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Corporate governance dynamics: How audit committees and board characteristics influence firm value through audit report lag?

Lusi Kurnia*, Muhammad Saifi, Cacik Rut Damayanti

Department of Business Administration, Faculty of Administrative Science, Universitas Brawijaya, Malang, Indonesia
*Corresponding Author(s) Email: lkurnia@student.ub.ac.id

ABSTRACT

This study investigates the impact of corporate governance attributes, particularly the board of directors and audit committee, on the firm value of property and real estate companies in Indonesia. Additionally, this study introduces the novel exploration of audit report lag as a mediating factor in the relationship between corporate governance and firm value. Utilizing a quantitative approach, secondary data were extracted from the financial statements of property and real estate companies. The study employed a purposive sampling technique, resulting in a sample of 26 companies listed on the IDX for 2018-2022. In this study, inferential statistical analysis is conducted using the Partial Least Squares (PLS) based Structural Equation Modeling (SEM) technique. The findings reveal that corporate governance attributes, including the board of directors and audit committee, significantly enhance firm value. Furthermore, audit report lag mediates the effect of the audit committee on firm value but does not mediate the effect of the board of directors. This implies that while the audit committee plays a crucial role in reducing audit report lag, thereby enhancing firm value, the board of directors may influence firm value through different mechanisms not captured by audit report lag.

Keywords: Corporate Governance; Board of Directors; Audit Committee; Firm Value; Property and Real Estate

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Introduction

Corporate governance has long been recognized as a critical factor in enhancing firm value (Mangesti Rahayu et al., 2019; Huang et al., 2020; Romadhon & Kusuma, 2020; Dewri, 2022; Dwimayanti et al., 2023), particularly in sectors with significant capital investment, such as property and real estate. Recent data on sectoral performance underscores this importance by highlighting how various industries have performed over the years. Table 1 provides a sectoral analysis from 2017 to 2020, focusing on the Property & Real Estate sector compared to others. During this period, the property and real estate sectors exhibited significant fluctuations in firm value. In 2017, the sector had an average value of 495.51, which decreased to 447.75 in 2018, indicating a notable decline. There was a recovery in 2019, with the firm value rising to 503.88, the highest in these four years. However, this recovery was short-lived as the value dropped again to 396.89 in 2020, marking the lowest point within the examined period. On average, the sector recorded a value of 461.01 over these four years, significantly lower than other sectors such as the Consumer Industry (2328.86) and Finance (1251.09). This comparison shows that the property and real estate sector is more volatile and less resilient compared to other sectors, strengthening Bianconi & Yoshino (2012), Wu et al. (2015), Cheung et al. (2015), Triani and Tarmidi (2019), and Naz et al. (2023) studies that find the sector's sensitivity to economic fluctuations and external shocks, such as market instability and global events.

Table 1. Development of the Sectoral Price Index 2017-2020

Sector	Years				Average
	2017	2018	2019	2020	
Agriculture	1,616.31	1,564.42	1,524.46	1,497.95	1,550.78
Mining	1,593.99	1,776.50	1,548.62	1,915.56	1,708.67
Basic Industry	689.22	854.73	978.13	920.97	860.76
Various Industries	1,381.18	1,394.43	1,223.85	1,081.05	1,270.13
Consumer Industry	2,861.39	2,569.29	2,052.65	1,832.11	2,328.86
Property and Real Estate	495.51	447.75	503.88	396.89	461.01
Infrastructure	1,183.71	1,064.29	1,137.54	1,001.02	1,096.64
Finance	1,140.84	1,175.67	1,354.66	1,333.18	1,251.09

Source: Indonesia Stock Exchange (2020)

According to Agency Theory, an agency relationship exists between the principal and the agent (Fama & Jensen, 1983). In this relationship, conflicts of interest and information asymmetry can arise, requiring agents to provide financial reports as a form of transparency and accountability for the entrusted funds. To address these issues, companies need to establish effective management and monitoring systems by developing corporate governance attributes, such as the board of directors (Al Farooque et al., 2019; Mathuva et al., 2019) and audit committees (Raweh et al., 2021; Sultana et al., 2015), to prevent or reduce the agent's self-interest (Wiseman et al., 2012). Corporate governance is essential for protecting the interests of shareholders through management and monitoring mechanisms (Velnampy, 2013). It serves as a supervisory provision to control activities within the company, ensuring that all actions aim to benefit shareholders (Al Farooque et al., 2019). A strong corporate governance structure reduces the likelihood of power abuse and helps achieve more accurate stock values (Fariha et al., 2022).

