

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

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Audit delay is a delay in reporting audit to the Indonesia Stock Exchange (IDX) after the allotted time of 90 days after closing the book. Delay to publish audit report will affect the value of information, causing a bad sign for the company. As good corporate governance (GCG) is one way to solve the different interests, practices, and culture, companies implement GCG in an attempt to get more value. This study aims to measure the impact of corporate governance mechanisms on audit delay in companies listed on the IDX in the period of 2009-2011. Variables of GCG mechanism consist of institutional ownership, number of audit committee members, and the percentage of independent commissioners. Purposive sampling method is used in sample selection procedure. Samples comprise 42 companies listed on the IDX. The simultaneous test results show that all the variables have a significant influence on audit delay. By the partial test, number of audit committee members has significantly affected audit delay, while institutional ownership and independent commissioners have no significant effect on audit delay. This study is limited to use only three variables to study their influence on audit delay in the research period of only three years.

Keywords: audit delay, institutional ownership, audit committees, independent commissioners

Introduction

The financial report is a crucial instrument in supporting the sustainability of a company, especially companies that have gone public. The companies which went public must issue a financial report at the end of each accounting period as a form of accountability to the public, especially investors and prospective investors. For those with an interest in the company's financial condition, accuracy and timeliness are critical, because they, in turn, determine the steps to be taken. The information contained in the financial statements would be useful if presented in a relevant, reasonable way and supported by adequate disclosure. Relevance is one of the main qualitative factors of the financial statements. One of the characteristics of the quality of information is timeliness. The financial statements must be presented on time. In the event of delay in reporting, it may affect stakeholders in making decisions and predictions. The accuracy of financial reporting of publicly-traded companies is affected by the auditor's timeliness in completing its audit work. Financial statements must be

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audited before being published, and only in this way can they be more trusted by stakeholders. Timely preparation or reporting an audit report on the financial statements of the company may affect the value of these financial statements. The longer the time delay, the more the relevance of financial statements is to be decrease, because investors generally regard financial reporting delay as a bad sign for the health of the company. Financial statements should be presented at intervals to explain the changes that occur within the company that may affect user information in making predictions and decisions. On the other hand, auditing is a job that takes time, so sometimes the audit reports were delayed to publish. The auditor might extend the completion of the audit of financial statements for any reason, such as to comply with the goal of improving audit quality, requiring more time than planned. If there are things that drive the decision of auditors to detail the audit process, such as the auditor believes that there is a high audit risk in the financial statements, the auditor will expand the audit sample that takes longer than planned. This condition is supported by the statement of the Public Accountants Professional Standards that govern the procedure in the completion of field work for the auditor, which states that the auditor should have a plan of activities to be carried out. Because of the length of an auditing process carried out, the publication of the financial statements could also be late. The time difference between the dates of the financial statement audit opinion on the financial statements indicates the length of time to complete an audit conducted by auditors, the condition is often referred to as the audit delay.

The Indonesian policy regarding timeliness is an obligation for companies listed on the Indonesia Stock Exchange (IDX) to submit periodic financial reports. Regulations concerning the timeliness of financial reporting to the public in Indonesia governed under Law No. 8 of 1995 regarding capital market and the Chairman of Badan Pengawas Pasar Modal (BAPEPAM) No. 80/PM/1996 on periodic financial reporting obligations. Securities and Exchange Commission (SEC) regulations issued Decree No. Kep-36/PM/2003 stating that the annual financial statements accompanied by the accountant with a common opinion must be submitted to the SEC no later than the end of three months (90 days) after the date of the annual financial statements. Delay limit for a company to submit the annual financial report is dated March 31. The regulation requires that the financial reporting should be completed in a timely manner, and then, the company must have a policy regarding timely completion of financial statements without reducing the quality of the financial statements.

Government regulations require firms to undertake the management of corporate governance to get better. One method used is to implement the good corporate governance (GCG) in the company. Principles of corporate governance in the Organization of Economic Cooperation and Development (OECD) said the five frameworks, namely, the protection of the rights of shareholders, shareholder responsibility, the rights of stakeholders, disclosure and transparency, and the role and structure of the board. OECD principles are accepted as the general basis of the GCG to address a variety of different interests and cultural practices. Thus, companies that implement GCG hope to get more value in the eyes of the investor company. With corporate governance practices, companies can demonstrate and be accountable for the performance of the company to the public through the resulting financial statements and they are believed to have better quality than companies that do not implement GCG.

