The Effect of Corporate Governance Characteristics on Publication of Financial Statements on the Indonesia Stock Exchange

Suwardi Bambang Hermanto

***Abstract* — This study aims to analyze corporate governance towards the publication of financial statements on the Indonesia Stock Exchange. The end of the financial year until the date of publication of the financial statements as a period of reporting time lag. Ownership composition, characteristics of directors and commissioners, and audit committee as a proxy for corporate governance. Proportional strata method for selecting a sample of 775 annual reports, for the period 2013-2014 from nine industry groups. Multiple regression analysis techniques, using control variables of size, performance, auditor quality, and type of industry. The results showed that ownership, board meetings, and audit committee meetings, as well as the number of commissioners and audit committees, had a significant effect on the issuance of issuers' audit reports. While the independence of directors and commissioners does not affect.spacing.**

***Index Terms* — corporate governance, publication financial statements, Indonesia stock excxhange.**

I. Introduction

The timely publication of financial statements of public companies is important information in the capital market. Timeliness of reporting reflects transparency and accountability in the functioning of the capital market. Regulations on the Indonesia Stock Exchange that the publication of financial statements no later than the third month since the end of the period [1].

Empirically the issuers' annual financial reporting lag time on the ISX in the study [2] from 372 samples in 2007–2009 found an average time lag of 75 days, and research [3] from 366 samples in 2011– 2013 found an average time lag of 94 days. Therefore empirically the average time lag increases from 75 days to 94 days, or late from the set time limit.

Empirical findings on the Indonesia Stock Exchange are contracted with capital market regulations in several countries to reduce the time lag of publication [4] because of the speed of publication as an important component for capital market authorities around the world [5]. Like regulators on the New York Stock Exchange and NASDAQ have reduced the time lag of the publication of financial statements from 90 days to 60 days since 2002.

The length of time for publishing financial statements is long, resulting in the information content being stale and worthless [6], and increasing the uncertainty of investment decisions [7]. Three impacts [8] that arise are: First, tarnishing the obligation to provide access to the same information among investors, and if the information content is valuable, it can be used by "strong investors" to exploit (trade) at the expense of "weak investors". Second, it has an impact on market reactions, as a reflection of the efficiency of the capital market. Third, inefficient management of resources because it uses more inputs because of the long time a period to get financial report output. Also, the limited financial information other than financial statements in developing capital markets, for information users and investors, is highly dependent on the accuracy of financial report publication [8].

The speed at which financial statements are published becomes fresh information needed by shareholders to make decisions. Public company information publications are identified by the OECD (Organization for Economic Cooperation and Development) and the World Bank as attributes of good governance practices for a country [6]. Five principles of corporate governance in Indonesia, including (1) transparency related to the publication of financial statements, (2) accountability, (3) responsibility, (4) independence, and (5) fairness. The principle of governance must be realized in the mechanism of corporate governance [9].

The publication of timely financial statements as an implementation of governance on the principles of transparency, accountability, and responsibility for public companies. Publication of financial statements is the responsibility of management to provide owners and stakeholders with the same information access. Therefore, the practice of corporate governance has an impact on the speed of time of publication of financial statements of public companies.

Based on regulations and empirical findings, this study examines corporate governance practices towards the publication of financial statements on the Indonesia Stock Exchange. The research objective provides a literature review on the practice of corporate governance in Indonesia, and theoretical development. With a research question: how corporate governance practices affect the publication of financial statements of public companies in Indonesia?

II. Theoreticial Framework and Hyphotesis

A. Theoretical Framework

Submit Four theories that support the practice of corporate governance and are relevant to the publication of financial statements include agency theory, stakeholders, management, and institutions. Support from more than one

Published on July 25, 2020.
S.B. Hermanto, The Indonesia School of Economics (STIESIA) Surabaya, Indonesia.
(corresponding e-mail: sbhermanto@stiesia.ac.id)

theory is needed to explain the effectiveness of governance, due to country differences [10], [11]. As in developing countries where markets have weak institutional organizations, agency theory reflects organizational behavior and business principles more [11].

Therefore, this study uses agency theory in combination with stakeholder theory more in line with the conditions of the Indonesian capital market. Also, both theories have been widely used as the theoretical foundation for research in developing countries, such as exchanges in Indonesia [12]; [13], Mesir [8], Malaysia [14]; [15];[16], Palestina [17], Jordania [18], and Iran [19].

A.1 Agency Theory

Agency theory is a contractual relationship between the agent (management) and the principal (owner). In agency theory that the principal as the owner delegates the authority to manage the company to the agent. Agents as managers of companies to make the best decisions for the interests of the owners (principal) (Jensen and Meckling, 1976).

In the contractual implementation, agents who master company information can hide information from the owner, to be used to make decisions in maximizing its utilization. So, management does not always behave best for the benefit of the owner or can injure the contractual [11]. This condition causes agency conflict to cause agency costs. One of the costs is monitoring the behavior of agents in the form of financial statement audit fees that are a burden on the principal. In many cases, agency conflict occurs because of the lack of effective corporate governance mechanisms for efficient control [20].

The corporate governance mechanism is a procedure that can control the company, to provide added value to sustainable stakeholders. For companies in Indonesia, they must ensure that the principles of corporate governance are applied to every aspect of the business and in all levels of the company. The application of this mechanism is to achieve company business sustainability by taking into account stakeholders, which are following the five principles of corporate governance [9]. Therefore, agency theory supports the implementation of corporate governance in Indonesia.

