THE EFFECT OF CORPORATE GOVERNANCE ON THE TIMELINESS OF FINANCIAL REPORTING: EMPIRICAL EVIDENCES FROM MALAYSIAN PUBLIC LISTED COMPANIES

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DECLARATION

We hereby declare that:

(1) This undergraduate research project is the end result of our own work and that due acknowledgment has been given in the references to ALL sources of information be they printed, electronic, or personal.

(2) No portion of this research project has been submitted in support of any application for any other degree or qualification of this or any other university, or other institutes of learning.

(3) Equal contribution has been made by each group member in completing the research project.

(4) The word count of this research report is 9,859.

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DEDICATION

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LIST OF ABBREVIATIONS

AC	AUDIT COMMITTEE
ACEXP	AUDIT COMMITTEE COMPETENCE
ACMEET	AUDIT COMMITTEE DILIGENCE
AGM	ANNUAL GENERAL MEETING
ARL	AUDIT REPORT LAG
BSIZE	BOARD SIZE
CEF	CLOSE END FUNDS
CEODUAL	CEO DUALITY
CG	CORPORATE GOVERNANCE
CTM	CENTRAL TENDENCIES MEASUREMENT
FASB	FINANCIAL ACCOUNTING STANDARD BOARD
GST	GOODS AND SERVICES TAX
ICT	INFORMATION AND COMMUNICATION TECHNOLOGY
IPO	INITIAL PUBLIC OFFERINGS
IRB	INLAND REVENUE BOARD
MCCG	MALAYSIAN CODE ON CORPORATE GOVERNANCE
MICG	MALAYSIAN INSTITUTE OF CORPORATE GOVERNANCE
MLR	MULTIPLE LINEAR REGRESSION

OLS	ORDINARY LEAST SQUARES
OWNCON	OWNERSHIP CONCENTRATION
PLCs	PUBLIC LISTED COMPANIES
REITS	REAL ESTATE INVESTMENT TRUST
SAS	STATISTICAL ANALYSIS SOFTWARE
SST	SALES AND SERVICES TAX
VIF	VARIANCE INFLATION FACTOR

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PREFACE

Accounting information timeliness has been acknowledged as one of the qualitative characteristics of the basic objective of financial reports, which allows information to be made available soon after the completion of the fiscal year-end financial statements for external users' economic decision making before it loses its value to influence their decisions. The maximum allowable reporting lag for public listed companies stipulated by Bursa Malaysia Listing Requirement is 4 months. Bursa Malaysia views the delay of issuing audited annual reports as a serious offense and warns company directors about their responsibility to maintain appropriate standards of corporate responsibility and accountability. Agency theory suggests that corporate governance mechanism has a direct responsibility to monitor financial reporting process and to improve the quality of financial reporting which, in turn may influence audit report lag.

Malaysia provides a rich setting for audit market research. However, there is a lack of studies exploring the impact of GST implementation starting from 2015 over the relation between corporate governance elements and the audit delay. Therefore, this research aimed to identify the corporate governance elements and timeliness of financial reporting can add value to the future researchers by applying audit lag model on the transition process from previous SST to GST in Malaysia.

Timely financial reporting from companies is important for the interest of the policy makers in which the importance has been addressed by Financial Accounting Standard Board (FASB) in the Statement of Financial Accounting Concepts No.2 as “ancillary aspect” of relevance. Regulators and policy makers play a vital role in ascertaining the improvement in financial report delay. The exploration of the timely reporting determinants definitely will enhance the new policies formulation by the regulators of emerging capital market in strengthening the markets allocation efficiency. Thus, this study is able to contribute to the practitioners such as regulators, policy makers, managers, auditors and future researchers by increasing the depth of their understanding regarding the correlation between audit report lag and corporate governance.

ABSTRACT

The objective of study is to investigate the effect of corporate governance variables of CEO duality, board size, ownership concentration, audit committee diligence and competence on the audit report lag of 250 public listed companies after GST implementation in Malaysia by using secondary sources of data from Bursa Malaysia in 2015.

By applying multiple linear regression and Pearson correlation coefficient, the findings showed that CEO duality, ownership concentration and audit committee diligence have a significant association with audit report lag while board size and audit committee competence are insignificantly related with audit report lag, which are useful for compliance analysis and strategy formation in enhancing governance mechanism for regulators, audit committee, external auditors and management.