The following data related to audit delay. The shortest one occurred in 2010 for 12 days by PT Matahari Putra Prima Tbk and the longest in 2009 for 160 days by PT Citra Marga Tbk Nusaphala Persada. The company delayed the publishing of audit reports in the year 2009 as six of the company, in 2010 as three companies, and one company in 2011. Research on the influence of corporate governance mechanisms on audit

delay and timely submission of financial reports has been carried out. Among others, Mumpuni (2011) examined the factors that affect audit delay in non-financial companies in the IDX in the period of 2006-2008. One of the GCG mechanisms studied was the number of audit committee members. Results from the study showed that the number of audit committee members has a positive influence on audit delay, suggesting that a growing number of members of the audit committee will lower the duration of the audit delay. The study is in line with Wijayanti (2010) which states that the number of audit committee members has a significant influence on audit delay. These results contrast with the results of the study of Situmorang (2008; as cited in Wijayanti, 2010) which states that there is a significant negative effect of institutional ownership on audit delay. In addition to the number of members of the audit committee and institutional ownership, Wijayanti (2010) also used variable independent commissioner. The results showed a negative direction, meaning that the structure of the company's independent commissioners has negative effects on audit delay. This means that the greater the percentage of independent commissioners, the shorter the duration of audit delay. Situmorang (2008; as cited in Wijayanti, 2010) also proved that the structure of an independent commissioner has a significant negative effect on audit delay. This study is not much different from previous studies, what sets it apart is that the audit delay is usually measured using the audit duration. This study will be measured by a dummy variable. In addition, this study focused more on the use of variables institutional ownership, structure independent commissioners, and the number of audit committee members.

Literature Review

Agency theory is one way to better understand the economics of information by extending one individual to two individuals, namely, agents and principals. According to Meckling (as cited in Saleh, 2004), this theory explains the relationship between the agent (business management) and the principal (business owners). In the contract, there is an agency relationship in which one or more persons (principal) order others (agent) to perform a service on behalf of the principal and authorize the agent to make the best decisions for the principal. Managers are more aware of internal information and the company's prospects in the future than the owners (shareholders). Therefore, managers have the obligation to give a signal about the state of the company to the owner. Signals can be given through the disclosure of accounting information, such as the company's financial statements. The financial statements are intended for use by various parties, including the company's management. However, external users are most concerned with the financial statements and they are evaluated of the company performance. While internal users (management) have a direct contact with the company and find out what happened so that the degree of dependence on accounting information is not for external users. This situation will lead to a condition known as asymmetric information (information asymmetry), a condition in which the principal does not have sufficient information about the performance of agents and can never be certain of how the business agents contribute to the actual results of the company.

One of the key elements of agency theory is that the principal and agent have different preferences or goals, because all individuals act on their own individual interests. Assumed as principal, shareholders are only interested in financial returns derived from their investment in the company, while the agents are assumed not only to have received satisfaction in the form of financial compensation but also from increasingly involved in an agency relationship, like a lot of free time, interesting working conditions, club memberships, and flexible working hours. In practice, the financial statements need to be audited before they were finally published. Truth Institute for Leadership and Services (2007) shed some light on the significance of audited financial statements

and objectives. The financial statements must be audited due to several reasons. First, the differences interests among users of financial statements and management. Second, the financial statements play an important role in the decision-making process by the users of financial statements. Third, the complexity of the data, and the last statement users limited access to the accounting records. The general objective of the audit of financial statements is to provide a statement of opinion as to whether the financial statements are examined fairly, in all that is material, in accordance with generally accepted accounting principles.

Audit delay is the length of time to complete the audit as measured from the date of closing of the fiscal year, until the date of completion of the independent audit report (Utami, 2006). According to Dyer (1975, p. 206) in Utami (2006, p. 4), "Auditors' report lag is the open interval of number of days from the year end to the date recorded as the opinion signature date in the auditors' report". Timeliness of financial statement audit is very important, especially for public companies using capital markets as a source of funding. In the implementation of the audit plan, the auditor determined audit-processing time, which simply sets guidelines for the amount of time for each part of the audit. Audit-processing time if used properly will produce a number of benefits. The budget can provide an efficient method for scheduling staff and for determining the audit fee as a tool, provide guidance on various areas of audit, and provide incentives for staff to work efficiently. However, the budget period if not used properly can be detrimental. Time budget is a guideline but not absolute. If the auditor deviates from the audit program, such as a change of conditions, auditors may also be forced to deviate from the budget time. Auditor sometimes feels under pressure to meet budgeting time to demonstrate its efficiency as an auditor and help evaluate its performance. However, simply following the budget is also inaccurate. The main purpose of the audit is to express opinion in accordance with the generally accepted auditing standards instead of meeting the time budget. The direct effect is not realizing time budget including financial reporting delays. According to Knechel and Payne (2001), audit reporting lag can be divided into three, namely: (1) scheduling lag, i.e., the time difference between the closing years of the company's books with the commencement of field work auditors; (2) fieldwork lag, the lag time between the commencement of field work and completion time; and (3) reporting lag, the lag time between the completion of the field work with the auditors' report date. Listed ccompanies submitted annual financial statements accompanied by the auditor's opinion to BAPEPAM. BAPEPAM regulations are set out in the Act No. 8 of 1995 on the publication of audited annual financial statements that are required by the deadline of 120 days from the end of the fiscal year until the date of submission of audited financial statements to the SEC. However, since September 30, 2003, legislation has been replaced by the new rules. The time between the date of the financial statements and the audit report (audit delay) reflects timeliness submission of financial statements. Actual valuable information can be irrelevant if not available as needed. Timeliness information implies that the information is available before it loses its ability to influence or make a difference in the decision. Information should be submitted as early as possible to be used as a basis for economic aid in decision-making and to avoid delays in the decision-making (Baridwan, 2004). The overall objective of an audit of financial statements is to express opinion on the truth and fairness of financial statements in accordance with the generally accepted accounting principles.