A.2 Stakeholders Theory

In the theory of stakeholders to achieve company goals, it is necessary to pay attention to stakeholders. Stakeholders are individuals or groups who can influence or be influenced by organizational goals [11]. Stakeholders include shareholders, employees, customers, creditors, suppliers, and various interest groups and the government. In the view of stakeholder theory that shareholders are not the only stakeholders, and all stakeholders have the right to be given information about how the organization affects them (perhaps through pollution, community sponsorship, providing employment, safety initiatives, etc.). Even if they choose to do not to use information or stakeholders cannot directly influence the survival of the organization [11]. Providing information will increase the transparency of company activities. Therefore, stakeholder theory can support companies to achieve one of the mechanisms of corporate governance on the principle of transparency.

Effective implementation of corporate governance, based on agency theory, is expected to reduce agency conflict. Its implementation is with the obligation to apply transparency, accountability, responsibility, independence, and fairness, by paying attention to stakeholders [9]. Therefore, the combination of agency theory and stakeholder theory is used as a theoretical basis, in this study.

A.3 Corporate Governance on Audit Report Lag

Corporate governance in a broad sense is protecting weak investors against strong investors for fairness. The implementation can be carried out at the state level and is the company level. At the corporate level, corporate governance includes relationships between stakeholders who manage the company, with the main parties and other parties. Shareholders, management and the board of directors are the main parties, while employees, suppliers, customers, banks, regulators, the environment, and the community as other parties [21].

The composition of ownership, directors, and commissioners is a corporate organ, and as a characteristic of corporate governance. The very important role of corporate organs in the implementation of corporate governance [9]. Therefore, the implementation of corporate governance is used as a proxy with characteristics that include: the portion of ownership, independence of directors and commissioners, as well as the frequency of audit committee meetings.

The share ownership share as the composition of the number of shares held by shareholders to be able to control the management of public companies. The share ownership is above 5% as institutional ownership. A large portion of ownership has a control that can put pressure on the transparency of financial statements [8]. The attributes of the composition of institutional ownership affect the speed at which financial statements are published [8].

The board of commissioners has collective collegian duties and responsibilities in supervising and giving advice to the Directors as corporate organs, as a manifestation of corporate governance practices. The composition of commissioners must enable decision making effectively, precisely, and quickly, and can act independently [9]. The attributes of the commissioner's independence and the number of commissioners' effectiveness affect the speed of financial report publishing [8].

The board of directors has a collegian collective responsibility and responsibility to manage the company. The composition of independent directors allows the effectiveness of independent decision making. The independence attributes of directors and the frequency of board meetings affect the publication of report speed [8], [22].

The audit committee as an assistant to the Board of Commissioners, to ensure that the presentation of financial statements is reasonable and following under generally accepted accounting principles. The frequency effectiveness of meetings and the number of audit committees influence the speed of financial report publication [12]; [13].

Agency theory approach, agency conflict can occur between managers and principal of large share ownership (insider), who take actions to sacrifice the interests of small principal ownership (outside investors), because they cannot

control the company [23]. On the other hand, a large share ownership principal will be more worried about corporate governance issues, especially in the actions of managers who sacrifice their interests. Therefore, the effectiveness of corporate governance has a very important role in the accuracy of the presentation of financial statements [18].

The timeliness of financial statements is measured by the time lag for the publication of audited financial statements from the date of the financial statements. The publication of financial statements as a time lag period has three measures, namely (1) audit report lag, (2) management report lag, and (3) total report lag.

Audit report lag (ARL) is a time interval from the end of the period until the date of the audit report, it is easier to obtain the date according to the audited financial statements (Abernathy et al., 2015). Management report lag (MRL) is the time interval from the date of the audit report to publication, often at the same time, so it is less relevant [19]. Total report lag (TRL) is the lag time since the end of the period until publication, more comprehensive, but inefficient [25]. ARL (audit report lag) is used as a variable in the speed at which financial statements are published in this study. The timing of audit completion is an important factor that determines the speed of publication time [26]. Also, audited financial statements are the publication requirements of the issuers on the ISX [1], and the types of auditors and auditor opinion also influence the timeliness of financial report publications [27].

A.4 Variable Controls

Control variables to control the effect of independent variables on the dependent variable from the influence of factors outside the model. The variability of companies on the ISX based on size, performance, auditor, and type of industry will influence the intensity of the application of corporate governance. Large size companies have strong internal controls that can affect the speed of audit completion time.

Performance that describes the achievements of the company, in companies that have profitability is good news tends to immediately publish financial statements. Auditors who audit companies with adequate competencies, such as Big4 affiliated public accounting firms will have more resources and will quickly complete audit financial reports [8]. The type of banking industry compared to others will have a difference in the intensity of the application of corporate governance [8], and the issuers of banks on the ISX have their government regulations under the supervision of Bank Indonesia, which will accelerate the publication of financial statements.

B. Hypothesis Development

Hypothesis development consists of two groups of relationships, namely corporate governance variables and control variables. The influence of the two groups of variables on the report lag audit variable was developed from the theory and results of previous studies.

B.1 Corporate Governance Variables

Corporate governance variables are used as the proxy for ownership, directors, commissioners, and audit committees, which affect the audit report lag of ISX issuers.

B.1.a. Ownership of audit report lag (ARL)

Ownership is the number of shares held as the number of voting rights in the company. The amount of ownership can control the company according to its interests. Portions of minority ownership in CG practices must be guaranteed information. So the large portion of ownership can encourage company management to shorten audit lag time. The small portion of ownership does not play a role in accelerating ARL. Therefore, the share of ownership influences ARL [17], [14], [8], the hypothesis is arranged:

H1: The portion of ownership negatively influences audit report lag (ARL).

B.1.b. Directors regarding audit report lag (ARL)

The Board of Directors is responsible for conveying company information to the commissioner, so research [8] uses a variable duality CEO, if the director concurrently is a commissioner, allowing material misstatements and concealment of relevant facts on the audit object. This condition is different from the directors of the ISX issuer, which stipulates that each director and commissioner must report ownership to the company. Therefore, there are no concurrent positions of directors and commissioners.