The research is not without restrictions. The presence of bias in data collection aroused from using simple random sampling method, the superficiality on single research period, the inadequacy on model framework, appropriateness and accurateness of audit lag measurement are the deficiencies of the research conducted.

This research offers a new and original insight on how different parts of corporate governance elements which include audit committee characteristic, ownership and board structure work together to influence audit lag and contributed to the agency theory application in the audit lag model. Remarkably, the evidence presented expands understanding of the significance of the association between firm performance and ownership structure which was a long debate existed in the empirical literature.

CHAPTER 1: INTRODUCTION

1.1 Background of Study

A good corporate governance (CG) plays a significant role towards the prosperity of a company (Bambang, Abukosim, Mukhtaruddin, & Mursidi, 2013). Organization for Economic Cooperation and Development (OECD, 1999) determine the CG as the system which control and guide the business corporation (Azubike & Aggreh, 2014) that helps to safeguard against the inappropriate management's conduct (Daoud, Ismail, & Lode, 2014). Remarkably, the CG structure has not only clarified the dispersion of responsibilities and rights among different corporation participants, but also provided the framework and channel of setting company goals, achieving those goals and monitoring operation (Azubike & Aggreh, 2014).

It is generally accepted that CG variables have an impact on the audit report lag (ARL) (Sharar as cited in Daoud, Ismail, & Lode, 2015; Shukeri & Islam, 2012). Timeliness is defined by Exposure Draft, 'An improved Conceptual Framework for Financial Reporting' as the information provided to the decision maker before the capacity to influence the decisions is loss (Puasa, Salleh, & Ahmad, 2014). Numerous scholars have highlighted financial reporting timeliness as a proxy of ARL; a period between firm's accounting year-end date to the auditor's report date (Austine, Chijioke, & Henry, 2013; Pham, Dao, & Brown, 2014; Blankley, Hurtt, & MacGregor, 2015). Lack of timeliness can impair the relevance of information, therefore Bursa Malaysia required public listed companies (PLCs) to provide a timely audited annual report through the stipulation of Chapter 2 (2.03-2) and Chapter 9 (9.01-3) in Listing Requirements (Che-Ahmad & Abidin, 2008). Moreover, investors have demand on the timeliness and reliability of financial information in stock investments decision

making in Bursa Malaysia (Ismail, Mustapha, & Cho, 2012). Timely financial reporting is useful in alleviating rumors, leaks and insider trading in developing markets (Owusu-Ansah, 2000).

In fact, CG mechanism has the direct responsibilities in enhancing the financial reporting quality and monitoring process in turn influence the ARL (Aljaaidi, Bagulaidah, Ismail, & Fadzil, 2015). The auditors' control environment for risk assessment is likely to be affected by the strength of CG since a strong audit committee (AC) and board are part and partial of the control environment (Shukeri & Islam, 2012). Therefore, effective CG should mitigate business risks and improve internal control, to shorten the audit delay (Daoud et al., 2015).

1.2 Problem statement

Timeliness of the audited annual report is a prevalent problem that has presented in financial reporting since a few decades ago (Apadore & Mohd-Noor, 2013). Analysts forecast errors may increase when there is long ARL as it may signify the existence of disagreement between external auditors and management team. Notably, accounting information may lack transparency under this circumstance since relevance and reliability of accounting information has been impaired when users failed to retrieve the financial information at proper time (Chang & Yong, 2015).

Owing to ARL has been a subject of interest for both transition and developed economies, several prior studies have examined this issue in diverse contexts and these studies are still experiencing of indecisive and limited results (Ishak, Sidek, & Rashid, 2010; Mohamad-Nor, Shafie, & Wan-Hussin, 2010; Hashim & Rahman, 2011). Ishak et al. (2010) emphasize solely on ownership concentration variables in their ARL model. Besides, Hashim and Rahman (2011) investigated the effect of AC characteristics on ARL, which include AC diligence in their model as an important

tool in examining whether AC carry out their responsibilities well. However, the study could not furnish any evidence on the relationship between AC diligences and ARL, which was in contradict with the result of Mohamad-Nor et al. (2010). Mohamad-Nor et al. (2010) argued that AC independence and competencies are negatively related to the ARL, but the results ware insignificant. Accordingly, a more comprehensive audit lag model is employed to address the weaknesses in previous Malaysian studies after the introduction of Goods and Services Tax (GST).

