

EXPLAINING AUDIT REPORT LAG : THE INFLUENCE OF CEO SUCCESSION AND FIRM CHARACTERISTICS.

(Empirical Study on Manufacturing Companies Listed on the Indonesian Stock Exchange for the 2018-2022 Period)

Iciah¹ Ikka Rachmawati² Asep Kurniawan³ Indah Umiyati⁴ Sri Mulyati⁵

¹ Department of Accounting, STIE Sutaatmadja, Subang, Indonesia

² Department of Accounting, STIE Sutaatmadja, Subang, Indonesia

³ Department of Accounting, STIE Sutaatmadja, Subang, Indonesia

⁴ Department of Accounting, STIE Sutaatmadja, Subang, Indonesia

⁵ Department of Accounting, STIE Sutaatmadja, Subang, Indonesia

ikkarachmawati@stiesa.ac.id

INFO ARTIKEL

ABSTRAK/ABSTRACT

Histori Artikel :

Tgl. Masuk : 31-08-2025

Tgl. Diterima : 24-12-2025

Tersedia Online : 31-12-2025

Keywords:

Corporate Sustainable Management, CEO Succession Origin, Company Operations Complexity, Company Age, Company Financial Condition, Audit Report Lag

Recent research has suggested a connection between Corporate Sustainable Management (CSM) endeavors and the transparency of financial reporting, highlighting CSM's role in mitigating information disparities between corporations and stakeholders. As CSM activities increase, it is believed that the quality of reported profits also enhances, benefiting both the company and its stakeholders.

This research investigates how the origin of CEO succession, company operational complexity, company age, and financial condition influence audit report lag, especially for manufacturing firms listed on the IDX between 2018 to 2022. The research involved a population of 163 companies, utilizing purposive sampling to select a sample of 142 companies, resulting in a dataset comprising 650 data points. Data analysis utilized logistic regression through SPSS version 25 and Microsoft Excel. This research adopts a quantitative methodology, drawing upon secondary data sourced from annual reports accessible via the Indonesian Stock Exchange's official website or the respective companies' websites.

Findings indicate that CEO succession origin and company's financial condition positively influence audit report lag, whereas company operations complexity and company age exhibit a negative association with audit report lag.

PENDAHULUAN

In response to the fast-paced evolution of the business landscape, companies are compelled to persistently innovate in their business operations [1]. Among the sectors known for their robust competitiveness in global markets are manufacturing firms [2]. These companies specialize in transforming raw materials

into final products and hold significant importance in the Indonesian economy, contributing to the Gross Domestic Product (GDP). The following are statistics on the GDP growth rate of the manufacturing sector industry in Indonesia from 2018 to 2022:

Table 1 Industrial GDP Growth Rate Manufacturing 2018-2022

Province	Manufacturing Industry GDP Growth Rate				
	2018	2019	2020	2021	2022
Aceh	-2.87	8.26	-4.43	2.53	4.19
Sumatera Utara	2.31	3.66	-0.84	1.43	1.98
Sumatera Barat	2.27	-0.58	-0.54	3.72	1.74
Riau	5.43	3.59	1.91	4.08	4.73
Jambi	2.61	3.39	0.12	1.27	3.05
Sumatera Selatan	6.55	5.4	0.72	2.18	4.39
Bengkulu	4.27	3.56	-2.44	2.37	3.08
Lampung	6.18	9.04	-5.22	4.54	0.47
Kep. Bangka Belitung	6.15	3.97	-5.62	5.46	5.15
Kep. Riau	1.53	4.14	3.25	6.45	4.55
DKI Jakarta	7.38	5.68	-10.36	11.06	5.95
Jawa Barat	5.32	6.52	-4.36	4.22	7
Jawa Tengah	4.33	4.33	-3.8	2.34	3.88
DI Yogyakarta	5.74	5.12	-4.31	0.3	1.76
Jawa Timur	5.69	7.55	-2.08	3.37	6.28
Banten	3.7	3.61	-4.67	5.08	3.6
Bali	0.8	5.69	-6.41	0.08	5.63
Nusa Tenggara Barat	5.95	1.68	-2.41	2.1	1.98
Nusa Tenggara Timur	7.34	5.16	-5.42	-5.1	6.67
Kalimantan Barat	2.76	2.8	-2.16	4.85	4.04
Kalimantan Tengah	8.95	5.11	-0.05	5.08	4.46
Kalimantan Selatan	5.69	4.34	-3.63	6.01	3.31
Kalimantan Timur	2.8	0.45	-2.99	2.45	3.58
Kalimantan Utara	5.54	1.19	-3.84	2.5	3.95
Sulawesi Utara	8	4.39	4.47	8.63	7.19
Sulawesi Tengah	11.2	106.29	23.68	19.62	29.69
Sulawesi Selatan	5.03	0.94	-4.57	3.02	9.86
Sulawesi Tenggara	6.38	6.81	10.19	6.38	16.74
Gorontalo	3.46	6.77	1.13	5.32	7.8
Sulawesi Barat	7.96	7.51	-3.51	5.89	-0.64
Maluku	4.76	7.28	-2.31	0.47	9.06
Maluku Utara	32.13	18.41	60.98	82.05	77.27
Papua Barat	2.9	7.28	1.86	-2.3	2.92

Papua	6.46	5.65	-5.02	-0.21	0.08
Indonesia	4.29	4.27	-2.93	3.39	4.89

The data presented above illustrates fluctuations in the growth of Indonesia's industrial GDP in the manufacturing sector from 2018 to 2022, indicating instability within the manufacturing industry. These fluctuations provide insights into the economic size and performance of Indonesia, where an increase in GDP signifies positive economic progress. Moreover, the Purchasing Managers Index (PMI) for manufacturing is commonly utilized to assess the health of a nation's manufacturing sector [3]. Below is a graphical representation of Indonesia's manufacturing PMI from 2018 to 2022:



Graph 1 Indonesian Manufacturing PMI 2018-2022

From these data, the Indonesian Manufacturing PMI demonstrated fluctuations between 2018 and 2022, with higher PMI values above 50 indicating robust sectoral growth, while lower PMI values below 50 suggest contraction within the sector.

