MANAGEMENT & ACCOUNTING REVIEW

C O N T E N T S

Ceo's Gender, Power, Ownership: Roles on Audit Report Lag

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ABSTRACT

This study examines the role of CEO's gender, power and ownership on audit report lag. The rapid changes of market regulations and societal norms make CEO's characteristics emerge as evolving risk factors for corporate governance and audit research. This raises the importance for research to understand their dynamic influences on corporate financial disclosure quality specifically, timeliness. This study hypothesises that different CEO's characteristics set different tones to the audit discussion in the boardroom. To test the hypothesis, this study uses multiple secondary data from Compustat, Audit Analytics Execucomp and BoardEX and STATA analytical solution. The CEO's characteristics are divided into three dimensions that measure gender diversity, power and ownership concentration. This study provides evidence that both CEO's ownership and power, which proxied by (1) industrial experience and (2) social network size are significantly associated with audit report lag. However, only the association with the CEO's power reduces audit report lag whereas CEO's ownership increases it. With regards to the gender diversity, it is only effective in reducing audit report lag if other CEO's characteristics are also presence. Overall, the results provide support to the study proposition in respect of the role of CEO's characteristics in accelerating financial reporting timeliness.

INTRODUCTION

This paper examines the relationship between the CEO's gender, power, ownership and audit report lag. Audit report lag is the number of days between the firm's financial year end and the signing of the audit reports (Ashton, Willingham, & Elliott, 1987; Bamber, Bamber, & Schoderbek, 1993; Boshoff & Wesson, 2019). In the US, specifically since 2006, there has been a significant pressure for the higher revenue issuers[1] to meet the 60 days deadline for the filing of the audited annual 10-K with the Securities of Exchange Commission. This does not only provide incentives for firms and auditors to observe for shorter audit report lags since most firms prefer to release the audited earnings report to the public (Bamber et al., 1993), but also for researchers to obtain understanding about the variations that explain audit report lag (Knechel & Payne, 2001). With the increasing new regulations and pressures from social movements (Deloitte, 2015; Azmat, 2019), it is expected to for the management and its board to develop different dynamic. This raises the question whether CEO's characteristics influences audit report lag differently under this new dynamic.

The higher scrutiny on audit report lag is consistent with its established association with market reactions subsequent to the accounting earnings announcement (Chambers & Penman, 1984; Byard & Shaw, 2003; He, Sidhu, & Taylor, 2019). Historically, US SEC requires for high revenue issuers to submit their audited financial reports (Form 10-K) within 90 days from the end of financial year, but this deadline has been shortened to 75 days in 2003 and 60 days in 2006. Empirical evidence from prior research indicates that financial reporting timeliness is highly important, as implied by the positive relation between earnings news announcement and the magnitude of analysts' forecast revisions and the abnormal returns (Byard & Shaw, 2003; He et al., 2019), and the effects of timely earnings announcement in maximising information transfer and reducing losses (Han & Wild., 1997; Knechel & Payne, 2001). Several studies have also documented findings, which imply market finds audited financial reports to have higher credibility (Dedman & Kausar, 2012; He et al., 2019). Thus,

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1   US SEC describes higher revenue issuers as (1) accelerated filers (firms with publicly-owned outstanding shares of $75 million or more, but less than $700 million) and (2) large accelerated filers (firms with publicly-owned outstanding shares held of US$700 million or more, as of the last business day of its most recently completed second fiscal quarter. These thresholds however, have been proposed for amendment in 2019.

the longer audit report lags of the firm, the more likely for the outsiders to interpret it as a bad signal.

The large bulk of audit report lag research is focusing on examining the monitoring cost-side such as corporate governance structure and auditor-specific attributes (Schwartz & Soo, 1996; Albernathy, Barnes, Chad Stefaniak, & Alexandria Weisbarth, 2017). This study asserts the importance of examining the link between CEO's heterogenous characteristics and audit report lag. Other than the firm-related risk factors, the CEO's characteristics can provide good insights particularly on the CEO's risk preferences and tolerance margin that greatly influence the executive decision whether to accept, reject or negotiate audit adjustment recommended by the auditor. The CEO sits at the top decision-making pyramid in any profit-making organisation. This naturally, would earn them greater advantage in setting the overall tone of audit discussion in the boardroom. This study aims to examine the CEO's individual characteristics specifically, in gender, power and ownership dimensions to predict their risk-taking preferences in relation to timelier issuance of audited and earnings reports.

The CEO's characteristics selected for this study comprised of three dimensions: (1) gender, (2) power and (3) ownership stake or concentration. Until recently, the boardroom provides more of fraternity vibe (Byrne, Clarke, & Meer, 2005). However, there has been a growing external pressure for firms to increase women participation in corporate board as part of creating healthier gender-balanced board (Deloitte, 2015). This consequently, leads to this study's interest to explore on the role of gender diversity to gain better insights of its association with audit report lag. The power dimension of the CEO is measured by the industrial experience and social network size. Prior research finds that experience rate tends to create expertise (Pornpitakpan, 2004) and the size of social network is likely to build supports (Kramer & Tyler, 1996). Both of which can inspire higher cooperation from others (Kramer & Tyler, 1996; Pornpitakpan, 2004). The third dimension of the CEO characteristics is the CEO's ownership concentration. It is expected that having certain percentage of stake in the firm would positively influence the CEO's decision making under uncertainty (Mitra, Hossain, & Marks, 2012).

