

# Do Audit Fees and Characteristics of CEO Decrease Audit Delay in Mandatory IFRS Adoption?

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## ABSTRACT

The research examined characteristics of CEO and audit fees on audit delay related to changes in mandatory IFRS adoption. In the setting, gender and audit fees were the level of risk tolerance, overconfidence, diligence, and monitoring intensity. As a result, these individual differences were likely to be reflected in audit delay in financial reporting decisions. Using firm data levels between 2008 and 2016 with multivariate regression, the researchers provided empirical evidence supporting the hypothesis that the characteristics of CEO and audit fees were the determinants of audit delay. There are several findings. First, the financial expertise of the CEO has more significant percentages in mandatory IFRS adoption than voluntary IFRS adoption. It is associated with a shorter delay. Second, having a female CEO and appointing a female and minority CEO will increase the likelihood that firms will issue financial reports more timely. Third, higher audit fees in mandatory than voluntary IFRS adoption can decrease audit delay.

**Keywords:** audit fees, CEO characteristics, audit delay, mandatory IFRS adoption

## INTRODUCTION

Mandatory International Financial Reporting Standards (IFRS) adoption has made new problems in accounting practices, especially in countries whose accounting systems are influenced by many factors from the company and the government as standard-setters (Ball, Kothari, & Robin, 2000; Khlif & Achek, 2016; Raffournier & Schatt, 2018). The accounting practice problems include increasing the length of time for the auditing process and presentation and disclosure of information that is less relevant by managers. It is also due to expensive audit costs for presenting information quality for the capital market, especially earning information that directly affects financial standards (Khlif & Achek, 2016; Li & Yang, 2016; Mohammed, Safinaz, Che-Ahmad, & Malek, 2018).

The research investigates how audit fees and the characteristics of CEO affect the timeliness of audit reporting (audit delay). In particular, the research

examines whether the gender of the CEO is important in determining audit delay. Previous researchers use audit fees as a proxy for efficiency audits (Abbott, Parker, Peters, & Raghunandan, 2003; Li & Yang, 2016; Miglani & Ahmed, 2019), the demographic characteristics of CEO for audit effectiveness (Paredes & Wheatley, 2019; Pham, Duong, Quang, & Thuy, 2017; Harjoto, Laksmana, & Lee, 2015; Abbott *et al.*, 2003), and audit delay as a proxy for timely audit reporting (Mawardi & Hamidah, 2020; Hapsari, Putri, & Arofah, 2016). The importance of audit delay studies is to examine how demographic characteristics of CEO and audit delay affect the announcement of audit results in mandatory IFRS adoption.

The researchers' motivation to conduct the research comes from three sources. First, the research discusses the determinants of audit fees and audit delay needed at the firm. Those are level and board characteristics, specific independence, perseverance, and expertise (Abbott *et al.*, 2003). The previous studies have not given much attention to the demographic

characteristics of top executives. The researchers discuss not only audit fees but also audit delay with the gender of the CEO (Li & Yang, 2016). In this case, managers ask for the position for management's interests in activities related to managerial decisions, such as the cost of preparing and auditing financial statements and reporting based on IFRS. Thus, this is related to agency theory, where the provision of audited financial statements is an agreement to help narrow information between the principal (owner) and agent (management), as well as ensure that the shareholders' financial statements made by management are free from misstatement (Hassan, 2016).

Second, individual differences because of gender tend to influence decision making. In the research, executives make decisions that will affect the quality, efficiency, and timeliness of financial reporting. Recent studies in corporate finance, accounting, and corporate governance have documented differences between men and women in management and board decision making. These studies show that top female executives are more reluctant to take risks and tend to be less confident in their decision making. In addition, they are more diligent and have a preference for a higher level of monitoring intensity than their male counterparts (Abbott, Parker, & Presley, 2012; Harjoto *et al.*, 2015; Mohammed *et al.*, 2018; Rani, 2018).

Although only a few existing studies examine the effect of gender diversity on management and board decision-making, prior studies have documented that women as a minority share the same risk perception (Harjoto, Laksmana, & Lee, 2015). Women or individuals of racial minorities face social inequality and challenges. Thus, they have a stronger external pressure to succeed in their roles resulting in being more risk-averse than males. With more significant social pressure to maintain their leadership roles, the racial minority (female CEO) is more likely to prefer greater assurance and more timely audit reporting (Abbott *et al.*, 2012; Harjoto *et al.*, 2015).

