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**| RESEARCH ARTICLE**

## **The Influence of Financial Risk, Characteristics of the Audit Committee, and the Independence of the Board of Commissioners on *Audit Report Lag***

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**| ABSTRACT**

This study aims to analyze the effect of financial risk, the characteristics of the audit committee, and the independence of the board of commissioners on audit report lag. The variables used to test the financial risk are profitability (return on assets) and leverage (debt to assets), while the variables to test the characteristics of the audit committee are the expertise of the audit committee, the number of audit committee meetings, and the size of the audit committee. The population of this study is the manufacturing sector companies listed on the Indonesia Stock Exchange for the period 2018-2020. The research sample used is as many as 132 manufacturing sector companies selected based on the purposive sampling method. The research method used is a quantitative method with panel data regression analysis. The results showed that profitability and the number of audit committee meetings had a significant negative effect on audit report lag, while leverage, audit committee expertise, audit committee size, and the independence of the board of commissioners had no effect on audit report lag.

**| KEYWORDS**

Audit report lag, financial risk, characteristics of the audit committee, independence of the board of commissioners

**| ARTICLE INFORMATION**

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### **1. Introduction**

The phenomenon of stock investment prospects in the current digital era is still in the public spotlight. Signs that the economy will improve from year to year with increased infrastructure and investment will make people look for companies that have potential shares. This is in line with the statement from the Governor of Bank Indonesia (BI) in the Indonesia Infrastructure Investment Forum (2019), which said that infrastructure is one of the four (4) sectors for promising investment in the future. This is supported by the rapid development of public companies followed by the rapid movement of information that has an impact on the need for financial reports.

According to the Statement of Financial Accounting Standards (PSAK) No. 1 of 2015 concerning the Presentation of Financial Statements, the purpose of financial statements is to provide information about the financial position, financial performance, and cash flows of companies that are useful for most users of financial statements in making economic decisions and show the results of management accountability for the use of resources entrusted to them.

As stated in PSAK concerning the Conceptual Framework for Financial Reporting (KKPK), financial statements have qualitative characteristics that determine the usefulness of information. These qualitative characteristics include understandability, relevance, reliability, and comparability. In terms of relevant characteristics, timeliness is important so that information within the company has a quality that affects the economic decisions of users of financial statements (Handayani & Yustikasari, 2017; Firnanti & Karmudiandri, 2020; Ogoun et al., 2020). The level of relevance of financial statements will decrease if the submission of financial statements takes longer. In general, the delay in submitting financial statements will result in the informative side of the report being lost, so the company's condition will look bad.

This is in accordance with the Financial Services Authority (OJK) Regulation No. 29/POJK.04/2016 concerning Report Annual Issuer or Public Company Article 7 (1), which states that the issuer or company, the public, must submit the Annual Report to OJK no later than the end of the fourth month (4) after the end of the financial year. Companies that violate these regulations will be subject to administrative sanctions in the form of written warnings, fines, and restrictions or freezing of business activities. The existence of these regulations will indirectly make the company more timely in submitting financial statements. The faster the submission of financial statements, the company will have its own advantages in the eyes of investors.

One of the obstacles faced by companies in submitting financial reports on time is the timeliness of submitting financial statements that have been audited by auditors. According to Arens et al. (2015:24), auditing is the collection and evaluation of evidence about information to determine and report the degree of conformity between information and established criteria. What is meant by the evidence is the information used by the auditor to state whether the audited financial statements are in accordance with the criteria and regulations that have been set or not.

In mid-2017, the Indonesia Stock Exchange (IDX) still found negligence in submitting audited financial statements as of December 31, 2016, and imposed sanctions on 17 companies (Melani, 2017). Until the submission of the financial statements for the first quarter of 2017, the Director of Assessment of the Indonesia Stock Exchange (IDX) said that 70 companies had not yet submitted their financial reports (Ariyanti, 2017). However, in 2018, there was a decrease in the number of companies that had not submitted audited financial reports as of December 31, 2018. Based on monitoring from the Indonesia Stock Exchange (IDX), there were only 10 companies that had not submitted their audited financial reports, of which 4 listed companies had their shares temporarily suspended, and 6 the listed companies extended their suspension period. Some of them are PT. Three Pillars of Prosperous Food Tbk, PT. Borneo Lumbung Energi & Metal Tbk, and PT. Golden Plantation Tbk (Tari, 2019). The company has been given a written warning of III and an additional fine of Rp. 150 million.

After previously there was a decline, the Indonesia Stock Exchange (IDX) found an increase in the delay in submitting audited financial reports in 2019 and 2020; where in 2019, there were 42 companies, and in 2020, 96 companies submitted their audited financial statements (Pratomo, 2020 & Wareza, 2021). ). Meanwhile, in 2021, the Indonesia Stock Exchange (IDX) said that there were 33 listed companies that had not reported interim financial reports as of March 2021 (Melani, 2021).

