

ANALYSIS OF THE IMPACT OF CORPORATE GOVERNANCE AND INDUSTRY SPECIALIST AUDITORS ON AUDIT REPORT LAG
(Empirical Study of Consumer Cyclical Sector Companies Listed on the IDX in 2020 - 2022)

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Abstract: This research was conducted to test Corporate Governance and Industry Specialist Auditors on Audit Report Lag (Empirical Study of Consumer Cyclical Sector Companies Listed on the IDX in 2020 - 2022). This research takes the population of all consumer cyclical sector companies that have been listed on the Indonesia Stock Exchange in 2020 - 2022, which currently totals 146 companies. Sampling in this study used a purposive random sampling method to obtain 113 companies. The analysis method in this research uses panel data regression with the help of the eviews 12 application. The results of this research show that specialist industry auditors have a negative influence on audit report lag, while corporate governance has no influence on audit report lag.

Keywords: Audit Report Lag, Corporate Governance, Auditor Specialist Industry

1. Introduction

BPS (Statistical Supervisory Agency) released data on Indonesia's economic growth which shows an increase of 5.01% in the first three months of 2022 compared to the first three months of 2021 (y-on-y). There are several business sectors that are experiencing this growth. This data shows that the Indonesian economy in the first three months of 2022 experienced growth. Based on this data, the Indonesian economy has experienced recovery after the Covid 19 pandemic. This data can be seen below:

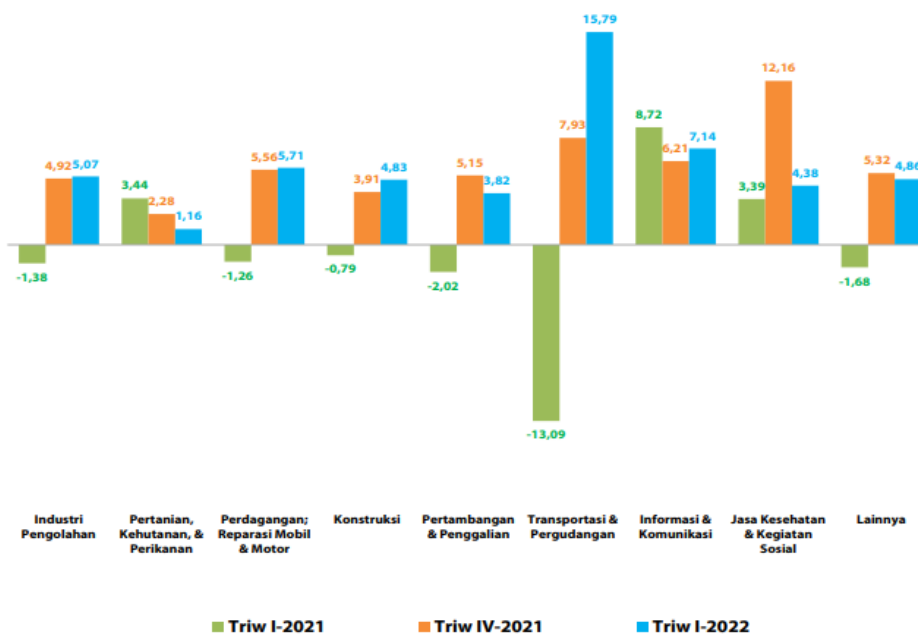


Figure 1. 1 Indonesia's Economic Growth

This data shows that the business sector that experienced a significant increase was the transportation and warehousing sector which experienced an increase of 7.14%. The electricity and gas business sector also

experienced an increase of 7.04%. The processing business sector also had an increase of 5.07%. Business sectors operating in fields such as agriculture, forestry, goods trading, car repairs and motorbikes also experienced increases of 1.16% and 5.71%, respectively.

The SID (Single Investor Identification) in the first three months of 2022 also increased compared to 2021. Investors in the capital market increased by 12.13%. An increase of 8.57% was also experienced by C-BEST investors. The mutual funds sector also experienced an increase of 13.12%. Investors in securities also experienced an increase of 10%.

