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Article

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ACCOUNTING, CORPORATE GOVERNANCE & BUSINESS ETHICS | RESEARCH ARTICLE

The characteristics of the audit committee affecting timeliness of the audit report in Indonesia

Efrizal Syofyan^{1*}, Dovi Septiari¹, Sany Dwita¹ and Mutia Rahmi¹

Abstract: This paper aims to examine the positive relationship between the audit committee (AC) and the reporting quality proxied by the reporting timeliness in the Indonesian context. The AC effectiveness is measured by the committee size, number of its expertise or competence, and its meeting frequency. This study employs 240 observations from 48 manufacturing companies from 2014 to 2019 in the Indonesian Stock Exchange (IDX) as samples. A logit regression analysis is used to test the hypotheses in this study. The findings reveal that the AC size and financial expertise are not significantly associated with the audit report timeliness, whereas the meeting frequency has a significant effect on it. The results indicate that the AC effectiveness depends on the occurrence of communication between members. The more frequent the AC meets, the more effective their communication will be. This study findings also suggest that the number of the AC meetings is crucial in ensuring its oversight roles in companies, leading to timely submission of audited financial statements. The findings provide significant contributions to the existing literature on corporate governance (CG), especially the AC effectiveness in emerging economies. This study fills research gaps on the AC effectiveness and



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PUBLIC INTEREST STATEMENT

In recent years, regulators worldwide have been focusing on the Corporate Governance (CG) reforms, especially on the role of the Audit Committee (AC) in improving public confidence in accounting information. This concern is increasing due to the Asian financial crisis and big corporate scandals for the last two decades, such as Enron and WorldCom. This paper examines the association between the AC effectiveness and reporting quality proxied by the reporting timeliness in the Indonesian context. Unlike prior studies on the AC which have been predominantly carried out in developed countries, this study provides insights on the progress of governance reforms carried out by Indonesian regulators, such as the initiatives introduced by the capital market regulators to strengthen CG and improve financial information quality.

provides practical implications concerning the AC oversight of financial reporting. Despite results made by studies on the AC in developed economies such as the US and UK, conditions and factors affecting the AC effectiveness in developing countries such as Indonesia may differ. Hence, the findings of these studies may not apply to other contextual environments.

Subjects: Business, Management and Accounting; Accounting; Corporate Governance

Keywords: audit committee effectiveness; size; expertise; meeting frequency; report quality; corporate governance

1. Introduction

Numerous investigations agreed that the Asian crisis resulted from a loss of investors' confidence and a lack of effective corporate governance (CG) in many Asia's financial markets and firms. Therefore, most Asian economies have carried out the initiatives to improve their regulatory frameworks, particularly on CG, information quality, and transparency over the last two decades. Establishment of an effective Audit Committee (AC) on boards has been one of the priorities set in regulators' agenda to reduce information asymmetry between controlling shareholders and other investors. An effective AC represents a governance mechanism that limits potential agency problems from corporate ownership and control separation (Abbott & Parker, 2000; Jensen & Meckling, 1976).

The purposes of this study are (1) to examine the relationship between the AC size and financial report timeliness, (2) to extend prior studies on the AC financial expertise by investigating the association between the AC accounting financial expertise and financial reporting timeliness, and (3) to determine how meeting frequency affect financial report timeliness. This study examines the size, expertise, and meetings on audit report timelines, and fills the gap in the research literature by examining the AC effectiveness in an Indonesian context. We focus on discussing the financial report timelines as one of the terms to define the financial report quality. The timeliness of delivering of financial statements to the public is essential to maintain information's relevance in the financial statements (Sakka & Jarboui, 2016). The delay in the delivery of financial statements will fail to influence user decisions. For investors, the timely financial statements will reduce uncertainty in investment decision making and disseminate asymmetric information among investors in the capital markets (Jaggi & Tsui, 1999). Timely delivery of financial statements will reduce leaks, rumors, and insider trading in the stock markets (Owusu-Ansah, 2000). The timeliness of financial statement submission will also provide valuable information for shareholders' decision-making process (Al-Ajmi, 2008).

