Journal of Governance and Accountability Studies (JGAS)
ISSN 2774-6739, Vol 5, No 2, 2025, 79-92 https://doi.org/10.35912/jgas.v5i2.1977

The Effect of CEO Ethnicity, Ownership Concentration, and Audit Committee on Audit Report Lag

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Article History
Received on 3 February 2024
1st Revision on 26 February 2024
2nd Revision on 29 May 2024
3rd Revision on 21 August 2024
4th Revision on 18 February 2025
Accepted on 2 July 2025

Abstract
Purpose: This study examines several factors that may affect audit report lag, including CEO ethnicity, ownership concentration, and the number of audit committee meetings among LQ 45 companies in Indonesia from 2019 to 2022.
Methods: This study employed a quantitative descriptive method to examine the relationships between variables, including the partial effects. SPSS was used as the statistical analysis tool to conduct descriptive statistics, assess assumption classifications, perform regression analysis of the research model, and test hypotheses using partial tests and the coefficient of determination.
Results: The results of this study indicate that the CEO ethnicity and audit committee variables do not significantly affect audit report lag. However, the audit committee variable partially has a significant influence on audit report lag.
Conclusion: CEO ethnicity does not significantly affect audit report lag. In contrast, ownership concentration significantly affects audit report lags. Furthermore, the audit committee variable does not significantly affect the audit report lag.
Limitation: Audit Report Lag can reduce the usefulness and reliability of financial reports for users. There is a lack of references to these variables, especially the rarely studied ethnic variables. This study contributes to the literature by examining the relationship between the ethnicity and race of CEOs at LQ 45 companies as the research subject.
Contributions: This study contributes to the audit literature by providing empirical evidence of the influence of CEO ethnicity, ownership concentration, and audit committee activities on audit report lag, specifically within LQ45 companies in Indonesia, highlighting the unique role of ethnic diversity in corporate governance contexts.

Keywords: *Audit Committee Fiscal Deficit, Audit Report Lag, CEO Ethnic, Stakeholder Concentration*

How to Cite: Kalsum, U., Safitri, R. H., Atiyatna, D. P., and Audrey. (2025). The Effect of CEO Ethnicity, Ownership Concentration, and Audit Committees on Audit Report Lag. *Journal of Governance and Accountability Studies*, 5(2), 72-92.

1. Introduction

In 2018, the International Monetary Fund (IMF) forecasted global economic growth to increase to 3.1 percent, following stronger economic performance in 2017. This growth was attributed to the continued recovery of investment, manufacturing, and trade, as well as the export of commodities by developing countries. The economic upturn positively influenced the volume and number of transactions, resulting in an increased amount of data and information to be considered and included in companies' financial statements. However, 2019 began with a slowing global economy and ended with concerns regarding the COVID-19 pandemic, which led to a decline in the global economy. The first case of COVID-19 in Indonesia was reported on March 2, 2020. This pandemic has impacted various sectors in Indonesia, particularly the economic sector, resulting in weakened economic growth (Siregar, Sari, & Islamiyah, 2024). Companies, especially those listed in the LQ45 index, are required to maintain performance and are expected to allocate a longer period for the preparation and auditing of financial statements than in the previous year. Accountability is a fundamental principle that must be upheld by companies, particularly publicly traded ones, and this obligation to ensure accountability drives the audit.

Company management is obligated to submit financial reports and show the results of management performance to stakeholders who use these reports to communicate financial information with external parties. This requires an independent audit (Meutia, Yaacob, & Kartasari, 2023).Such audits are essential because they enhance public trust, particularly by increasing the value of the financial information presented by management. This is closely related to the assurance of information reliability, given the potential conflict of interest between owners (shareholders) and agents (the management). Audits conducted within a short timeframe that yield precise results enhance the utility of financial statements.

CEO gender refers to the gender of the individual serving as the Chief Executive Officer (CEO) or executive director of a company or organization, identifying whether the CEO is male or female (Denis & Rousilita, 2024). CEO ethnicity remains a rarely employed variable in relation to audit report lag, with only a limited number of studies examining CEO ethnicity alongside different dependent variables (Harjoto, Laksmana, & Lee, 2015). Similarly, the ownership concentration variable and audit committee, when associated with audit report lag, have rarely been examined. Previous studies have tested these variables using different dependent variables. For instance, Azizan (2019) investigated the audit committee variable in relation to profitability, while other studies have focused on the effect of the audit committee on audit quality. Therefore, the examination of CEO ethnicity, ownership concentration, audit committees, and audit report lag variables is a significant contribution of this study.