The use of financial reports is important in increasing investment and economic growth in Indonesia. Quality financial reports are a consideration for investors making investments in a company. One of the benchmarks for assessing the quality of a company's financial reports is to look at the length of time for completing audited financial reports. The report is prepared by the auditor within a predetermined time.

In audit standards, auditors are not required to complete audits at a certain time. However, there is a time limit set by the Financial Services Authority in regulation number 29 POJK.04/2016 article 7 which states that the audit report must be submitted no later than 4 months after the end date of the report. Auditors have a responsibility to clients in the timely completion of audit reports regulated by these rules.

In 2020, BEI or the Indonesian stock exchange issued an announcement. The announcement contains the total number of companies that have submitted their audit reports including their financial reports and there are still some companies that have not reported them. This announcement shows that there are a total of 780 companies registered on the Indonesian stock exchange. There are 88 companies listed in the announcement that have not submitted their audit reports. 21 company names include companies operating in the consumer cyclicals sector. Of the 21 companies, only 1 company uses the services of auditors who are included in the big four, while the rest still use non-big four auditors and the rest have not yet issued their audit reports to date. This shows that there is still a lack of timeliness in financial reporting and that there are still companies whose auditors are not among the big four.

Not only in the 2020 financial reports. In the 2021 financial reports, there are still several companies that have not carried out financial reporting after being audited in a timely manner. For the submission of the 2021 financial report, BEI has issued an announcement regarding its submission. The IDX has set a deadline for submitting its financial reports on May 9 2022. There are 785 companies registered on the IDX. In the 2021 audit report, there were 91 companies that experienced reporting delays. Of the 91 companies, there are 20 companies in the consumer cyclicals sector that have not reported their financial reports. Of the 20 companies, only 1 company uses the services of a big four auditor, while the rest have not used the services of a big four auditor and the rest have not yet issued their audit report to date. This figure is not much different from the delay in submitting financial reports in 2020. This data also shows that there is still a lack of auditors used by companies, including those in the big four.

1.1. Formulation of the problem

The problem formulation in this research is:

- 1) Is there an influence of the size of the board of directors on audit report lag?
- 2) Is there an influence of audit committee size on audit report lag?
- 3) Is there an influence of industry specialist auditors on audit report lag?

2. Literature Review

2.1. Stakeholder Theory

Stakeholder theory (Hill and Jones, 1992 in Stuebs & Sun, 2015) focuses on the important relationships between companies and stakeholders. In the Company there are several stakeholders, including customers, employees, and the community. Relationships with stakeholders influence a company's performance. The relationship does not care whether the stakeholders share ownership rights or not. Success depends on how stakeholders are responded

to and managed. Trust in each other is the basis for the success of this relationship. Trust must be built while maintaining and exceeding responsibilities. Stakeholder theory indirectly considers the impact expected by stakeholder groups on the company's activity information disclosure policy which functions as a tool for management in managing the information needs required by various powerful stakeholders. (Indah & Risma Deviyati, 2022).

2.2. Cognitive Theory

Cognitive theory is usually associated with a person's learning process. Cognition or cognition can be interpreted as an individual's psychic abilities in seeing, observing, paying attention, estimating, and assessing. Cognition can also be said to be recognition. The existence of barrier variables in individual cognition triggers the learning process (Mulyati, 2005 in Ishak 2013). In this theory, functioning of a person's cognitive components can be done through a learning process, so that it is easy to understand existing stimuli. The learning process occurs through an information management process that emphasizes internal thinking processes (Ishak, 2013). This theory explains the human ability to process or attempt to maximize the function of the rational aspect of its capabilities

2.3. Audit Report Lag

According to (Lee and Jahng, 2008 in Ahmed & Che-Ahmad, 2016) Audit report lag is the calculation of the time distance between the date the audit report was completed and the last date of the financial report to measure the length of time the audit was completed. Regulations regarding the maximum time limit for publishing an audit report vary from one country to another, although there is a trend of reducing the legal period for both presentations of financial reports (Escaloni & Mareque, 2021). OJK has regulations regarding financial reporting deadlines which state that no later than the annual financial report must be reported and submitted to the IDX by the end of the third month following. The timeliness of reporting can be an assessment of the quality of financial reports.

