

# INTERNATIONAL JOURNAL OF MULTIDISCIPLINARY: APPLIED BUSINESS AND EDUCATION RESEARCH

2023, Vol. 4, No. 6, 1816 – 1822

<http://dx.doi.org/10.11594/ijmaber.04.06.07>

---

## Research Article

### The Effect of The Educational Background of The Chief Financial Officer and Profitability on Audit Report Lag

Raisa Nur Kurnia, Lia Uzliawati, Galih Fajar Muttaqin\*

Accountancy, Sultan Ageng Tirtayasa University, Banten, Indonesia

---

#### Article history:

Submission June 2023

Revised June 2023

Accepted June 2023

#### \*Corresponding author:

E-mail:

[galih\\_fajar\\_muttaqin@untirta.ac.id](mailto:galih_fajar_muttaqin@untirta.ac.id)

#### ABSTRACT

This study aims to determine the effect of the chief financial officer's educational background and profitability on audit report lag. The research object is infrastructure sector companies for the 2018-2021 period. The method in this research is quantitative research with multiple linear regression tests. The sampling technique used is the purposive sampling method. Based on the study's results, (1) CFO's educational background does not affect audit report lag. (2) Profitability has a positive effect on audit report lag. The limitations of this study are the possibility of other independent variables that can explain in more detail the audit report lag phenomenon.

**Keywords:** *Audit report lag, Chief financial officer, Profitability*

---

#### Introduction

In the business world, economic development is increasing rapidly due to the development of the capital market (Al-Ebel, Baatwah, & Al-Musali, 2020). Various business entities become competitive in providing and producing financial reports which are considered important as a form of accountability for the company's performance to parties who have the authority to know whether the company is effective in managing existing resources or not (Jiménez-Marín, Elías Zambrano, Galiano-Coronil, & Ravina-Ripoll, 2021). Financial statements are things that must be submitted by entities that have gone public and in presenting financial reports, of course, they are regulated by Financial Accounting Standards in Indonesia

and will be audited by a public accountant (Durand, 2019).

Submission of financial reports must be timely in order to maintain the relevance of the information contained therein. Timeliness in financial reporting is considered as one of the main criteria for measuring the quality of these financial reports (Kaaroud, Mohd Ariffin, & Ahmad, 2020). According to the Financial Services Authority Regulation No. 29/POJK.04/2016 which states that public companies are required to submit an audited annual report no later than 120 days after the end of the financial year. Financial reports have an urgency for business continuity, if there is a delay in presenting financial reports it will have an impact on investors in making investment

---

#### How to cite:

Kurnia, R. N., Uzliawati, L., & Muttaqin, G. F. (2023). The Effect of The Educational Background of The Chief Financial Officer and Profitability on Audit Report Lag. *International Journal of Multidisciplinary: Applied Business and Education Research*. 4(6), 1816 – 1822. doi: 10.11594/ijmaber.04.06.07

decisions (Agyei-Mensah, 2018). One of the external delay factors in the financial stimulus report can come from the auditor because the financial statements prepared by the company must be audited before being published to the public. The audit process can take a long time, if there are large losses in the financial statements, this is what is called audit report lag (Wan Hussin, Bamahros, & Shukeri, 2018).

Likewise, there are internal factors that can cause audit report lag, namely the educational background of the Chief Financial Officer (CFO) and profitability. According to Aier et al., explaining the educational background of a CFO can play an important role in determining the quality of financial reports (Almuzaiqer, 2018). The CFO is tasked with overseeing the implementation of accounting policies and procedures and the preparation of financial reports. CFO also has a significant influence on the restructuring of financial statements (Dikolli, Heater, Mayew, & Sethuraman, 2021). The characteristics of a personal CFO will greatly influence his intrinsic motivation and behavior in accounting policies. If fraud occurs in the financial statements, the characteristics of the CFO will be taken into consideration and cause delays in financial reporting (Šušak, 2020). Based on the Financial Services Authority Regulation No.75/POJK.04/2017 states that directors who have responsibility for financial reports are the main director and the director in charge of accounting or finance. In line with compliance theory, these rules provide a perspective if CFO accountants are considered to have knowledge in accounting and tend to be more careful in

making decisions so that they can maintain financial reporting responsibilities in accordance with applicable regulatory principles (Aifuwa & Saidu, 2020).