GCG is a process and organizational structure used by companies to increase the success of the business and corporate accountability. In principle, corporate governance concerns the interests of shareholders, equal treatment of shareholders, role of all interested parties (stakeholders) in corporate governance, transparency, and explanation, and the role of the board of commissioners and the audit committee. Definition of corporate

governance by the OECD is referring to the division of authority among the parties that determine the direction and performance of a company, in which the parties in question are shareholders, management, and board of directors. Meanwhile, according to the Forum for Corporate Governance in Indonesia (FCGI, 2000), corporate governance is a set of rules that define the relationship among shareholders, creditors, government, employees, and internal and external stakeholders in connection with their rights and obligations, or the system that controls and directs the company. The principles of GCG are transparency, accountability, responsibility, independency, and fairness and equity (National Corporate Governance [NCG], 2006). In addition to these five principles, in order to be effective, GCG management must work together to carry out the principles of GCG regulations. There are six principles of GCG implementation according to OECD (2004), namely: (1) ensuring the basis of effective corporate governance framework; (2) the rights of shareholders and principal owner; (3) equal treatment of shareholders; (4) role of stakeholders; (5) disclosure and transparency; and (6) the responsibility of the board. The implementation of corporate governance guidelines is meant to have a purpose and benefits as follows (NCG, 2006): (1) achieving a sustainable growth of the company through a management system based on the principles of transparency, accountability, responsibility, independence, and fairness; (2) encouraging the empowerment and independence of the functions of each organ of the company, e.g., the board of commissioners, the board of directors, and the general meeting of shareholders (GMS); (3) encouraging shareholders, the board of commissioners, and the board of directors to take decisions and actions based on the value of high moral and compliance with laws and regulations; (4) encouraging the emergence of awareness and corporate social responsibility towards society and the environment; (5) optimizing shareholder value while considering other stakeholders; and (6) improving the competitiveness of enterprises, both nationally and internationally, thereby increasing confidence in the market which can encourage the flow of investment and sustainable economic growth. To implement an effective corporate governance practice, principles, benefits, and objectives were to be achieved. It is necessary to encourage and support the functions of its organs. Organ Company consists of GMS, the board of commissioners, and the board of directors (NCG, 2006) as follows: (1) GMS was held to ensure shareholders' interest and to take important decisions, taking into account the provisions of the articles of association and regulations; and (2) Board of commissioners and board of directors have the authority and responsibility, which is clearly in accordance with their respective functions, as mandated in statutes and regulations. Both have the responsibility for maintaining the company's sustainability in the long run. Therefore, the board shall have a common perception of the vision, mission, and values of the company. GCG components are necessary to start, because the applications of the principles of GCG are consistently proven to improve the quality of financial reporting as well as a barrier to the performance engineering activities that may result in financial statements' failure to reflect the fundamental value of the company. With the fulfillment of the five principles, the financial statements produced are believed to be reliable and relevant for decision-making.

Previous Researches

Wijayanti (2010) aimed to measure the variable corporate governance mechanisms, internal and external factors of the company, which consists of institutional ownership structure, the structure of an independent commissioner, the number of audit committee members, company size, profitability, current operations, leverage, size of public accountant firm, and audit opinion on audit delay and timeliness of financial reporting in manufacturing companies listed on the IDX in 2007, 2008, and 2009. The results showed that the independent