Audit report lag is the time required by the auditor to complete the audit of a company's financial statements (McLelland & Giroux, 2000). The timeliness of financial reporting depends on company management (Yudhistira, 2023), and audit report lag is considered a critical factor influencing the timeliness of financial reporting (Susilowati & Saseka, 2025). Moradi and Molla Imeny (2019) conducted research examining 69 companies listed on the Tehran Stock Exchange from 2009 to 2015. This study investigates the influence of CEO ethnicity in Iran on audit report lags and audit fees. A fixed-effects model was employed as the analytical method in this study. The results indicate that a change in the CEO’s ethnicity from Persian (the majority ethnicity) to Azeri, Kurdish, or other ethnic minority groups is associated with an increase in audit report lag. Conversely, CEO ethnicity has no significant effect on audit fees. Hassan (2016) conducted research on Palestinian companies listed on the Palestine Stock Exchange (PSE) in 2011. This study employed a multiple regression model as the analytical method. The findings demonstrate that CEO duality and ownership concentration positively affect audit report lag. Companies with highly dispersed ownership structures tend to issue financial statements earlier than those with concentrated ownership structures do.

Many factors can contribute to audit report lag, both internal and external, including CEO ethnicity and ownership dispersion. Ethnicity is defined as a collection of groups that share the same race, culture, and habits. The diversity of race, cultural customs, and habits among different ethnic groups fosters distinct perspectives and thought processes. This is important because perspective and mindset can significantly influence an individual's actions in problem-solving, interpersonal interactions, and time management when leading an organization. This study examined both majority and minority ethnicities among company CEOs, as the CEO, as a company leader, oversees numerous employees. Consequently, their mindset profoundly impacts how they direct employees toward achieving company goals, particularly regarding the strengths, weaknesses, opportunities, and threats faced by the organization. Ethnic minorities play a crucial and influential role as social, political, and economic agents (Kamkankaew, 2023). Shi, Huang, and Liang (2023) examined the work ethic of ethnic minorities and revealed that these groups adhere to the principle of resolving tasks as quickly as possible to maximize outcomes. This phenomenon concerning ethnic minorities is further supported by To, Sherf, and Kouchaki (2024), who assert that ethnic minorities continue to experience inequality in treatment and power in the workplace. Consequently, they often feel compelled to work harder and more diligently to maintain their positions within an organization or company.

This study employed data from LQ45 companies because of the superior characteristics of the listed issuers' shares. The calculation of the LQ45 index reflects stocks that exhibit relatively high frequency, volume, and market capitalization compared to companies not included in the LQ45 index. LQ45 company stocks fall within the blue-chip category, attracting significant interest from investors on the Indonesia Stock Exchange (IDX) (IDX). The stocks of LQ45 companies are monitored biannually, with reviews typically conducted in early February and early July. The researchers aim to determine the duration between the year-end date of the financial statements and the date on which the audited financial statements are issued for LQ45 companies. Audit report lag can impact a company's value, potentially leading to its replacement by other companies that meet the necessary criteria. Consequently, LQ45 companies are motivated to maintain and enhance their value to improve stakeholder assessments, thereby enhancing the company's credibility and image from the stakeholders' perspective.

2. Literature review

2.1 Agency Theory

Bathala and Rao (1995) explain the theory that defines the agency relationship as a contract in which one or more parties, on behalf of the principal, assign a task or responsibility to the agent. The divergence of interests between the principal and agent is referred to as the agency problem, necessitating the involvement of an independent party to serve as a liaison for both parties. This independent party is an auditor whose role is to evaluate whether the financial statements presented by the agent are appropriate (Rahman, Zhu, & Hossain, 2023). Agency theory is a conceptual framework that describes the relationship between owners (principals) and agents (managers) within an organization. This theory addresses agency problems that arise when the interests of the owner and agent are not fully aligned, necessitating control mechanisms to minimize agency conflicts and ensure that the agent acts in accordance with the interests of the principal (Drury & Michael, 2021).

According to agency theory, an extended audit period can render the information in financial statements unreliable and irrelevant. Audit report lag can also adversely affect a company's image, as prolonged submission of information may elicit increasingly negative reactions from capital market participants (Bhuiyan, Man, & Lont, 2024). Companies that announce earnings or, in other words, issue financial statements promptly tend to receive a positive reaction from the stock market, whereas the opposite is true for those that delay. Agency theory explains the relationship between the principal and the agent, where the owner (principal) engages other parties as agents to perform services and provide information on their behalf (Supawat & Arnat, 2023). The agent must process this information accurately and in a timely manner as a form of accountability to the owner, as the principal will utilize it in decision-making. This theory assists principals in monitoring and controlling the actions of agents within companies, particularly in joint ventures (Okumu, Olweny, & Muturi, 2021).