However, presenting financial statements within a reasonable time as required by prevailing regulations is sometimes challenging due to several factors. One of which is the financial statements should go through the process of auditing before it is published. The slowness of the independent public accountants to complete auditing process will make the financial statements are delivered overdue. Audit report lag has been a variable of interest in many studies, not only due to its usefulness to serve as a proxy for the occurrence of auditor-client management negotiations and audit efficiency, but also its tendency to postpone the release of earnings information to the market (Durand, 2019). The AC, as one of the critical components of the CG can anticipate such overdue, as Sakka and Jarboui (2016) suggest that good structures of CG will improve the quality of report timeliness. We examine three AC characteristics, namely, members' financial expertise, size, and meeting frequency. Previous studies by Bedard et al. (2010) and Spira (2003) show that the effectiveness of the AC influenced by the characteristics of the committee. Some of the AC characteristics examined by previous studies include size, members' independence, gender proportion, and meeting frequency (Mohamad Nor & Shafie, 2010; Sun et al., 2011).

This study gives some contributions. First, the study provides literature of a new perspective about the AC effectiveness and provide practical implications concerning the AC oversight of

financial reporting. Although there are many literatures on CG and the AC (see DeZoort *et al.* 2002; Turley & Zaman, 2004), most research are predominantly carried out in the context of developed economies such as US and UK and this study findings may not apply to other economies which have different contextual environments (Collier & Zaman, 2005; Zaman *et al.*, 2011). This is supported by one of previous studies stating that the AC is related to accounting information quality in various economies (Woidtke & Yeh, 2013). This study will focus on the AC performance in the context of developing countries in Asia, especially Indonesia.

Second, this study contributes to the practice in the way that solid regulation about the AC is needed. The establishment of the AC in some companies in developing countries is sometimes only to respect the regulation set, but they do not fully adhere to it in the actual situation. It opens up discussions on the effects of changing global corporate behaviors on CG mechanisms (Adelopo, Jallow, & Scott, 2012). Our findings show that the effectiveness of the AC role not only about the number of expertise. The quality of the discussion and the frequency of routine meetings are crucial. The AC in a company is not just a CG symbol, but this structure effectively reduces the agency conflict between management and stakeholders, especially investors. Therefore, regulators can find this finding effective to formulate an excellent policy to make the AC members work well.

2. Background

In 2001, The Capital Markets and Financial Institutions Supervisory Board (Bapepam-LK), BAPEPAM-LK, and Jakarta Stock Exchange issued a regulation that every listed company must have an audit committee (AC). An audit committee is responsible to the board of commissioners (BOC) and assists the board in overseeing internal and external audit functions. In 2004, OJK/ Bapepam LK Chairman published Bapepam-LK Regulation No. IX.I.5 on the Establishment and Implementation Guidelines of Audit Committees, which obliged public companies to have audit committees and establish such committees' guidelines. IDX then issued a Decree No. KEP-00001/ BEI/01-2-14 on Amendment of Regulation No. I-A on the Listing of Stocks and Equity-Type Securities other than Stocks Issued by Listed Companies. This decree emphasizes public companies' obligation to have audit committees in place. Both the IDX Decree and Bapepam LK regulations arranged that an audit committee was composed of a minimum of one independent commissioner and 2 (two) other members out of the issuer or the said public company. The regulations also require that the AC consists of a minimum of 30% independent commissioners.

Bapepam-LK regulation No. IX.I.5 regulating audit committee independence, tenure, and meetings is also an effort to maintain good CG within Indonesian listed companies. It has become increasingly important for audit committees to take on financial reporting quality responsibility.

Specifically, the duties of an AC are: to review company financial information that will be released, to review the effectiveness of company internal control, to review the company compliance to the law and regulation, to review and to report to the commissioners regarding any complaints related to listed companies, to keep confidentiality of company's document, data, and information, to review the independence and objectivity of a public accountant, and to review the audit adequacy conducted by a public accountant. BAPEPAM_LK also provides the AC guidelines includes the definition of the AC independence, the AC authority, and the AC meetings. It is also mandatory for the AC to submit an activity report to the BOC frequently.

For two decades, studies on the relationship between the AC and audit report timeless in Indonesia have been limited and showed mixed results (Ika & Mohd Ghazali, 2012). Recently, the Indonesian Stock Exchange (IDX) consists of 645 companies, of which 100 companies are state-owned enterprises (SOE) and family-owned businesses (FOB), and almost 95 percent of the firms have a controlling shareholder. The Capital Market and Financial Institution Supervisory Agency and the IDX have been struggling to improve the CG environment in Indonesia by requiring the establishment of the AC as a mandatory regulation since mid-2000. Another regulation is that the audited financial statements should be submitted and published no later than the third month

after the annual financial report. Doyle & Magilke (2013) and Schmidt and Wilkins (2013) suggest that improving financial reporting timeliness is the regulator's priority. However, these regulations resulted in ten companies failing to advance and issued their statement timely in 2018. The timeliness of important financial information is a crucial aspect of financial decision making. Timeliness may affect decision-makers expected payoffs and influence security prices (Kross & Schroeder, 1984).

