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**EFFECT OF CFO EDUCATIONAL BACKGROUND,
PROFITABILITY, AND AUDIT TENURE ON
AUDIT REPORT LAG**

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ABSTRACT

The research was conducted on infrastructure sector companies listed on the Indonesia Stock Exchange in 2018-2021. There were 14 companies that were issued warnings by the Indonesia Stock Exchange for not reporting and paying fines for late audited financial reporting. The research aimed to determine the effect of a CFO's educational background, profitability, and audit tenure on audit report lag. The method in this research is quantitative research with multiple linear analysis tests. The sampling technique used is the purposive sampling method. Based on the research results, (1) CFO's educational background has no significant effect on ARL. (2) ROA has a positive effect on ARL. (3) Tenure audit has a positive effect on ARL.

Keywords: audit report lag, chief financial officer, company profitability, audit tenure

1. INTRODUCTION

Timeliness is considered one of the crucial characteristics and measures of financial reporting quality, which implies the usefulness of accounting information. Munsif et al., (2012) state that there are weaknesses in internal control that are material in nature or that there is the application of the new Auditing Standard No. 5 (Mitra et al., 2015). According to the Financial Services Authority Regulation No.29/POJK.04.2016 in article 7 regarding the Submission of Annual Reports of Issuers or Public Companies, every issuer or public company is required to submit an audited annual report to the Financial Services Authority no later than 120 days after the end of the financial year. This research uses Infrastructure sector companies listed on the Indonesia Stock Exchange in 2018–2021 to serve as research objects. This study aims to analyze the effect of the chief financial officer's (CFO) educational background, profitability, and audit tenure on audit report lag with infrastructure sector financial report data obtained from the Indonesia Stock Exchange. According to the following figure illustrates the trend of audit report lag in the infrastructure sector.



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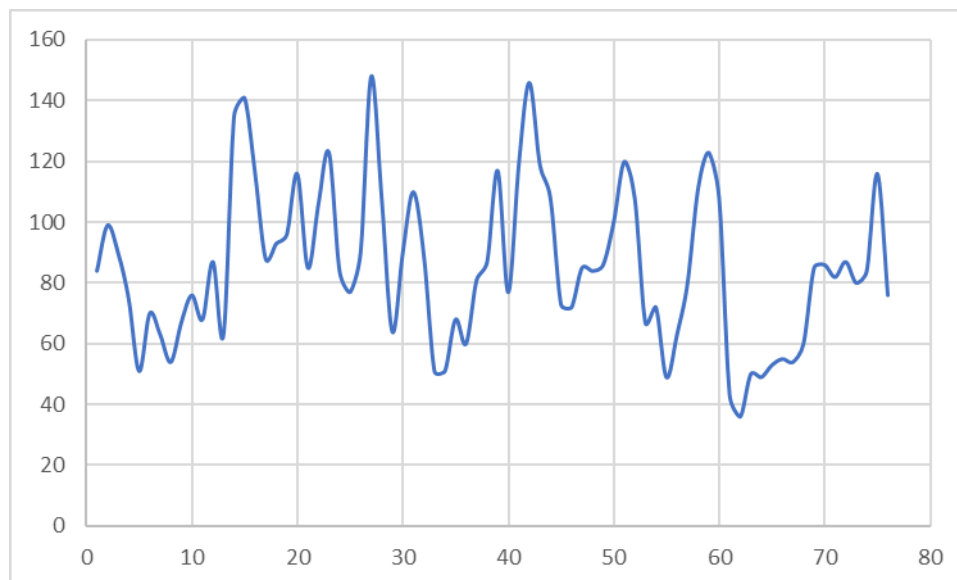


Figure 1: Audit Report Lag in Infrastructure Sector Companies in 2018-2021

Source: Data processed by researchers, 2023.

Based on data obtained from the Announcement of the Indonesian Stock Exchange, there are several companies whose activities have been temporarily suspended and given a Written Warning III. Among them are PT Bukit Uluwatu Villa Tbk (BUVA), PT Jaya Bersama Indo Tbk (DUCK), PT Falmaco Nonwoven Industry Tbk (FLMC), PT Golden Plantation Tbk (GOLL), PT Hotel Mandarin Regency Tbk (HOME), PT Marga Abhinaya Abadi Tbk (MABA), PT Multi Agro Gemilang Plantation Tbk (MAGP), PT Mas Murni Indonesia Tbk (MAMI), PT Nipress Tbk (NIPS), PT Sinergi Megah Indonesia (NUSA) and PT Saraswati Griya Lestari Tbk (HOTL) have not registered report Audited Financial Statements as of 31 December 2021 and pay fines. Next, PT Intermedia Capital Tbk (MDIA), PT Nusantara Inti Corpora Tbk (UNIT), and PT Visi Media Asia Tbk (VIVA) are active again and have paid fines but have not submitted Audited Financial Statements as of 31 December 2021.