Agency Theory suggests that a good audit committee, as an internal governance mechanism, reduces audit risk and the efforts required to prepare audit reports, thereby promoting the issuance of timely audited financial statements (Sultana et al., 2015). Research by Sultana et al. (2015), Baatwah et al. (2019), and Abdillah et al. (2019) show that the characteristics of audit committees significantly negatively affect Audit Report Lag (ARL). Additionally, studies by Fariha et al. (2022) and Agyei-Mensah (2018) demonstrate that audit committees significantly positively affect firm value. On the other hand, Financial Management Theory introduced the Signaling Theory, proposed by Ross (1977), which states that companies should signal to investors and financial statement users the information about what management has done to benefit its owners. Research by Agyei-Mensah (2018) shows that ARL significantly negatively affects firm value. Studies by Rusmanto and Herlina (2020), Mathuva et al. (2019), and Kaaroud et al. (2020) indicate that the board of directors has a significant negative effect on ARL. Effective corporate governance increases investor confidence, company market value, and financial performance, whereas weak governance reduces investor confidence and hinders foreign investment (Vo & Nguyen, 2014).

Furthermore, the Signaling Theory posits that if a company sends a bad signal or bad news, investors will respond with a counter signal, decreasing investor confidence, which is reflected in the company's value. Research conducted by Agyei-Mensah (2018) also shows that ARL affects company value. This supports using ARL as a mediating variable in the relationship between corporate governance and company value. The role of corporate governance in reducing ARL and increasing firm value has been extensively studied, but the

results remain inconsistent. Research by Rusmanto and Herlina (2020), Mathuva et al. (2019), Baatwah et al. (2019), Abdillah et al. (2019), and Zhou et al. (2018) shows that corporate governance significantly affects ARL. However, studies by Lajmi and Yab (2022) and Kaaroud et al. (2020) indicate the opposite. Similarly, research by Al Farooque et al. (2019), Fariha et al. (2022), and Agyemang-Mintah and Schadewitz (2018) found that corporate governance significantly influences firm performance, while contrasting results were observed by Asante-Darko et al. (2018) and Al-Jalahma (2022).

Moreover, most prior studies examining the effect of Good Corporate Governance (GCG) on firm value have focused solely on the direct link between these two components, neglecting the potential indirect link. Therefore, this paper explores the indirect relationship between GCG and firm value. Specifically, the main objective is to investigate the mediating effect of ARL on the relationship between corporate governance attributes, such as the board of directors and audit committee, and firm value in property and real estate companies in Indonesia. According to signaling theory, enhancing the transparency of audit reports can improve firm performance and market reactions (Blankley et al., 2014; Lawal & Shinozawa, 2024). ARL is a suitable mediating variable because the timeliness of financial report delivery serves as a signal that influences investors, even when the company implements good corporate governance. This is supported by the audit dimension, which reflects that internal company policies significantly impact ARL, affecting performance and investor reactions (Blankley et al., 2014; Kamil et al., 2023; Lawal & Shinozawa, 2024). Considering these phenomena, theories, and prior research, this study aims to determine whether corporate governance attributes, particularly the board of directors and audit committee, contribute to increasing the value of property and real estate companies in Indonesia while testing ARL's mediating effect on this relationship.

Literature Review

Firm Value

Firm value can be understood in several ways. Adam et al. (2020) describe it as the selling value of a company in the capital market, while Luthfiah and Suherman (2018) refer to it as the market value of the company. Bhuiyan et al. (2010) add that firm value is an economic measure that reflects the overall market value of a business, including the aggregate claims of debt holders, preference stockholders, and common stockholders. Additionally, firm value serves as a performance metric by comparing book value to market value. According to Dawar (2014), firm value can also be defined based on expected

dividends and applicable discount rates. In summary, firm value is a comprehensive measure that includes the market value of a business and the claims of its debt holders and stockholders. It acts as a performance indicator by comparing book and market values and accounts for expected future dividends discounted at appropriate rates, thus capturing a company's economic, financial, and performance dimensions. Furthermore, firm value can be viewed as the potential price an investor is willing to pay to acquire a company. Investor confidence in a company's future prospects can significantly boost the market value

To measure firm value, the authors employed Tobin's Q, a widely recognized metric that compares the market value of a company's assets to their replacement cost. Numerous studies use Tobin's Q as a proxy for firm value to illustrate that firm-level corporate governance (CG) predicts firm value. Additionally, other research uses Tobin's Q to pinpoint which aspects of CG are crucial for a firm's value (e.g., Black et al., 2019). However, these approaches encounter two potential issues: omitted variable bias and reverse causation biases. While these problems cannot be entirely eliminated, their relevance can be evaluated. Omitted variable bias can be assessed using lower bounds, as suggested by De Carvalho et al. (2021). The use of the property and real estate sector to measure firm value with Tobin's Q in this study is particularly apt for addressing these potential issues. This sector is capital-intensive and exhibits a high degree of asset specificity, aiding in accurately reflecting the replacement cost of assets and reducing the risk of omitted variable bias. Moreover, the property and real estate sector features relatively stable and observable market values for assets, which helps mitigate reverse causation biases.

