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## THE ROLE OF CORPORATE GOVERNANCE MECHANISM ON AUDIT REPORT LAG DURING ECONOMIC RECESSION PERIOD

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### ABSTRACT

**Purpose:** This research aims to analyze the effect of internal corporate governance mechanism on audit report lag.

**Methodology/approach:** We observe 99 firms-years observations, or 33 companies listed in the LQ-45 Index during 2020 to 2022. Corporate governance mechanism measured by the existence of audit committee, measured by its independence, expertise, and audit committee performance. Audit report lag measured by the time of audit report delay from the normal due date. The research technique use panel data regression analysis.

**Findings:** The research findings show that the audit committee independence negatively influence the audit report lag. It means that the level of independence of audit committee reflect professionalism and competence, hence the audit committee provide their best effort as supervision function. The process of audit reporting also meets the scheduled in a timely manner. On the other hand, the number of audit meeting and financial expertise have no influence on the audit report lag.

**Practical implications:** Our findings provide empirical evidence on how to deal with the audit reporting process and how to avoid the audit report delay.

**Originality/value:** This research provide originality especially on the measurement of internal corporate governance mechanism by using audit committee



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performance. A new approach on board expertise in financial also consider as our value.

**Keywords:** *Audit Committee, Audit Committee Expertise, Audit Report Lag, Corporate Governance*

#### **ABSTRAK**

**Tujuan penelitian:** Penelitian ini bertujuan untuk menganalisis pengaruh mekanisme internal tata kelola perusahaan terhadap audit report lag.

**Metode/pendekatan:** Penelitian ini menguji 99 perusahaan selama 3 tahun, atau 33 perusahaan yang terdaftar dalam Indeks LQ-45 selama tahun 2020 hingga 2022. Mekanisme tata kelola perusahaan diukur dari keberadaan komite audit, diukur dari independensi, keahlian, dan kinerja komite audit. Keterlambatan laporan audit diukur dengan waktu keterlambatan laporan audit dari tanggal jatuh tempo normal. Teknik analisis yang digunakan adalah regresi data Panel.

**Hasil:** Hasil penelitian menunjukkan bahwa independensi komite audit berpengaruh negatif terhadap audit report lag. Artinya tingkat independensi komite audit mencerminkan profesionalisme dan kompetensi, sehingga komite audit berupaya semaksimal mungkin dalam menjalankan fungsi pengawasan. Proses pelaporan audit juga memenuhi jadwal dengan tepat waktu. Sedangkan jumlah rapat audit dan keahlian keuangan tidak mempunyai pengaruh terhadap audit report lag.

**Implikasi praktik:** Hasil penelitian ini memberikan bukti empiris tentang proses pelaporan audit yang efektif dan cara menghindari keterlambatan penerbitan laporan audit.

**Orisinalitas/kebaharuan:** Keterbaruan pada pengukuran mekanisme internal tata kelola perusahaan dengan menggunakan kinerja komite audit. Pendekatan baru terhadap keahlian di bidang keuangan juga dianggap sebagai nilai kami.

**Kata kunci:** *Audit Report Lag, Komite Audit, Kompetensi Komite Audit, Tata kelola*

## **INTRODUCTION**

The company's financial reports experienced a recession during the Covid-19 pandemic which entered Indonesia in 2020 ([Lajmi & Yab, 2022a](#)). The company's financial report shows an economic recession in Indonesia which is projected by the IMF by looking at Global GDP in 2020 which fell from 4.9% from the previous year of 3.5%. This situation even surpassed the Great Depression and was the worst global economic crisis in history. Publication of financial reports, which have been audited by KAP, is very necessary to understand the condition of a company. The financial reports reported by a company to the

Indonesian Stock Exchange (BEI) can show how long ago the financial reports were submitted.

