The Impact of Audit Committee Effectiveness on Audit Delay for Listed Commercial Banks in Indonesia

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Abstract
One of the objectives of financial reporting is to provide useful accounting information that will assist users in decision making. This information is required to be available within a short period of time from the end of reporting period. Audit committee plays an important role in providing timely accounting information. The purpose of this research is to examine the impact of audit committee effectiveness on audit delay.
This research used 29 commercial banks listed in Indonesia Stock Exchange (IDX) as samples. Data used in this research are secondary data sourced from annual report and financial statement posted in IDX or banks' website. The statistic used in this research is tested using multiple regression analysis. Independent variables in this research are audit committee size, audit committee independence, audit committee meeting and audit committee expertise. The control variables are company size, auditor opinion, audit firm quality, profitability and leverage. The dependent variable is audit delay.
The result of research shows that audit committee size, audit committee meeting, auditor opinion, audit firm quality are negatively significant on audit delay. Other control variables such as company size and leverage are positively significant on audit delay. While audit committee independence and audit committee expertise are insignificant on audit delay.

Keywords: Audit delay, audit committee, financial reporting

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Introduction

Financial statements contained accounting information in which a company communicates its accounting information to outside parties. Accounting information in financial statement provides a company's history quantified in money terms to users (Kieso *et al*., 2011). The users of financial statement are direct users and indirect users. Direct users consist of owners, stockholders, management teams, tax regulators, labor unions and customers. Indirect users consist of analysts, financial consultants, capital markets, lawyers, regulators and society (Belkaoui, 2004).

According to Kieso *et al*. (2011), accounting information is useful when it comply with qualitative characteristics of accounting information that comprises of fundamental qualities and enhancing qualities. Both qualities are the bridge between the objectives, recognitions and measurements of accounting. Fundamental qualities consist of relevance and faithful representation. In addition, accounting information would be more useful when it presented on a timely basis.

Timeliness is one of the enhancing qualities in accounting information. The importance assigned by the profession to timeliness is manifested by the sense of urgency that makes accountants work a significant amount overtime to complete annual report (Givoly & Palmon, 1982). Thus, the need for timeliness in financial reporting is recognized by both government and profession.

According to BAPEPAM dan LK in Kep-364/BL/2011 about timeliness of financial reporting for public listed company mentioned all Indonesian Public Listed Companies' annual report shall be reported at the end of third month after the issuance of independent auditor report. Thus, audit delay has been a concern. The attributes suggest financial statements shall be made available to public within a reasonable period of time close of a company's financial year-end, otherwise the usefulness of financial statements would be impaired (Ika & Ghazali, 2012).

Timely financial reporting contributes to the prompt and efficient performance of stock markets in their pricing and evaluation function. Timely reporting helps to mitigate insider trading, leaks and rumours in the market (Owusu & Ansah, 2000). A late publication of financial statement indicated a negative signal to firms and made audit process longer (Febrianty, 2011). Audit delay will make stockholders and prospective stockholders delay their transactions (Ng & Tai, 1994).

Numerous researches in determinant of audit delay has been conducted with the focus on audit features and companies' quality. Research that are examining the influence of firm's corporate governance structure on audit delay has been forthcoming with overwhelming focus on board of directors. There are internal and external mechanisms of corporate governance. One of the important mechanisms is audit committee. Tauringana *et al*. (2009) and Afify (2009) examined audit committee was negatively significant to audit delay. Ika and Ghazali (2012) also indicated audit committee effectiveness is significantly negative on audit delay.

The objective of this study is to address the imbalance of literatures by examining the association between audit committee effectiveness and audit delay found in the past literatures as the most significant factors. The audit committee effectiveness characteristics examined in this study are audit committee size, audit committee independence, audit committee meeting and audit committee expertise. Result of this study will assist public listed commercial banks and regulators in putting more attention on the attributes.

The remainder of this paper is organized as follows. The next section reviews the literature of audit committees and audit delay and is followed by hypotheses development. The research methodology is then outlined and followed by research findings on descriptive statistics and main results. The final is the conclusion.