Shareholders possess the entitlement to access information regarding a company's financial status and performance [4]. This information enables shareholders to assess managerial effectiveness and serves as a basis for decision-making regarding the profitability of their investments [5]. Furthermore, timely

submission of financial reports is crucial in preserving the relevance and usefulness of the information they provide. Unintentional delays in submitting financial reports can diminish the impact of the information on user decisions [6, 7, 8].

Recent research has suggested a connection between Corporate Sustainable Management (CSM) endeavors and the transparency of financial reporting, highlighting CSM's role in mitigating information disparities between corporations and stakeholders. As CSM activities increase, it is believed that the quality of reported profits also enhances, benefiting both the company and its stakeholders [9].

Timely submission of financial reports is crucial to ensure accuracy and reliability of information. Delays in submitting such reports can negatively impact investors as it reflects poorly on the company's condition, leading to potential distrust among stakeholders [8, 10]. In Indonesia, regulations stipulate deadlines for annual financial report submissions, formerly under Bapepam-LK and now under the Financial Services Authority (OJK). According to OJK regulations, annual financial reports must be submitted within 90 days from the end of the financial year. Failure to comply with these regulations may result in penalties such as written warnings, fines, or even business permit

revocation. Given the significance of timely reporting, manufacturing companies must strategize to meet these deadlines effectively. This research is prompted by the observed trend of delayed financial reporting among manufacturing firms listed on

the IDX during the period spanning from 2018 to 2022, as detailed in Table 2:

Table 2 Late Company Convey Report Finance Audit (Applied Warning Written I)

Year	Listed Company on BEI	Manufacturing Company	Percentage
2018	64 Companies	14 Companies	22%
2019	64 Companies	13 Companies	20%
2020	88 Companies	17 Companies	19%
2021	91 Companies	21 Companies	23%
2022	143 Companies	35 Companies	24%

The presented table indicates an increase in late submissions of audited financial reports by companies in 2021 and 2022. As per information provided by the Indonesia Stock Exchange, penalties are enforced on companies failing to submit audited financial reports by the year-end deadline of December 31. If a company is late in submitting their report by up to 30 calendar days after the deadline, BEI will issue a warning written I. For delays ranging from 31 to 60 calendar days, the company will receive a second warning along with a fine of IDR 50 million. Subsequently, if the delay extends from 61 to 90 calendar days, BEI will issue a third warning and impose a fine of IDR 150 million.

In 2018, out of 64 companies failing to submit audited financial reports by December 31, 2018, 14 companies, or 22% of the manufacturing sector, including PT Tiga Pilar Sejahtera Food Tbk (AISA), were identified. AISA was involved in financial report manipulation, misusing receivables and engaging in questionable transactions with affiliated companies.

In 2019, among the 64 companies with delayed financial report submissions,

13 companies, or 20% of the manufacturing sector, such as PT AISA, CPRO, ETWA, HDTX, INAF, INCF, and others, were reported late.

In 2020, out of 88 companies failing to submit audited financial reports by December 31, 2020, 17 companies, or 19% of the manufacturing sector, including PT CPRO, ETWA, GMFI, HDTX, JSKY, and others, were identified.

In 2021, among the 91 companies with delayed submission of audited financial reports, 21 companies, or 23% of the manufacturing sector, such as PT BATA, ETWA, FLMC, GMFI, and others, were reported late.

In 2022, out of 143 companies failing to submit audited financial reports by December 31, 2022, 35 companies, or 24% of the manufacturing sector, including PT Waskita Karya Tbk (WSKT) and PT Wijaya Karya Tbk (WIKA), were identified. Both WSKT and WIKA were involved in financial statement manipulation, concealing invoices to show healthier financial conditions despite facing financial difficulties. WIKA's net profit decreased from IDR 322 billion in 2020 to IDR 12.5 billion in 2022, while WSKT's net loss

decreased from IDR 9.28 trillion in 2020 to IDR 1.67 trillion in 2022. Hence, thorough examination is imperative to uphold the quality of corporate financial statements.

Seeing this phenomenon, timeliness in submitting financial reports is important is an important thing for go companies public. Punctuality indicates a company's health, fostering investor trust and minimizing rumors [11, 12].

One potential factor influencing audit report lag is CEO succession origin, a topic relatively under-explored in audit literature. Insider CEOs possess comprehensive knowledge of the company's products, production chain, operations, and business conditions, facilitating thorough monitoring. Conversely, outsider CEOs lack detailed company insights. CEO's specific knowledge can impact profit management and potential fraud. Consequently, audit risk escalates with insider CEOs, necessitating extensive audit efforts and prolonging report lag [13, 14, 15].

Additionally, the complexity of company operations can also contribute to audit report delays. Complexity arises from the presence of multiple subsidiaries within a company, increasing the intricacy of operations. With a greater number of branches or subsidiaries, the company's operations become more intricate. Consequently, the audit process extends as auditors need to review numerous consolidated reports from subsidiaries, leading to prolonged submission of audited financial reports [16, 17].

The age of the company is also a determinant of the delay in audit reports, which refers to the duration since establishment or start of operations. Older companies have a better understanding and expertise in meeting auditor

requirements, the audit process becomes faster.

Furthermore, the financial condition of companies can also impact audit report lag. Companies facing financial challenges are more likely to encounter longer audit report delays. Weak financial conditions heighten audit risk as auditor opinions must align with the company's financial state. To mitigate this risk, auditors are compelled to conduct more extensive audit procedures, consequently prolonging the audit duration [18].

Based on the description background above, the author intends to conduct research entitled "The Impact of CEO Succession Origin, Company Operations Complexity, Company Age, and Company Financial Condition on Audit Report Lag (Empirical Study on Manufacturing Companies Listed on the Indonesian Stock Exchange for the 2018-2022 Period)".

KERANGKA TEORITIS DAN PENGEMBANGAN HIPOTESIS

2.1. Theoretical Basis

2.1.1. Agency Theory

Agency theory is a fundamental concept in accounting research, particularly relevant to businesses managed by two parties: the owner (principal) and management (agent). It elucidates the agency relationship, wherein principals delegate decision-making authority to agents through contracts for service provision. The theory highlights information imbalances between agents and principals, with agents having superior access to internal company information compared to principals, thereby resulting in information differentials [19].