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The phenomenon of cases of audit report lag or delays in publishing financial reports in LQ-45 companies that occurred during the recession from 2020 to 2022 includes Medco Energy International Tbk. (2020) was 151 days late, Medco Energy International Tbk. (2021) 160 days late, Merdeka Cooper Gold Tbk. (2022) is 117 days late, Perusahaan Gas Negara (PGN) Tbk. (2022) is 103 days late. The company financial reports of several issuers have passed the 90-day deadline for publishing their annual reports after being examined by the Public Accounting Firm (KAP). The Financial Services Authority issued regulation Number 14/POJK.04/2022 which states that financial reports must be announced to the public no later than the end of the third month after the company's financial reports close. Financial reports will become irrelevant if they are published too late because this will create information asymmetry regarding the financial reports ([Abdillah et al., 2019](#); [Abernathy et al., 2014a](#))

As a phenomenon that has occurred, it is necessary to identify factors that can influence the occurrence of audit report lag as seen through the company's internal corporate governance mechanisms, namely, among others, the independence of the audit committee, the frequency of audit committee meetings and the number of financial experts on the audit committee ([Al Daoud et al., 2015](#); [Habib et al., 2019](#)). In the corporate governance structure or Good Corporate Governance (GCG), the involvement of the audit committee is an important part in providing improvements to the quality of internal supervision within the Company ([Bhuiyan & D'Costa, 2020](#); [Lajmi & Yab, 2022a](#)) and be able to maximize the checks and balances mechanism, which is ultimately aimed at providing optimal protection to stakeholders.

The characteristic of an audit committee that is able to improve its supervisory function is independence ([Khlif & Samaha, 2016](#)). Independence is an attitude that is not easily influenced, because auditors carry out their work in the public interest ([Ogoun et al., 2020](#)). The frequency of audit committee meetings is an activity that must be carried out as a means of discussing and supervising the Company's financial reporting process ([Ogoun et al., 2020](#)). Audit committee financial expertise is an audit committee member who has competence in the financial sector ([Nipper, 2021](#)). This competency is related to experience and expertise in carrying out good internal control over management and ensuring the quality of financial reporting ([Bhuiyan & D'Costa, 2020](#)).

The difference between this study and previous studies that have been conducted by [Lajmi and Yab \(2022\)](#) lies in the research phenomenon and research variables. The phenomenon studied in the previous study was related to the Audit Report Lag that occurred during the Covid-19 pandemic from 2020 to 2022, while the research conducted by the author reviews the case of Audit Report Lag that occurred during the recession in Indonesia which occurred from 2020 to 2022. The phenomenon of audit report lag cases or delays in the publication of financial reports in LQ-45 companies that occurred during the recession from 2020 to 2022 include Medco Energy International Tbk. (2020) 151 days late, Medco Energy International Tbk. (2021) 160 days late, Merdeka Cooper Gold Tbk. (2022) 117 days late, Perusahaan Gas Negara (PGN) Tbk. (2022) 103 days late. The financial reports of several issuers have passed the 90-day deadline to publish their annual reports after being audited by the Public Accounting Firm (KAP). The Financial Services Authority issued Regulation Number 14/POJK.04/2022 which states that financial reports must be announced to the public no later than the end of the third month after the company's financial report is closed.

Financial reports will be irrelevant if published too late because this will create information asymmetry regarding the financial reports ([Abdillah et al., 2019](#); [Abernathy et al., 2014a](#)). The reason researchers took the Audit Report Lag phenomenon that occurred during the recession was because there were still several companies that experienced delays in submitting their financial reports, especially during the recession, because during the recession there was an economic downturn for three consecutive years and could have an impact on the delay in submitting the company's financial reports.

The novelty in this study is discussing the recession that occurred in Indonesia by linking it to the case of the company's Audit Report Lag which had not previously been discussed in previous research by ([Lajmi and Yab, 2022](#)). The researcher developed this research with data obtained from the financial reports of LQ-45 companies in Indonesia. The case phenomenon studied by previous research was related to the Audit Report Lag that occurred during the Covid-19 pandemic from 2020 to 2022, while the research conducted by the author reviews the case of Audit Report Lag that occurred during the recession in Indonesia which occurred from 2020 to 2022.