The directors of ISX issuers are at least an independent director, and the independent composition will have a contribution to decision making. Therefore, the independence of directors will affect the speed of ARL [14], [8].

Board of Directors meetings must be conducted at least once a month, and the intensity of meetings will have an impact on the speed of completion of management reports. Therefore, the frequency of board meetings will affect the speed of completion of audit reports [14], [16]. The frequency of meetings and the number of directors negatively influence ARL [18], the hypothesis is arranged:

H2a: The proportion of independent directors negatively influences ARL.

H2b: The frequency of board meetings negatively influences ARL.

B.1.c. Commissioner for audit report lag (ARL)

The Commissioner is responsible for conducting general and special supervision and giving advice to the directors. The number of commissioners is at least two people, and one of them is independent, if there are more than two commissioners, then at least 30% must be independent commissioners, so the emphasis is on the number and independence.

ARL literature is influenced by independent commissioners (Li et al., 2014), and the number of commissioners accelerates annual reports on company sites [5], the number of commissioners negatively influence ARL [22]. Independence of the commissioner controls the quality of financial statement information (transparency), and the amount encourages the acceleration of audit financial statements, and [18] find that the number of independent commissioners significantly publishes financial statements faster, then hypotheses are arranged:

H3a: The proportion of independent commissioners negatively influences ARL.

H3b: Number of commissioners negatively influences ARL.

B.1.d. Audit committee on audit report (ARL)

The audit committee plays a role in management relations, internal auditors, and external auditors over the three priority controls [29]: (1) effective supervision of financial management and reporting, (2) strengthening management communication with external auditors, (3) knowledge independence.

Empirical findings that ARL has a negative influence on the existence of audit committees [17], independence, expertise, frequency of meetings and number of audit committees [14], [16], [27] the effectiveness of the audit committee [12], the audit committee can oversee the financial reporting process accounting (Zhizhong et al., 2011), the audit committee has financial accounting expertise [4], audit committee expertise from public accountant experience [31], this study uses the size of the audit committee and the frequency of audit committee meetings, with the hypothesis:

H4a: The number of audit committees negatively influences ARL.

H4b: The frequency of audit committee meetings negatively influences ARL.

B.2 Control Variables

Control variables are used because of the variability of the application of corporate governance from the issuers on the ISX that varies: (1) company size, (2) company performance, (3) auditor quality, and (4) industry type.

B.2.a. Company size

The size of the company affected ARL in the study [17], [15], [14], [26], [32], and [8]. The size of large companies faster completes audit financial reports from small companies for four reasons: (1) has adequate internal control, (2) has resources to pay high audit fees, (3) close monitoring of investors, trade unions and regulators, (4) tend to have sophisticated accounting systems. Large firm size using assets, was found to report annual audit finances with shorter time-lags [33], and large companies faster to post annual reports on their sites [5], the size of influential companies negative for audit delay and timeliness [34], [35], the hypothesis is arranged:

H5: Total assets negatively influence ARL.

B.2.b. Company Performance

Company performance using profitability ratios is negatively correlated with audit timeliness [15], [26], [27], and [8] using a measure of return on assets found a negative effect on ARL. The performance of a losing company will have a longer tendency for its audit report because: (1) loss is bad news, so management tries to avoid it, (2) there may be business risks, such as obsolete inventory required additional substantive evidence, (3) realization income below the budget, additional verification is needed to look for unrecorded income, and (4) the auditor is more conservative in the audit process because of the risk of financial failure or management behavior. But, for companies whose profits are good news will tend to more quickly settle audit reports because they do not want to delay public information, then hypothesized:

H6: Return on assets negatively influences ARL.

B.2.c. Quality of the auditor

Auditor quality affects ARL, empirically [17], [26], [27], [36] found that large public accounting firms (PAF) have supported: (1) more incentives, (2) maintaining reputation, (3) adequate human resources, (4) systems and procedures with efficient audit technology. Then, the work of auditors from large public accounting firms tends to have a short amount of time because of the system and fees received. Whereas auditors from small public accounting firms do not focus on procedures and strategies to minimize audit time (Leventis et al., 2005). The challenges of external auditors are complex audit requirements with shorter deadlines with limited resources and audit cost pressures (Abbott et al., 2012). Therefore, the quality of auditors from large PAFs completes audit reports more quickly [39], [4], [40], [8], [36]. Auditor quality is distinguished from the Big four PAF with other PAFs as Non-Big four [34].

Public accounting firms or PAF Indonesia has partnered with Big four, namely: (1) PAFs Bing Satrio & Eny partner Deloitte Touche Tohmatsu (DTT), (2) PAFs Purwantono, Suherman & Surja, partner Ernst & Young (E&Y), (3) PAFs Tanudiredja, Wibisana & Partners, partner Pricewaterhouse Coopers (PWC), and (4) PAFs Sidharta, Wijaya & Partners of Klynveld Piet Marwick, Goerdeler (KPMG), the hypothesis is arranged:

H7: Auditor quality negatively influences ARL.

B.2.d. Types of industry

Industrial types affect the speed of completion of audit reports [26], [8], use internet reporting [32], use industry specialist auditors [41], and industry classifications using manufacturing groups. The financial industry and other groups are used [8] because: (1) do not have inventory, and (2) financial assets are continuously managed every day will accelerate the audit process at the end of the year. This study distinguishes financial industry groups and others because the financial industry: (1) has the highest debt to equity structure in 2013 of 4.38, and (2) strict corporate governance regulations with the precautionary principle, so that it is faster report audit opinion, then the hypothesis is prepared:

H8: Industrial types negatively influence ARL.

C. Research Model

The research model and hypothesis (H) are compiled in Figure 1, from corporate governance variables, and control variables for the audit report lag in a negative direction.