This study has several contributions. Firstly, this study provides evidence that individually, gender diversity is less likely to have effect on audit lag report. However, when it is in combination with other CEO's characteristics, it reduces audit report lag. Further, this study finds that the higher industrial experience and the bigger social network size, the shorter audit report lag. Though, the association are noticeably stronger for the industrial experience. The positive effects of CEO's power for both industrial experience and social network size are robust to whether or not they exist as an individual factor or in combination. In contrast to other CEO's characteristics, CEO's ownership concentration is increasing the audit report lag. Lastly, this study finds evidence that provides insights on the role of board diversity (using nationality mix) in reducing audit report lag.

This paper adds to current literature of audit report lag and CEO characteristics. In particular, it adds to the growing literature that have been documenting the effect of female leader towards increasing the governance dynamic and financial-related performance (Byrne et al., 2005; Ferreira, 2010; Khan & Vieito, 2013; Harjoto, Laksmana, & Lee, 2015). While evidence from prior research in relation to the women participation in leadership and board roles have been mixed, this study sheds some lights the importance of not studying the factor as an individual determinant. This study in particular, extends the work of Harjoto et al. (2015) which investigate gender diversity on audit report lag by providing wider data range of 15 years. This study also contributes to the audit report lag literature by examining industrial expertise and social network as additional dimensions to measuring credibility arising from expertise other than simply using the CEO's tenure.

The remainder of the paper is organised as follows. Section II discusses prior literature review and hypotheses development. Section III details the research methodology including sample formation and the empirical model. Section IV describes the descriptive statistics and discussion of results of regression, and analyses. Section V provides the summary of the study.

LITERATURE REVIEW

Audit report lag determines the timing of the firm's financial disclosure and subsequently, the perception of its usefulness. Audit report lag is the number of days that elapses between the end of financial year and the date, in which the audited financial statements is signed (Ho-Young, Mande, & Son, 2009). Audit report lag tends to affect the financial reporting timeliness because most firms prefer to use the audited financial reports when announcing their earnings to the public for better effects (Bamber et al., 1993; Byard & Shaw, 2003). Sometimes, they would even use the same audited financial reports (Form 10-K) that have been filed with the US SEC (Bamber et al., 1993).

In 2006, the US SEC requires the large accelerated firms with revenues range of US$700 million or more, to submit the audited annual 10-K within the 60 days from their financial year end (US Securities of Exchange Commission, 2009). The accelerated filers, which are the firms with lower revenues margin from US$75 million to less than US$700 million are required to file their 10-Ks within 75 days (US Securities of Exchange Commission, 2009). The stricter ruling with the 10-K filing clearly conveys the US SEC's position about having firms practicing financial disclosure timeliness. Consequently, this increases the importance of audit report lag research to understand its associated risk factors associated in effort to improve audit process and financial reporting timeliness.

Timeliness, is one of the four major qualitative characteristics that enhances the financial reporting information quality (Financial Accounting Standard Board, 2010). The production of the financial reporting quality is unobservable to the users other than to the management. Therefore, users are tempted to use proxies such as audit report lag to infer about auditor's perceived risk of the firm's financial reporting quality. In specific, its timeliness aspect. From audit report lag, the inferred signal is predominantly as an indicator of audit efficiency (Bamber et al., 1993) or problematic audit (Blankley, Hurtt, & MacGregor, 2015). Recently, Blankley, Hurtt, and MacGregor (2015) find evidence to suggest that audit report lag contains information about future restatement. This finding by Blankley et al. (2015), not only provides support to the proponents who argued audit report lag serves as a good measure for problematic audit, but it is also incremental in predicting future risk attached to the current financial reporting.

Delaying earnings announcement reduces financial reporting usefulness significantly by making it losing the relevance in influencing users' decision-makings (Financial Accounting Standard Board, 2010). Prior research that investigated market reactions find evidence that early release of earnings information provides positive price reactions (Chambers & Penman, 1984). Using the economic model of information asymmetry, Easley and O'hara (2004) show that investors are more likely to yield better returns with publicly available information, which stresses the importance for firms to release timely financial reports. Prior research also find evidence that failure to release timely earnings news can cost firms in terms of allowing other sources to benefit from private information (Chambers & Penman, 1984).The benefits of monitoring the timeliness of financial reporting also extends to improving analysts' earnings forecasts. He et al. (2019) and Byard and Shaw (2003) find that analysts place greater weight to the publicly available audited earnings report than the private information when analysts are shown to revise their future earnings forecast shortly after the earnings announcement. All these have led the US SEC to place high emphasise on financial reporting timeliness.

The CEO's Characteristics

In most context of audit report lag research, the CEO's characteristics are often treated as a homogenous factor. If this is true, it does not explain the theory of wage-efficiency, which is applied in the existing labour market. The theory of the wage-efficiency explains that different levels of talents should affect the differences in wages exchanged as well (Akerlof, 1984). This suggests that the CEO's characteristics should then influence different outcomes, depending on their abilities and talents. Further, this provides support to this study which argues there is a value in studying the differences in the CEO's characteristics and their differential effects on the audit report lag, which is the determinant of financial reporting timeliness.

The theory of the firm holds that it is most optimal for the profit-making organisation to hire professional talent, the manager, to generate earnings for the business owners (Jensen & Meckling, 1976). By separating the control and ownership rights, the theorists expect for the manager to balance the business owners' risk-averse behaviour. Perhaps, it is later then they have realised that the managers' risk preferences tend to vary according

to individuals. The separation of control and ownership framework opens to another set of problem- the agency problem, which have had occupy the researchers for centuries discussing its probable solutions. Agency cost is the cost that the business owners have to incur in order to curb the managers' undesirable behaviours that would deviate them from serving their intended roles, which is creating wealth for the business owners (Healy & Palepu., 2001). The extent to which the CEO would best serve their management roles might relate to their risk preferences, which are projections of their personal traits or characteristics.