Agency theory ensures that the audit committee can carry out its duties and responsibilities objectively during a recession without being influenced or influenced by others ([Abernathy et al., 2014b](#)). The purpose of the audit committee is to help the principal monitor the agent's performance and ensure that the timely submission of financial reports is achieved and focus on the tasks assigned ([Ghafran & Yasmin, 2018a](#)). The more dominant the independent audit committee is in supervision, the better and more effective it is expected to be, thereby minimizing the risk of audit report lag [Nazir et al., \(2014\)](#) and ([Salleh et al., 2017](#)) explained that the more independent the audit committee members are, the better the transparency in carrying out their functions, so that the external audit process can be shorter because the level of misstatement of the financial statements being examined is smaller ([Gede & Ratna, 2021](#)).

A research conducted by [Lajmi & Yab \(2022b\)](#) stated that most corporate governance attributes have a significant effect on audit report lag. Specifically, audit committee diligence and audit committee expertise have a significant and positive effect on audit report lag. However, the board of directors has a significant and negative effect on audit report lag. Meanwhile, research conducted by [Oussii & Boulila Taktak \(2018\)](#) provides a statement that audit committee financial expertise influences audit report lag, while audit committee authority, audit committee independence, audit committee size, and audit committee diligence do not have a significant influence on audit report lag. Many previous studies have been conducted regarding audit report lag [Habib & Jiang, \(2015\)](#); [Nazir et al., \(2014\)](#); [Nouraldeen et al.,\(2021\)](#); [Rahmansyah et al., \(2021\)](#). A research on The influence of the audit committee and independent board of commissioners in influencing audit report lag in companies listed on the Indonesian stock exchange. The research results show that audit committee effectiveness, company size, and type of auditor have a negative effect on financial reporting lead time, while financial conditions have a positive effect on financial reporting lead time ([Bhuiyan & D'Costa, 2020](#)), [Ghafran & Yasmin, \(2018a\)](#) examines the characteristics of the audit committee and audit report lag, explaining that the financial skills of the audit committee and the size of the audit committee have no effect on audit report lag. However, the close geographical position between the auditor and the client has a positive impact on audit report lag.

This research aims to analyze the factors that influence audit report lag that occurs during a recession. Companies that experienced delays in submitting financial reports during the

recession were due to the economic downturn for three consecutive years and this could have an impact on delays in submitting the company's financial reports. It is hoped that this research can contribute to similar research that will be carried out next and reduce cases of Audit Report Lag that occur in Indonesia so that companies can submit their audit reports on time. The difference between this research and research that has been carried out by (Lajmi & Yab, 2022). is in the research phenomenon and research variables. The phenomenon examined in previous research was related to Audit Report Lag which occurred during the Covid-19 pandemic from 2020 to 2022, while the research conducted by the author reviewed the Audit Report Lag case which occurred during the recession in Indonesia in 2022 and looked at the role of Internal Corporate Governance Mechanisms in companies to reduce delays in submitting financial reports.

The objects used in this research are companies that have gone public and are indexed LQ-45. The LQ-45 company was chosen as the research object because these companies have a high level of market capitalization so that the company's financial reports are very useful for the wider community. LQ-45 companies must publish their financial conditions through company financial reports in a timely manner to maintain public trust. The research period was carried out from 2020 to 2022 because researchers were able to see cases of delays in audit reporting that occurred at the beginning of the recession event and during the recession event in Indonesia. If the Audit Report Lag problem that occurs in companies is not resolved, it will lead to information asymmetry between company management and investors who invest their capital in the company (Lajmi & Yab, 2022). Investors will consider that the financial reports produced by the company are not good so it takes a long time to submit the report. Financial reports that are late in publication can damage the trust of the principal (shareholders) in the agent (company management).

An audit committee that has independent members is considered more reliable and trustworthy (Rahmansyah et al., 2021) namely a mental attitude that is difficult to control because it is related to a person's integrity (Salleh et al., 2017). Audit committee independence during the recession in Indonesia is very necessary because it can enable members of the audit committee to have independence in expressing attitudes and opinions.

