committee members who have financial or accounting expertise.</td>
<td>The proportion of audit committee members whose backgrounds or qualifications are related to finance and accounting among the total number of committee members (Oussii &amp; Taktak, 2018; Anugrah &amp; Laksito, 2017; Kurniawan &amp; Mutmainah, 2020).</td>
</tr>
<tr>
<td>Frequency of Audit Committee Meetings</td>
<td>The frequency of audit committee meetings measures the number of meetings held by the committee during a year.</td>
<td>The number of audit committee meetings held by the audit committee during a year (Oussii &amp; Taktak, 2018; Kaaroud et al., 2020; Abernathy et al., 2014; Anugrah &amp; Laksito, 2017)</td>
</tr>
</tbody>
</table>
| Industry-Specialization on Auditor | Industry-specialist auditors are those with special knowledge of a particular industry (i.e., the banking industry) who have received training and practical experience (Rusmin & Evans, 2017). | \[
\frac{\sum KAP \text{ Clients in the Industry}}{\sum All \text{ Issuers in the Industry}} \times \frac{\bar{x} KAP \text{ Clients Assets in the Industry}}{\bar{x} Assets of all Issuers in the industry}
\]

This study also developed a formula for the dummy variable used to measure industry-specialist auditors as follows: SIA = 1, when the company is audited by
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4. Research Results and Explanation

4.1 Descriptive statistics

Descriptive statistics convey information by explaining the description of dependent and independent variables. The descriptive statistics are shown in Table 2.

Table 2. Descriptive Statistics (N=110)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Min.</th>
<th>Max.</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Committee Size</td>
<td>3.00</td>
<td>7.00</td>
<td>3.8545</td>
<td>1.14007</td>
</tr>
<tr>
<td>Audit Committee Expertise</td>
<td>0.25</td>
<td>1.00</td>
<td>0.7381</td>
<td>0.21218</td>
</tr>
</tbody>
</table>
Table 2 presents the results of a three-year descriptive statistical analysis of all variables. There are 110 firm-year observations. As shown in Table 2, the average ARL value is 59.82, with a range of 59–60 days from the company book closing on December 31. These results indicate that the average ARL in banking sector companies in Indonesia has met the time period stipulated by BAPEPAM-LK Number: KEP-346/BL/2011, which is not more than 90 days or three months. The fastest ARL was obtained by Bank Negara Indonesia Tbk (BBNI) in 2017, which is 15 days audited by KAP Purwanto, Sungkoro, and Surja affiliated with Ernst & Young (EY). However, several companies have not fulfilled the requirements, as shown that the longest ARL is 133 days, i.e., Bank Artha Graha Internasional Tbk (INPC) in 2019, audited by KAP Kanaka Puradiredja, Suhartono. The standard deviation in the sample company is 26.911. The magnitude of this standard deviation shows the difference in the average distance of each data sample unit and the arithmetic mean (mean).

The first independent variable is audit committee size (ACSIZE). As shown in Table 2, the average value of the ACSIZE is 3.854 or 3–4 members, with a minimum to maximum size of three to seven members and a standard deviation of 1.140. These findings show that the companies have met the regulation stipulated in the Financial Services Authority Regulation No. 55/POJK.04/2015, which requires an audit committee consisting of at least three members in one year.

Further, the mean for audit committee expertise (ACEXP) is 73.8%, indicating that almost 74% of audit committee members have accounting and financial expertise,

<table>
<thead>
<tr>
<th>Variable</th>
<th>Min.</th>
<th>Max.</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Committee Meeting</td>
<td>3.00</td>
<td>30.00</td>
<td>10.8636</td>
<td>5.74772</td>
</tr>
<tr>
<td>Industry Specialist Auditor</td>
<td>0.00</td>
<td>1.00</td>
<td>0.3000</td>
<td>0.46035</td>
</tr>
<tr>
<td>Auditor Reputation</td>
<td>0.00</td>
<td>1.00</td>
<td>0.6273</td>
<td>0.48574</td>
</tr>
<tr>
<td>Company Size (Billion Rupiahs)</td>
<td>2,459</td>
<td>1,416,759</td>
<td>176,386</td>
<td>319,282</td>
</tr>
<tr>
<td>Company Size (Log Natural)</td>
<td>28.53</td>
<td>34.89</td>
<td>31.4713</td>
<td>1.70909</td>
</tr>
<tr>
<td>Profitability (ROA ratio)</td>
<td>0.00</td>
<td>0.03</td>
<td>0.0090</td>
<td>0.00867</td>
</tr>
<tr>
<td>ARL (days)</td>
<td>15.00</td>
<td>133.00</td>
<td>59.8273</td>
<td>26.91163</td>
</tr>
</tbody>
</table>
with a minimum to maximum value of 25% to 100% and a standard deviation of 21.2%. The findings indicate that companies have complied with current mandatory requirements. Financial Services Authority Regulation Number 55/POJK.04/2015 requires that audit committee members have expertise in finance and accounting.