2.4. Good Corporate Governance

According to (Monks & Minow, 2011) states that corporate governance is about how public companies are structured and directed. Every strategy, every innovation in products, operations, and marketing, every acquisition and divestment, every decision about asset allocation, finance, joint ventures, financial reports, systems, compensation, and public relations – every decision and every one of the thousands of decisions in each -each -determined by some part of the corporate governance system. Governance includes all procedures and institutions that the community or citizens use for their needs, to exercise legal rights, to fulfill obligations, and as a bridge in resolving differences. (I. Sari & Daito, 2024).

2.5. Specialist Industry Auditor

Auditors who can be said to be industry specialist auditors are auditors who gain a more complex understanding of the characteristics of companies in certain industries. The auditor's industrial expertise includes developing constructive ideas to assist in providing solutions to problems that will be faced in the client's audit process within a particular industry. (Karami et al., 2017).

Auditors who are familiar with a particular industry are considered to have understanding and knowledge regarding the characteristics of that client compared to auditors who are not familiar. Specialist auditors are considered to be able to detect errors better and also detect irregularities better in financial reports. This is considered to facilitate the auditing process. The high demand for quality auditors' results from additional benefits, including lower audit costs, increased audit quality and compliance with providing investors with a signal that financial reports have improved quality. (Dao & Pham, 2014).

3. Methodology

This study uses a quantitative approach. In this research, all companies on the IDX in 2020 – 2022 in the consumer cyclicals sector are the population. In this sector there are 14 subsectors with a total population of

companies including the consumer cyclicals sector of 146 companies. Purposive random sampling is the sampling technique in this research. This technique is a technique for taking samples with certain considerations (Sugiyono, 2019). This technique requires criteria to be used, so the criteria for this research are:

- 1) The company has had an IPO since 2020
- 2) The company is still active in financial reporting to the IDX from 2020 to 2022

Of the total population of 146 consumer cyclicals sector companies, only 113 companies meet these criteria. In all these companies, there are some auditors who are late in reporting their audits and some who are not.

Table 1.1 Operational Definition of Variables

Variable	Indicator	Scale
<p>Good Corporate Governance (Board of Directors)</p> <p>The Board of Directors is a company organ that carries out the provisions with authority and responsibility for carrying out the company's vision and mission and in accordance with the company's articles of association. (Financial Services Authority Regulation NO. 33/POJK.04/2014).</p>	<p>ΣDirector (Chalu, 2021)</p>	Nominal Scale
<p>Good Corporate Governance (Audit Committee)</p> <p>The audit committee is a committee that is formed and is responsible to the board of commissioners and assists the performance of the board of commissioners. (Financial Services Authority Regulation NO. 55/POJK.04/2015)</p>	<p>ΣAudit committee (Pradipta & Zalukhu, 2020)</p>	Nominal Scale
<p>An auditor is said to be a specialist if the auditor's company holds 15% of the total companies in one industry group(Primantara & Rasmini, 2015)</p>	<p>Dummy Variables: 1 = company audited by a specialist auditor 0 = the company was not audited by a specialist auditor (Abdillah et al., 2019)</p>	Nominal Scale
<p>Auditor Report Lag</p> <p>Audit report lag (ARL) is defined as the time difference between the audit reporting date and the end of the fiscal year stated in the financial statements. (Wiyantoro & Usman, 2018)</p>	<p>Audit Report Lag = date of period – date of audit report (Pradipta & Zalukhu, 2020)</p>	Interval Scale

4. Results and Discussion

4.1. Panel Data Regression Analysis Test Results

4.1.1. Chow Testing

Table 4.1 Chow Testing

Effects Test	Statistics	df	Prob.
Cross - section F	1.943332	(106,204)	0.0000
Chi-square cross-section	219.178450	106	0.0000

Source: Eviews Data Processing Results

The value in the Chi-square Cross-section Statistics in the table above is 219.178450 with a probability value of 0.0000. This test shows that the value is still below 0.05 so that the Fixed Effect Model (FEM) is a suitable regression to use based on this test.