variables have an influence on the dependent variable audit delay and timeliness. While individual independent variables which have a significant influence on audit delay are number of audit committee members and firm size. Savitri (2010) aimed to examine the influence of corporate governance mechanisms consisting of: independent commissioner, managerial ownership, institutional ownership, and quality audit of financial reporting timeliness. The test results show that all variables have a significant influence on financial reporting timeliness, except institutional ownership. Sulisty (2010) conducted a study on the analysis of the factors that affect the timeliness of financial statements of listed companies in the IDX for the period of 2006-2008. This study aims to analyze the factors that affect the timeliness of financial reporting of public companies in Indonesia. The factors examined in this study are profitability, liquidity, financial leverage, firm size, complexity of operations, public ownership, public accounting firm's reputation, and the auditor's opinion as the independent variable while punctuality as the dependent variable. The research sample consisted of 888 companies listed in the IDX which submitted financial reports to BAPEPAM in the period of 2006-2008. The results of the hypothesis testing indicate that profitability, firm size, complexity of operations, public ownership, and the reputation of a public accounting firm have a significant effect on the timeliness of financial reports. However, there is no evidence that the liquidity, financial leverage, and the auditor's opinion affect the timeliness of financial reports. Dwiyanti (2010) aimed to find empirical evidence on the factors that affect the timeliness of financial reporting of manufacturing companies listed on the IDX. The factors examined in this study are, namely, debt-to-equity ratio, profitability, ownership structure, quality auditor, and auditor turnover. The sample consisting of 375 manufacturing companies listed on the IDX in the period of 2005-2007 was taken by using purposive sampling. The results identified that profitability and ownership structure significantly affect the timeliness of corporate financial reporting, while debt-to-equity ratio, quality auditor, and the auditor change have no effect on the timeliness of financial reporting of manufacturing companies listed on the IDX. Purwati (2006) aimed to test empirically whether the membership of the audit committee, the independence of audit committee members, the proportion of independent commissioners, chairman of the audit committee as well as the competence of the audit committee have any impact on the timeliness of financial reporting of listed companies on the Jakarta Stock Exchange (JSE). This study examines the relationship between characteristics of the audit committee and the timeliness of financial reporting of companies listed on the JSE.

Conceptual Framework

Conceptual framework in this study is presented in Figure 1.

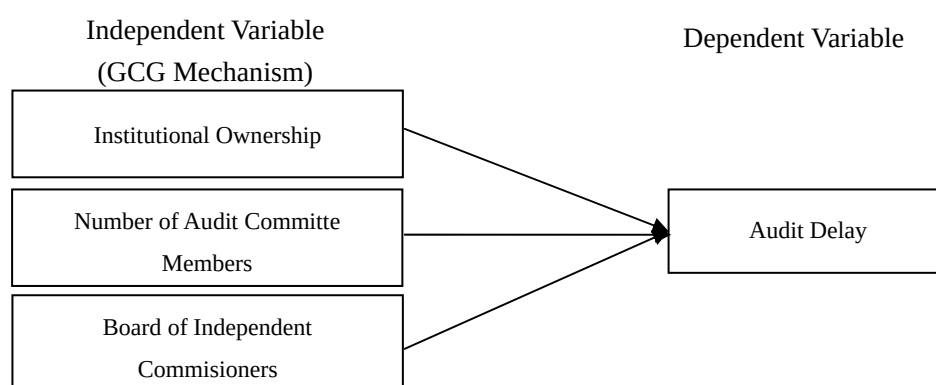


Figure 1. Theoretical framework.

Based on previous studies, the researchers wanted to examine further the impact of corporate governance mechanisms applied to companies on audit delay of the financial statements. Independent variables were measured by institutional ownership, the number of audit committee members, and the percentage of independent commissioners. Whether independent variables individually or jointly have an influence on audit delay of the company's financial statements will be examined.

Hypothesis Formulations

Institutional ownership is defined as the percentage of shares held by institutional investors (Midiastuty & Machfoedz, 2003; as cited in Arief & Bambang, 2007). Ownership by outsiders has great power to influence the company through the mass media in the form of criticism or comment that everything is considered as a public or community. The concentration of external ownership, company process will be influenced by external ownership and company's owner's desire to have limitations. The presence of institutional investors can demonstrate strong corporate governance mechanisms which can be used to monitor the company's management. Institutional ownership generally acts as a monitoring party company in general and the manager as the manager of the company in particular. Solomon and Solomon (as cited in Jama'an, 2008) stated that the influence of institutional investors on corporate management can be very important and can be used to align the interests of management with shareholders. Nesbitt (1994; as cited in Jama'an, 2008) found no evidence to suggest that the control measures undertaken by the company and institutional investors may limit the behavior of the managers. Cornet et al. (2006; as cited in Arief & Bambang, 2007) concluded that control measures of companies by institutional investors may encourage managers to focus more on the performance of companies that will reduce opportunistic behavior. Yudaeva, Kozlov, Melentieva, and Ponomareva (2000) stated that foreign ownership is expected to be one way of enhancing the company in developing countries through capital and new technologies. Foreign ownership increased market competition, forcing domestic firms to restructure more quickly. Company restructuring was done by improved technology, and corporate governance will increase product quality. Individual ownership is dominated by minority shareholders who have lower control according to company policy. Institutional ownership over the long-term priority objectives in the form of stable profitability, growth, dividends, and increasing stock market prices is sustainable. Outsider ownership (other institutions) has higher control in management activity and pursues the implementation of GCG (Wijayanti, 2010). Thus, the authors designed the following hypothesis:

H1: Institutional ownership has negative effects on audit delay.