This relates to compliance theory because the auditor should complete the audit process by the relevant regulations to avoid sanctions if the auditor is negligent in carrying out his duties. Suppose the audit report lag period is longer, in that case, the auditor will feel the impact of a decreased reputation because the quality of published financial information raises doubts from users of financial statements (Octaviani, 2017). Thus the authors assume that these three variables influence the audit report lag that was going on explained in the results of the analysis. By using these three variables, it is expected to see how they are related and the short and long-term results. It is also likely to see whether there is a dependence between variables in conducting this research. This research will be divided into 5 sections, where section 1 is for introduction, part 2 for literature review, part 3 for research methods, part 4 for results research and part 5 for conclusion research that has been funded.



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2. LITERATURE REVIEW

For the literature review, the authors use compliance theory as the basis for understanding the research to be carried out. Compliance theory is one of the theoretical perspectives commonly used to explain adherence to rules and discipline (Annisa, 2018). Prabasari and Merkusiwati (2017) in Susi and Aditya (2020) explain obedience theory is a form of discipline to carry out an order. In the social sciences, especially in sociology and psychology, compliance theory is the importance of a socialization process that can influence individual compliance behavior. In audit report lag (ARL), there are rules regarding the deadline for submitting annual financial reports for go-public companies regulated in the Financial Services Authority Regulation Number 29/POJK.04/2016 concerning Annual Reports of Issuers or Public Companies. In addition, in Regulation of the Financial Services Authority No.75/POJK.04/2017 regarding the Responsibilities of Directors for Financial Reports, in article 1, Directors have responsibility for managing issuers or public companies. In this case, the director responsible for financial reports is the principal director and the director in charge of accounting or finance.

CFO's Educational Background on ARL

Knowledge and experience in accounting support the CFO's responsibility to prepare financial reports by generally accepted principles. In addition, the Chief Financial Officer becomes more careful in making decisions because the training and education that accountants receive teach them about the direction of conservatism. This precautionary principle (the principle of conservatism) encourages accountants to act without recklessness and avoid risks because the quality of financial information is a form of description of the characteristics and performance of a company's top management (Omoro et al., 2015).

The diversity of management structures, such as tenure and educational background, is a characteristic that influences the quality of financial reporting. The research results from Francois et al. (2011) explain a positive relationship between educational background and financial reporting supported by the upper echelon theory owned by Hambrick & Mason (1984). In comparison, research conducted by Anisa and Raden (2022) explains that CFOs who have special certifications have a significant and negative relationship with company performance. Next, CFO with bachelor's and doctoral education backgrounds in other majors show a little important connection with company performance.

H1: CFO's educational background has a negative effect on audit report lag

Profitability on ARL

According to Harahap (2007: 304), the profitability ratio is the company's ability to gain profit or profit during a specific period. Profitability is the result or net profit from various policies and decisions taken by company management and can provide the final answer about the effectiveness of company management (Artaningrum et al., 2017). Thus, profit is good news for the company. According to the study results (Natalia et al., 2021 in Sofi & Jaeni, 2022), profitability significantly affects audit report lag. Meanwhile, Sunarsih et al. (2021) stated that profitability does not significantly affect audit report lag.

H2: Profitability has a positive effect on audit report lag



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Audit Tenure on ARL

In line with the compliance theory that the auditor will comply with the policies because the auditor considers these provisions to have the authority to influence the behavior of an auditor. If the auditor is negligent from these rules, he will receive sanctions or other perspectives that can damage his excellent name auditors. Research conducted by Dao and Pham (2014) results that a more extended tenure audit will make the auditor understand the client's business better and choose the proper audit procedure to complete reports quickly and reduce the impact of audit report lag. Meanwhile, Dewi & Hadiprajitno (2017) opinion explains that if the engagement period is longer in a company and KAP, the audit report lag problem will be longer, and the auditor will take longer to complete audited financial reports.

H3: Audit tenure has a positive effect on audit report lag

3. DATA AND RESEARCH TECHNIQUE ANALYSIS

The type of research used in this research is quantitative research. The object of this study is CFO's educational background, profitability, and audit tenure in the infrastructure sector financial report data obtained on the Indonesia Stock Exchange from 2018-2021. The data collection technique that the author uses in this study is the literature and documentation technique. The population in this research were all infrastructure companies listed on the Indonesia Stock Exchange. The sampling technique used in this study is a purposive sampling method with the following criteria: a) Infrastructure sector companies submit complete Audited Financial Reports for 2018-2021 in rupiah currency; b) Companies that have information on Chief Financial Officer graduates in Accounting or Economics; c) The company earned net profit in 2018-2021; d) The data regarding the research variables that examined are complete and available. Based on these criteria, 19 companies were obtained, for a total of 76 data. The data analysis method uses the SPSS v25 application.