3. Theoretical framework

This study examines the effect of the characteristics of the AC on timeliness. Agency theory by Jensen and Meckling (1976) explains that AC has a vital role in reducing agency problems between managers and investors. Three AC characteristics are expected to influence timeliness; AC size, AC expertise, and AC meet frequently. Our framework can be seen in Figure 1.

A previous study by (Kalbers & Fogarty, 1993) strengthens that the size is critical to make an AC effective. The more members an AC has, the more skill and knowledge they have to solve any problem. The size of AC members will increase the reporting quality (Bédard & Gendron, 2010; Ghosh et al., 2010; Ismail et al., 2009; Mohd et al., 2012; Pucheta-Martínez & De Fuentes, 2007).

Besides the number, the AC expertise is also important. The AC members with financial or accounting expertise is more likely to detect any financial misstatements (Persons, 2009). The appropriate knowledge and skill that AC members have will lead to timely financial reporting (Abernathy et al., 2014; Al-Ebel et al., 2020). AC members' specific skills and experience will improve AC capacity to understand companies' technical issues (Dezort, 1998).

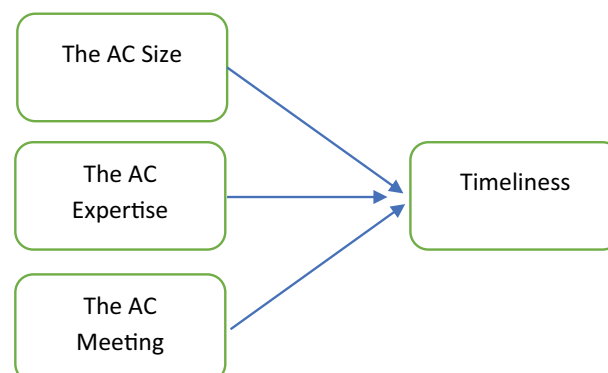
The last point that is essential for the AC is its members' regular meetings (Beasley, 1996; McMullen & Raghunathan, 1996). Every member in AC must make their contribution to the team by detecting and resolving any problem soon. Haji-Abdullah and Wan-Hussin (2015) and Haji-Abdullah and Wan-Hussin (2015) report that frequency meeting is crucial to achieve good financial reporting quality.

4. Empirical literature review and hypothesis development

4.1. Audit committee and timeliness

In general, the agency theory proposed by Fama and Jensen (1983) and Jensen and Meckling (1976) have been used to explain the relationship between the AC and report timeliness. The agent sometimes acts against the Principal's interests that will create agency problems. The Principal needs information available at the correct time before such information loses its capacity to influence a decision. The late report will increase the agency problems. Information timeliness influences lower abnormal returns (Givoly & Palmon, 1982; Kross & Schroeder, 1984), and the level

Figure 1. Framework.



of uncertainty (Ashton et al., 1987). So, the AC plays the role of protection to reduce this conflict. The AC has oversight responsibility for financial reporting, internal control, and external auditing activity (Turley & Zaman, 2004). Accurate oversight by the AC will ensure the quality of financial reporting indicated by its timely publication. Their purpose is to ascertain the information carried by the financial statements available at the correct time for users. Some previous studies such as (Abbott et al., 2004; Afify, 2009; Pucheta-Martínez & De Fuentes, 2007) confirm that the AC effectiveness affects timeliness.

Audit lag is the number of days between the end date of the financial statement and the audit report issuance date (Ryu & Roh, 2007), whereas, based on (Lee & Jahng, 2008), audit report lag is a time period between the end of the company's fiscal year and the audit report date. A possibility of delay of the issued opinion is because there are times when the auditor test the validity of management's assertions, some problems are found and the management need to clarify those problems. The auditor delays issuing an opinion hoping that the management can solve the problems in assertions report.

4.2. The characteristics of audit committee and their relationship with timeliness

We examine three AC characteristics, AC size, expertise, and meeting frequency since we think that such traits are closely related to Indonesia's condition. According to the Indonesian stock exchange regulator (BAPEPAM, 2004), the AC should comprise at least three members and have at least one member with accounting or financial expertise. Also, they should have an equal meeting frequency as the minimum Board of Committee meetings as a requirement in the company's article of association.