Membership of the audit committee of a company is defined as the number of members of the audit committee. In Indonesia, the audit committee membership varies, but as a guide, SEC (2000) and the JSE (2000) stated that the audit committee should consist of at least three members. In December 1999, the New York Stock Exchange (NYSE) and National Association of Securities Dealers Automated Quotation (NASDAQ) renewed the audit committee requirements for companies listed on the stock exchange. According to the new standard, companies must have an audit committee of at least three members, and all members must not have any relationship with the company, because it would interfere with their independence from management and the company. The new regulations are requested by the Stock Exchange Committee to improve the effectiveness of the audit committee in assessing the financial reporting process. This is in line with the NCG (2006) which requires that the audit committee comprised one or more members of the board of commissioners, which means requiring a minimum of two members of the audit committee who serve as chairman and member of the audit

committee. The number of the audit committee members was determined by the company. Wijayanti (2010) revealed that the number of members of the audit committee has a negative impact on audit delay, meaning that the more the number of members of the audit committee, the shorter the duration of the audit delay. Thus, the authors design the following hypothesis:

H2: Number of audit committee members has a negative impact on audit delay.

Commissioner is an independent entity within the company which usually consists of an independent board of directors from outside the company and serves to assess the overall performance of the company extensively (Emirzon, 2007). Independent commissioner of a company must be truly independent and able to resist the influence, intervention, and pressure from major shareholders who have an interest in the transaction or purpose (Weisbach, 1988; as cited in Arifin, 2005). As part of the monitoring organ, independent commissioners are expected to have full attention and commitment in carrying out their duties and obligations. Independent commissioners for that company are people who have the knowledge, skills, time, and high integrity (Emirzon, 2007). Independent commissioner aims to balance in decision-making especially in the context of the protection of minority shareholders and other parties concerned. The existence of an independent commissioner on a company can affect the timeliness of financial reporting. If the company has an independent commissioner, the financial statements presented by the management tend to be more integrated, because there is a company within the body that oversees and protects the rights of the parties outside the company's management. Fama and Jensen (1983; as cited in Arief & Bambang, 2007) stated that non-executive directors (independent commissioners) can act as mediators in disputes among managers and oversee internal management policy and provide advice to management. Independent commissioners play an active role in the review of policies and financial reporting practices. Independent commissioner is needed on the board to monitor and oversee the actions of the board of directors for their opportunistic behavior (Jensen & Meckling, 1976). Mace (1986; as cited in Arifin, 2005) found that the supervision of the management board of commissioners is generally ineffective. It is caused by the process of selecting less democratic commissioners where candidates are selected by the board of management. But if the board is dominated by members from outside (independent board), then monitoring commissioners to managers would be effective as found by Weisbach (1988; as cited in Arifin, 2005), then this allows companies to present financial statements to the public faster. According to Cahan and Zhang (2006), independent commissioner system still has flaws and barriers in practice to introduce an independent commissioner system in China. Independent commissioners play a limited role as an advisor instead of as an active decision maker (Mace, 1971; as cited in Hasan, Rahman, & Mahenthiran, 2008). Mixed results may reflect a corporate culture in which the company's board is controlled by management and the independent commissioner did not have an impact on management decisions (Petra, 2005; as cited in Hasan et al., 2008). According to Haniffa and Cooke (2002; as cited in Nasir & Abdullah, 2008), the role of independent commissioners showed no significant financial reporting. NCG (2006) stated that an independent commissioner is the commissioner that: (1) originates from outside the issuer or public company; (2) does not have stock either directly or indirectly to the issuer or public company; (3) does not have any affiliation with the issuer or public company, commissioner, board of directors, or major shareholder publicly-listed companies; and (4) does not have a business relationship, either directly or indirectly related to the business activities of publicly-listed companies. JSE rules dated July 1, 2000 stated that the company registered at the stock exchange should have an independent commissioner proportionally equaling to the number of shares owned by minority shareholders (not the controlling shareholders). According

to this rule, the amount of the minimum requirement is 30% of the entire board of commissioners. Proportion of independent commissioner is measured by the total number of independent commissioners. Wijayanti (2010) revealed that the percentage of independent commissioners does not have a significant effect on audit delay. This shows that the percentage of independent commissioners has a negative impact on audit delay, meaning that the greater the percentage of independent commissioners, the shorter the duration of audit delay. Thus, the authors design the following hypothesis:

H3: Percentage of independent commissioners has negative effects on audit delay.