Worldwide, women participation in the boardroom is one of the leading business chatters today. US used to have more seats held by the female directors (Ferreira, 2010). Currently, Europe has been taking lead by requiring 40 per cent quota for women seats in corporate board (Sweigart, 2012). Some research find evidence to lend supports on the effectiveness of having women participation in boardroom. For example, Lakhal, Aguir, Lakhal, and Malek (2015) examine female CEOs in France and they find that they are associated with less earnings management. Khan and Vieito (2013) examine the relationship between the female CEO and the firm's performance and they find that the female CEO is linked to lower firm's risk level.

However, there are other studies, which find evidence against the benefits of having higher women participation. For example, Azmat (2019) finds that the firm value is decreasing as the number of seats held by the female directors increasing. Though, Azmat (2019) further argued that while higher women participation is shown to have less impact on the firm's value, it has a positive influence in diversifying the risk preferences in the boardroom since the female leaders are typically risk-averse. Given the different findings relating to the female leader's performance, it is unclear whether female CEOs would make a different impact than their male colleagues. The female leader while they have been argued to be risk-averse than their male colleagues, it has a double-edge sword. As a risk-averse person, a female CEO might be more defensive towards accepting auditor recommendations for adjustments in efforts to protect their future career prospect. Considering the mixed evidence from prior research subsequently, this study hypothesises:

H1: The presence of female CEO is associated with audit report lag.

The economic theoretical models of economics show that as the CEO's skills increasing so does the size of their compensation (Akerlof, 1984). This suggests that industrial experience, can serve as one the potential factors that drive the perceived competency of the CEO. Prior research would typically use the CEO's age and tenure ship to determine expertise (Baker & Hall, 2004). However, the breadth of source credibility literature works has been discussing on the significance of training experience in influencing credibility (Pornpitakpan, 2004).

Prior audit research shows there are correlation between higher auditor industry specialisation and audit quality (Teoh & Wong, 1993; He et al., 2019). Similarly, board of directors' financial background or expertise have been shown to improve their monitoring qualities (Rubin & Segal, 2019). In more relevant study, Gounopoulos, Loukopoulos, and Loukopoulos (2019) find that the CEO's educational level and quality reflect their ability to raise capital for the firms. While large of the research is dominated by the importance of monitoring CEOs behaviour from managing earnings, this study argues that the CEOs might behave differently when they have the relevant and sufficient expertise to match the industry, in which they are working. Uygur (2018) finds that CEOs with higher ability is more likely to be more transparent in attempt to signal their expertise. Hence this suggests that the CEOs with industrial expertise are more likely to be more professional and diligent in addressing the audit issues, which have been raised by the auditors. Subsequently, has the potential to expedite the audit process and shorten the audit report lag.

Social network size works differently in building the CEO's bargaining power. Social network relies on the CEO's personalities and persona. Larger social networking will provide the CEOs with greater support and bargaining power, which they can assert on others. However, supports generally begets supports (Palazzo & Scherer, 2008). Research from psychological and social science provide evidence that a show of willingness to cooperate inspires others to reciprocate positively (Kramer & Tyler, 1996). Thus, it is hardly to expect for CEOs with large network size to be less cooperative with others, including the auditors. Consider arguments on both industrial experience and social network size, the second hypothesis is proposed:

H2: The CEO's power is negatively associated with audit report lag.

The older the earnings news, the less likely for users to perceived it is as useful (Financial Accounting Standard Board, 2010). This provides incentives for the CEOs to cooperate with the auditors to help expedite the audit work, including positively responding to the proposed audit adjustments and concerns raised in the management letter. However, since audit adjustments tend to signal poor performance or lack of managerial abilities to the shareholders, the CEOs might be reluctant to provide their easy approvals. In particular, adjustments that would likely to lower the firm's earnings. Thus, it is expected for the CEO's aggression to increase as their wealth (pay and bonuses) depending on it. However, it could be a different matter altogether if the CEO has a certain level of stake in the firm, as represented through managerial stocks. The CEOs might be more inspired to accelerate financial reporting timeliness to extract the benefits from the timely issuance of audited earnings report to the public.

Mitra et al. (2012) find that managerial shareholding works as effective as other stock-governance ownership such as institutional ownership, which leads to timely responds in internal control weaknesses remedial. However, it is difficult to determine the optimal threshold for the managerial shareholding, in which such behaviours would likely to materialise. In addition, there is a possibility that when the CEOs have higher stake in the firm, they are likely to develop incentives similar to the business owners. They would develop incentives to report good earnings in attempt to raise external financing (Healy & Palepu., 2001). Holding a managerial position only provides them greater informational advantages to manipulate the earnings report to work towards their benefits. Thus, the third hypothesis is expressed as follows:

H3: The CEO's ownership is associated with audit report lag.

METHODOLOGY

Sample Formation

This study uses sample of US firms that spans the period of 15 years from 2000 – 2014. The sample is a merged result between Compustat, Audit Analytics, Execucomp and BoardEX databases. The financial variables are collected from Compustat, which is a database that provides long date range of US firms' financial data.[2] Audit-related variables are extracted from Audit Analytics. The CEO and board-related variables are obtained from both Execucomp and BoardEX. BoardEX has a wider data range than the Execucomp, but it is necessary to combine it with the data from Execucomp in order to increase the probability of data matching accuracy. Execucomp uses firm id that identical to the id used in Compustat and Audit Analytics. Further, Execucomp covers only S&P 500 firms, which can reduce the initial data collected from Compustat and Audit Analytics significantly. The data merging between the Execucomp and BoardEX reduces the risk of having smaller sample size. After excluding firms with missing required variables, the final sample reports 18,921 firm-years observation. No exclusion has been made for financial sector, as audit report lag is applicable across industries whether or not they are regulated. This method is consistent with Knechel and Payne (2001) and Harjoto et al. (2015)