Kalbers and Fogarty (1993) suggest that the AC's total members are critical to AC effectiveness. Different members can view financial reporting from various aspects. It also enables the committee to simultaneously handle several financial reporting issues, thereby leading to timely external audit completion. Pucheta-Martínez and De Fuentes (2007) find that the AC size affected Spanish firms' financial reporting quality. That finding is also supported by Mohd et al. (2009) in a sample of Malaysian firms.

Previous studies reported that the AC size has a substantial impact on its decisions, and the AC with fewer directors has better coordination. Bédard and Gendron (2010) conducted a meta-analysis to highlight the role that AC size plays on the committee's effectiveness and found that most studies supported the primary function of the AC's size on effective monitoring.

Some studies have found an association between the size of the AC and earning management actions. Ghosh et al. (2010) found that discretionary accruals are significant in firms with small ACs, suggesting that an AC with many members possessing sufficient skills and knowledge is more effective in financial reporting monitoring. Ismail et al. (2009) argued that the proportion of AC members is associated with the level of earning quality. Besides, Mansor et al. (2013) identified the association between CG and earnings management in Malaysia's family-oriented and non-family businesses. In contrast, Salleh and Haat (2014) concluded that there is no significant association between the AC size and earning quality. In addition, Haji-Abdullah and Wan-Hussin (2015) documented an insignificant association between AC and natural earning management size. Based on the above discussion, the relationship between AC independence and earning quality has not been examined broadly.

The notion is that with many AC directors, more diverse skills and knowledge can be utilized by the committee to improve its monitoring role. It is consistent with the agency theory, which states that large boards could include more independent members, which leads to better control of management and an increase in the quality of financial reporting. This study expects that AC with a bigger size can contribute more towards financial report quality. Thus, the following hypotheses tested:

Our first hypothesis is stated as followed:

H1: The number of audits committee members will have positive effects on audit report timeliness.

Individual members' expertise is essential in their performance in the AC and the number of AC members with financial expertise would improve CG (DeFond et al., 2005). Companies that have financial expertise tend to low faced financial problems (McMullen & Raghunathan, 1996). The AC with expertise will be more effective to monitor the companies. Persons (2009) suggest that the AC with financial or accounting expertise can detect any financial misstatements or improper business transactions. This achievement will lead to timeliness of financial statements.

Previous literature suggests that the AC with accounting or financial expertise leads to financial reporting (Abernathy et al., 2014; Al-Ebel et al., 2020). Dezoort (1998) argues that specific accounting experience will improve the AC capacity to understand companies' technical issues. Then, it reduces the amount of time to discuss and evaluate the misstatement or unusual transaction with the auditor or management. Bull & Sharp (1989) and Lipman (2004) suggest that the AC that has knowledge of accounting concepts and an auditing process will enhance their understanding of the financial reporting process, recognize problems, ask probing questions of management and auditor make leadership contributions to the AC members. (Dezoort, 1998) states that the AC effectiveness may depend on the number of public accounting expertise that joined in the AC team.

The financial expertise belonged by AC members is a vital characteristic. All the AC members should pertain proper knowledge of accounts and finance to effectively control the financial reporting process to improve financial reporting quality. Badolato et al. (2014) examine the effect of interactions between an AC member with financial expertise and earning management status. A financial expert serving on the AC with apparent authority supported by sufficient regulations may constrain the firm's managers' earnings manipulative actions. Krishnan et al. (2011) examine whether an AC with legal expert members enhanced financial reporting quality. Hassan and Ibrahim (2014) found that AC's financial literacy is effective in limiting real earning management actions. However, Sun et al. (2014) found an ineffective role of AC members' financial experts in constraining real earning management. Garcia-Sánchez et al. (2017) explore whether financial experts on an AC improved earning quality and found an effective role for the financial experts on an AC in enhancing earning quality.

These studies propose that financial experts have a good understanding of how financial reports are manipulated. Therefore, they may be able to enhance the financial reporting quality. To support agency theory, it is suggested that AC members who possess financial and accounting qualifications are more likely to improve the financial reporting quality. Previous studies indicate that financially experienced members improve the effectiveness of the AC. Based on the signaling theory, the above discussion suggests that AC members who are skillful in finance and accounting are an excellent way of sending a signal about the board's credibility. Hence, the second hypothesis is proposed as followed:

H2: The number of audit committee members with accounting or financial expertise will positively affect audit report timeliness.