Although there are prior empirical literatures on audit delay in Malaysia, the study exploring the effect of GST implementation starting from 2015 over the relation between CG elements and the audit delay is scant. The introduction and implementation of GST which replace Sales and Services Tax (SST) will alter the way of conducting business activities in the organization and subsequently require them to review their business operation and governance models (Khaitan & Co, 2014). Therefore, ARL will increase given that the step of moving toward new tax structure will create a number of transitional issues such as GST compatible invoice format and modification of computer system which may substantially raise the audit risk level, effort and time spent on audit procedures.

1.3 Research Objectives and Research Questions

The objectives and questions regarding the research are categorized into general and specific terms as illustrated by Table 1.1. This research intends to study the connection between CG and ARL in Malaysia. Hence, ARL is the dependent variable while CG is the independent variable.

Table 1.1 Research Objectives and Questions

Research Objectives	Research Questions
General Objective: To investigate the existence of a relationship between CG in Malaysia and the ARL of PLCs in 2015.	**General Question:** Is there existence of the relationship between CG and the ARL of Malaysian PLCs in 2015?
Specific Objectives: 1. To study the impact of the CEO duality and ARL. 2. To investigate whether the board size will affect the ARL. 3. To study the connection between the ownership concentration and the ARL.	**Specific Questions:** 1. Does the CEO duality impact ARL? 2. Does the board size of a company affect ARL? 3. Does the owner concentration relate to ARL?
4. To study the connection of the AC diligence and the ARL. 5. To investigate whether the AC competence will affect the ARL.	4. Does the AC diligence connect to ARL? 5. Does the AC competence affect ARL?

1.4 Significance of study

In view of theoretical significance, this research employed the model from Mohamad-Nor et al. (2010) since Malaysia is used as a context in this journal and their respondents are also PLCs. Nevertheless, this study is not up to date as the model's analysis is conducted focusing in year 2002 only. Hence, an improved model will be developed by incorporating additional determinant of ARL, which refers to ownership concentration variable to be coherent with the current environment. Despite the ownership concentration is a significant instrument in resolving the agency conflict without adequate legal protection for investor as large shareholders assumed to have greater control over the managers according to Javid and Iqbal (2008), less attention of this variable has been drawn and only little empirical evidence is available on its contribution to financial reporting in developing countries. Moreover, this research is one of the few studies that investigates the connection between AC characteristic and ARL after GST implementation. The possession of accounting and financial expertise by AC will enable them to have greater knowledge of the changes in auditing matters and hazards, and appropriate audit procedures used to deliver the issues and risks faced. Many of the previous studies in Malaysia collected data before the year 2014 (Che-Ahmad & Abidin, 2008; Mohamad-Nor et al., 2010; Hashim & Rahman, 2011) when examine the relationship between CG and ARL. Hence, this study focuses on the year 2015 in order to make contribution to researchers in the field of audit literature who are interested in investigating the ARL after the GST implementation.

This research emphasizes on the practical significance for external auditors and corporate management team in Malaysia regards the vital role of their CG function in auditing annual report and diminishing ARL. Additionally, this research provides additional evidence contributing to Malaysian Institute of Corporate Governance (MICG) and Inland Revenue Board (IRB). They could analyze the results on ARL during the period 2015. A longer time taken by companies to issue report compare to previous year may indicate the need for regulator to re-examine their tax

administration and planning to facilitate transition from the current SST to GST with clear demarcation of benchmarks to be achieved and setting of accountability for the outcomes (Asher, 2015).

1.5 Outline of Study

A brief overview of the history, issue declaration, purpose and importance of the research is introduced in Chapter one. The following chapter will discuss the theory perspective, prior literature review, proposed conceptual model and the development of five hypotheses. The third chapter will further explore the data analysis technique and research methodology.

CHAPTER 2: LITERATURE REVIEW

2.1 Theoretical Foundation

According to Mitnick (2013), the theory of agency was originated from Stephen Ross and Barry Mitnick in 1973. Ross introduced the economic theory of agency; Mitnick established the institutional theory of agency, but both approaches can be seen as complementary in their uses of similar concepts under different assumptions. Jensen and Meckling (1976) further explored agency theory which deal with delegation of responsibilities and powers from principal (shareholder) to agent (manager) to run their business. In view of agency theory, it is rational to believe that opportunistic behavior of agents may arise at the expense of principal's interest on the grounds that both parties are expected to seek to maximize their personal wealth (Azubike & Aggreh, 2014).