Regarding the audit committee meeting frequency (ACMEET), Table 2 shows the mean of 10,863 meetings, i.e., about 10–11 meetings per year, with a minimum to a maximum value of three meetings and a standard deviation of 5.747. The Financial Services Authority Regulation Number 55/POJK.04/2015 mandates that audit committee members meet at least four times a year. The minimum number of three meetings shown by Bank Victoria International Tbk is below the mandated requirements by the Indonesian regulator.

Furthermore, the industry-specialist auditor (SIA) reveals a mean of 30%, indicating that specialist auditors audit only 30% of companies in the banking industry. In contrast, the reputation of the independent auditor (REP) shows an average value of 62.7%. This finding indicates that 62.7% of companies in the banking industry are audited by Big Four public accounting firms, while non-Big Four firms audit the other 37.3%.

Table 2 also shows that companies in this study have an average size of 176 trillion rupiahs with a standard deviation of 319 trillion rupiahs, suggesting a large size variation of sample companies. This shows that the data distribution is far from the average value, with the minimum to maximum values of companies’ size ranging from 2,459 trillion rupiahs to 1,416,758 trillion rupiahs, respectively. The bank with the smallest asset value is Bank Harda Internasional Tbk, while the bank with the highest asset value is Bank Rakyat Indonesia Tbk. Lastly, the average value of profitability (ROA) is 9% with a standard deviation of 8%, indicating that banking sector companies generate corporate profits at 9% of total assets.

4.2 Data Preparation

Normality test through Kolmogorov-Smirnov (K-S) test is performed to examine whether variables in this study are normally distributed. As shown in Table 3 below,
the results show the value of asymptotic significance of 0.311; thus, the data are normally distributed.

Table 3.
Normality Test Results by Using *One-Sample Kolmogorov-Smirnov Test*

<table>
<thead>
<tr>
<th>N</th>
<th>Unstandardized Residual</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>110</td>
</tr>
<tr>
<td>Kolmogorov-Smirnov Z</td>
<td>0.963</td>
</tr>
<tr>
<td>Asymp. Sig</td>
<td>0.311</td>
</tr>
</tbody>
</table>

We also examine the VIF value to check whether there is a serious threat to multicollinearity in the regression model. The result in Table 4 shows that the tolerance value of independent variables is less than 10, indicating no serious threat of multicollinearity in the regression model.

Table 4.
Results Multicollinearity Test (N=110)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tolerance</td>
</tr>
<tr>
<td>ACSIZE</td>
<td>0.751</td>
</tr>
<tr>
<td>ACEXP</td>
<td>0.908</td>
</tr>
<tr>
<td>ACMEET</td>
<td>0.715</td>
</tr>
<tr>
<td>SIA</td>
<td>0.692</td>
</tr>
<tr>
<td>REP</td>
<td>0.622</td>
</tr>
<tr>
<td>SIZE</td>
<td>0.474</td>
</tr>
<tr>
<td>ROA</td>
<td>0.624</td>
</tr>
</tbody>
</table>

Further, the heteroscedasticity issue is also examined using the Park test to examine variance inequality from one residual to another in the regression model. As shown in Table 5, the significance value indicates the probability value is higher than 5%, and inequality of variance is also there. Thus, there is no serious threat of heteroscedasticity in this study.
Lastly, the autocorrelation issue is examined using the Durbin-Watson (D-W) test. The test in Table 6 shows the value of 1.921, between the du value of 1.8262 and (4-du) of 2.1738. Thus the indication of autocorrelation among the variables is not found.

### Table 5.
Heteroscedasticity Test Result (N=110)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>ACSIze</td>
<td>-1,110</td>
<td>1,017</td>
<td>-0,121</td>
<td>-1,092</td>
</tr>
<tr>
<td>ACEXP</td>
<td>-0,479</td>
<td>1,907</td>
<td>-0,025</td>
<td>-0,251</td>
</tr>
<tr>
<td>ACMEET</td>
<td>0,047</td>
<td>0,049</td>
<td>0,108</td>
<td>0,946</td>
</tr>
<tr>
<td>SIA</td>
<td>1,094</td>
<td>0,628</td>
<td>0,201</td>
<td>1,741</td>
</tr>
<tr>
<td>REP</td>
<td>-1,168</td>
<td>0,628</td>
<td>-0,227</td>
<td>-1,860</td>
</tr>
<tr>
<td>SIZE</td>
<td>0,095</td>
<td>0,204</td>
<td>0,065</td>
<td>0,464</td>
</tr>
<tr>
<td>ROA</td>
<td>6,687</td>
<td>35,133</td>
<td>0,023</td>
<td>0,190</td>
</tr>
</tbody>
</table>