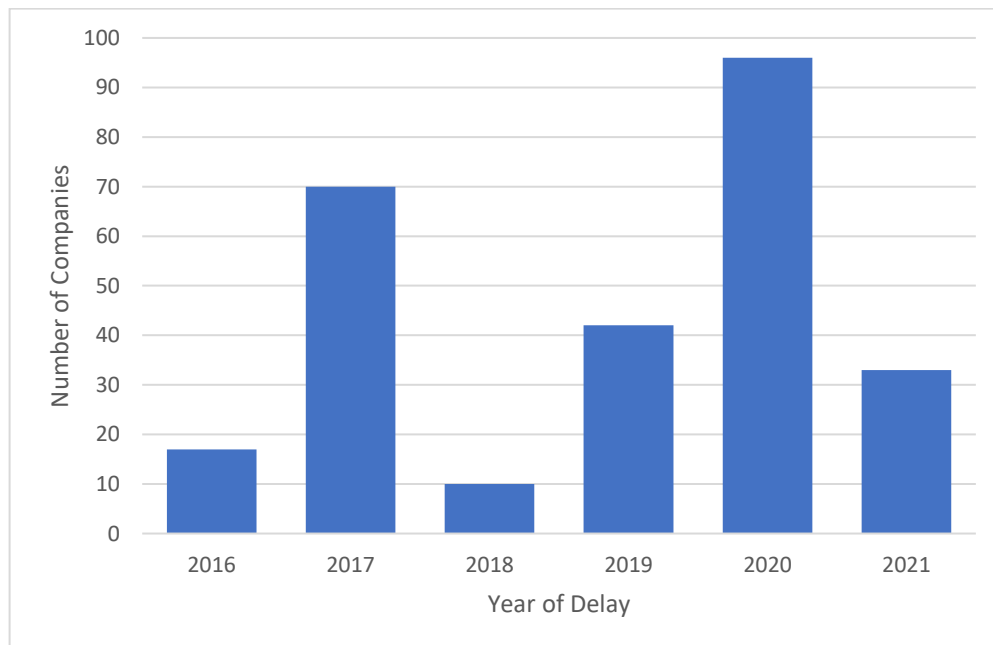


Figure 1 The number of delays in the company's financial statements

In accordance with the Exchange Regulations, companies that are late in submitting financial reports will be subject to sanctions, namely written warning I for late submission of financial statements until the end of the following month starting from the deadline for submitting financial statements, written warning II accompanied by a fine of Rp. 10 million if from the beginning of the second month until the listed company does not fulfill the obligation to submit financial statements, a written warning III with an additional

fine of Rp. 30 million if, in the third month since the deadline for submitting financial statements, the company still does not fulfill the obligation to submit financial statements, and suspension in the fourth month if the company still does not fulfill its obligations.

The phenomenon of the delay in the annual financial report of PT. Jiwasraya was added to the list of troubled companies (Puspita, 2019). PT. Jiwasraya, on the company's official website, shows the latest records of financial statements made for the 2017 financial year while based on OJK Regulation Number 55/POJK.05/2017 concerning Periodic Reports of Insurance Companies Article 8 (1) explains that insurance companies are required to submit periodic reports to OJK in the form of reports monthly, quarterly, semi-annual, and reports another. The delay indicates that there are problems within the company and will worsen the company's reputation. Apart from PT. Jiwasraya, PT. Bakrieland Development Tbk also has not submitted its 2018 annual financial report, as well as a penalty for late reporting (Ayuningtyas, 2019). This resulted in the Indonesia Stock Exchange (IDX) temporarily suspending trading in the company's shares and imposing an additional fine of Rp. 150 million.

Financial risk can affect the timeliness of submitting financial reports (Savitri et al., 2019). In this study, the financial risk used is through profitability and leverage. According to Utami et al., 2018, profitability is the end result of the policies and decisions that have been made by the company. If the company's profitability is low, the risk of loss from the company will increase, so the auditor will be more careful in conducting the audit process. This will make the auditor take longer and cause the audit report lag to increase. This is in line with research conducted by (Savitri et al., 2019; Yendrawati & Mahendra, 2018; Utami et al., 2018).

In addition to profitability, leverage also affects audit report lag. Leverage shows the company's ability to complete all its obligations (Hasibuan & Abdurahim, 2017). The greater the assets owned by the company, the greater the company's ability to settle obligations. According to Hasibuan & Abdurahim, 2017 and Bahri & Amnia, 2020, a high leverage value can increase audit risk in the audit process, so it is likely to prolong audit report lag.

The implementation of good corporate governance will reduce the occurrence of audit report lag (Ahmed & Ahmad, 2016; Kusumah & Manurung, 2017; Handayani & Yustikasari, 2017; Firnanti & Karmudiandri, 2020; Ogoun et al., 2020), according to the Regulation of the Minister of State for State-Owned Enterprises No. PER-01/MBU/2011, Good corporate governance is the principles that underlie a process and mechanism for managing a company based on laws and regulations and business ethics. In this study, the characteristics of good corporate governance used are the audit committee and the board of commissioners, where the board of commissioners is represented by the proportion of independence while the audit committee is represented by expertise, number of meetings, size or number of chairman and members.

The audit committee has a role in creating good corporate governance. The audit committee is expected to improve the company's internal control and ensure that accounting policies have been implemented in accordance with applicable standards so as to shorten the audit report lag. To carry out its functions and duties, in accordance with OJK Regulation No. 55/PJOK.04/2015, the audit committee must have at least one (1) member who has educational background and expertise in accounting and finance. This is in line with research conducted by Oussii & Taktak (2018), Joy & Fachriyah (2018), and Ocak & Ozden (2018), which states that the expertise of the audit committee will increase the effectiveness of the audit committee in its work.

The audit committee is required to hold regular meetings at least 1 (one) in 3 (three) months. An audit committee that often holds meetings is considered capable of handling complex financial reporting decisions and will ultimately reduce the auditor's working hours so that the reporting of the audit report will be faster (Habib et al., 2018). The size of the audit committee also affects the audit report lag. According to OJK Regulations, the audit committee consists of at least 3 (three) members who come from independent commissioners and parties outside the issuer or public company. The effectiveness of the audit committee will increase as the number of committee members increases; this happens because the increase in supervision will also increase, thereby reducing the occurrence of audit report lag (Rosalia et al., 2019). The audit committee is considered capable of supervising the preparation of financial reports by management so as to minimize the occurrence of errors and audit report lag (Fakri & Taqwa, 2019).