4.1.2. Hausman Testing

Table 4.2 Hausman Testing

Test Summary	Chi-Sq. Statistics	Chi-Sq. df	Prob.
Random cross-section	9.254238	3	0.0261

Source: Eviews Data Test Results

Based on the Hausman test table above, the cross-section statistical value is 9.254238 with a probability value of 0.0261. This shows that the probability is greater than 0.05, which means that the selected model is also a Fixed Effect Model (FEM) model.

4.2. Classical Assumption Testing

4.2.1. Multicollinearity Testing

Table 4.3. Multicollinearity Testing

	Y	X1	X2	X3
Y	1.000000	-0.075356	-0.015884	0.046677
X1	-0.075356	1.000000	0.138288	0.315137
X2	-0.015884	0.138288	1.000000	0.176444
X3	0.046677	0.315137	0.176444	1.000000

Source: Eviews Data Test Results

According to this test, between independent variables, the correlation coefficient r Pearson product moment between variables has a correlation value of <0.8, so it can be concluded that there is no multicollinearity.

4.2.2. Heteroscedasticity Testing

Table 4.4 Heteroscedasticity Testing

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	3.201349	17.31441	0.184895	0.8535
X1	0.664022	1.463920	0.453592	0.6506
X2	2.781095	5.621300	0.494742	0.6213

X3	2.654103	4.834540	0.548988	0.5836
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Source: Eviews Data Test Results

Variable X1 in this study has a probability of 0.8535 in the table above, variable X2 has a probability of 0.6506, the probability value for variable X3 is 0.5836. These results show that all probabilities of variable X are above 0.05. The results of the data processing show that all variables do not have heteroscedasticity problems.

4.2.3. Autocorrelation Testing

Table 4.5 Autocorrelation Testing

Effects Specification				
Cross-section fixed (dummy variables)				
Variables	Coefficient	Std. Error	t-Statistics	Prob.
MSE Root	20.08652	R-squared		0.508126
Mean dependent var	101.8758	Adjusted R-squared		0.245311
SD dependent var	28.68604	SE of regression		24.92037
Akaike info criterion	9.538612	Sum squared resid		126689.1
Schwarz criterion	10.85209	Log likelihood		-1387.562
Hannan-Quinn Criter.	10.06346	F-statistic		1.933398
Durbin-Watson stat	2.156243	Prob(F-statistic)		0.000027
C	3.201349	17.31441	0.184895	0.8535
X1	0.664022	1.463920	0.453592	0.6506
X2	2.781095	5.621300	0.494742	0.6213
X3	2.654103	4.834540	0.548988	0.5836

Source: Eviews Data Test Results

In the table data above, the Watson Durbin value from this test is 2.156243. In the Watson Durbin table, the following results are obtained:

- D.L :1.79775
- DU :1.83559
- 4 - DL :2,20225
- 4 - DU :2.16441

The results of the DW values in this study show that $DW > DU$ and $DW < 4-DU$ or it can be said that DU is greater than DW and DW is smaller than $4-DU$ ($1.79775 < 2.156243 < 2.16441$) meaning that at This study did not experience autocorrelation problems.