Literature Review and Hypotheses Development

Prior studies have determined that numerous companies' attributes have adversely impact on audit delay (Givoly & Palmon, 1982; Asthon *et al*., 1987; Bamber *et al*. 1993; Jaggi & Tsui, 1999; Leventis *et al*. 2005; Ishak *et al*. 2010). Prior literatures mostly researched on the issue of the relationship between the timing of annual earnings announcement and companies' characteristics, such as company size (proxied by total assets, total revenues, total sales), profitability (proxied by return on assets and return on equity), audit firm quality, audit opinion (Asthon *et al*., 1987; Carslaw & Kaplan, 1991; Ng & Tai, 1994; Lawrence and Glover, 1998; Owusu Ansah, 2000; Ahmed, 2003; Ettredge *et al*., 2006; Ahmad & Abidin, 2008; Al-Ajmi, 2008; Lee & Jahng, 2008; Aubert, 2009; Turel, 2010; Banimahd *et al*., 2012; Abernathy *et al*., 2014; Sultana *et al*., 2015; Chan *et al*., 2016).

Recent researches on audit delay has determined the relationship between audit committee effectiveness and audit delay (Taurigana *et al*., 2008; Afify, 2009; Ishak *et al*., 2010; Nor *et al*., 2010; Hashim & Rahman, 2011; Ika & Ghazali, 2012; Ismail *et al*., 2012; Shukeri & Islam, 2012; Abernathy *et al*., 2014; Sultana *et al*., 2015). Ika and Ghazali (2012) was conducting the research in Indonesia using 211 non-financial companies' audited financial statement in Indonesian Stock Exchange (IDX).

Audit committee in Indonesia is relatively new as it has been regulated after the occurrence of 1997 Asian financial crisis. According to BAPEPAM rule Kep-643/BL/2012 dated December 7, 2012 on the Audit Committee Establishment and Task Execution Guidelines, audit committee shall comprise at least three members, one of whom shall be an independent commissioner and concurrently the chairman of audit committee, while the others shall be external parties. In addition, at least one of the audit committee shall have accounting and finance education background or skills. BAPEPAM also rules audit committee independence, authority and meeting. In terms of meeting, audit committee shall have meeting at least once each quarter in a year. BAPEPAM also rules in Kep-346/BL/2011 concerning financial reporting mentioned that companies shall have reported financial statements to BAPEPAM in a yearly manner with a maximum on the end of third month after the end of accounting period.

A survey of audit committee effectiveness on audit delay in Indonesia indicated that more audit committee members could increase audit committee independence, audit committee expertise. Moreover, more audit committee meetings could increase timeliness of financial reporting (Ika & Ghazali, 2012). While Nor *et al*. (2010) supported audit committee effectiveness is significant negative on audit delay. It is a mandatory for Indonesian listed companies to comply with audit committee rules in order to increase financial reporting quality.

Audit Committee Characteristics and Audit Delay

Audit Committee Size

BAPEPAM rule Kep-643/BL/2012 concerning on the number of audit committee shall comprise of at least three members. Potential problems in financial reporting process are more likely to arise and resolved with larger audit committee. Nor *et al.* (2010) examined that audit committee size is negatively significant on audit delay. While Ishak *et al.* (2010) indicated number of audit committee has no impact to audit delay. Ika and Ghazali (2012) resulted a larger audit committee size will shorten audit lag, thus financial statements could be more timely reported. The same result was generated by Shukeri and Islam (2012). Sultana *et al.* (2015) showed audit committee size is insignificant on audit delay. Thus, the following hypothesis is proposed in examining the relationship between audit committee size and audit delay.

H_1: Audit committee size is negatively significant associated with audit delay.

Audit Committee Independence

According to agency theory, audit committee independence could help the principals to monitor the agents' activities and reduce benefits from witholding information. Audit committee that comprises with more independent directors are more reliable and would be appropriate to represent the rights and privileges for all stakeholders (Hashim & Rahman, 2011).