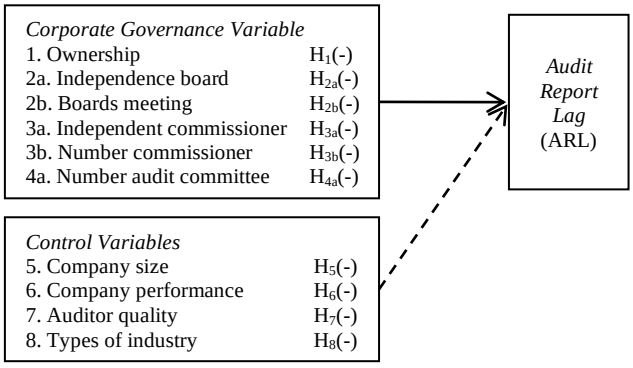

Fig.1 Research Model

III. METHODOLOGY

A. Population and Samples

The study population is a public company on the Indonesia Stock Exchange which has published the 2013-

2014 financial statements for nine industry groups as shown in Table II. Stratified random samples are used to choose industrial group samples with 90% proportional, for good generalization. Secondary data was downloaded on the official website of the Indonesia Stock Exchange.

B. Operational Definition of Variables

The operational definition of variables from the dependence, independent, and control variables is presented in Table I.

TABLE I: VARIABLE OPERATIONAL DEFINITION

Code	Variables	Definition of measurement	Scale
ARL	*Audit report Lag*	Timeliness, from the date of the audit date to the end of the audit report date.	Ratio (number of days)
OWP	Portion to ownership	The composition of the number of shares ownership >5% of the total outstanding shares	Ratio (percent)
DIP	A portion of independent directors	The composition of independent directors towards total directors	Ratio (percent)
DIM	Board of Directors Meeting	The activities of directors are calculated by the number of frequency of meetings of directors a year	Ratio (event)
COP	A portion of independent commissioners	The composition of independent commissioners to the total commissioner's	Ratio (percent)
CON	Number of commissioners	Number of commissioner personnel	Ratio (person)
CAN	Number of audit committees	Number of audit committee personnel	Ratio (person)
CAM	Audit committee meetings	The number of years of audit committee meetings	Ratio (event)
SIZ	Company size	The size of the company is calculated from the total assets at the end of the year	Ratio (billion)
PER	Company performance	The company's success is calculated from Return on Assets	Ratio (percent)
QUA	Auditor quality	Big four PAF = 1, and Non-Big four PAF = 0. (dummy variable)	Nominal
TYP	Type of industry	Industry finance = 1; Nonfinance = 0. (dummy variable)	Nominal

C. Analysis Techniques

The analysis technique uses SPSS software, presents (1) descriptive statistics for statistically minimum, maximum, mean and standard deviation characteristics, and (2) inferential statistics to test classical assumptions, goodness-fit model and simultaneous influence, as well as hypothesis testing.

Research model specifications, from multiple regression equations, as follows:

$$ARL=\alpha 0+\beta 1OWP+\beta 2aDIP+\beta 2bDIM+\beta 3aCOP+\beta 3bCON+\beta 4a CAN+\beta 4bCAM+\beta 5SIZ+\beta 6PER+\beta 7QUA+\beta 8TYP+\varepsilon 1..(3.1)$$

Where:

ARL = Audit report lag
β1-8 = Regression coefficient
OWP = Portion of ownership
DIP = Proportion of independent directors
DIM = Frequency of meetings of directors
COP = Dependent proportion of commissioners
CON = Number of commissioners
CAN = Number of audit committees
CAM = Frequency of audit committee meetings
SIZ = Company size
PER = Company performance
QUA = Auditor quality
TYP = Industrial type
ε1 = Error

IV. RESULT

A. Overview of Research Objects

The object of research by public companies on the ISX in 2013-2014 which published an annual report of 1,010 as a population, with long experience of listing and size of the company, in implementing corporate governance is very diverse.

The stratified random sample method of 90% of the population obtained 909 annual reports, minus 134 whose data is incomplete, so that can be used as a sample of 775 observations from nine industry classifications or 77% of the population.

TABLE II: RESEARCH SAMPLES

Code	Industrial Classification	Annual	Remove	Sample	Proportion
1	Agriculture	37	1	36	0.88
2	Mining	72	15	57	0.71
3	Basic Industry & Chemical	115	8	107	0.84
4	Miscellaneous Industry	73	13	60	0.74
5	Consumer Good Industry	68	12	56	0.74
6	The Property, Real Estate & Building Constructions	98	7	91	0.84
7	Infrastructure,Utilities & Transportation	92	23	69	0.68
8	Finance	151	13	138	0.82
9	Trade, Service & Investment	203	42	161	0.71
	Total	1,010	134	775	0.77

Source: Researcher (2019). The results of the research data process.

B. Descriptive Statistics

Audit report lag (ARL) which shows the number of days in the completion of the 2013–2014 public company audit which is the fastest 30 days and no later than 127 days and an average of 75 days from the end of the year, and 95.9% of the samples are not late or completed in within 90 days, and 32 companies are late.

Ownership >5% (OWP) is the portion of voice owners to be able to make important decisions at the GMS, of the total sample there are 69 companies or 11.2% total ownership shares <50%, which means that the majority shareholders are shareholders <5%. On average 70.77% of the ownership of each company, so the portion of the ownership has a control role in the company.

Independent directors (DIP) have an average proportion of 18.9% per company and 51% of the total sample has a proportion of 0–18.9% independent, and the frequency of board of directors meetings (DIM) averages 14 times a year for each company and as many as 76 % of the sample meets 2–14 times a year.

The independent commissioner (COP) has an average proportion of 42% per company, and there are 3.4% of the

samples with the proportion of independent <30%. The average number of commissioners (CON) is 4 personnel per company, and in total 63% of the samples have 2-4 commissioners.