Corporate Governance: Board of Directors and Audit Committee

Corporate governance is designed to protect shareholders' interests through effective management and monitoring mechanisms (Velnampy, 2013). It serves as a supervisory framework to control company activities, ensuring they are directed toward the welfare of shareholders (Al Farooque et al., 2019). A strong corporate governance structure minimizes the risk of power abuse, leading to more accurate share valuations (Fariha et al., 2022). According to Pfeffer and Salancik (1978) and their Resource Dependency Theory, companies can benefit from collaborating with their external environment to secure essential resources. The board of directors functions as a governance mechanism (Shleifer & Vishny, 1997; Hermalin & Weisbach, 2001), capable of building external networks to acquire valuable resources such as information, skills, and access to key stakeholders (Hilman et al., 2000; Nguyen et al., 2014). An effective board of directors, with appropriate size and regular

meetings, enhances corporate management and can potentially increase company value. Several studies have confirmed the positive impact of board characteristics on firm value (Al Farooque et al., 2019; Salem, 2019; Zhou et al., 2018). The board's presence is expected to facilitate the management and monitoring of corporate performance, enabling quicker submission of financial reports and reducing audit report lag. Previous research has also confirmed the influence of board characteristics on audit report lag (Lajmi & Yab, 2022; Rusmanto & Herlina, 2020; Mathuva et al., 2019; Baatwah et al., 2019; Abdillah et al., 2019; Zhou et al., 2018).

H_1: The characteristics of the board of directors have a negative impact on audit report lag.

H_2: There is a significant positive relationship between board of director characteristics and firm value.

The primary task of the audit committee is to oversee the firm's financial performance and ensure the reliability of its financial reporting (Tai et al., 2020). A substantial body of literature has explored how various audit committee characteristics, such as its formation, composition, and activities, benefit shareholders and enhance firm value (Zhou et al., 2018). Even more, the Agency Theory asserts that a good audit committee, as part of internal governance, reduces audit risks and efforts in preparing audit reports by encouraging timely issuance of audited financial statements (Sultana et al., 2015). The audit committee has a monitoring role in financial reporting and disclosure processes to support internal controls, effectively monitor management, assist principals in addressing information asymmetry issues, and ensure the financial reporting quality and leading to timely financial reporting (Oussii & Boulila Taktak, 2018). Research by Baatwah et al. (2019) and Sultana et al. (2015) confirms that the audit committee influences audit report lag. If the audit committee is effective, the transparency of the company will lead to an increase in firm value. Several previous studies have confirmed the influence of audit committee characteristics on firm value (Agyemang-Mintah & Schadewitz, 2018; Fariha et al., 2022).

H_3: The characteristics of the audit committee have a negative impact on audit report lag.

H_4: There is a significant positive relationship between audit committee characteristics and firm value.

The Mediation Role of Audit Report Lag

The issue of audit report lag is a global phenomenon affecting companies in both developed and developing countries. Suwardi and Saragih (2023) define audit report lag as

the time gap between a company's fiscal year-end and the date the audit report is issued. This delay in reporting can have significant implications for financial transparency and investor confidence. It is a widespread problem highlighting companies' challenges in completing timely and accurate financial audits. Understanding audit report lag is crucial because it directly affects investor confidence and the perceived reliability of a company's financial information. Delays in audit reports can degrade the quality of financial information by failing to provide timely updates to stakeholders (Oh & Jeon, 2022). When financial reports are not published promptly, they can negatively impact corporate value (Blankley et al., 2014) and damage the firm's reputation (Asante-Appiah, 2020). Moreover, such delays can trigger unfavorable market reactions (Lawal & Shinozawa, 2024), investor response, and legal compliance pressure (Kamil et al., 2023).

Besides relevance, reliability, and comparability, timeliness is one of the four key enhancing qualities of financial information. The timeliness of accounting information significantly impacts its relevance and faithful representation. Existing literature shows that timely financial reports are linked to fewer future restatements (Blankley et al., 2014), help mitigate insider trading, leaks, and rumors (Owusu-Ansah, 2000), and reduce information asymmetry (Healy & Palepu, 2001). Additionally, timely earnings announcements can have a contagion effect on the share prices of firms within the same industry (Yu & Webb, 2017; Agyei-Mensah, 2018).

H_5: Audit report lag has a negative impact on firm value.

Several prior studies have identified factors influencing audit report lag (Abernathy et al., 2017; Habib et al., 2019). Key determinants include corporate governance characteristics (Lajmi & Yab, 2021), the effectiveness of audit committees (Raweh et al., 2021; Sultana et al., 2015), and the role of chief accounting officers (Hsu & Khan, 2019). Additionally, numerous studies have examined the impact of corporate governance characteristics, such as the board of directors and audit committees, on firm value (Brick & Chidambaran, 2010; Black & Kim, 2012; Zhu et al., 2016; Zhou et al., 2018), as well as the effect of audit report lag on firm value (Blankley et al., 2014; Yu & Webb, 2017; Agyei-Mensah, 2018). These findings suggest that audit report lag could potentially mediate the relationship between corporate governance characteristics, such as those of the audit committee and the board of directors, and firm value. Effective governance structures improve financial reporting processes and reduce audit report lag, enhancing the reliability and transparency of financial information. Consequently, improved transparency and reliability boost investor confidence,

ultimately increasing firm value. Based on the authors' knowledge, few prior studies use audit report lag as a mediator in the relationship between corporate governance and firm value. Therefore, this study introduces a novel approach by exploring the mediating role of audit report lag, providing deeper insights into how corporate governance impacts firm value.

