

Determinants of audit report lag: evidence from Palestine

Determinants
of audit
report lag

Yousef Mohammed Hassan

*Accounting and Finance, Al Ain University of Science and Technology,
Al Ain, United Arab Emirates*

13

Abstract

Purpose – The purpose of this paper is to employ agency theory to identify the determinants of the audit delay among Palestinian companies listed on Palestine Stock Exchange (PSE).

Design/methodology/approach – Drawing on the agency theory, eight hypotheses are tested using data collected from the year 2011 annual reports for all the 46 listed companies on PSE. Multiple regression analysis was performed to identify the influence of a set of company characteristics, ownership structure variables, and corporate governance mechanisms.

Findings – The result of the analysis demonstrated that the audit reporting delay is influenced by the board size, corporate size, status of audit firm, company complexity, existence of audit committee, and ownership dispersion.

Research limitations/implications – The main shortcoming of the current study is that the analysis covered the Palestinian companies' annual reports for only one year. A time series analysis might give fuller and understandable picture about the audit report lag (ARL) determinants. The outcome of the study can be used by companies' managements and policy makers in Palestine to improve future disclosure.

Originality/value – This paper adds to the limited audit delay literature in Middle East countries in general and Arab World in particular. This paper not only examines the determinants of the audit delay but also attempts to theorize such delay.

Keywords Corporate governance, Palestine Stock Exchange, Audit report lag (ARL)

Paper type Research paper

1. Introduction

The agency theory argues that the separation between ownership and control leads to a potential conflict between the agents (managers) and principals (owners) of a corporation. The agents (managers) may exploit their positions to engage in activities for their personal interests at the expense of maximizing owners' (principals') wealth who do not have close monitoring of the managers' decisions. To control and observe management decisions, principals (owners) tend to pay monitoring costs which may include, among others, the costs of preparing and auditing accounting statements and reports. Thus, the provision of audited financial statements is a monitoring mechanism that helps narrow information gap between the principals (owners) and the agent (management) and assure shareholders that financial statements prepared by management are free from material misstatements (Watts and Zimmerman, 1986). The usefulness of accounting information to diverse financial statement users depends on the completeness, accuracy, reliability, and timeliness of this information (Singhvi and Desai, 1971). Hence, timely reporting might be viewed as one of the main determinants of financial reporting quality that enhances the decision-making quality.

In addition to improvement of the efficiency of resource allocation by reducing information asymmetry (Financial Accounting Standards Board, 1980), timely audited financial information improves pricing of securities (Givoly and Palmon, 1982; Chambers and Penman, 1984), and limiting the insider trading and spread of rumors in the market (Owusu-Ansah, 2000).



An audit report lag (ARL) is defined as a period from a company's fiscal year-end date to the audit report date. The shorter the ARL in releasing audited financial statements, the greater the usefulness and benefits that users can derive from these statements (Atiase *et al.*, 1989; Abdulla, 1996). On the other hand, the relevancy and usefulness of the reported financial information are expected to decline as the reporting delay increases and this, in turn, can affect an investor's choices of action (Feltham, 1972; Ahmad and Kamarudin, 2003). Moreover, Bamber *et al.* (1993) argued that the delayed corporate disclosure may encourage some unscrupulous investors to acquire costly private pre-disclosed information and exploit these information at the expense of less informed investors.

The objectives the current study are twofold. First, to empirically investigate the influence of a set of boards of directors' characteristics, ownership structure, and firms' attributes on the (ARL among all companies listed on the Palestine Stock Exchange (PSE) in year 2011. PSE is one of the youngest financial markets in the Middle East and North Africa (MENA) region. The total number of companies listed in PSE at the end of December 2011 totaled 46. These companies include eight banks and financial companies, seven insurance companies, 12 services companies, eight investment companies, and 11 manufacturing companies. Second, the study also attempts to test the validity of the agency theory to explain variations in the audit delay among these listed companies. Examining factors that affect the timely reporting among Palestinian companies is important for at least three reasons. First, it seeks to help in expanding the very limited existing literature about timely reporting in the Arab and Middle East countries generally and the Palestinian Territories particularly. The knowledge gap on this subject seems to be significant considering the growing importance of the timely reporting issue in the emerging economies since firms in these countries tend to disclose less information and to be slower to report than firms in developed economies (Errunza and Losq, 1985; Leventis and Weetman, 2004). Second, it may draw the issue of audit delay to the attention of policy makers especially the regulators of PSE to identify the shortcomings of the current corporate disclosure practices of the listed companies and to improve the market. In this respect, Owusu-Ansah and Leventis (2006) argued that identifying the determinants of audit delay helps the regulators of emerging stock exchanges in adopting new policies to improve their markets. Finally, the study results may be generalized to other emerging economies particularly Arab neighboring countries that have similar socio-cultural environment.

The rest of this paper is organized as follows. A brief overview of the corporate reporting system in the Palestinian Territories is presented in the following section. Prior research concerning the determinants of ARL together with hypotheses development are discussed in Section 3. While the study methodology is presented in section four, the study findings are summarized in the fifth section. The conclusion is presented in the last section.

2. Corporate reporting practices in Palestine

From the 1948 Arab-Israeli War until the 1967 War, the West Bank was controlled and annexed by Jordan and the Gaza Strip was administered by Egypt. Since Israel captured those areas from Jordan and Egypt in 1967, the international community has often referred to the West Bank (including East Jerusalem) and Gaza Strip as the occupied Palestinian Territories. As the Palestinian Territories (West Bank and Gaza Strip) were controlled by Jordan and Egypt before 1967 War, companies operating in the West Bank were governed by the Jordanian Company Law No (12) for the year 1964

while the Egyptian Company law No (19) for the year 1929 was applicable in the Gaza Strip. Following the Israeli occupation of the West Bank and Gaza Strip, the application of the prevailing Jordanian and Egyptian company laws in the territories was continued. In 1993, following the Oslo Accords, an agreement between Israel and the Palestine Liberation Organization, the Palestinian National Authority has been formed and exercised a limited control over parts of the Palestinian Territories (West Bank and the Gaza Strip). The authority of administration of laws affecting disclosure of financial information has been transferred to Palestinian Authority under the terms of the Interim Agreement known as “Oslo II” signed between the Palestinians and Israelis on September 28, 1995.

The basis of the current legal framework for reporting and disclosure practices in the Palestinian Territories is still derived from the Jordanian and Egyptian outdated company laws. The two laws are broadly similar. They contain only general principles and require companies to prepare audited annual financial statements without specifying the content or format of these statements. In year 2008, the Palestinian Ministry of the National Economy has prepared a draft for a modern company law to replace these two company laws and unify the current company laws in the West Bank and Gaza Strip. This draft, however, has failed to be passed constitutionally as the Palestinian Legislative Council was not convened since mid-2007 due to political reasons.

Unlike company law, several sets of modern laws and regulations influencing the financial accounting practices have been issued in the Palestinian Territories since the establishment of Palestinian Authority. These regulations are Palestine Monetary Authority (PMA) regulations, PSE regulations, and Palestine Capital Market Authority (PCMA) regulations. All listed companies subject to PSE and PCMA regulations are required to prepare annual audited financial statements in accordance with International Financial Reporting Standards (IFRSs).

The operations of PSE is supervised and monitored by the PCMA which was established in 2005 to regulate the securities market in the Palestinian Territories. Furthermore, the banks and non-bank financial institutions are required under PMA regulations (Banking Law, 2002) to apply IFRSs. The PMA was established in 1994 to ensure price stability and contribute to the effectiveness of the Palestinian financial system. All listed companies are required by PCMA and PMA regulations to have their financial statements audited by a CPA registered with the Palestinian Association of Certified Public Accountants (PACPA). PACPA follow International Auditing Standards (IASs) in its bylaws.