Last, the number of meetings between committee members are also crucial for financial reporting timeliness. Raghunandan et al. (2001) highlighted that an AC that have meetings frequently is more likely to be well-informed, diligent, and knowledgeable about the current accounting and auditing issues, and it will lead to the AC effectiveness. Previous studies by

Dalton et al. (1999) found a positive relationship between size and monitoring function of the board that results in a higher performance.

Prior studies like Karamanou & Vafeas, (2005); Karamanou and Vafeas (2005) confirm that the meetings frequency leads to committee diligence. It is important because every committee member may need some discussion each other. The frequency of committee meetings allows the AC to oversee the financial reporting process regularly. Also, study by Abbott et al. (2004) suggests that the AC's meeting frequency will have a negative impact on the probability of restatement. Another study by Mohamad Nor and Shafie (2010) also confirms that frequent AC meetings increase the likelihood of timely production of an audit report.

The frequency of meetings is an essential AC attribute (Beasley, 1996; McMullen & Raghunathan, 1996). Bedard and Johnstone (2004) argued that two main features measuring the activity level of the committee meetings: (i) the responsibilities it has to perform and (ii) the number of meetings. Prior studies reported the significance of meeting frequency. Among them, Xie et al. (2003) in the US, Sierra García et al. (2012) in Spain, and Sáenz González and García-Meca (2014) in Latin America reported that frequency of AC meetings is associated with lower earning management. On the other hand, Katmon and Farooque, (2017) found AC meetings are related to high discretionary accrual. However, studies by Davidson et al. (2005) and Baxter and Cotter (2009) in Australia, and Soliman and Ragab (2014) in Egypt reported that there is no significant relationship among AC meetings and earning quality. Also, Shawtari et al. (2015), Rahman et al. (2006), Abdullah (2014), and Mohamad et al. (2012) investigated the positive relationship among the frequency of AC meetings and earning quality.

In the same line, Chandrasegaram et al. (2003) provided evidence that there is a weak relationship among the frequency of the AC meetings and earnings manipulation as measured by discretionary accrual. Haji-Abdullah and Wan-Hussin (2015) found an insignificant association between the number of the AC meetings and real earning management. Based on the discussion above, it can be observed that only a few researchers have examined the association between AC meetings and earning quality.

The AC with more frequent meetings will have more time to oversee the process of the financial reporting of the business. The frequency of meetings signals the efficiency of the oversight committee's role and the credibility of the information provided. The AC meeting's frequency indicates that the committee intends to remain cautious and informed. This shows that outside users perceive less risk to invest in companies that organize more AC meetings and may require fewer practices of earning quality in corporate reporting.

Hence, our last hypothesis is:

H3: The number of audits committee member meeting frequency will have positive effects on audit report timeliness.

5. Research design

5.1. Population and sample

This study's population comprised all of the manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2014 to 2019. All of our variables measurements were obtained from the companies annual report. We downloaded the annual report of our sample from the IDX database at <https://www.idx.co.id/>. We used the purposive sampling technique to select the sample. The criteria are as follows:

Table 1. Sample selecting procedure

No	Description	Number of Companies
1	Population	167
2	Less: late of financial reporting submitted	(37)
3.	Less incomplete data	(52)
4.	Non-IDR	(30)
Total Sample		48
Total sample from 2014 to 2019		288

1. Manufacturing companies that are listed in IDX from 2014 to 2019.
2. The companies with financial reporting data available in IDX website.
3. The companies which have complete data, especially for the research purpose.
4. The financial statement's currency is IDR.

As seen in [Table 1](#), initial population number is 167 manufacturing companies. 37 companies do not contain the date of financial reporting submitted. 52 companies have incomplete information about our variables in their financial report. Also, 30 companies do not have reports in Indonesian currency. So, our final samples are 48 companies or 288 firms from 2014 to 2019.

5.2. Variables

The independent variable of this study is to report timeliness. This study's main independent variables are AC size, members' financial expertise, and meetings frequency. We also used control variables, namely, audit fee, audit firm size, and internal auditor. The measurement of the variables can be seen in [Table 2](#).

