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RESEARCH PAPER

# The effect of corporate governance mechanism on audit report lag (An empirical study on construction and building sub-sector companies listed in Indonesia stock exchange 2016-2018)

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**Abstract**

**The aim of this study is to examine the corporate governance mechanism that affects audit report lag. There were 33 firms year observation as the sample taken from Construction and Building Sector listed in Indonesia Stock Exchange. Multivariate analysis method was used to process and analyze data. The result showed that corporate governance mechanism has no significant effect on audit report lag except for the board size. But if tested simultaneously, corporate governance mechanism had significant effect on audit report lag. It indicates that all corporate governance mechanism, when combined together, effectively minimized audit report lag. This study implies that publicly listed companies must monitor strictly to avoid audit delay.**

**Keywords: corporate governance mechanism, audit report lag, audit delay**

## Introduction

The number of days from the company's fiscal year-end to the date of audit report is called audit report lag. A shorter audit report lag is preferable by the management of publicly listed companies. Several studies have been made for different business sector about audit delay, but then, this study focuses on the Construction sector, the third to increase Indonesia's economy (Cekindo, 2020). Despite of its huge contribution to the economy, still, there were some companies (construction and building sector) which were late to submit audited financial statements. These companies were sanctioned for not complying with the rule set by Financial Advisory Services (*Otoritas Jasa Keuangan*), that, audited financial statements must be submitted not later than ninety (90) days after the closing of the company's books; otherwise, the company is subject to sanctions. All publicly listed companies must adhere to the rule that all financial statements must be audited and the audited financial statements must be communicated by the management to the stockholders the soonest possible time. An external auditor is hired to express an opinion on the fairness of financial statements. External auditors are given ample time to finish the audit before the due date, a date set by the higher authority. Once audited, it must be publicly published without any delay, to give relevant information to both external and internal users. Late release of financial statements increases the uncertainty associated with investment decisions (Abidin & Ahmad-Zalukib, 2012). Construction and Building sub-sector rely on audited financial statements to make decisions. Delaying to publish the audited financial statements will give a negative impact to every stakeholder. Financial statement is the source of information that is reliable and available when needed. (Leventis et al., 2005). Alkhatib and Marji (2012) argue that the most reliable source and reference of accounting information available to external users is audited financial statements. Audit report lag has a domino effect until the audit report is issued or published. Once the audit process (long audit report lag) is delayed, so also the audit reporting. A delayed report indicates negative effect; companies can experience consequences such as negative market reactions and higher information asymmetry if the release of the audited financial statements is delayed (Bamber, Bamber & Schoderbek, 1993; Krishnan & Yang, 2009; Bronson et al., 2011).

To avoid audit report lag (long), there is a need for good corporate governance mechanisms (audit committee, board of directors, and independent commissioner). This study wanted to convey the corporate governance factors that affect audit report lag. Factors that could affect audit report lag are audit committee size, audit committee meeting, audit committee independence, board size, and independent commissioner. Audit committee emerged when it was stipulated in Sarbanex-Oxley Act 2002. Audit committee is a monitoring mechanism in maintaining good governance. Audit committee was criticized by investors because of poor monitoring thus misleading information exists (Alves, 2013). According to Ernst and Young, (2013), “The audit committee function, as an internal assurance provider, is vital to combined assurance models in enhancing the credibility and reliability of wider organizational reporting process”. Board of director is another factor that affects audit report lag. The board of Director manages and represents the company under the direction and supervision of the Board of Commissioners. Indonesia’s system is a two-tier system which means that the company has two separate bodies, namely the Supervisory Board (Board of Commissioners) and the Management Board (Board of Directors). The members of the Board of Director are appointed and can be replaced at any time by the regulatory body (the Board of Commissioners). In particular, the board size affects audit report lag. This study focuses on how audit committee size, audit committee meetings, audit committee independence, board size, and independent commissioner affects audit report lag.