In another perspective, the third motivation is the characteristics of commissioners with financial expertise. These characteristics of expertise can discipline other executives to commit fraud or reporting errors in the corporate governance structure (Alfraih, 2016). The previous researcher shows the auditor's positive perceptions of individuals with financial expertise in the audit negotiation process. A faster audit negotiation process is associated with timely audit reports (Salterio, 2012). Management can influence the audit function, so commissioners with specific characteristics, such as financial expertise, will positively affect the timeliness of audit reports. It adds value to the commissioner's work, especially its role in financial reporting and internal control (Harjoto *et al.*, 2015). Financial expertise can improve the ability of commissioners to deal with complex accounting problems and reduce the percentage of errors made or wrong estimates and judgments in conducting meaningful and directed discussions and negotiations with external auditors about accounting

(Mawardi & Hamidah, 2020).

There is a relation between the agency problem and the audit fee. Agency theory is related to agent problems (managers). They can take advantage of their position to engage in activities against the decisions, control, and observe management decisions and commissioners (owners). It includes the costs of compiling and auditing accounting reports for their personal interests by sacrificing the wealth of owners (actors) who do not have strict supervision (Hassan, 2016; Musah, Anokye, & Gakpetor, 2018; Paredes & Wheatley, 2019; Pham *et al.*, 2017). Thus, the provision of audited financial statements is a monitoring mechanism to help narrow the information gap between the principal (owner) and agent (management) and assure shareholders that the financial statements prepared by management are free of misstatement.

Previous research on the relationship between corporate governance and audit fees has found that companies with greater board independence and more effective audit committees lead to higher audit fees. It is because they require broader scope and higher audit quality to improve their quality of role in monitoring (Coffie & Bedi, 2019; Musah *et al.*, 2018; Raffournier & Schatt, 2018). However, there is still a gap in the literature about the effect of board independence and the effectiveness of audit committees on audit fees when there are CEOs with dualism. The quality of corporate governance is essential for assessing risk and planning for an effective audit process. Indeed, the office of public accountants considers the effectiveness of their clients' corporate governance. The deficiencies can lead to income manipulation and financial reporting information that contains misstatements. In addition, companies characterized by weak corporate governance are perceived as more risky which results in the late delivery of audit reports.

The phenomenon of changes in voluntary to mandatory IFRS adoption policies is expected to provide value for improving the effectiveness and efficiency of corporate governance. It is a monitoring mechanism to help narrow information gaps between principals and agents and convince shareholders that financial reports prepared by management are free from mistakes (Alfraih, 2016).

In the research, the researchers check whether audit fees affect audit delay. Following the demand and supply price arguments, the researchers present the hypothesis that CEOs are very influential in determining audit guarantee levels, and CEOs who are reluctant to take risks are more sensitive to pressure to protect their reputation capital. The researchers argue that CEOs will demand more audit services, raising a straight-line relationship between increasing audit costs and audit delay. This view is consistent with Harjoto *et al.* (2015), documenting that more reputable companies have higher audit costs because they are willing to pay more audit services to protect their reputation. Thus, the presence of a CEO's reputation is associated with greater guarantees, namely more audit

hours or a greater proportion of experienced auditors, leading to higher audit costs. The first hypothesis is:

H1: Audit fees have a negative effect on audit delay in mandatory IFRS adoptions

The previous researchers suggest that CEO with financial expertise may discipline other executives for fraud or misreporting (Suryanto, 2016). It also shows the auditor's positive perception of individuals with financial expertise in the audit negotiation process. A faster audit negotiation process is associated with a timely audit report (Salterio, 2012).