Measuring CEO Characteristics

The variables of interest of this study are CEO gender, power and ownership. The CEO gender, *GENDER* is categorical in nature, sets equal to 1 if the CEO is female and 0 if the CEO is male (e.g. Manner, 2010; Khan & Vieito, 2013). This variable is generated from a string variable from BoardEX, which informs the gender type of the CEO. The second CEO's characteristics, CEO's Power, is measured using two dimensions: (1) industrial expertise, *IND_EXP* and (2) social network size, *NETWORK_SIZE*. Prior research has used proxies such as education qualification and tenure ship to proxy for the CEO's expertise (Gounopoulos et al., 2019). However, this study argues that industrial experience is often overlooked by the prior research when it has the potential to build strong expertise

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2   The initial data collection is from 1998 – 2014, but both 1998 and 1999 are dropped because of the low number data available for testing. Additional analysis indicates that the inclusion of both years does not affect the results from the main analyses.

credentials for the CEO as much as qualification and tenure. Bhattacharya, Kao, and Li (2019, Forthcoming) use both dimensions to capture the CEO's experience. In this study, the industrial experience variable is divided to two-tier level of expertise, 1 if they have 5 years or more in the industry and 0 for otherwise. The second dimension to the CEO's power is the CEO's social network size. The number of the CEO's social network is identified from the network variable in BoardEX. The third variables of interest, the CEO ownership concentration, *OWN* is determined by the CEO's shareholding percentage (Baek, Johnson, & Kim, 2009). This study selects the CEO's shareholding with a threshold of 5 percent or more, to for proxy for significant stake for the CEO to be concerned with the financial reporting timeliness.

Empirical Model

The relationship between CEO's characteristics and audit report lag is estimated in the model described as following:

$$
\begin{aligned}
AUD\_LAG = &\ GENDER + POWER + OWN + ROA + LOSS + \\
&\ INVREC + BOARD\_SIZE + BOARD\_DIVERSITY + BIG4 + \\
&\ AUD\_CHANGE + AUD\_TENURE + LN\_NAS + G\_CONCERN + \\
&\ RESTATE + BUSY\_SEASON + \varepsilon
\end{aligned} \tag{1}
$$

The dependent variable, *AUD_LAG* is the audit report lag. The audit report lag is measured using the number of days computed from the date of financial year end to the signed date of the audited financial reports. The independent variables, CEO's characteristics are measured using gender, power and ownership concentration. The CEO's gender, *GENDER* is sets equal to 1 if the CEO is male and 0 if otherwise. The second variables of interest, CEO's power is measured using the CEO's: (1) industrial experience, *IND_EXP* and (2) network size *NETWORK SIZE*. Both CEO's industrial experience and tenure ship have been set equals to 1 if they pass a threshold of 5 years and more and 0 if otherwise. The third aspect of CEO's characteristics is the ownership concentration, *OWN*. The CEO's ownership is sets equal to 1 if the CEO has an ownership 5 per cent or more and 0 if otherwise.

The hypotheses of this study rely on the relationship between the CEO's characteristics and the perceived risk associated with having longer audit report lag. Thus, control variables included in the empirical model follows prior research, which have documented their associations with audit report lag. The control variables are discussed in the following section.

Control Variables

The control variables for the audit report lag model have been established and examined by prior research (Bamber et al., 1993; Schwartz & Soo, 1996; Knechel & Payne, 2001; Ho-Young et al., 2009; Blankley et al., 2015; Albernathy et al., 2017). Typically, the control variables in the empirical model of audit report lag are divided into three categories: client, board and auditor-specific risk factors. The client-specific risk factors comprised of profitability ratio (*ROA*), earnings losses (*LOSS*) and firm's complexity (*INVREC*). Using return on asset as a proxy for profitability performance has twice of benefits. Not only that it is more stable measure, it also acts as performance matching for sample firms (Kothari, Leone, & Wasley, 2005). Prior research finds that on average, profitability is likely to have positive effect on audit report lag (Habib, Bhuiyan, Huang, & Miah, 2019). In contrast, evidence from prior research indicates that financial loss and complexity of the firm tend to increase audit report lag (Bamber et al., 1993).

For board-specific risk factors, board size, *BOARD_SIZE* and nationality mix ratio, *BOARD_DIVERSITY* is used as proxies. The board size is rather a common feature for large firms, but it does not necessarily suggest governance quality. Large board size can cost a firm in a form of decision-making efficiency, but it is one of the effective governance mechanisms known to combat managerial power (Goodstein, Gautam, & Boeker, 1994). Nationality mix ratio is one of the rich features in corporate governance, yet largely unexamined in prior research. This is reasonable given that until recently, as much as the board has been a gentlemen club, it also has been predominantly Anglo Saxon-centric (Harjoto et al., 2015). Consistent with the recent surging interest on the issue of board diversity (Ferreira, 2010; Sweigart, 2012; Deloitte, 2015), this study includes nationality mix as one of the controls for governance in attempt to examine its monitoring potential.

Prior research finds that greater team diversity can lead to better than average stock performance (Ferreira, 2010; Deloitte, 2015). Deloitte (2015) defines board diversity as an optimal mix in dimensions of skills, expertise and experience. Compared to the definition of board diversity provided by Deloitte (2015), the proxy used in this study seems insufficient. However, due to limited data, this study is restricted to using only one proxy that is, nationality mix ratio to represent board diversity. Since board diversity has been argued to inspire healthier dynamic to the traditional board mix thus, it is expected for it to have positive monitoring effect by reducing audit report lag. Other than board size and board diversity, board independence is also been considered as one of the governance controls initially, but because of the multicollinearity problem it has been dropped from the main model.