Based on agency theory, it states that the audit committee can carry out their duties and responsibilities during the recession objectively without any influence or intervention from any party, so that the aim of the audit committee is to assist the principal in supervising the agent's performance and ensuring that the timely submission of financial reports will be achieved and focused on the tasks assigned. The more dominant the independent audit committee is in supervision, the better and more effective it is expected to be, thereby minimizing the risk of audit report lag (Nazir, 2023). Audit committee independence has a negative effect on audit report lag. These results are also in line with research conducted by Salleh et al., (2017) who stated that The more independent the audit committee members are, the better the transparency in carrying out their functions, so that the external audit process can be shorter because the level of misstatement of the financial statements being examined is smaller.

Based on the explanation, the first hypothesis is written as follows:

$H_1$  : *Audit committee independence has a negative effect on Audit Report Lag.*

The frequency of audit committee meetings is an activity that must be carried out as a means of discussing and monitoring the company's financial reporting process. The audit committee's diligence is proxied by frequent meetings that can take several protective and corrective procedures regarding the timeliness of internal control weaknesses (Gede & Ratna,

2021). Agency theory interprets that if the audit committee holds meetings more regularly, it will speed up the process of publishing financial reports and prevent audit delays. This research is in line with research conducted by [Oussii & Boulila Taktak \(2018\)](#) and [Lajmi & Yab, \(2022c\)](#) who conducted research on listed companies in Tunisia which proved that there was a significant negative relationship between the frequency of audit committee meetings and audit report lag. In this research, it was found that the number of meetings held by the audit committee in a year can reduce audit report lag.

Based on this explanation, the second hypothesis is proposed as follows:

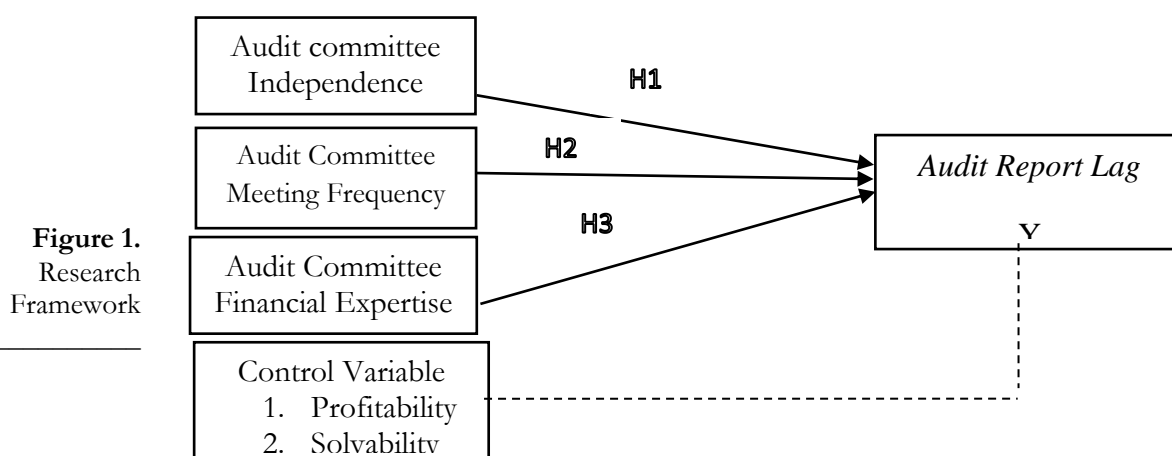
*H<sub>2</sub>: The frequency of audit committee meetings has a negative effect on audit report lag.*

An audit committee whose members have expertise in accounting or finance is very important in helping the performance of external auditors during the recession in Indonesia ([Nofiana & Surifah, 2023](#)). The expertise of the audit committee during a recession is very necessary because the audit committee's job is as a mediator between management and the external auditor. An audit committee whose members have financial expertise, especially those who have a CPA degree, will understand the auditor's duties and responsibilities, will be more supportive of the auditor and will find it easier to monitor the performance of the external auditor during a recession ([Al Daoud et al., 2015](#)).