The Methodology and Model

Population and Sample

The sample comprised companies listed on the IDX. The companies chosen in this study have certain criteria. Purposive sampling was used to obtain a representative sample in accordance with the specified criteria. Criteria used to select the sample are as follows: (1) The company is publicly traded or listed on the IDX in the period of 2009-2011; (2) The company is still listed on IDX until 2011; (3) The company publishes annual reports (annual report) for the period from December 31, 2009 to 2011¹; (4) The company discloses information about GCG managerial ownership structure, independent commissioners, and audit committee; and (5) Election period intended for research only focuses on the period so that the results obtained will be maximized. The number of companies that meet the criteria is 159, while the sample finally used is composed of 42 companies. Roscoe (1975; as cited in Sekaran, 2006) stated that the study multivariate (including multiple regression analysis), the sample size should be 10x greater than the number of variables in the study. Sample of 42 companies with a total of four study variables meets these requirements. The data used in this study were obtained from the company's annual reports for the period of 2009-2011 on the IDX². Secondary data collected are the data obtained through the study of the documentation, the use of data derived from the documents that already exist. The data in this study come from all companies listed on the Stock Exchange 2009-2011 period. Purposive sampling is used to obtain representative samples in accordance with the criteria specified. Fetching data for three periods are due to the consistency rules GCG during the period of 2009-2011.

Definition of Variable Operations Research

Dependent variable is the variable that is influenced by other variables. In this research, the authors will use the dependent variable audit delay, the length of time to complete the audit as measured from the date of closing of the financial year until the date of signing the audit report. Audit delay is measured by a dummy variable which has a value of one if the audit reports are delayed and zero if the audit reports are presented on time. The submission of audit reports would be considered as timely if presented before March 31, and delayed if otherwise. This measurement was made by Dwiyanti (2010) to measure the timeliness of financial reporting.

Institutional ownership is defined as the percentage of shares held by institutional investors (Midiastuty & Machfoedz, 2003). According to Chen et al. (2006), it was expressed as the percentage of institutional ownership of a company that has mutual funds, investment banking, insurance, pension funds, mutual funds and banks. Institutional ownership is measured by the percentage of shares owned by institutions of all outstanding share capital. Such measurements are made by Savitri (2010).

¹ Retrieved from <http://www.idx.co.id>.

² Retrieved from <http://www.idx.co.id>.

Based on IDX Commission Regulation (No: Kep-339/BEJ/07-2001), the audit committee should comprise at least three members, including the independent commissioner and concurrent chairman of the audit committee. At least one of them should have the ability in accounting and finance. Nominal size of the variable is the number of audit committee members in the audit committee. Such research has been done by Wijayanti (2010).

Commissioner is an independent board member who is not affiliated with management, other commissioners, and controlling shareholders, and is free from the business relationship or other relationships which could affect its ability to act independently or act solely in the interest of the company (NCG, 2006). Nominal size of the board structure is calculated based on the percentage of the independent commissioners on the board. Such research has been done by Wijayanti (2010).

Data Analysis Techniques

Data analysis technique used in this study is logistic regression. The analysis model was chosen, because the study was designed to examine the variables that influence the dependent variable. Multiple linear regression equation can be formulated as follows:

$$Y = \alpha + \beta X_1 + \beta X_2 + \beta X_3 + e$$

where:

Y = Audit delay, one if the audit report is delayed and zero if otherwise;

X_1 = Institutional ownership;

X_2 = Number of audit committee members;

X_3 = Independent board of commissioners;

α = Constant;

β = Coefficient of regression;

e = Amount of residue (standard error).

The Findings

In order to test the influence of the characteristics of companies that include corporate governance (which is proxied by institutional ownership, the structure of the audit committee, and the board structure) to delay the audit firms, this study used a population frame (frame population) of all companies listed on IDX. Based on the criteria of sampling, finally 42 companies listed on the IDX were acquired as a sample. The variables used in this study are GCG (which is proxied by institutional ownership, the structure of the audit committee, and the board structure) and the company's audit delay.

Determinant coefficient is used to measure the model's ability to explain variation in the dependent variables. Coefficient is between zero and one and is indicated by adjusted R^2 . Based on the results of this study, the coefficient determinant (adjusted R^2) was obtained only for 0.123 or 12.3%. It shows that 12.3% of audit delay is affected by the company's corporate governance variable (which is proxied by institutional ownership, the structure of the audit committee, and the board structure) and 87.7% is explained by other variables.

F -test of hypothesis testing is used to see if the overall independent variables have a significant effect on the dependent variable. The results of processing the data find that corporate governance variables (which are proxied by institutional ownership, the structure of the audit committee, and the board structure) have a

significance level of less than 0.05. Thus, the analysis in this study showed that the independent variables of corporate governance (which is proxied by institutional ownership, the structure of the audit committee, and the board structure) have a significant effect on audit delay in manufacturing firms listed on the IDX in the period of 2009-2011.