The third category of the control variables are concerning risk factors arising from auditor-specific attributes. Bamber et al. (1993) argue that audit report lag reflects the extent of auditors' efforts, resources used in the audit and whether or not the auditor is using structural approach. Among auditor-specific factors, which have been well established by prior research for their influences on audit report lag are auditor reputation -the Big Four, auditor tenure, audit change, non-audit services, going concern opinion, restatement and audit peak season (Ho-Young et al., 2009). Ho-Young et al. (2009) examine audit tenure and non-audit service in detail, and they find that audit report lag is decreases as the audit tenure and non-audit service increases.

Table 1: Variables Definition

Dependent Variable:		
AUD_LAG	=	The number of days between the firm's financial year end and the signing of the audit reports.
Independent Variables:		
GENDER	=	1 if the CEO is female and 0 otherwise.
POWER:		
1) IND_EXP *	=	1 if the CEO has 5 years industrial experience or more in the firm and 0 otherwise.
2) NETWORK_SIZE	=	The size of the CEO's network.

OWN *	=	1 if the CEO has 5 per cent ownership and more in the firm and 0, otherwise.

Control Variables:

ROA	=	Positive net income divided by total assets.
LOSS	=	1 if the firm has losses and 0 otherwise.
INVREC	=	Total of inventory and accounts receivable divided by total assets.
BOARD_SIZE	=	The number of directors sit in the firm's board.
BOARD_DIVERSITY	=	Proxy by the nationality-mix ratio
BIG4	=	1 if the auditor is Big 4 and 0 otherwise.
AUD_CHANGE	=	1 if the firm is having auditor change during year t and 0, otherwise.
LN_NAS	=	Natural logarithm of non-audit fees divided by audit fees.
AUD_TENURE	=	Number of audit tenure in years.
AUD_CHANGE	=	1 if the firm is having auditor change during year t and 0 otherwise.
LnNASFee	=	Natural logarithm of non-audit fees divided by audit fees.
AUD_TENURE	=	Audit tenure in years.
G_CONCERN	=	1 if the firm received going concern opinion.
RESTATE	=	1 if the firm has restatement issued during t, and 0 otherwise.
BUSY_SEASON	=	1 if the financial year-end is between November 30 and Mac 31, and 0 otherwise.
IND	=	GICS industry indicator variable (2 digit).
YEAR	=	Year indicator variable.

This table defines the variables included in the empirical model (1), which estimates the relationship between the CEO's gender, power and ownership concentration and audit report lag.
*IND_EXP is sometimes is presented as IND_EXP (≥5YR) and OWN as OWN (≥5pct) for better understanding.

RESULTS & DISCUSSION

Descriptive Statistics

Table 2 describes the distribution of the sample firms for the variables of interest of the study using summary of median statistics. The use of median statistics in the sample distribution presentation is consistent with the use of median regression (or quantile regression) in the analyses of this study. In overall, the firms have shorter audit report lags as low as 30 days prior to 2006. In 2004 and 2005, most firms have high audit report lags, between 65 - 66 days. From 2006 – 2014, the range of audit report lag is between 56 - 58 days. These numbers indicate that large majority of the firms in the sample have relatively good record of audit report lags. In respect of the distribution of the CEO's gender, it is largely dominated by the male CEO. As for the industrial experience, the distribution indicates that most firms only have CEOs with more than 5 years' experience starting 2010 (with the exception to 2005). The statistics of network size show that the CEOs generally have larger network size except for 2000. In the distribution of the CEO's ownership the trend shows that majority of the CEOs do not have shareholdings of 5 percent and more after 2009. This is probably linked to the global financial crisis in 2010, which seen a stricter monitoring.

Table 2: Summary statistics of Median – Variables of Interest by Year

YEAR	AUD_LAG	GENDER (F=1, 1=0)	IND_EXP (≥5YR)	NETWORK SIZE	OWN (≥5pct)
2000	30.00	0.00	1.00	58.00	1.00
2001	35.00	0.00	0.00	542.00	1.00
2002	38.00	0.00	0.00	527.50	1.00
2003	46.00	0.00	0.00	503.00	1.00
2004	65.00	0.00	1.00	503.00	1.00
2005	66.00	0.00	1.00	499.00	1.00
2006	59.00	0.00	1.00	504.00	1.00
2007	59.00	0.00	0.00	501.00	1.00
2008	58.00	0.00	0.00	521.00	1.00

2009	57.00	0.00	0.00	530.00	0.00
2010	56.00	0.00	1.00	541.00	0.00
2011	58.00	0.00	1.00	519.50	0.00
2012	58.00	0.00	1.00	544.00	0.00
2013	57.00	0.00	1.00	550.00	0.00
2014	56.50	0.00	1.00	552.00	0.00

This table presents the summary of median statistics by year for the variables of the interest of the study, which includes the dependent variable, audit report lag and the independent variables: gender, industry experience and network size (power), and ownership percentage of the CEO. The variable definition is presented in Table 1.

Table 3 presents the summary of median statistics for the variables of interest of the study by industry sector. In overall, there is no significant difference in the performance of audit report lag across industry sectors. The audit report lag is ranging between 55 – 58 days, which are within the 60 days requirement sets by the US SEC. This distribution on audit lag indicates that firms at median, issue timely audited earnings reports. All industries have higher participation of male than female CEOs, majority CEOs with 5 industry experience or more except for Consumer Staple industry, yet they are among those with the largest social network size. Other industries with large number of network size are the Telecommunication services, Utilities, Information Technology, Energy, Industrials and Financials. Most of CEOs in Healthcare and Financial sectors are the only CEOS that do not own shareholdings of 5 per cent and more.