Audit Committee Charter Kep-643/BL/2012 mentioned independent audit committee members shall conduct its role professionally and independently and do not accept or perform any intervention from or to other parties. The audit committee members are independent from shareholders, Board of Commissioners and Board of Directors. Audit committee members come from outside of the companies and do not have any interest or privacy that may cause negative impacts and conflict of interests within the company.

Afify (2009) examined an independent audit committee member would be free from management intervention and could reach a timely financial reporting. Independent audit committee members could assist principals to monitor agents' activities and reduce benefits from witholding information Hashim and Rahman (2011). Afify (2009), Hashim and Rahman (2011), Ika and Ghazali (2012), Nigar *et al.* (2015) mentioned audit committee independence is significant negative on audit delay. On the other hand, Nor *et al.* (2010) mentioned audit committee independence is insignificant on audit delay. Thus, the following hypothesis is proposed in examining the relationship between audit committee independence and audit delay.

H_2: Audit committee independence is negatively significant associated with audit delay.

Audit Committee Meeting

In accordance with the Audit Committee Charter, audit committee shall hold meeting as necessary at least once in three months led by chairman of audit committee. The number of audit committee meeting is significant negative to audit delay, which means more meetings lead to timely financial reporting (Afify, 2009). Nor *et al.* (2010) in their research on Bursa Efek Malaysia examined a significant negative relationship to audit delay. Ika and Ghazali (2012) and Abernathy *et al.* (2014) examined the same implication in IDX and Standard and Poor, respectively.

Conversely, a significant positive relationship of audit committee independence on audit delay was examined by Shukeri and Islam (2012). Hashim and Rahman (2011), Ismail *et al.* (2011), and Sultana *et al.* (2015) do not examine a significant result between audit committee meeting and audit delay. Thus, the following hypothesis is proposed in examining the relationship between audit committee meeting and audit delay.

H_3: Audit committee meeting is negatively significant associated with audit delay.

Audit Committee Expertise

Audit Committee Charter mentioned at least one of the audit committee shall have accounting and finance education background or skills. Audit committee member with more expertise would be more concerned to financial reporting quality in company (Hashim & Rahman, 2011). Taurigana *et al.* (2009) in Nairobi Stock Exchange (NSE) examined that audit committee expertise is negatively significant to audit delay. This is because experts are likely to bear on management to release earlier financial statements.

Afify (2009), Hashim *et al.* (2011), Ika and Ghazali (2012), Shukeri and Islam (2012), Abernathy *et al.* (2014) and Sultana *et al.* (2015) investigated a negative significant relationship between audit committee expertise to audit delay. Meanwhile, Nor *et al.* (2010) and Ismail *et al.* (2012) do not find any significance on both. Thus, the following hypothesis is proposed in examining the relationship between audit committee expertise and audit delay.

H_4: Audit committee expertise is negatively significant associated with audit delay.

Control Variables

Company Size

The influence of company size has featured in many studies and has been mostly found to be negatively significant to audit delay (Ashton *et al.*, 1989; Carslaw & Kaplan, 1991; Bamber *et al.*, 1993; Ng & Tai, 1994; Schwartz & Soo, 1996; Ettredge *et al.* 2006; Ansah & Leventis, 2006; Al-Ajmi, 2008; Ponte *et al.*, 2008; Lee *et al.*, 2008; Lee & Jahng, 2008; Tauringana *et al.*, 2009; Kartika, 2009; Lee *et al.*, 2009; Nor *et al.*, 2010; Hashim & Rahman, 2011; Ghanem & Hegazy, 2011; Fagbemi & Uadiale, 2011; Shukeri & Islam, 2012; Sultana *et al.*, 2015; Alfraih, 2016; Sakka & Jarboui, 2016). Meanwhile in some researches, company size is positively significant to audit delay (McLelland & Giroux, 2000; Ahmad *et al*., 2005; Wang & Song, 2006; Banimahd *et al*., 2012; Pourali *et al*., 2013; Abernathy *et al*., 2014). Previous studies from Givoly and Palmon (1982); Ashton *et al*., (1987); Knechel & Payne (2001); Leventis *et al*., (2005); Wu *et al*., (2008), Mouna and Anis, (2013); Chan *et al*., (2016) found no significant relationship between company size and audit delay. Thus, the following hypothesis is proposed in examining the relationship between company size and audit delay.