4.3. Model Feasibility Test

4.3.1. F test

Table 4.6 F test

Effects Specification		
Cross-section fixed (dummy variables)		
MSE Root	20.08652	R-squared
		0.508126

Mean dependent var	101.8758	Adjusted R-squared	0.245311
SD dependent var	28.68604	SE of regression	24.92037
Akaike info criterion	9.538612	Sum squared resid	126689.1
Schwarz criterion	10.85209	Log likelihood	-1387.562
Hannan-Quinn Criter.	10.06346	F-statistic	1.933398
Durbin-Watson stat	2.156243	Prob(F-statistic)	0.000027

Source: Eviews Data Test Results

The results of model testing using the Fixed Effect model obtained an F-statistic value (1.933398) & Prob F-statistic (0.000027) < 0.05, which means a significant level of 0.05 or 5%. The results of this test show that the dependent variable, namely audit report lag, can be influenced by the variables of board size, audit committee size, and industry specialist auditors together.

4.3.2. Testing the Coefficient of Determination

Table 4.7 Testing the Coefficient of Determination

Effects Specification			
Cross-section fixed (dummy variables)			
MSE Root	20.08652	R-squared	0.508126
Mean dependent var	101.8758	Adjusted R-squared	0.245311
SD dependent var	28.68604	SE of regression	24.92037
Akaike info criterion	9.538612	Sum squared resid	126689.1
Schwarz criterion	10.85209	Log likelihood	-1387.562
Hannan-Quinn Criter.	10.06346	F-statistic	1.933398
Durbin-Watson stat	2.156243	Prob(F-statistic)	0.000027

Source: Eviews Data Test Results

The Adjusted R-squared value in the table above is 0.245311 or 24.53%. This test means that 24.53% of the variation in changes in the independent variable can explain its relationship to the dependent variable. Meanwhile, the remaining 75.47% is explained by other variables outside this research model. The independent variables chosen are not dominant variables to explain the relationship between the dependent variables, so that future research can use other variables outside this research which are much better.

4.4. Hypothesis test

4.4.1. Hypothesis testing

Table 4.8 Hypothesis testing

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	80.23076	38.70872	2.072679	0.0395
X1	1.554078	3.272793	0.474848	0.6354
X2	6.639628	12.56718	0.528331	0.5978
X3	-22.77111	10.80827	-2.106822	0.0364

Source: Eviews Data Test Results

Based on the T test results contained in table 4.8 above, it can be concluded as follows:

- 1) The variable size of directors (X1) has a positive coefficient result with a probability level of 0.6354 and greater than 0.05. Based on this test, the audit report lag cannot be influenced by the variable size of the board of directors.
- 2) The audit committee size variable (X2) has a positive coefficient with a probability level of 0.5978 and exceeds 0.05. Based on this test, it can be said that ARL is not affected by the number of audit committees or the size of the audit committee.
- 3) The specialist industry auditor variable (X3) has a probability value of 0.0364 and the resulting coefficient is negative and less than 0.05. Based on this data, audit report lag (Y) can be influenced by the presence of industry specialist auditors.

4.5. Discussion

4.5.1. The Influence of Board of Directors Size on Audit Report Lag

The size of the board of directors in this study shows that the probability of the variable is 0.6354 and the value is above 0.05. This value shows that the size of the board of directors cannot influence the audit report lag in consumer cyclical companies in 2020 - 2022. This shows that the number of directors in each company has no effect on the audit reporting produced by the auditor. The existence of directors in the Company tends to only be a member of the Company's organization who carries out their duties as assigned by the Company. During the audit, the company's directors will only work and assist with the audit process in accordance with the sections that require the auditor's cooperation with the existing directors.

Each company has a different number of directors. There are companies that have quite a lot of directors, there are also those that only have one or two directors in their company. Stakeholder theory also does not affect directors' performance in auditing. This happens because the directors work with the interests of their company in mind and cannot influence the auditor's performance because in the audit process the auditor must be able to act independently. The auditing process also only requires the assistance of the company's existing directors only to collect data. The speed of data submitted by the director's assistance does not affect the speed of the audit process. However, the duration of the audit work can only be carried out by the auditor himself.

The results of this research are the same as the results of research (Nuraeni, 2020) which states that the size of the board of directors has no effect on audit report lag. This research is also in line with (Chandra & Indrastuti, 2022) who say that audit report lag is not affected by the size of the board of directors.