Another characteristic that affects the audit report lag is the board of commissioners. The board of commissioners has duties and responsibilities in controlling and providing evaluations to ensure that the company has implemented good corporate governance (KNKG, 2006). Based on OJK Regulations, the board of commissioners consists of at least 2 (two) members, 1 (one) of whom is an independent commissioner. The number of independent commissioners must be at least 30% (thirty percent) of the total members of the Board of Commissioners. The independent board of commissioners must be able to detect any possible irregularities committed by the company's management and know the preventive measures to overcome them (Handayani & Yustikasari, 2017). Companies with a large proportion of independent commissioners have a short audit report lag (Habib et al., 2018).

## **2. Literature Review**

### **2.1 Theory Agency**

Agency theory is a theory that explains the concept of a contractual relationship between the principal (owner) and the agent (the management of a company) to perform services on behalf of the principal, which involves the delegation of decision-making authority to the agent (Jensen & Meckling, 1976).

Information asymmetry and conflicts of interest, one of which is because humans have three basic assumptions: humans are generally self-interested, have limited thinking power about perceptions in the future (bounded rationality), and tend to avoid risk (Eisenhardt, 1989). Based on the assumption of human nature, the resulting information will always be questioned for its relevance. To overcome this, it requires accountability from the management by reporting audited financial statements in a timely manner supported by the implementation of good corporate governance (Wiguna et al., 2020).

One of the factors related to the mechanism for implementing corporate governance is the audit committee. According to Hassan (2016), the audit committee performs its duties as a monitoring mechanism that will improve the quality of company reporting, reduce the occurrence of information asymmetry, and reduce irregularities and unreliable disclosures. So, the agency theory will be used as a basis for understanding the interests that arise between the owner and the agent and their impact (Joy & Fachriyah, 2018). The audit committee is expected to mediate interests between owners and agents, which will ultimately prevent and detect material misstatements so that the process of preparing financial statements is more efficient and relevant.

### **2.2 Audit Report Lag**

According to Ahmed & Ahmad (2016), audit report lag is defined as the length of time from the end of the company's fiscal year to the date of the audit report. Meanwhile, Fakri & Taqwa (2019) defines audit report lag as the length of time for completion of the audit measured from the closing date of the financial year to the date of issuance of the audit report. So, it can be concluded that the audit report lag is the time span between the date of submission of the company's annual financial statements and the date of the audit report. Audit report lag will affect the accuracy of the information in the published financial statements and indicate the length of completion of the audit tasks carried out by the auditor.

If there is a delay in the submission of financial statements, it will cause negative thoughts about the information contained in the financial statements and negative market reactions, which will affect investment decisions (Asmara & Situanti, 2018). This statement is supported by Firnanti & Karmudiandri (2020); according to him, the longer the publication of audited financial statements, the greater the possibility of information leakage to certain parties, which even leads to insider trading and rumors in the stock market. In this regard, OJK issued a regulator to regulate the time limit for the issuance of company financial statements, namely OJK Regulation Number 29/POJK.04/2016 concerning Annual Reports of Issuers or Public Companies where in Article 7 it is stated that issuers or public companies are required to submit annual reports to OJK no later than the end of the fourth month (4) after the end of the financial year.

### **2.3 Financial Risk**

Risk is a form of uncertainty that can be in the form of opportunities or threats regarding conditions that will occur in the future both from the company's internal and external environment (Sudarmanto et al., 2021:1).

Risk becomes a driving factor and a big problem in industrial activities if it is not anticipated from the start, while financial risk will cause all forms of decisions related to finance to lose. Financial risk shows the company's ability to meet obligations to external parties in the form of debt (Savitri et al., 2019).

### **2.4 Profitability**

Profitability is a ratio used to see the company's ability to generate profits (Kasmir, 2017). The value of high profitability will attract investors to invest in the hope that they will get a high return as well. In line with agency theory, high profitability will also encourage management to accelerate the submission of financial reports to the principal because it relates to financial compensation that will be received by agents (Savitri et al., 2019).

Profitability is needed to assess the potential changes in the company's economic resources that can be controlled in the future. Profitability in this study is represented by ROA, which is used as an indicator of the company's success in generating profits (Mazkiyani & Handoyo, 2017). According to Utami et al. (2018), if the profitability value is high, then it becomes good information for the company because companies that generate profits will tend to submit their financial statements on time compared to companies that generate losses. However, if the profitability value is low, it will affect the performance of the auditor in the audit process, where the auditor will increase his prudence and have an impact on the submission of financial statements.

On the other hand, the higher the profitability value indicates the company's efficiency in utilizing assets is also higher, so it can be concluded that a higher level of profitability will shorten the company's audit report lag compared to companies that have a low level of profitability.

**H<sub>1</sub>: Profitability has a negative effect significant to audit report lag**

### **2.5 Leverage**

Leverage shows the company's ability to meet long-term obligations (Mazkiyani & Handoyo, 2017). The leverage of a company can be measured by comparing the value of its total debt and total assets. This is in line with research by Bahri & Amnia (2020), which states that the leverage ratio is used to measure the amount of company assets financed by debt. Companies that have a

total debt that is greater than their total assets can be considered non-solvable. Companies with high leverage values also show unhealthy company conditions that will increase financial risk and tend to make mistakes and fraud (Yendrawati & Mahendra, 2018).

High leverage indicates the company is in financial difficulty (Halim, 2018). In this study, the leverage of the company is represented by the value of the debt to asset ratio, where the value of the total debt is compared to the total assets of the company. According to Yendrawati & Mahendra (2018), the high level of corporate debt will increase its financial risk. This will make the auditor increase his focus on auditing the financial statements so that the time required will be longer and affect the submission of the company's financial statements. A high leverage value also indicates that the company's financial statements are unreliable or untrustworthy, so the company will look for ways to cover up this condition so that it is not known by users of financial statements.

This is in line with research by Bahri & Amnia (2020), which states that the higher the leverage value of the company, the greater the length of audit report lag, and vice versa.

