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THE EFFECT OF AUDIT COMMITTEE AND BOARD OF COMMISSIONERS ON AUDIT REPORT LAG

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Abstract

Corporate governance has emerged as a vital area of study in ensuring transparency and accountability within organizations. Two key elements of corporate governance are the Audit Committee and the Board of Commissioners. The Audit Committee plays a crucial role in overseeing financial reporting and internal controls, while the Board of Commissioners holds responsibility for strategic decision-making and overall governance. The purpose of this study is to determine the influence of the Audit Committee (X1) and the Board of Commissioners (X2) on Audit Report Lag in Banking Companies Listed on the Indonesia Stock Exchange (IDX) for the 2018-2022 period. The research methodology used by the author is descriptive quantitative method. The population used in this study is the banking sector companies. While the data analysis used was the Common Effect Model (CEM) test, Fixed Effect Model (FEM), Random Effect Model (REM), regression test, classical assumptions, and hypothesis testing using the T test (partial) and F test (simultaneous) with using Ms. Excel and Eviews version 12. The results of the research found that the T test hypothesis 1 variable Audit Committee (X2) has an effect on the Audit Report Lag variable (Y), T test Hypothesis 2 the Board of Commissioners variable (X2) has an effect on the Audit Report Lag variable (Y), and the results of the F test show that the variables (X1 & X2) of the Audit Committee and the Board of Commissioners simultaneously affect the variable Audit Report Lag (Y).

Keywords: *Audit Committee, Audit Report Lag, Board of Commissioners*

1. INTRODUCTION

The issuance of Financial Services Authority Regulation Number 44/POJK.04/2016 concerning Depository and Settlement Institution Reports has set forth requirements for public companies listed on the Indonesia Stock Exchange. These companies are obligated to furnish their annual financial reports to the Financial Services Authority within 90 days of the financial year's closure. These reports must adhere to Financial Accounting Standards and undergo auditing by a Public Accountant registered with the Financial Services Authority. Essential components of the disclosed annual financial statements comprise the statement of financial position (balance sheet), comprehensive income statement, cash flow statement, and the auditor's opinion. The auditor's opinion is derived from an assessment of the financial statements by an independent auditor in accordance with the professional standards of public accountants.

In accordance with the International Financial Reporting Standards (IFRS), relevance stands as a qualitative characteristic within the conceptual framework for formulating financial statements. Relevance, as noted by Alfredson (Rusmin & Evans, 2017), signifies that financial information holds a quality capable of influencing the economic decisions undertaken by its users. The attainment of relevance and economic

value in financial information rests on the prompt disclosure and distribution of year-end financial statements to users, following the close of the fiscal year.

The timeliness of a company's audited annual financial statements is deemed pivotal and capable of exerting substantial influence on the utility of information accessible to users (Ayemere & Elijah, 2015). In Indonesia, the Financial Services Authority (OJK) underscores the significance of timely periodic reporting of financial statements by stock exchange-listed companies (issuers), aiming to safeguard the interests of investors. This legal mandate is explicitly delineated in Capital Market Law Number 8 of 1995.

The impetus for this research emanates from the occurrence detailed in Indonesia Stock Exchange announcement No. 14/BEI.PP3/09-2020, revealing that 41 publicly listed companies failed to submit their Interim financial reports, resulting in written warnings. This study seeks to delve into the underlying causes of non-adherence to the punctual dissemination of financial reports by companies. Extensive exploration has been conducted on the correlation between the dimensions of the board of commissioners and Audit Report Lag. While Mouna and Anis (2013) propose a negative yet relatively insubstantial impact of the board's size on Audit Report Lag, Wu et al. (2018) establish a substantial and negative influence of the commissioner count on Audit Report Lag.

Overall, the timely submission of financial reports by companies is critical for providing relevant and reliable information to stakeholders, and understanding the factors that affect this timeliness can help improve transparency and decision-making in the financial market. In contrast to (Mouna & Anis, 2013) and Wu et al (2008), Naimi et al (2019) revealed that the size of the board of commissioners has a positive influence but shows that the board of commissioners is not as important as the audit committee on Audit Report Lag, and Dauod et al (2014) also revealed the results of their research that companies that have a small board of commissioners are faster in reporting than those with a large board of commissioners but did not find evidence that the size of the board of commissioners has a major influence on Audit Report Lag.