Management may affect the audit function. Therefore, CEO with certain characteristics such as having financial expertise will positively impact the timeliness of the audit report because it adds value to the CEO's job and especially the role in financial reporting and internal control (Harjoto *et al.*, 2015). Financial expertise can improve the capacity of the CEO in dealing with complex accounting issues and reduce the mistakes in conducting meaningful and targeted discussions and negotiations with external auditors on accounting (Mawardi & Hamidah, 2020). The third hypothesis is:

H2: Financial expertise of the CEO has a negative effect on audit delay in mandatory IFRS adoptions

Next, it is the demographic characteristics of the CEO. The Ceiling Glass theory is defined by The United States Federal Glass Ceiling Commission. It is an invisible and unreachable barrier that makes minorities and women not have the opportunity to have a successful career with the company, regardless of their qualifications or achievements. It happens to minorities and women because they have the nature of not liking the challenges and risks that arise around the internal company and external environment. Cotter, Hermsen, Ovadia, and Vanneman (2001) explained the underlying fundamentals of this theory that gender or racial differences were not defined by other relevant job characteristics to employees. Gender or race inequality in the possibility of advancing to a higher level is not only the proportion of each gender or race currently at a higher level. Gender or racial inequality increases during a career.

Women as racial minority individuals face social inequalities and challenges. Therefore, they have stronger external pressure to succeed in their roles. According to Harjoto *et al.* (2015), when greater social pressure arises to maintain their leadership role, racial minorities, female CEO, and directors tend to have a preference for greater guarantees, such as reliability of financial reporting and more audit reporting on time (timeliness of audit reports and income) (Abbott *et al.*, 2012; Rani, 2018).

Commissioners and directors make decisions that will affect the quality, efficiency, and timeliness

of financial reporting. This theory is used in a recent study of Harjoto *et al.* (2015) which explaining and documenting corporate governance with differences between men and women in managerial and operational decision making. This study shows that female executives and boards of directors are more risk-averse and less confident in their decision making. In addition, they are more diligent and have a preference for higher levels of audit monitoring intensity than their male counterparts.

Gender differences in information processing can affect the audit process and auditor's assessment (Bailey, Collins, & Abbott, 2018). Female CEOs are more accurate and efficient in processing information from high-complexity audit processes and more efficient reporting audit assessments. On the other hand, their preference for lower risk-taking can also encourage the female commissioner to respond to market regulation and pressure by building a stronger internal control system. An increased internal level of control, in turn, reduces the control risk assessed by external auditors and decreases audit delay. Thus, the presence of female CEOs can also be associated with lower audit delay (Harjoto *et al.*, 2015). The second hypothesis is:

H3: Female CEO has a negative effect on audit delay in mandatory IFRS adoption

The novelty and originality of the research indicate that the researchers want to prove a phenomenon of the impact of audit delay changes due to the implementation of IFRS adoption due to differences in the demographic characteristics of CEO and audit fees. The research is conducted in two phases, namely before and after the implementation of IFRS. The research is supported by several previous studies, such as Mawardi (2017, 2018), Hapsari *et al.* (2016), Habib (2015), Sultana, Singh, and Van der Zahn (2015), Rusmin and Evans (2017), and Suryanto (2016). They have examined the impact of changes in quality and financial report information due to financial accounting standards changes.

This finding highlights the importance of audit fees and the characteristics of CEO in reducing audit delay. It is expected that the research implies that higher audit fees are significantly faster in audits than lower audit fees. It also shows that companies with professional boards, especially CEO with financial expertise, increase the capacity to handle complex accounting problems and reduce the mistakes in carrying out meaningful and timely financial statements. The female CEO seems to reduce audit delay significantly. This finding will be for the regulators, the board of directors, and investors who are interested in the timeliness of financial statements and corporate governance mechanisms, especially in determining audit fees and choosing the board of commissioners.

## METHODS

The research applies an empirical approach by hypothesis testing and describing and comparing the occurrence of a social phenomenon in publicly traded firms applying mandatory IFRS. It is related to hypothesis testing the relationship between audit fees and characteristics of CEO with audit delay (Sekaran & Bougie, 2016). According to the Indonesian Capital Market Directory (ICMD) and Data Center of Faculty of Economics and Business (FEB) at Airlangga University, there were 159 manufacturing firms were listed on the Indonesia Stock Exchange (IDX) from 2008 to 2016. The companies year-end is December 31<sup>st</sup>. It has been shown to have an influence on audit reporting (Leventis, Weetman, & Caramanis, 2005). About 70 firms are excluded due to a lack of financial reporting. Moreover, 44 firms are not used because of the lack of an annual report. The final sample contains 45 firms with complete and usable data. The data used in the research are obtained from two sources. First, it is the 2008-2016 financial reports and annual reports from IDX-listed manufacturing companies. Second, it is from the official website of ICMD ([www.idx.co.id](http://www.idx.co.id)).