Table 3: Summary of Median Statistics - by Industrial Sector

INDUSTRY	AUD_ LAG	GENDER (M=1, F=0)	IND_EXP (> 5YR)	NETWORK SIZE	OWN (>5pct)
Energy	57.00	0.00	1.00	571.00	1.00
Materials	57.00	0.00	1.00	487.00	1.00
Industrials	55.00	0.00	1.00	561.00	1.00
Consumer Discretionary	58.00	0.00	1.00	414.00	1.00
Consumer Staple	56.00	0.00	0.00	560.00	1.00
Healthcare	58.00	0.00	1.00	499.00	0.00
Financials	58.00	0.00	1.00	544.00	0.00
Information Technology	58.00	0.00	1.00	588.00	1.00
Telecommunication Services	58.00	0.00	1.00	611.00	1.00
Utilities	57.00	0.00	1.00	617.50	1.00

This table describes the distribution of variables of interest of the study, the audit report lag and the independent variables: gender, industry experience and network size (power), and ownership percentage of the CEO according to industry sector. The variable definition is presented in Table 1.

CEO'S GENDER, POWER, OWNERSHIP

Table 4 reports the descriptive statistics of all the variables included in the empirical model. Out of 18,921 firm-year observations, the firms have audit report lag mean (median) of 58 days (58 days). Most of the firms in the sample have a male CEO with industry experience of 5 years and more and own shareholdings equals to and larger than 5 percent. Majority of the firms have median board size of 9, auditors with 6 years tenure and non-audit service fees ratio over audit fees of 0.88, engaged big four auditors and have financial year end during the busy season of audit. This distribution is consistent with the analysis reported by the prior research (Harjoto et al., 2015).

Table 4: Descriptive Statistics

Variables	N	St.Dev	Min	Mean	Median	Max
AUD_ LAG	18,921	24.56	7.00	57.55	58.00	1,066.00
GENDER	18,921	0.17	0.00	0.03	0.00	1.00
IND_EXP (≥5YR)	18,921	0.50	0.00	0.54	1.00	1.00
NETWORK_SIZE	18,921	761.70	9.00	768.16	523.00	5,425.00
OWN (≥5PCT)	18,921	0.50	0.00	0.51	1.00	1.00
ROA	18,921	0.14	-5.78	0.03	0.04	1.63
LOSS	18,921	0.37	0.00	0.17	0.00	1.00
INVREC	18,921	0.20	0.00	0.26	0.22	0.99
BOARD_SIZE	18,921	2.54	2.00	9.55	9.00	33.00
BOARD_ DIVERSITY	18,921	0.15	0.00	0.08	0.00	0.90
BIG4	18,921	0.25	0.00	0.93	1.00	1.00
AUD_CHANGE	18,921	0.19	0.00	0.04	0.00	1.00
AUD_TENURE	18,921	3.79	1.00	6.92	6.00	15.00
LN_NAS	18,921	0.08	0.39	0.87	0.88	1.00
RESTATE	18,921	0.34	0.00	0.13	0.00	1.00
G_CONCERN	18,921	0.08	0.00	0.01	0.00	1.00
BUSY_SEASON	18,921	0.50	0.00	0.82	1.00	1.00

This table presents the descriptive statistics of variables, which included in the audit lag model. The variable definition is presented in Table 1.

Table 5 presents the result of pairwise correlation analysis. All four CEO's characteristics, have correlations with audit report lag at significant level of 0.1, but only *GENDER* (*F=1/M=0*) has a positive association. All control variables indicate correlations with strength at the significance level of 0.1 except for audit tenure, *AUD_TENURE*, restatement, *RESTATE* and audit peak season, *BUSY_SEASON*. All variables including the control variables indicating the directions, as identified by prior research (Bamber et al., 1993; Harjoto et al., 2015). What interesting is that, audit tenure has an inverse moderately strong correlation at 0.54 with the CEOs who have ownership concentration of 5 per cent and more. The similar moderately strong correlation is also identified between Earning losses, *LOSS* and *ROA* at 0.52. Another correlation that looks striking, is the correlation between *BOARD_SIZE* and *NETWORK_SIZE,* which at low correlation at 0.25.

Mains Analyses

Table 6 provides the results of the regression analyses for each of the independent variables, *GENDER*, *IND_EXP*, *NETWORK_SIZE*, *OWN* and the dependent variable, *AUD_LAG*. All variables for the CEO's characteristics report significant results except for *GENDER*. The coefficients for *NETWORK_SIZE* and *OWN* are significant at the level of 0.01, and *IND_EXP* at the level of 0.05. The CEO's industrial experience, *IND_EXP* and network size, *NETWORK_SIZE* show negative signs, indicating an inverse relation with audit report lag. The dimension of CEO's ownership, *OWN* reports a positive association with audit report lag. These findings in a way provide no support to the hypothesis H1, but provide evidence to support the hypothesis of H2 and H3. The analyses also fail to support studies, which have documented evidence of the positive influence of female leaders (Lakhal et al., 2015; Azmat, 2019). Though, the results on the CEO's gender in this study might be influenced by the asymmetrically low number of female CEOs as compared to the number of male CEOs.

Turning to the control variables, the analyses show that all control variables except audit change, *AUD_CHANGE* show significant associations with audit report lag consistent with the results from prior research (Harjoto et al., 2015). The going concern opinion, *G_CONCERN* is positively associated with audit report lag with the highest coefficient of 12.8 (maximum) and significant at the level of 0.01. This finding supports prior

research such as by Ashton et al. (1987) and studies that examined data in 2000s for example, (Ho-Young et al., 2009; Harjoto et al., 2015). Ashton et al. (1987) finds evidence that going concern opinion is more likely to increase audit report lag.