H_6: The characteristics of the board of directors have a significant impact on firm value through the mediating effect of audit report lag.

H_7: The characteristics of the audit committee have a significant impact on firm value through the mediating effect of audit report lag.

Methods

This study employs quantitative research to statistically test the relationships between the research variables using quantitative data and analysis tools. The population comprises 89 property and real estate companies listed on the Indonesia Stock Exchange (IDX) from 2018 to 2022. Purposive sampling was used to select the sample based on specific criteria to ensure it aligns with the objectives, including being listed on the IDX during the specified period, publishing financial and annual reports, and having complete audit reports. After the sampling process, 26 companies met these criteria. Given the five-year study period, the total data used amounts to 130 data points derived from annual and financial reports of the selected companies. This sample size meets the minimum qualifications for analysis using partial least squares (PLS), as Peng and Lai (2012) state that the minimum sample size requirement is determined by the "10 times" rule of thumb. With seven formative indicators used in this study, as shown in Table 2, the minimum sample size needed is 70.

Figure 1. Framework

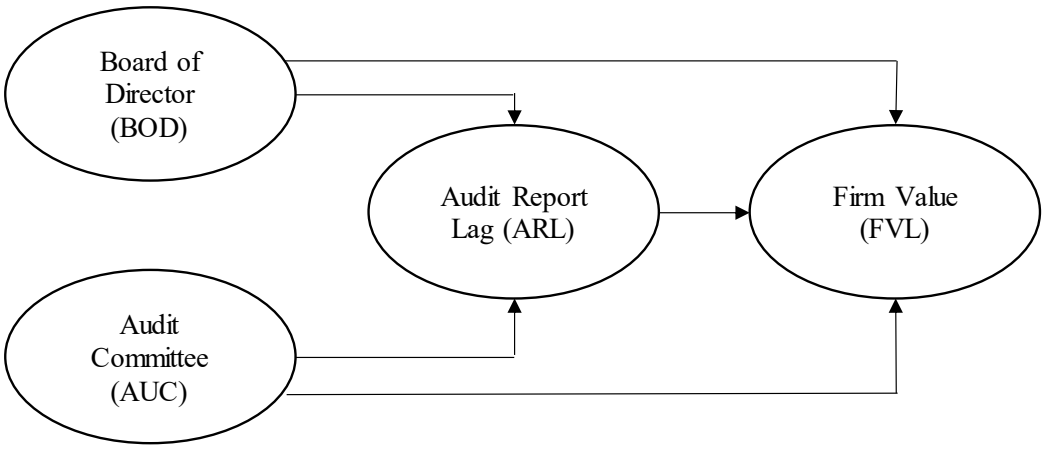

Table 2. Scale Measurement

Variables	Proxy	Scale
Board of Directors (BOD)	Size of the board	Nominal
	Frequency of board meetings	Nominal
Audit Committee (AUC)	Experience of the audit committee	Nominal
	Size of the audit committee	Nominal
	Frequency of audit committee meetings	Nominal
Auditor Report Lag (ARL)	The difference in time between the closing date of the financial year and the date stated in the independent auditor's report	Interval
Firm Value (FVL)	Tobin's Q	Nominal

Figure 1 shows that there are three types of variables used in the study: exogenous (board of directors and audit committee characteristics), endogenous (firm value), and mediator (audit report lag) variables. The corporate governance attributes focus on the board of directors, representing company decision-makers, and the audit committee, representing company monitoring, thus incorporating perspectives from executives and non-executives. The board of directors' characteristics are measured by the size of the board and the frequency of board meetings (Alfraih, 2016; Chalu, 2021; Habib & Bhuiyan, 2011). An appropriately sized board can maximize company performance and increase firm value (Mishra & Kapil, 2018), while frequent board meetings allow directors to discuss and improve the company's performance (Soobaroyen & Devi Mahadeo, 2012). The characteristics of the audit committee are measured by expertise, experience, and the frequency of meetings, which enhance the monitoring of company management and external auditors (Agyemang-Mintah & Schadewitz, 2018; Chalu, 2021; Sultana et al., 2015). A larger audit committee can reduce the Audit Report Lag, facilitate timely financial reporting, and improve the audit committee's effectiveness (Agyemang-Mintah & Schadewitz, 2018). Previous experience enhances the audit committee's ability to supervise external auditors effectively (Sultana et al., 2015). Regular meetings indicate an active supervisory role and regular information exchange, which ensures the company's financial information is presented accurately, leading to timely audited reports (Agyemang-Mintah & Schadewitz, 2018; Kaaroud et al., 2020). Lastly, firm value, a market-based performance measure

predicting long-term financial performance, is proxied by Tobin's Q (Black et al., 2019). Tobin's Q was chosen because it reflects the stock market's perception of the company's current and future earnings and growth potential (Agyei-Mensah, 2018; Al Farooque et al., 2019; Al-Jalahma, 2022; Dzingai & Fakoya, 2017).