The audit committee (CAN) averages three personnel per company, and 90% of the samples have an audit committee of 2–3 people. The frequency of meetings (CAM) averages six meetings a year for each company, and 76% of the samples meet 1-6 times a year.

The company size (SIZ) averaged IDR 13,600 billion per company, and 82% of the samples had assets between IDR 11 billion to IDR 13,600 billion, and the standard deviation of IDR 54,800 billion showed a variety of samples.

Company performance (PER) has an average ROA of 4.21% per company and 16.6% of the samples have negative ROA or loss, with a minimum of -37.83% and a maximum of 42.99% and a standard deviation of 8.24% indicating the variety of sample data.

The quality of auditors (QUA) is 310 companies or 40% of the samples, using auditors in large public accounting firms in the "Big Four" group, while the other 60%, use auditors in small public accounting firms.

TABLE III: DESCRIPTICE STATISTICS

Code-Variables	N	*Minimum*	*Maximum*	*Mean*	*Std. Dev.*
ARL -*Audit Report lag*	775	30.00	127.00	74.69	15.55
OWP –Ownership	775	5.97	98.96	70.77	17.97
DIP -Proportion of independent directors	775	.00	75.00	18.09	16.48
DIM -Meeting of directors	775	2.00	82.00	13.88	12.34
COP -Proportion of independent commissioners	775	16.67	80.00	42.11	11.58
CON -Number of commissioners	775	2.00	12.00	4.15	1.73
CAN -Number of audit committees	775	2.00	7.00	3.11	.54
CAM -Audit committee meeting	775	0.00	59.00	6.36	5.91
SIZ -Size company	775	11.00	855.04	13.62	54.84
PER -Performance of the company	775	-37.83	42.99	4.21	8.24
QUA -Quality auditors	775	.00	1.00	.40	.49
TYP -Type industry	775	.00	1.00	.18	.38
Valid N (listwise)	775				

Source: Researcher (2019), Output of SPSS process.

The type of industry (TYP) is 138 companies or 17.8% of the sample industry finance companies consisting of banks, financial institutions, securities companies, insurance, and other funding institutions, while the remaining 82.2%, are non-finance industries.

C. Inferential Statistics

Multiple regression analysis is used in research, by presenting the classic assumption test, and the goodness of fit model, and hypothesis testing. Normality test using One-Sample Kolmogorov-Smirnov, Test that the data, is not normal, then the semi-log regression model is used with the transformation of natural logarithms (Ln) dependent variable and fixed independent variables, and test results in Table IV.

TABLE IV: ONE-SAMPLE KOLMOGOROV-SMIRNOV TEST

		Unstandardized Residual
N		775
Normal Parameters[a.,b.]	Mean	.000
	Std.Deviation	.729
Most Extreme Differences	Absolute	.018
	Positive	.018
	Negative	-.014
Kolmogorov-Smirnov		1.488
Asymp. Sig. (2-tailed)		.097

[a.] Test distribution is Normal. [b.] Calculated from data.

Multicollinearity test between independent variables tolerance value does not exist <0.10 and there is no VIF value> 10 (Table V), as well as the correlation matrix between independent variables there is no value> 0.90 (Table VI), then it is concluded that multicollinearity does not occur.

The autocorrelation test uses the Durbin-Watson value test in Table VII of 1.920 with the Durbin-Watson statistical table with K= 11 and n= 775 at the level of significance 0.05 obtained by the value *dl*= 1.654 and the value *du*= 1.885, thus the value of 1.920 is >*du*= 1,885, it can be concluded that there is no autocorrelation between residuals.

TABLE V: COEFFICIENTS

Model	Unstandardized Coefficients		Beta	T	Sig
	B	Std. Error			
(Constant)	4.70	.064		73.150	.000
OWP–Ownership	-.001	.000	-.094	-2.839	**.005
DIP-Proportion of independent directors	-.001	.000	-.042	-1.263	.207
DIM-Meeting of directors	-.002	.001	-.088	-2.517	*.012
COP-Proportion of an independent commissioner	.000	.001	.007	.193	.847
CON-Number of commissioners	-.028	.005	-.201	-5.604	**.000
CAN-Number of audit committees	-.035	.016	-.081	-2.281	**.023
CAM-Audit committee meeting	-.004	.001	-.098	-2.729	**.006
SIZ-Size company	-.009	.000	-.164	-4.676	**.000
PER-Performance of the company	-.004	.001	-.144	-4.416	**.000
QUA-Quality auditors	-.008	.017	-.016	-.473	.637
TYP-Type industry	-.088	.022	-.141	-4.021	**.000

[a.] Dependent Variable: LnARL
**=Significant0.01.;*=Significant0.05.

The correla`tion matrix between independent variables Table VI, shows no correlation> 0.90, which means there is no Multicollinearity between independent variables.

The heteroscedasticity tests are carried out by the Glejser test by transforming the residual value into absolute residual value (AbsRes), then regressing the independent variable. The regression results for the Glejser test show that the variables of the commissioner and industry are significant, so the model has heteroscedasticity.

TABLE VI: COEFFICIENTS CORRELATION

Correlations	A	B	C	D	E	F	G	H	I	J	K
A–Ownership	1.00										
B–Proportion of independent directors	.02	1.00									
C–Meeting of directors	.04	.01	1.00								
D–Proportion of independent commissioner	.01	.01	.02	1.00							
E–Number of commissioners	.09	.11	-.04	.06	1.00						
F–Number of audit committees	.01	.06	-.17	-.06	-.21	1.00					
G–Audit committee meeting	.03	.05	-.25	.06	-.05	-.17	1.00				
H–Size company	.11	.04	-.02	-.08	-.16	-.15	-.04	1.00			
I–Performance of the company	.05	-.01	-.01	.04	-.07	.04	-.02	.05	1.00		
J–Quality auditors	-.16	.06	-.05	-.04	-.17	.03	-.07	-.15	-.09	1.00	
K–Type industry	-.04	-.02	-.03	-.25	.16	-.06	-.10	-.21	.03	-.01	1.00

TABLE VII: MODEL SUMMARY

Model	R	R Square	Adjusted R Square	Std Error of the Estimate	Durbin-Watson
1	.752 [a.]	.566	.496	.213	1.920

[a.] Predictors: (Constant), The proportion of ownership (OWP), the proportion of independent directors (DIP), board of directors (DIM), proportion of independent commissioners (COP), number of commissioners (CON), number of audit committees (CAN), audit committee meetings (CAM), company size (SIZ), Company performance (PER), Quality auditors (QUA), Industrial types (TYP).
[b.] Dependent Variable: LnARL
Source: Researcher (2019), Output of SPSS process.