This study takes the object of companies in the banking sector with the consideration that although these sector companies are considered to have good performance in 2020, it does not mean that there are no more challenges, because the biggest challenge for banks is not the problem of bad credit but the problem of obtaining funds. Timely financial information is a crucial thing needed for stakeholders, for this reason this sector requires attention, so it is interesting to re-examine the factors that affect audit delay. The purpose of this study is to test and obtain empirical evidence about the effect of the Audit Committee on Report Lag in Banking companies listed on the IDX in 2018-2022. The results of this study are expected to provide insight and add references to the problems that affect Report Lag in banking companies listed on the Indonesia Stock Exchange, as well as a reference for future research. The results of this study are also expected to be a material consideration for investing in a company so that it can help investors and potential investors.

By looking at some of the values of Audit Report Lag, audit committee, and board of commissioners in a banking company, it can be seen the real condition of the development of the company's financial performance. So that institutions or individuals as creditors can make decisions whether or not a financing will be made to their customers.

The Audit Committee of BCA Bank had 3 members during the period 2018-2022. The number of members in this audit committee remained stable throughout these five years. On the other hand, the Audit Committee of BNI Bank had varying numbers of members. In 2018 and 2019, the number of members in the audit committee was 4. In 2020, the number increased to 5, then decreased back to 3 in 2021, and increased again to 4 in 2022. The Audit Committee of BRI Bank also experienced variations in the number of members. In 2018, the number of members was 6, which then increased to 7 in 2019, and further to 8 in 2020. However, the number of members decreased to 4 in 2021 and remained at 4 in 2022.

Similarly, the Audit Committee of Danamon Bank had varying numbers of members. From 2018 to 2020, the number of members remained at 4. However, in 2021 and 2022, the number of members increased to 5. The Audit Committee of Mandiri Bank also experienced variations in the number of members. In 2018, the number of members was 6, then sharply increased to 10 in 2019. The number of members then decreased to 8 in 2020, 7 in 2021, and remained at 7 in 2022.

The Audit Committee of Bank Negara Indonesia had varying numbers of members as well. From 2018 to 2019, the number of members remained at 4. However, in 2020 and 2021, the number of members decreased to 3. In 2022, the number of members increased again to 5. The Audit Committee of Bank Rakyat Indonesia Syariah also experienced variations in the number of members. From 2018 to 2020, the number of members remained at 6. However, in 2021, the number of members sharply increased to 10. In 2022, the number of members decreased again to 6.

In contrast, the Audit Committee of Bank Mega had 3 members during the period 2018-2022, and the number of members in this audit committee remained stable over the five years. This indicates that some issuers experienced variations in the number of Audit Committee members from year to year, while others remained consistent.

It is viewed based on the number of commissioners that the Board of Commissioners of BCA Bank had 5 members during the period 2018-2022. The number of commissioners in this board remained stable throughout these five years. On the other hand, the Board of Commissioners of BNI Bank experienced an increase in the number of members from year to year. In 2018 and 2019, the number of commissioners was 9. In 2020, the number increased to 10, then further increased to 11 in 2022. The Board of Commissioners of BRI Bank had a consistent number of members. Throughout the period 2018-2022, the number of commissioners remained at 8, except in 2021 and 2022, where the number of members increased to 10.

The Board of Commissioners of Danamon Bank experienced variations in the number of members. In 2018, the number of members was 4. In 2019, the number of members increased to 8. Then, the number of board members fluctuated between 7 and 8 from 2020 to 2022. The Board of Commissioners of Mandiri Bank also had variations in the number of members. From 2018 to 2019, the number of commissioners remained at 8. From 2020 to 2022, the number of members increased to 10.

The Board of Commissioners of Bank Negara Indonesia had a consistent number of members. Throughout the period 2018-2022, the number of commissioners remained at 6. The Board of Commissioners of Bank Rakyat Indonesia Syariah also had a consistent number of members. Throughout the period 2018-2022, the number of commissioners

remained at 4, except in 2021 and 2022, where the number of members increased to 8. The Board of Commissioners of Bank Mega had variations in the number of members. In 2018, the number of members was 4. From 2019 to 2021, the number of members was 5. However, in 2022, the number of members decreased again to 4. This indicates that each issuer has different policies and needs in determining the number of Board of Commissioners members. Some issuers maintain a consistent number of members during the given period, while others experience fluctuations or an increase in the number of members from year to year. The changes in the number of Board of Commissioners members can reflect the company's development, corporate policies, or changes in applicable regulations.