In addition, the “Code of Corporate Governance in Palestine” was issued in November 2009 by the Capital Market Authorities (PCMA, 2009) in coordination with representatives from PSE, PMA and other regulatory, economic, legal, and academic bodies. This code, which became effective in November 2009, is applicable to the companies that come under the control of PCMA. While the code contains mandatory requirements that companies should adhere to, it also includes good practice guidance companies are encouraged to adopt. The code covers the following fundamental aspects of the corporate governance: general committee meeting, shareholders compatible rights, corporate management, auditing, disclosure and transparency, and other interest-holders in the company. According to the code, the total number of board members in the public shareholding company must be between five and 11 members. The code also recommends that the board director or any board member not to practice executive functions in the company in order to maintain the distribution of authority and responsibility. Moreover, the code advises companies to form audit

committees to ensure the transparency of the companies' accounts and inform the stakeholders of the degree of the risk that faces these companies.

Although empirical evidence of the influence of the corporate governance practices and firm-related attributes on the quality of financial reporting have been extensively studied in developed countries and some emerging economies, no piece of research work has been undertaken in Palestine where corporate governance is just evolving. Therefore, this study provides evidence on the effectiveness of Palestinian corporate governance reform in improving the timeliness of corporate financial reporting of firms listed on PSE. The current study aims to answer the following two research questions:

RQ1. What are the main determinants of ARL of Palestinian listed companies?

RQ2. Is the agency theory appropriate to interpret the Palestinian companies' motivations for earlier disclosure?

3. Literature review and hypothesis development

Although numerous studies have been undertaken in developed countries: New Zealand (Courtis, 1976; Carlsaw and Kaplan, 1991); USA (Ashton *et al.*, 1987); Canada (Ashton *et al.*, 1989); Greece (Leventis *et al.*, 2005); UK (Abdelsalam and Street, 2007) and emerging economies: Hong Kong (Jaggi and Tsui, 1999); Zimbabwe (Owusu-Ansah, 2000); Malaysia (Ahmad and Kamarudin, 2003; Hashim and Abdul Rahman, 2010; Mohamad-Nor *et al.*, 2010) to measure the determinants of ARL, few studies were undertaken in the Middle Eastern and Arab countries: Egypt (Afify, 2009; Akle, 2011); Kuwait (Al-Ghanem and Hegazy, 2011); Bahrain (Abdulla, 1996; Al-Ajmi, 2008). Previous literature on the determinants of the ARL has investigated the influence of different company characteristics, ownership structure, and corporate governance mechanisms. The findings of these studies provide mixed evidence. In order to seek answers for the research questions and, hence, to achieve the main objectives of this study discussed earlier, a set of testable hypotheses are formulated to test the influence of eight variables assembled into these three categories (company characteristics, corporate governance, and ownership structure) on the ARL among Palestinian listed companies. These eight variables are selected as they are considered the most relevant available variables to the Palestinian context that may significantly relate to ARL. As timely financial reporting is considered as an important component of good corporate governance mechanisms (Kulzick, 2004), the agency theory is expected to provide an appropriate conceptual framework to investigate the determinants of ARL in the context of a young and small emerging market like Palestine. The agency theory is relevant to this study not only because it is the most prominent of the current theories but also because its ability to explain the variables used in the study, each of which works as a monitoring mechanism to control agency costs between owners and managers. According to this theory, implementing good corporate governance practices can influence the agency conflict between managers and shareholders (Errunza and Miller, 2000; Drobetz *et al.*, 2004).

3.1 Corporate size

Agency theory suggests that as it is more difficult for top management in large firms to oversee the firm, they are subject to more agency and monitoring costs than small ones (Jensen and Meckling, 1976; Leftwich *et al.*, 1981; Himmelberg *et al.*, 1999). Therefore, large firms attempt to compensate for the loss of control and reduce monitoring costs by adopting strong internal auditing and control systems (Abdel-Khalik, 1993).

Adopting such effective accounting and internal audit systems expected to enable external auditors to depend on those systems more extensively (Carslaw and Kaplan, 1991) and thus reduce the audit work needed (Naser and Nuseibeh, 2008). Additionally, large firms are more likely to exert greater pressure on the auditors to complete their audit work quickly (Carslaw and Kaplan, 1991). Majority of earlier empirical studies have found external auditors complete the auditing of large firms earlier than small ones (Ashton *et al.*, 1989; Carslaw and Kaplan, 1991; Abdulla, 1996; Al-Ajmi, 2008; Al-Ghanem and Hegazy, 2011). For example, Al-Ajmi (2008) showed that audited financial reports of the large firms listed on the Bahrain Stock Exchange are likely to be published earlier than small companies. He argued that as large companies are followed by investors and regulators more than small ones, they are motivated to release their audited financial reports earlier than small firms. Also, using a sample of Kuwaiti listed firms, Al-Ghanem and Hegazy (2011) found that the firm size as measured by total assets is negatively associated with the audit delay. The authors explained their result as large firms usually have good control systems and their accounts are revised more frequently.

Corporate size was measured by more than one proxy in the literature such as total assets, turnover, and market capitalization.

Based on some of the prior research and the above mentioned arguments, the following hypothesis is formulated:

H1. There is a negative relationship between corporate size and ARL.

3.2 Audit firm status

From the agency theory perspective, companies with higher agency costs are more likely to hire one of the largest audit firms (Francis and Wilson, 1988; Johnson and Lys, 1990; Firth and Smith, 1992) to give more assurance to shareholders and hence reduce monitoring costs (Naser and Nuseibeh, 2008). Previous researchers usually identify a large audit firm as being one of the Big Four international audit firms, while small audit firms are the rest (Haniffa and Cooke, 2002; Glaum and Street, 2003). Since the Big Four international audit firms have more concern for their reputation as well as they are usually supported by more technical experts and advanced technology than small local ones, they are more likely to provide a relatively high quality of auditing (Kane and Velury, 2004) and to complete the audit work faster than the small audit forms (Gilling, 1977). However, empirical evidence on the influence of audit firm status on the ARL was inconsistent. While Gilling (1997) found a significant positive association between the status of audit firm and the audit delay, an insignificant association was observed by others (Davies and Whittred, 1980; Carslaw and Kaplan, 1991). For instance, Ahmad and Kamarudin (2003) who examined the determinants of audit delay among firms listed on the Kuala Lumpur Stock Exchange in the period 1996-2000 suggested that companies audited by international affiliated audit firms tend to have a shorter audit delay. Leventis *et al.* (2005) examined the ARL of companies listed on the Athens Stock Exchange and found that audit delay is reduced by appointing an international audit firm. On the other hand, Al-Ajmi (2008) failed to find a significant association between audit delay and status of audit firm in a sample of listed firms on the Bahrain Stock Exchange.

Based on the above discussion, it is reasonable to expect from international audit firms to perform their audit work more quickly than local ones. It is therefore hypothesized that:

H2. There is a negative relationship between audit firm status and ARL.

3.3 Audit complexity

In addition to the agency conflict between the principals (owners) of a corporation and the agents (managers), another agency relationship occurs in the managerial hierarchy in multi-division firms (Fama, 1980). In large multi-divisional companies' context, the subordinate managers act on behalf of top management. Thus, the firm's top management is considered as the principal who delegates authority and responsibility to the subordinate managers (agents), and this creates conflict between the principals (top management) and the agents (subordinate managers) of a corporation. Audit firms need more time on auditing the accounts of more complex companies than less complex ones. Thus, prior researchers argued that more complex companies are expected to have longer audit delays. Ashton *et al.* (1987) found that firms with more complex operations are likely to publish their audited accounts later than companies having less complex operations. Sengupta (2004) observed that the audit delay time is longer for firms that are diversified and reported special items on their income statements. Additionally, Leventis *et al.* (2005) suggested that the existence of extraordinary items which increases audit complexity may result in longer audit reporting lag. On the other hand, companies with a more complex structure are more accountable and visible to investors (McKinnon and Dalimunthe, 1993). Thus, they are more likely to own more sophisticated reporting and management information systems (Curtis, 1979; Cooke, 1989) in order to avoid or minimize monitoring cost. The availability of such advanced system could provide external auditors with a possibility to reduce the audit work needed to be performed.