### **H 2: Leverage has a significant positive effect on audit report lag**

#### **2.6 Expertise of the Audit Committee**

Based on OJK Regulation Number 55/PJOK.04/2015 concerning the Establishment and Guidelines for the Work Implementation of the Audit Committee Article 1, the audit committee is a committee formed by and responsible to the board of commissioners in helping carry out the duties and functions of the board of commissioners. An audit committee can also be defined as a group of people elected by a larger group who are tasked with carrying out certain jobs special tasks or are a number of members of the client company's board of commissioners who are responsible for helping the auditor maintain management independence (Tugiman, 2014).

The expertise of the audit committee will make committee members more active in identifying problems contained in the financial reporting process (Joy & Fachriyah, 2018). Such expertise will also meet public expectations of the quality of financial reports and audit quality (Habib et al., 2018) so that the expertise of the audit committee will increase the effectiveness of the committee in carrying out its duties, which in turn can shorten the audit report lag (Oussii & Taktak, 2018).

### **H 3: The expertise of the audit committee has a significant negative effect on audit report lag**

#### **2.7 Number of Audit Committee Meetings**

According to the National Committee on Governance Policy (2006), the board of commissioners is defined as a corporate organ that has duties and responsibilities in controlling and evaluating the board of directors to ensure that the company has implemented good corporate governance. Meanwhile, according to OJK Regulation Number 33/POJK.04/2014 concerning the Board of Directors and Board of Commissioners of Issuers or Public Companies Article 1, the board of commissioners is an organ of the company that has the task of carrying out general and/or specific supervision in accordance with the articles of association and providing advice to the board of directors. So, in general, it can be said that the function of the board of commissioners is as a supervisor.

The audit committee meeting is a means for each member to discuss any problems that arise in the implementation of their duties and responsibilities. Audit committee meetings should also be held to oversee the process of the company's financial reporting. According to OJK Regulation Number 55/PJOK.04/2015 Article 13, the audit committee is required to hold regular meetings at least 1 (one) time in 3 (three) months. The number of audit committee meetings has a negative effect on audit report lag, meaning that the more often the audit committee holds meetings, the less audit report lag.

An audit committee that holds meetings more often is considered to have a greater probability of detecting and preventing errors in the financial reporting process. This is in line with the research of Joy & Fachriyah (2018) and Rusmanto & Herlina (2020).

### **H 4: The number of audit committee meetings has a significant negative effect on audit report lag**

#### **2.8 Audit Committee Size**

The size of the audit committee determines how efficiently the company operates. Companies with a larger number of audit committee members have the possibility to produce audit reports in a timely manner so that the audit report lag will be shorter. This shows that the large number of members of the audit committee describes a wider quality as well. These qualities will help the committee to solve any problems in the auditing process. According to Firnanti & Karmudiandri (2020), the larger the size of the audit committee will also improve the quality of supervision in the reporting process so that problems will be resolved more quickly.

This research is in line with research by Fakri & Taqwa (2019), which states that companies with many audit committee members tend to have greater power and are able to utilize existing resources so that the quality of financial reports increases and audit report lag will decrease.

**H 5: The size of the audit committee has a significant negative effect on audit report lag**

**2.9 Independence of Board Commissioners**

The independence of the board of commissioners is an important component of good corporate governance. The independence of the board of commissioners will affect the performance of the board of commissioners because the function of the board of commissioners is to supervise management policies and the course of management and provide advice to the board of directors that has an impact on the company performance (Butarbutar & Hadiprajitno, 2017). In line with the research (Rusmanto & Herlina, 2020), companies with a large proportion of independent commissioners are considered to be more capable of producing audit reports on a timely basis without further delaying audit reports.

So, it can be concluded that the independence of the board of commissioners shows the ability of the board to carry out its duties and responsibilities to oversee the direction and goals of the company. The greater the proportion of independent commissioners, the better the company's performance, which will ultimately be able to reduce audit report lag.

**H 6: The independence of the board of commissioners has a significant negative effect on audit report lag**

**3. Research Method**

This research belongs to the type of causal research, namely research that examines whether one variable causes another variable to change or not (Sekaran & Bougie, 2017). In other words, this study aims to test the hypothesis between the influence of the independent variable and the dependent variable. This study describes how the independent variables, namely profitability, leverage, audit committee expertise, number of audit committee meetings, audit committee size and board of commissioners independence, affect the dependent variable, namely audit report lag.

This study uses archival data collection techniques in the form of secondary data where data is not obtained directly from the company but is obtained in the form of data collected, processed, and published by another party, namely the Indonesia Stock Exchange through the website ( www.idx.co.id ).

The data analysis method used in this study is a quantitative method, which is then processed and then tested using the panel data regression analysis method, where panel data is a combination of time series data and cross section data. This technique has several advantages, namely, the presentation of data is more informative and varied, has a low level of collinearity between variables, has a greater degree of freedom, and is more efficient.

The data used in this study are the annual financial statements of manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2020 period and obtained through the website ( www.idx.co.id ) and the company's official website. Based on the results of the sample selection using the purposive sampling method during the 2018-2020 observation period, a total sample of 132 companies issued annual financial reports as of December 31, 2020.