Based on agency theory, it states that agency problems existing problems in the company can be resolved with the role of audit committee that supervises the agent so that the agent acts in accordance with interests of the principal ([Basuony et al., 2016](#)). This research supported the result founded by [Salleh et al., \(2017\)](#) and [Arifin, \(2022\)](#) who found that the financial expertise of the audit committee has a negative influence on audit report lag, meaning that the greater the number of financial experts on the audit committee, the delay in submitting financial reports or audit report lag decreases. The audit committee, which is measured by the percentage of the number of audit committees that have financial expertise or an educational background in accounting and finance, is expected to be more effective.

Based on this argument, the third hypothesis is proposed as follows:

*H<sub>3</sub>: Audit committee financial expertise have a negative effect on Audit Report Lag*



Source: Primary Data, 2024

**RESEARCH METHOD**

The population of this study are public companies listed on the IDX. This research sample was taken using purposive sampling technique. Data collection in this research was carried out by collecting annual report data from LQ-45 companies during the 2020-2022 recession which was obtained through the Indonesian Stock Exchange or the official website of LQ-45 indexed companies. The sample of this study was taken using a purposive sampling technique of 33 companies over a period of 3 years with a total of 99 data. This study uses a sample of LQ-45 companies. The observation year is 2020-2022. The sample criteria in this study are LQ-45 companies that do not report financial statements on the IDX during the period 2020-2022, LQ-45 companies that do not present complete data related to the research variables during the period 2020-2022, LQ-45 companies that did not experience mergers and acquisitions during the period 2020-2022, LQ-45 companies that did not experience losses during the period 2020-2022. The sample in this study uses a purposive sampling technique. The variables used in this research are audit report lag, internal corporate governance which is proxied by the effectiveness of the audit committee regarding the independence of the audit committee, the frequency of audit committee meetings and the number of financial experts on the audit committee. Control variables are a type of research variable that is maintained by the researcher during the experiment and is not part of the experiment. The control variable in this research has the aim of providing control over the influence of the experiment and establishing the correlation between the dependent variable and the independent variable. The control variables in this research are profitability and solvency. The technique used for sampling was purposive sampling, the total is 33 companies during 3 years of observation with a total of 99 data in 2020-2022. Table 1 shows the detail of variables measurement.

The data analysis technique used in this research is to use panel data regression analysis to test independent factors in the form of components or parts of the audit report lag.

$$Y\_ARL = \alpha + \beta_1 ACINDEP + \beta_2 ACMEET + \beta_3 EXPERT + \beta_4 ROA + \beta_5 DAR + \epsilon$$

Note:

1. Y\_ ARL = *Audit Report Lag*
2. ACINDEP = *Audit Committee Independence*
3. ACMEET = *Audit Committee Meeting Frequency*
4. EXPERT = *Audit Committee Financial expertise*
5. ROA = *Profitability*
6. DAR = *Solvability*
7.  $\epsilon$  = *other factors outside the model.*

	<b>Variables</b>	<b>Indicators</b>	<b>References</b>
Independent Variables	Audit Committee Independence	Number of independent audit committee members: number of audit committee members	( <a href="#">Masciandaro, 2022</a> )

Table 1. Variables Measurement		Dependent Variables	Control variables		
	Audit Committee Meeting Frequency	Number of Committee Meetings Audit = $\sum$ Internal Meeting of Audit Committee Members			(Salleh et al., 2017)
	Audit Committee Financial expertise	$\sum$ background of expertise of audit committee			(Salleh et al., 2017)
	<i>Audit Report Lag</i>	Audit report date – end of financial book year			(Lajmi & Yab, 2022c)
	Profitability	$ROA = \frac{Net\ profit}{Total\ Assets} \times 100\%$			
	Solvability	$DAR = \frac{total\ debt}{Total\ Assets} \times 100\%$			(Arifin, 2022)

