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AUDIT REPORT LAG: INSTITUTIONAL OWNERSHIP, GENDER DIVERSITY, AND AUDIT TENURE

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Abstract. This study aims to reveal simultaneously and partially the influence of institutional ownership, gender diversity, and audit tenure on audit report lag. The research method used is quantitative. The population in this study is companies registered in Consumer Non-Cyclicals Sector Companies Listed on The Indonesian Stock Exchange in 2017-2021. And using a purposive sampling technique with a total sample of 290, representing 58 companies over five years. Panel data regression analysis was carried out in this study using Eviews 12 software. The study results show that institutional ownership, gender diversity, and audit tenure simultaneously affect audit report lag. Partially, institutional ownership has a significant negative effect on audit report lag, while gender diversity and audit tenure have no effect. A high level of institutional ownership influences audit report lag in this study. In contrast, the presence of women on audit committees and the number of auditor tenures do not affect the duration of audit report lag.

Keywords: institutional ownership; gender diversity; audit tenure; audit report lag

I. INTRODUCTION

Based on law no. 8 of 1995, concerning the capital market, defines a stock exchange as a party that organizes and provides systems and facilities to trade Securities. This legal entity is essential for companies going public because it is a place for issuers to trade their shares to external parties. On January 25, 2021, the Indonesia Stock Exchange (IDX) has 11 sectors called the Indonesia Stock Exchange Industrial Classification (IDX-IC), one of which is the consumer non-cyclical sector companies. The Central Statistics Agency (BPS) noted that the Indonesian economy, according to gross domestic product (GDP) in 2021, cumulatively grew to 3.70 compared to 2020, which had decreased to -2.07 **[1]** (BPS, 2021).

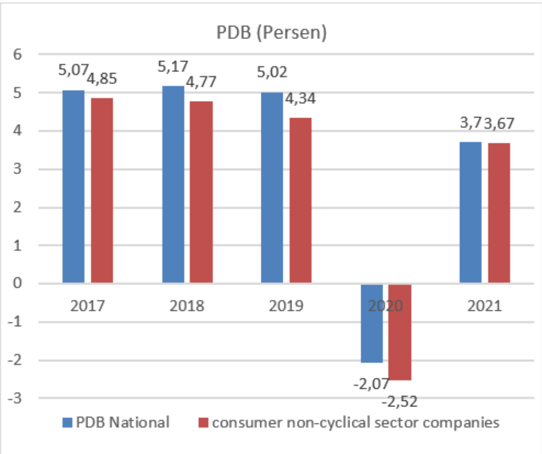

Figure 1. PDB National

According to Fig. 1, 2020 experienced a contraction of 6.86% to -2.52%. In 2021 it will experience a growth of 6.19% to 3.67%. It can be interpreted that the primary consumer goods industry is also one of the supporters of national GDP. In fact, according to IDX data, in the fourth quarter of 2021, the composite stock price index (IHSG) increased with support in second place, the primary consumer goods sector, which rose by 1.75% **[2]**. Users of financial statements (stakeholders) need information from the company on decision-makers that come from the company's financial statements **[3]**. Public companies store financial information via the Internet to reach a broader range of users of financial statements **[4]**. Public companies or those listed on the Indonesia Stock Exchange (IDX) should present financial statements that have been audited and published as part of the information that supports the going concern assessment of the company. Current year financial reports must be submitted as financial statements that have been audited by an auditor, which are submitted directly to KEP-346/BL/2011 in the decision of the presidential officer of BAPEPAM and Financial Institutions. Meanwhile, the time for submitting annual financial reports is no later than the fourth month (120 days), as stated in Regulation No.29/POJK.04/2016 article 7 paragraph (1). An excellent annual financial report must first go through an audit process. However, the time the audit takes is also considered because it will affect the quality of a financial report **[5]**. If the financial statements are not submitted by a predetermined time limit (120 days), it will be referred to as a delay in submitting financial reports (audit report lag). Audit report lag (ARL) is the period needed to complete audited financial statements, starting from the closing date of the financial year to the signature on the

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independent auditor's report **[6]**. However, several companies still experience delays sharing financial reports or have ARLs in consumer non-cyclical sector companies. Below are the number of companies conducting ARL in consumer non-cyclical sector companies listed on the IDX in 2017-2021:

Table 1. Companies Audit Report Lag

Years	Companies ARL
2017	4 Companies
2018	6 Companies
2019	21 Companies
2020	26 Companies
2021	7 Companies