The following is the number of samples used based on predetermined criteria:

Table 1. Research Sampling

No.	Criteria	Amount
1	Manufacturing sector companies listed on the Indonesia Stock Exchange for the 2018-2020 period.	171
2	Companies that conducted <i>Initial Public Offering (IPO)</i> in 2018 and above.	(13)
3	Company suspended, or the data provided in the financial statements is incomplete.	(26)
<b>Sample used</b>		<b>132</b>
<b>Total sample (3 years)</b>		<b>396</b>

**4. Results and Discussion**

**4.1 Descriptive Statistical Test Results**

Table 2. Descriptive Statistical Test Results

	ROA	DAR	ACEXP	ACMEET	ACSIZE	BIND	ARL
mean	3.236687	49.46350	80.63132	6.643939	3.065657	40.83993	91.35101
median	3.098250	44.37960	100,0000	4000000	3,000000	37.50000	86.00000
Maximum	92.09980	516.7738	100,0000	73.000000	6.000000	83.33330	318.0000

Minimum	-104.9837	0.345300	33.33330	1.000000	2000000	25000000	29,00000
Std. Dev.	11.37342	46.55700	21.58149	6.399524	0.390692	9.843872	31.44053
Skewness	-1.055144	6.989670	-0.648559	5.619864	4.166078	1.229521	1.909959
Kurtosis	34.36154	66,89636	2.339511	45.91932	27.30889	4.950233	11.03930
Jarque-Bera	16301.99	70589.75	34.95952	32478.59	10895.72	162.5299	1307165
Probability	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Sum	1281.728	19587.54	31930.00	2631,000	1214,000	16172.61	36175.00
Sum Sq. Dev.	51095.13	856184.1	183975.5	16176.80	60.29293	38276.22	390460.2
Observations	396	396	396	396	396	396	396

Source: Output Eviews 10

The profitability variable obtained through the ROA value has a minimum value of -104.98 by Trita Mahakam Resources Tbk in 2020 and a maximum value of 92.10 by Merck Indonesia Tbk in 2018. The average value is 3.24, with a standard deviation of 11.37. The average value is smaller than the standard deviation value, so it can be concluded that ROA has a data distribution that is not spread out, and the sampled companies have relatively small differences.

The leverage variable obtained through the DAR value has a minimum value of 0.35 by Star Petrochem Tbk or Buana Artha Anugerah Tbk in 2020 and a maximum value of 516.77 by Asia Pacific Fibers Tbk in 2020. The average value is 49.46, with a standard deviation of 46.56. The average value is smaller than the standard deviation value, so it can be concluded that DAR has a data distribution that is not spread out, and the sampled companies have relatively small differences.

The audit committee expertise variable obtained by comparing the total competent audit committee to the total audit committee has a minimum value of 33.33 them by Semen Baturaja Tbk in 2018-2019, Wijaya Karya Beton Tbk in 2018, Cahayaputra Asa Keramik Tbk in 2018-2020 and a maximum value of 100 of them by Indocement Tunggal Prakasa Tbk in 2018-2020, Solusi Bangun Indonesia Tbk in 2018, Semen Indonesia Tbk in 2019. The average value is 80.63 with a standard deviation of 21.58, so it can be concluded that the expertise of the audit committee has a data distribution that is not spread out, and the sampled companies have relatively small differences.

The variable number of audit committee meetings obtained through the number of audit committee meetings has a minimum value of 1 by Pratama Abadi Nusa Industri Tbk in 2018 and a maximum value of 73 by Krakatau Steel Tbk in 2020. The average value is 6.64, with a standard deviation of 6.40. so it can be concluded that the number of audit committee meetings has data that is not spread out, and the sample companies have relatively small differences.

The audit committee size variable obtained through the number of audit committees has a minimum value of 2 of them by Martina Berto Tbk, Mustika Ratu Tbk in 2018-2020, Krakatau Steel Tbk in 2018-2019 and a maximum value of 6 by Semen Indonesia Tbk in 2018, Handjaya Mandala Sampoerna Tbk 2020. The average value is 3.07 with a standard deviation of 0.39, so it can be concluded that the size of the audit committee has a data distribution that is not spread out, and the companies that are sampled have relatively small differences.

The independence variable of the board of commissioners obtained by comparing the total independent board of commissioners to the total board of commissioners has a minimum value of 25 of them by Kimia Farma Tbk in 2020, Astra Otoparts Tbk in 2019, Inti Keramik Alam Industri Tbk in 2020 and a maximum value of 83.33 by Suparma Tbk and Unilever Indonesia Tbk in 2020. The average value is 40.84 with a standard deviation of 9.84, so it can be concluded that the independence of the board of commissioners has a data distribution that is not spread out, and the sample companies have relatively small differences.

The audit report lag variable obtained by knowing the difference between the audit report reporting date and the financial report reporting date has a minimum value of 29 by Unilever Indonesia Tbk in 2019 and a maximum value of 318 by Eterindo Wahanatama

Tbk in 2019. The average value is 91.35, with a maximum value of 91.35 and a standard deviation of 31.44, so it can be concluded that the audit report lag has data that is not spread out, and the companies that are sampled have relatively small differences.

**4.2 Chow Test Results**

Table 3. Chow Test Results

Redundant Fixed Effects Tests			
Equation: Untitled			
Test cross-section fixed effects			
Effects Test	Statistics	df	Prob.
Cross-section F	6.474547	(131.258)	0.0000
Cross-section Chi-square	576.455387	131	0.0000

Source: Output Eviews 10

Based on Table 3, the significance value of the chi-square cross section is 0.0000 or <0.05. These results indicate that H0 is rejected, which means that the selected panel data regression model is the fixed effect model.

**4.3 Hausman Test Results**

Table 4. Hausman test

Correlated Random Effects - Hausman Test			
Equation: Untitled			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistics	Chi-Sq. df	Prob.
Cross-section random	29.872696	6	0.0000

Source: Output Eviews 10

Based on the table above, the significance value of the random cross section is 0.0000 or <0.05. These results indicate that H0 is rejected, which means that the selected panel data regression model is a fixed effect model.