Table 3. The Outer Model of The Formative Indicators

Indicators	Outer Weight		Decision
	Original Sample (O)	P-Value	
Size of the board	0.720	0.000	Valid
Frequency of board meetings	0.981	0.000	Valid
Experience of the audit committee	0.943	0.000	Valid
Size of the audit committee	0.537	0.000	Valid
Frequency of audit committee meetings	0.828	0.000	Valid
The difference in time between the closing date of the financial year and the date stated in the independent auditor's report	1.000	0.000	Valid
Tobin's Q	1.000	0.000	Valid

Table 4. Multicollinearity Test

Indicators	VIF	Threshold	Decision
Size of the board	1.484	<10	No Multicollinearity
Frequency of board meetings	1.484	<10	No Multicollinearity
Experience of the audit committee	1.981	<10	No Multicollinearity
Size of the audit committee	1.240		No Multicollinearity
Frequency of audit committee meetings	1.697	<10	No Multicollinearity
The difference in time between the closing date of the financial year and the date stated in the independent auditor's report	1.000	<10	No Multicollinearity
Tobin's Q	1.000	<10	No Multicollinearity

Table 5. R^2 Test Result

	ARL	FVL
R^2	0.531	0.693

The data analysis technique was conducted in two stages: descriptive and inferential statistical analysis. Descriptive statistical analysis describes the study data using statistical values such as minimum, maximum, mean, and standard deviation. Inferential statistical analysis evaluates the extent to which the results obtained from a sample are consistent with those likely to occur in the entire population (Cresswell & Cresswell, 2018). In this study, inferential statistical analysis is conducted using the Partial Least Squares (PLS) based Structural Equation Modeling (SEM) technique. Hypothesis testing using PLS-SEM follows a three-step process. The first step is to test the convergent validity of the formative model by correlating the construct measured formatively with a reflective measure (or single item) of the same construct. Table 3 presents the outer model results for the formative indicators used in the study, detailing the outer weights and their statistical significance. The indicators include the size of the board, frequency of board meetings, the experience of the audit committee, size of the audit committee, frequency of audit committee meetings, the difference in time between the closing date of the financial year and the date stated in the independent auditor's report, and the natural logarithm of assets (Ln Assets). Each indicator's outer weight is shown alongside its p-value to assess validity. All indicators have statistically significant outer weights, with p-values of 0.000, indicating that they are valid measures for their respective constructs. Specifically, the outer weights for size of the board (0.720), frequency of board meetings (0.981), experience of the audit committee (0.943), size of the audit committee (0.537), frequency of audit committee meetings (0.828), the difference in time between the closing date of the financial year and the date stated in the independent auditor's report (1.000), and Tobin's Q (1.000) demonstrate strong and valid contributions to the model. These results confirm the robustness and relevance of the selected indicators in representing the constructs within the study's framework.

The formative measurement model is evaluated based on indicator collinearity, as evidenced by the variance inflation factor (VIF) and the statistical significance of the indicator's outer weight (Hair Jr et al., 2021). A VIF value of 5 or more indicates critical collinearity problems among construct indicators measured formatively. If an indicator's outer weight is not significant but the outer loading is high (i.e., above 0.50), the indicator is considered very important but not relatively important. The second step involves collinearity testing to check for collinearity among indicators within the same construct. The final step is assessing the formative indicators' significance and relevance. Table 4 shows the results of the multicollinearity test for the indicators used in the study. Each indicator's Variance Inflation Factor (VIF) values are compared against the commonly accepted threshold of 10.

The indicators include the size of the board (VIF = 1.484), frequency of board meetings (VIF = 1.484), experience of the audit committee (VIF = 1.981), size of the audit committee (VIF = 1.240), frequency of audit committee meetings (VIF = 1.697), the difference in time between the closing date of the financial year and the date stated in the independent auditor's report (VIF = 1.000), and the market value of a company divided by its assets' replacement cost (Tobin's Q, VIF = 1.000). All VIF values are below the threshold of 10, indicating no multicollinearity issues among the indicators. This ensures that the indicators are independent of each other and do not exhibit redundant information.