2.1.2. Audit Report Lag

The audit report lag denotes the duration needed for the auditor to finalize the audit, measured in days from the closure of the company's financial records to the completion of the audited report.

This is usually measured using a dummy variable: code 1 indicates there is a delay in the audit report, while 0 indicates there is no delay in the audit report. If the audit report lag exceeds 90 days, it is coded 1, indicating that there is an audit report lag. On the other hand, if the time period is equal to or less than 90 days, it is coded 0, which indicates there is no delay in the audit report. [17, 18].

2.1.3. CEO Succession Origin

The CEO, or Chief Executive Officer, holds the highest executive authority in a company and is accountable for its success. The CEO serves as the company's leader, decision-maker, and oversees overall operations, exerting significant influence within the organization. CEO recruitment can occur internally or externally. Internal CEO hiring involves promoting individuals from within the company to assume the CEO position, while external CEO recruitment entails hiring individuals from outside the company for the CEO role [20, 21, 22].

Hence, CEO Succession Origin refers to whether the CEO is recruited from within the company or externally. An internal CEO is an individual already employed within the company and assumes the CEO role, whereas an external CEO is recruited from outside the company to assume the CEO position. The measurement of CEO succession origin utilizes a binary variable, denoted as a dummy variable: code 1 signifies internal CEO recruitment, while 0 denotes external CEO recruitment [13].

2.1.4. Company Operations Complexity

Company complexity refers to the intricacy of a company's structure resulting from the presence of multiple segments or subsidiaries. Company operation complexity is gauged by quantifying the number of subsidiary companies owned [16, 17].

2.1.5. Company Age

Company age as the duration since its establishment and operation towards achieving its objectives. It signifies the company's longevity in a competitive market, reflecting its ability to sustain its presence. In this study, company age is measured from the listing date on the

Indonesian securities exchange (IPO date) until the study period (Year of study minus IPO year). This measurement accounts for the obligation of companies to disclose financial reports upon registration on the IDX and going public, ensuring prompt accessibility of financial information to various stakeholders.

2.1.6. Company Financial Condition

Financial condition pertains to a company's performance within a specific timeframe. Three classifications of financial condition: healthy, vulnerable, and bankrupt [18].

Indicators to assess a company's financial condition, including return on assets (ROA), financial leverage, and liquidity, analyzed using the Zmijewski model for bankruptcy prediction. In the Zmijewski formula, an increase in the ZFC value correlates with an increase in the possibility of bankruptcy or financial difficulties, thereby increasing audit risk and resulting in audit report lag (ARL) [18, 23]. The Zmijewski formula is as follows:

$$\text{ZFC} = -4.336 - 4.513 (\text{ROA}) + 5.679 (\text{FINL}) + 0.004 (\text{LIQ})$$

2.2. Research Hypothesis

H1: CEO succession origin positively affects audit report lags.

H2: Complexity of company operations positively influences audit report lags.

H3: Company age negatively impacts audit report lags.

H4: Company financial condition positively influences audit report lags.

H5: CEO succession origin, complexity of company operations, company age, and company financial condition collectively influence audit report lags.

METODOLOGI PENELITIAN

The study employs quantitative data sourced from the IDX. The dataset consists of secondary data obtained from annual reports of manufacturing companies spanning from 2018 to 2022. Data is collected from the official IDX website (www.idx.co.id) or the respective company portals. The research population includes manufacturing companies listed on the IDX during a specific timeframe. Utilizing purposive sampling, the

researcher aimed to obtain a representative sample for analysis.

Table 3 Operationalization of Research Variables

3.1. Operationalization Variable

Variable	Measurement
Variable Independent	
CEO Succession Origin (X1)	Dummies 1 = CEO of in company 0 = CEO of outside company
Company Operations Complexity (X2)	Nominal Scale Be measured with count amount child a company owned by a company
Company Age (X3)	Ratio Scale Year concerned – IPO year
Company Financial Condition (X4)	Ratio Scale $ZFC = -4,336 - 4,513 (ROA) + 5,679 (FINL) + 0,004 (LIQ)$
Variable Dependent	
Audit Report Lag (Y)	Dummies 1 = happened audit report lag (> 90 days) 0 = no happen audit report lag (\leq 90 days)

3.2. Data Analysis Method

This research employs quantitative analysis methods conducted through the Statistical Packages for Social Science (SPSS) software. The analysis comprises descriptive statistical analysis, classical assumption tests, and logistic regression analysis.

3.2.1. Descriptive Statistical Analysis

Descriptive analysis entails the presentation of data in a tabular format to enhance its comprehensibility like standard deviation, mean, minimum, and maximum values, enables effective communication of data features and attributes for each variable under investigation.

3.2.2. Classic Assumption Test

3.2.2.1. Multicollinearity Test

The multicollinearity test assesses the correlation among independent variables within a regression model. The existence

of correlation suggests a multicollinearity problem. Ideally, within a well-fitted regression model, independent variables should not exhibit correlation [24, 25]. Absence of multicollinearity is indicated when the VIF remains below 10 and tolerance surpasses 0,1. Conversely, multicollinearity is present if the VIF exceeds 10 and tolerance falls below 0,1.

3.2.3. Logistic Regression Analysis

Logistic regression analysis is a statistical approach aimed at determining whether independent variable(s) can forecast the likelihood of the dependent variable's occurrence.. It is chiefly employed when the dependent variable is binary, featuring two categories usually denoted as 1 and 0 [26, 27]. The logistic regression equation is structured as follows:

$$Y = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \epsilon_{it}$$

Information:

Y = Audit Report Lag

X1 = CEO Succession Origin

X2 = Company Operations Complexity

X3 = Company Age

X4 = Company Financial Condition

β_0 = Constant

$\beta_1, \beta_2, \beta_3, \beta_4$ = Coefficient for each independent variable

ε = Disturbing factors (error items)

The subsequent procedure involves conducting a logistic regression analysis:

3.2.3.1. Goodness of Fit Test

The assessment of model fit was conducted using the Hosmer and Lemeshow Test, which tests the null hypothesis that the observed data fits the model. This test evaluates whether there is a significant difference between the model and the empirical data, determining the adequacy of the model fit [28, 29]. The criteria for evaluating the regression model's feasibility are outlined as follows:

1. Rejection of the null hypothesis occurs if the significance value (sig) is $\leq 0,05$ (5%), indicating a notable difference between the model and the data, thus suggesting inadequate prediction of observed values.