Meanwhile, the AC size (ACSIZE) is the total number of AC members (Ismail et al., 2009; Salihi & Jibril, 2015; Xie et al., 2003). Following prior literature by Al-Rassas and Kamardin (2015) and Sun et al. (2014), the AC financial expert (ACFE) is defined as the ratio of the AC financial and accounting acquaintance to the total number of AC members. Meanwhile, the AC meetings (ACMEET) calculated by the frequency of AC meetings per annum (Saleh et al., 2007; Xie et al., 2003). We also include three control variables, which are audit fee, audit firm size, and internal auditor. Those variables found by previous research are the factors that affect timeliness.

5.3. Model specification

The study model sets timeliness as a function of audit committee characteristics and control variables. To achieve the research objective, the following regression is going to be estimated as follow:

$$\text{TMLNS} = f(\text{SIZE}, \text{FINA}, \text{FREQ}, \text{FEE}, \text{AFS}, \text{IA}) \quad (1)$$

Explicitly, we stated the model:

$$\text{TMLNS}_{i,t} = \beta_0 - \beta_1 \text{SIZE} - \beta_2 \text{FINA} - \beta_3 \text{FREQ} - \beta_4 \text{FEE} - \beta_5 \text{AFS} - \beta_6 \text{IA} + \epsilon \quad (2)$$

Where:

TMLNS = Timeliness

Table 2. The definition and measurement of the variables

No.	Variables	Definition	Measurement
Dependent Variabel			
1.	Timeliness	having information available to decision-makers in time to be capable of influencing their decisions.	Measure with dummy, where 0 late report and 1 report on time.
Independent Variables			
1.	Audit Committee Size	How many persons who occupied the AC position.	The number of the audit committee in the company.
2.	Audit Committee Expertise	an individual who has education and experience in accounting or auditing (e.g., auditor, CFO, controller or accounting officer)	The percentage of the audit committee that have accounting or financial background, like educational background or previous position background.
3.	Audit Committee Frequency Meeting	The frequency of the AC meet to discuss their job	The number of AC meetings in one year.
Control Variables			
1.	Audit fee	How expensive the audit fee was charged by the audit firms.	The mean of audit fee in observation years
2.	Audit firm size	The size of the accounting firm in amount of assets, the number of employee and the number of clients.	1 for big-4 and 0 for non big-4.
3.	Internal auditor	The number of internal auditors in the firm.	The number of internal auditor as the samples

β_0 = Constants

SIZE = Audit committee size

FINA = Audit committee financial expertise

FREQ = Audit committee meeting frequency

FEE = Audit fee

AFS = Audit Firm Size

IA = Internal Auditors

e = Error term

6. Empirical results and discussion

The data of this study encompass independent auditor reports and the companies' financial statements. The sources of the data were annual financial statements of manufacturing companies that were listed in the Indonesian Stock Exchange (IDX). The samples of this study were 288 observation data from 2014–2019 from 48 manufacturing companies listed in IDX. Table 3 shows the descriptive statistics of the sample.

Table 3. Descriptive statistics

	N	Mean	Std. Deviation
TMLNS	288	0,9618	0,1920
SIZE	288	3,0556	0,3965
FINA	288	0,6185	0,2043
FREQ	288	7,7361	6,7214
AFS	288	0,4792	0,5004
IA	288	23,2847	119,8831
Valid N (listwise)	225		

The descriptive statistics in Table 3 indicated that the Audit Firm's time to complete the Audit Report from the end date of the financial statements was, on average, 96.18 days, with a deviation standard 19.20. To assess the feasibility of the regression model, a goodness of fit test was conducted. From the goodness of fit test, it was discovered that the X^2 was 11,298 with a significance level of 0.126. The significance level, which was more than 0.05, indicated no difference between the logistic regression model's prediction and the value of the observation result. This test concluded that the model was feasible and acceptable.

Besides that, an overall model fit test as seen in Table 4 was also conducted to assess whether the model hypothesized fitted the data. The overall model fit test was conducted by comparing the value of -2 initial Log-Likelihood (Block number1/40) with the value of -2 last Log-Likelihood (Block number 1/4 1). Block Number 0 indicated that the value of Log-Likelihood was 93.406, whereas in Block Number 1, the value of -2 Log-Likelihood showed the value of 82.661. The value reduction of 10.745 with the significance at the level of 0.05 showed that the model hypothesized fitted the data. Based on this test, the regression could be applied.

The determinant coefficient showed the value of R^2 of 0.132. It means that the independent variables could affect the dependent variable for 13.2 percent, whereas the remaining percentage for 86.8 percent affected other factors outside the variables being studied.