Agency theory serves as the theoretical foundation for this analysis, as the time required for submitting financial statements (audit report lag) can lead to decreased satisfaction and trust among owners (principals) regarding agents' performance. This situation increases the likelihood of replacing agents that are deemed incompetent. Audit report lag can diminish the value of the information derived from financial statements, which is unfavorable for the principal. The reduction in information value facilitates information asymmetry (Pratama & Arifin, 2016). Information asymmetry arises when investors or other interested internal parties within the company hold certain information or private data exclusively. Furthermore, audit report lag can adversely affect a company's image, as prolonged dissemination of information may provoke negative reactions from capital market participants (Bhuiyan et al., 2024). Timely issuance of financial statements and dispersed ownership concentration can mitigate information asymmetry, allowing for the transparent submission of financial statements to the principal without compromising the utility of the report, thereby enhancing the principal's satisfaction with the agent's performance.

2.2 Audit Report Lag

Financial reports provide insights into a company's financial performance, and both internal and external parties utilize the information in these statements to inform their decision-making (Anantharaman, Rozario, & Zhang, 2023). High user expectations for audited financial statements compel auditors to uphold and enhance audit quality, ensuring that it can be accounted for by the public(Merter & Özer, 2024). Timely audit results are important for users to make accurate and prompt decisions. Audit report lag refers to the duration required by the auditor to complete the audit, including data collection, analysis, and publication of the final audit report. Audit report lag reflects the efficiency and quality of the audit process; a shorter audit report lag enables stakeholders to access audit information quickly (Durand, 2019).

Audit report lag is the duration from the closing date of the financial year to the issuance date of the audit report (Benedetti, Rovelli, Colladon, De Massis, & Matzler, 2025). The presence of audit report lag can significantly influence stakeholders' decisions, as it is a critical factor affecting the timeliness of earnings announcements. Profit announcements are reflected in financial reports, and delays in the publication of earnings information diminish its value for investors as the information becomes less relevant and reliable. Information that is less relevant and reliable can be detrimental to the principal (owner), as a prolonged audit report lag in issuing financial reports reduces the benefits and usefulness for users of these reports. Conversely, a shorter audit report lag enhances the benefits and utility of financial reports for their users (Strano, 2023).

2.3 CEO Ethnicity

Ethnic CEOs refer to chief executive officers (CEOs) of companies with a specific ethnic background, which may encompass particular ethnic, cultural, or racial origins. The presence of an ethnic CEO in a company can influence organizational dynamics, including market perception, corporate identity, and executive-level management policies and practices (Ursel, Durante, & Elsaid, 2023).***According to the*** Big Indonesian Dictionary (KBBI), ethnicity is a group within a social system that possesses specific significance owing to shared descent, customs, and other factors. In other words, each ethnic group has its own customs, which constitute its culture, and this culture serves as the foundation for establishing norms, values, and lifestyles(Hashemi, Yousofi, & Hashemi, 2017).The culture that develops is distinct from one ethnicity to another. This culture is significant because it shapes the viewpoints, thoughts, behaviors, and beliefs of individuals. Research has demonstrated that ethnicity influences individual perceptions, behaviors, and beliefs. Each ethnicity possesses unique characteristics that differentiate it from the others. Some ethnicities are recognized for traits such as perseverance, calculation, strong cooperation, generosity, and other attributes, both positive and negative.

2.4 Stakeholder Concentration

Stakeholder concentration refers to a situation in which share ownership or interests in a company are concentrated among a limited number of stakeholders, which can influence decision making and company dynamics. The degree of stakeholder concentration can significantly impact a company's control, influence, and strategic direction. Stakeholder concentration refers to the distribution of share ownership or interests in a company among a limited number of stakeholders. The level of stakeholder concentration reflects the extent to which control or influence is concentrated within a small group of stakeholders, which can subsequently affect decision-making and the direction of the company. The concept of stakeholder concentration and its impact on company performance and corporate governance are critical. Analyzing the distribution of share ownership or stakeholder interests can provide valuable insights into the dynamics of the relationship between stakeholders and companies across different market contexts.

2.5 Audit Committee

The audit committee is an independent committee responsible for supervising a company’s internal and external audit processes. The main function of the audit committee includes monitoring the integrity of financial reporting, the effectiveness of the internal control system, as well as relations with external auditors to ensure transparency and company compliance with applicable regulations.An audit committee is an independent body established by the board of directors of a company to assist in supervising and managing the company's internal and external audit activities. The primary function of the audit committee is to ensure transparency, integrity, and accountability in the company's financial reporting process, as well as to evaluate the effectiveness of the company's internal control system (Durand, 2019). The audit committee plays a crucial role in maintaining good corporate governance and enhancing financial reporting quality. Analyzing the characteristics and effectiveness of audit committees provides valuable insights into their contributions to risk management, compliance, and transparency of a company's financial information.