Apart from observing top management, the next factor is profitability. According to Hapsari et al., (in Oussii & Boulila Taktak, 2018) explains that profitability has an influence on audit report lag in order to evaluate the quality of a company's financial performance. On the other hand, the opinion of Yendrawati & Mahendra (in Harris, Tate, & Zimmerman, 2019) explained that if a company has high profitability, it can be good news for the public, therefore the audit process of financial reports will be quickly revealed and can be conveyed to the public. Likewise, in the opinion of Lianto & Budi (in Ocak, 2018), if a company has high profitability, it will reduce audit report lag (Musonnafaet al, 2022). This is in line with the signaling theory which reveals that the actions of company management can provide signals to investors (Florackis & Sainani, 2018). The information provided can be in the form of good news or bad news, both of which have the ability to influence investors' actions in making investment decisions (Oussii & Boulila Taktak, 2018a).

This research uses the Infrastructure sector which is listed on the Indonesia Stock Exchange for the 2018-2021 period. This study aims to analyze the effect of CFO educational background and profitability on audit report lag. Based on the following figure, we visualize the trend of audit report lag in the infrastructure sector (Biswas, Roberts, & Whiting, 2019).

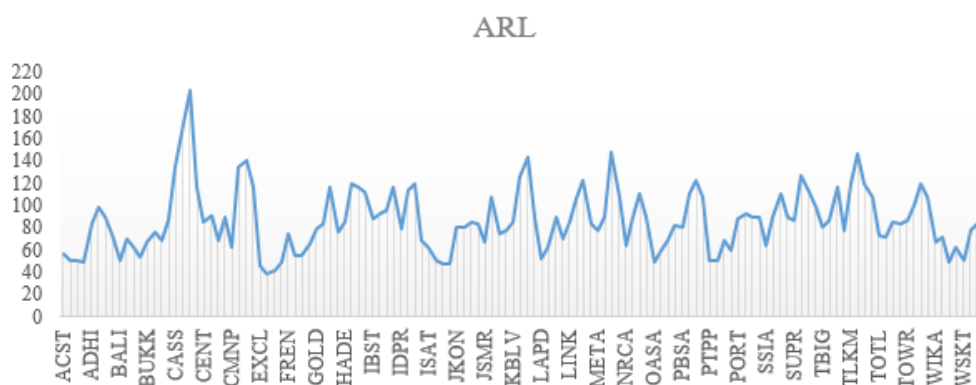


Figure 1. Phenomenon of Audit Report Lag 2018-2021

Based on the picture above, Bali Towerindo Sentra Tbk has audit report lag intervals of 51, 70, 63 and 54 days in the 2018-2021 period. Meanwhile, Citra Marga Nusaphala Persada Tbk has intervals of 63, 135, 141 and 116 days during 2018-2021 (Sylvia et al, 2018). In line with compliance theory because the auditor is required to complete the audit process according to the time limit imposed in order to avoid sanctions that threaten the independence of the auditor. If the audit report lag period occurs longer, the auditor may be affected by losses on the reputation of the name and financial statements of the company being audited, which can raise doubts among investors (Knechel, Mao, Qi, & Zhuang, 2021).

## Methods

In this study, the authors used a quantitative approach. The independent variables in this study are the educational background of the CFO and profitability. This study uses secondary data taken through financial reports from the Indonesian Stock Exchange website. The object of research was carried out in the infrastructure sector during the 2018-2021 period. Infrastructure companies are one of the sectors whose existence is very crucial to support the Indonesian economy. In the provision

of infrastructure in Indonesia, there are still many obstacles at several stages of the project, from preparation to implementation. The main problem with the neglect of the development process in Indonesia is the weakness in internal control in decision making (Alyaarubi, Alkindi, & Ahmed, 2021). The samples obtained were 33 companies from a total of 64 populations of infrastructure sector companies. The sampling technique uses a purposive sampling method with certain criteria. There were 132 objects of observation to be studied, but experienced data outliers so that the data changed to 113 objects during the 2018-2021 period (Rich et al, 2018).