Table 4 shows the Regression results. Our first hypothesis states that AC size affects timeliness. We can see in Table 4 that the AC size is positively related to timeliness ($B = 2.487$). But this is not statistically significant ($p_value = 0.790$). So, the H1 is not supported. It means that the number of AC does not play a significant role in financial report timeliness.

Our second hypothesis states that AC that has an accounting or financial background influence the timeliness. Table 5 shows the regression result, the financial expertise positively related to timeliness ($B = -1.484$). This is onot statistically significant ($p_value = 0.391$). Thus, our H2 also not supported. The results suggest that the company that has much financial expertise committee does not affect timeliness performance.

The last hypothesis suggests that the meeting frequency of the member will affect the timelines. The results show that the positive effect of the meeting frequency on timeliness ($B = 0.473$). The statistical results show significant effects ($p_value = 0.030$). It means that the number of the meeting will affect the report's probability be on time.

According to the Table 5, none of our control variables found relationship with timeliness. Audit firm size has positive impact on timeliness ($B = -0.127$) but not significant ($p_value = 0.862$). The

Table 4. Overall Model Fit

Iteration		-2 Log likelihood	Coefficients							
			Constant							
Step 0	1	124,973	1,847							
	2	97,154	2,680							
	3	93,547	3,113							
	4	93,406	3,220							
	5	93,406	3,226							
	6	93,406	3,226							
Iteration		-2 Log likelihood	Coefficients							
Step 1	1	123,971	Constant	ACS	MF	Ex	AF	IA		
	2	94,218	1,787	-,023	,014	,002	,053	,000		
	3	87,520	2,527	-,066	,042	-,026	,134	,000		
	4	84,437	2,812	-,124	,108	-,211	,206	,000		
	5	83,004	2,420	-,047	,230	-,687	,136	-,001		
	6	82,701	1,138	,312	,370	-,157	-,008	-,002		
	7	82,666	-1,184	1,052	,453	-,141	-,096	-,002		
	8	82,661	-3,645	1,869	,470	-,1470	-,119	-,002		
	9	82,661	-5,236	2,399	,472	-,1480	-,125	-,002		
	10	82,661	-5,497	2,486	,473	-,1484	-,127	-,002		
	11	82,661	-5,501	2,487	,473	-,1484	-,127	-,002		

Table 5. Results

Source	B	S.E.	Sig.
Size	2.487	9.350	0.790
FINA	-1.484	1.731	0.391
FREQ	0.473	0.218	0.030
AFS	-0.127	0.730	0.862
IA	-0.002	0.008	0.771
Constant	-5.501	28.099	0.845

internal auditor variable also positively impacts timeliness ($B = -0.002$) but not significant ($p_value = 0.771$).

Our findings confirm previous research by Al-Rassas and Kamardin (2016), Haji-Abdullah and Wan-Hussin (2015), and Saleh et al. (2007) that show an insignificant relationship of audit committee size with earning quality (measured by different proxies). Abbott et al. (2004) and Pucheta-Martínez and De Fuentes (2007) suggest that the accounting committee's size is important, but the number of independent committee members is more important. The AC has the responsibility to make sure that the financial report doesn't mislead the user (Principal). Klein (1998) and Wolnizer (1995) suggest that an AC play the role of safeguarding and advancing the interests of shareholders. This responsibility will be effective if the AC members do not have any interest in the management.

Our study also confirms that AC financial expertise do not have a significant effect on timeliness. These results differ with the previous study like (Abernathy et al., 2014; Al-Ebel et al., 2020; Dezoort, 1998). The AC members are equipped with accounting and financial knowledge, and their accounting skills make it very difficult for financial statements to be manipulated. This is because the monitoring power of the AC is strong enough. It is in line with Al-Rassas and Kamardin (2016) study in Malaysia and concluded that there is no significant association among the AC financial expert and earning management. Also, it is consistent with Sun et al. (2014) that find an insignificant relationship between audit committee financial expertise and real earning management in the US.

Othman et al. (2014) say that studies about financial expertise always show inconsistent results. Abbott et al. (2003) suggest that the AC expertise may manifest itself in the form of greater external audit scope to address and detect material misstatements adequately. And as a consequence, it may need a long time to complete the audit. The number of experts also affects the decision since its process will require much time for them to discuss the auditor's findings. This issue can be solved by having frequent and good communication.