H$_5$: Company size is negatively significant associated with audit delay.

Auditor Opinion

There have been studies of auditor opinion to audit delay. Lee and Jahng (2008) found auditor opinion is negatively significant to audit delay. The results are supported by Jaggi and Tsui (1999) and Shukeri & Islam (2012). Chan *et al*. (2016) found auditor opinion is positively significant to audit delay. The results are supported by Ashton *et al*. (1987); Bamber *et al*. (1993); Schwartz & Soo, (1996); Leventis *et al*. (2005); Ismail *et al*. (2012); Pourali *et al*. (2013). Conversely, Shulthoni (2012) found auditor opinion has no impact to audit delay. Thus, the following hypothesis is proposed in examining the relationship between auditor opinion and audit delay.

H$_6$: Auditor opinion is negatively significant associated with audit delay.

Audit Firm Quality

Previous studies are mostly found no significance between audit firm quality and audit delay (Ng & Tai, 1994; Ahmad *et al*., 2005; Al-Ajmi, 2008; Ponte *et al*., 2008; Khasharmeh & Aljifri, 2010; Hashim & Rahman, 2011; Ika & Ghazali, 2012). Nor *et al*. (2010) and Shukeri & Islam (2012) showed audit firm quality is negatively significant to audit delay. Wang & Song (2006), Lee *et al.* (2009) and Turel (2010) found a significant positive relationship between audit firm quality and audit delay. Thus, the following hypothesis is proposed in examining the relationship between auditor firm quality and audit delay.

H$_7$: Audit firm quality is negatively significant associated with audit delay.

Profitability

We also found profitability is significant negative on audit delay (Jaggi & Tsui, 1999; Ansah, 2000; Lee & Jahng, 2008; Afify, 2009; Turel, 2010; Alfraih, 2016). However, Leventis *et al*. (2005); Ettredge *et al*. (2006); Tauringana *et al*. (2009); Hashim & Rahman (2011); Banimahd *et al*. (2012); Wang and Song (2006) examined there is a significant positive relationship between profitability to audit delay. Oladipupo (2011), Francis (2012) and Banimahd *et al*., (2012) examined an insignificant association between profitability and audit delay. Thus, the following hypothesis is proposed in examining the relationship between profitability and audit delay.

H$_8$: Profitability is negatively significant associated with audit delay.

Leverage

Leverage is mostly indicated as insignificant on audit delay (Jaggi & Tsui, 1999; Ansah, 2000; Leventis *et al*., 2005; Tauringana *et al*., 2009; Fagbemi *et al*., 2011; Pourali *et al*., 2013; Mouna & Anis, 2013; Abernathy *et al*., 2014 and Sultana *et al*., 2015). Ghanem and Hegazy (2011) found there is a significant negative association between leverage and audit delay in first year in Kuwait Stock Market. While the significant positive relationship examined by Al-Ajmi (2008) and Lee *et al*. (2008). Thus, the following hypothesis is proposed in examining the relationship between leverage and audit delay.

H_9: Leverage is positively significant associated with audit delay.

Research Methodology

Sample

The sample covers commercial banks listed Indonesian Stock Exchange (IDX) from year 2008 to 2015. The total number of bank listed in IDX until first six months in 2016 is 45 banks. The samples were chosen based on following criteria. First, samples comprise of all Indonesian commercial banks annual reports from 2008 to 2015. Second, all annual reports must have available data of all variables. Meanwhile, 15 public listed banks were removed because do not comply with the first criteria and 1 public listed company's data was not available in the annual report. Finally, 29 Indonesia commercial banks are the sample. Thus, 232 data were used to determine the impact of audit committee attributes on audit delay.