## RESULT AND DISCUSSION

Table 2 shows descriptive statistics of 99 firms-years observations. The average value for the dependent variable audit report lag was obtained at 69.48 with the highest value being 148, namely companies that experienced audit report lag in their annual financial reports, including: PT Charoen Pokphand Indonesia Tbk. (2020) while the lowest value was 17, namely PT Surya Esa Perkasa Tbk. (2022). a) The Audit Committee Independence variable obtained an average value of 2.13 with the highest value being 4 and the lowest value being 2 with a standard deviation of 0.420. From the processed data it can be seen that the lowest audit committee independence was produced by PT Ace Hardware Indonesia Tbk., PT Adaro Energy Tbk. and PT Sumber Alfaria Trijaya Tbk., in 2020, while the highest audit committee independence of 4.00 was produced by PT Bank Rakyat Indonesia (Persero) Tbk. 2020 to 2022. The Audit Committee Meeting Frequency variable obtained an average value of 12.11 with the highest value being 43 and the lowest value is 3, with a standard deviation of 10.547. From the processed data it can be seen that the lowest audit committee meeting frequency of 3 was produced by PT Indah Kiat Pulp & Paper Tbk. in 2020 to 2022, while the highest audit committee meeting frequency of 43 was produced by PT Telkom Indonesia (Persero) Tbk. The Audit Committee Expertise variable obtained an average value of 1.57 with the highest value being 3 and the lowest value being 1 with a standard deviation of 0.556. From the processed data it can be seen that the lowest audit committee expertise of 1 was produced by PT Ace Hardware Indonesia Tbk., PT Adaro Energy Tbk. and PT Bank Negara Indonesia (Persero) Tbk. in 2020, while the highest audit committee expertise of 3 was produced by PT Bank Rakyat Indonesia (Persero) Tbk. 2020 to 2022.

Variables	N	Minimum	Maximum	Mean	Standar Deviation
Audit Committee Independence	99	2	4	2.13	0.420
Audit Committee Meeting Frequency	99	3	43	12.11	10.547
Audit Committee Financial Expertise	99	1	3	1.57	0.556
Profitability	99	0.00	0.45	0.0786	0.08327
Solvability	99	0.06	0.89	0.4700	0.08327
Audit Report Lag	99	17	148	69.48	25.376

Source: Primary data, 2024

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Table 3 presents the results of the regression analysis. SPSS 24 was used to test the regression model. Before carrying out a regression test, a classical assumption test is first carried out to obtain the best unbiased linear estimator (BIRU). All variables have no problems with classical assumptions. Linear regression analysis is used with the aim of testing one dependent variable in an algorithm with two or more studies using statistical methods.

Variables	Coefficient	t	Sig Level	Adj R <sup>2</sup>	VIF	Glejser
(Constant)	116.219	8.552	.000*			
Audit Committe Independence	-14.039	-2.006	.048*		1.582	0.132
Audit Committee Meeting Frequency	-0.315	-1.290	.200		1.217	0.076
Audit Committee Financial Expertise	3.973	0.789	.432	0.169	1.435	0.100
Profitability	-37.650	-1.125	.263		1.421	0.992
Solvability	-34.582	-2.467	.015 *		1.865	0.438

**Table 3.**  
Regression results

Note : \*significant at 0.05 level, kolmogorov smirnov (0,113 > 0,05). Durbin Watson 1.823

Source: Primary Data, 2024

The Normality Test shows that the data used in this research is normally distributed because the Asymp value. Sig. (2-tailed) greater than 0.05 (0.113 > 0.05). The multicollinearity test is more than 0.10 and the variance inflation factors (VIF) is less than 10.00. The results of the data resulting from multicollinearity testing above all variables do not experience correlation or multicollinearity problems because the resulting tolerance value is more than 0.10 and the resulting VIF value is less than 10.00. The significance value resulting from the Glejer test is more than 0.05, so it can be concluded that the regression model used is not subject to heteroscedasticity. Durbin Waston shows a value of 1.823, the dL value is 1.6108 and the dU value is 1.7355. The results are according to the formula  $1.7355 < 1.823 < 2.2645$ . The calculation of the  $DU < DW < 4-DU$  value is  $1.7355 < 1.823 < 2.2645$ , meaning that the conclusion is that no autocorrelation problem was detected.