4.5.2. The Influence of Audit Committee Size on Audit Report Lag

In the research above, the results of the T test statistical test showed that the size of the audit committee (X2) had a coefficient of 0.5978 and this value exceeded 0.05. The above audit results show that ARL or audit report lag is not affected by the number of audit committees or the size of the audit committee in consumer cyclical companies in 2020 - 2022. These results show that the number of audit committees in a company does not have any influence on audit reporting delays. The audit committee at the Company is only tasked with monitoring the

company's performance. In the regulations issued by OJK with no. 55/POJK.04/2015 states that the company must have an audit committee of at least 3 members.

The audit committee at the Company must consist of parties outside the Company and the company's independent commissioners. Apart from that, this committee also functions as the Company's supervisory board which does not have a direct role in the Company's audit process. The stakeholder theory put forward in this research is not in accordance with the influence of the audit committee. Even though auditors find it easier to have an audit committee in the company, it cannot influence how long the audit report takes to complete. The presence of an audit committee in the Company is also still considered compliance with regulations issued by the OJK. There are still many companies in this research sample that have not complied with the OJK regulations. And every company with various audit committee sizes is the same, some still have audit report lags that are quite high and some are quite low.

The results of this research are in line with research conducted by (Kaaroud et al., 2020) which states that the presence of a large number of audit committees does not have an influence on audit report lag. Other research conducted by (Prasetyo, 2021) also said that auditor report lag cannot be influenced by the number of audit committees.

4.5.3. Influence of Specialist Industry Auditors on Audit Report Lag

The statistical tests carried out in this research showed that the industry specialist auditor variable (X3) had a negative coefficient with a probability level of 0.0364 and below 0.05. Based on this, it means that audit report lag is negatively affected by specialist industry auditors in consumer cyclical companies in 2020 - 2022. This shows that if the company has a specialist industry auditor, it will make the audit reporting timelier. Auditors who are used to working on audit reporting for the same industry can have better knowledge and experience in dealing with that company. Auditors can be considered to carry out audits more quickly based on this experience.

The influence of specialist industry auditors is also supported by cognitive theory, which states that the learning process can increase a person's abilities. Auditors who are familiar with carrying out audits in one type of company industry can carry out audit work in a timelier manner than auditors who are not accustomed to conducting audits in that client's industry.

There are several studies that support this research, including research (Monique & Harymawan, 2022) which shows that specialist industry auditors have a negative influence on audit report lag. This research is also in line with (Rusmin & Evans, 2017) which states that there is a negative influence from specialist industry auditors on audit report lag.

5. Conclusions and Suggestions

5.1. Conclusion

In this research, the influence of GCG and specialist industry auditors on audit report lag was tested. This research was conducted by examining companies listed on the IDX in 2020 - 2022 and operating in the consumer cyclicals sector. GCG in this research took the variables of board size and audit committee size.

The conclusions from the test results in this research are as follows:

1. Audit report lag cannot be influenced by the size of the board of directors. This shows that no matter how many directors there are in a company, it cannot affect the length of time of the audit process.
2. Audit report lag cannot be affected by the number of audit committees or the size of the audit committee. The audit committee in a company cannot influence the length of days for an audit to be carried out in a company.
3. Industry specialist auditors have a negative effect on audit report lag. This shows that the more an auditor is used to working in a particular industry, the easier it will be to carry out audits on companies that have the same industry sector.

5.2. Suggestion

Based on the research carried out, there are several suggestions that can be given by researchers as follows:

1. The independent variable in this study can only describe the dependent variable by 24.57%. There are still many variables outside of research that require further research to be able to test the causes of audit report lag. Future research can consider other variables for research so that it can be carried out more widely.
2. The current research is not research with a moderating variable. Future research can add moderating variables to test whether there are variables that influence the strength of the influence of the independent variable on the dependent variable. This research can be carried out to retest the audit report lag variable
3. Further research can carry out research in different company fields from this research. There are many sectors in companies on the IDX that can be researched.

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