Next control variables that have strong associations with audit lag are the profitability indicator, *ROA*, earnings losses, *LOSS*, audit complexity as proxied by *INVREC*, the big four auditors, *BIG4*, non-audit services ratio, *LN_NAS*, audit peak season, *BUSY_SEASON* and board diversity, *BOARD_DIVERSITY*. The *BOARD_*DIVERSITY has a negative coefficient that concentrates around -2.00 at significant level of 0.001, which is equally as strong as the positive coefficient reported by *LOSS*. The result indicates that as *LOSS* increases audit report lag, that equally as much *BOARD_DIVERSITY* reduces audit report lag. This suggests the potential of exploring board diversity factors in future research for obtaining understanding of its role in governance dynamic.

Other control variables that are showing significant, but relatively weaker associations with audit report lag are audit tenure, *AUD_TENURE*, restatement, *RESTATE* and board size, *BOARD_SIZE*. Audit change, *AUD_CHANGE* in particular, is only significant and seems to increase audit report lag when being regressed under the model that is using industrial experience, *IND_EXP*. Majority of the results reported in this study provides support to several literature works who find similar evidence such as (Schwartz & Soo, 1996; Ho-Young et al., 2009).

Table 5: Pairwise Correlation

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
(1) AUD_LAG	1.00																
(2) GENDER (F=1/M=0)	0.01*	1.00															
(3) IND_EXP (≥5YR)	-0.03*	-0.04*	1.00														
(4) NETWORK_SIZE	-0.08*	0.08*	-0.02*	1.00													
(5) OWN (≥5PCT)	-0.02*	-0.06*	-0.06*	-0.00	1.00												
(6) ROA	-0.08*	0.00	0.05*	0.01	-0.04*	1.00											
(7) LOSS	0.10*	0.00	-0.07*	-0.03*	0.02*	-0.52*	1.00										
(8) INVREC	0.02*	-0.02*	0.00	-0.08*	0.02*	-0.01	-0.03*	1.00									
(9) BOARD_SIZE	-0.11*	-0.02*	0.01	0.25*	0.02*	0.05*	-0.12*	0.11*	1.00								
(10) BOARD_DIVERSITY	-0.03*	0.01*	-0.02*	0.16*	-0.03*	-0.00	0.02*	-0.04*	0.10*	1.00							
(11) BIG4	-0.05*	0.00	0.02*	0.09*	0.02*	0.05*	-0.07*	-0.10*	0.16*	0.04*	1.00						
(12) AUD_CHANGE	0.04*	-0.01	-0.01	-0.03*	0.06*	-0.05*	0.04*	0.02*	-0.04*	-0.01	-0.15*	1.00					
(13) AUD_TENURE	0.01	0.06*	0.11*	0.06*	-0.54*	0.06*	-0.07*	-0.04*	0.07*	0.05*	0.20*	-0.30*	1.00				
(14) LN_NAS	-0.15*	-0.03*	-0.00	0.15*	0.18*	0.01	-0.03*	-0.00	0.17*	0.04*	0.08*	-0.03*	-0.14*	1.00			
(15) RESTATE	0.00	-0.02*	-0.00	-0.02*	0.12*	-0.03*	0.02*	0.00	0.01*	-0.00	0.01	0.06*	-0.13*	0.05*	1.00		
(16) G_CONCERN	0.10*	0.02*	-0.01*	-0.01*	0.03*	-0.16*	0.14*	0.01	-0.04*	-0.01*	-0.04*	0.03*	-0.03*	-0.01	-0.01	1.00	
(17) BUSY_SEASON	0.00	0.03*	-0.02*	0.06*	-0.05*	-0.02*	0.01	-0.05*	0.07*	0.03*	-0.02*	-0.00	0.04*	-0.02*	0.01	0.02*	1.00

* shows significance at the 0.1 level

Table 6: Median Regression Results on Individual Variables of Interest

	(1) GENDER	(2) IND_EXP (≥5YR)	(3) NETWORK_SIZE	(4) OWN (≥5pct)
GENDER	0.497 (0.391)			
IND_EXP (≥5YR)		-0.345** (0.040)		
NETWORK_SIZE			-0.001*** (0.000)	
OWN (≥5%)				0.716*** (0.001)
BOARD_SIZE	-0.483*** (0.000)	-0.486*** (0.000)	-0.423*** (0.000)	-0.483*** (0.000)
BOARD_DIVERSITY	-2.304*** (0.008)	-2.339*** (0.006)	-1.674** (0.045)	-2.124** (0.012)
ROA	-8.390*** (0.000)	-8.450*** (0.000)	-8.495*** (0.000)	-8.189*** (0.000)
LOSS	2.033*** (0.000)	2.000*** (0.000)	2.049*** (0.000)	2.074*** (0.000)
INVREC	2.946*** (0.000)	2.755*** (0.000)	2.672*** (0.000)	2.907*** (0.000)
BIG4	-3.235*** (0.001)	-3.261*** (0.002)	-2.998*** (0.003)	-3.213*** (0.001)
AUD_CHANGE	0.989 (0.138)	1.115* (0.095)	0.954 (0.173	1.055 (0.124)
AUD_TENURE	-0.103*** (0.009)	-0.090** (0.022)	-0.102*** (0.009)	-0.098** (0.012)
LN_NAS	-3.138** (0.019)	-3.088** (0.022)	-1.682 (0.213)	-3.151** (0.018)
RESTATE	0.740*** (0.001)	0.751*** (0.001)	0.665*** (0.004)	0.664*** (0.003)
G_CONCERN	12.445*** (0.001)	12.638*** (0.001)	12.822*** (0.000)	12.492** (0.017)
BUSY_SEASON	1.324*** (0.001)	1.267*** (0.001)	1.397*** (0.001)	1.344*** (0.001)
_cons	43.392*** (0.000)	43.765*** (0.000)	41.800*** (0.000)	66.277*** (0.000)
Obs.	18,921	18,921	18,921	18,921
R-squared	0.097	0.097	0.099	0.097
Industry Dummy	Yes	Yes	Yes	Yes
Year Dummy	Yes	Yes	Yes	Yes