### The Effect of Audit Committee Independence on Audit Report Lag

The results of hypothesis testing show that audit committee independence statistically has a negative and significant effect on audit report lag so that these results are in accordance with the hypothesis proposed in this research. Through the results of the analysis, it can be seen that the significance value of the audit committee independence variable is 0.048 and the regression coefficient is negative 14.039. This means that the independence of the audit committee has a negative influence on audit report lag. This means that the more independent an audit committee assigned as an independent supervisor is, the lower the audit report lag cases will be. Agency theory encourages a company to be able to publish its financial reports in a timely manner because apart from being the company's obligation to submit reports on time, this can also avoid conflicts that occur between company management and company investors. In connection with agency theory, the negative influence of audit committee independence on audit report lag can be explained that the higher the level of independence possessed by the audit committee in a company during a recession, the lower the incidence of audit report lag that occurs during a recession in a company. During the recession, there were several companies that were able to increase the

independence of their audit committees and publish financial reports in a timely manner, such as PT Bank Rakyat Indonesia (Persero) Tbk. and PT XL Axiata Tbk. The relationship between agency theory, companies that are able to produce audit committee independence will make investors confident about continuing to invest their capital. Based on agency theory, the role of an independent audit committee as a Good Corporate Governance mechanism is able to optimally implement the principles of Good Corporate Governance, especially in transparency and accountability, so that in the supervisory function it is able to encourage company management to issue financial reports in a timely manner and the role of the independent audit committee can guarantee the balancing of interests between the agent and the principal (Salleh et al., 2017). The results of this research are in line with research conducted by [Oussii & Boulila Taktak \(2018\)](#) and [Ogoun et al \(2020\)](#) that the more independent the audit committee members are, the better the transparency in carrying out their functions, so that the external audit process can be shorter because the smaller the level of misstatement in the financial statements. The independence of the audit committee in a company is one of the factors that shareholders assess when making decisions, especially during a recession because companies can observe which companies still maintain the independence of their audit committees when the economic crisis occurs in Indonesia.

### **The Effect of Audit Committee Meeting Frequency on Audit Report Lag**

The results of hypothesis testing show that the frequency of audit committee meetings statistically has no influence on audit report lag so these results are not in accordance with the hypothesis proposed in this research. Through the results of the analysis, it can be seen that the significance value of the audit committee meeting frequency variable is 0.200 and the regression coefficient is negative at 0.315. This means that the frequency of audit committee meetings held by the audit committee during the recession has no influence on audit report lag. Based on the test results, the high intensity of the number of meetings held by the audit committee during the recession does not guarantee that it will help reduce the occurrence of audit report lag for the company. This condition is possible because of the difficulties faced by audit committee members in dealing with certain financial problems during the economic recession. When the intensity of audit committee meetings increases, it is likely that relatively more financial problems will be detected, so that finding solutions will also take longer and ultimately increase audit report lag. Therefore, it is necessary to carry out more detailed monitoring of whether the meetings held by audit committee members are able to resolve the problems present in the company effectively or not. These results are in line with research conducted by [Abernathy et al. \(2014b\)](#) and [Khlif & Samaha \(2016\)](#) who stated that the level of routine meetings carried out by audit committee members was unable to influence the occurrence of audit report lag. The results of the hypothesis test show that the frequency of audit committee meetings statistically has no effect on audit report lag, so this result is not in accordance with the hypothesis proposed in this study. Through the results of the analysis, it can be seen that the significance value of the audit committee meeting frequency variable is 0.200 and the regression coefficient is negative at 0.315. This means that the frequency of audit committee meetings held by the audit committee during a recession has no effect on audit report lag. Based on the test results, the high intensity of the number of meetings held by the audit committee during a recession does not guarantee that it will help reduce the occurrence of audit report lag for the company. This condition is possible because of the difficulties faced by audit committee members in dealing with certain financial problems during an economic recession. When the intensity of audit committee meetings increases, it is likely that the financial problems detected will be relatively more, so that finding solutions will also take longer and ultimately increase audit report lag. Therefore,