Furthermore, the data analysis technique used in this study is Multiple Linear Regression analysis. Multiple linear regression analysis is a statistical tool that can help predict the values of the dependent variable by more than one variable (Ghardallou, 2022). The multiple linear regression analysis equation is arranged as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \varepsilon, \text{ Where:}$$

Y = Audit Report Lag

$\alpha$  = Constanta

$\beta_1 \beta_2$  = Regression Coefficient

X1 = CFO educational background

X2 = Profitability

$\varepsilon$  = Standard Error

## Results and Discussion

Tabel 1. Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1 a. Predictors: (Constant), ROA, CFO	.265 <sup>a</sup>	.070	0.53	24.04120

Based on table 1, it is found that the Adjusted R Square value obtained is 0.53 (53%). It can be interpreted that the X variable can explain the Y variable by 53% and as a

comparison, the others (100% - 53% = 47%) are explained by variables outside the research mode.

Tabel 2. Descriptive statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
CFO	113	.00	1.00	.5929	.49348
ROA	113	-89931051.00	134455809.0	21253534.18	43586677.74
ARL	113	38.00	148.00	84.2478	24.70704
Valid N (listwise)	113				

Based on table 2, CFO obtains a minimum value of 0.00 and a maximum of 1.00 due to dummy variables. CFO has an average value of 0.5929 with a standard deviation of 0.49348. ROA obtained a minimum value of -89931051.00 at Waskita Karya (Persero) Tbk in 2020 and a maximum of 134455809.0 at Link Net Tbk in 2019. ROA has an average value

of 21253534.18 with a standard deviation of 43586677.74 (Nurfitriya, Koeswandi, Rachmani, & Widyawati, 2021). ARL obtained a minimum score of 38 at XL Axiata Tbk in 2019 and a maximum of 148 at Nusantara Infrastructure Tbk in 2020. ARL has an average value of 84.2478 with a standard deviation of 24.70704 (Habib & Hamadneh, 2021).

*Tabel 3. Results of Multiple Regression Analysis*

		Coefficients <sup>a</sup>			t	Sig.
Model		Unstandardized B	Coefficients Std. Error	Standardized Coefficients Beta		
1	(Constant)	82.569	3.670		22.499	.000
	CFO	-2.510	4.611	-.050	-.544	.587
	ROA	1.490E-7	.000	.263	2.854	.005

a. Dependent Variable: ARL

Based on table 3, the data in this study can be arranged using the regression equation as follows:

$$Y = 82.569 - 2.510X_1 + 1.490E-7X_2$$

The results of the regression analysis can be interpreted as  $\alpha = 82.569$ . The CFO variable has a coefficient (B) of -2,510 with a negative value because (coefficient < 0.0), which means that

the CFO variable has a negative relationship with audit report lag. The ROA variable has a coefficient (B) of 1.490E-7 with a positive value because (coefficient > 0.0), it means that ROA has a positive relationship with audit report lag (Rahman, Hossain, Chowdhury, & Hoque, 2022).

*Tabel 4. Statistical Test Results F*

		ANOVA <sup>a</sup>				
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4791.316	2	2395.658	4.145	.018 <sup>b</sup>
	Residual	63577.746	110	577.980		
	Total	68369.062	112			

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

Based on table 4, the F test statistic value is 4.145 with the Sig. 0.18. It was concluded that F count 4.145 > 1 F Table and Sig < 0.05 means that the independent variables simultaneously affect the dependent variable.

### **Results of CFO Educational Background on Audit Report Lag**

As the output in table 3, it is explained that CFO has no effect on audit report lag, and H1 is rejected. CFO has Sig 0.587 < 0.05 with a t value

of -0.544 < 1.98177. In line with the results of research from Anisa and Raden (2022) which explains that there is no significant relationship between CFOs who have special certification and the company's financial performance (Alyaarubi et al., 2021). CFOs who have undergraduate and doctoral education backgrounds do not show any significant relationship with the company's financial performance (Atiase et al, 2018).