### Table 6.
Durbin Watson Autocorrelation Test Results

<table>
<thead>
<tr>
<th>Model</th>
<th>Std. Error of the Estimate</th>
<th>Durbin - Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1,41007</td>
<td>1,921</td>
</tr>
</tbody>
</table>

### 4.3 Regression Tests

We run the regression model described previously and display the results in Table 7. As presented in Table 7, the model shows F-Stat = 9.671 (p < 0.0001), indicating that the model has a good fit. The R-Square suggests that 27.7% ARL is affected by the variables in the model, whereas the residual value of 72.3% is affected by other factors.
Table 7.
The Results of the Regression Test of the Factors Influence ARL

<table>
<thead>
<tr>
<th>Variable</th>
<th>B</th>
<th>t-value</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>21,017</td>
<td>6,254</td>
<td>0.000</td>
</tr>
<tr>
<td>Audit Committee Size</td>
<td>0.493</td>
<td>0.841</td>
<td>0.402</td>
</tr>
<tr>
<td>Audit Committee Expertise</td>
<td>-2.380</td>
<td>-2.167</td>
<td>0.033**</td>
</tr>
<tr>
<td>Audit Committee Meeting</td>
<td>-0.017</td>
<td>-0.596</td>
<td>0.552</td>
</tr>
<tr>
<td>Specialized-Industry Auditors</td>
<td>-0.742</td>
<td>-2.049</td>
<td>0.043**</td>
</tr>
<tr>
<td>Auditor Reputation</td>
<td>-0.226</td>
<td>-0.624</td>
<td>0.534</td>
</tr>
<tr>
<td>Size</td>
<td>-0.366</td>
<td>-3.105</td>
<td>0.002**</td>
</tr>
<tr>
<td>Profitability</td>
<td>-41.868</td>
<td>-2.069</td>
<td>0.041**</td>
</tr>
<tr>
<td>F- Stat. (p-value)</td>
<td>9,671 (p&lt;0.0001)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R Square</td>
<td>27.7%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*, **, *** showed significance at p-value 10%, 5%, and 1%, respectively.

Concerning the association between audit committee expertise and ARL, the result indicates a negative and significant relationship ($\beta = -2.380; p < 0.05$). This finding suggests that companies with audit committee members with financial expertise tend to have shorter ARLs. Further, there is also a negative relationship between an industry-specialized auditor (SIA) and ARL ($\beta = -0.742; p < 0.05$). This result indicates that firms audited by auditors who are experts in the industry experience a shorter audit process. However, the other independent variables, i.e., audit committee size (ACSIZE), audit committee meeting frequency (ACMEET), and auditor reputation (REP), do not affect ARL. The results of the control variable test indicate that firm size (SIZE) is negatively associated with ARL ($\beta = -0.366; p < 0.01$). The finding suggests that larger companies are more likely to push auditors to complete the audit process promptly (Oussii & Taktak, 2018). Next, profitability (ROA) also show a negative and significant association with ARL ($\beta = -41.868; p < 0.05$), indicating that profitable companies are more likely to submit audited financial report earlier than the less profitable ones. This finding is consistent with Oussii & Taktak's (2018) result.
4.7 Discussion

The first hypothesis, which predicts that audit committee size affects ARL, is not supported. This finding is consistent with Oussii & Taktak (2018), as the more members in the audit committee, the more difficult it is for the stakeholders to make adjustments based on the advice given by both the audit committee and external auditors (Oussii & Taktak, 2018). The reduction in ARL levels cannot be determined only by the audit committee size. The availability of many audit committees means that more resources are available to help the board function. A large number of audit committees often creates problems of coordination, communication, and poor interaction between the committee members (Wardhani & Raharja, 2013). More committee members tend to slow down the decision-making, thus, potentially prolonging the audit process.

The second hypothesis, which expects that ARL is affected by audit committee expertise, is supported. The expertise in finance or accounting owned by the audit committee is essential in effectively assisting the external auditor's performance (Hashim & Rahman, 2011). Since the audit committee's function is as a mediator between auditors and management, the expertise of the audit committee members shortens the ARL level.

Kaaroud et al. (2020) suggest that expertise in finance and accounting is crucial for the committee's performance. The reason is that the committee is responsible for the good flow of financial activities in reaching the companies’ missions and goals. This study supports the agency theory of Jensen & Meckling (1976) by providing evidence that audit report lag is reduced when the committee members have competence in finance or accounting. The expertise in these fields contributes to increasing committee supervisory function by assisting external auditors in completing reports following the schedule, thereby reducing delays in presenting audit reports (Sultana et al., 2015).