Based on the observed data, the average banking companies listed on the Indonesia Stock Exchange (BEI) during the period 2018-2022 experienced an Audit Report Lag with the longest duration being bank BRI in 2018, taking 114 days, and the shortest duration being bank MEGA in 2021, taking 18 days, with an average value of 36.98 (days). Similar to the audit committee, the number of Board of Commissioners in banking companies listed on the Indonesia Stock Exchange also tends to remain stable in each period, which is why some banking companies listed on the Indonesia Stock Exchange still have a long Audit Report Lag. Based on the above phenomenon, this research aims to analyze the influence of the Audit Committee and the Board of Commissioners on the Report Lag in banking companies listed on the Indonesia Stock Exchange.

2. LITERATURE REVIEW

In the realm of corporate governance, agency theory, as elucidated by Jensen and Meckling (in Aristika et al., 2016), serves as a pivotal framework for understanding the intricate interactions between owners and shareholders (principals) vested with decision-making authority, and management (agents) responsible for company asset management and financial reporting. Within the auditing context, agency theory delves into the dynamics between management (principals) and independent auditors (agents), encompassing contractual relationships where individuals (management or principals) delegate tasks to others (independent auditors or agents) for services performed on behalf of the principal, thereby contributing to economic decision-making.

An essential component of corporate governance, the audit committee, is defined by the Financial Services Authority (OJK) through Circular Number 32/SEOJK.04/2015 issued on November 17, 2015. This circular establishes the audit committee as a distinct entity accountable to the Board of Commissioners, entrusted with facilitating the effective execution of the Board's duties and functions. The audit committee assumes a crucial role in aiding the Board of Commissioners in overseeing company operations and has evolved as a pivotal communication channel for auditors engaging with governance stakeholders.

A vital organ within a company's governance structure, the board of commissioners is tasked with general or specific supervision, as stipulated in the articles of association, while also providing guidance to the board of directors. This supervisory role involves vigilantly overseeing the management of the company by the board of directors and offering advisory insights to inform strategic decisions.

Audit Report Lag, as defined by Aryaningsih and Budiartha (2014), denotes the period in days between the conclusion of a company's accounting cycle and the formal

signing of audited financial statements, typically coinciding with the conclusion of standard fieldwork. This temporal metric captures the duration required to complete the audit of annual financial statements, measured as the number of days necessary to obtain an independent auditor's report on the company's annual financial audit. This timeline extends from the company's book closure date, often December 31, to the date indicated in the independent auditor's report.

3. RESEARCH METHODS

This research method is quantitative. The population of this study is the banking sector listed on the IDX (Indonesia Stock Exchange). The sampling technique employed in this study is Simple Random Sampling. The criteria taken into consideration in the sampling process are as follows:

Table 1. Sample Criteria

No	Criteria	Total
1	Bank listed on the IDX	46
2	Has a share value above IDR 1,000,- / sheet (in 2022)	(22)
3	Designated as a Foreign Exchange Bank by OJK	(12)
4	Financial Reporting in the last 5 years consecutively	(4)
	Total Sampel	8

Source: Data Processed by Researchers, 2023.

Data collection techniques in this research are Library Research and Internet Research. The data analysis used is descriptive quantitative. Data processing techniques include the calculation of research model analysis data. Before making conclusions in a study, data analysis must be carried out so that the research results are accurate. Therefore, this research was conducted using statistical methods assisted by the eviews program.

4. RESULTS AND DISCUSSION

4.1. Research Results

4.1.1. Classical Assumption Testing

a. Normality Test

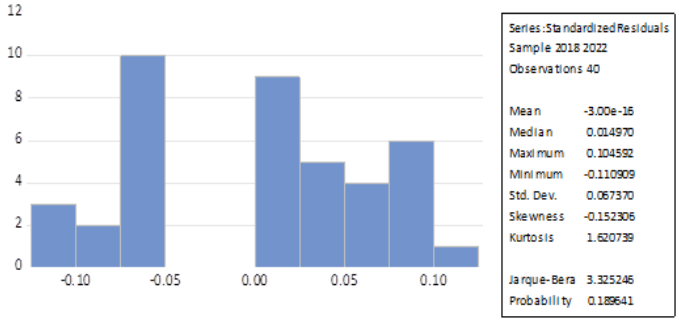

Figure 1. Normality Test Results

Based on the histogram of Figure 1 in the results of this study, the probability is 0.189641, indicating that this data is normal data, because this data is above more than the standard value of 0.05 or 5%, but if the data / probability number is less than 0.05 then the data is normally distributed.