Researches on CG were stimulated from agency theory perspective, in which CG mechanism (corporate ownership structure, AC, auditor, and board of directors) has been employed to diminish agency conflicts (Yunos, 2011). Thus, agency theory is considered relevant to this research as it is capable to explain the variables used in this research, whereby each of them operates as an oversight mechanism to monitor the agency conflict between owners and managers (Hassan, 2016). This is also consistent with previous literature suggesting the existence of CG mechanism will enhance the quality of monitoring and decrease the incidence of misreporting, and eventually reduces ARL (Shukeri & Islam, 2012).

According to Janda (2006), since the beginning of the seventies, agency theory has all the time been a very active and successful research area of finance, management,

economics and related subjects. For instance, Fields and Tirtiroglu (1991) have used the agency theory to analyze the resolution of incentives issue in the insurance field whereas Song, Wang, and Cavusgil (2015) apply agency theory in the study of state ownership and degree of market orientation in China's PLCs. Besides, Boe, Gulbrandsen, and Sorebo (2015) have integrated Information Systems Continuance theory with agency theory to explore the motivation triggering educators' intention to continue employing information and communication technology (ICT) in higher education.

Table 2.1: Application of Agency Theory on Dependent Variables and Independent Variable

Audit Report Lag (Dependent Variable)	
If the agency problems are great, the auditors will spend longer time to examine the manager's activity contributed to the rise of ARL (Shukeri & Islam, 2012; Azubike & Aggreh, 2014).	
Corporate governance (Independent Variable)	
CEO Duality	According to Peel and Clatworthy (2010) and Afify (2009), **CEO duality** brings a higher risk of audit failure and creates a threat to the quality of monitoring which increase ARL.
Board Size	In addition, Bambang et al. (2013) summarized that the **board** can be considered as the vital internal control mechanism to monitor the action of the majority shareholder and management (Fama & Jensen, 1983) and boards with small size have lower agency costs (Gul, Sajid, Razzaq, & Afzal, 2012).
Ownership Concentration	When shares are widely owned or dispersed (lower level of **ownership concentration**), it produces weak monitoring of manager's decisions. Hence, there is a greater probability that managers' strategic decisions will be aligned to maximize shareholder value when there is a high degree of ownership concentration (Joher, Ali, & Nazrul, 2006).

Audit Committee Diligence	Active **AC that meets more frequently** is likely to supervise management effectively (Menon & William, 1994 as cited in Al-Matari, Al-Swidi, Fadzil, & Al-Matari, 2012).
Audit Committee Competence	**AC competence** as the presence of an expert on the AC may be seen as the indicators of corporate reporting quality of a firm (Adhikary & Mitra, 2016).

2.2 Reviews of past empirical studies

Table 2.2 depicts the definition of each variables from previous researches.

Table 2.2: The definition of Dependent Variable and Independent Variables

Prior Study	Definition
Audit Report Lag (Dependent Variable)	
Ibadin, Izedonmi, and Ibadin (2012)	Number of days from the fiscal year-end period to the date the Annual General Meeting's (AGM) notice was signed.
Bambang et al. (2013)	ARL is the duration of time to conclude an audit which measured from the fiscal year's ending date until the date of independent audit report. "Auditors report lag is the open interval of the number of days from the year end to the date recorded as the opinion signature date in the auditors' report" (p.1457).
Pizzini, Shu, and Ziegenfuss (2015)	ARL captures the time taken to complete the fieldwork, generally measured as the number of days between a company's fiscal year-end and the audit report date.

CEO Duality (Independent Variable 1)	
Daoud et al. (2015)	CEO duality indicates that the executive officer also takes on the part of the chairman of the board of directors in the leadership structure.
Hassan (2016)	CEO duality exists when the same person within the same corporation occupy the top two leadership positions.
Apadore and Zainol (2014)	CEO duality refers to one person serving both as a firm's CEO and chairman of the board.
Board Size (Independent Variable 2)	
Wu, Wu, and Liu (2008)	Number of directors on the board at the fiscal year-end period.
Ilaboya and Christian (2014)	Board size is measured by the total board of directors or the combination of Executive and Non-Executive members of the board of directors.
Setiawan and Nahumury (2014)	The board of commissioners refers to the number of board of commissioners which is measured by the total number of the company's chairman and the members of the board of commissioners.
Ownership Concentration (Independent Variable 3)	
Prommin, Jumreornvong, Jiraporn, and Tong (2016)	Ownership concentration is measured by referring to the combined ownership of five largest shareholders.