## Theoretical Framework and Hypothesis Development

### *Agency Theory*

Agency theory emphasizes that an agent acts in behalf of the principal; accompanied by the delegation of decision-making authority to the agent (Jensen and Meckling, 1976). There is a monitoring mechanism in order to direct, control, and deter the opportunistic behavior of management (agent) on the entrusted power of the owner (principal) to manage the company. Management was given the power to execute the programs to achieve organizational objectives. It is the responsibility of the management to report all accomplishments to the owner or the principal. Principal appoints the agent to carry out all functions required in managing the company’s activities (Sudana, 2011). The tasks assigned by the principal to the agent must be properly handled in accordance to the agreed contract between the two (2) parties (principal and agent).

### *Audit Report Lag*

Constructions and Building companies must acquire audit services of external auditors to give assurance about the financial statements. Once acquired, it is the responsibility of the auditor to audit based on the established criteria and to report the result of the audit in the form of “audit report” also known as “audit opinion”. Auditors plan and perform the audit and must finish the audit on the agreed date with the client. Audit report lag exist when auditor delays to issue the audit report. The rule is, an audit report must be finished 90 days after the balance sheet date. Audit delays (AD) or audit report lag (ARL) must be minimized to avoid penalties. ARL is defined as the length of time from a company's fiscal year-end to the date of the auditor's report (Ashton, Willingham & Elliot, 1987). Timeliness must be observed in audit reporting. Time is very valuable to every decision to be made by every stakeholder. Timely is the extent to which the information is delivered in time and at correct intervals (Gustavsson and Wänström, 2009:325 – 334). Timeliness in financial reporting is a significant characteristic of accounting information (Owusu-Ansah, 2000). It is conjectured that the delay in the publication of company annual reports acts as a serious obstacle to the capital formation in the developing economy of Sri Lanka (De Zoysa and Rudkin, 2010). Avoiding delays is avoiding the bad effect of it. Delays in reporting financial information will clearly impact on the effectiveness of reports. The timeliness of audit reports is becoming an important issue as the timing and delivery of the reports will affect the relevance of financial statements (Dopuch *et al.*, 1986; Field and Walkins, 1991; Jaggi and Tsui, 1999). In related work several studies have shown that postponing the disclosure and publication of the audited financial statements may negatively impact stock market efficiency (Leventis *et al.*, 2005; Alkhatib and Marji, 2012) and market reaction to earnings announcements (Chambers and Penman, 1994) can lead to auditor switching (Mande and Son, 2011).

External auditor must be able to perform the audit effectively and efficiently in order to issue the report to the management on time. Finishing the audit of financial statements before the regulated number of days will obviously give a positive feedback to the audit market.

***Corporate Governance***

Corporate governance was established after the 1998 Asian financial crisis. The National Committee on Corporate Governance published Indonesian Code of Good Corporate Governance to deal unscrupulous act of certain companies. The adoption of the CG Regulations, although not heavy in detail, certainly must be hailed as another positive step for Indonesia corporate governance, providing the first ever set of corporate governance guidelines for companies in Indonesia, in general and listed companies in particular (CG Manual, 2014:36).

As excerpted from CG Manual (2014: 30), IFC defines corporate governance as "the structures and processes for the direction and control of companies."The Organization for Economic Cooperation and Development (OECD), which in 1999 published its Principles of Corporate Governance, offers a more detailed definition of corporate governance as:

> *"The internal means by which corporations are operated and controlled […], which involve a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. Good corporate governance should provide proper incentives for the board and management to pursue objectives that are in the interests of the company and shareholders,and should facilitate effective monitoring, thereby encouraging firms to use resources more efficiently."*

Felix (2014:3) defines corporate governance as the material obligations of a company to shareholders, employees, customers, suppliers, creditors, taxes, and other supervisory authorities. This is related to theory of agency, that the management (agent) have obligation to the owners (principal). Indonesia's CG Code was also developed based on the Organization for Economic Cooperation and Development (OECD) Principles and contains certain principles (fairness, accountability, responsibility, and transparency) which conform to international best practices.

***Audit Committee (Size, Meetings, Independence)***

Audit committee plays a vital role in corporate governance. The presence of audit committee will eventually affect audit report lag as supported by the studies made by Ika & Ghazali (2012). Effectiveness of audit committee as corporate governance mechanism reduces audit report lag and likewise reduces the time to publish the audited financial statements to the stock exchange. Audit committee decides whom to accept as external auditor and acts as an internal control for the work. The audit committee has been considered as a very important monitoring mechanism of corporate governance for oversight of the company's financial reporting process (Joshi and Wakil, 2004).