For the regression model, the dependent variable is audit delay. It is measured as the period

of completion of the annual financial statements audit from December 31<sup>st</sup> to date on the independent auditor's report issued by the public accounting firm. Table 1 defines the variables used in the research and their measurement.

The independent variables are audit fees, female CEO, and financial expertise of the CEO. The audit delay controls independent director, audit committee size, audit committee meeting, CEO duality, the board size, female director, female audit committee, audit firm size, auditor's opinion, profitability, leverage, and assets. Consistent with Azizan (2019), Khoufi and Khoufi (2018), Harjoto *et al.* (2015), and Alfraih (2016), the strength of the association between audit delay and corporate governance and executive gender is measured using a linear regression model. The following multiple regression model is used in equation (1).

$$AUD = \beta_0 + \beta_1(FEE) + \beta_2(CEOFINEX) + \beta_3(WMNCEO) + \beta_4(CEOIND) + \beta_5(CEODUAL) + \beta_6(BODSIZE) + \beta_7(RWMNBOD) + \beta_8(RWMNCA) + \beta_9(CASIZE) + \beta_{10}(CAMEET) + \beta_{11}(KAP) + \beta_{12}(OPINION) + \beta_{13}(ROA) + \beta_{14}(LEV) + \beta_{15}(ASSET) \quad (1)$$

Table 1 Definition and Measurement of Variables

| Variable                              | Measurement   |
|---------------------------------------|---|
| Audit delay (AUD)                     | The number of days in the annual financial statements from December 31 <sup>st</sup> to date on the independent auditor's report issued by the public accounting firm |
| Audit Fees (FEE)                      | The number of fee for the independent auditor's services paid by the firm   |
| Financial Expertise of CEO (CEOFINEX) | If the CEO has experience or education in the financial field, it will be given 1, and otherwise 0  |
| Female CEO (WMNCEO)                   | If it is a female CEO, it will be given the number 1, and otherwise 0   |
| Independent CEO (CEOIND)              | The ratio of the company's independent commissioners divided by the total number of CEO   |
| CEO Duality (CEODUAL)                 | If the CEO has other positions in the company, it will be given 1, and otherwise 0  |
| Board Size (BODSIZE)                  | The total number of boards of directors in a company  |
| Female Director (RWMNBOD)             | The ratio of female directors divided by the total number of company directors  |
| Female Audit Committee (RWMNCA)       | The ratio of the female audit committee compared to all members of the audit committee  |
| Audit Committee Size (CASIZE)         | The number of audit committees  |
| Audit Committee Meeting (CAMEET)      | The number of audit committee meetings conducted during one period of the current year  |
| Audit Firm Size (KAP)                 | If the auditor of the company is an auditor of the Big Four, it will be given 1 and otherwise 0   |
| Auditor's Opinion (OPINION)           | If companies receive unqualified auditor's opinion, it will be given 1, and otherwise 0   |
| Profitability (ROA)                   | Return on assets (net income divided by total assets)   |
| Leverage (LEV)                        | The ratio of debt divided by total assets   |
| Assets (ASSET)                        | Natural log of total assets   |

## RESULTS AND DISCUSSIONS

Descriptive statistical testing aims to be a useful sample measurement to facilitate observations and draw a conclusion. This measurement is generally needed because it can describe the concentration of the relevant sample observation values from a phenomenon (Sekaran and Bougie, 2016). The measurement of sample statistics in the research is carried out using the Statistical Package for Social Science (SPSS) 20.0 computer program with the calculation results presented in Table 2.

Table 2 shows descriptive statistics for independent, dependent, and control variables in the research. The average audit delay in the voluntary IFRS adoption (2008-2012) is 75 days. Meanwhile, in the mandatory IFRS adoption (2013-2016), it is 77 days. It indicates that the average audit delay is less than the maximum 120 days to submit timely financial statement information to the capital market based on Bapepam and Financial Institution regulations no: KEP-431 / BL / 2012 regarding submitting company annual reports to the capital market. These results also provide an illustration in accordance with Habib (2015) and Ball *et al.* (2000). They found an increase in the lag in audit reports when companies experienced accounting standards firms.