2.6 Previous Research

CEOs in Iran on audit report lags and audit fees. The method employed in this study was a model goodness-of-fit analysis. The study's results indicate a significant effect of CEO ethnicity on audit report lag; specifically, a change in CEO ethnicity from Persians (the majority ethnicity) to Azeris, Kurds, or other ethnic minorities is associated with an increase in audit-report lag. Conversely, the study found no significant effect of CEO ethnicity on the audit fees. This study investigates the effects of the gender and ethnicity of CEOs and audit committee members on audit fees and audit report lag. The method employed in this study was a multivariate regression model. The researchers found that a higher percentage of ethnic minority CEOs on the audit committee was associated with increased audit fees. Additionally, the study reveals that companies with minority CEOs exhibit a significantly negative relationship with audit report lag, indicating a shorter audit report lag. Furthermore, companies with female CEOs also demonstrate a significant negative effect on audit-report lag.

Kalsum, Fuadah, and Safitri (2021) study examined the effects of good corporate governance, CEO ethnicity, and audit fees on companies listed on the Indonesia Stock Exchange from 2014 to 2018. The sampling technique employed in this study was purposive sampling based on specific criteria, resulting in a dataset of 220 observations. This research utilized a descriptive research method with multiple regression analysis conducted using the Statistical Package for the Social Sciences (SPSS) software. The results indicate that good corporate governance, which includes independent commissioners, audit committees, and managerial ownership, as well as CEO ethnicity, has a significant positive effect on audit fees. Molla Imeny (2016)**,** applied deep agency theory to identify the determinants of audit delay among firms listed on the Palestine Stock Exchange (PSE). The method employed in this study was a multiple regression model. The research demonstrates that the size of the board of directors, company size, size of the public accounting firm (KAP), audit complexity, audit committee, and ownership dispersion have a negative effect on audit report lag. Conversely, CEO duality and ownership concentration positively influence audit report lags.

Butarbutar and Hadiprajitno (2017) employed a double regression model in their analysis. This study demonstrates that company size, public accounting firm size, complexity of the company's operations, size of the board of commissioners, size of the audit committee, and ownership concentration negatively affect audit report lag. Conversely, public ownership positively influences audit report lags. (Arfitra & Nurbaiti, 2018)examined the factors influencing audit report delay, including company size, reputation, and public ownership of manufacturing companies across various industrial sectors listed on the Indonesia Stock Exchange from 2012 to 2016. This study employs panel data regression analysis using EViews version 9.0 for data analysis. The results indicate that company size, reputation, and public ownership affect audit report delays. However, while company size and public ownership significantly affect audit report delays, reputation does not significantly influence audit report delays.

Enandar, Gojali, and Yulianti (2023) examined companies registered on the Indonesia Stock Exchange (IDX) from 2014 to 2017. This study analyzed the factors of profitability, solvency, company size, and public ownership in audit report lags. The analytical method employed in this research is panel data regression, processed using the EViews 9 software. The results indicate that profitability, solvency, company size, and public ownership significantly influence audit report lag. However, the partial analysis shows that profitability and company size affect audit report lag, while solvency and public ownership do not have a significant effect on audit report lag. Audit report lag is defined as the time span for the completion of an audit, measured from the closing date of the financial year to the date of issuance of the audit report (Wulan, 2022). Audit report lag affects stakeholders' decisions, as it is one of the most significant factors influencing the timeliness of earnings announcements. Earnings announcements are reflected in financial statements. Therefore, this measure is relevant when considering LQ 45 shares as an object of observation.

According to Lee and Jahng (2008), delays in the publication of earnings information diminish the value of that information for investors because it becomes less relevant and reliable. Insufficiently relevant and reliable information can be detrimental to the principal (owner), as longer audit report lags in issuing financial reports result in fewer benefits and uses for the users of the company's financial reports. Conversely, shorter audit report lags in issuing financial reports enhance the benefits and usability for users of financial statements.According to the Big Indonesian Dictionary (KBBI), ethnicity is defined as a group within a social system that possesses a specific significance due to heredity, customs, and other factors. In other words, each ethnicity has its own customs that constitute its culture, which serves as the foundation for establishing norms, values, and lifestyles(Hashemi et al., 2017). The culture that develops is distinct from one ethnicity to another. This culture is important because it shapes the perspectives, thoughts, behaviors, and beliefs of individuals. Demonstrates that ethnicity influences perceptions, behaviors, and individual beliefs. Each ethnicity possesses unique characteristics that differentiate it from the others. Some ethnicities are renowned for their traits, such as perseverance, calculation, strong cooperation, and generosity, among other positive or negative attributes.