***Size***

It is the duty of the audit committee to review all financial information provided by the company (Ika and Ghazali, 2012). On the studies made by Rahmat, Iskandar, & Saleh (2009), it was stated that the size of the committee increases because it has sufficient resources to address the issues faced by the company. It was believed that the bigger in numbers make a better position in resolving conflict due to audit delay. On the other hand, Be´dard and Gendron (2010), found out that audit committee size, and meetings have greatest impact on financial reporting quality (financial reporting quality includes audit process). The larger the size or number of audit committee members it is assumed to increase the effectiveness of the audit committee to impel the auditor to do the audit promptly. Thus, the hypothesis for this is:

***$H_1$:*** *Audit committee size has significant effect on audit report lag.*

***Meetings***

Meeting is a very important activity for every audit committee members. Meeting gives information and updates about the company's achievements or performance. Diligence in meeting means diligent to make sound decision for the company. Diligent efforts are done by qualified members of audit committee to protect the stakeholders interest (DeZoort et al. 2002); as Abbott, et al., (2000) expressed that the frequency of audit committee meetings signals their desire to fulfill responsibilities. Khlif and Samaha (2014) found out that audit committee meetings can reduce reporting lag. There were arguments found by Abbott, Park, & Parker (2000; DeZoort et al., (2002); Karamanou and Vafeas, (2005) that a frequent meeting done by the audit committee indicates activeness and effectiveness. This means that the more audit committee meets the more the audit committee finishes the responsibilities given. In addition for being active and effective, a regular meeting gives the audit committee to carry out the task given in an effective way (Karamanou and Vafeas, 2005). In contrast, meetings of audit committee were found to have no relation with reporting (Bedard, Chtourou, & Corteau, 2004; Rahman and Ali, 2006).Thus, the hypothesis for this is:

***$H_2$*: *Audit committee meeting has significant effect on audit report lag.***

***Independence***

The audit committee composed of independent member in order to arrive an unbiased or fair decision. Salehi and Shiraz, (2016) found out that audit committee independence is associated in a positive manner with financial reporting quality. Financial reporting quality includes the reporting made by the auditors. The increase in quality and accuracy of information is due to the presence of the independent audit committee member (Jackson, Robinson, & Shelton, 2009). IFC (2014:498) elaborated that the member of the Audit Committee shall consist of 2 Independent Commissioner or any other external party. An independent member of audit committee can reprimand the external auditors to make a timely audit report. Thus, the hypothesis for this is,

***$H_3$*: *Audit committee independence has significant effect on audit report lag.***

***Board of Directors Size***

Boards of directors play an important role in the governance of companies (Bezemer et al, 2014). In a two-tier board like Indonesia, one (management board) must be responsible for operations and the other (supervisory) is responsible for the supervision of executive directors. In the regulation Financial Authority Services No 57 / POJK.04 / 2017, Directors are organs authorized and fully responsible for the management of every company. Forbes and Milliken (1999) had proven that larger board size can lessen the dominance of the chief executive officer. When chief executive officer is not supervised, there is a tendency of becoming dictator. In previous research, it was found out that large number of the boards brings advantages (profit/income) to the company and can prevent losses (e.g. Eisenberg, Sundgren, & Wells, 1998; Mak and Kusnadi, 2005). In contrast, Bacon (1993) and Yermack (1996) substantiated that the effectiveness of a small board is greater than that of large boards. Thus, the hypothesis for this is:

