Audit Committee, Public Accountant Reputation, Ownership Structure, and Audit Report Lag

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Abstract. The purpose of this study is to examine the impact of audit committees, auditor reputation, and ownership structures on audit reporting delays in Indonesian Stock Exchange (IDX)-listed banking companies over the period 2017-2021. to provide empirical evidence for The study uses quantitative methods and uses secondary data on bank financial statements and annual reports. The analytical method uses multiple linear regression. Hypothesis test results show that audit committee meetings, government ownership, and auditor reputation have a significant negative impact on audit reporting delays. Independent audit committees, foreign ownership, private ownership, and domestic institutional ownership have no impact on audit reporting delays, whereas leverage has a significant positive impact on audit reporting delays.

Keywords: Audit Committee; Public Accountant Reputation; Ownership Structure; Audit Report Lag

1 Introduction

The shorter the delay in audit reports, the more value andbenefit users get from those financial reports [1]. One of thequalitative characteristics of accounting information isrelevance. For financial information to be consideredrelevant financial information, it must be of a quality thatinfluences the economic decisions of its users [2]. Financialinformation is relevant and has economic value if financialstatements are disclosed in a timely manner and provided tousers as soon as possible after the end of the financial year [3]. The timeliness of financial reporting is recognized as animportant aspect that influences the usefulness ofinformation for external users in the decision-making process [4]. Timely financial reporting also helps reduce the impact ofinsider trading, information leaks, and rumors on the stockmarket [5]. The rules for preparing the annual accounts oflisted companies in Indonesia are set out in FinancialServices Authority Regulation No. 29/POJK.04/2016 onAnnual Reports of Listed Companies [6].

The OJKregulations stipulate that the deadline for publication of theannual accounts of a listed company is 120 days after theend of the company's accounting period. Sanctions imposed on companies that violate these rules are administrative sanctions, which can take the form of written reprimands, fines, or suspensions from the stock exchange. In fact, the announcement of financial results of listed companies is still delayed. In 2020, 88 companies filed late audited financial reports. Also, 91 issuers of IDX listed companies failed to file their 2021 annual report by May 9, 2022 (idx.co.id). Delays in filing financial reports can increase

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information asymmetry and affect the uncertainty of investment decisions [7]. Investors also interpret delayed financial reporting as a bad sign for the company [8].

Based on this phenomenon, the timeliness of financial reporting is very important, especially for public companies. The importance of the timely release of audited financial reports makes the factors affecting ARL an important subject of investigation. These factors come not only from the auditors, who are external parties to the company, but also from inside the company. Because auditors perform their work according to the information available to the company. Various studies conducted on audit report delays indicate that there are several factors that influence the occurrence of audit report delays.

The Audit Committee is a component of the corporate governance structure that ARL can influence [9]. Several other studies have yielded different results because the review board does not affect ARL [10]. The auditor's reputation is also a factor that can affect the ARL. This statement is supported by research by [1]; [2] An internationally respected public accounting reputation (PAR) like the Big 4 proves useful in shortening his ARL. On the other hand, other researchers have obtained mixed results that PAR reputation does not affect ARL [5]. Another factor that can affect ARL is the ownership structure. Ownership is believed to affect not only the management of a company, but also the performance of the company [11]. Concentrations of ownership, institutional ownership, and foreign ownership have affected the ARL [12]. Institutional ownership and government ownership affect ARL [13]. Consistent with [5] stating that institutional and individual ownership affects ARL. Contrary to the results of [11] it states human ownership doesn’t effect to report delay.

2 Literature Review

This research is based on agency theory, which describes the agency relationship between agents and principals. Agency theory posits that the separation of ownership and control leads to agency problems, including information asymmetries. ARL refers to the timeliness of a company's financial reporting. Early filing can cause financial statement clients or users to learn too late about the information contained in the report, leading to information asymmetries that affect investment decision uncertainty. Timeliness is therefore important for reducing information asymmetries between agents and principals. This is the research hypothesis:

H1: Audit committee meetings have a negative effect on ARL
H2: Independent audit committee has a negative effect on ARL
H3: The reputation of a public accountant has a negative effect on ARL.
H4: Ownership structure affects ARL
- H4.1: Foreign ownership has a negative effect on ARL
- H4.2: Government ownership has a negative effect on ARL
- H4.3: Individual ownership has a negative effect on ARL
- H4.4: Ownership of domestic institutions has a negative effect on ARL

3 Research Method

This study uses a simple model with modifications made by previous researchers. The study is presented as dependent variables ARL and audit committee meetings, audit committee size, auditor reputation, owned and controlled by foreign, state, private and domestic institutions. It consists of an independent variable configured with its own ownership structure. variable or leverage. The population used in this study is banking companies listed on the Indonesian Stock Exchange from 2017 to 2021. The sampling method uses an intentional sampling method that draws samples based on certain criteria.