Standard errors are in parenthesis

*** p<0.01, ** p<0.05, * p<0.1

Results Using the Variables of Interest in Combination

In Table 7, the results report the analyses when the variables of interest of the study, the CEO's characteristics are in combination. The most apparent changes are with the CEO's gender, in which its coefficient is gaining significance at the level 0.1. The significance of the CEO'S gender in reducing audit report lag is increasing when it is combined with the CEO's social network size and ownership concentration (in this case 5 per cent and more). The coefficients for the CEO's characteristics proxies as well as the control variables have no marginal difference to what have been reported when the variables of interest are regressed as individually. The only differences are the changes in *R-squared* specification, which are increasing. This indicates, the CEO's characteristics serve as better predictors for the audit report lag when they are assessed in combination. Though, the *R-squared* specification for the models have improved, these are far lower than what have been reported by prior research for example, 22 per cent (Ho-Young et al., 2009) and 36 per cent (Harjoto et al., 2015). Although, Ho-Young et al. (2009) has reported *R-squared* with 8 per cent in one of their models. It is expected that the lack of board indicators has reduces the specification of the models used in this study.

**Table 7: Median Regression Results When
the Variables of Interest in Combination**

	(1) Combination GENDER, IND_EXP & OWN	(2) Combination GENDER, NETWORK_SIZE & OWN	(4) Combination GENDER, IND_EXP, NETWORK_SIZE & OWN
GENDER	0.556 (0.336)	1.074* (0.052)	1.064* (0.067)
IND_EXP (≥5YR)	-0.288* (0.091)		-0.324* (0.059)
NETWORK_SIZE		-0.001*** (0.000)	-0.001*** (0.000)
OWN (≥5pct)	0.783*** (0.000)	0.723*** (0.001)	0.704*** (0.002)
BOARD_SIZE	-0.487*** (0.000)	-0.424*** (0.000)	-0.412*** (0.000)

B O A R D _ DIVERSITY	-2.213*** (0.009)	-1.557* (0.066)	-1.679** (0.041)
ROA	-8.171*** (0.000)	-8.479*** (0.000)	-8.322*** (0.000)
LOSS	2.009*** (0.000)	2.036*** (0.000)	1.991*** (0.000)
INVREC	2.821*** (0.000)	2.525*** (0.000)	2.485*** (0.000)
BIG4	-3.287*** (0.003)	-3.079*** (0.002)	-3.147*** (0.002)
AUD_CHANGE	1.065 (0.106)	1.201* (0.070)	1.207* (0.069)
AUD_TENURE	-0.096** (0.014)	-0.094** (0.013)	-0.088** (0.024)
LN_NAS	-3.143** (0.023)	-1.839 (0.165)	-1.709 (0.214)
RESTATE	0.636*** (0.007)	0.693*** (0.004)	0.715*** (0.003)
G_CONCERN	12.628** (0.015)	12.399*** (0.000)	12.610*** (0.000)
BUSY_SEASON	1.305*** (0.393)	1.382*** (0.425)	1.414*** (0.420)
_cons	36.254*** (0.000)	34.061*** (0.000)	34.083*** (0.000)
Obs.	18,921	18,921	18,921
R-squared	0.097	0.099	0.099
Industry Dummy	Yes	Yes	Yes
Year Dummy	Yes	Yes	Yes

Standard errors are in parenthesis

*** p<0.01, ** p<0.05, * p<0.1

CONCLUSION

Empirical evidence from prior research indicates that certain characteristics of the CEO are informative towards determining the risk associated with the financial reporting information quality (Bamber et al., 1993; Ho-Young et al., 2009; Harjoto et al., 2015; Lakhal et al., 2015). Using US sample, this study investigates the association between the CEO's individual characteristics and audit report lag. Audit report lag is the number of days elapsed from the firm's financial year end and the date that the audited financial reports is signed by the auditor. This study measures CEO's characteristics using three dimensions: gender, power and ownership that are likely to influence the perceived risk associated with the financial reporting information timeliness and subsequently, audit report lag. Results from the analyses provide evidence to support that the hypothesis of the study, which suggest there is value to studying the differences in the CEO's characteristics.

This study provides robust evidence that industrial experience and social network size of the CEO improves audit report lag. Gender diversity is shown to have no incremental effect on audit report lag unless it is combined with other CEO's characteristics. In combination with other CEO's characteristics specifically, industry experience, social network and ownership concentration, female CEOs reduces audit report lag. The study also finds that audit report lag is increasing as the CEO's ownership increasing, which fails to support the line of argument that role of managerial shareholding in promoting governance quality (Mitra et al., 2012). Further, results from the analyses reveal the incremental effect of board diversity on audit report lag and subsequently, in accelerating the release of timely audited financial reports.

By examining the CEO's characteristics association with audit report lag, this study contributes to the growing literature of board diversity, including gender diversity (Goodstein et al., 1994; Byrne et al., 2005; Ferreira, 2010; Harjoto et al., 2015), corporate governance (Manner, 2010; Kaplan, Klebanov, & Sorensen, 2012; Mitra et al., 2012; Uygur, 2018) and audit research specifically, audit report lag (Schwartz & Soo, 1996; Knechel & Payne, 2001; Blankley et al., 2015; Habib et al., 2019). With an increase awareness on board diversity and gender diversity, it is expected that the data of interest will becoming richer and board dynamic will be a fertile area for future corporate governance and audit research.

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