A goodness of fit from the SPSS output model summary that the amount of adjusted R2 = 0.566 in Table VII, which means that the variation in audit report lag (ARL) can be explained by variations in the independent variables. While the remaining 43.4% is explained by other reasons outside the model. The accuracy of the model predicts the ARL variable which shows the standard error of estimate (SEE) of 0.213, which is very small as the accuracy of the model predicts.

TABLE VIII: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	9.039	11	.822	18.107	.000 [b]
	Residual	34.625	763	.045		
	Total	43.664	774			

[a] Dependent Variable: LnARL
[b] Predictors: (Constant), The proportion of ownership (OWP), the proportion of independent directors (DIP), board of directors (DIM), proportion of independent commissioners (COP), number of commissioners (CON), number of audit committees (CAN), audit committee meetings (CAM), company size (SIZ), Company performance (PER), Quality auditors (QUA), Industrial types (TYP).
Source: Researcher (2019), Output of SPSS process.

ANOVA test or F-test in Table VIII, shows the calculated F value of 18.107 and the probability (Sig) 0.000, or <0.05, then the regression model can be used to predict ARL, or the independent variables jointly influence ARL.

V. DISCUSSION

A. Effects of Corporate Governance on Audit Report Lags

The portion of ownership negatively affects the audit report lag (H1), indicating the value of t-count-2.839 and the significance level of 0.005 or <0.05 significant, so it cannot accept H0 or H1 received. The results of the study support the study [17] and [14] which state that the spread and concentration of shareholdings negatively influence ARL.

The proportion of independent directors negatively affects the audit report lag (H2a), shows the t-count value of -1.263, and the significance level of 0.207 or> 0.05 is not significant, so it cannot reject H0 or H2a is rejected. The results of the study support the research (K.A.A. Daoud et al., 2014) and [27] that independent directors negatively influence ARL, but this result is contrary to research [8] which can be explained that the role of independent directors in Indonesia is still low, like 257 companies or one-third of the sample do not have independent directors.

The frequency of board meetings negatively affects the audit report lag (H2b), showing the t-count value of -2.517 and a significance level of 0.012 or <0.05 significant, so it cannot accept H0 or H2b received. The results of the study support [18], [14], and [22] that many board meetings negatively influences ARL.

The proportion of independent commissioners negatively influence audit report lag (H3a), indicating the value of t-count is 0.193 and the significance level is 0.847 or> 0.05 is not significant, it cannot reject H0 or H3a is rejected. The results of the study support [28], and [27] that independent commissioners have almost no influence on internal audit report lag, but are contrary to research [18] and [8], which can be explained that the role of independent commissioners in Indonesia is not optimal, also 26 companies have independent commissioners <30%, and commissioner expertise is not a research variable.

The number of commissioners negatively influence audit report lag (H3b), shows the t-count value of -5.604, and a significance level of 0,000 or <0.05 is significant, then it cannot accept H0 or H3b received. The results of the study support [18] that the number of commissioners negatively influence ARL.

The number of audit committees negatively influences audit report lag (H4a), shows the t-count value of -2,281, and the level of a significance level of 0.023 or <0.05 is significant, then it cannot accept H0 or H4a accepted. The results of the study support [17], and [12] that the number of audit committees negatively affects ARL.

The frequency of audit committee meetings negatively influence audit report lag (H4b), shows the t-count value of -2.729, and a significance level of 0.006 or <0.05 is significant, then it cannot accept H0 or H4b received. The results of the study support [14], [12], [16], and [27] that audit committee effectiveness negatively influence ARL.

B. Effect of Variable Controls on Report Lag Audit

The number of assets negatively affects the audit report lag (H5), indicating the t-count value of -4.676 and the significance level indicates that it cannot receive H0 or H5 accepted. The results of the study support [17], ([15], [14],

[26], [8], and [32] that the size of the company negatively affects ARL.

Return on assets negatively influence audit report lag (H6), shows the t-count value of -4.416, and a significance level of 0,000 or <0.05 is significant, it cannot accept H0 or H6 accepted. The results of the study support [15], [14], [26], [27] and [8] that ROA negatively influence ARL.

Auditor quality negatively influences audit report lag (H7), shows the t-count value of -0.437, and a significance level of 0.637 or> 0.05 is not significant, it cannot reject H0 or H7 rejected. The results of the study support [8], and [25] that auditors from Big-4 or Non-Big-4 KAP are not proven to support ARL, but this result is the opposite (Hassan and Sarens, 2016), [26], [27], and [36] which can be explained that the 60% testing sample uses Non-Big-4 auditors, and it is suspected that the intensity of Non-Big-4 KAP audits with the help of information technology can improve auditing performance.

The type of industry negatively influences audit report lag (H8), shows the t-count value of -4.021, and a significant level of 0,000 or <0.05 is significant, it cannot be accepted H0 or H8. This result supports research [8] that the classification industry negatively influences ARL.