Next, structural model analysis is performed to check and ensure the accuracy of the structural model by examining R^2 and Q^2 values. R^2 assesses how much an endogenous construct can be explained by an exogenous construct, with values expected to be between 0 and 1. If Q^2 is greater than zero, the path model has predictive relevance for influencing the endogenous latent variable. Table 5 presents the R^2 test results for Audit Report Lag (ARL) and Firm Value (FVL) variables. The R^2 value for ARL is 0.531, indicating that 53.1% of the variance in Audit Report Lag can be explained by the independent variables included in the model, such as the characteristics of the Board of Directors and the Audit Committee. This suggests a moderate to strong explanatory power of these governance characteristics on the timeliness of audit reporting. Additionally, the R^2 value for FVL is 0.693, showing that the combined effects of the Board of Directors, the Audit Committee, and the Audit Report Lag explain 69.3% of the variance in Firm Value. This high R^2 value suggests that the model has strong explanatory power and that these governance variables, along with the timeliness of audit reporting, significantly influence Firm Value. However, it also indicates that 30.7% of the variance in Firm Value is attributed to other factors not included in the model, highlighting the multifaceted nature of firm value determinants and suggesting that market conditions, industry-specific dynamics, and broader economic variables may also play critical roles.

After testing the R^2 independent variable on the dependent variable, an analysis of the Q^2 value is then carried out. If the Q^2 value is greater than zero, then the research model has predictive relevance on the dependent latent variable that is influenced, conversely, if the Q^2 value is less than zero, then the model does not have predictive relevance value. Q^2 measures how good the observation values produced by the research model are. The Q^2 value ranges from 0 to 1. The closer the value is to 1, the more the observation value produces a better model. On the other hand, approaching a value of 0 will produce a model that is not good. The criteria for the strength and weakness of the model are based on Q^2, namely 0.35 (strong

model), 0.15 (moderate model), and 0.02 (weak model) (Hair Jr et al., 2021). The following is the calculation of the Q^2 value in this research:

$Q^2 = 1- ((1-R^2) \times (1-R^2))$ …….. (1)

$Q^2= 1 – ((1-0.531) \times (1-0.693))$

$Q^2= 1- ((0.469) \times (0.307))$

$Q^2= 1- 0.143$

$Q^2= 0.857$

According to the calculation results, the Q^2 value is 0.857, meaning that the amount of diversity in research data that the structural model can explain is 85.70%, while the remaining 14.30% is explained by other factors outside the model. Based on these results, the structural model in the research can be said to have good goodness of fit or the observation values produced by the structural model. Finally, hypothesis testing is considered successful if the t-statistic value for the hypothesis is greater than 1.960 or if the p-value is smaller than 0.05 (Hair Jr et al., 2021).

Result and Discussion

Table 6 presents the results of the hypothesis testing for the study, displaying the coefficients, t-values, p-values, and the decisions regarding the support for each hypothesis. First, hypothesis H_1, which proposed that the board of directors negatively influences audit report lag, was not supported, as indicated by a coefficient of -0.108, a t-value of 0.751, and a p-value of 0.453. This suggests that good Board characteristics do not affect the Audit Report

Table 6. Hypothesis Result

Hypothesis	Coefficient	t-Value	p-Value	Decision
H_1 BOD -> ARL	-0.108	0.751	0.453	Unsupported
H_2 BOD -> FVL	0.193	2.057	0.040	Supported
H_3 AUC -> ARL	-0.613	5.307	0.000	Supported
H_4 AUC -> FVL	0.343	3.322	0.001	Supported
H_5 ARL -> FVL	-0.427	4.662	0.000	Supported
H_6 BOD -> ARL -> FVL	0.046	0.766	0.443	Unsupported
H_7 AUC -> ARL -> FVL	0.262	3.212	0.001	Partial

Lag. Board is fully responsible for managing public companies according to their objectives and representing them in and out of court. The study aimed to analyze the impact of regulatory implementation, specifying the minimum number of directors and meeting frequency. The insignificant effect of the Board on Audit Report Lag may be due to 51% of the sample (66 out of 130 companies) exceeding the meeting frequency threshold, making decision-making inefficient. The R^2 test shows that independent variables account for 53.10% of the Audit Report Lag, with 46.90% influenced by other factors not included in the model. This study, validating Pfeffer's (1972) Resource Dependence Theory, suggests that a larger Board can develop external networks to secure essential resources, acting as a management mechanism (Shleifer & Vishny, 1997; Hermalin & Weisbach, 2001) and obtaining useful information and access (Hillman et al., 2000; Nguyen et al., 2014). The results of this study support the findings of Kaaroud et al. (2018), which show that the Board of Directors has an insignificant influence on the timeliness of annual reports. This result does not support the findings of Mathuva et al. (2019), which indicate that the Board of Directors positively affects the timeliness of annual reports, nor does it support several previous studies that have confirmed the influence of Board characteristics on Audit Report Lag (Lajmi & Yab, 2022; Rusmanto & Herlina, 2020).