Researchers used two measures to proxy for the degree of corporate complexity: complexity of operation and complexity of balance sheet composition (Naser and Nuseibeh, 2008). While the number of firm's subsidiaries and/or branches were employed by some researchers to measure the operational complexity of the firm (Taylor and Baker, 1981; Collier and Gregory, 1996; Joshi and Al-Bastaki, 2000; El-Gammal, 2012), the ratio of firm's receivables and/or inventories to the firm's total assets were used by others to reflect the balance sheet composition (Peel and Clatworthy, 2001; Naser and Nuseibeh, 2008). It is hypothesized that:

H3. There is a negative relationship between audit complexity and ARL.

3.4 Board size

There is an ongoing debate among accounting researchers as whether large or small boards are more effective in monitoring management and improving the quality of corporate reporting. It is expected that larger boards are more efficient in executing their responsibilities as the collective experience and expertise of the board will increase (Akhtaruddin *et al.*, 2009) and such large boards are more likely to reduce the dominance of the management (Hussainey and Wang, 2010). The agency theory, however, suggests that there is an upper limit to the number of board of directors. Jensen (1993) suggested that boards with more than eight members are unlikely to be effective and inhibit board performance. A large board may create communication and coordination problems and hence its effectiveness and monitoring efficiency declines (Lipton and Lorsch, 1992; Dimitropoulos and Asteriou, 2010). Moreover, a large board creates less participation and is less able to reach an agreement (Dalton *et al.*, 1999; Mak and Li, 2001). Ezat and El-Masry (2008) who examined the determinants of the timeliness of corporate internet reporting by the Egyptian listed companies suggested that firms with large boards tend to have a shorter audit delay as they disclose more timely information on their websites. Similarly, Wu *et al.* (2008) has argued that

Taiwanese listed firms with more board members are expected to have longer audit delay. In line with the agency theory argument which suggests a negative influence of board size on the quality of financial reporting, it is hypothesized that:

H4. There is a positive relationship between board size and ARL.

3.5 Chief Executive Officer (CEO) duality

CEO duality exists when the same person occupies the top two leadership positions in the same corporation, i.e., the chairman of the board of directors and the CEO. Agency theory suggests that CEO duality may substantially weaken the board effectiveness in protecting various shareholders' interests and in reducing monitoring costs. In this regard, Jensen (1993) argued that corporations should separate the positions of CEO and chairman to avoid potential conflicts of interest. Thus, based on the assumption that board monitoring effectiveness will positively influence overall company performance, it is reasonable to expect that CEO duality is associated with poor company performance including quality of corporate reporting. This argument has been empirically supported by some prior researchers who documented an inverse relationship between CEO duality and the disclosure quality (Haniffa and Cooke, 2002; Gul and Leung, 2004; Lakhali, 2005; Laksmana, 2008). Afify (2009) and Amari and Jarboui (2013) found that CEO duality has a positive and significant impact in delaying the financial reporting period among the Egyptian and Tunisian companies, respectively. However, Mohamad-Nor *et al.* (2010) found a negative but insignificant association between the CEO duality and the ARL in Malaysia.

Based on the above discussion, it is reasonable to expect that the existence of CEO duality will hamper the quality of corporate disclosure and thus increase the ARL. Therefore, the following hypothesis is proffered:

H5. There is a positive relationship between CEO duality and ARL.

3.6 Audit committee

The agency theory suggests that audit committee might be used as a monitoring mechanism that improves the quality of corporate reporting (McMullen, 1996; Barako *et al.*, 2006), reduces the information asymmetry (Chung *et al.*, 2004), and reduces irregularities and unreliable disclosure (McMullen, 1996). Many studies have been undertaken to examine the effectiveness of audit committee in its primary responsibility of overseeing financial reporting (Braiotta, 1986; Porter and Gendall, 1998; Gendron and Bédard, 2006; Cohen *et al.*, 2007). The findings by Afify (2009) who investigated the influence of corporate governance variables on audit delay in Egypt indicated that the existence of audit committee has a positive effect on shorten the audit delay. The study of Hashim and Abdul Rahman (2010) also revealed that effective audit committee would play a significant role to reduce audit lag in Malaysia. Accordingly, it is reasonable to expect that the existence of audit committees will ensure the accuracy and timeliness of the information reported. Thus, the following hypothesis is formulated:

H6. There is a negative relationship between existence of audit committee and ARL.

3.7 Ownership dispersion

Garcia-Meca and Sanchez-Ballestables (2010) suggested that the information asymmetry between management and shareholders increases in a widely dispersed ownership structure. Thus, to reduce the agency costs and information asymmetry resulting from conflicts between managers and stakeholders, firms with less concentrated ownership environment are expected to have higher quality of financial

reporting than more concentrated ownership (Jensen and Meckling, 1976; Fama and Jensen, 1983; Healy and Palepu, 2001). According to Sengupta (2004), the demand for timely reporting is expected to be greater for corporations that have a greater number of shareholders outstanding. Since individual shareholders who own a small percentage of shares in a company have limited access to inside information (Marston and Poley, 2004), they are enthusiastic to receive timely annual reports and be sure that their interests are well protected. Therefore, it is more likely that companies with high dispersion of ownership will publish timely annual reports to assure those individual investors and meet their expectations, and hence, reduce agency costs. Some empirical evidence supported this argument and showed that the quality of reporting is positively associated with wider ownership (Haniffa and Cooke, 2002; Chau and Gray, 2002; Barako *et al.*, 2006) while others could not find any significant relationship between the two variables (Wallace *et al.*, 1994; Naser *et al.*, 2002).

Based on the aforementioned arguments and literature on the influence of ownership diffusion on the reporting quality, the following hypothesis is put forward:

- H7.* There is a negative relationship between the ownership dispersion (percentage of shares held by individual investors) and ARL.

3.8 Ownership concentration

In contrast to the ownership dispersion, the more closely held companies, where a large percentage of shares in a company are owned by few major shareholders, are more likely to provide poor disclosure quality. Majority shareholders can use their power to access internal sources of information. Prior research (Hossain *et al.*, 1994; Schadewitz and Blevins, 1998; Marston and Poley, 2004) has noticed a significant negative relationship between corporate reporting and ownership concentration. Thus, it is reasonable to formulate the following hypothesis:

- H8.* There is a positive relationship between the ownership concentration (percentage of shares held by major investors) and ARL.

4. Research design

The data collected for the purpose of this research are extracted from year 2011 annual reports of all companies listed on PSE as well as the listed Companies Guide of 2011 issued by PSE. The annual reports of year 2011 are chosen as, at the time of conducting the study, they were the more recent reports available on website. At the end of 2011, 46 companies were listed on PSE. Due to a relatively small number of companies listed on PSE, it was decided to survey the whole population. In this study, the dependent variable is the ARL as measured by the difference between the date of audit report and the end of fiscal year. Eight factors have been chosen as explanatory variables to evaluate their influence on the audit report delay made by the Palestinian companies. As mentioned earlier, these variables are chosen as they are related to the Palestinian corporate governance system. According to the Palestinian corporate governance code, the listed firms are required to have boards between five and 11 members. Listed companies should also appoint independent external auditors who are licensed by the authorities and possess the adequate professional credentials to complete their tasks. The code, however, recommends separating the duties of CEO and Chairman of the board in order to enhance board independence and maintain the distribution of authority and responsibility. Moreover, firms are advised by the code to establish audit committees to ensure the transparency of the companies' accounts. Moreover, like other

corporate governance systems, there are two basic forms of agency conflicts that may occur in Palestinian listed firms: one between controlling managers and widely dispersed shareholders, and the other between controlling shareholders and dispersed shareholders. Therefore, the study looks at these two mechanisms (e.g. concentrated ownership and dispersed ownership) and examines the evidence on their contribution to improving timely reporting behavior of listed firms on PSE.