The diversity of each ethnicity fosters distinct perspectives and mindsets. This is important because perspectives and mindsets can significantly influence an individual's actions in problem-solving, interpersonal interactions, time management, and organizational leadership. The Chief Executive Officer (CEO) is entrusted with leading the board of directors of a company. A quality CEO is evaluated based on their mindset, perspective, organizational skills, and ability to lead subordinates, all of which are reflected in the company's performance as reported in its financial statements. The company's performance, as articulated in these financial statements, serves as the basis for stakeholders to make informed decisions regarding the company. A quality CEO is characterized by their mindset, perspective, organizational capabilities, and leadership skills, which ultimately manifest in the company's performance outcomes, as evidenced by the financial statements.

2.7 Research Framework

Based on agency theory, this study employs audit report lag as the dependent variable, while the independent variables include CEO ethnicity, stakeholder concentration, and audit committee. This conceptual framework is illustrated as follows:

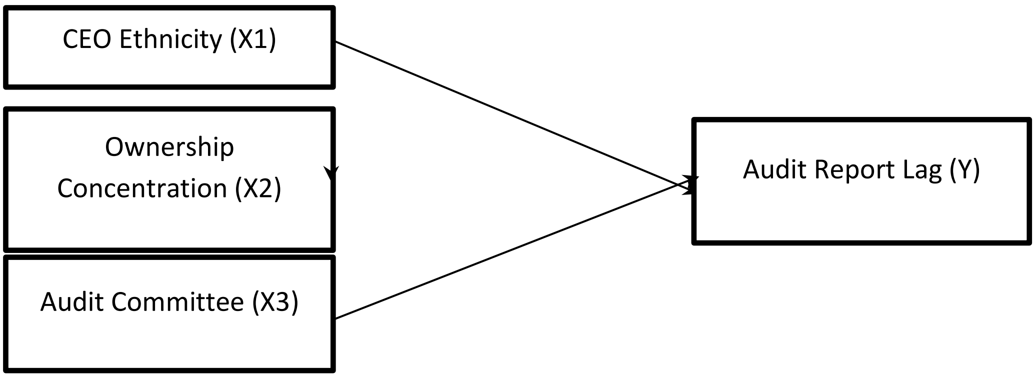

Figure 1. Conceptual Framework

2.8 Research Framework

Each ethnic group possesses distinct characteristics that shape its culture. Every culture has its own assumptions and values that define and govern the nature of relationships, both among individuals and between individuals and their environments and with external contexts (Kouchaki, Okhuysen, Waller, & Tajeddin, 2012). Culture is inherently significant because it can influence individual performance through varying perspectives and preferences related to management and leadership, which are informed by cultural backgrounds and habits. The CEO is a trusted individual responsible for leading the board of directors of a company. A qualified CEO is evaluated based on their ability to organize and lead their subordinates. The leadership style and mindset of a CEO in directing employees significantly influence employee responses to performing their tasks. Employees tend to unconsciously adopt the mindset and work approach of the CEO or their supervisor, which ultimately reflects in the company's performance, as evidenced in financial reports. The performance of the CEO, viewed through the lens of perspective and leadership as an agent, must satisfy the principal, namely, the company owner. This can be assessed by the duration required for a company to issue its financial report. A shorter timeframe for completing and publishing financial statements is generally perceived as more favorable and satisfactory by the owner. Additionally, this efficiency enhances the company's public image among stakeholders, as it demonstrates the company's ability to fulfill its responsibilities and meet stakeholder needs by providing relevant and timely financial statements.

The social experiences of ethnic minorities regarding inequalities in behavior and opportunities influence their actions by enhancing their perspectives on decision-making and securing important opportunities. CEOs from ethnic minority backgrounds are often subjected to greater scrutiny when their companies perform poorly (Park & Westphal, 2013). This external pressure may compel leaders from minority groups to work more diligently, thoroughly, and efficiently because of the social disparities associated with their ethnicity (Kennedy & Schumacher, 2005), potentially reducing the duration of the audit process. This finding aligns with the research conducted by Harjoto et al. (2015); Isnurhadi, Oktarini, Meutia, and Mukhtaruddin (2020), which indicates that ethnic minority CEOs have a significant negative effect on audit report lag.

H1: Ethnic minority CEOs have an influence on audit report lag

Concentrated ownership, which is centered on specific investors, often leads to reduced concern for the disclosure of financial statements among these investors. This is because centralized ownership enables interested parties to directly access information regarding the company (Chau & Gray, 2002). However, although ownership tends to be concentrated within the internal environment of companies, they are still accountable to the broader public. Concentrated ownership within a company's internal environment often results in limited motivation to disclose information in financial statements (Hassan, 2016). This high ownership concentration increases the likelihood of information asymmetry, which can extend the time required to submit financial statements. Information asymmetry inevitably leads to dissatisfaction among principals, as it can result in reduced transparency and diminished benefits in the financial statements. Hassan (2016) also demonstrates that centralized ownership concentration has a significant positive effect on audit report lag.

H2: A high concentration of internal ownership affects audit report lag.