Table 1. Sampling Procedure

Description	No. of banks
Commercial banks listed on IDX	46
Commercial banks which annual reports were available in IDX or bank's website	30
Deduct	
Companies with lacking some data of interest	1
Usable sample commercial banks	29
Number of years	8
Total data observed	232

Research Model

The purpose of study is to examine whether the audit committee effectiveness have an association with timeliness of financial reporting. Thus, dependent variable is audit delay which is defined as the number of days between a bank's financial year-end and the day in which bank releases its audited financial statements. The main independent variables were constructed by audit committee effectiveness. Other variables such as company size, auditor opinion, audit firm quality, profitability and leverage are control variables in this study. The data obtained for these independent variables are from annual reports.

A multiple regression model was used to test the association between dependent variable of audit delay (AUD) and independent variables of audit committee size (ACSIZE), audit committee independence (ACIND), audit committee meeting (ACMEETING), audit committee expertise (ACEXP) and control variables of company size (SIZE), auditor opinion (OPINION), audit firm quality (BIG4), profitability (ROA) and leverage (LEV) shows in equation 1 and equation 2.

$$AUD = f(\textit{Corporate governance variables} + \textit{Control variables}) \quad (1)$$

$$AUD = \beta 0 + \beta ACSIZE + \beta ACIND + \beta ACMEETING + \beta ACEXP + \beta SIZE + \beta OPINION + \beta BIG4 + \beta ROA + \beta LEV + e \quad (2)$$

Figure 1. The research framework and variables used

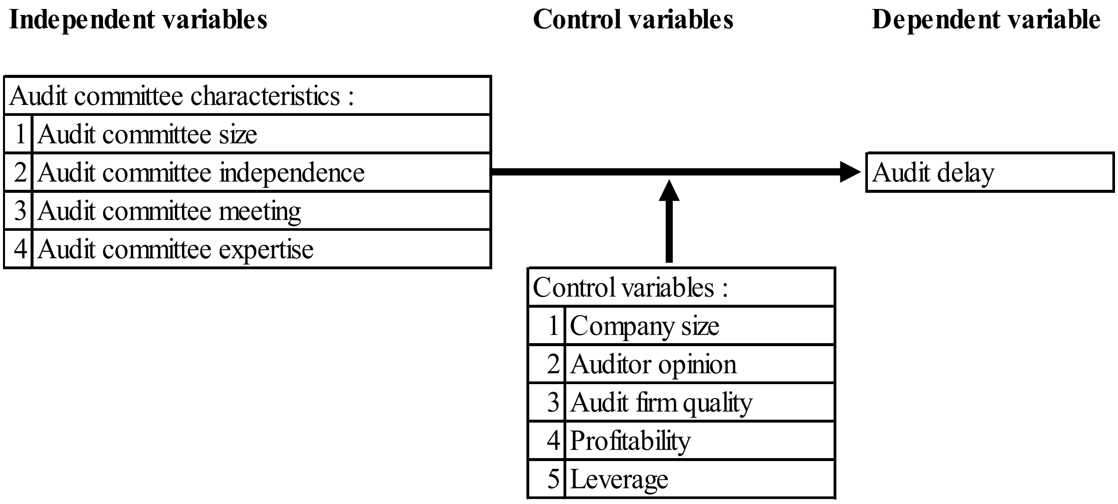

Table 2. Definition of Variables and Expected Sign

Variables		Expected Sign	Measurement
Dependent variables			
AUD	Audit Delay		Number of days between financial year ended and the date of a company audited financial statement is received by IDX
Independent variables			
ACSIZE	Audit committee size	-	Number of audit committee members
ACIND	Audit committee independence	-	Proportion of independent directors on audit committee
ACMEETING	Audit committee meeting	-	Number of meeting held by audit committee during the year
ACEXP	Audit committee expertise	-	Proportion of audit committee member who have accounting or related financial expertise
Control variables			
SIZE	Company size	-	Natural log of total assets
OPINION	Auditor opinion	-	1, if bank received unqualified audit opion
			0, otherwise
BIG4	Audit firm quality	-	1, if auditor is one of Big Four auditor
			0, otherwise
ROA	Profitability	-	Net income attributable to shareholders divided by total assets
LEV	Leverage	+	Total liabilities divided by total assets