3.1. Variable Operational Definitions

In this look at, nine variables have been analyzed, consisting of one established variable, 7 unbiased variables and 1 manipulate variable. The established variable for this look at is Audit Report Lag (ARL). ARL is quantitatively measured through the wide variety of days among January 1st and the date of signature of the audit report. The wide variety of variable professional interviews relies upon at the wide variety of professional interviews withinside the studies year. Audit committee independence is measured primarily based totally at the ratio of outdoor participants to the entire wide variety of audit committee participants A dummy method was used to measure the relationship with the reputation (PAR) (AUDREP) of the four major certified public accountants. Companies using the Big Four PAR service will receive a dummy code of 1, and companies that do not belong to the Big Four PAR service will receive a dummy code of 0.

Foreign Ownership (KA) is the percentage of shares in a company owned by companies or individuals, corporations and governments located outside the country of the company through direct purchases from the company or stock exchanges. Ownership is measured by dividing each type of share ownership by the number of shares outstanding.

3.2. Analysis techniques and regression models

The analytical technique for testing hypotheses uses multiple linear regression. Descriptive statistics and traditional assumption tests are first introduced before the regression is performed. Use multiple regression analysis to explore relationships between independent and dependent variables. The multiple regression model for this study is::

$$ARL = \alpha + \beta 1ACMEET + \beta 2ACID + \beta 3AUDREP + \beta 4KA + \beta 5KP + \beta 6KPO + \beta 7KIND + \beta 8Lev + \varepsilon \quad (1)$$

Information:

α	:	Constant
ACMEET	:	Audit committee meeting
ACID	:	Independent audit committee
AUDREP	:	Public accountant reputation
KA	:	Foreign ownership
KP	:	Government ownership
KPO	:	Individual Ownership
KIND	:	Ownership of domestic institutions
Lev	:	Leverage
ε	:	Error

3.3. Analysis and Discussion

We know that all factors are satisfied based on the results of the classical hypothesis test. H. Data are normally distributed, no multicollinearity in any variable, no evidence of heteroscedasticity, and no autocorrelation..

Table 3. Results of the Regression Test

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	74.692	17.266		4.326	.000
	ACMEET	-1.473	.314	-.321	-4.688	.000
	ACID	-8.875	7.142	-.081	-1.243	.216
	AUDREP	-11.217	4.053	-.186	-2.767	.006
	KA	-9.700	14.573	-.113	-.666	.506
	KP	-32.127	16.012	-.246	-2.006	.046
	KPO	10.482	19.342	.047	.542	.588
	KIND	5.963	15.238	.067	.391	.696
	LEV	29.751	12.312	.168	2.416	.017
a. Dependent Variable: ARL						

Based on Table 3, the regression equation is obtained as follows:

$$ARL = 74{,}692 - 1{,}473\ \text{ACMEET} - 8{,}875\ \text{ACID} - 11{,}217\ \text{AUDREP} - 9{,}700\ \text{KA} - 32{,}127\ \text{KP} + 10{,}482\ \text{KPO} + 5{,}963 + 29{,}751\ \text{Lev} \qquad (2)$$

4 Result and Discussion

4.1. Audit Committee Meeting and Audit Report Lag

The first hypothesis of this study is that audit committee meetings negatively impact audit reporting delays. Based on individual parameter significance tests conducted by researchers, the results obtained show that the Audit Committee Meeting Variable (ACMEET) has a significant negative impact on ARL. These results show that the more audit committee meetings are held each year, the shorter the audit report delay time. The written test results also show that the sample companies hold an average of 11 audit committee meetings per year. This is OJK Regulation No. 55/POJK on Policies for the Establishment of Audit Committees and Business Conduct, which states that a company's audit committee must hold at least four of his meetings per year. Audit committees are forums for members to discuss issues arising from the accounting process or performance of duties. Audit committees that meet proactively can identify and resolve issues in the accounting process more quickly.

The frequency of most audit committee meetings is also an advantage when auditing financial statements. External auditors can be contacted more easily and quickly about issues arising in the financial statements, and audit committees can respond faster and in less time. The results of this study were [14], [9], [15] which state that audit committee meetings have a significant negative effect on ARL. The more frequent frequency of audit committee meetings can help in shortening the company's audit report lag.

4.2. Independent Audit Committee and Audit Report Lag

A second hypothesis of this study suggests that independent audit committees have a negative impact on delays in audit reporting. Hypothesis (H2) was rejected. Because the ACID variable (Independent Review Agency) was found to have no effect on review report delay based on significance tests for individual parameters. , indicating less delay in the company's audit report. This is because each sample selected independent review board members only as a requirement for compliance with the bapepam rule, and paid little attention to the purpose and function of selecting independent review board members themselves. Maybe it's because you haven't paid for it. This research [14] which showed that the independence of audit committee members does not affect audit report lag.