2. The null hypothesis is accepted when the significance value (sig) exceeds 0.05 (5%), suggesting that the model appropriately fits the data and can reliably forecast observed values.

3.2.3.2. Overall Fit Test

This test determines whether the proposed model adequately matches the dataset [30]. The overall assessment of model fitness involves comparing the initial -2 Log Likelihood value (step 0) with the final -2 Log Likelihood value (step 1). The reduction in the -2 Log Likelihood value indicates that the proposed model adequately fits the data. Conversely, if

there is an increase in the -2 Log Likelihood value from the beginning to the end, the proposed model does not align with the data.

3.2.3.3. Determination Coefficient Test (Nagelkerke R Square)

The Nagelkerke R Square test is utilized to assess the coefficient of determination, which signifies the extent to which the independent variable can clarify and impact the dependent variable. Ranging from 0 to 1, in logistic regression, a low Nagelkerke R Square indicates limited explanatory power of the independent variable, a value nearing one suggests that the independent variable furnishes nearly all requisite information for predicting changes in the dependent variable.

3.2.3.4. Regression Coefficient Test (Partial t Test)

The t-test is utilized for evaluating the regression coefficient of individual independent variables to ascertain their effect on the dependent variable. In this investigation, a significance level of 0,05 or 5% was established. Decision rules are as follows:

1. If the probability value (sig.) is below 5% (0,05), it confirms the alternative hypothesis, demonstrating a significant impact of each independent variable on the dependent variable.

2. If the probability value (sig.) exceeds 5% (0,05), the alternative hypothesis is refuted, indicating no influence of each independent variable on the dependent variable.

3.2.3.5. Test Omnibus Tests of Model Coefficients (Simultaneous F Test)

The F statistic is employed to evaluate the adequacy of the regression model and ascertain whether the independent variables collectively exert a joint impact on the dependent variable. Simultaneous tests are conducted by examining the significance value (sig.) in the omnibus test

table of model coefficients, with a significance threshold set at 0,05 (5%). The criteria for these tests are as follows:

1. If the significance value (sig.) falls below 5%, it indicates acceptance of the alternative hypothesis, implying that the independent variables jointly influence the dependent variable.

2. If the significance value (sig.) exceeds 5%, the alternative hypothesis is refuted, indicating that the independent

variables collectively do not affect the dependent variable.

HASIL DAN PEMBAHASAN

The sample selection process adheres to the predetermined criteria outlined in Table 3 as follows:

Table 4 Research Sample Selection Process

No	Criteria	Amount
1	Manufacturing firms listed on the IDX from 2018 to 2022	163
2	Firms that have not consistently published annual reports from 2018 to 2022	(15)
3	Companies not finalizing their financial reports by December 31st	(4)
Total companies that complied criteria		144
Year Observations 2018-2022		720
Outlier Data		(70)
Total sample end		650

4.1. Research Data Analysis Test Results

Table 5 Descriptive Statistical Analysis Test Results

4.1.1. Descriptive Statistical Analysis

Variabel	N	Minimum	Maximum	Mean	Std. Deviation
KOP	650	0	117	7,26	14,173
UP	650	0	45	20,65	11,312
KKP	650	-5,14	8,18	-1,7468	1,53873

Table 6 Statistical Test Results Descriptive Dummy Variables (Distribution Frequency)

		CEOSO		ARL	
		Frequency	Precent	Frequency	Precent
Valid	0	138	21%	514	79%
	1	512	79%	136	21%
	Total	650	100%	650	100%

4.1.2. Multicollinearity Test

Variabel	Tolerance	VIF
CEOSO	0,975	1,026

Table 7 Multicollinearity Test Results

KOP	0,989	1,011
UP	0,990	1,010
KKP	0,979	1,021

The multicollinearity assessment in Table 7 shows that all variables have VIF values below 10 and tolerance values exceeding 0,1. This shows that there is no multicollinearity in the research data so that there is no significant correlation between variables.

4.1.3. Logistic Regression Analysis

Table 8 Logistic Regression Analysis Test Results

Variabel	B	Sig.
Constant	0,334	0,210
CEOSO	0,550	0,022
KOP	-0,042	0,012
UP	-0,032	0,001
KKP	0,687	0,000

The logistic regression equation derived from Table 8 is as follows:

$$\text{ARL} = 0,334 + 0,550 \text{ CEOSO} + 0,042 \text{ KOP} + 0,032 \text{ UP} + 0,687 \text{ KKP} + \varepsilon$$

Information:

ARL = Audit Report Lag

CEOSO = CEO Succession Origin

KOP = Company Operations Complexity

UP = Company Age

KKP = Company Financial Condition

4.1.4. Goodness of Fit Test

Table 9 Goodness of Fit Test Results

Hosmer and Lemeshow Test		
Chi-square	df	Sig.
14,491	8	0,070

The goodness of fit test, as assessed in Table 9, shows a Chi-square figure of 14,491 with a significance level (Sig.) of

0,070, exceeding the conventional threshold of 0,05. Therefore, it can be inferred that the variables of CEO succession origin, complexity of company operations, company age, and financial condition can effectively predict the observations. This implies that these independent variables sufficiently explain the dependent variable, indicating alignment of the model with the observed data.

4.1.5. Overall Fit Test

Table 10 Overall Model Test Results (Step 0)

Iteration History ^{a,b,c}			
		-2 Log likelihood	Coefficients Constant
Step 0	1	669,894	-1,163
	2	666,822	-1,322
	3	666,816	-1,330
	4	666,816	-1,330

Table 11 Overall Model Test Results (Step 1)

Iteration History ^{a,b,c,d}			
		-2 Log likelihood	Coefficients Constant
Step 1	1	577,526	-0,191
	2	550,077	0,114
	3	547,064	0,291
	4	546,909	0,331
	5	546,908	0,334
	6	546,908	0,334

The overall fit test results from Table 10 reveals an initial -2 Log Likelihood value of 666,816, which decreases to 546,908 in Table 11. This decrease signifies a favorable alignment of the proposed model with the data. Therefore, the logistics model is formed more good.