Several companies still experience ARL in the data obtained, which tends to harm stakeholders in obtaining financial information promptly to protect the report's users. In the case of PT FKS Food Sejahtera Tbk. (AISA) in 2017 there was an alleged overrun of Rp5,29 trillion, which was disclosed by KAP Ernst & Young (EY), causing AISA to have to present financial reports again (restatement), which means ARL occurred **[7]**. As for other factors, most shareholders do not agree to ratify the 2017 financial statements because there is suspicion of the directors over the results of the financial statements **[8]**. Furthermore, in the case of PT Golden Proteina Tbk. (GOLL) in 2021 received a warning II and a fine of Rp50 million from the IDX for delays in submitting the current year's financial reports **[9]**. This happened due to pandemic regulations that limited work from office workers **[10]**. In this case, the authors argue that there are still ARLs in consumer non-cyclical sector companies. In this study, the authors used three factors, namely institutional ownership (KI), gender diversity (GD), and audit tenure (AT), which can affect audit report lag (ARL). As for the research by Kristiana & Annisa **[11]** and Frischanita **[12]** it is stated that KI affects ARL. Whereas in Utomo & Sawitri **[13]** research, KI has no effect on ARL. Based on the research of Chalu **[14]** and Susandya & Suryandari **[15]**, GD affects ARL. Meanwhile, Wandrianto et al. **[16]** and Pratiwi & Triyanto **[17]** state that GD does not affect ARL. The research by Mayling & Prasetyo **[18]** and Anggraini & Triyanto **[19]** revealed that AT affects ARL. However, the study by Abdillah et al. **[20]** and Dharma & Agustinus **[21]** state that AT does not affect ARL. With the findings in previous studies, there are still inconsistencies, so this study aims to determine simultaneously and partially the effect of KI, GD, and AT on ARL in consumer non-cyclical sector companies listed on the IDX in 2017-2021.

Audit Report Lag (ARL) is the time for completing audited financial reports from the closing date of the current financial year until the independent auditor's report is signed (Pratiwi & Nurbaiti, **[6]**). Jao et al. (2021) in Triyanto & Kusumaningtyas **[22]** argue that companies that do not maintain the quality of financial information will experience delays in submitting financial reports (ARL). POJK No. 29/POJK.04/2016, article 7 paragraph (1), time to push annual financial reports by the fourth month (120 days) to OJK. The ARL variable in this study uses proxies, namely:

$$ARL = Date\ of\ Audit\ Report - Date\ of\ Annual\ Financial\ Report \qquad (1)$$

H^1: KI, GD, and AT simultaneously affect ARL.

Institutional Ownership (KI)

KI are institutional shares owned by insurance companies, investments, trust funds, banks, foreign countries, and other institutions (Juniarti & Sentosa, 2019) in **[11]**. According to Alfraih (2016) and Rose (2017) in Frischanita **[12]**, KI is an effective corporate governance tool because it can monitor the actions of managers in carrying out company activities. Another opinion from Susilahwati & Triyanto **[23]** states that institutional investors have the right to sue management and can minimize delays in submitting audited financial reports. This variable is proxied using the formula, namely:

$$KI = \frac{Shares\ Owned\ by\ Institution}{Outstanding\ Share\ Capital}\ x\ 100\% \qquad (2)$$

H^2: KI partially has a significant negative effect on ARL.

Gender Diversity (GD)

About the company's audit committee, male members are seen as having a leadership attitude to bring success to a company than female members. Chalu **[14]** states that the composition of female members in the audit committee is effective and significantly impacts the audit process, thereby reducing the time for the audit process to be carried out by the auditor. The tendency of female figures to work quickly, thoroughly, and in analysing when facing problems and making exact decisions **[24]**. Frischanita **[12]** said that women are more sensitive to pressure to immediately submit financial reports so that women can minimize the occurrence of ARL. This variable is proxied using the formula, namely:

$$GD = \frac{Female\ in\ Audit\ Committee}{Total\ Audit\ Committee}\ x\ 100\% \qquad (3)$$

H^3: GD partially has a significant negative effect on ARL.

Audit Tenure (AT)

AT is the auditor's engagement period with the company (client) in auditing **[25]**. Sihombing **[26]** argues that AT is the term of a company's engagement with a public accounting firm (KAP) or public accountant (auditor). Government Regulation 18 Number 20 of 2015 concerning Practicing Public Accountants states that the provision of audit services on financial information by KAPs has no restrictions on the provision of audit services, while auditors are limited for 5 (five) consecutive financial years. The AT variable is measured using a proxy, namely the first period of the engagement is given the number 1 (one) and added 1 (one) for the next period. If there is a change of auditor, it will start again with the number 1 (one).

H^4: AT partially has a significant negative effect on ARL.