**4.4 Multicollinearity Test Results**

Table 5. Multicollinearity Test Results

	ROA	DAR	ACEXP	ACMEET	ACSIZE	BIND	ARL
ROA	1	0.17542	-0.01882	0.126746	-0.03917	-0.16413	-0.29965
DAR	0.17542	1	0.011967	-0.05888	0.022203	0.083594	0.002269
ACEXP	-0.01882	0.011967	1	-0.07838	0.043884	-0.07121	0.011396
ACMEET	0.126746	-0.05888	-0.07838	1	0.107288	-0.03102	-0.09382
ACSIZE	-0.03917	0.022203	0.043884	0.107288	1	0.032403	0.083996
BIND	-0.16413	0.083594	-0.07121	-0.03102	0.032403	1	0.078679
ARL	-0.29965	0.002269	0.011396	-0.09382	0.083996	0.078679	1

Source: Output Eviews 10

Table 5 shows the results of the multicollinearity test where there is no single variable that has a correlation > 0.90 with other variables. This result means that there is no correlation between the independent variables in the regression model.

**4.5 Heteroscedasticity Test Results**

Table 6. Results Heteroscedasticity Test

Heteroskedasticity Test: Breusch-Pagan-Godfrey			
F-statistics	1.538413	Prob. F( 6,389)	0.1643
Obs *R-squared	9.178780	Prob. Chi-Square( 6)	0.1638
Scaled explained SS	43.85788	Prob. Chi-Square( 6)	0.0000

Source: Output Eviews 10



Table 6 shows the results of the heteroscedasticity test where the probability value of Obs\*R-squared is 9.178780 or > 0.05. These results conclude that there is no heteroscedasticity problem in this study.

#### 4.6 Autocorrelation Test Results

Table 7. Autocorrelation Test Results

Breusch-Godfrey Serial Correlation LM Test:			
F-statistics	1.270424	Prob. F( 147,242)	0.0503
Obs *R-squared	172.4863	Prob. Chi-Square( 147)	0.0740

Source: Output Eviews 10

Table 7 shows the results of the autocorrelation test where, according to the LM test, the probability value of Obs \* R - squared is 172.4863 or > 0.05. These results conclude that there is no autocorrelation in this study.

#### 4.7 Hypothesis Test Results

##### a. F . Simultaneous Significance Test

The following are the results of the F test in this study:

Table 8. Simultaneous Significance Results (Test F)

R-squared	0.790558	Mean dependent var	4.463056
Adjusted R-squared	0.679343	SD dependent var	0.319630
SE of regression	0.180996	Akaike info criterion	-0.312170
Sum squared resid	8.451951	Schwarz criterion	1.075292
Likelihood logs	199.8097	Hannan-Quinn criter	0.237500
F-statistics	7.108359	Durbin-Watson stat	2.769031

Source: Output Eviews 10

Table 8 shows the F statistical value is 7.1084 with a probability of 0.0000 or <0.05. These results prove that the variables of profitability, leverage, audit committee expertise, number of audit committee meetings, audit committee size, and the independence of the board of commissioners simultaneously have a significant effect on audit report lag.

##### b. Coefficient of Determination Test Results ( R<sup>2</sup> )

Table 9. Coefficient of Determination Test Results ( R<sup>2</sup> )

R-squared	0.790558	Mean dependent var	4.463056
Adjusted R-squared	0.679343	SD dependent var	0.319630
SE of regression	0.180996	Akaike info criterion	-0.312170
Sum squared resid	8.451951	Schwarz criterion	1.075292
Likelihood logs	199.8097	Hannan-Quinn criter	0.237500
F-statistics	7.108359	Durbin-Watson stat	2.769031
Prob(F-statistic)	0.000000		

Source: Output Eviews 10

Table 9 shows that the R-squared value obtained is 0.7906 or 79.06%. This result means that the Audit Report Lag of 79.06%% is explained by the variables of profitability, leverage, audit committee expertise, number of audit committee meetings, audit committee size, and independence of the board of commissioners. While the remaining 20.94% is influenced by factors another.

##### c. Panel Data Regression Analysis Test

Table 10. Results of Panel Data Regression Analysis

Dependent Variable: ARL		
Method: Least Squares Panel		
Date: 07/06/22 Time: 20:08		
Samples: 2018 2020		
Periods included: 3		
Cross-sections included: 132		
Total panel (balanced) observations: 396		

**The Influence of Financial Risk, Characteristics of the Audit Committee, and the Independence of the Board of Commissioners on Audit Report Lag**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.506646	0.533383	6.574355	0.0000
ROA	-0.002931	0.001328	-2.206608	0.0282
DAR	0.145239	0.104496	1.389907	0.1658
ACEXP	-0.108414	0.083567	-1.297332	0.1957
ACMEET	-0.147075	0.025656	-5.732650	0.0000
ACSIZE	-0.107535	0.415650	-0.258716	0.7961
BIND	-0.118660	0.210310	-0.564217	0.5731
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.790558	Mean dependent var	4.463056	
Adjusted R-squared	0.679343	SD dependent var	0.319630	
SE of regression	0.180996	Akaike info criterion	-0.312170	
Sum squared resid	8.451951	Schwarz criterion	1.075292	
Likelihood logs	199.8097	Hannan-Quinn criter.	0.237500	
F-statistics	7.108359	Durbin-Watson stat	2.769031	
Prob(F-statistic)	0.000000			

Source: Output Eviews 10

The constant obtained is 3.507, which means that if the value of profitability, leverage, audit committee expertise, number of audit committee meetings, audit committee size, and independence of the board of commissioners is equal to 0 (zero), then the Audit Report Lag value is 3.507.

Profitability (ROA) produces a coefficient value of -0.0029. This means that every 1% change in ROA will make the Audit Report Lag decrease by 0.0029, assuming other factors are considered constant. The significance value of profitability is 0.0282 or <0.05. These results mean that profitability has a significant negative effect on Audit Report Lag.

Leverage (DAR) produces a coefficient value of 0.1452. This means that every 1% change in DAR will make the Audit Report Lag increase by 0.1452, assuming other factors are held constant. The significance value of leverage is 0.1658 or > 0.05. This result means that leverage has no effect on Audit Report Lag.