Empirical Results

Descriptive Statistics

Descriptive statistics of variables are presented in Table III. The overall results of this study indicate the total interval of time between the end of financial year and the audit report date with average 66 days. From 232 samples of public listed bank in Indonesia, the minimum interval is 11 days and the maximum interval is 139 days. This means public listed commercial banks in Indonesia will take about two months on average for annual reporting of their financial statements. This study also indicated that most of Indonesian commercial banks has met the regulatory deadline and treated timeliness of financial reporting as an important matter.

Table III. Descriptive Statistics

Variables	*N*	*Minimum*	*Maximum*	*Mean*	*Std. Deviation*
Audit committee size	232	2.00	8.00	4	1.20083
Audit committee independence	232	.25	1.00	0.9057	.18557
Audit committee meeting	232	1.00	46.00	13	8.58467
Audit committee expertise	232	.67	1.00	0.9665	.09020
Company size	232	1,359,880.32	910,063,409.00	106,853,212.13	172,173,298.51
Profitability	232	0.00	.05	.0188	.01241
Leverage	232	.73	1.27	.8850	.04720
Audit delay	232	11.00	139.00	65.8405	22.08475
Valid N (listwise)	232				

Audit committee in Indonesia has complied with Audit Committee Charter which concerns audit committee member shall comprise at least three person. The result of 4 members is slightly higher than Nor *et al.* (2010), Ishak *et al.* (2010), Shukeri and Islam (2012). All Indonesian listed commercial banks have independent commissioner that does not have interest in bank. The result shows most Indonesian commercial banks had almost fully complied with the audit committee independence. This result is similar to Hashim and Rahman (2011) with audit independence of 93%, but much higher than Nor *et al.* (2010).

Most Indonesian commercial banks had meeting more than the minimum meeting as regulated. There are still some banks that have not yet complied with the rules. Bursa Malaysia on Hashim and Rahman (2011) and Shukeri and Islam (2012) had more meeting than Indonesia. Audit committee is also ruled to have at least one member with accounting and finance background. Indonesian listed commercial banks had complied with this rules as well. This result is similar with Sultana *et al.* (2015). Result in this study is higher than Afify (2009), Nor *et al.* (2010), Hashim and Rahman (2011) and Shukeri and Islam (2012).

The average of Indonesian listed commercial banks is relatively big with the total assets of IDR 106,853.2 trillion. The maximum of bank's total asset was IDR 910,063.409 trillion which is belong to PT Bank Mandiri, Tbk in year 2015. While the minimum total asset was IDR 1,359.880 trillion which is belong to PT Bank of India Indonesia, Tbk in year 2008. The profitability ratios were relatively low with an average of 1,88% and the maximum of 5%. This result has indicated that Indonesia commercial banks do not generate huge amount of profit in terms of return on assets. However, the leverage ratios with the average of 88,50% is high because most of bank's assets were covered by liabilities.

Table IV Frequency Table

Variables	Categories	Frequency	Percent
Auditor Opinion	1 = Unqualified audit opinion	209	90.09%
	0 = Otherwise	23	9.91%
Audit Firm Quality	1 = Audited by Big Four	164	70.69%
	0 = Otherwise	68	29.31%

In terms of audit opinion, almost all Indonesian listed commercial banks had unqualified independent auditor opinion (90.09%) and over than average commercial banks (70.69%) were audited by Big Four audit firms such as Pricewaterhouse Cooper, Ernst and Young, Deloitte and KPMG. This served as a good signal to commercial banks financial reporting.