In Table 2, the average percentage of female CEOs in the voluntary IFRS adoption (2008-2012)

is 14%. On the contrary, in the IFRS mandatory adoption (2013-2016), it is 32%. Moreover, the average percentage of financial expertise of the CEO in the voluntary IFRS adoption (2008-2012) is 76%, and in the IFRS mandatory adoption (2013-2016), it is 83%. Then, the average percentage of audit fees in the voluntary IFRS adoption (2008-2012) is IDR 1.416 Million. In the mandatory IFRS adoption (2013-2016), it shows IDR 1.264 Million. These results indicate that the increase of percentage in female CEO and financial expertise of CEO will affect the quality, efficiency, and timeliness of financial reporting. This theory is used in a recent study by Harjoto *et al.* (2015) which explaining and documenting corporate governance with differences between men and women in managerial and operational decision making. Moreover, the CEO, with certain characteristics, such as having financial expertise, will positively impact the timeliness of the audit report. It adds value to the CEO's job and role in financial reporting and internal control. It also has implications for minimizing the scope of the auditing process to reduce audit fees.

For the multivariate analysis, the researchers use two categories of the characteristics of the CEO and build three indicators of independent variables: female CEO, financial expertise of the CEO, and audit fees. To investigate the effect of the corporate governance and executive gender on audit report lag, a multiple regression model with variables of financial expertise

Table 2 Descriptive Statistics

| Variable                  | Voluntary IFRS Adoption (2008–2012) |             |            | Mandatory IFRS Adoption (2013–2016) |             |            |
|---------------------------|-------------------------------------|-------------|------------|-------------------------------------|-------------|------------|
|                           | Min.                                | Max.        | Average    | Min.                                | Max.        | Average    |
| AUD                       | 46,00                               | 137,00      | 74,20      | 44,00                               | 137,00      | 76,60      |
| FEE                       | 84,00                               | 4696,00     | 1415,41    | 80,00                               | 13000,00    | 1263,65    |
| CEOFINEX                  | 0,00                                | 1,00        | 0,76       | 0,00                                | 1,00        | 0,83       |
| WMNCEO                    | 0,00                                | 1,00        | 0,14       | 0,00                                | 1,00        | 0,31       |
| CEOIND                    | 0,00                                | ,50         | 0,15       | ,00                                 | 33,00       | 0,42       |
| CEODUAL                   | 0,00                                | 1,00        | 0,47       | ,00                                 | 1,00        | 0,62       |
| BODSIZE                   | 2,00                                | 11,00       | 5,11       | 2,00                                | 16,00       | 5,36       |
| RWMNBOD                   | 0,00                                | 0,33        | 0,10       | 0,00                                | 0,57        | 0,09       |
| RWMNCA                    | 0,00                                | 0,67        | 0,16       | 0,00                                | 0,67        | 0,14       |
| CASIZE                    | 2,00                                | 5,00        | 3,35       | 2,00                                | 6,00        | 3,16       |
| CAMEET                    | 1,00                                | 33,00       | 8,50       | 1,00                                | 20,00       | 6,26       |
| KAP                       | 0,00                                | 1,00        | 0,76       | 0,00                                | 1,00        | 0,54       |
| OPINION                   | 0,00                                | 1,00        | 0,58       | 0,00                                | 1,00        | 0,66       |
| ROA                       | 0,01                                | 0,26        | 0,11       | -0,09                               | 0,52        | 0,08       |
| LEV                       | 0,00                                | 0,92        | 0,35       | 0,02                                | 0,98        | 0,40       |
| ASSET                     | 145101,00                           | 59324200,00 | 7225081,94 | 46760,00                            | 96303200,00 | 9300264,31 |
| <b>Valid N (listwise)</b> | <b>34</b>                           |             |            | <b>168</b>                          |             |            |

(Source: Secondary Data Processed by SPSS 20.0)

of the CEO, independent director, audit committee size, female CEO, and female director, and control variables is developed. Variance Inflation Factors (VIFs) are used to detect multicollinearity between independent variables. Table 3 shows that VIFs range from 1,490 to 7,370 in voluntary IFRS adoption and 1,063 to 5,067 in mandatory IFRS adoption. Sekaran and Bougie (2016) documented that a VIF value larger than ten indicated multicollinearity. The results obtained verify the absence of multicollinearity.