The expertise of the audit committee (ACEXP) resulted in a coefficient value of -0.1084. This means that every 1% change in ACEXP will make the Audit Report Lag decrease by 0.1084, assuming other factors are held constant. The significance value of the audit committee's expertise is 0.1957 or > 0.05. This result means that the expertise of the audit committee has no effect on the Audit Report Lag.

The number of audit committee meetings (ACMEET) resulted in a coefficient value of -0.1471. This means that every 1% change in ACMEET will make the Audit Report Lag decrease by 0.1471, assuming other factors are held constant. The significance value of the number of audit committee meetings is 0.0000 or <0.05. This result means that the number of audit committee meetings has a significant negative effect on Audit Report Lag.

The size of the audit committee (ACSIZE) produces a coefficient value of -0.1075. This means that every 1% change in ACSIZE will make the Audit Report Lag decrease by 0.1075, assuming other factors are held constant. The significance value of the audit committee size is 0.7961 or > 0.05. This result means that the size of the audit committee has no effect on the Audit Report Lag.

The independence of the board of commissioners (BIND) produces a coefficient value of -0.1187. This means that every 1% change in BIND will make the Audit Report Lag decrease by 0.1187, assuming other factors are held constant. The significance value of the independence of the board of commissioners is 0.5731 or > 0.05. This result means that the independence of the board of commissioners has no effect on the Audit Report Lag.

**4.8 Discussion**

1) Effect of Profitability on Audit Report Lag

Based on the test results from panel data regression, profitability has a coefficient value of -0.0029 with a significance level of 0.0282 or less than 0.05. These results indicate that profitability has a significant negative effect on audit report lag, or H1 is accepted.

Profitability obtained through the ROA value is an indicator of the company's success in generating profits. Profitability has a significant negative effect on audit report lag, explaining that the higher the company's profitability value, the better the company's efficiency in using or utilizing its assets so that audit report lag can be minimized. Profitability is also good information for the company because, with a high profitability value, the company's financial reporting will tend to be faster, and it shortens the auditor's time period in conducting the audit process.

In line with agency theory, the high value of profitability will motivate the company's management to convey to the principals what relates to the compensation that will be received by the agent because this is good news. The high value of profitability also has an impact on management because the principal will give a good appreciation for the performance that has been done and will most likely use the same agent again. The results of this study are consistent with previous research conducted by Savitri et al. (2019), Utami et al. (2018), and Mazkiyani & Handoyo (2017), which stated that profitability had a significant negative effect on audit report lag.

#### 2) Effect of *Leverage* on *Audit Report Lag*

Based on the results of panel data regression, leverage has a coefficient value of 0.1452 with a significance level of 0.1658 or more than 0.05. These results indicate that leverage has no effect on audit report lag or H2 is rejected.

Leverage obtained through the DAR value shows the company's ability to meet both long-term and short-term obligations. Leverage has no effect on audit report lag, explaining that the higher the number of company assets financed by debt does not accelerate or slow down audit report lag. This is because DAR is not the only factor that reflects an unhealthy financial condition or high financial risk. In addition, in the process of auditing financial statements, auditors also have standards that have been regulated in the Professional Standards of Public Accountants (SPAP) to carry out the debt audit process by providing the required period of time so that the high and low value of the obligation does not affect the audit report lag.

The results of this study are not consistent with research conducted by Bahri & Amnia (2020), Yusnia & Kanti (2020), Halim (2018), and Hasibuan & Abdurahim (2017), which states that leverage has a significant effect on audit report lag but is in line with the research of Yendrawati & Mahendra (2018) and Mazkiyani & Handoyo (2017).

#### 3) Effect of *Audit Committee Expertise* on *Audit Report Lag*

Based on the results of panel data regression, the expertise of the audit committee has a coefficient value of -0.1084 with a significance level of 0.1957 or more than 0.05. These results indicate that the expertise of the audit committee has no effect on audit report lag, or H3 is rejected.

The expertise of the audit committee is obtained by comparing the number of competent audit committees with the total audit committees. Based on POJK Number 55/POJK.04/2015 Article 7, members of the audit committee must have at least 1 (one) person who is competent in accounting and finance because the audit committee is the liaison between management and external auditors. The expertise of the audit committee is also expected to increase the effectiveness of the committee in carrying out its duties so that the company's audit report lag will be shorter. The results of this study explain that the expertise of the audit committee does not affect the audit report lag, where few or many members of the audit committee who are competent in accounting and finance do not affect the speed of audit report lag. This is because the role of the audit committee is indirect, namely as a bridge so that the auditor in the process of auditing the company's financial statements will not be affected.

The results of this study are not in line with research conducted by Oussii & Taktak (2018), Habib et al. (2018), Raweh et al. (2019), Ogoun et al. (2020), Eze et al. (2020), Handayani & Yustikasari (2017), Joy & Fachriyah (2018), and Rusmanto & Herlina (2020) but in line with the research of Salleh, et al., (2017), Fakri & Taqwa (2019), and Firnanti & Karmudiandri (2020).

#### 4) Effect of *Number of Audit Committee Meetings* on *Audit Report Lag*

Based on the results of panel data regression, the number of audit committee meetings has a coefficient value of -0.1471 with a significance level of 0.0000 or less than 0.05. These results indicate that the number of audit committee meetings has a significant negative effect on audit report lag, or H4 is accepted.

According to the regulations, the audit committee is required to hold regular meetings at least 1 (one) time in 3 (three) months. The audit committee meeting is a means of forum and formal communication media for members to discuss all processes in the financial statements and ensure that corporate governance has been carried out properly. The results of this study indicate that the number of meetings of the audit committee has a significant negative effect on audit report lag, where the more often the audit committee holds meetings, the audit report lag will decrease. The greater the intensity of the number of meetings, the greater the possibility that the audit committee can detect and prevent errors in the financial reporting process. The average number of

audit committee meetings held by the company is 7 (seven) times, which is higher than the established regulations. This can be used as a reference that the number of audit committee meetings has a significant negative effect on audit report lag.