Second, hypothesis H_2, which proposed a positive relationship between the board of directors and firm value, was supported with a coefficient of 0.193, a t-value of 2.057, and a p-value of 0.040. This suggests that well-structured board characteristics enhance company value. The Board is fully responsible for company management, both internally and externally. The Board protects shareholder rights and maximizes profits, leveraging external networks and diverse skills to improve company performance (Salem, 2019). Larger boards facilitate extensive management discussions, enhancing information exchange (Manini & Abdillahi, 2023). Board meetings provide time for strategic planning and management monitoring (Vafeas, 1999; Salem, 2019). Moreover, compared to others, the lower average share price in this sector may be influenced by factors outside this model and the limited sample size (26 out of 89 companies). This study supports Pfeffer's (1972) Resource Dependence Theory, indicating that companies benefit from board cooperation. This influence arises because access to the Board of Directors creates networks with parties outside the company. The Board of Directors can provide unique information to management about the external environment, helping in making better strategic and operational decisions and ultimately increasing company value.

Furthermore, hypotheses H_3 and H_4 both focus on the impact of the audit committee. H_3, which proposed that the audit committee negatively affects audit report lag, was strongly supported with a coefficient of -0.613, a t-value of 5.307, and a p-value of 0.000. This indicates that good Audit Committee characteristics reduce Audit Report Lag. During the research period, 92% of companies met the size requirement. However, 46.90% of the Audit Report Lag is influenced by other factors not included in the model. This study supports Agency Theory, which emphasizes that effective monitoring reduces agency conflicts and improves the reliability of financial information (Jensen & Meckling, 1976). The audit committee plays a crucial role in corporate governance by overseeing financial reporting and disclosures, supporting internal controls, monitoring management, mitigating information asymmetry, and ensuring the efficiency of external auditors (Fama & Jensen, 1983; Islam et al., 2010; Oussii & Boulila Taktak, 2018). This result does not support the findings of Mathuva et al. (2019), which show that the Board of Directors positively affects the timeliness of annual reports, nor does it support several previous studies that have confirmed the influence of board characteristics on Audit Report Lag (Lajmi & Yab, 2022; Rusmanto & Herlina, 2020).

Similarly, H_4, which suggested that the audit committee positively influences firm value, was also supported, showing a coefficient of 0.343, a t-value of 3.322, and a p-value of 0.001. An audit committee provides valuable advice to the board of directors (Zábojníková, 2016). This study supports Agency Theory, which suggests effective monitoring reduces agency conflicts and improves financial information reliability (Jensen & Meckling, 1976), aligning with previous research by Agyemang-Mintah & Schadewitz (2018) and Fariha et al. (2022). This influence arises because of access to broader skills and knowledge from the audit committee to improve the quality of supervision and increase insight that is useful for providing advice to the board of directors, management carrying out work better, and being able to improve the quality of profits. The performance carried out by the audit committee in the examination of financial statements aims to determine the correctness of information from management to increase the company's value. However, the data obtained shows that the audit report gap of companies in Indonesia is still widely found, which reflects that the supervision carried out by the audit committee on the company's financial information has not been carried out properly.

Hypothesis H_5, which proposed a negative relationship between audit report lag and firm value, was supported with a coefficient of -0.427, a t-value of 4.662, and a p-value of 0.000. This strong statistical evidence indicates that longer audit report lags are associated with

lower firm value. The negative impact of audit report lag on firm value can be critically understood through several lenses. First, a delayed audit report can signal inefficiencies or problems within the firm's financial reporting process, potentially raising concerns among investors about the reliability of the financial information. This can erode investor confidence and reduce the firm's market valuation. Second, prolonged audit report lags might be interpreted as indicators of underlying issues within the company's operations or governance, such as poor internal controls or management inefficiencies. These perceptions can negatively affect the firm's reputation and investor trust, further impacting its value. Moreover, timely financial reporting is crucial for maintaining transparency and accountability, key components of effective corporate governance. Companies that fail to provide timely audited financial statements may face increased scrutiny from regulators and stakeholders, leading to potential legal and reputational risks. This aligns with Agency Theory, which suggests that reducing information asymmetry through timely and accurate reporting can mitigate agency conflicts and enhance firm value.

For indirect effect, hypothesis H_6, which suggested that audit report lag mediates the relationship between the Board of Directors and firm value, was not supported, as evidenced by a coefficient of 0.046, a t-value of 0.766, and a p-value of 0.443. This indicates that the influence of the Board of Directors on firm value is not significantly channeled through audit report lag. The direct effect of the Board of Directors characteristics on Firm Value shows a coefficient value of 0.193. Furthermore, the results of the statistical test of the indirect effect show a coefficient value of 0.046. Thus, it can be seen that the total effect of the influence of the Board of Directors characteristics on Firm Value through Audit Report Lag is 0.193 + 0.046 = 0.239. Based on the data testing results, it can be seen that the coefficient value of the direct test is higher than the indirect test result. However, this indirect test result still shows a positive but not significant effect. According to Zhao et al. (2010), if the direct effect shows an insignificant result and the indirect effect also shows an insignificant result, then by its type, Audit Report Lag is a full mediation variable or no effect non-mediation. This is supported by the direct test result on the influence of Board of Directors characteristics on Audit Report Lag, which shows an insignificant effect. When Audit Report Lag becomes a mediating variable, it produces an insignificant effect. The implication of these research results indicates that if the characteristics of the company's board of directors are well implemented according to the minimum limits set by regulations, it will be able to increase the company's value. However, if the company's Audit Report Lag is high, investor responses will decrease from previous levels, so the company's value increases but not significantly.