Based on the above discussion, we test the following model:

$$ARL_{(x)} = a_0 + \beta_1 SIZE + \beta_2 SAF + \beta_3 COMPX + \beta_4 BDSIZE + \beta_5 CEODUAL + \beta_6 ADCOM + \beta_7 DISPR + \beta_8 CONCNT + \varepsilon$$

where $ARL_{(x)}$ is the ARL for company X (the difference between the date of audit report and the end of fiscal year), a_0 the intercept, $SIZE$ the corporate size measured by the natural logarithm of total market capitalization, SAF the status of the audit firm where 1 is given to the big international audit firm and 0 otherwise, $COMPX$ the total number of branches of company X, $BDSIZE$ the total number of board directors for company X, $CEODUAL$ the CEO duality where 1 is given if CEO and Chairman is the same person, 0 otherwise, $ADCOM$ the existence of audit committee where is given to the company if it has 1 audit committee, 0 = otherwise, $DISPR$ the percentage of ordinary shares held by individual investors for company X, $CONCNT$ the total number of majority shareholders who hold 5 percent or more of company X shares, β_1 to β_8 the parameters of the model, ε the random error term.

5. Findings

5.1 Descriptive statistics

Descriptive statistics were performed to shed some light on both the dependent and explanatory variables used in this study. Descriptive statistics are summarized in Tables I and II. It is obvious from Table I, which reports descriptive statistics about continuous variables utilized in the study, that the mean of ARL for companies listed on

Variable	Mean	SD	Minimum	Maximum	
<i>ARL</i>	62.04	23.628	17	96	Table I. Descriptive statistics about continuous variables employed in the analyses
<i>SIZE</i>	7.2461	0.61854	5.80	8.99	
<i>COMPX</i>	5.07	9.308	0	53	
<i>BDSIZE</i>	9.02	1.782	5	14	
<i>INDIV</i>	0.509783	0.3281632	0.0000	1	
<i>MAJOR</i>	2.586957	1.8687618	0.0000	7	
Valid <i>n</i> (listwise)					

Variable		Frequency	%	Accumulated %	
Audit firm status (<i>SAF</i>)	International	24	52.2	52.2	Table II. Descriptive statistics about discontinuous variables employed in the analyses
	Otherwise	22	47.8	100	
CEO duality (<i>CEODUAL</i>)	Yes	6	13	13	
	No	40	87	100	
Audit committee (<i>ADCOM</i>)	Yes	21	45.7	45.7	
	No	25	54.3	100	

PSE is 62 days with a maximum and minimum days of 96 and 17, respectively. This result reflects relatively high variations among the sample companies. Compared with the delays in other emerging economies, the average audit delay for Palestinian companies seems to be shorter than the audit delay among Bahraini listed companies which ranged from 85 to 96 days between 1985 and 1991 (Abdulla, 1996) and Istanbul Stock Exchange listed companies which was found to be 86 days (Türel, 2010). However, the result of this study is similar to Al-Ajmi (2008) who noticed that the Bahraini companies took on average 60.5 days to publish their audited annual reports over the period 1992-2006.

Few important observations about the explanatory variables also reported in Table I. The table showed that the company size as measured by the natural logarithm of the company's market capitalization varied greatly. The market capitalization ranged from US\$629,024 to US\$98,2081,994 with a mean of US\$67,423,240 while the market capitalization (in logarithms) ranged from US\$5.80 to US\$8.99 with a mean of US\$7.25. With respect to the company complexity, it ranged from zero to 53 branches, with a mean of 5.07 branches. The number of board of directors ranged from five members to 14 members with a mean of nine members. The table also demonstrated that the percentage of shares owned by individual shareholders ranged from zero to 100 percent, with a mean of 51 percent. With respect to ownership concentration, the number of major shareholders who hold at least 5 percent of company shares ranged from zero to seven shareholders with an average of 2.6 shareholders.

Descriptive statistics about discrete variables employed in the current study are reported in Table II. The table demonstrated that 52 percent of the annual reports were audited by firms affiliated with the Big Four international auditing firms. This indicates that practice of auditing in the Palestinian Territories is dominated by the Big Four international auditing firms. With respect to CEO duality, 87 percent of the sample companies separate the positions of CEO and Chairman. Thus, CEO duality was not prominent in Palestinian listed firms. In addition, only 45.7 percent of Palestinian companies have audit committees. This indicates that most of the Palestinian companies are still with no audit committees.

5.2 Correlation

Pearson correlation coefficient matrix was undertaken to explore the direction and the strength of the relationship between the independent variables employed in the study and to check for possible collinearity among the independent variables. The matrix was presented in Table III. It can be seen from the table that the highest correlation was between the status of audit firm and the corporate size ($R^2 = 0.480$). However, the value of the correlation coefficient between these two independent variables is still less than the critical value of 0.80 (Bryman and Cramer, 2011) suggesting that multicollinearity is not a serious problem. Multicollinearity was also assessed using the variance inflation factor (VIF) in the regression analysis. VIF for all variables was calculated and reported in Table V. As all of the resulted VIF falls well below the critical value of 10, multicollinearity is not considered a serious concern in the interpretation of OLS regression results (Kutner *et al.*, 2004, p. 409).

5.3 Regression analysis

To assess data readiness for conducting the regression analysis, several tests were performed to ensure that the normality of the residual distribution and absence of

Variable	ARL	SIZE	SAF	COMPX	BDSIZE	CEODUAL	ADCOM	INDIV	MAJOR
ARL	1								
SIZE	-0.072	1							
SAF	0.251	0.480**	1						
COMPX	-0.130	0.099	0.106	1					
BDSIZE	0.379**	0.426**	0.209	0.285	1				
CEODUAL	-0.070	0.124	-0.146	0.173	-0.041	1			
ADCOM	-0.293*	0.145	0.091	0.031	0.013	-0.096	1		
INDIV	-0.287	-0.351*	-0.414**	0.038	-0.220	0.330*	-0.063	1	
MAJOR	-0.017	-0.063	-0.049	0.188	-0.104	0.121	0.087	0.126	1

Notes: *, **Correlation are significant at the 0.05 and 0.01 levels, respectively (two-tailed)

Table III.
Correlation among
all variables used
in the study

outliers assumptions are satisfied. To assess the normality, probability plot of the residuals method was employed. No serious deviations were found from the diagonal line, and hence, the residuals from the model seem to have a normal distribution. This result was confirmed by the Kolmogorov-Smirnov (KS) test ($KS = 0.380, p = 0.999$). To check for outliers and influential observations, the Residuals statistics test and Cook's distance (*coo_1*) were used. The Std. (standardized) residual as presented in the residuals statistics table (Table IV) shows that no cases were found to be outliers as the minimum and maximum values did not exceed ± 3.3 (Tabachnick and Fidell, 2001). Similarly, the same table shows that no case in the data set has a Cook's distance (*coo_1*) value of larger than 1 (Stevens, 2012) which indicates that no outliers have been found in the data set.