The researchers also examine the impact of characteristics of CEO and audit delay using a multivariate regression analysis with two-way clustering based on the period of IFRS adoption. Since there are variations in audit delay across different periods, the researchers set the years (voluntary is 2008-2012, and mandatory is 2013-2016).

There are several results in Table 4. First, the coefficient of audit fees on audit delay in the period of voluntary IFRS adoption (2008-2012) shows a positive and insignificant effect. However, in the period of mandatory IFRS adoption (2013-2016), the result shows a negative and significant effect (significance at 0,05). These results do support the first hypothesis (H1). The firms with higher audit fees in mandatory than voluntary IFRS adoption can decrease audit delay. These results are consistent with Harjoto *et al.* (2015), Abbott *et al.* (2003), Li and Yang (2016), and Hassan

(2016). Reputable companies have higher audit costs because they are willing to pay more audit services to protect the CEO's reputation and force external auditors to provide more timely opinions. Hence, the information for financial statement arrives on time to investors. It can be concluded that audit fees show the best performance of an external auditor. Higher audit fees can increase the effectiveness and efficiency of external auditors in completing them.

Second, the coefficient of financial expertise of the CEO on audit delay in the period of voluntary IFRS adoption (2008-2012) shows a positive and insignificant effect. Meanwhile, in the period of mandatory IFRS adoption (2013-2016), it shows negative and significant (significance at 0,10). The result supports the second hypothesis (H2) that the financial expertise of the CEO can help the negotiation with the auditor and solve the accounting and financial problems so that audit delay can be decreased. Financial expertise can improve the capacity of the CEO in dealing with complex accounting issues and reduce the mistakes in conducting meaningful and targeted discussions and negotiations with external auditors on accounting (Mawardi & Hamidah, 2020; Alfraih, 2016; Harjoto *et al.*, 2015).

Third, the researchers analyze the coefficient of female CEO (WMNCEO) on audit delay. In the period of voluntary IFRS adoption (2008-2012), it

Table 3 Multicollinearity Test Using Value Inflation Factor (VIF)

| Variables                 | Voluntary IFRS Adoption (2008–2012) |           | Mandatory IFRS Adoption (2013–2016) |            |
|---------------------------|-------------------------------------|-----------|-------------------------------------|------------|
|                           | Collinearity Statistics             |           | Collinearity Statistics             |            |
|                           | Tolerance                           | VIF       | Tolerance                           | VIF        |
| (Constant)                |                                     |           |                                     |            |
| <b>FEE</b>                | 0,037                               | 7,015     | 0,197                               | 5,067      |
| <b>CEOFINEX</b>           | 0,234                               | 4,273     | 0,819                               | 1,221      |
| <b>WMNCEO</b>             | 0,438                               | 2,281     | 0,736                               | 1,359      |
| CEOIND                    | 0,233                               | 4,283     | 0,940                               | 1,063      |
| CEODUAL                   | 0,671                               | 1,490     | 0,668                               | 1,497      |
| BODSIZE                   | 0,338                               | 2,958     | 0,607                               | 1,646      |
| RWMNBOD                   | 0,320                               | 3,121     | 0,829                               | 1,207      |
| RWMNCA                    | 0,294                               | 3,398     | 0,750                               | 1,334      |
| CASIZE                    | 0,190                               | 5,256     | 0,840                               | 1,190      |
| CAMEET                    | 0,305                               | 3,274     | 0,809                               | 1,237      |
| KAP                       | 0,323                               | 3,092     | 0,395                               | 2,530      |
| OPINION                   | 0,619                               | 1,616     | 0,698                               | 1,433      |
| ROA                       | 0,190                               | 5,270     | 0,648                               | 1,542      |
| LEV                       | 0,188                               | 5,331     | 0,689                               | 1,450      |
| ASSET                     | 0,136                               | 7,370     | 0,258                               | 3,873      |
| <b>Valid N (listwise)</b> |                                     | <b>34</b> |                                     | <b>168</b> |