***$H_4$*: *Board size has significant effect on audit report lag.***

***Independent Commissioner***

The board of commissioners has a very important role in the company, especially in the implementation of Good Corporate Governance. In the Regulation of the Minister of State-Owned Enterprises No. *PER-09-/MBU/ 2012.* Board of Commissioners/Independent Supervisory Board is a member of the Board of Commissioners/Supervisory Board that has no financial, management, share ownership and/or family relationship with other members of the Board of Commissioners / Supervisors, members of the Board of Directors and / or controlling shareholder or relationship with the relevant SOE, which can affect its ability to act independently. The existence of an Independent Commissioner has been regulated by the Jakarta Stock Exchange through a JSE regulation which was promulgated in Jakarta on September 26, 2017. The government through the capital market authority in Indonesia known as *Otoritas Jasa Keuangan* (formerly known as *Badan Pengawas Pasar Modal)* promotes corporate governance by requiring independent board member (Siagian and Tresnaningsih, 2011). As stipulated in CG Manual (2014:498), the member of the Audit Committee shall consist of 2 Independent Commissioner or any other external party. Independent commissioner protects the interest of the shareholders (Bhagat, Brickly, & Coles, 1987). Independent commissioner ensures that the company comply all regulatory framework. Rahman & Ali, (2006) asserted that independent commissioner is sometimes ineffective in carrying their duties due to lack of expertise, skills, and knowledge in the business environment. Thus, the hypothesis is,

***$H_5$*: *Independent commissioner has significant effect on audit report lag.***

***Good Corporate Governance Mechanism on Audit Report Lag***

Good corporate governance is indispensable for audit reporting. It is dispensable because it hinders delays or audit report lag. Good corporate governance enhances a prompt reporting to be done by external auditors. Habib & Azim (2008) in their studies, saying that firms with strong governance structure reveals higher value-relevance of accounting information, this includes audit report. Ahmed & Hamdan (2015) had proven that corporate governance influences corporate performance. Kao & Wei (2014) mentioned that corporate governance correlates with timeless of reporting financial statements. Thus, the hypothesis is,

***$H_6$*: *Audit committee size, audit committee independence, audit committee meeting, board size, and independent commissioner have significant effect on report lag.***

**Methodology**

In this study, the authors chose to use an explanatory method wherein the data were taken from the annual report of each construction and building sub-sector. Secondary data gathered and processed were from annual report of Indonesia Stock Exchange (IDX) for the period 2016-2018. The sampling method used in this study is non-probability sampling. The criteria used to filter samples are as follows:

1. Construction and Building companies that publish annual financial statements consistently during the 2016-2018 periods.
2. Construction and Building companies that include an independent auditor's report in the 2016-2018 annual financial statements.
3. New Construction and Building companies listed in IDX in the 2016-2018 periods.

After confirming the number of samples based on the criteria, 33 firm-year observations were gathered and processed. A multiple regression analysis was used to determine the significance of each independent variable to dependent variable.

**Variables**

The following are the variables (Table 1) in this study, in which Audit Report Lag (ARL) is the dependent variable, while Audit Committee Size, Audit Committee Independence, Audit Committee Meetings, Board Size, and Independent Commissioner are the independent variables.

**Table 1: Variables**

| Variable | Definition | Indicator | Scale |
|---|---|---|---|
| Audit Report Lag (Y) | The length of time to be measured, measured from the closing date of the financial year to the date the audit report was issued. | Number of days between the end of the fiscal year and the date of the company's audit report. | Ratio |
| Audit Committee Size ($X_1$) | An audit committee is a committee formed by the Board of Commissioners in order to help carry out its duties and functions | Number of audit committee members in one company. | Ratio |
| Audit Committee Meeting ($X_2$) | The number of audit committee meetings is held to consider the perseverance of the audit committee | 0 = meetings are held four or more times a year<br>1= indicates that the meeting is conducted less than 4 times in one period | Nominal |
| Audit Committee Independence ($X_3$) | At least 20% of the members of the board of commissioners must come from outside the company | The proportion of independent non-commissioner audit committee members against members of the audit committee | Ratio |
| Board Size ($X_4$) | The Board of Directors manages and represents the company under the direction and supervision of the Board of Commissioners. | Number of board members in one company. | Ratio |
| Independent Commissioner ($X_5$) | At least 20% of the members of the board of commissioners must come from outside the company | The proportion of members outside the company with all members of the board of commissioners. | Ratio |

(Source: Researcher)

Each variable is described and analyzed based on the descriptive statistics, and regression. The data gathered were processed and analyzed using a multiple regression with the following equation:

$$ARL = \beta o + \beta 1ACSIZE + \beta 2ACMEET + \beta 3ACINDP + \beta 4BSIZE + \beta 5COMIDEP + \varepsilon$$

*ARL = Audit Report Lag*
*ACSIZE = Audit Committee Size*
*ACMEET = Audit Committee Meetings*
*ACINDP = Audit Committee Independence*
*BSIZE = Board Size*
*INPCOM = Independent Commissioner*
*ε = Error*