A decision criterion for this test is the probability of a significance level of less than 5%. Thus, H_0 is rejected and H_a is accepted. T -statistic tests are used to determine the effect of institutional ownership, the number of audit committee members, and board of directors as independent variables on audit delay as the dependent variable. Based on this test, institutional ownership and board director have no significant effect on audit delay and the size of the audit committee has a significance effect on audit delay, meaning that the number of audit committee members has an effect on audit delay on companies listed on the IDX in the period of 2009-2011. While institutional ownership and structure of the board of directors have no significant effect on audit delay, both variables do not affect the company's audit delay. This means in particular that GCG implementation of institutional ownership and the board structure does not affect the management of manufacturing companies listed on the IDX to audit delay in the delivery of corporate financial reporting. Model equations and multiple linear regression analysis of the results obtained are:

$$Y = 0.690 + 0.087X_1 - 0.082X_2 + 0.031X_3$$

The equation shows that the value of the company was affected by the corporate governance (which is proxied by institutional ownership, the structure of the audit committee, and the board structure). These results can be explained as follows: (1) Constant value of 0.690 indicates that when corporate governance (which is proxied by institutional ownership, the structure of the audit committee, and the board structure) is constant, then the audit delay will amount to 0.690. It means that if there is no GCG mechanism, the probability of delay is 69%; (2) Coefficient of institutional ownership (which is a proxy of corporate governance) is -0.087, which means that if the company's institutional ownership increases, the company's audit delay will also decrease by -0.087 or -8.7%; (3) Coefficient structure of the audit committee (which is a proxy of corporate governance) of -0.082 is negative and significant, meaning that if the existence of corporate audit committees increases, the company's audit delay will decrease; (4) Coefficient structure of the board of commissioners (which is a proxy of corporate governance) is positive: 0.031. It means that if the existence of the larger board of commissioners increases, the probably of audit delay will increase; and (5) The residual value is 0.186, meaning that the regression model formed by a collection of independent variables in this study has an error rate (standard error) of 0.186 in predicting the value of the dependent variable.

The summary results of testing conducted by various states as final conclusions are presented in Table 1.

Table 1

Regression Analysis Results

Variable	Coefficient	<i>T</i>	<i>P</i> (sig.)	Sig. confirmation
(X_1)	-0.087	-1.523	0.130	Not significant
(X_2)	-0.082	-3.544	0.001	Significant
(X_3)	0.031	0.551	0.583	Not significant

Notes. R square = 0.123; F = 5.687; P (sig.) = 0.01; Constant = 0.690; e = 0.186; $Y = 0.690 + 0.087(X_1) - 0.82(X_2) + 0.031(X_3) + 0.186$.

According to Table 1, it can be concluded from the results of the regression analysis that: (1) The first hypothesis (H1) states that institutional ownership has a negative impact on audit delay (coefficient = -0.087, $t = -1.523$, and $P(\text{sig.}) = 0.130$). Significance value of 0.130 is greater than 0.05, meaning that the institutional ownership has no significant effect on audit delay. Thus, H1 is rejected; (2) The second hypothesis (H2) states that the number of audit committee members negatively affects audit delay (coefficient = -0.082, $t = -3.544$, and $P(\text{sig.}) = 0.001$). Significant value of 0.001 is less than 0.05, indicating that the number of audit committee members has a significant influence on audit delay. Thus, H2 is accepted; and (3) The third hypothesis (H3) states that the percentage of independent commissioners negatively affects the value of the firm (coefficient = 0.031, $t = 0.551$, and $P(\text{sig.}) = 0.583$). Significance value of 0.583 is greater than 0.05, indicating that the percentage of independent commissioners has no significant effect on audit delay. Thus, H3 is rejected.

Individual ownership is dominated by minority shareholders who have weak control of the company policy. While institutional ownership over the long-term priority objectives in the form of stable profitability, growth, dividends, and increasing stock market prices is sustainable. So higher shares were held by outsider ownership (other institutions), and they have higher control in the management process and management must regulate that one of them is implementing GCG (Wijayanti, 2010). Based on the results of hypothesis testing, H1 in this study which states that institutional ownership negatively affects the company's audit delay is rejected. Based on the statistical test results (coefficient = -0.087, $t = -1.523$, and $P = 0.130$), suggesting that institutional ownership has no significant effect on audit delay ($P = 0.130 > 0.05$), this result means that H1 is rejected. Coefficient indicates a negative direction (-0.087), meaning that institutional ownership has no significant negative effect on audit delay. These results are consistent with the initial hypothesis (H1) which states that institutional ownership negatively affects audit delay, which is different from the previous study of Wijayanti (2010) which shows that institutional ownership has a positive influence on audit delay. This is acceptable, as the average institutional ownership in Wijayanti's (2010) study is only 17.6%, whereas in this study, the average institutional ownership is 70.855%. With the percentage of institutional ownership being relatively small, institutional owners were unable to control management activities and have no influence on the audit process.