4.1.6. Determination Coefficient Test (Nagelkerke R Square)

Table 12 Coefficient of Determination Test Results

Cox & Snell R Square	Nagelkerke R Square
0,168	0,263

The coefficient analysis presented in Table 12 shows the Nagelkerke R Square of 0.263, indicating that only 26.3% of the dependent variable can be explained by the independent variable: CEO succession origin, complexity of company operations, company age, and company financial condition. The remaining 73,7% of the variance is accounted for by factors not addressed in this study.

4.1.7. Regression Coefficient Test (Partial t Test)

Table 13

Variabel	B	Sig.
CEOSO	0,550	0,022
KOP	-0,042	0,012
UP	-0,032	0,001
KKP	0,687	0,000
Constant	0,334	0,210

Based on the t-test results outlined in the table:

1. The variable CEO Succession Origin (CEOSO) yields a Sig value of 0,022, indicating significance below 0,05. With a coefficient of 0,550, this indicates a positive influence of CEO succession origin on audit report lag, thus supporting the hypothesis.

2. The Complexity of Company Operations (KOP) variable demonstrates a Sig value of 0,012, indicating significance below 0,05. However, with a coefficient of -0,042, the hypothesis test results in rejection, signifying that the complexity of company operations negatively affects the audit report lag.

3. The Company Age (UP) variable obtained a significance of 0,001 indicating a significance below 0,05 with a coefficient of -0,032 which indicated a negative

relationship. This supports the hypothesis that company age has a negative effect on audit report lag.

4. The Company Financial Condition (KKP) variable is statistically significant with a significance of 0,000 less than 0,05 and a coefficient of 0,687 which indicates a positive influence. Therefore, the hypothesis regarding the company's financial condition variables is accepted.

4.1.8. Test Omnibus Tests of Model Coefficients (Simultaneous F Test)

Table 14

Omnibus Tests of Model Coefficients				
		Chi-square	df	Sig.
Step 1	Step	119,909	4	0,000
	Block	119,909	4	0,000
	Model	119,909	4	0,000

Based on the simultaneous F test in Table 14, it shows a significance level of 0,000, indicating significance below the threshold of 0,05. Thus, it can be deduced that CEO succession origin, company operation complexity, company age, and financial condition collectively exert simultaneous influence on delay in audit report.

4.2. Discussion

4.2.1. The Impact of CEO Succession Origin (X1) on Audit Report Lag

Table 13 indicates that the CEO succession variable origin is characterized by a coefficient of 0,550, with the observed significance level of 0,022 falls below the conventional threshold of 0,05. This underscores a significant impact of CEO succession origin on the delay in audit report submission. The positive coefficient value indicates a positive influence of CEO succession origin on audit report lag, thus corroborating hypothesis H1 and affirming its validity.

The positive effect of CEO succession origin on audit report lag indicates that promoting a CEO from within the company

is linked to lengthier audit report lags in comparison to selecting a CEO from outside the company. Insider CEOs are presumed to possess comprehensive knowledge and understanding of the company's operations, products, production chains, business situations, and organizational culture, providing them with greater opportunities to engage in fraudulent activities for personal gain [15, 31, 32]. Consequently, auditors may require additional time for the audit process.

The influence of CEO succession origin on audit processes can be assessed by considering two key factors: specialized knowledge pertaining to the company and the dynamic between the CEO and the auditor. Internal CEOs typically have detailed insights into the company's operations, granting them significant operational strategic power. This specific knowledge can aid CEOs in managing profits and engaging in fraudulent practices. Thus, the presence of an insider CEO may elevate audit risk, as the extensive audit efforts necessitated by their detailed knowledge may result in extended audit report lags [13, 33, 34].

4.2.2. The Impact of Company Operational Complexity (X2) on Audit Report Lag

The hypothesis test results in Table 13 indicate that the variable denoting company operational complexity holds a coefficient value of -0,042, with the observed significance level of 0,012 falls below the conventional threshold of 0,05. This suggests a notable impact of company operational complexity on audit report lag. In addition, the negative coefficient value indicates that increasing complexity in company operations means lower audit report delays. These results contradict hypothesis H2, leading to its rejection.

Company operational complexity, measured by the number of subsidiaries owned, in this study illustrates a negative impact on the delay in audit report submission. This implies that higher

operational complexity is associated with shorter audit report lags [35]. This can be attributed to increased operational readiness as the complexity of company operations rises. Auditors are thus better equipped to efficiently handle the auditing process, including consolidated reports and reports from subsidiary companies [36]. The quantity of subsidiary entities within a company does not extend the duration of the financial report auditing process, as professional accounting staff can adeptly create accurate and comprehensive consolidated reports. Effective task delegation further facilitates auditors' ability to efficiently audit multiple subsidiary companies [37, 38, 39].

4.2.3. Impact of Company Age (X3) on Audit Report Lag

Table 13 displays a company age coefficient of -0,032, with the observed significance level of 0,001 falls below the conventional threshold of 0,05. This suggests a significant impact of company age on audit report lag. Moreover, the negative coefficient suggests a reverse correlation, indicating that increased company age correlates with reduced audit report lag. This finding aligns with hypothesis H3, this suggests a inverse relationship between the age of the company and the delay in audit report submission, thus affirming the acceptance of H3.

A higher company age signifies prolonged experience and the accumulated knowledge necessary for independent auditors during the audit process, particularly in structuring performance reports such as financial statements [40, 41]. Consequently, such companies are more likely to provide high-quality financial reports, facilitating auditors in fulfilling their duties effectively [42, 43]. Additionally, companies with longer operational histories are better equipped to collect, process, and generate the information required by auditors due to their extensive experience [44]. Moreover, these companies typically possess robust internal controls, reducing the need for

auditors to gather excessive evidence to attain sufficient confidence in the financial reporting [45, 46]. Overall, the longer a company's operational, the probability of shorter audit report lags.

4.2.4. Impact of Company Financial Condition (X4) on Audit Report Lag

Table 13 reveals a coefficient of 0,687 for the company's financial condition, the observed significance level of 0,000 falls below the conventional threshold of 0,05, indicates a highly statistically significant result. This demonstrates a substantial impact of the firm's financial health on the delay in audit reporting. Moreover, a positive coefficient signifies that the financial state of the company positively influences the delay in audit report submission. This finding strengthens the proposed hypothesis, the findings confirm that the financial condition of the company indeed exerts a positive influence on the delay in audit report submission, thereby supporting the acceptance of hypothesis H4..