## Findings

### *Descriptive Statistics*

Descriptive statistics were conducted to explain dependent and independent variables used in this study. Descriptive statistics are summarized in Table 2. As shown in Table 2, the mean for ARL for companies listed on Indonesia Stock Exchange (ISE) - construction and building is 69.5 days with maximum and minimum days of 111 and 45 respectively. ARL has a standard deviation of 17,771 thus the ARL deviation limit is 17 days. Based on the results of the study it can be concluded that most of the sample companies in this study were not late in submitting their company's audited financial statements following the Financial Services Authority Regulations due of 90 days after the company's financial statements were published. The size of the audit committee itself is based on the needs of each company and is adjusted to the need to carry out tasks. The audit committee acts as supervisors in carrying out the duties of the board of directors and the board of commissioners on the financial reporting process. It minimizes the risks of the company while conducting independent oversight on the process of corporate governance. Table 2 below describes that audit committee size mean is 3.5 while the minimum and maximum is 3 and 6 respectively. Majority of the companies have three (3) members. The audit committee size of each company complies with Financial Authority Services Regulation which states that each company must have at least three (3) members of the audit committee. Meetings conducted by the audit committee will certainly be very useful, wherewith meetings that are more often held by the audit committee, each member will exchange more opinions and more often communicate about how successful and whether their performance has been carried out in the previous period, if renewal is needed it will be updated for the next period. Based on the Financial Services Authority Regulation, the audit committee is required to hold regular meetings at least once in 3 (three) months, which means that at least the audit committee must conduct at least four meetings in one year. As shown in Table 2, the audit committee meeting mean is 0.03 while minimum and maximum is 0 and 1. This means that the results of the audit committee meeting in 1 year showed an average of 0.03 which means that on average the audit committee in construction and building companies listed in IDX 2016-2018 had held meetings for more than 4 times a year. This is in accordance with the Financial Services Authority Regulation which states that the audit committee is required to hold regular meetings for at least once in 3 months or 4 times a year. Also, it required that audit committee members is chaired by one (1) independent audit committee member with two external members who were independent of the company. With adequate resources, it is expected that the audit committee's oversight function will be more effective and run well so that it will affect the quality of financial statements, especially in terms of timeliness of financial reporting. As shown in Table II, audit committee independence mean is 2.42 while the minimum and maximum is 2 and 5 respectively.

In addition, supported by the principle of good corporate governance, with the presence of board members with good abilities, it is expected that the number of board members can conduct better supervision. As shown in Table 2, the board size mean is 4.8 while the minimum and maximum is 3 and 8 respectively. Lastly, the mean of independent commissioner is 1.6 while the minimum and maximum is 1 and 3 respectively. This shows that the average number of independent commissioners is 2 which is in accordance to Financial Services Authority Regulation which states that each company has at least 1 independent commissioner member.

**Table 2: Result of Descriptive Statistics**

| *Variable* | *N* | *Minimum* | *Maximum* | *Mean* | *Std. Deviation* |
|---|---|---|---|---|---|
| ARL | 33 | 45.00 | 111.00 | 69.5758 | 17.77117 |
| ACSIZE | 33 | 3.00 | 6.00 | 3.5455 | .86930 |
| ACMEET | 33 | 0.00 | 1.00 | .03030 | .17408 |
| ACINDP | 33 | 2.00 | 5.00 | 2.4242 | .75126 |
| BSIZE | 33 | 3.00 | 8.00 | 4.8485 | 1.46033 |
| INDCOM | 33 | 1.00 | 3.00 | 1.6061 | .55562 |

### *Correlation*

Correlation shows the strength and direction of the relationship between the independent variables in this study. Of all the independent variables, board size has the strong and indirect relationship with audit report lag, while the other variables are weak. Correlation coefficient matrix is shown in Table 3 below. Variance inflation factor (VIF) is used to assess its multicollineraity, and the result of VIF falls below the critical value of 10.