Figure 2. Results of CFO Diagram on Audit Report Lag

Based on diagram 1, CFO has no effect on audit report lag because the 33 infrastructure companies during the 2018-2021 research period that have CFO Accounting are Acset Indonusa Tbk with audit report lag intervals of 56, 51, 50 and 49 days. Meanwhile, those with non-accounting CFOs during the 2018-2021 period were Inti Bangun Sejahtera Tbk with audit report lag intervals of 88, 93, 96 and 116 days. This means that both companies that have CFO accounting or non-accounting will still run their companies well (Soleviket al, 2019).

### Profitability Results Against Audit Report Lag

As the results of the analysis in table 3, explain that ROA has a positive effect on audit report lag, and H2 is rejected. ROA has a value of  $\text{Sig. } 0.005 < 0.05$  with a calculated t value of  $2.854 > 1.98177$  t table. In line with research from Natalia et al., (2021), which explains that profitability has a significant effect on audit report lag. High and low profits earned can affect the submission of audited financial reports to the publik.

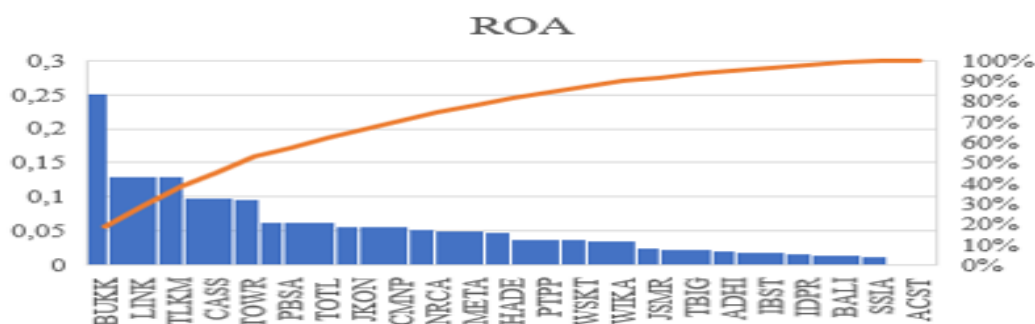


Figure 3. ROA Diagram Results Against Audit Report Lag

As can be seen in the picture above, the profitability of the 33 companies has an ROA value greater than 0.05 (Ho, Tsai, Chen, & Lu, 2021). One of these companies is Bukaka Teknik Utama Tbk with ROA intervals of 0.25, 0.10, .08 and 0.09 (Indarti, 2021). According to Zinn (2021), which explains that the ROA value  $> 0.05$  means that most of the management of the company's assets and liabilities is managed quite well by the management, so the company will get a significantly high profit (Saridakiset al, 2018).

### Conclusion

Based on the results of the research and discussion, it can be concluded that CFO has no significant effect in a negative direction on ARL in infrastructure companies listed On The IDX In 2018-2021, CFO Has Sig  $0.587 > 0.05$  With a calculated T Value Of  $-0.544 < 1.98118$  T Table. Then, ROA Has A Positive Effect On ARL In Infrastructure Companies Listed On The IDX In 2018-2021, ROA Has A Sig Of  $0.005 < 0.05$  With A T-Count Value Of  $2.854 < 1.98118$  T Table.

The limitations of this study are the possibility of other independent variables that can explain in more detail the audit report lag phenomenon. It is recommended for further research to look for other variables that have a more significant effect on audit report lag and expand the research object or research year to identify deeper problems in this phenomenon.