VI. The Implication to Research and Practice

This study implies that the speed of the publication of corporate financial statements on the Indonesian stock exchange can further encourage the implementation of corporate governance. The role of the board of commissioners' independence in the implementation of corporate governance that has not been optimal, needs to get the attention of shareholders at the time of the general meeting of shareholders.

VII. Conclusions

Based on the results of hypothesis testing and discussion, the conclusions of this study are (1) corporate governance characteristics which include: ownership portion, frequency of board meetings, number of commissioners, number of audit committees and frequency of audit committee meetings negatively affecting audit report lag (ARL), but the proportion variable of independent directors and independent commissioners does not affect, while (2) control variables: firm size, company performance, and industry type influence the audit report lag (ARL), but the auditor quality variable does not affect (3) R2 adjusted value of 0.496 or 49.6%, which means that variations in ARL can be explained by variations in the independent variables in the model, while the remaining 50.4% is explained by other variables outside the model.

VIII. Future Research

Future research, to add personal characteristics of independent commissioners such as educational background and demographic data. Testing the application of corporate governance to issuers on the Indonesian stock exchange continues to be developed to encourage the speed of publication of financial statements.

Acknowledgment

This article can be published with the support of research funding from the Indonesia School of Economics (STIESIA) Surabaya. Awarded as the 20 best articles at the Regional Accounting Conference at the University of Jember, Indonesia. The authors thanks.

References

[1] Bapepam and LK, *Keputusan Ketua Badan Pengawas Pasar Modal dan Lembaga Keuangan*. 2011.

[2] G. Juanita and R. Satwiko, "Pengaruh Ukuran Kantor Akuntan Publik, Kepemilikan, Laba Rugi, Profitabilitas dan Solvabilitas terhadap Audit Report Lag," *J. Bisnis dan Akunt.*, vol. 14, no. 1, pp. 31–40, 2012.

[3] N. P. Budiadnyani and N. M. D. Ratnadi, "Pengaruh Rasio Keuangan Pada Kecepatan Publikasi Laporan Keuangan Tahunan," *E-Jurnal Akunt. Univ. Udayana*, vol. 10, no. 2, pp. 520–537, 2015.

[4] J. Schmidt and M. S. Wilkins, "Bringing darkness to light: The influence of auditor quality and audit committee expertise on the timeliness of financial statement restatement disclosures," *Audit. A J. Pract. Theory*, vol. 32, no. 1, pp. 221–244, 2013.

[5] O. Abdelsalam and A. El-Masry, "The impact of board independence and ownership structure on the timeliness of corporate internet reporting of Irish-listed companies," *Manag. Financ.*, vol. 34, no. 12, pp. 907–918, 2008.

[6] R. W. McGee and X. Yuan, "Corporate governance and the timeliness of financial reporting: an empirical study of the people's republic of China," 2008.

[7] R. H. Ashton, J. J. Willingham, and R. K. Elliott, "An Empirical Analysis of Audit Delay," *J. Account. Res.*, vol. 25, no. 2, pp. 275–292, 1987.

[8] H. A. E. Afify, "Determinants of audit report lag : Does implementing corporate governance have any impact? Empirical evidence from Egypt," *J. Appl. Account. Res.*, vol. 10, no. 1, pp. 56–86, 2009.

[9] KNKG, "Pedoman Umum Good Corporate Governance Indonesia," Jakarta, 2006. [Online]. Available: www.governance-indonesia.or.id.

[10] H. Abdullah and B. Valentine, "Fundamental and Ethics Theories of Corporate Governance," *Middle East. Financ. Econ.*, vol. 4, no. 4, pp. 88–96, 2009.

[11] A. Al Mamun, Q. R. Yasser, and M. A. Rahman, "A Discussion of the Suitability of Only One vs More than One Theory for Depicting Corporate Governance," *Mod. Econ.*, vol. 4, no. January, pp. 37–48, 2013.

[12] S. R. Ika and N. A. M. Ghazali, "Audit committee effectiveness and timeliness of reporting: Indonesian evidence," *Manag. Audit. J.*, vol. 27, no. 4, pp. 403–424, 2012.

[13] B. S. Bemby, Abukosim, Mukhtaruddin, and I. Mursidi, "Good Corporate Governance (GCG) Mechanism and Audit Delay: An Empirical Study on Companies Listed on the Indonesia Stock Exchange (IDX) in the Period of 2009-2011," *J. Mod. Account. Audit.*, vol. 9, no. 11, pp. 1454–1468, 2013.

[14] K. Apadore and M. M. Noor, "Determinants of Audit Report Lag and Corporate Governance in Malaysia," *Int. J. Bus. Manag.*, vol. 8, no. 15, pp. 151–163, 2013.

[15] A. A. Aziz, F. Isa, and M. F. Abu, "Audit report lags of Federal Statutory Bodies in Malaysia," in *International Conference on Economics, Management and Development*, 2014, pp. 73–78.

[16] U. J. B. Hashim and R. B. A. Rahman, "Audit report lag and the effectiveness of audit committee among Malaysian listed companies," *Int. Bull. Bus. Adm.*, vol. 10, no. 1, pp. 50–56, 2011.

[17] Y. M. Hassan, "Determinants of audit report lag: Evidence from Palestine," *J. Account. Emerg. Econ.*, vol. 6, no. 1, pp. 13–32, 2016.

[18] K. A. A. Daoud, K. N. I. K. Ismail, and N. A. Lode, "The impact of internal corporate governance on the timeliness of financial reports of Jordanian firms: Evidence using audit and management report lags," *Mediterr. J. Soc. Sci.*, vol. 6, no. 1, pp. 430–442, 2015.

[19] R. Eslami, A. Armin, and H. R. Jaz, "A Study on the Effect of Corporate Governance on the Timeliness of Financial Reports of Listed Firms on Tehran Stock Exchange," *Acad. J. Account. Econ. Res.*, vol. 4, no. 4, pp. 140–152, 2015.