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II. RESEARCH METHODS

The research method used in this study is quantitative. The research population was companies in the consumer non-cyclical sector listed on the IDX in 2017-2021. The sampling technique used is purposive sampling. The sample used was 290, consisting of 58 companies for five years. Nuryadi et al., **[27]** state that descriptive statistics explain objects used in research in fact or according to reality. Descriptive statistics are presented in various forms, calculating the mean, mode, median, and standard deviation. In this study, a panel data regression analysis model was used, which combines cross-sectional (data set) and time-series (timeframe) **[28]**. This research uses Eviews 12 software. In this study, the regression equation used is as follows:

$$ARLit = \alpha + \beta_1 KIit + \beta_2 GDit + \beta_3 ATit + e \quad (6)$$

Information:

ARL	=	*Audit Report Lag*
α	=	Constant
$\beta_1, \beta_2, \beta_3$	=	Independent variable regression coefficient
KI	=	Institutional Ownership
GD	=	*Gender Diversity*
AT	=	*Audit Tenure*
e	=	*Error Term*
i	=	companies
t	=	times

III. RESULTS AND DISCUSSION

Descriptive Statistics

Table 2. *Descriptive Statistics*

Explanation	*ARL* (Y)	KI (X1)	*GD* (X2)	*AT* (X3)
Mean	89,56207	0,698917	0,160057	1,634483
Minimum	29,00000	0,000000	0,000000	1,000000
Maximum	401,0000	0,999431	1,000000	5,000000
Std. Dev.	36,48289	0,232513	0,233447	0,778729
N	290	290	290	290

In Table 2, the results of descriptive statistics on the dependent variable, the audit report lag data produced does not vary. In the independent variable, the resulting data institutional ownership does not vary. Furthermore, the independent variable gender diversity data produced varies. Meanwhile, the independent variable tenure audit data produced does not vary.

Simultaneous Results

The results show that the prob. (F-Statistic) of 0,002478 <0,05 can be interpreted that simultaneously the independent variables, KI, GD, and AT, affect the dependent variable, ARL.

Panel Data Regression Results

After testing, it shows that the Lagrange Multiplier test model results have a significance value of < 0,05. With the model test results conducted, the suitable panel data regression model to use in Eviews 12 is the random effect (REM) method. The following are the test results obtained.

Table 3. Panel Data Regression Results

Dependent Variable: ARL
Method: Panel EGLS (Cross-section random effects)
Date: 06/15/23 Time: 02:23
Sample: 2017 2021
Periods included: 5
Cross-sections included: 58
Total panel (balanced) observations: 290
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	120.6116	11.29537	10.67797	0.0000
X1_KI	-44.57491	14.44720	-3.085367	0.0022
X2_GD	-16.32970	11.03960	-1.479193	0.1402
X3_AT	1.663069	2.069187	0.803731	0.4222

Effects Specification

	S.D.	Rho
Cross-section random	24.22603	0.4684
Idiosyncratic random	25.80674	0.5316

Weighted Statistics

Root MSE	25.64131	R-squared	0.048819
Mean dependent var	38.51913	Adjusted R-squared	0.038842
S.D. dependent var	26.33654	S.E. of regression	25.82000
Sum squared resid	190668.3	F-statistic	4.892946
Durbin-Watson stat	1.901169	Prob(F-statistic)	0.002478

Based on the results listed above, it can be concluded that the panel data regression model equation is as follows:

$$ARL = 120{,}6116 - 44{,}57491KI - 16{,}32970GD + 1{,}663069AT + e$$

The results of the regression equation can be interpreted as follows:

1. The constant value (α) is 120,6116. It means that if the values of the KI, GD, and AT variables are constant or 0 (zero), then the ARL value is 120,6116 units.
2. The regression coefficient value of the KI variable is -44,57491. If it is assumed that the other independent variables are constant, if there is an increase in KI by 1 (one) unit, the ARL will decrease by 44,57491 units.
3. The regression coefficient value of the GD variable is -16,32970. If it is assumed that the other independent variables are constant, if there is an increase in GD by 1 (one) unit, the ARL will decrease by 16,32970 units.

The regression coefficient value of the AT variable is -1,663069. If it is assumed that the other independent variables are constant, if there is an increase in GD by 1 (one) unit, the ARL will increase by 1,663069 units.

IV. CONCLUSION

Based on the results and discussion in this study, the descriptive statistical analysis shows that for the ARL, KI, and AT variables, the data produced does not vary because the comparison between the mean values is greater than the standard deviation value. While the GD variable, the resulting data varies. KI, GD, and AT variables simultaneously influence ARL. Partially, the KI variable has a significant negative effect on ARL. Meanwhile, the variables GD and AT do not affect ARL. The author suggests further research to add new variables and develop research samples so that they can

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reach the entire company. As well as for companies, it is hoped that it can become information that the KI factor can affect ARL, especially in companies in the primary consumer goods sector.

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