As the assumptions of normality of the residual distribution, absence of outliers and lack of multicollinearity among the independent variables are met, a multivariate test using OLS regression model was performed on all independent variables used in the regression model and the findings are presented in Table V. Both the *F*-value of 5.294 ($p = 0.000$) and the adjusted R^2 of the model which equals 43.3 percent support the significance of the model and suggest that the included factors are responsible for almost 43 percent of the variations in the ARL.

According to Table V, six independent variables were significant at the 0.05 level in the regression model. These variables include: board size, corporate size, status of audit

	Minimum	Maximum	Mean	SD	<i>n</i>
Predicted value	26.07	96.25	62.04	17.262	46
Std. predicted value	-2.084	1.982	0.000	1.000	46
Standard error of predicted value	5.267	15.558	7.665	1.804	46
Adjusted predicted value	22.29	98.48	61.98	17.724	46
Residual	-35.585	41.343	0.000	16.134	46
Std. residual	-2.000	2.324	0.000	0.907	46
Stud. residual	-2.134	2.672	0.000	1.008	46
Deleted residual	-41.096	54.661	0.064	20.080	46
Stud. deleted residual	-2.248	2.934	0.002	1.039	46
Mahal. distance	2.965	33.427	7.826	4.901	46
Cook's distance	0.000	0.255	0.028	0.047	46
Centered leverage value	0.066	0.743	0.174	0.109	46

Table IV.
Residuals statistics

Note: Dependent variable: ARL

Model	Variables	$R^2 = 0.534$ β	Adj. $R^2 = 0.433$ <i>t</i>	$F = 5.294$ Sig.	Sig. = 0.000 VIF
1	(Constant)		3.788	0.001	
	<i>SIZE</i>	-0.540	-3.606	0.001	1.778
	<i>SAF</i>	0.363	2.659	0.012	1.480
	<i>COMPX</i>	-0.318	-2.579	0.014	1.208
	<i>BDSIZE</i>	0.586	4.429	0.000	1.391
	<i>CEODUAL</i>	0.182	1.409	0.167	1.317
	<i>ADCOM</i>	-0.256	-2.221	0.033	1.055
	<i>INDIV</i>	-0.277	-2.048	0.048	1.450
	<i>MAJOR</i>	0.123	1.047	0.302	1.088

Table V.
Results of the
regression analysis

firm, audit complexity, the existence of audit committee, and ownership dispersion variables. All these variables influence audit delay in the predicted direction except for the status of audit firm. On the other hand, the CEO duality and ownership concentration variables were insignificant.

The most significant variable that impacts the audit delay of the companies listed on PSE is the board size. Table V pointed to positive association between the two variables. Therefore the hypothesis which states that the higher the number of directors on the board the longer the audit delay is supported. The evidence that firms with more members in the board of directors are more likely to have shorter audit delay is in contrast with the evidence from some prior studies (Halme and Huse, 1997; Xie *et al.*, 2003; Cormier *et al.*, 2009) but is consistent with others (Cerbioni and Parbonetti, 2007; Ezat and El-Masry, 2008; Wu *et al.*, 2008). This finding is also in line with the agency theory which suggests that an excessive number of directors may create coordination problems and thus make the board less effective in controlling company and monitoring top management (Lipton and Lorsch, 1992; Jensen, 1993; Yermack, 1996).

The second variable appeared to be an important determinant of ARL is the corporate size. This finding is consistent with prior studies suggesting that large firms tend to report financial statements earlier than small firms (Ashton *et al.*, 1989; Carslaw and Kaplan, 1991; Abdulla, 1996). The result is similar to the findings of some other studies conducted in Arab countries. Abdulla (1996) and Al-Ajmi (2008) indicated that large Bahraini companies which are followed by investors and regulators more than small ones are more likely to release their audited financial reports earlier. Moreover, Al-Ghanem and Hegazy (2011) showed that company size has positive impact on reducing the ARL by companies listed on Kuwait Stock Exchange. This finding gives support to agency theory. Large companies are more likely to adopt advanced accounting and auditing systems in order to mitigate monitoring and agency costs resulting from conflicts between top management and low-level management. Effective accounting and auditing systems suggest that a company is not facing accounting problems and hence no extra audit work is needed.

Contrary to expectation, a significantly positive relationship has been found between the ARL and the status of audit firm variable. This result agrees with Türel (2010) who investigated the determinants of timely financial reporting practices in Turkey and found that delay for Big 4 audit firms is higher than those for small audit firms. However, this result does not reinforce the findings of the majority of the prior studies (Ahmad and Kamarudin, 2003; Leventis *et al.*, 2005; Owusu-Ansah and Leventis, 2006) which showed that audit lag is negatively associated with engaging with one of the Big Four Auditing Firms. Accordingly, this empirical finding provides no support to research hypothesis stating that companies audited by any audit firm with an affiliation to one of the Big Four international audit firms present their financial statements earlier than companies audited by small local audit firms (Ashton *et al.*, 1989; Ahmad and Kamarudin, 2003). A possible explanation for this finding may be that international audit firms believe that their reputation and credibility can be protected by assuring stakeholders that their clients are fully complying with disclosure requirements rather than completing their audit work as quickly as possible. Therefore, they exercise more efforts to attest the companies' accounting systems and this, in turn, increases the work of the audit firm and results in longer ARL.

As for the company complexity variable, companies with a large number of branches complete their audited accounts sooner than those firms with a small number of branches. Accordingly, the empirical findings supports the hypothesis states that companies with higher number of branches take shorter time to release their audited financial statements than less complex companies. This result might also be related to company size as it is more likely that large companies are usually have more branches than smaller companies. Hence, complexity may be viewed as a size measure. Although this result is not in line with most of prior research showed that audit complexity is positively related to audit delay (Ashton *et al.* 1987, 1989; Sengupta, 2004; Leventis and Caramanis, 2005), it lends support to the agency theory. Top management in such large and complex firms are expected to establish effective internal control and auditing systems (San Miguel *et al.*, 1977) in order to reduce the agency costs resulting from conflicts between top management and lower level managers. Placing heavy reliance upon such effective system would result in fewer audits testing and less work by the external audit firm.

As predicted, regression results indicated that there is a significant negative association between the existence of audit committee and the ARL. The present finding seems to be consistent with the previous studies (Afify, 2009; Hashim and Abdul Rahman, 2010) which noted that the existence and/or effectiveness of audit committee reduce the audit lag. This finding also lends support to the agency theory which suggests that audit committee can play an important role in the monitoring process and ensuring better information flow between firm owners and managers (Barako *et al.*, 2007) and reducing the information asymmetry (Chung *et al.*, 2004).

Table V points also to negative association between the ownership dispersion as reflected by the percentage of shares owned by individual shareholders and the ARL. This result is consistent with the findings of some prior studies (Haniffa and Cooke, 2002; Chau and Gray, 2002; Barako *et al.*, 2006). The finding also lends support to the agency theory which suggests that companies with highly individual shareholders are expected to provide signals that managements are acting in the best interests of those individual shareholders through, among others, releasing timely financial information (Easterbrook, 1984). Companies with diffused ownership are more exposed to agency conflict since the divergence of interests between management and individual shareholders is likely to be wider. As individual shareholders lack sufficient shares to justify large expenditures to closely monitor managers, they consider the corporate annual report as the most important source of their information. This, as such, may give an incentive to management to adopt particular reporting practices, such as timely disclosure, to reduce the information asymmetry and agency conflicts between managers and outside investors (Healy and Palepu, 2001).

As for the last two proposed variables, the CEO duality and ownership concentration variables are related, as predicted, positively with audit delay. This association, however, is not significant, and thus, the related hypotheses are not supported. These results are similar to the findings of some prior research conducted in other countries. For instance, Mohamad-Nor *et al.* (2010) found insignificant association between the CEO duality and the audit delay in Malaysia. Afify (2009), on the other hand, documented that ownership concentration has an insignificant influence on ARL in Egypt. These results, however, lend only partial support to the agency theory which suggests that both the CEO duality and ownership concentration adversely affect the quality of corporate disclosures including the timeliness of financial reporting.