4.3. Auditor Reputation and Audit Report Lag

The third hypothesis (H3) is accepted because it shows thatthe auditor's reputation has a significant negative impact ondelay in audit reporting. These results demonstrate thatcompanies using the services of the Big 4 auditors for their audits can reduce or shorten the delay time of their auditreports. The results of this study show that reputableaccountants such as B. Big Four Auditors provide effective,efficient and high-quality audit work, enabling the auditprocess to be completed in a timely manner. I can. indicate.Big Four examiners also receive higher incentives forcompleting exam papers faster than non-Big Four examiners.Reducing exam paper turnaround time helps protect thereputation of Big 4 examiners. According to descriptivetest results, from 2017 to 2021, most banking companies willuse the services of accountants belonging to the Big 4, or 54%.This indicates that the banking company wants to prepareaudit reports for the Big 4 auditors immediately. A largenumber of professional employees of the big four accountantsgreatly assist in the timely audit process of the company'sfinancial statements. The results of this study are consistentwith the study of [2];[13] Organizations using the services of theBig 4 auditors are more likely to report audit reports if theBig 4 auditors have greater competencies, expertise, auditorskills, technology, facilities, audit systems, and more modernprocesses. can benefit from You can shorten the delay time.

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4.4. Foreign Ownership and Audit Report Lag

The foreign owner (KA) does not affect the delay of theverification report, so the hypothesis (H4.1) that the foreignowner adversely affects the delay of the verification report isrejected. These results can be interpreted to mean that the sizeof a company's foreign ownership does not affect auditreporting delays. Foreign ownership may be a matter of thecompany's capitalization, but it does not depend on the level of foreign ownership related to the company's financial andoperational activities and internal controls. This will affect thefinancial or audit reporting process, but not the company'saudit reporting delays. The findings of this study are consistentwith the study conducted by [16] which states that foreignownership does not affect audit report delays. However, theresults of this study are inconsistent with research by [12] who said that foreign capital can affect the delay of firms'audit reports.

4.5. Government Ownership and Audit Report Lag

Based on individual parameter significance tests, the KPvariable (government owned) has been shown to have asignificant negative impact on ARL, and the third hypothesis(H3) is accepted. Companies with high government ownershiphave better systems and facilities that can speed up the auditprocess for auditors and reduce audit reporting delays. Thisresult is consistent with that of [17] which shows that stateownership of equity strengthens control over firms andimproves the quality of financial reporting.

4.6. Individual Ownership and Audit Report Lag

The results show that private property (KPO) does not affect audit report delays. It can be concluded that the hypothesis (H4.3) that private ownership adversely affects audit reporting delays is rejected. This statement means that when ownership of the company is held by an individual, management is not responsible for filing financial reports in a timely manner if the information is helpful in making decisions. This can reduce the confidence of individual shareholders in the company. In this case, FSA Regulation No. 60/POJK.04/2015 on Shareholder Information Minority shareholders' interests are protected in relation to information when filing financial reports.

4.7. Ownership of Domestic Institutions and Audit Report Lag

Hypothesis (H4.4) is rejected. The results show that domesticagency ownership does not affect audit reporting delays. Intheory, due to the high institutional ownership outside thecompany, oversight by institutional investors and managementis necessary to demonstrate that the company is performingwell and reduce audit reporting delays. While the findings arenot subject to agency theory based on the principle ofinstitutional ownership, management responsible for companydirection should be aware of the company's obligation toprovide timely financial reports when information is disclosed.must be Management does not convey a sense ofresponsibility. Helps in decision making. The results of thisstudy are consistent with studies conducted by [11], [16] andshow that institutional ownership does not affect audit reportdelay. However, the results of this study contradict those of [12] which show that domestic agency ownership influences audit reporting delays.

4.8. Control Variables

The results show that leverage has a significantly positiveimpact on audit reporting delays. In other words, the higherthe company's leverage, the longer the company's auditreporting delays. This can increase the latency of monitoringreports. The results of this study are consistent with researchconducted by [2] who stated that leverage has a positive effecton audit report delays. This indicates that a high level ofcorporate debt can lead to a relatively lengthy audit process,which can also affect audit reporting delays.

5 Conclusion

The purpose of this study is to provide empirical evidence on the impact of audit committees, auditor reputation, and ownership structures on delays in audit reporting for IDX-listed banks over the period 2017-2021. Hypothesis test results show that audit committee meetings have a negative impact on audit reporting delays. The Independent Audit Committee has no control over delays in audit reporting. An auditor's reputation has a significant negative impact on delays in audit reporting. Foreign ownership, private ownership, and domestic institutional ownership do not affect audit report delays. Government ownership has a significant negative impact on ARL. Leverage, on the other hand, has a significant positive effect on audit report delays.

This research theoretically contributes to the development of accounting science, especially in the area of audit report delays. A practical contribution as a resource for accountants, managers, and users of financial statements to consider and evaluate the factors that affect her ARL. Impact of state agency ownership on delays in audit reporting.

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