Correlation Analysis

Table V shows correlation among dependent variable, independent variables and control variables. The result shows there is a negative correlation between audit committee size, audit committee meeting, company size, auditor opinion, audit firm quality, and profitability to audit delay. Conversely, leverage has positive correlation to audit delay. It is evidence from Table V that the correlation between variables indicate no severe multicollinearity problems. The variance inflation factor (VIF) as presented in Table VI shows this study does not have multicollinerarity problem.

Table V Correlation Matrix Table

	AUD	ACSIZE	ACIND	ACMEETING	ACEXP	SIZE	OPINION	BIG4	ROA	LEV
AUD	1									
ACSIZE	-0.423**	1								
ACIND	0.113	-0.449**	1							
ACMEETING	-0.348**	0.304**	0.045	1						
ACEXP	-0.008	0.017	-0.054	0.123	1					
SIZE	-0.473**	0.599**	-0.155*	0.561**	0.106	1				
OPINION	-0.169**	-0.013	0.008	-0.05	-0.069	-0.007	1			
BIG4	-0.406**	0.323**	-0.106	0.361**	0.069	0.568**	0.103	1		
ROA	-0.225**	0.292**	-0.295**	0.151*	0.083	0.474**	0.057	0.293**	1	
LEV	0.247**	-0.076	0.126	0.066	0.063	-0.007	-0.234**	-0.223**	-0.276**	1

Note : *significant at the 0.05 level (2-tailed) and **0.01 level (2-tailed). All variables are defined in Table II.

Results of Multiple Regression

The adjusted R^2 of 32.86 percent indicated the model was capable on explaining 32.86 percent of the variability in the audit delay in sample companies under this study. The adjusted R^2 is higher than Nor *et al.* (2010), Ika and Ghazali (2012), Shukeri and Islam (2012), Abernathy *et al.* (2014). The model is highly significant (F-statistic = 13.5597, $p < 0.00$). The F-ratio indicates that the model significantly explains the variations of audit delay in Indonesian commercial banks.

Table VI shows multiple regression results. Two audit committee characteristics, namely audit committee size and audit committee meeting have negative significant association with audit delay. The result is consistent with evidence provided by Nor *et al.* (2010), Ika and Ghazali (2012), and Abernathy *et al.* (2014). Shukeri and Islam (2012) examined larger audit committee size and regular audit committee meeting able to ensure strong internal control in company, thus reduce the business risk and eventually reduce the time taken by external auditor to complete audit work. Hence, hypothesis 1 (audit committee size) and hypothesis 3 (audit committee meeting) are accepted. The result of audit committee meeting is also consistent with Afify (2009).

Although audit committee independence is negatively correlated to audit delay and audit committee expertise is positively correlated to audit delay, neither of variables are statistically significant. The finding does not support hypothesis 2 (audit committee independence). Informed by prior literature Nor *et al.* (2010) showed that audit committee independent is not significant to audit delay. Hence, the independency of audit committee does not really support timeliness.

The finding does not support hypothesis 4 (audit committee expertise). Audit committee expertise is insignificant on audit delay. Banking systems is more tight and procedural than another institution. Banks were aware about this matter before the rule exist. Consequently, bank staffs are following bank's code of conduct, thus they are independent and do not have any significant impact on audit delay. This finding is consistent with Nor *et al.* (2010) and Ismail *et al.* (2012). Hypothesis 2 and 4 are rejected.