It was found that institutional ownership has a negative impact on audit delay. Negative effects on audit delay suggest that the higher the institutional ownership, the shorter the duration of audit delay. It is associated with demands to management to accelerate the delivery of its financial statements to the public. The positive effects, on the other hand, indicate that the higher the institutional ownership, the greater the interference of institutional owners in overseeing the audit of the financial statements. Owner institutions will demand that the audit process be implemented well to get quality financial statements and probably to finish audit process to be late.

Membership of the audit committee of a company is defined as the number of members of the audit committee. In Indonesia, the audit committee membership varies, but as a guide, SEC (2000) and the JSE (2000) stated that the audit committee should comprise at least three people. The average membership of audit committees in companies listed on the JSE in the period of 2009-2011 has met the conditions required. Based on the statistical test results (coefficient = -0.082, $t = -3.544$, and $P = 0.001$), indicating that the number of members of the audit committee has a significant effect on audit delay ($P = 0.001 < 0.05$), and these results imply that H2 is accepted. Coefficient indicates a negative direction (-0.082), meaning that the number of audit committee members has a significant negative effect on audit delay. These results are consistent with the initial hypothesis

which states that the number of audit committee members negatively affects audit delay, which means that the greater the number of members of the audit committee, the less likely would the companies delay audit reporting.

Independent commissioner aims to balance in decision-making especially in the context of the protection of minority shareholders and other parties concerned. The existence of an independent commissioner on a company affects the timeliness of financial reporting, because the independent commissioner was guidance of management to follow the submission of financial reporting. If the company has an independent commissioner, the financial statements presented by management tend to be more integrated, because there is a company within the body that oversees and protects the rights of the parties outside the company's management. Based on agency theory, the board considered the highest internal control mechanism, which is responsible for monitoring the actions of the top management. Associated with the disclosure of information by companies, most studies show a positive relationship between the various characteristics of the commissioners and the level of disclosure of information by companies. The composition of the independent board will give guidance for management and must comply with all regulations. The role of independent board will encourage the creation of disclosure of information that is efficient, transparent, and consistent with the legislation (NCG, 2006). So, the theory of the existence of essentially independent commissioners supports the principle of responsibility in the implementation of GCG, which requires companies to provide better information as a form of accountability to stakeholders. Based on the testing results, the third hypothesis (H3), which states that the proportion of independent commissioners negatively affects audit delay, is rejected. The number of audit committee members has no significant effect on audit delay ($p = 0.583 > 0.05$), implying that H3 is rejected. Independent commissioner has a positive direction, but its effect on audit delay is not significant. The results of this study do not support the theory that the proportion of independent commissioners affects audit delay. Wijayanti (2010) revealed that the percentage of independent commissioners in companies does not have a significant negative effect on audit delay. The difference in effect is possible due to the difference in average independent commissioner which is equal to 46.94%, whereas in the study of Wijayanti (2010), it is only 36%. In addition, differences in audit delay measurement are also possible. According to Wijayanti (2010), audit delay is measured by report lag that is the length of time since the completion of the audit report and the date of financial statement, whereas in this study, audit delay is measured using a dummy variable, which is one if the audit reports are delayed and zero if otherwise. An independent commissioner in Wijayanti (2010) in 2008 to 2010 and in the 2009 to 2011 research has no significant effect on audit delay. The percentage of independent commissioners does not have an effect on the company to accelerate or delay the audit report. The role of independent commissioner is not running well. It is caused by: (1) In Indonesia case, most of the independent commissioners are more than 50 years old, and they are less effective in guiding process; and (2) coming from governor, lecturer, army, ministry post retirement, etc..

Summary and Conclusions

This research was conducted to see whether the mechanism of corporate governance has an influence on audit delay in companies listed on the IDX in the period of 2009-2011. The mechanism of GCG is proxied by institutional ownership structure, the number of audit committee members, and the structure of independent commissioners. Based on the results of research and data analysis, it can be summed up as follows:

(1) Institutional ownership structure has no significant effect on audit delay in companies listed on the IDX in the period of 2009-2011. This is evidenced by the significant value of 0.130 which is greater than 0.05;

(2) The number of audit committee members has a significant effect on audit delay in companies listed on the IDX in the period of 2009-2011. This is evidenced by the significant value of 0.001 which is less than 0.05;

(3) The structure of the independent commissioners has no significant effect on audit delay in companies listed on the IDX in the period of 2009-2011. This is evidenced by the significant value of 0.583 which is greater than 0.05.

Limitations and Suggestions

Based on the above conclusions, some suggestions can be submitted as follows:

(1) Samples were taken only for a period of three years and future research should extend the time period so as to better explain the phenomenon of audit delay;

(2) In this research, the audit delay phenomena were influenced by GCG, as 12.3% and 87.7% were influenced by other variables. For further research, other independent variables should be added to study their influence on audit delay, such as industry, size, auditor quality, previous audit opinion, audit going-concern opinion, and company scale.

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