In contrast, hypothesis H_7, which proposed that audit report lag mediates the relationship between the audit committee and firm value, was partially supported with a coefficient of 0.262, a t-value of 3.212, and a p-value of 0.001. This suggests that Audit Report Lag can mediate the effect of Audit Committee characteristics on Firm Value. The direct effect of Audit Committee characteristics on Firm Value shows a coefficient value of 0.343. Additionally, the statistical test results for the indirect effect show a coefficient value of 0.266. Thus, the total effect of Audit Committee characteristics on Firm Value through Audit Report Lag is 0.343 + 0.266 = 0.606. Based on the data testing results, the coefficient value of the direct effect is higher than that of the indirect effect. However, the indirect effect still shows a positive and significant impact. According to Zhao et al. (2010), if both the direct and indirect effects are significant, the Audit Report Lag serves as a partial mediator. Specifically, if both effects are significant and in the same direction, this type of mediation is called Complementary Mediation or Partial Mediation. This finding is consistent with Signaling Theory, which suggests that the audit committee plays a crucial role in overseeing the financial reporting and disclosure processes, supporting internal control, effectively monitoring management practices, addressing information asymmetry, and ensuring the efficiency of external auditors and the quality of financial reporting (Oussii & Boulila Taktak, 2018). Therefore, if the audit committee performs its functions according to regulations, the accuracy of the information provided by management can be verified, facilitating the independent auditors' review of the company's financial statements. Consequently, audited financial statements can be reported promptly, and the company's Audit Report Lag will not exceed the predetermined limit. Effective audit committee performance enhances the transparency and reliability of financial statements, thereby increasing the company's value.

Conclusion and Suggestion

The results of this study reveal that both the audit committee and board of directors significantly influence firm value, though through different pathways. The characteristics of the audit committee, such as their expertise and frequency of meetings, directly enhance firm value and reduce audit report lag, highlighting their crucial role in ensuring efficient and reliable financial reporting. This underscores the importance of a competent audit committee in reducing information asymmetry and increasing investor confidence, elevating firm value. Conversely, while the board of directors positively impacts firm value through strategic decision-making and governance, it does not significantly affect the audit report lag. This finding suggests that the board’s influence on financial reporting timeliness is limited,

focusing more on overarching governance and strategy. The partial mediation effect of audit report lag in the relationship between audit committee characteristics and firm value indicates that while audit committees improve the timeliness of reporting, other factors also play significant roles in enhancing firm value.

To capitalize on these findings, companies should focus on enhancing the capabilities of their audit committees by ensuring that members possess the necessary expertise and conduct regular, effective meetings. This can help minimize audit report lag and improve the accuracy and timeliness of financial reporting, thereby increasing firm value. Moreover, while boards of directors should continue to emphasize strategic governance and external networking, they should prioritize effective communication and collaboration with audit committees to support financial reporting processes. This dual approach can strengthen overall corporate governance and enhance firm performance.

Future research should delve into other factors influencing audit report lag and firm value to provide a more comprehensive understanding of corporate governance's impact on financial performance. Exploring variables such as the role of technology in financial reporting, the influence of regulatory changes, and the impact of cultural factors on governance practices could offer valuable insights. Lastly, this research is limited to Property and Real Estate Companies listed on the Indonesia Stock Exchange from 2018 to 2022, so further research can expand the scope to include additional years of study to examine current issues and generate more research results related to the theme used in the study.

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About the Authors

Lusi Kurnia, a student who is currently completing the requirements for a master's degree at the Faculty of Administrative Sciences, Universitas Brawijaya, Indonesia, and publishes her research findings in this journal. Lusi has experience in research on the theme of financial management, corporate governance, and accounting. As the lead author of the study, she established the ideas, objectives, research framework and hypotheses, ensuring they aligned with the overarching framework, and wrote the paper with input from all authors.

Muhammad Saifi, a leading authority in Financial Management. He is Professor of Accounting and Finance at the Faculty of Administrative Sciences, Universitas Brawijaya, Indonesia. His recent research focuses on fraud, financial management, intellectual capital, audit delay, and various other subjects. He supports the ideas concepts, research framework outlined, and strengthened the literature references.

Cacik Rut Damayanti, a lecturer and Head of International Office, Faculty of Administrative Science, Universitas Brawijaya, Indonesia. Her research interests broadly include accounting, finance, and corporate governance. She supports to provided critical feedback and helped shape the research, analysis and manuscript.