[20] V. Ongore and P. K'Obonyo, "Effects of Selected Corporate Governance Characteristics on Firm Performance: Empirical Evidence from Kenya," *Int.J.Econ.*, vol. 1, no. 3, pp. 99–122, 2011.
[21] D. Agustia, "Pengaruh Faktor Good Corporate Governance, Free Cash Flow, dan Leverage Terhadap Manajemen Laba," *J. Akunt. dan Keuang.*, vol. 15, no. 1, pp. 27–42, 2013.
[22] U. J. B. Hashim and R. B. A. Rahman, "Board independence, board diligence, board expertise and impact on audit report lag in Malaysian market," *Electron. copy*, 2011, Accessed: Mar. 25, 2016. [Online]. Available: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1717479.
[23] M. Aglietta, "Corporate governance and the long-run investor," *Int. Rev. Appl. Econ.*, vol. 22, no. 4, pp. 407–427, 2008.
[24] L. Abernathy, John, B. Beyer, A. Masli, and M. Stefaniak, Chad, "How the Source of Audit Committee Accounting Expertise Influences Financial Reporting Timeliness," *Curr. Issues Audit.*, vol. 9, no. 1, pp. 1–9, 2015.
[25] J. Al-Ajmi, "Audit and reporting delays: Evidence from an emerging market," *Adv. Account.*, vol. 24, no. 2, pp. 217–226, 2008.
[26] K. Alkhatib and Q. Marji, "Audit Reports Timeliness: Empirical Evidence from Jordan," *Procedia - Soc. Behav. Sci.*, vol. 62, pp. 1342–1349, 2012.
[27] S. P. Nelson and S. N. . Shukeri, "Corporate governance and audit report timeliness: evidence from Malaysia," *Res. Account. Emerg. Econ.*, vol. 11, no. 2011, pp. 109–127, 2011.
[28] Y. Li, D. Zhang, and X. Wang, "The Influence of Corporation Governance Structure on Internal Control Audit Report Lag: Evidence from China," *Account. Tax.*, vol. 6, no. 2, pp. 101–115, 2014.
[29] A. Lambe, "Audit Committees step into the limelight," *Account. Ireland, Feb*, vol. 37, no. 1, pp. 48–51, 2005.
[30] H. Zhizhong, Z. Juan, S. Yanzhi, and X. Wenli, "Does corporate governance affect restatement of financial reporting? Evidence from China," *Nankai Bus. Rev. Int.*, vol. 2, no. 3, pp. 289–302, 2011.
[31] J. L. Abernathy, B. Beyer, A. Masli, and C. Stefaniak, "The association between characteristics of audit committee accounting experts, audit committee chairs, and financial reporting timeliness," *Adv. Account.*, vol. 30, no. 2, pp. 283–297, 2014.
[32] A. Ezat, "The Impact of Corporate Governance on the Timeliness of Corporate Internet Reporting by Egyptian Listed Companies," in *Proceedings of the Plymouth Postgraduate Symposium, UniversityPlymouth UK.*, 2009, pp. 179–199.
[33] S. Owusu-Ansah and S. Leventis, "Timeliness of corporate annual financial reporting in Greece," *Eur. Account. Rev.*, vol. 15, no. 2, pp. 273–287, 2006.
[34] S. Rachmawati, "Pengaruh Faktor Internal dan Eksternal Perusahaan Terhadap Audit Delay dan Timeliness," *J. Akunt. dan Keuang.*, vol. 10, no. 1, pp. 1–10, 2008.
[35] J. Lucyanda and S. P. Nura'ni, "Pengujian Faktor-Faktor yang Memengaruhi Audit Delay," *J. Akunt. Audit.*, vol. 9, no. 8, pp. 128–149, 2013.
[36] H. Y. Lee, V. Mande, and M. Son, "A comparison of reporting lags of multinational and domestic firms," *J. Int. Financ. Manag. Account.*, vol. 19, no. 1, pp. 28–56, 2008.
[37] S. Leventis, P. Weetman, and C. Caramanis, "Determinants of audit report lag: Some evidence from the Athens Stock Exchange," *J. Audit.*, vol. 9, no. 1, pp. 45–58, 2005.
[38] L. J. Abbott, S. Parker, and G. F. Peters, "Internal audit assistance and external audit timeliness," *Audit. A J. Pract. Theory*, vol. 31, no. 4, pp. 3–20, 2012.
[39] S. Abidin and N. Ahmad-Zaluki, "Auditor industry specialism and reporting timeliness," *Procedia-Social Behav. Sci.*, vol. 65, pp. 873–878, 2012.
[40] H. Zhizhong, Z. Juan, S. Yanzhi, and X. Wenli, "Does corporate governance affect restatement of financial reporting? Evidence from China," *Nankai Bus. Rev. Int.*, vol. 2, no. 3, pp. 289–302, 2011.
[41] A. Habib and M. B. U. Bhuiyan, "Audit firm industry specialization and the audit report lag," *J. Int. Accounting, Audit. Tax.*, vol. 20, no. 1, pp. 32–44, 2011.
[42] K. A. A. Daoud, K. N. I. K. Ismail, and N. A. Lode, "The timeliness of financial reporting among jordanian companies: Do company and board characteristics, and audit opinion matter?," *Asian Soc. Sci.*, vol. 10, no. 13, pp. 191–201, 2014.

Suwardi Bambang Hermanto holds a Doctorate degree in Economic Education at the State University of Malang, Indonesia in 2003. Currently, as a Lecturer in the accounting department of the Indonesia School of Economics (STIESIA) Surabaya, Indonesia. He has published several books, and research articles, as well as a speaker at the national accounting symposium. The Master of Management degree in finance was obtained in 1998 at the UNTAG University Surabaya. Research interests in the areas of corporate governance, investment analysis, and behavioral accounting.cased.