it is necessary to carry out more detailed monitoring of whether the meetings held by audit committee members are able to solve existing problems in the company effectively or not. These results are in line with research conducted by [Abernathy et al. \(2014b\)](#) and [Khlif & Samaha \(2016\)](#) who stated that the level of routine meetings conducted by audit committee members was unable to influence the occurrence of audit report lag. This condition is possible due to the difficulties faced by the audit committee in dealing with certain financial problems ([Abernathy et al., 2014b](#)). When there is an increase in the intensity of audit committee meetings, it is likely that relatively more financial problems will be detected, so that finding a solution also takes a relatively long time and can ultimately increase the occurrence of Audit Report Lag cases ([Khlif & Samaha, 2016](#)).

### **The Effect of Audit Committee Financial Expertise on Audit Report Lag**

The results of hypothesis testing show that the audit committee's financial expertise does not have a statistically significant effect on audit report lag so this result is not in accordance with the hypothesis proposed in this research. Through the results of the analysis, it can be seen that the significance value of the audit committee expertise variable is  $0.1432 > 0.05$  and the positive regression coefficient is 3.973. This means that the financial expertise possessed by an audit committee at a company during a recession cannot influence the time span required by an independent auditor to examine the annual financial statements based on the length of days required to obtain the independent auditor's report on the audit of the annual financial statements. These results are in line with previous research conducted by [Ogoun et al. \(2020\)](#) and [Abdillah et al., \(2019\)](#) stating that the number of audit committees who have financial expertise cannot be a reference for delays in submitting financial reports. This is because the speed of an audit is determined by the quality of the audit evidence obtained by the auditor. The expertise of the audit committee does not affect the audit report lag, which is caused by a company that has audit committee members whose number exceeds the existing criteria so that it is inconsistent every year, making the company unstable in carrying out the quality of the annual financial statement audit.

### **CONCLUSION**

The timeliness of audit reports become the important aspect of public disclosure especially for public listed companies. The delay of audit reports might affect consequences on legal aspects and. became evidence of negligence on government regulation for submitting audited financial report in timely manner. The role of corporate governance became the main factor in ensuring the process of audit itself ([Nouraldeen et al., 2021](#)). Audit committee as one of the corporate governance organs provide the supervision function and control the process of audit which conducted by external auditor. Audit committee also responsible in selecting external auditor engagement. This study investigates the audit committee performance as part of corporate governance mechanism, which measured by the audit committee independence, the number of audit committee meeting, and the financial expertise of audit committee members. The result show that the independence of audit committee affects the degree of audit report lag negatively. While the frequent of committee meetings and the board member expertise do not influence the audit report lag. Audit committee independence become the important factor that influence the process of publishing audit report.

This research contributes to reinforce the evidence regarding the role of audit committee especially in providing supervision function to support audit process. Hence, the process of publishing audit report can run smoothly as the scheduled time. The independent board members also provide the good corporate governance mechanism ([Gede & Ratna, 2021](#)).

In several aspect, this study has limitations. First, since we were unable to find evidence on the causality of the audit committee meeting and audit report lag, it might be caused by the proxy of measurement used in this study. The number of audit committee meeting might do not reflect the quality of the meeting itself. Hence, future research can explore more deeply on this issue. Second, this study examine the audit report lag without the factors related to audit process such as type of audit report (Oussii & Boulila Taktak, 2018), external auditor change (Khlif & Samaha, 2016), and also type of industrial sectors (Nofiana & Surifah, 2023). The future research can accommodate those limitations to develop the more comprehensive model.

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