Ishak et al. (2010)	Ownership concentration is measured as the percentage of shares held by the single largest shareholder relative to the firm's total number of shares.
Setiawan and Nahumury (2014)	The ownership concentration variable can be measured by looking at the proportion of institutional ownership or the percentage of managerial ownership that owns the company's stock.
Audit Committee Diligence (Independent Variable 4)	
Puasa et al. (2014)	AC activity referred to as the total number of meetings held annually.
Mohamad-Nor et al. (2010)	The AC meeting is the place for directors to discuss the process of financial reporting as well as the process of monitoring financial reporting take place.
Braswell, Daniels, Landis, and Chang (2012)	AC diligence can be measured as the incremental meeting activity of AC. Computation of ratio by dividing the number of annual AC meetings with four meetings recommended by the Blue Ribbon Commission.
Audit Committee Competence (Independent Variable 5)	
Aljaaidi et al. (2015)	The proportion of financial expertise members to total AC members.
Al-Rassas and Karmadin (2015)	At least one of the AC members must have expertise in the field of financial as suggested by the Malaysian Code on Corporate Governance (MCCG).

Shukeri and Islam (2012)	The proportion of AC members who is the member of professional accounting bodies or having a professional qualification in accounting to the number of AC members in the company.

2.2.1 Audit Report Lag

According to Ishak et al. (2010), timeliness of financial reporting is a combination of corporate specific characteristics and audit related factors. Among corporate related attributes, Al-Tahat (2015) examined the association between 235 Amman Stock Exchange (ASE) listed companies' attributes and ARL by analyzing their year ended 2013 annual reports through Logistic Regression Analysis. Furthermore, Al-Shwiyat (2013) investigated the effect of 120 ASE listed Jordanian public shareholding companies' financial performance on the timing of annual financial report's issuance in 2012 via multiple regression analysis. Among auditor attributes, Austine, Chijioke, and Henry (2013) determined the correlation between the rotation of audit firms and ARL by utilizing Ordinary Least Squares (OLS) technique to analyze 50 firms quoted on the Nigerian Stock Exchanged (NSE) in 2011. In short, there are many prior studies have investigated the issues on ARL which caused by different factors instead of CG characteristics.

2.2.2 CEO Duality

Afify (2009) explored the influence of board characteristics, ACs' presence and sector type on the ARL among 85 selected Jordanian companies quoted on the Cairo and Alexandria Stock Exchange (CASE) in 2007. The result generated via multiple regression analysis showed that CEO duality is positively associated with ARL as the

combination of both roles (chairman and CEO) tends to pose a monitoring quality threat and withhold unfavorable information to outsiders.

Mouna and Anis (2013) investigated the relationship between CG proxies and the ARL among 33 Tunisian stock exchange listed companies in 2009. Multivariate analysis showed that the CEO duality is positive significantly related to the ARL. This is consistent with the result of Ho and Wong (2001) which argued that CEO Duality may affect the quality of information through concealing company's information.

Sakka and Jarboui (2016) examined the association between CG, external auditor's characteristics and the ARL among 28 Tunisian companies from 2006-2013. The result generated from the panel data regression showed that CEO duality is positive significantly to the ARL as the combination of the role of chairman and CEO is likely to intimidate the mission of the external auditor, and thus increased ARL.

2.2.3 Board Size

Hassan (2016) identified the ARL determinants among 46 Palestine Stock Exchange (PSE) listed companies by collecting their 2011 annual reports. Multiple regression analysis result demonstrated that the association between board size and ARL is positive and significant since excess directors may have coordination problems and cause the controlling and monitoring power to be less effective (Jensen, 1993; Yermack, 1996).

Azubike and Aggreh (2014) examined the determinants of ARL in Nigeria through 40 Nigerian Stock Exchange manufacturing companies' 2010-2012 annual reports. The ordinary least squares (OLS) regression technique outcome revealed that board size had a positive and significant relationship with ARL. The results support the argument

of Mohamad-Nor et al. (2010) study, which found that larger boards could increase the ARL.