Table 1. Operational Definitions of Variables

Variable	Indicator	Scale
CFO's Educational Background (X1)	Dummy, 1 = bachelor of accounting or economics, 0 = not a bachelor of accounting or economics	Nominal
Profitability (X2)	ROA = EAT / Total Asset	Ratio
Audit Tenure (X3)	1 = the first year of the KAP work engagement with the audit client, then add 1 for the following years	Nominal
Audit Report Lag (Y)	Number of completion days range (annual report to the audit date)	Ratio



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4. RESULT AND DISCUSSION

Descriptive Statistics

Table 2. Descriptive Statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
CFO	76	.00	1.00	.6316	.48558
ROA	76	622217.00	251745193.00	52573708.5658	45074147.52381
TENURE	76	1.00	4.00	2.3947	1.12046
ARL	76	36.00	148.00	85.3553	25.57796
Valid N (listwise)	76				

Source: Data processed by researchers, 2023.

Based on table 3 shows that X1 namely CFO the minimum value is 0.00 then the maximum value is 1.00 because it uses a dummy variable. X1 an average value is 0.6316 and the standard deviation is 0.48558.

In X2 namely ROA the minimum value is 622217.00 obtained by PT Adhi Karya (Persero) Tbk in 2020, and the maximum value is 251745193.00 obtained by PT Bukaka Teknik Utama Tbk in 2018. X2 an average value is 52573708.5658 and the standard deviation is 45074147.52381.

In X3 namely Audit Tenure the minimum value is 1.00 and the maximum value is 4.00. X3 an average value is 2.3947 and the standard deviation is 1.12046.

In Y namely ARL the minimum value is 36.00 obtained by PT PP Presisi Tbk in 2019, then the maximum value is 148.00 obtained by PT Nusantara Infrastructure Tbk in 2020. X4 the average is 85.3553 and the standard deviation is 25.57796.

Furthermore, the data to be examined further have passed the classical assumption test. So that the data can be processed into the regression analysis section, namely the goodness of fit model as follows:



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The Goodness of Fit Model

Table 8. The Goodness of Fit Model

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.367 ^a	.141	.105	24.19133

Predictors: (Constant), TENURE, CFO, ROA

Source: Data processed by researchers, 2023.

According to the output of table 8, the Adjusted R Square value is 0.105 (11%), which means that the X variable can explain the Y variable by 11%. In comparison, the others (100% - 11% = 89%) are explained by variables outside the research model.

Table 9. F Test

ANOVA^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6931.534	3	2310.511	3.948	.012 ^b
	Residual	42135.873	72	585.220		
	Total	49067.408	75			

a. Dependent Variable: ARL
b. Predictors: (Constant), TENURE, CFO, ROA

Source: Data processed by researchers, 2023.

Based on the output of table 9, the F value is 3,948 with a Sig level of 0.012. It can be concluded that F with 3.948 > F table 1.7918 and Sig < 0.05 means that the independent variables simultaneously affect the dependent variable.

Table 10. t Test

Coefficients^a						
Model		Unstandarized Coefficients		Standarized Coefficients Beta	t	Sig.
		B	Std. Error			
1	(Constant)	69.032	8.529		8.094	.000
	CFO	-9.160	5.811	-.174	-1.576	.119



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ROA	1.508E-7	.000	.266	2.390	.019
TENURE	5.922	2.547	.259	2.325	.023

a. Dependent Variable: ARL

Source: Data processed by researchers, 2023.

Based on the output of table 10 above, the data in this study can be organized with the following mathematical equations:

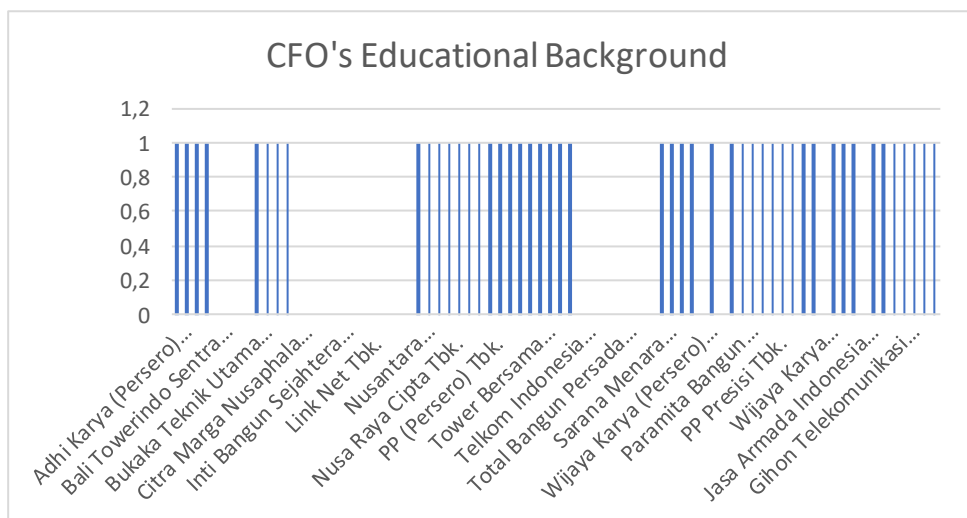
$$Y = 69.032 - 9.160X_1 + 1.508E-7X_2 + 5.922X_3$$

The results of the regression analysis are interpreted as $\alpha = 69,032$. For the CFO variable, the coefficient (B) is -9,160, which is negative (coefficient < 0.0), which means that the CFO variable has a negative relationship to ARL. In the ROA variable, the coefficient (B) shows a positive value of 1.508E-7 (coefficient > 0.0), meaning that the ROA variable has a positive relationship to ARL. Next is the Tenure Audit variable, the coefficient (B) shows a positive value of 5,922 (coefficient > 0.0), meaning that the Tenure Audit has a positive relationship to ARL.

The result of the CFO on ARL

Based on the output of table 10, it explains that CFO has no significant effect in a negative direction on ARL, and H1 is rejected. CFO has a Sig 0.119 > 0.05 with a calculated t value is -1.576 < 1.99346 t table. That is, top executives especially finance directors do not have to be accountants. If based on compliance theory, a CFO who works as an accountant will better understand the resolution of cases that occur in the analysis of company financial data. The results of this analysis are in line with research conducted by Alif & Sulhani (2018) which explains that CFO characteristics have no significant effect on the timeliness of financial reporting.

Diagram 1. CFO's Educational Background





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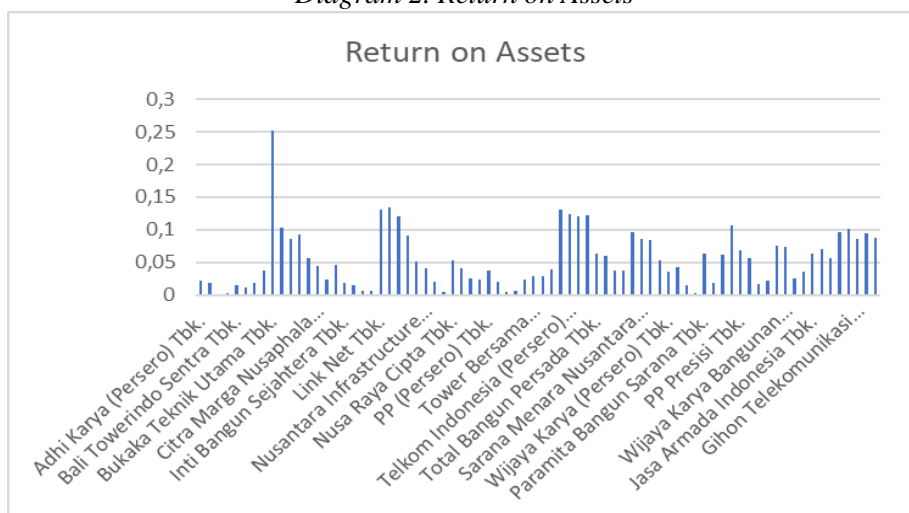
Source: Data processed by researchers, 2023.

Based on diagram 1, the reason for the CFO's educational background has no significant effect on the audit report lag of 19 infrastructure companies. 10 companies have a dummy value of 1, namely having an accounting CFO, one of which is PT Adhi Karya (Persero) Tbk, which has dummy 1 with the ARL timeframe. 84, 99, 90, and 75. Meanwhile, the other 9 companies with dummy 0 did not have an accounting CFO in 2018-2021. One of them is that PT Wijaya Karya (Persero) Tbk has dummy 0 with ARL time ranges of 67, 72, 49, and 63, meaning that companies with accounting and non-accounting CFOs can show that these companies are relatively able to manage their company's performance well.