6. Conclusion

In this study, the agency theory has been employed to extend an empirical evidence of the variables that may affect the audit delay made by companies listed on PSE. The 2011 annual reports of all listed companies on the exchange as well as the 2011 Companies Guide issued by PSE were used to achieve this objective. ARL, which is the number of days from fiscal year end to audit report, is used as dependent variable and regressed against a number of factors that motivate companies to release timely audited financial statements. The choice of these variables was mainly based on previous research. The regression analysis showed that variations in ARL made by companies listed on PSE are associated with corporate size, board size, status of audit firm, existence of audit committee, and ownership dispersion variables. The findings of the study lend support to agency theory. According to this theory, large and complex companies are subject to more monitoring costs than other companies. In an attempt to minimize monitoring cost and to assure stakeholders, these large and complex companies are more likely to be involved in a better disclosure practices such as releasing timely audited financial statements. The theory also suggests that small board size, existence of audit committee, and the ownership dispersion may strengthen the monitoring functions of the board of directors. The positive association between the board size and ARL was due to the relatively large board of the Palestinian listed companies. Boards with too many members increase the coordination problems and results in a less meaningful discussion. This, in turn, negatively influences the quality of corporate practices including longer delay in ARL. Firms that have audit committees complete the audit of their accounts earlier than firms that do not have such committees. The existence of audit committee might be viewed as a monitoring mechanism that improves the information flow between management and shareholders and mitigates the information asymmetry. Companies with high-dispersion ownership structure are more likely to disclose their financial information earlier than companies with high-concentrated ownership structure in an attempt to minimize monitoring cost and to assure individual shareholders having no access to inside information.

The study may draw the issue of timely reporting to the attention of policy makers in the Palestinian Territories regarding the limitations and shortcomings of the current corporate disclosure practices in the light of the country's economic, social, and political environment. As companies seek to attract investments, these findings also are of particular relevance for corporate managers to identify the importance of the timely reporting to investors and other pressure groups.

This study is subject to several limitations and, therefore, conclusions made have to be drawn with care and caution. One limitation is that as the current study spans only one year, the long-term effect of company attributes and corporate governance mechanisms on the ARL have not be examined. Another limitation of this study is that the corporate governance mechanisms (board size, existence of audit committee, and ownership dispersion) may not capture complete and accurate mechanisms experienced by Palestinian listed companies. Therefore, these limitations leave room for further research. A deeper analysis for a lengthier period of time could enhance the tendencies of timely corporate reporting in Palestine. Moreover, the role of other governance mechanisms such as the proportion of non-executive directors, characteristics of audit committee, and the proportion of institutional and foreign ownership are interesting perspectives to look into. Future research, at the very least, can make use of the results of this study as a basis for further expansion.

References

- Abdel-Khalik, A.R. (1993), "Why do private companies demand auditing? A case for organizational loss of control", *Journal of Accounting, Auditing and Finance*, Vol. 8 No. 1, pp. 31-52.
- Abdelsalam, O.H. and Street, D.L. (2007), "Corporate governance and the timeliness of corporate internet reporting by UK listed companies", *Journal of International Accounting, Auditing and Taxation*, Vol. 16 No. 2, pp. 111-130.
- Abdulla, J.Y.A. (1996), "The timeliness of Bahraini annual reports", *Advances in International Accounting*, Vol. 9, pp. 73-88.
- Afify, H.A.E. (2009), "Determinants of audit report lag: does implementing corporate governance have any impact? Empirical evidence from Egypt", *Journal of Applied Accounting Research*, Vol. 10 No. 1, pp. 56-86.
- Ahmad, R.A.R. and Kamarudin, K.A. (2003), "Audit delay and the timeliness of corporate reporting: Malaysian evidence", *Communication Hawaii International Conference on Business, University of Hawaii-West Oahu, Honolulu, Hawaii, June 18-21*.
- Akhtaruiddin, M., Hossain, M.A., Hossain, M. and Yao, L. (2009), "Corporate governance and voluntary disclosure in corporate annual reports of Malaysian listed firms", *Journal of Applied Management Accounting Research*, Vol. 7 No. 1, pp. 1-19.
- Akle, P.D.Y.H. (2011), "The relationship between corporate governance and financial reporting timeliness for companies listed on Egyptian stock exchange 'an empirical study'", *Internal Auditing and Risk Management*, Vol. 30 Nos 2/22, pp. 81-90.
- Al-Ajmi, J. (2008), "Audit and reporting delays: evidence from an emerging market", *Advances in Accounting*, Vol. 24 No. 2, pp. 217-226.
- Al-Ghanem, W. and Hegazy, M. (2011), "An empirical analysis of audit delays and timeliness of corporate financial reporting in Kuwait", *Eurasian Business Review*, Vol. 1 No. 1, pp. 73-90.
- Amari, M. and Jarboui, A. (2013), "Financial reporting delay and corporate governance: evidence from Tunisia", *Business and Management*, Vol. 5 No. 4, pp. 32-46.
- Ashton, R.H., Graul, P.R. and Newton, J.D. (1989), "Audit delay and the timeliness of corporate reporting", *Contemporary Accounting Research*, Vol. 5 No. 2, pp. 657-673.
- Ashton, R.H., Willingham, J.J. and Elliott, R.K. (1987), "An empirical analysis of audit delay", *Journal of Accounting Research*, Vol. 25 No. 2, pp. 275-292.
- Atiase, R.K., Bamber, L.S. and Tse, S. (1989), "Timeliness of financial reporting, the firm size effect, and stock price reactions to annual earnings announcements", *Contemporary Accounting Research*, Vol. 5 No. 2, pp. 526-552.
- Bamber, E.M., Bamber, L.S. and Schoderbek, M. (1993), "Audit structure and other determinants of audit report lag: an empirical analysis", *Auditing*, Vol. 12 No. 1, pp. 1-23.
- Banking Law (2002), *Palestine Monetary Authority*, Ramallah, Palestine.
- Barako, D.G., Hancock, P. and Izan, H.Y. (2006), "Factors influencing voluntary corporate disclosure by Kenyan companies", *Corporate Governance: An International Review*, Vol. 14 No. 2, pp. 107-125.
- Barako, D.G., Hancock, P. and Izan, H.Y. (2007), "Determinants of voluntary disclosures in Kenyan companies annual reports", *African Journal of Business Management*, Vol. 1 No. 5, pp. 113-128.
- Braiotta, L. Jr (1986), "Audit committees: an international survey", *The Corporate Board*, Vol. 7 No. 3, pp. 18-23.
- Bryman, A. and Cramer, D. (2011), *Quantitative Data Analysis with IBM SPSS 17, 18 & 19*, Routledge, London and New York, NY, p. 298.
- Carslaw, C.A.P.N. and Kaplan, S.E. (1991), "An examination of audit delay: further evidence from New Zealand", *Accounting and Business Research*, Vol. 22 No. 85, pp. 21-32.