(Source: Secondary Data Processed by SPSS 20.0)

shows a negative and insignificant effect. Moreover, in the mandatory IFRS adoption (2013–2016), it shows negative and significant (significance at 0,10). The result is supported by Abbott *et al.* (2012), Harjoto *et al.* (2015), Mohammed *et al.* (2018), and Rani (2018). The result supports the third hypothesis (H3). Female CEO can reduce audit delay significantly. They are more accurate and efficient in processing information from high-complexity audit processes and reporting audit assessments. This result implies female CEO faces social inequality and challenges and has a stronger external pressure to succeed in their roles resulting in being more risk-averse than male CEO. With more significant social pressure to maintain their leadership roles, the racial minority (female CEO) is more likely to have a preference for greater assurance and more timely audit reporting.

Finally, Table 4 shows the result of the control variables. Independent CEO, female audit committee, and audit firm size are significant on audit delay in voluntary IFRS adoption. However, the board size of directors, audit committee size, audit committee meeting, profitability, and leverage are significant on audit delay in mandatory IFRS adoption. In the

mandatory IFRS adoption, the board size of directors shows that the number of professionals appointed by the company owner to run and lead a limited liability company can reduce audit delays. The audit committee size is seen from the overall board members who serve in the company's audit committee structure. Audit committee size and audit committee meeting has implications for the more professional personnel who focuses on the company's internal control. The more frequent meetings and discussions of an audit committee forum can improve the quality of the company's internal controls to reduce the audit process time and increase the timeliness in audit reporting (Harjoto *et al.*, 2015; Alfraih, 2016). The profitability has implications that receiving good news on profit will immediately convey information to shareholders. The level of solvency or debt ratio as a control variable implies that companies have obligations to third parties. They tend to delay the presentation and disclosure of this information because it will harm the image and reputation in the capital market (Mawardi, 2017, 2018; Hapsari *et al.*, 2016; Habib, 2015; Sultana *et al.*, 2015; Rusmin and Evans, 2017; Suryanto, 2016).

Table 4 Multiple Regression Result

| Independent Variable | Expected Sign | Voluntary IFRS Adoption (2008-2012) |                          |              | Mandatory IFRS Adoption (2013 - 2016) |                          |                 |
|----------------------|---------------|-------------------------------------|--------------------------|--------------|---------------------------------------|--------------------------|-----------------|
|                      |               | Unstandardized Coefficients         | t                        | Sig.         | Unstandardized Coefficients           | t                        | Sig.            |
| (Constant)           |               | 36,509                              | 1,099                    | 0,286        | 4,888                                 | 32,896                   | 0,000***        |
| <b>FEE</b>           | -             | <b>0,001</b>                        | <b>0,058</b>             | <b>0,954</b> | <b>-0,062</b>                         | <b>-2,436</b>            | <b>0,016**</b>  |
| <b>CEOFINEX</b>      | -             | <b>20,795</b>                       | <b>1,629</b>             | <b>0,121</b> | <b>-0,072</b>                         | <b>-1,962</b>            | <b>0,052*</b>   |
| <b>WMNCEO</b>        | -             | <b>-5,275</b>                       | <b>-0,472</b>            | <b>0,642</b> | <b>-0,057</b>                         | <b>-1,839</b>            | <b>0,068*</b>   |
| CEOIND               |               | 52,569                              | 1,904                    | 0,073*       | 9,290                                 | 0,019                    | 0,985           |
| CEODUAL              |               | 3,435                               | 0,536                    | 0,598        | 0,027                                 | 0,882                    | 0,379           |
| BODSIZE              |               | 0,282                               | 0,114                    | 0,911        | 0,014                                 | 2,224                    | 0,028**         |
| RWMNBOD              |               | 17,494                              | 0,429                    | 0,673        | -0,070                                | -0,738                   | 0,462           |
| RWMNCA               |               | 40,418                              | 1,781                    | 0,092*       | -0,014                                | -0,207                   | 0,836           |
| CASIZE               |               | 3,810                               | 0,459                    | 0,652        | -0,078                                | -3,626                   | 0,000***        |
| CAMEET               |               | 0,396                               | 0,573                    | 0,573        | -0,022                                | -6,689                   | 0,000***        |
| KAP                  |               | -21,414                             | 1,972                    | 0,064*       | 0,029                                 | 0,739                    | 0,461           |
| OPINION              |               | 1,236                               | 0,183                    | 0,857        | -0,013                                | -0,428                   | 0,670           |
| ROA                  |               | 40,219                              | 0,425                    | 0,676        | -0,294                                | -1,774                   | 0,078*          |
| LEV                  |               | -4,136                              | -0,170                   | 0,867        | 0,218                                 | 3,166                    | 0,002***        |
| ASSET                |               | -2,191                              | -0,335                   | 0,741        | 0,009                                 | 0,659                    | 0,511           |
| <b>F Statistics</b>  |               |                                     | <b>1,082</b>             | <b>0,432</b> |                                       | <b>8,672</b>             | <b>0,000***</b> |
| <b>R</b>             |               |                                     | <b>0,689<sup>a</sup></b> |              |                                       | <b>0,683<sup>a</sup></b> |                 |
| <b>R<sup>2</sup></b> |               |                                     | <b>0,474</b>             |              |                                       | <b>0,466</b>             |                 |