An audit committee meeting was held to discuss coordination among members and findings from supervision, as well as analysis related to the company's financial statements (Mutmainnah & Wardhani, 2013). Better oversight allows auditors to identify issues that require attention more quickly. Based on Bapepam LK Regulation No. Kep-134/BL/2006, the frequency of audit committee meetings must be included in the Annual Report. Audits carried out with better and more frequent direction from the audit committee do not take a long time, so the occurrence of audit report lag can be avoided (Arifa, 2013).

H3: The number of audit committee meetings has an influence on audit report lag

3. Research Method

This quantitative descriptive study examined the effects of CEO ethnicity, ownership concentration, audit committees, and audit report lag on LQ 45 indexed companies. The sample comprised 30 companies from a total population of 45 companies listed on the Indonesian Stock Exchange. The observation data consisted of 124 observations, as shown in Table 1.

Table 1. Sample Criteria Selection

No	Information		Amount
1	Companies listed as LQ45 companies on the Indonesia Stock Exchange (IDX) consecutively every semester during the period 2017-2020		45
2	Companies that issue financial statements using Dollar and Rupiah.	(14)	
3	Companies that issue annual reports with complete information include information on the intensity of audit committee meetings.	(0)	
	Total Sample Observation Period 4 (four) Years		31
	Observation Period 4 (four) years		4
	Total sample observation period 4 (four) Years		124

Source: Data processed from www.idx.co.id (2022)

Multiple regression analysis was employed to assess the influence of CEO ethnicity (X1), ownership concentration (X2), and audit committee (X3) on audit report lag. The model equation can be formulated as follows:

$$Y = \alpha + \beta 1x1 + \beta 2x2 + \beta 3x3 + e$$
$$ARL = \alpha + \beta 1\ (ECEO) + \beta 2\ (KP) + \beta 3\ (JRKA) + e$$

Information:

Y =Audit Report *Lag (ARL)*
X1 = Ethnic CEO (ECEO)
X2 = Ownership Concentration (KP)
X3 = Number of Audit Committee Meetings (JRKA)
E = Error

Audit report lag, the dependent variable, is defined as the period from the end date of the company's fiscal year to the date of the audit report. According to Moradi and Molla Imeny (2019), audit report lag can be calculated by measuring the time span between the year-end date of the financial statements and the date on which the audited and published financial statements are released. The independent variable in this study is CEO ethnicity, utilizing a three-ethnic approach representative of Indonesia: Javanese, Chinese, and Batak. These three groups are easily identifiable through data and profiles, including the name, clan name, and photograph of the CEO in the company's annual report. This classification encompasses both majority and minority ethnic groups, which are anticipated to influence the variables being investigated. The categorization of ethnicity in this study, including majority and minority groups, is shown in Table 2. The measurement of the variables was conducted using dummy variables, with ethnic Chinese and Batak classified as minorities and coded as 1. In contrast, ethnic Javanese and other majority groups were coded as 0. This measurement approach was adapted from the methodology employed by Harjoto et al. (2015) in their research.

Table 2**.** Ethnicity in Indonesia used in research

No	Ethnic Type	Information	Amount
1	Java	Majority	40%
2	Chinese	Minority	1.2%
3	Batak	Minority	3.58%

Source : Data processed from https://www.indonesia.go.id/profile/suku-bangsa (2022)

The second variable in this study is ownership concentration, measured using the percentage of ordinary shares owned by a company's internal stakeholders within the LQ45 index. Data on ownership concentration were sourced from the LQ45 Index Constituents report obtained from the Indonesia Stock Exchange (IDX) website (www.idx.co.id). This measurement adopts the methodology employed by Hassan (2016). The subsequent variable is the audit committee, measured by the number of audit committee meetings. This measure is derived from the information presented in the company's annual financial statements and follows the approach utilized by Katutari and Yuyetta (2019).

4. Results and discussions

4.1 Descriptive Statistics

The results of the descriptive statistical tests are presented in Table 3.

Table 3. Descriptive Statistics Test Results

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
ECEO	124	0.00	1.00	0.5242	0.50144
KP	124	0.00	94.77	59.5677	15.85434
JRKA	124	3.00	57.00	14.5726	11.46020
ARL	124	21.00	147.00	67.2097	23.13069
Valid N (listwise)					

Source: Data processed from SPSS (2022)

Descriptive statistical tests were employed to characterize the behavior and distribution of the data by examining the standard deviation, mean, minimum, and maximum values based on the variables utilized in the research (Ghozali, 2018). The independent variables in this study are CEO ethnicity, stakeholder concentration, and audit committees, while the dependent variable is audit report lag.