## References

- Agyei-Mensah, B. K. (2018). Impact Of Corporate Governance Attributes And Financial Reporting Lag On Corporate Financial Performance. *African Journal Of Economic And Management Studies*, 9(3), 349–366. <https://doi.org/10.1108/ajems-08-2017-0205>
- Aifuwa, H. O., & Saidu, M. (2020). Audit Committee Attributes And Timeliness Of Corporate Financial Reporting In Nigeria. *Accounting And Finance*, 88(2), 115–124. Retrieved From <https://ssrn.com/abstract=3640107>
- Al-Ebel, A., Baatwah, S., & Al-Musali, M. (2020). Religiosity, Accounting Expertise, And Audit Report Lag: Empirical Evidence From The Individual Level. *Cogent Business & Management*, 7(1), 1823587. <https://doi.org/10.1080/23311975.2020.1823587>
- Almuzaiqer, M. A. (2018). Timeliness Of Financial Reporting And Audit Committee Effectiveness: Evidence From UAE. *UNIMAS Review Of Accounting And Finance*, 1(1). <https://doi.org/10.33736/uraf.931.2018>
- Alyaarubi, H. J., Alkindi, D. S., & Ahmed, E. R. (2021). Internal Auditing Quality And Earnings Management: Evidence From Sultanate Of Oman. *Journal Of Governance And Integrity*, 4(2), 115–124. <https://doi.org/10.15282/jgi.4.2.2021.6054>
- Atiase, V. Y., Mahmood, S., Wang, Y., & Botchie, D. (2018). Developing Entrepreneurship In Africa: Investigating Critical Resource Challenges. *Journal Of Small Business And Enterprise Development*, 25(4), 644–666. <https://doi.org/10.1108/jsbed-03-2017-0084>
- Biswas, P. K., Roberts, H., & Whiting, R. H. (2019). The Impact Of Family Vs Non-Family Governance Contingencies On CSR Reporting In Bangladesh. *Management Decision*, 57(10), 2758–2781. <https://doi.org/10.1108/md-11-2017-1072>
- Dikolli, S. S., Heater, J. C., Mayew, W. J., & Sethuraman, M. (2021). Chief Financial Officer Co-Option And Chief Executive Officer Compensation. *Management Science*, 67(3), 1939–1955. <https://doi.org/10.1287/mnsc.2019.3519>
- Durand, G. (2019). The Determinants Of Audit Report Lag: A Meta-Analysis. *Managerial Auditing Journal*, 34(1), 44–75. <https://doi.org/10.1108/maj-06-2017-1572>
- Florackis, C., & Sainani, S. (2018). How Do Chief Financial Officers Influence Corporate Cash Policies? *Journal Of Corporate Finance*, 52, 168–191. <https://doi.org/10.1016/j.jcorpfin.2018.08.001>
- Ghardallou, W. (2022). Corporate Sustainability And Firm Performance: The Moderating Role Of CEO Education And Tenure. *Sustainability*, 14(6), 3513. <https://doi.org/10.3390/su14063513>
- Habib, S., & Hamadneh, N. N. (2021). Impact Of Perceived Risk On Consumers Technology Acceptance In Online Grocery Adoption Amid COVID-19 Pandemic. *Sustainability*, 13(18), 10221. <https://doi.org/10.3390/su131810221>
- Harris, E. E., Tate, S. L., & Zimmerman, A. B. (2019). Does Hiring A Local Industry Specialist Auditor Matter To Nonprofit Organizations? *Nonprofit And Voluntary Sector Quarterly*, 48(3), 633–664. <https://doi.org/10.1177/0899764018784752>
- Ho, C.-Y., Tsai, B.-H., Chen, C.-S., & Lu, M.-T. (2021). Exploring Green Marketing Orientations Toward Sustainability The Hospitality Industry In The COVID-19 Pandemic. *Sustainability*, 13(8), 4348. <https://doi.org/10.3390/su13084348>
- Indarti, S. (2021). The Effects Of Education And Training, Management Supervision On Development Of Entrepreneurship Attitude And Growth Of Small And Micro Enterprise. *International Journal Of Organizational Analysis*, 29(1), 16–34. <https://doi.org/10.1108/ijoa-09-2019-1890>
- Jiménez-Marín, G., Elías Zambrano, R., Galiano-Coronil, A., & Ravina-Ripoll, R. (2021).