- Cerbioni, F. and Parbonetti, A. (2007), "Exploring the effects of corporate governance on intellectual capital disclosure: an analysis of European biotechnology companies", *European Accounting Review*, Vol. 16 No. 4, pp. 791-826.
- Chambers, A.E. and Penman, S.H. (1984), "Timeliness of reporting and the stock price reaction to earnings announcements", *Journal of Accounting Research*, Vol. 22 No. 1, pp. 21-47.
- Chau, G.K. and Gray, S.J. (2002), "Ownership structure and corporate voluntary disclosure in Hong Kong and Singapore", *The International Journal of Accounting*, Vol. 37 No. 2, pp. 247-265.
- Chung, K.H., Charoenwong, C. and Ding, D.K. (2004), "Penny pricing and the components of spread and depth changes", *Journal of Banking & Finance*, Vol. 28 No. 12, pp. 2981-3007.
- Cohen, J., Gaynor, L.M., Krishnamoorthy, G. and Wright, A.M. (2007), "Auditor communications with the audit committee and the board of directors: policy recommendations and opportunities for future research", *Accounting Horizons*, Vol. 21 No. 2, pp. 165-187.
- Collier, P. and Gregory, A. (1996), "Audit committee effectiveness and the audit fee", *European Accounting Review*, Vol. 5 No. 2, pp. 177-198.
- Cooke, T.E. (1989), "Voluntary corporate disclosure by Swedish companies", *Journal of International Financial Management & Accounting*, Vol. 1 No. 2, pp. 171-195.
- Cormier, D., Ledoux, M.-J. and Magnan, M. (2009), "The use of web sites as a disclosure platform for corporate performance", *International Journal of Accounting Information Systems*, Vol. 10 No. 1, pp. 1-24.
- Courtis, J.K. (1976), "Relationships between timeliness in corporate reporting and corporate attributes", *Accounting and Business Research*, Vol. 7 No. 25, pp. 45-56.
- Courtis, J.K. (1979), "Annual report disclosure in New Zealand: analysis of selected corporate attributes", Research Study No. 8, University of New England, Armidale.
- Dalton, D.R., Daily, C.M., Johnson, J.L. and Ellstrand, A.E. (1999), "Number of directors and financial performance: a meta-analysis", *Academy of Management Journal*, Vol. 42 No. 6, pp. 674-686.
- Davies, M.W. and Whittred, G.P. (1980), "The association between selected corporate attributes and timeliness in corporate reporting: further analysis", *Abacus*, Vol. 16 No. 1, pp. 48-60.
- Dimitropoulos, P.E. and Asteriou, D. (2010), "The effect of board composition on the informativeness and quality of annual earnings: empirical evidence from Greece", *Research in International Business and Finance*, Vol. 24 No. 2, pp. 190-205.
- Drobetz, W., Schillhofer, A. and Zimmermann, H. (2004), "Corporate governance and expected stock returns: evidence from Germany", *European Financial Management*, Vol. 10 No. 2, pp. 267-293.
- Easterbrook, F.H. (1984), "Two agency-cost explanations of dividends", *The American Economic Review*, Vol. 74 No. 4, pp. 650-659.
- El-Gammal, W. (2012), "Determinants of audit fees; evidence from Lebanon", *International Business Research Journal*, Vol. 5 No. 11, pp. 236-145.
- Errunza, V. and Losq, E. (1985), "International asset pricing under mild segmentation: theory and test", *The Journal of Finance*, Vol. 40 No. 1, pp. 105-124.
- Errunza, V.R. and Miller, D.P. (2000), "Market segmentation and the cost of the capital in international equity markets", *Journal of Financial and Quantitative Analysis*, Vol. 35 No. 4, pp. 577-600.
- Ezat, A. and El-Masry, A. (2008), "The impact of corporate governance on the timeliness of corporate internet reporting by Egyptian listed companies", *Managerial Finance*, Vol. 34 No. 12, pp. 848-867.
- Fama, E.F. (1980), "Agency problems and the theory of the firm", *Journal of Political Economy*, Vol. 88 No. 2, pp. 288-307.

- Fama, E.F. and Jensen, M.C. (1983), "Separation of ownership and control", *Journal of Law and Economic*, Vol. 26 No. 2, pp. 301-325.
- Feltham, G.A. (1972), "Information evaluation", Studies in Accounting Research No. 5, American Accounting Association, Sarasota, FL.
- Financial Accounting Standards Board (1980), "Qualitative characteristics of accounting information", SFAC No. 2, FASB, Journal of Accountancy, August, pp. 105-120.
- Firth, M. and Smith, A. (1992), "Selection of auditor firms by companies in the new issue market", *Applied Economics*, Vol. 24 No. 2, pp. 247-255.
- Francis, J.R. and Wilson, E.R. (1988), "Auditor changes: a joint test of theories relating to agency costs and auditor differentiation", *Accounting Review*, Vol. 63 No. 4, pp. 663-682.
- Garcia-Meca and Sanchez-Ballestables (2010), "The association of board independence and ownership concentration with voluntary disclosure: a meta-analysis", *The European Accounting Review*, Vol. 19 No. 3, pp. 603-627.
- Gendron, Y. and Bédard, J. (2006), "On the constitution of audit committee effectiveness", *Accounting, Organizations and Society*, Vol. 31 No. 3, pp. 211-239.
- Gilling, D.M. (1977), "Timeliness in corporate reporting: some further comment", *Accounting and Business Research*, Vol. 8 No. 29, pp. 34-36.
- Givoly, D. and Palmon, D. (1982), "Timeliness of annual earnings announcements: some empirical evidence", *Accounting Review*, Vol. 57 No. 3, pp. 486-508.
- Glau, M. and Street, D.L. (2003), "Compliance with the disclosure requirements of Germany's new market: IAS versus US GAAP", *Journal of International Financial Management & Accounting*, Vol. 14 No. 1, pp. 64-100.
- Gul, F.A. and Leung, S. (2004), "Board leadership, outside directors' expertise and voluntary corporate disclosures", *Journal of Accounting and Public Policy*, Vol. 23 No. 5, pp. 351-379.
- Halme, M. and Huse, M. (1997), "The influence of corporate governance, industry and country factors on environmental reporting", *Scandinavian Journal of Management*, Vol. 13 No. 2, pp. 137-157.
- Haniffa, R.M. and Cooke, T.E. (2002), "Culture, corporate governance and disclosure in Malaysian corporations", *Abacus*, Vol. 38 No. 3, pp. 317-349.
- Hashim, U. and Abdul Rahman, R. (2010), "Board independence, board diligence, board expertise and impact on audit report lag in Malaysian market", *Finance and Corporate Governance Conference*, available at: <http://ssrn.com/abstract=1717479> (accessed April 20, 2013).
- Healy, P.M. and Palepu, K.G. (2001), "Information asymmetry, corporate disclosure, and the capital markets: a review of the empirical disclosure literature", *Journal of Accounting and Economics*, Vol. 31 No. 1, pp. 405-440.
- Himmelberg, C.P., Hubbard, R.G. and Palia, D. (1999), "Understanding the determinants of managerial ownership and the link between ownership and performance", *Journal of Financial Economics*, Vol. 53 No. 3, pp. 353-384.
- Hossain, M., Tan, M. and Adams, C. (1994), "Voluntary disclosure in an emerging capital market: some empirical evidence from companies listed on the Kuala Lumpur Stock Exchange", *The International Journal of Accounting*, Vol. 29 No. 4, pp. 334-351.
- Hussainey, K. and Wang, M. (2010), "Voluntary disclosure and corporate governance: further UK evidence", working paper, Stirling University, Stirling.
- Jaggi, B. and Tsui, J. (1999), "Determinants of audit report lag: further evidence from Hong Kong", *Accounting and Business Research*, Vol. 30 No. 1, pp. 17-28.
- Jensen, M.C. (1993), "The modern industrial revolution, exit and the failure of internal control systems", *Journal of Finance*, Vol. 48 No. 3, pp. 831-880.
- Jensen, M.C. and Meckling, W.H. (1976), "Theory of the firm: managerial behavior, agency costs and ownership structure", *Journal of Financial Economics*, Vol. 3 No. 4, pp. 305-360.