4.2 Assumptions Classic Test

In addition to descriptive statistical testing, this study also conducted classical assumption tests, specifically normality, multicollinearity, heteroscedasticity, and autocorrelation. For the normality test, normally distributed data were indicated by the Asymp. Sig. (2-tailed) value. The unstandardized residuals were tested using the one-sample Kolmogorov-Smirnov test, yielding a value of 0.320, which was above the threshold of 0.05 (> 0.05). The results of the multicollinearity test indicate that there is no significant multicollinearity present, as the tolerance values for the three independent variables are greater than 0.10, and the Variance Inflation Factor (VIF) values are less than 10. Specifically, the tolerance value for the CEO ethnicity (X1) variable is 0.655, with a VIF value of 1.526; the ownership concentration variable (X2) has a tolerance value of 0.934 and a VIF value of 1.071; and the number of audit committee meetings variable (X3) has a tolerance value of 0.692 and a VIF value of 1.444. The regression model can be considered robust if there is no correlation or multicollinearity among the independent variables. Multicollinearity testing serves as a measurement tool for examining tolerance and VIF values.

The results of the heteroscedasticity test, conducted using the Glejser test, indicate that the overall significance values for the research variables are as follows: CEO ethnicity (X1) = 0.242, ownership concentration (X2) = 0.892, and the number of audit committee meetings (X3) = 0.582. All values were above the threshold of 0.05 (> 0.05), leading to the conclusion that the regression model did not exhibit heteroscedasticity. The autocorrelation test aims to determine whether there is a correlation in the linear regression model between confounding errors in a given period and those in the previous period. The Durbin-Watson test was used in this study. The requirements for the Durbin-Watson test indicate that the value must satisfy the condition $d_u < d_w < 4 - d_u$, which signifies the absence of autocorrelation.

4.3 Multiple Regression Test Result

This multiple linear regression analysis aimed to test the influence of independent variables on the dependent variable. The results obtained were as follows:

Table 4. Multiple Regression Test Result

Coefficients

		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
	Model	B	Std. Error	Beta	T	Sig.	Tolerance	VIF
1	(Constant)	92.039	4,510		20,407	.000		
	X1	-.563	3,461	-.012	-.163	.871	.655	1,526
	X2	-.639	.054	-.748	-11,910	.000	.934	1.071
	X3	-.027	.147	-.013	-.184	.854	.692	1.444

a. Dependent Variable: Y

Source: Data processed from SPSS (2022)

Based on the results of multiple regression testing, the regression model equation can be formulated as follows (Table 7):

$$Y = a + \beta 1X1 + \ \beta 2X2 + \ \beta 3X3 + e$$
$$Y = a + \beta 1ECEO + \ \beta 2KP + \ \beta 3KA + e$$
$$Y = 92{,}039 - 0{,}563\ EXO - 0{,}639\ KP - 0{,}27KA + e$$

This means that for the CEO ethnic variable (X1), ownership concentration (X2), and audit committee (X3), the value of (X1) is -0.563, the value of (X2) is -0.639, and the value of (X) is -0.27, which has a negative value, which means that every decrease will cause the audit report lag variable (Y) to decrease. The results of the partial hypothesis testing indicate that the CEO ethnicity variable (X1) has a significance value of 0.871, which is greater than 0.05. Therefore, the CEO ethnicity variable (X1) does not significantly affect audit report lag (Y). These findings are consistent with the research conducted by Moradi and Molla Imeny (2019), which found that a change in CEO ethnicity from Persian (a majority ethnicity) to Azeri, Kurdish, or other ethnic groups (minority ethnicities) would lead to an increase in audit report lag. Furthermore, the results of this study do not support the research by Harjoto et al. (2015); Isnurhadi et al. (2020), which stated that ethnic minoritsignificant impact on report lagsdit report lag.

4.4 R^2 (Determination Test)

The coefficient of determination explains the variation in influence or proportion of the impact of all independent variables on the dependent variable. This coefficient can be measured using the R-squared or adjusted R-squared values. In calculating the coefficient of determination, this study employs the adjusted R-squared value. The results of the data processing yielded the following coefficients of determination:

Table 4. Multiple Regression Test Result

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.113[a]	.013	-.012	23.26918

a. Predictors : (Constant), JRKA, KP, ECEO

Source: Data processed from SPSS (2022)

The R-Square (R^2) coefficient value of 0.013, or 0.13%, indicates that the influence of the independent variables on the dependent variable is 0.13%, while the remaining 99.87% is attributed to other factors outside the scope of this study.

4.5 Discussion

The results of this study indicate that ethnic minority CEOs can reduce the length of audit report lags within a company. Ethnic minorities often emphasize the importance of understanding their work ethic and mechanisms of their work, particularly regarding their behaviors, characteristics, and leadership styles. Leadership among ethnic minorities is characterized by a strong sense of responsibility toward duty and obligation. This sense of responsibility influences the behavior of ethnic minority individuals, enhancing their decision-making perspectives and fostering trust from others, as they are also confronted with external pressures related to their social status while fulfilling their responsibilities.