The third hypothesis, which predicts the effect of AC meeting frequency on ARL, is not supported. This finding is in line with previous research by Chalu (2021), who found that audit committee meetings are unrelated to ARL. Audit committee meetings are the proper monitoring platform to minimize problems and risks related to financial statements. Therefore, the frequency of meetings reflects the diligence of the audit
committee in carrying out their responsibilities. However, it is not true that the meeting frequency provides better oversight for the company. The increasing number of audit committee meetings indicates that more problems may be detected, which can prolong the search for solutions (Kaaroud et al., 2020).

With regard to the fourth hypothesis, this study finds that industry-specialist auditors negatively affect ARL. This indicates that companies with industry specialist auditors tend to have shorter ARLs. In line with the findings from Rusmin & Evans's study (2017), this current study also finds that auditor specialization in the industrial field affects ARL. Industry specialists are deemed more competent in developing specific knowledge and expertise in their particular industry and can identify client problems more quickly due to their familiarity with business operations. The auditors better comprehend the client’s financial reporting system and thus resolve complex accounting problems more quickly (Rusmin & Evans, 2017).

Industry specialist auditors can shorten the ARL as they can finish the audit process faster. Habib & Bhuiyan (2011) suggest that auditors with certain specifications can help companies meet audit needs on accounting problems. This is supported by the existence of better technology and special knowledge of a particular industry so that it can increase the efficiency and quality of auditing (Gramling & Stone, 2001; Kwon et al., 2007).

Lastly, there is no support for the fifth hypothesis, which predict that auditor reputation affects ARL. This result is consistent with Abdillah et al. (2019). The reputation and credibility of the Big Four are maintained by assuring clients that all requirements have been fulfilled. Until now, many non-Big 4 have collaborated with international public accounting firms, such as the public accounting firms of Paul Hadiwinata, Hidajat, Arsono, Retno, Palilingan & Partners, and as Doli, Bambang, Sulistiyanto, Dadang & Ali. Consequently, the difference between the Non-Big 4 and Big 4 firms is diminishing, mainly related to technology and resources. Furthermore, the quality of Non-Big 4 accounting firms also improved (Raya & Laksito, 2020).
5. Conclusion, Implication, and Limitation

5.1 Conclusion

The overall results provide empirical evidence on the audit committee characteristics that affect ARL, i.e., the accounting or financial expertise of audit committee members and the industry specialization of auditors. Specifically, the findings show that companies have shorter ARLs when they have accounting or financial experts on the audit committee. Companies in the banking industry also have shorter ARLs when industry specialist auditors audit them. However, there is no support for the impact of other audit committee characteristics on ARLs. Thus, companies need to employ audit committee member who has experience working in the financial field to execute the external auditor's work effectively. Hiring industry specialist auditors can also complete the audit process faster because they are supported by better technology and specialized knowledge of a particular industry. The expertise and the industry specialist auditors are proven to reduce ARL levels in banking companies. No effect was found on the committee size, the meeting frequency, and the auditor's reputation.

5.2 Implications

This study finds that audit committee expertise and the industry-specialist auditor negatively affect ARL. This finding implies that companies should increase awareness in choosing external auditors. Companies need to consider hiring industry-specialist auditors with experience and knowledge in the banking industry to ensure that the audit processes run well and are completed on time, avoiding any delay in the financial statement submissions.

Further, this study finds that audit committee expertise is negatively associated with ARL. Thus, audit committee members with financial or accounting expertise are associated with shorter ARL. This finding indicates that companies must have audit committee members with financial or accounting to ensure that the audit process can be completed promptly. This study focuses on the committee's financial or accounting expertise by looking at the members’ background or experience in financial reporting.
and professional qualifications such as CPA or MICPA.

However, this study also finds that some companies publish financial statements later than the required period for submission, with the longest of 133 days. This period is far above the requirements in regulation concerning the financial reporting period, i.e., the BAPEPAM-LK number: KEP-346/BL/2011, which mandates that companies must submit their financial statements no later than 90 days from the closing date of the book. Thus, this finding implies that regulators need to determine a more appropriate and effective way to encourage more timely submission of financial statements and specifically to ensure companies' compliance with the mandatory requirements of financial statement submission, i.e., no later than 90 days after fiscal year-end.

5.3 Research Limitations and Suggestions

This research has several limitations which provide avenues for future studies. First, this study focuses only on companies in the banking sector. Future research is suggested to expand the category or sector of the sample companies beyond the banking sector in the Indonesia Stock Exchange so that the findings can be more generalized. Second, this study uses secondary data, which may provide limited information on the factor affecting ARL. Future studies may use primary data to enrich the investigation of the factors affecting ARL through observation or interviews with internal auditors, top management within the company, or external auditors. Lastly, this study only focuses on the Indonesian setting and thus cannot capture the impact of institutional settings. Future studies may extend by comparing ARL across countries.

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