b. Multicollinearity Test

Table 2. Multicollinearity Test Result

	X1	X2
X1	1	0.4049788144889081
X2	0.4049788144889081	1

In the multicollinearity test results in table 4.10 above, it can be seen that the correlation value is 0.4049788144889081 <0.9 so it can be concluded that there is no multicollinearity problem in the research variables. With this, the two results of the clastic assumption test have been met.

c. Heteroscedasticity Test

Table 3. Heteroscedasticity Test Results

Heteroskedasticity Test: ARCH

F-statistic	1.831083	Prob. F(5,7)	0.2254
Obs*R-squared	7.367213	Prob. Chi-Square(5)	0.1947

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	324.0404	427.4540	0.758071	0.4732
RESID^2(-1)	0.849020	0.374955	2.264324	0.0580
RESID^2(-2)	-0.206124	0.491672	-0.419230	0.6876
RESID^2(-3)	-0.045303	0.487426	-0.092943	0.9286
RESID^2(-4)	-0.291362	0.473060	-0.615909	0.5574
RESID^2(-5)	0.189206	0.397604	0.475865	0.6487

R-squared	0.566709	Mean dependent var	679.9093
Adjusted R-squared	0.257215	S.D. dependent var	876.1491
S.E. of regression	755.1089	Akaike info criterion	16.39564
Sum squared resid	3991326.	Schwarz criterion	16.65638
Log likelihood	-100.5717	Hannan-Quinn criter.	16.34204
F-statistic	1.831083	Durbin-Watson stat	1.921989
Prob(F-statistic)	0.225446		

According to the results of this heteroscedasticity test using the ARCH method, it can be seen in table 3 above that the probability value is 0.225446, which means more than more than 0.05 or 5%, so it can be concluded that the data from this study does not occur heteroscedasticity problems.

4.1.2. Panel Data Regression Model Estimation Analysis Dependent Variable (Audit Report Lag)

a. Partial T Test

Table 4 T Test Result (Hypothesis 1)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.723189	0.037632	19.21745	0.0000
X1	0.161278	0.007731	20.86050	0.0000
Effects Specification				
Cross-section fixed (dummy variables)				
Root MSE	0.045758	R-squared		0.983856
Mean dependent var	1.489259	Adjusted R-squared		0.979689
S.D. dependent var	0.364719	S.E. of regression		0.051978
Akaike info criterion	-2.880885	Sum squared resid		0.083753
Schwarz criterion	-2.500887	Log likelihood		66.61770
Hannan-Quinn criter.	-2.743490	F-statistic		236.1481
Durbin-Watson stat	2.512650	Prob(F-statistic)		0.000000

The T test results can be seen in table 4, the Regression Coefficient value β1 is 0.161278 (Positive) with a T statistic of 20.86050 (Positive) and the prob T value obtained is 0.0000 (significant) less than the significant level a (alpha) 0.05 or 5% (which has been determined), with a confidence level (R-square) of 0.983856 or 98.38% percent, then the proposed hypothesis is accepted or can be said to be partially significant to the Audit Report Lag during the 2018-2022 period. This means that the probability value has a probability influence on the company of 98.38% while and the remaining 1.62% is influenced by other factors outside this model. This means that if there is an increase in the board of commissioners by 1%, the Audit Report Lag will increase by 0.161278 with a partially significant increase.

Table 5. T Test Result (Hypothesis 2)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.441626	0.336934	1.310719	0.1987
LOGX2	0.550730	0.174817	3.150327	0.0034
Effects Specification				
Period fixed (dummy variables)				
Root MSE	0.316002	R-squared		0.230060

Mean dependent var	1.489259	Adjusted R-squared	0.116834
S.D. dependent var	0.364719	S.E. of regression	0.342752
Akaike info criterion	0.833861	Sum squared resid	3.994282
Schwarz criterion	1.087193	Log likelihood	-10.67723
Hannan-Quinn criter.	0.925458	F-statistic	2.031859
Durbin-Watson stat	0.667896	Prob(F-statistic)	0.098904