\*, \*\*, and \*\*\* are significant at 0,10, 0,05 and 0,01 levels, respectively (two-tailed)

Dependent Variable: Audit Delay

(Source: Secondary Data Processed by SPSS 20.0)

## CONCLUSIONS

The research examines the characteristics of CEO and audit fees on audit delay related to changes in mandatory IFRS adoption. It aims to prove whether there is an increase or decrease in audit delay caused by internal and external factors in the period of voluntary and mandatory IFRS adoption. It has a direct impact on additional audit procedures resulting in companies requiring additional time to submit financial reports to capital markets and investors.

The research contributes to the growing stream of studies examining the role of diversity in corporate leadership and boardrooms. First, the financial expertise of the CEO can help to negotiate with auditors and solve the accounting and financial problems. Thus, audit delay can be decreased. It is consistent with the argument that firms with CEO having financial expertise may discipline other executives for fraud or misreporting. For audit delay, the financial expertise of the CEO is associated with a shorter audit delay. Firms with CEO having financial expertise have more significant percentages in mandatory IFRS adoption than voluntary IFRS adoption. This result shows the implication that financial expertise in mandatory IFRS adoption is needed. It helps to improve the capacity of the CEO in dealing with complex accounting issues and reduce the percentage of mistakes made or miscalculation in conducting meaningful and targeted discussions and negotiations with external auditors on accounting.

Second, female CEO compared to male CEO are associated with shorter audit delay. The results suggest that female CEO and female and minority CEO are more sensitive to capital and labor market pressures to avoid audit delay. Having a female CEO and appointing female and minority CEO will increase the likelihood that firms will issue financial reports more timely. This result implies that a higher percentage of female CEO will reduce audit delay in mandatory IFRS adoption. The proportion of female CEO is increased in mandatory than voluntary IFRS adoption. Women's leadership enhances the timeliness of financial and audit reporting.

Third, the firms with higher audit fees in mandatory IFRS adoption than voluntary IFRS adoption can decrease audit report lag. Higher audit costs can increase the effectiveness and efficiency of external auditors in completing them. It implies that reputable firms have higher audit costs because they are willing to pay more audit services to protect the CEO's reputation and force external auditors to provide more timely opinions. Therefore, the information on the financial statement arrives on time for investors. The researchers conclude that audit fees show the best performance of an external auditor.

The research has a limitation. The researchers conclude that higher fees for firms with female CEO on audit delay represent a higher demand for more rigorous external audit services. The researchers have ruled out the alternative explanation that the higher

audit fees are due to internal control weaknesses. However, there can be other explanations for the higher fees. It is possible that female CEO faces price discrimination or has lower ability to negotiate with their auditors. Since the researchers do not have direct measures for the existence of price discrimination and the negotiation skills of the CEO, these explanations cannot be ruled out. For future research, it will be more interesting if the research extends the scope and focus of investigating audit delays in the internal audit committee. It is related to highlighting the mandatory IFRS implementation with the effectiveness of the internal audit.

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