The financial status of a company reflects its ongoing viability. Companies facing heightened levels of financial distress typically require additional time for auditors to complete the audit due to challenges in gathering sufficient evidence to assess the company's actual financial standing [47]. Moreover, companies experiencing financial difficulties tend to undergo longer audit report lags. Such entities present heightened audit risks, compelling auditors to issue opinions that correspond with the company's financial situation [48, 49]. To mitigate audit risk, auditors are expected to expand their audit procedures, which may prolong the audit process [50, 51]. Additionally, auditors frequently engage in discussions and negotiations with clients to ascertain management's strategies for addressing underlying issues within the company [52].

4.2.5. The Influence of CEO Succession Origin (X1), Operational Complexity of the Company (X2), Company Age (X3), and Company Financial Condition on Audit Report Lag

The simultaneous tests conducted in Table 14, reveal a significance level of 0,000, surpassing the conventional threshold of 0,05. This outcome implies a substantive association among the independent variables namely CEO succession origin, company operation complexity, company age, and financial condition and the dependent variable, denoted as audit report lag. Therefore, hypothesis H5 is accepted.

KESIMPULAN

This research examines the impact of the origin of CEO succession, company operations complexity, company age, and company financial condition on audit report lag among manufacturing firms listed on the IDX from 2018 to 2022. The findings reveal that CEO succession originating from within the company positively affects audit report lag, suggesting longer delays in audits compared to CEOs recruited externally. Moreover, the study finds that companies with higher operational complexity tend to have shorter audit report lag times. Additionally, financially troubled companies often experience prolonged audit report lags.. Furthermore, CEO succession origin, company operations complexity, company age, and company financial condition jointly influence audit report lag.

Based on the conclusions drawn and the identified limitations, several recommendations emerge:

1. Companies are encouraged to ensure the availability of necessary information and data for financial report examinations and to regularly assess company performance to mitigate factors contributing to audit report lag.

2. Auditors should strive for diligent performance and competency in carrying out audit responsibilities, aiming to deliver audit reports promptly.

3. Future researchers conducting similar studies should consider including additional independent variables, such as the size of the knowledge, attitude, and practice (KAP) and the size of the company, to improve the explanatory capacity concerning the dependent

variable, audit report lag. Additionally, expanding the research duration and diversifying the scope to encompass entities beyond manufacturing sector companies listed on the IDX can enrich future investigations.

Based on the research findings and discussions, several limitations were identified:

1. The study was confined to a narrow scope, focusing solely on variables like CEO succession origin, company operational complexity, company age, and financial condition.

2. The research timeframe was limited to the period from 2018 to 2022.

3. The sample was restricted to publicly listed manufacturing sector companies on the IDX.

4. The coefficient of determination was only 26.3%, indicating that other factors beyond those studied also influence the dependent variable.

5. Testing of the impact of the origin of CEO succession on audit report delays is still limited.

REFERENCES

- [1] Technical University of Liberec, Faculty of Economy Department of Marketing and Trade, O. Ungerman, J. Dedkova, Technical University of Liberec, Faculty of Economy Department of Marketing and Trade, K. Gurinova, and Technical University of Liberec, Faculty of Economy Department of Marketing and Trade, "The Impact of Marketing Innovation on the Competitiveness of Enterprises in the Context of Industry 4.0," *JOC*, vol. 10, no. 2, pp. 132–148, Jun. 2018, doi: 10.7441/joc.2018.02.09.
- [2] C. Soosay, B. Nunes, D. J. Bennett, A. Sohal, J. Jabar, and M. Winroth, "Strategies for Sustaining Manufacturing Competitiveness: Comparative Case Studies in Australia and Sweden," *Jnl of Manu Tech Mngmnt*, vol. 27, no. 1, pp. 6–37, Feb. 2016, doi: 10.1108/JMTM-04-2014-0043.
- [3] W. Chih Mei and T. Chang, "Revisiting Oil Prices, Producer Price Index (PPI), and the Purchasing Managers Index (PMI) Nexus: China and the USA," *Asian Economic and Financial Review*, vol. 9, no. 8, pp. 913–925, 2019, doi: 10.18488/journal.aefr.2019.98.913.925.
- [4] J. F. Houston, C. Lin, and W. Xie, "Shareholder Protection and the Cost of Capital," *The Journal of Law and Economics*, vol. 61, no. 4, pp. 677–710, Nov. 2018, doi: 10.1086/700269.
- [5] N. Bărbuță-Mișu, M. Madaleno, and V. Ilie, "Analysis of Risk Factors Affecting Firms' Financial Performance—Support for Managerial Decision-Making," *Sustainability*, vol. 11, no. 18, p. 4838, Sep. 2019, doi: 10.3390/su11184838.
- [6] C. T. Edmonds, J. E. Edmonds, B. Y. Vermeer, and T. E. Vermeer, "Does Timeliness of Financial Information Matter in the Governmental Sector?," *Journal of Accounting and Public Policy*, vol. 36, no. 2, pp. 163–176, Mar. 2017, doi: 10.1016/j.jaccpubpol.2017.02.002.
- [7] B. Lev, "The Deteriorating Usefulness of Financial Report Information and How to Reverse it," *Accounting and Business Research*, vol. 48, no. 5, pp. 465–493, Jul. 2018, doi: 10.1080/00014788.2018.1470138.
- [8] O. Lukason and M.-M. Camacho-Miñano, "Bankruptcy Risk, Its Financial Determinants and Reporting Delays: Do Managers Have Anything to Hide?," *Risks*, vol. 7, no. 3, p. 77, Jul. 2019, doi: 10.3390/risks7030077.