**Table 3: Correlation**

| ***Variable*** | ***Audit Rep Lag*** | ***AC Size*** | ***AC Meetings*** | ***ACInd*** | ***BODSize*** | ***IndCom*** |
|---|---|---|---|---|---|---|
| Audit Rep Lag | 1.000 | | | | | |
| AC Size | -.171 | 1.000 | | | | |
| AC Meetings | .166 | -.113 | 1.000 | | | |
| AC Ind | -.117 | .879 | -.101 | 1.000 | | |
| BODSize | -.623 | .116 | -.104 | .032 | 1.000 | |
| IndCom | -.078 | .200 | -.196 | .113 | .194 | 1.000 |

***Statistics Test Result***

The statistical result is shown on Table 4 above, audit committee size (ACSIZE) showed that the significance value is 0.797. The value of 0.797 > 0.005 significance level, it is an indication that audit committee size has no significant effect on audit report lag, thus, $H_1$ is rejected. In the studies made by Karamanou and Vafeas (2005) that when the number of audit committee members increases, each may be comforted by the presence of others and free riders may emerge. Bedard *et al.* (2004) posit that larger audit committees are more likely to reduce potential problems in financial reporting process because of increased monitoring capacity. Most of the companies in the studies showed that the number of the audit committee is three. This means that audit committee size of three is not adequate to perform monitoring activity. As explained by King III (2009), the adequate number of audit committee is four. Inadequacy of audit committee size is the main reason of its insignificance on audit report lag. Incapacity to monitor the auditor leads to delayed audit reporting. Also, audit committee meeting (ACMEET) showed that the significance value is 0.490. The value of 0.490 > 0.005 significance level, it is an indication that audit committee meetings has no significant effect on audit report lag, thus, $H_2$ is rejected. This means that the number of audit committee meetings do not significantly affect audit report lag. This finding is supported by Hashim and Rahman (2011) that audit committee meeting does not affect audit report lag. Rawah, Kamardin & Malik (2019) also mentioned that audit committee is not associated with audit report lag. The frequencies of the meetings do not shorten the number of audit report lag.

Audit committee independence (ACIND) showed that the significance value is 0.942. The value of 0.942 > 0.005 significance level, it is an indication that audit committee independence has no significant effect on audit report lag, thus, $H_3$ is rejected. This is supported by the study made by Rawah, Kamardin & Malik (2019), that, it does not find evidence that audit committee independence is associated with audit report lag. It is suggested by Inaam & Khamoussi, (2016) that 100 percent membership (outsiders) is preferable although there are above 50% as found by other studies such as in Australian firms Bugshan (2005) and US firms (Yang &Krishnan, 2005) of which 82 percent and in Spain it is 56 per cent. The insignificant effect of audit committee independence on audit report lag is due to the fact the Indonesian firms need 100 percent independence. Board size (BOD SIZE) showed that the significance value is 0.000. The value of 0.000 < 0.005 significance level, it is an indication that board size has significant effect on audit report lag, thus, $H_4$ is accepted. This means that the board size significantly affect audit report lag. The effect of the board of directors on audit report lag can occur because of the increasing number of board directors, can accelerate the completion of the company's financial statements so that audited financial reports can be published on time. This statement is supported by agency theory. The bigger the size of the board the lesser the audit report lag. More board size in a company will reduce the audit report lag of the company. This is related to Mohamad-Nor et al. (2010) studies, the greater the members of the board, the greater the quality improvement of the supervision to the directors. Previous research conducted by Wardhani and Raharja (2013) proved that the board size significantly affects the audit report lag because the greater number of board allows the monitoring process to be carried out more thoroughly in order to encourage the directors to work according to the existing provisions. Lastly, independent commissioner (INDCOM) showed that significance value is 0.604. The value of 0.604 > 0.005 significance level, it is an indication that independent commissioner has no significant effect on audit report lag, thus, $H_5$ is rejected. This means that whatever happens to the number of independent commissioners, it does not significantly affect the audit report lag. This is supported by the studies made by Armania & Surya (2013), stating that independent commissioner has no significant effect on audit report lag. Independent commissioner seems not to interfere with the audit process done by the auditor. Although, monitoring and supervision is conducted by the independent commissioner, the focus is not on timeliness of financial reporting. In addition, independent commissioner and the company's audit committee may only be carried out for regulatory compliance but are not intended to enforce good corporate governance (GCG) in the company (Sirat, 2012). The Asian Development Bank had also mentioned that the number of independent commissioners is inadequate and independence is not clearly defined (ADB, 2017). This is probably the reason why independent commissioner has no significant effect on audit report lag.