This research is in line with agency theory, which states that the audit committee is one of the mechanisms for implementing corporate governance that can minimize the existence of information asymmetry, irregularities and unreliable disclosures between owners and agents so that the process of preparing financial statements becomes more relevant and audit report lag. the company can be shortened. The results of this study are in line with research conducted by Joy & Fachriyah (2018) and Rusmanto & Herlina (2020) but not with research conducted by Oussii & Taktak (2018), Habib et al. (2018), Raweh et al. al., (2019), Ogoun, et al., (2020), and Fakri & Taqwa (2019) which stated that the number of audit committee meetings had no effect on audit report lag.

#### 5) Effect of Audit Committee Size on *Audit Report Lag*

Based on the results of panel data regression, the size of the audit committee has a coefficient value of -0.1075 with a significance level of 0.7961 or more than 0.05. These results indicate that the size of the audit committee has no effect on audit report lag, or H5 is rejected.

The audit committee is required to have at least 3 (three) members who come from independent commissioners and parties outside the issuer. The large number of audit committees shows the quality of supervision in the reporting process is getting better so that existing problems can be quickly resolved so that the audit report lag will be shorter. However, the results of this study state that the size of the audit committee has no effect on audit report lag, which means that companies that have audit committees consisting of many or a few members have no effect on the speed of audit reports. The quality of committee oversight in the reporting process is also independent of its size. The average audit report lag in this study is 91 days. The maximum value is 318 days with an audit committee size of 3 people and a minimum value of 29 days with an audit committee size of 3 people. This can be a supporter that the size of the audit committee has no effect on audit report lag.

The results of this study are in line with previous research conducted by Ahmed & Ahmad (2016), Oussii & Taktak (2018), Habib et al. (2018), Ogoun et al. al. (2020), Eze, et al., (2020), and Butarbutar & Hadiprajitno (2017) but contrary to the research of Joy & Fachriyah (2018), Fakri & Taqwa (2019), Firnanti & Karmudiandri (2020), and Rusmanto & Herlina (2020).

#### 6) The Influence of the Independence of the Board of Commissioners on the *Audit Report Lag*

Based on the results of panel data regression, the independence of the board of commissioners has a coefficient value of -0.1187 with a significance level of 0.5731 or more than 0.05. These results indicate that the independence of the board of commissioners has no effect on audit report lag, or H6 is rejected.

According to KNKG (2006), the board of commissioners has the task of carrying out supervision and evaluation of the board of directors to prove that the company has implemented good corporate governance. In other words, the board of commissioners is a component of corporate governance. The board of commissioners is also required to fulfill the principles, one of which is the composition of the board of commissioners must be able to make effective, precise and fast decisions and act independently. This independence is obtained by looking at the composition of the board of commissioners by comparing the total independent board of commissioners to the total board of commissioners. The independence of the board of commissioners has no effect on the audit report lag, indicating that the composition of the independent board of commissioners does not lengthen or shorten the lag of the audit report. This is because the number of independent commissioners in the company is only to help the company run according to its objectives without having an impact on audit report lag. Besides that,

The results of this study are consistent with previous research conducted by Yusnia & Kanti (2020) and Handayani & Yustikasari (2017) but not consistent with research conducted by Habib et al. (2018), Kusumah & Manurung (2017), Firnanti & Karmudiandri (2020) and Rusmanto & Herlina (2020).

## **5. Conclusions and Suggestions**

### **5.1 Conclusion**

Profitability has a significant negative effect on audit report lag. Profitability, as measured by the company's ROA, is a factor that can shorten or lengthen audit report lag in manufacturing companies.

Leverage has no effect on audit report lag. Leverage measured using the company's DAR value is not a factor that affects audit report lag in manufacturing companies.

The expertise of the audit committee has no effect on audit report lag. The expertise of the company's audit committee is not a factor that affects the audit report lag in manufacturing companies.

The number of audit committee meetings has a significant negative effect on audit report lag. The number of meetings of the company's audit committee is not a factor that affects the audit report lag in manufacturing companies.

The size of the audit committee has no effect on audit report lag. The size of the company's audit committee is not a factor that affects audit report lag in manufacturing companies.

The independence of the board of commissioners has no effect on audit report lag. The independence of the company's board of commissioners is not a factor that affects audit report lag in manufacturing companies.

## 5.2 Suggestion

One of the characteristics of the audit committee, which is represented by the expertise of the audit committee, is not a factor that affects the audit report lag in manufacturing companies. The expertise of the audit committee is measured by knowing the percentage of the total competent audit committee through the formal education of each member. Therefore, it is hoped that the company can improve the expertise of the audit committee by providing non-formal training in this field so that the role of the audit committee's expertise is significantly more influential.

This study uses all samples of manufacturing companies that have complied with the sampling criteria, namely manufacturing companies listed on the Indonesia Stock Exchange in 2018-2020 and publishing complete financial statements. The researcher also uses the entire value of the audit report lag, both those that are less and/or exceeding the limits of the OJK Regulations, which is no later than the end of the fourth month (4). For further researchers, it is hoped that the sampling criteria can be minimized, namely by seeing how much audit report lag exceeds the end of April so that the data represents the actual conditions.

In addition, financial risk represented by profitability is not a factor that affects audit report lag in manufacturing companies. Profitability is measured using ROA through a comparison of net income, both positive and negative profits, with total assets. Therefore, it is expected that further researchers will examine the profitability variable by processing separately between positive profit data and negative profit data so that the research results are more valid.

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