- [9] H. Oh and H. Jeon, "Does Corporate Sustainable Management Reduce Audit Report Lag?," *Sustainability*, vol. 14, no. 13, p. 7684, Jun. 2022, doi: 10.3390/su14137684.
- [10] H. Hoang and S.-Y. Phang, "How Does Combined Assurance Affect the Reliability of Integrated Reports and Investors' Judgments?," *European Accounting Review*, vol. 30, no. 1, pp. 175–195, Jan. 2021, doi: 10.1080/09638180.2020.1745659.
- [11] GholamReza Zandi and Nur Amalina Abdullah, "Financial Statements Timeliness: The Case of Malaysian Listed Industrial Product Companies," *AAMJ*, vol. 24, no. Supp. 2, pp. 127–141, Oct. 2019, doi: 10.21315/aamj2019.24.s2.9.
- [12] S. Roychowdhury, N. Shroff, and R. S. Verdi, "The Effects of Financial Reporting and Disclosure on Corporate Investment: A Review," *Journal of Accounting and Economics*, vol. 68, no. 2–3, p. 101246, Nov. 2019, doi: 10.1016/j.jacceco.2019.101246.
- [13] J. Oradi, "CEO Succession Origin, Audit Report Lag, and Audit Fees: Evidence from Iran," *Journal of International Accounting, Auditing and Taxation*, vol. 45, p. 100414, Dec. 2021, doi: 10.1016/j.intaccudtax.2021.100414.
- [14] D. J. Schepker, Y. Kim, P. C. Patel, S. M. B. Thatcher, and M. C. Campion, "CEO Succession, Strategic Change, and Post-Succession Performance: A Meta-Analysis," *The Leadership Quarterly*, vol. 28, no. 6, pp. 701–720, Dec. 2017, doi: 10.1016/j.leaqua.2017.03.001.
- [15] P. Brockman, G. Krishnan, H. S. (Grace) Lee, and J. M. Salas, "Implications of CEO Succession Origin and In-House Experience for Audit Pricing," *Journal of Accounting, Auditing & Finance*, vol. 37, no. 1, pp. 173–204, 2019, doi: 10.1177/0148558X19832104.
- [16] R. Rusmin and J. Evans, "Audit Quality and Audit Report Lag: Case of Indonesian Listed Companies," *ARA*, vol. 25, no. 2, pp. 191–210, May 2017, doi: 10.1108/ARA-06-2015-0062.
- [17] A. Habib, Md. B. U. Bhuiyan, H. J. Huang, and M. S. Miah, "Determinants of Audit Report Lag: A Meta-Analysis," *Int J Auditing*, vol. 23, no. 1, pp. 20–44, 2018, doi: 10.1111/ijau.12136.
- [18] M. R. Abdillah, A. W. Mardijuwono, and H. Habiburrochman, "The Effect of Company Characteristics and Auditor Characteristics to Audit Report Lag.," *AJAR*, vol. 4, no. 1, pp. 129–144, Aug. 2019, doi: 10.1108/AJAR-05-2019-0042.
- [19] T. Kostova, P. C. Nell, and A. K. Hoenen, "Understanding Agency Problems in Headquarters-Subsidiary Relationships in Multinational Corporations: A Contextualized Model," *Journal of Management*, vol. 44, no. 7, pp. 2611–2637, Sep. 2018, doi: 10.1177/0149206316648383.
- [20] S. Amedu and V. Dulewicz, "The Relationship Between CEO Personal Power, CEO Competencies, and Company Performance," *Journal of General Management*, vol. 43, no. 4, pp. 188–198, Jul. 2018, doi: 10.1177/0306307018762699.
- [21] J. Godos-Díez, L. Cabeza-García, R. Fernández-Gago, and M. Nieto-Antolín, "Does CEO Media Exposure Affect Corporate Social Responsibility?," *Corp Soc*

- Responsibility Env, vol. 27, no. 2, pp. 825–840, Mar. 2020, doi: 10.1002/csr.1847.
- [22] B. Balsmeier and A. Buchwald, “Who Promotes More Innovations? Inside Versus Outside Hired Ceos,” *Ind Corp Change*, vol. 24, no. 5, pp. 1013–1045, Oct. 2015, doi: 10.1093/icc/dtu020.
- [23] M. F. Husein and G. T. Pambekti, “Precision of the Models of Altman, Springate, Zmijewski, and Grover for Predicting the Financial Distress,” *JEBAV*, vol. 17, no. 3, p. 405, Mar. 2015, doi: 10.14414/jebav.v17i3.362.
- [24] N. A. M. R. Senaviratna and T. M. J. A. Cooray, “Diagnosing Multicollinearity of Logistic Regression Model,” *AJPAS*, pp. 1–9, Oct. 2019, doi: 10.9734/ajpas/2019/v5i230132.
- [25] J. H. Kim, “Multicollinearity and Misleading Statistical Results,” *Korean J Anesthesiol*, vol. 72, no. 6, pp. 558–569, Dec. 2019, doi: 10.4097/kja.19087.
- [26] J. K. Harris, “Primer on Binary Logistic Regression,” *Fam Med Com Health*, vol. 9, no. Suppl 1, p. e001290, Dec. 2021, doi: 10.1136/fmch-2021-001290.
- [27] P. Ranganathan, C. Pramesh, and R. Aggarwal, “Common pitfalls in statistical analysis: Logistic regression,” *Perspectives in Clinical Research*, vol. 8, pp. 148–151, 2017, doi: 10.4103/picr.PICR_87_17.
- [28] M. W. Fagerland and D. W. Hosmer, “Tests for Goodness of Fit in Ordinal Logistic Regression Models,” *Journal of Statistical Computation and Simulation*, vol. 86, no. 17, pp. 3398–3418, Nov. 2016, doi: 10.1080/00949655.2016.1156682.
- [29] G. Nattino, S. Finazzi, and G. Bertolini, “A New Test and Graphical Tool to Assess the Goodness of Fit of Logistic Regression Models,” *Statistics in Medicine*, vol. 35, no. 5, pp. 709–720, Feb. 2016, doi: 10.1002/sim.6744.
- [30] G. Nattino, M. L. Pennell, and S. Lemeshow, “Assessing the Goodness of Fit of Logistic Regression Models in Large Samples: A Modification of the Hosmer-Lemeshow Test,” *Biometrics*, vol. 76, no. 2, pp. 549–560, Jun. 2020, doi: 10.1111/biom.13249.
- [31] J. Cohen, Y. Ding, C. Lesage, and H. Stolowy, “Corporate Fraud and Managers’ Behavior: Evidence from the Press,” *J Bus Ethics*, vol. 95, no. S2, pp. 271–315, Sep. 2010, doi: 10.1007/s10551-011-0857-2.
- [32] G. Brunello, C. Graziano, and B. M. Parigi, “Ceo Turnover in Insider-Dominated Boards: The Italian Case,” *Journal of Banking & Finance*, vol. 27, no. 6, pp. 1027–1051, Jun. 2003, doi: 10.1016/S0378-4266(02)00244-3.
- [33] B. Virany, M. L. Tushman, and E. Romanelli, “Executive Succession and Organization Outcomes in Turbulent Environments: An Organization Learning Approach,” *Organization Science*, vol. 3, no. 1, pp. 72–91, Feb. 1992, doi: 10.1287/orsc.3.1.72.
- [34] R. Charan, “Ending the CEO Succession Crisis,” *Harvard Business Review*, vol. 83 (2), pp. 72–81, 2005.
- [35] G. Durand, “The Determinants of Audit Report Lag: A Meta-Analysis,” *MAJ*, vol. 34, no. 1, pp. 44–75, Jan. 2019, doi: 10.1108/MAJ-06-2017-1572.