### *Regression*

Multivariate analysis was applied in testing the variables in regression model. Based on Table 4, the calculation results for in coefficient of determination ($R^2$) is 0.642 or 64.20 percent. This figure implies that audit committee size, audit committee independent, audit committee meetings, board size, and independent commissioner contributed 41% to the audit report lag. The F value is 3.789 (sig. =0.000) and the adjusted $R^2$ is 0.304 or 30.40 percent, of which it support the significance of the model and suggest that the included factors are responsible for almost 30.40 percent of the variation in the ARL.

**Table 4: Coefficients[a]**

| | | ***$R^2$ =0.642*** | ***Adj. $R^2$=0.304*** | ***F = 3.789*** | ***Sig = 0.000*** |
|---|---|---|---|---|---|
| **Model** | **Variables** | **B** | **t** | **Sig** | **VIF** |
| 1 | (Constant) | 108.792 | 7.584 | .000 | |
| | AC Size | -1.697 | -.260 | .797 | 4.701 |
| | AC Meetings | 10.811 | .700 | .490 | 1.052 |
| | AC Ind | -.546 | -.073 | .942 | 4.549 |
| | BOD Size | -7.510 | -4.047 | .000 | 1.068 |
| | Ind Com | 2.620 | .525 | .604 | 1.119 |

a. Dependent Variable: Audit Rep LAG (ARL)

**The multiple regressions is as follows:**

***ARL = 108.792 – 1.697ACSIZE +10.811ACMEET-.546ACIND-7.510BSIZE+2.620INDCOM+ε***

The summary of the result of the multiple regression analysis is: ß0 = The result shows that the value of constant is 108.792 which means that if there is no independent variable such as audit committee size, audit committee independence, audit committee meetings, board size and independent commissioner, the value of audit report lag will be 108.792 or 109 days. ß4 = The value of regression coefficient of the board size (BSIZE) is -7.510. The coefficient value indicates that there is an indirect relationship. The bigger the size of the board the lesser the audit report lag and vice versa. Other coefficient variables are not explained because only board size variable that has significant effect, while the other independent variables are not significant due to higher significance value as compared to significance level of 0.005.

**Table 5: ANOVA[a]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 4167.361 | 5 | 833.472 | 3.789 | .010 |
| | Residual | 5938.700 | 27 | 219.952 | | |
| | Total | 10106.061 | 32 | | | |

a. Dependent Variable: ARL
b. Predictors: (Constant), ACSIZE, ACMEET, ACINDP, BOARDSIZE, INDCOM

Based on Table 5 above, it is obtained that the significance value obtained through this F Test is 0.010 < 0.05 which means that audit committee size, independent audit committee, audit committee meeting, board size, independent commissioner simultaneously affect audit report lag. Therefore, it can be concluded that $H_6$ is accepted. Combining the good corporate governance mechanism will likely lessen, if not avoided, the audit report lag. A close supervision and control for the external auditor is needed to finish the audit before the deadline as promulgated by Financial Authority Services (*Otoritas Jasa Keuangan).*

## Conclusion

This research aims to determine the effect of good corporate governance mechanism (audit committee size, audit committee meetings, audit committee independence, board size, and independent commissioner) on audit report lag (ARL) in the construction and building sub-sectors during 2016-2018. This study uses a purposive sampling method in determining the number of samples. 33 firm year observations (samples) have been selected to be examined in this study, from 11 companies listed in IDX

Construction and Building companies over 3 periods, namely 2016-2018. Of all the variables, audit committee size, audit committee independence, audit committee meetings, board size, and independent commissioner, only board size has significant effect on audit report lag. This means that the supervisory board is effective in monitoring the work of the auditors. The bigger the number of the board means that the audit lag report is lessened, thus avoiding late issuance of report to the management by the external auditor.

## Recommendation

Based on the conclusions above, it is recommended to use other variables that have could have an effect on audit report lag such as audit committee expertise, the auditor's competence, audit fee, and public accounting firm personnel. Other researcher may also use other unit of analysis or other sector that are listed in the Indonesia Stock Exchange and increase the number of sample to be used.

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