Table VI Multiple Regression Analysis

	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
(Constant)	26.3807	30.8531		0.8550	0.3934		
Audit committee characteristics :							
ACSIZE***	-4.6474	1.3059	-0.2527	-3.5588	0.0005	0.5765	1.7345
ACIND	-6.2648	7.9266	-0.0526	-0.7903	0.4302	0.6552	1.5261
ACMEETING*	-0.3188	0.1767	-0.1239	-1.8041	0.0726	0.6161	1.6230
ACEXP	6.7818	13.4891	0.0277	0.5028	0.6156	0.9577	1.0442
Control variables :							
SIZE**	0.0000	0.0000	-0.2084	-2.5263	0.0122	0.4271	2.3414
OPINION*	-7.3981	4.1653	-0.1003	-1.7761	0.0771	0.9110	1.0977
BIG4***	-8.9254	3.0717	-0.1844	-2.9057	0.0040	0.7221	1.3849
ROA	121.2050	130.7342	0.0681	0.9271	0.3549	0.5385	1.8569
LEV***	84.2664	27.5519	0.1801	3.0585	0.0025	0.8383	1.1928
Number of observations	232						
F-statistics	13.5597						
Prob. > F	0.0000						
R^2	0.3547						
Adjusted R^2	0.3286						

Note : *significant at the 0.1 level, **0.05 level and ***0.01 level. All variables are defined in Table II.

Company attributes, such as company size has significant positive association to audit delay. Hence, hypothesis 5 (company size) is accepted. A larger bank would be more complex and take more time to finish audit process and created delays. The result is consistent with McLelland and Giroux (2000), Aryati and Theresia (2005), Ahmad *et al*. (2005), Wang & Song (2006), Afify (2009), Banimahd *et al*. (2012), Pourali *et al*. (2013).

In the other hand, auditor opinion and audit firm quality have significant negative association on audit delay, which means Indonesian listed commercial banks' unqualified audit reports were audited in a timely manner and the higher reputation of audit firm will increase banks' financial reporting quality. Hence, hypothesis 6 and hypothesis 7 are accepted. The result of auditor opinion is consistent with Jaggi and Tsui (1999), Wenny (2007), Lee and Jahng (2008), CN and Ubaidillah (2008), Listiana and Susilo (2010), Turel (2010), and Shukeri and Islam (2012). In addition, audit firm quality finding in this study is consistent with Lawrence and Glover (1998), Ahmed (2003), Leventis *et al*. (2005), Ansah and Leventis (2006), Lee and Jahng (2008), Nor *et al*. (2010), Ghanem and Hegazy (2011), McGee and Yuan (2012), Shukeri and Islam (2012).

However, profitability have a positive correlation on audit delay but does not show any significance. The result is consistent with CN and Ubaidillah (2008). Profitability measures the bank's ability to generate income, which is less likely significant related to financial reporting. In operational process, the more profitable a bank, the more complex its activity, so audit delay is more likely to happen. Thus, hypothesis 8 is rejected.

Finally, the finding does support hypothesis 9 (leverage). Leverage is an indicator of firm rentability. Thus, the higher leverage ratio in a bank which means more liabilities issued tend to have audit delay. The finding support the evidence from Lee *et al*. (2008), Wu *et al*. (2008), Ishak *et al*. (2010).

Conclusion

Summary

This study provides empirical evidence relating to audit delay of commercial banks listed in IDX from 2008 – 2015 through identifying the impact of audit committee effectiveness on audit delay. The analysis of the sample commercial banks listed in IDX has complied with the Indonesian financial reporting regulations and reported within 66 days. Financial reporting in Indonesian commercial banks ranging from the minimum of 11 days to the maximum of 139 days. The results indicated that audit committee size and audit committee meeting is negatively significant on audit delay. Meanwhile, control variables such as company size and leverage are positively significant to audit delay. The other control variables that have significant negative association on audit delay are auditor opinion and audit firm quality.

Limitation of the study

There are some limitations in this study. First, there is the possibility that the audit committee mechanism stated in annual reports does not reflect the actual practices. Second, there could be more variables that indicated audit committee effectiveness such as audit committee tenure, audit committee gender, audit committee duty and audit committee voluntary disclosure. Third, limited data such as annual reports and financial statements published.

Suggestions for further research

Further research is suggested to identify more audit committee effectiveness variables used to determine its impact on audit delay. Thus, this study could contribute vastly to Indonesia commercial banks, regulators, capital market and all stakeholders in reducing audit delay and concerns to timeliness of financial reporting.

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