- [36] D. D. Schmorrow, C. A. Bolstad, K. A. May, and H. M. Cuevas, "Editors' Introduction to the Special Issue on Exploring Cognitive Readiness in Complex Operational Environments: Advances in Theory and Practice, Part I," *Journal of Cognitive Engineering and Decision Making*, vol. 6, no. 3, pp. 271–275, Sep. 2012, doi: 10.1177/1555343412454540.
- [37] A. R. Bowrin and J. King, "Time Pressure, Task Complexity, and Audit Effectiveness," *Managerial Auditing Journal*, vol. 25, no. 2, pp. 160–181, Jan. 2010, doi: 10.1108/02686901011008963.
- [38] B. R. Baliga and A. M. Jaeger, "Multinational Corporations: Control Systems and Delegation Issues," *J Int Bus Stud*, vol. 15, no. 2, pp. 25–40, Jun. 1984, doi: 10.1057/palgrave.jibs.8490480.
- [39] G. Yuki and P. Fu, "Determinants of Delegation and Consultation by Managers," *Journal of Organizational Behavior*, no. 20, pp. 219–232, 1999, doi: 10.1002/(SICI)1099-1379(199903)20:2<219::AID-JOB922>3.0.CO;2-8.
- [40] H.-W. Huang, E. Rose-Green, and C.-C. Lee, "CEO Age and Financial Reporting Quality," *Accounting Horizons*, vol. 26, no. 4, pp. 725–740, Dec. 2012, doi: 10.2308/acch-50268.
- [41] A. Saks and D. Waldman, "The Relationship Between Age and Job Performance Evaluations for Entry-Level Professionals," *Journal of Organizational Behavior*, no. 19, pp. 409–419, 1998, doi: 10.1002/(SICI)1099-1379(199807)19:4<409::AID-JOB842>3.0.CO;2-6.
- [42] D. Byard, Y. Li, and J. Weintrop, "Corporate Governance and the Quality of Financial Analysts' Information," *Journal of Accounting and Public Policy*, vol. 25, no. 5, pp. 609–625, Sep. 2006, doi: 10.1016/j.jaccpubpol.2006.07.003.
- [43] F. F. Niu, "Corporate Governance and the Quality of Accounting Earnings: A Canadian Perspective," *International Journal of Managerial Finance*, vol. 2, no. 4, pp. 302–327, Oct. 2006, doi: 10.1108/17439130610705508.
- [44] A. J. G. Driessen and A. Molenkamp, "The Perspective of Operational Auditing: A New Management Tool," *Managerial Auditing Journal*, vol. 8, no. 5, pp. 19–25, May 1993, doi: 10.1108/eb017613.
- [45] D. Janvrin, "To What Extent Does Internal Control Effectiveness Increase the Value of Internal Evidence?," *Managerial Auditing Journal*, vol. 23, no. 3, pp. 262–282, Mar. 2008, doi: 10.1108/02686900810857712.
- [46] A. Wright and S. Wright, "The Relationship Between Assessments of Internal Control Strength and Error Occurrence, Impact and Cause," *Accounting and Business Research*, vol. 27, no. 1, pp. 58–71, Dec. 1996, doi: 10.1080/00014788.1996.9729532.
- [47] M. Mohid Rahmat, T. Mohd Iskandar, and N. Mohd Saleh, "Audit Committee Characteristics in Financially Distressed and Non-Distressed Companies," *Managerial Auditing Journal*, vol. 24, no. 7, pp. 624–638, Jul. 2009, doi: 10.1108/02686900910975350.
- [48] K. H. Chan, V. W. Luo, and P. L. L. Mo, "Determinants and Implications of Long Audit Reporting Lags: Evidence

from China,” *Accounting and Business Research*, vol. 46, no. 2, pp. 145–166, Feb. 2016, doi: 10.1080/00014788.2015.1039475.

[49] R. Zenzerović and M. Valić-Vale, “Diagnosing Companies in Financial Difficulty Based on the Auditor’s Report,” *Croat. Oper. Res. Rev.*, vol. 7, no. 1, pp. 147–158, Apr. 2016, doi: 10.17535/crorr.2016.0010.

[50] M. Minutti-Meza, “The Art of Conversation: The Expanded Audit Report,” *Accounting and Business Research*, vol. 51, no. 5, pp. 548–581, Jul. 2021, doi: 10.1080/00014788.2021.1932264.

[51] E. Gutierrez, M. Minutti-Meza, K. W. Tatum, and M. Vulcheva, “Consequences of Adopting an Expanded Auditor’s Report in the United Kingdom,” *Rev Account Stud*, vol. 23, no. 4, pp. 1543–1587, Dec. 2018, doi: 10.1007/s11142-018-9464-0.

[52] R. C. Hatfield, C. P. Agoglia, and M. H. Sanchez, “Client Characteristics and the Negotiation Tactics of Auditors: Implications for Financial Reporting,” *J of Accounting Research*, vol. 46, no. 5, pp. 1183–1207, Dec. 2008, doi: 10.1111/j.1475-679X.2008.00302.x.