Similarly, CEOs from ethnic minority backgrounds perform their functions and duties with heightened awareness of their positions and social statuses. These CEOs strive to achieve strong company performance because they face greater scrutiny and blame if the company's performance is subpar. This external pressure, stemming from social differences related to ethnicity, compels minority group leaders to work diligently and efficiently. The mindset and working style of the CEO significantly influence the work patterns of employees, thereby impacting overall company performance, which is ultimately reflected in the company's financial report.

CEOs from ethnic minority backgrounds try to deliver their best performance, which can be observed in the duration required to issue the financial reports. Public stakeholders assess a company's performance by evaluating how quickly it can provide financial statements. A shorter timeframe for completing and publishing financial statements is perceived as more favorable and satisfying for owners (principals), and vice versa. This aligns with stakeholder theory, which posits that, in addition to owners, a company can enhance its public image and stakeholder relations by demonstrating its ability to fulfill responsibilities and meet their needs through the provision of timely, relevant, and accurate financial reports. Ethnic minority CEOs are motivated to deliver financial reports punctually or even more swiftly to ensure that they are viewed positively by the company’s stakeholders, thereby securing their position as CEO and minimizing the risk of displacement.

The results of this study support the research conducted by Harjoto et al. (2015), who also measured CEO ethnicity using a dummy variable by classifying CEOs into majority and minority ethnic groups. Timely submission of financial reports, or even faster reporting than that of other companies, can provide added value in the eyes of stakeholders. Stakeholders are likely to perceive a company as more responsible when it fulfills their needs by providing financial statements that are essential for decision-making. When reports are submitted more quickly, the quality of the financial statements is regarded as more relevant and reliable.

For the ownership concentration variable (X2), the significance value is 0.000, which is less than 0.05, indicating that ownership concentration significantly affects audit report lag (Y). This significance arises because concentrated ownership, which is centered on specific investors, often leads to reduced concern for the disclosure of financial statements. Centralized ownership allows interested parties to access company information (Chau & Gray, 2002). However, despite the tendency for ownership to be concentrated within the internal environment, companies are still accountable to the remaining public shareholders. Concentrated ownership within a company may result in limited motivation to disclose information in financial statements (Hassan, 2016). This high ownership concentration increases the likelihood of information asymmetry, which can extend the time required to submit financial statements. Information asymmetry can lead to dissatisfaction among principals, as it may result in reduced transparency and diminished benefits in the financial statements. The findings of this study are not consistent with those of Hassan (2016), who found that centralized ownership concentration has a significant positive effect on audit report lag.

Furthermore, for the audit committee variable (X3), the significance value is 0.854, which is greater than 0.05, indicating that the audit committee does not significantly affect audit report lags (Y). These findings are consistent with the research conducted by Butarbutar and Hadiprajitno (2017), who also found that the audit committee has no effect on audit report lag. The audit committee is responsible for providing effective oversight, and its involvement typically does not prolong the audit process, thereby helping to mitigate audit report lags (Arifa, 2013).

5. Conclusion

The first hypothesis of this study indicates that the CEO ethnicity variable (X1) has a significance value of 0.871, which is greater than 0.05, suggesting that the CEO ethnicity variable does not significantly affect audit report lag (Y). In contrast, the ownership concentration variable (X2) has a significance value of 0.000, which is less than 0.05, indicating that ownership concentration significantly affects audit report lag (Y). This implies that a higher ownership concentration is associated with an increased audit report lag. Furthermore, the audit committee variable (X3) has a significance value of 0.854, which is greater than 0.05, indicating that the audit committee does not significantly affect audit report lag (Y). Based on the results of the multiple regression test, the coefficients for each independent variable were negative, indicating a decrease in the audit report lag variable. Furthermore, future researchers may consider incorporating additional variables, either as independent or control variables, and may also explore other company samples, as this study is limited to the LQ 45 index. Additionally, employing alternative analytical tools could enhance the robustness of future studies in this area.

5.1 Limitations and Recommendation for Future Research

This study had several limitations. The variables examined consist of only three independent variables: CEO ethnicity, ownership concentration, and audit committee. Data collection was restricted to companies registered with the IDX from 2019 to 2022, and this study focused exclusively on the LQ 45 index. The present study offers several suggestions. For future research, it would be beneficial to expand the scope to include additional factors that may influence audit report lags and to conduct studies across different types of industries. This approach would facilitate a larger sample size and lead to more robust conclusions in future studies.

Acknowledgment

The authors would like to acknowledge Universitas Sriwijaya for the financial support of this research. This research is a Science, Technology, and Arts (SATEKS) research funded by the Research and Community Service Institute (LPPM) Sriwijaya University in 2021.

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