In the last hypothesis, we state that meeting frequency plays a role in timeliness. The results confirm our expectations. Our finding is necessary to explain why the number of audits committee and the financial expertise do not have a significant effect. Abbott et al. (2004) found that the AC meetings frequency that measured by the activity level is important to effectiveness. Maximizing the activity can be done by increasing the meetings frequency. In the meeting, the AC members can improve their communication quality.

Research results support the findings of past researches conducted by Al-Rassas and Kamardin (2015) and Habbash et al. (2013) that AC meetings and earning management are positively associated (measured by discretionary accrual) in the capital markets of Malaysia and the UK, respectively. This unexpected result could be due to meetings' ineffectiveness, as it led to routines

that make members become uncritical and consequently perform only a ceremonial function (Habbash et al., 2013).

Insights related to the significant influence of the AC meetings on oversight effectiveness can be drawn from the context of Indonesian society as collectivist and high context culture that prefer indirect way of communication (Kapoor et al., 2003; Leung & Bond, 1984). We argue that frequent interactions in the form of AC meetings can improve the effectiveness of communication between the AC and other parties in the organization. Indeed, literature has shown that collectivists have a strong desire for maintaining harmonious interactions with group member, put emphasis on the impact of their behaviors on their group members and tend to prioritize the attainment of group interests (Leung & Bond, 1984). In contrast, individualists, such as those mostly in developed countries, are more focused on the association of their behaviors to their own needs, interests, and goals (Leung & Bond, 1984). Moreover, as a high-context culture, individuals in Indonesia focus on indirect forms of communication in order to maintain harmony; as such, the emphasis is placed on the nonverbal communication in contrast to verbal communication (Kapoor et al., 2003). The message conceals the meaning within the context of the communication and the relationship between the individuals involved. On the other hand, individuals in low-context cultures focus on communication in ways that are consistent with their feelings, the message tend to has literal meaning (Kapoor et al., 2003).

For the general AC research, our findings indicate indirect supports for Gendron and Bédard (2006) findings, which is related to communication, that AC skills in asking questions is a key factor in carrying out an effective oversight role. Managers and auditors perceive good AC performance by the existence of difficult and challenging questions during meetings (Gendron & Bédard, 2006). A number of researchers explain that this dominant research overemphasis on examining what audit AC “should do” by particularly examining best practices and tend to overlook the examining what the actual practice of AC (Brennan & Kirwan, 2015; Gendron & Bédard, 2006; Turley & Zaman, 2004).

The number of AC meeting used in this study provides some signal regarding the substantive process carried out by AC in organization (Gendron & Bédard, 2006). Researchers have indicated the usefulness of conducting process-orientated studies since AC has extensive behavioral impacts on the organization and AC interactions with other parties such as management, internal auditors, and external auditors and other processes may explain the AC effectiveness (Brennan & Kirwan, 2015; Gendron & Bédard, 2006; Turley & Zaman, 2004).

7. Summary conclusion

We examine the relationship between the AC characteristics and audit report timeliness. There are three variables that we measure; AC size, AC expertise, and AC meeting frequency. The results of this study show that size and financial expertise have no impact on audit report timeliness. However, the meeting frequency has a significant effect on timeliness. Our results contradict the previous study by Abernathy et al. (2014) and Al-Ebel et al. (2020) which find that the number of the AC and the number of committee members that have financial expertise is essential for AC effectiveness. However, our results about the committee member's meeting frequency may explain this issue. We find that the repetition of meetings will influence the audit report timeliness. So, intensifying the communication may have a significant role in AC effectiveness, especially in audit report timeliness. Although the company has a considerable number of committee members and most of them have a good financial background, it would not be effective if they do not have regular time to discuss and build exemplary communication. This finding gives a contribution to new knowledge about the relationship between AC characteristics and audit report timeliness. Also, companies and regulators can use this finding as input to make better regulations and decisions. The present study contributes to the literature on AC with size, expertise, and meeting frequency. The study

results indicate that AC meeting frequency influences report timeliness, whereas the variables of AC size and expertise do not affect the reporting timeliness.

We can drive some of the limitations and recommendations for the future from this study. Other aspects of the CG mechanism and AC effectiveness such as a board of directors, dual board, gender proportion had not been addressed in this present study yet. Future research may incorporate and examine these other aspects to provide a comprehensive insight into CG in Indonesia in particular and emerging economies in general.

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