- Johnson, W.B. and Lys, T. (1990), "The market for audit services: evidence from voluntary auditor changes", *Journal of Accounting and Economics*, Vol. 12 No. 1, pp. 281-308.
- Joshi, P.L. and Al-Bastaki, H. (2000), "Determinants of audit fees: evidence from the companies listed in Bahrain", *International Journal of Auditing*, Vol. 4 No. 2, pp. 129-138.
- Kane, G.D. and Velury, U. (2004), "The role of institutional ownership in the market for auditing services: an empirical investigation", *Journal of Business Research*, Vol. 57 No. 9, pp. 976-983.
- Kulzick, R.S. (2004), "Sarbanes-Oxley: effects on financial transparency", *SAM Advanced Management Journal*, Vol. 69 No. 1, pp. 43-49.
- Kutner, M.H., Nachtsheim, C. and Neter, J. (2004), *Applied Linear Regression Models*, McGraw-Hill/Irwin.
- Lakhal, F. (2005), "Voluntary earnings disclosures and corporate governance: evidence from France", *Review of Accounting and Finance*, Vol. 4 No. 3, pp. 64-85.
- Laksmana, I. (2008), "Corporate board governance and voluntary disclosure of executive compensation practices", *Contemporary Accounting Research*, Vol. 25 No. 4, pp. 1147-1182.
- Leftwich, R.W., Watts, R.L. and Zimmerman, J.L. (1981), "Voluntary corporate disclosure: the case of interim reporting", *Journal of Accounting Research Supplement*, Vol. 19 No. 3, pp. 50-77.
- Leventis, S. and Caramanis, C. (2005), "Determinants of audit time as a proxy of audit quality", *Managerial Auditing Journal*, Vol. 20 No. 5, pp. 460-478.
- Leventis, S. and Weetman, P. (2004), "Timeliness of financial reporting: applicability of disclosure theories in an emerging capital market", *Accounting and Business Research*, Vol. 34 No. 1, pp. 43-56.
- Leventis, S., Weetman, P. and Caramanis, C. (2005), "Determinants of audit report lag: some evidence from the Athens stock exchange", *International Journal of Auditing*, Vol. 9 No. 1, pp. 45-58.
- Lipton, M. and Lorsch, J.W. (1992), "A Modest proposal for improved corporate governance", *Business Lawyer*, Vol. 59 No. 1, pp. 59-77.
- McMullen, D.A. (1996), "Audit committee performance: an investigation of the consequences associated with audit committees", *Auditing: A Journal of Practice & Theory*, Vol. 15 No. 1, pp. 87-103.
- McKinnon, J.L. and Dalimunthe, L. (1993), "Voluntary disclosure of segment information by Australian diversified companies", *Accounting & Finance*, Vol. 33 No. 1, pp. 33-50.
- Mak, Y.T. and Li, Y. (2001), "Determinants of corporate ownership and board structure: evidence from Singapore", *Journal of Corporate Finance*, Vol. 7 No. 3, pp. 235-256.
- Marston, C. and Polei, A. (2004), "Corporate reporting on the internet by German companies", *International Journal of Accounting Information Systems*, Vol. 5 No. 3, pp. 285-311.
- Mohamad-Nor, M.N., Shafie, R. and Wan-Hussin, W.N. (2010), "Corporate governance and audit report lag in Malaysia", *Asian Academy of Management Journal of Accounting and Finance*, Vol. 6 No. 2, pp. 57-84.
- Naser, K. and Nuseibeh, R. (2008), "Determinants of audit fees: empirical evidence from an emerging economy", *International Journal of Commerce and Management*, Vol. 17 No. 3, pp. 239-254.
- Naser, K., Al-Khatib, K. and Karbhari, Y. (2002), "Empirical evidence on the depth of corporate information disclosure in developing countries: the case of Jordan", *International Journal of Commerce and Management*, Vol. 12 Nos 3/4, pp. 122-155.
- Owusu-Ansah, S. (2000), "Timeliness of corporate financial reporting in emerging capital markets: empirical evidence from the Zimbabwe Stock Exchange", *Accounting and Business Research*, Vol. 30 No. 3, pp. 241-254.
- Owusu-Ansah, S. and Leventis, S. (2006), "Timeliness of corporate annual financial reporting in Greece", *European Accounting Review*, Vol. 15 No. 2, pp. 273-287.
- PCMA (2009), "Code of corporate governance", Palestine Capital Market Authority.

- Peel, M. and Clatworthy, M.A. (2001), "The relationship between government structure and audit fees pre-cadbury: some empirical findings", *Corporate Governance*, Vol. 9 No. 4, pp. 286-297.
- Porter, B.A. and Gendall, P.J. (1998), "Audit committees in private and public sector corporates in New Zealand: an empirical investigation", *International Journal of Auditing*, Vol. 2 No. 1, pp. 49-69.
- San Miguel, J.G., Shank, J.K. and Govindarajan, V. (1977), "Extending corporate accountability: a survey and framework for analysis", *Accounting, Organizations and Society*, Vol. 2 No. 4, pp. 333-347.
- Schadewitz, H.J. and Blevins, D.R. (1998), "Major determinants of interim disclosures in an emerging market", *American Business Review*, Vol. 16 No. 1, pp. 41-55.
- Sengupta, P. (2004), "Disclosure timing: determinants of quarterly earnings release dates", *Journal of Accounting and Public Policy*, Vol. 23 No. 6, pp. 457-482.
- Singhvi, S.S. and Desai, H.B. (1971), "An empirical analysis of the quality of corporate financial disclosure", *Accounting Review*, January, pp. 129-138.
- Stevens, J.P. (2012), *Applied Multivariate Statistics for the Social Sciences*, 5th ed., Routledge, London.
- Tabachnick, B.G. and Fidell, L.S. (2001), *Using Multivariate Statistics*, 4th ed., Allyn & Bacon, Needham Heights, MA.
- Taylor, M.E. and Baker, R.L. (1981), "An analysis of the external audit fee", *Accounting and Business Research*, Vol. 12 No. 45, pp. 55-60.
- Türel, A. (2010), "Timeliness of financial reporting in emerging capital markets: evidence from Turkey", *Journal of the School of Business Administration*, Vol. 39 No. 2, pp. 227-240.
- Wallace, R.O., Naser, K. and Mora, A. (1994), "The relationship between the comprehensiveness of corporate annual reports and firm characteristics in Spain", *Accounting and Business Research*, Vol. 25 No. 97, pp. 41-53.
- Watts, R. and Zimmerman, J. (1986), *Positive Accounting Theory*, Prentice-Hall, Englewood Cliffs, NJ.
- Wu, C., Wu, C. and Liu, V. (2008), "The release timing of annual reports and board characteristics", *The International Journal of Business and Finance Research*, Vol. 2 No. 1, pp. 103-108.
- Xie, B., Davidson, W.N. and DaDalt, P.J. (2003), "Earnings management and corporate governance: the role of the board and the audit committee", *Journal of Corporate Finance*, Vol. 9 No. 3, pp. 295-316.
- Yermack, D. (1996), "Higher market valuation of companies with a small board of directors", *Journal of Financial Economics*, Vol. 40 No. 2, pp. 185-211.

Further reading

- Bryman, A. and Cramer, D. (2012), *Quantitative Data Analysis with SPSS 17, 18 and 19: A Guide for Social Scientists*, Taylor and Francis Inc., Florence.
- PMA (2002), "Banking Law No. (2) of 2002", Palestine Monetary Authority, Ramallah, Palestine.
- PSE (2012), "Companies guide for listed companies", Palestinian Stock Exchange, Nablus.

Corresponding author

Dr Yousef Mohammed Hassan can be contacted at: hassanco66@yahoo.com

For instructions on how to order reprints of this article, please visit our website:

www.emeraldgroupublishing.com/licensing/reprints.htm

Or contact us for further details: permissions@emeraldinsight.com