The T test results can be seen in table 5 above, the Regression Coefficient value β1 is 0.550730 (Positive) with a T statistic of 3.150327 (Positive) and the prob T value obtained is 0.0034 (Significant) smaller than the significant level of a (alpha) 0.05 or 5% (which has been determined), with a confidence level (R-square) of 0.230060 or 23 percent, then the proposed hypothesis is accepted or can be said to be partially significant to the Audit Report Lag during the 2018-2022 period. This means that the probability value has a probability influence on the company of 23% while and the remaining 77% is influenced by other factors outside this model. This means that if there is an increase in the board of commissioners by 1%, the Audit Report Lag will increase by 0.550730 with a partially significant increase.

b. Simultaneous Test (F)

Table 6. Panel Data Model Estimation Results F Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.255333	0.088337	2.890443	0.0445
X1	0.562500	0.050792	11.07454	0.0004
X2	0.147001	0.044755	3.284574	0.0304

Root MSE	0.022492	R-squared	0.975041
Mean dependent var	1.221905	Adjusted R-squared	0.962561
S.D. dependent var	0.153773	S.E. of regression	0.029754
Akaike info criterion	-3.894211	Sum squared resid	0.003541
Schwarz criterion	-3.917393	Log likelihood	16.62974
Hannan-Quinn criter.	-4.180729	F-statistic	78.13127
Durbin-Watson stat	0.709002	Prob(F-statistic)	0.000623

Based on table 6, the F-test shows that the audit committee variable (X1), and the board of commissioners (X2) with an F statistic value of 78.13127 with a prob value (F-statistic) of 0.000623 are smaller than α (alpha) 0. 05 or 5% (which has been determined), then the proposed hypothesis is accepted or can be said to be significant to the Audit Report Lag during the 2018-2022 period, then the results of this study show positive (+) and significant, with a confidence level of (R-Square) 0.975041 or 97.5% percent while the remaining 2.5% is explained by other variables outside this research model.

4.2. Discussion

4.2.1. The Influence of Audit Committee (X1) on Audit Report Lag (Y)

The empirical findings of the research indicate that the audit committee variable has a positive (+) and significant influence on Audit Report Lag. Therefore, the proposed hypothesis is accepted, signifying its significance on Audit Report Lag during the period 2018-2022. This means that the probability value has an impact on the company of 98.38%, while the remaining 1.62% is influenced by other factors outside this model. It implies that a 1% increase in the audit committee leads to a 0.161278 increase in Audit Report Lag, which is considered significant.

4.2.2. The Influence of the Board of Commissioners (X2) on Audit Report Lag (Y)

The empirical findings of the research indicate that the board of commissioners' variable has a positive (+) and significant influence on Audit Report Lag. Therefore, the proposed hypothesis is accepted, signifying its significance on Audit Report Lag during the period 2018-2022. This means that the probability value has an impact on the company of 23%, while the remaining 77% is influenced by other factors outside this model. It implies that a 1% increase in the board of commissioners leads to a 0.550730 increase in Audit Report Lag, which is considered significant.

4.2.3. The Influence of Audit Committee (X1) and the Board of Commissioners (X2) on Audit Report Lag (Y)

The empirical findings of the research indicate that both the audit committee (X1) and the board of commissioners (X2) variables have a positive (+) and significant influence on Audit Report Lag (Y). Therefore, the proposed hypothesis is accepted, signifying their significance on Audit Report Lag during the period 2018-2022. This means that the probability value has an impact on the company of 97.5%, while the remaining 2.5% is influenced by other factors outside this model. It implies that a positive (+) and significant increase in both the audit committee (X1) and the board of commissioners (X2) has an impact on Audit Report Lag (Y). The F-test indicates that all independent variables have a positive (+) and significant influence on the dependent variable, Audit Report Lag, with a confidence level of 97.5 percent.

5. CONCLUSION

Based on the explanation of the research results regarding the influence of the Audit Committee and the Board of Commissioners on Banking Companies listed on the IDX from 2018 to 2022, it can be concluded that the audit committee has a partially significant effect on the audit report lag in Banking Companies listed on the IDX during the stated period. This is due to the fact that a larger number of audit committees results in a shorter audit report lag time. Similarly, the Board of Commissioners also has a partially significant effect on the audit report lag in Banking Companies listed on the IDX during the same period. This is because a larger number of boards of commissioners leads to a shorter audit report lag time.

Furthermore, when considering both the Audit Committee and the Board of Commissioners together, it is evident that they have a significant effect on the audit report

lag in Banking Companies listed on the IDX from 2018 to 2022. The percentage contribution of the influence of the audit committee and independent commissioners on the audit report lag is 97.5%, while the remaining 2.5% is influenced by other variables not included in this research model.

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