The result of ROA on ARL

Based on the results from table 10, ROA has a Sig 0.019 < 0.05 with a calculated t value is 2.390 > t table 1.99346, explaining that ROA has a direct positive influence on ARL, and H2 is accepted. Suppose the company has a stable and increasing profit. In that case, it will reduce the impact of ARL for auditors who examine the company's financial statements because they can manage assets and pay liabilities properly. The results of this analysis align with the opinion of research conducted by Go Tommy (2020), which explains that if a company obtains small or large profitability, the company will still have the same responsibility to submit financial reports promptly.

Diagram 2. Return on Assets



Source: Data processed by researchers, 2023.

Based on diagram 2, profitability affects audit report lag because of the 19 infrastructure companies in 2018-2021. 13 companies have a ROA value greater than 0.05, one of which is PT Telkom Indonesia (Persero) Tbk. has a ROA value of more than 0.05, namely 0.13, 0.12, 0.11 and 0.12. A good ROA value is 0.05 (Zinn, 2021; Birken, 2021). while the ROA value is more significant than 0.05, meaning that most of the company's assets and liabilities are appropriately managed by the company's



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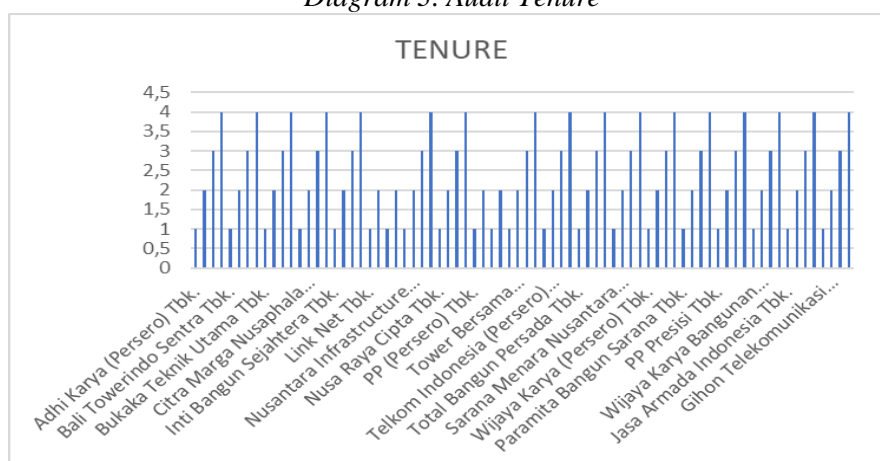
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management so that it can obtain high profits.

The result of Audit Tenure on ARL

Based on the output from table 10, Tenure Audit has a Sig of $0.023 < 0.05$ with a calculated t value is $2.325 > t$ table of 1.99346, explaining that Tenure Audit has a direct positive effect on ARL, and H3 is accepted. That is, if the company has a more extended engagement period with the KAP, it will make the auditor better understand the correct audit procedures applied during the audit process. The results of this analysis align with the opinion of research conducted by Hoirul et al. (2019), which explains that the longer the auditor's relationship with the client, the shorter the audit report lag symptoms because the auditor already understands the client's business patterns.

Diagram 3. Audit Tenure



Source: Data processed by researchers, 2023.

Based on diagram 3, Audit Tenure affects audit report lag because of the 19 infrastructure companies. 17 companies have a 4-year engagement. One is that PT Bukaka Teknik Utama Tbk has four years of engagement with ARL 67, 76, 68, and 87 spanning from 2018-2021. This means that a company with a more extended engagement period with KAP can show that the auditor remains consistent and timely in submitting the financial statements of the company being audited.

5. CONCLUSION

Based on the results of the research and discussion, it can be concluded as follows:

1. CFO's educational background has no significant effect in a negative direction on ARL in infrastructure companies listed on the IDX for the year 2018-2021, CFO has a Sig $0.119 > 0.05$ with a calculated t value is $-1.576 < 1.99346$ t table.
2. ROA has a significant positive direction on ARL in infrastructure companies listed on the IDX for the year 2018-2021, ROA has a Sig $0.019 < 0.05$ with a calculated t value is $2.390 > t$ table 1.99346.
3. Audit Tenure has a significant positive direction on ARL in infrastructure



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companies listed on the IDX for the year 2018-2021, Audit Tenure has a Sig of $0.023 < 0.05$ with a calculated t value is $2.325 > t$ table of 1.99346.

4. The limitation of this study is that the value of Adjusted RSquare which is less than 50% means that there are many other variables that can affect ARL. It is recommended for further research to look for other variables that have a more significant effect on ARL and expand the research object or research year to identify deeper problems in this phenomenon.

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