- Business And Energy Efficiency In The Age Of Industry 4.0: The Hulten, Broweus And Van Dijk Sensory Marketing Model Applied To Spanish Textile Stores During The COVID-19 Crisis. *Energies*, 14(7), 1966. <https://doi.org/10.3390/en14071966>
- Kaaroud, M. A., Mohd Ariffin, N., & Ahmad, M. (2020). The Extent Of Audit Report Lag And Governance Mechanisms. *Journal Of Islamic Accounting And Business Research*, 11(1), 70–89. <https://doi.org/10.1108/jiabr-05-2017-0069>
- Knechel, W. R., Mao, J., Qi, B., & Zhuang, Z. (2021). Is There A Brain Drain In Auditing? The Determinants And Consequences Of Auditors Leaving Public Accounting\*. *Contemporary Accounting Research*, 38(4), 2461–2495. <https://doi.org/10.1111/1911-3846.12702>
- Musonnafa, M. A., Sumiati, S., & Djazuli, A. (2022). The Effect Of Customer Relationship Management On Marketing Performance Mediated By Competitive Advantage And Innovation (Study On Area Managers Of Pharmaceutical Companies In East Java During The COVID-19 Pandemic). *Asia Pacific Journal Of Management And Education*, 5(2), 111–121. <https://doi.org/10.32535/apjme.v5i2.1642>
- Nurfitriya, M., Koeswandi, T. A., Rachmani, N. N., & Widyawati, R. F. (2021). Competitive Strategies For Womenpreneurs In Tasikmalaya City During The Covid-19 Pandemic. *The International Journal Of Business Review (The Jobs Review)*, 4(2), 133–140. <https://doi.org/10.17509/tjr.v4i2.40523>
- Ocak, M. (2018). The Impact Of Auditor Education Level On The Relationship Between Auditor Busyness And Audit Quality In Turkey. *Cogent Business & Management*, 5(1), 1517588. <https://doi.org/10.1080/23311975.2018.1517588>
- Oussii, A. A., & Boulila Taktak, N. (2018a). Audit Committee Effectiveness And Financial Reporting Timeliness. *African Journal Of Economic And Management Studies*, 9(1), 34–55. <https://doi.org/10.1108/ajems-11-2016-0163>
- Oussii, A. A., & Boulila Taktak, N. (2018b). Audit Report Timeliness. *Euromed Journal Of Business*, 13(1), 60–74. <https://doi.org/10.1108/emjb-10-2016-0026>
- Rahman, M. S., Hossain, M. A., Chowdhury, A. H., & Hoque, M. T. (2022). Role Of Enterprise Information System Management In Enhancing Firms Competitive Performance Towards Achieving Sdgs During And After COVID-19 Pandemic. *Journal Of Enterprise Information Management*, 35(1), 214–236. <https://doi.org/10.1108/jeim-04-2021-0163>
- Rich, K. T., Roberts, B. L., & Zhang, J. X. (2018). Linguistic Tone And Internal Control Reporting: Evidence From Municipal Management Discussion And Analysis Disclosures. *Journal Of Governmental & Nonprofit Accounting*, 7(1), 24–54. <https://doi.org/10.2308/ogna-52326>
- Saridakis, G., Lai, Y., Mohammed, A.-M., & Hansen, J. M. (2018). Industry Characteristics, Stages Of E-Commerce Communications, And Entrepreneurs And Smes Revenue Growth. *Technological Forecasting And Social Change*, 128, 56–66. <https://doi.org/10.1016/j.techfore.2017.10.017>
- Solesvik, M., Iakovleva, T., & Trifilova, A. (2019). Motivation Of Female Entrepreneurs: A Cross-National Study. *Journal Of Small Business And Enterprise Development*, 26(5), 684–705. <https://doi.org/10.1108/jsbed-10-2018-0306>
- Šušak, T. (2020). The Effect Of Regulatory Changes On Relationship Between Earnings Management And Financial Reporting Timeliness: The Case Of COVID-19 Pandemic. *Zbornik Radova Ekonomski Fakultet U Rijeka*, 38(2), 453–473.
- Sylvia Veronica Siregar, Delfita Siagian. (2018). The Effect Of Audit Committee Financial Expertise And Relative Status On Earnings Management: Case Of Indonesia. *Jurnal Akuntansi*, 22(3), 321. <https://doi.org/10.24912/ja.v22i3.391>
- Wan Hussin, W. N., Bamahros, H. M., & Shukeri, S. N. (2018). Lead Engagement Partner Workload, Partner-Client Tenure And Audit Reporting Lag. *Managerial Auditing Journal*, 33(3), 246–266. <https://doi.org/10.1108/maj-07-2017-1601>