Mohamad-Nor et al. (2010) analyzed the ARL in Malaysian PLCs with the MCCG 2001 implementation by incorporating the board of directors and AC characteristics in their model. 628 non-financial Bursa Malaysia listed companies for the year ended 2002 were targeted as a sample. Multivariate analysis showed that the board size is positively and insignificantly related to the ARL. This result is consistent with Ibadin et al. (2012) as the communication problem exists and lead to increased ARL regardless of the board size.

2.2.4 Ownership concentration

Setiawan and Nahumury (2014) investigated the effect of CG characteristics on ARL among 156 banking companies quoted on the Indonesia Stock Exchange in 2007-2012 which was analyzed by using MLR analysis. The results indicated there is an insignificant relationship between ownership concentration and ARL due to the stock ownership in Indonesia tends to be centralized and caused the measurement of this variable to be inappropriate.

Besides, Al-Ajmi (2008) examined the factors affecting the ARL of 231 companies that quoted on the Bahrain Stock Exchange (BSE) during 1999-2006. The data obtained was analyzed via regression model. It revealed that the ownership concentration is negatively significant to the ARL as the companies with high ownership concentration expected to provide more timely information and thus reduce ARL.

Furthermore, Ishak et al. (2010) reported that the impact of different forms of company ownership of 198 companies quoted on the Main Board of Bursa Malaysia on the ARL for 2007. By using multivariate analysis, it concluded that the ARL is negatively significant associated with ownership concentration. As the internal users

normally exercise control over the company, the auditor conducts less detailed examinations and lead to an earlier completion of audit. Based on these studies, it is predicted that high ownership concentration is expected to reduce the effect on ARL.

2.2.5 Audit Committee Diligence

Puasa et al. (2014) studied the link between AC characteristics and ARL and compare the changes ARL among 669 companies quoted on Bursa Malaysia before and after the revision of MCCG 2007. Through applying the panel least square analysis, the results depict that AC meetings is negatively significant related to ARL for the period before revision of MCCG 2007, whereas there is an insignificant relationship for the period after MCCG 2007 which suggested that all the AC look similar after complying with the revised code.

Aljaaidi et al. (2015) assessed the association between AC attributes and external auditor's reliance on the internal audit function work with the ARL. 87 Jordan Amman Stock Exchange (ASE) listed companies in 2009 were chosen as their sample size. The results generated via OLS regression analysis showed that AC meeting is significantly and negatively associated with ARL since active AC helps to resolve financial issues which reduce ARL.

In Malaysia context, Shukeri and Islam (2012) aimed to investigate the determinants of the ARL. The result of regression analysis performed on 491 companies listed on Bursa Malaysia revealed that AC meeting is negatively and significantly related to the ARL as regular AC meetings are able to safeguard internal control and reduce business risk. In conclusion, the higher number of AC meetings is expected to have a shorter ARL.

2.2.6 Audit Committee Competence

Yadirichukwu and Ebimobowei (2013) studied the effect of AC on ARL among 35 companies listed in Nigerian Stock Exchange (NSE) for the period 2007-2011 using the simple sampling method. The data collected from their annual reports were analyzed by using granger causality test, relevant diagnostic tests and pooled least square test. The results showed that there is a significant association between AC financial expertise and ARL as financially knowledgeable AC members has a higher tendency in preventing and detecting material misstatements.

Besides, Abernathy, Beyer, Masli, and Stefaniak (2014) investigated the relationship between AC members' financial accounting expertise and timeliness of financial reporting. The researcher used multivariate analysis to examine a total of 332 firms for the years from 2006-2008. Their result depicts that there is a significant negative association between the proportions of accounting financial experts (AFEs) on AC and ARL as it contended rise of AC accounting financial expertise will boost overall financial reporting efficiency and reduce the time used on discussion with the external auditor, thereby reducing ARL.

Sultana, Singh, and Zahn (2015) sought to determine whether the AC characteristics are related to ARL in Australian firms. This study has applied Pearson and Correlation analysis, regression analysis, and sensitivity analysis to analyze 494 firm-year data which acquired from ASX public listed firms from 2004-2008. The result of this study provides evidence that the AC's financial expertise has a significant inverse relationship with ARL as such knowledge will enhance AC‘s ability to ensure external auditor‘s work is competently undertaken.

2.3 Proposed Conceptual Model

The figure 2.1 shows the association between the independent variables (CEO Duality, Board Size, Ownership Concentration, AC Diligence and AC Competence) and the dependent variable (ARL).

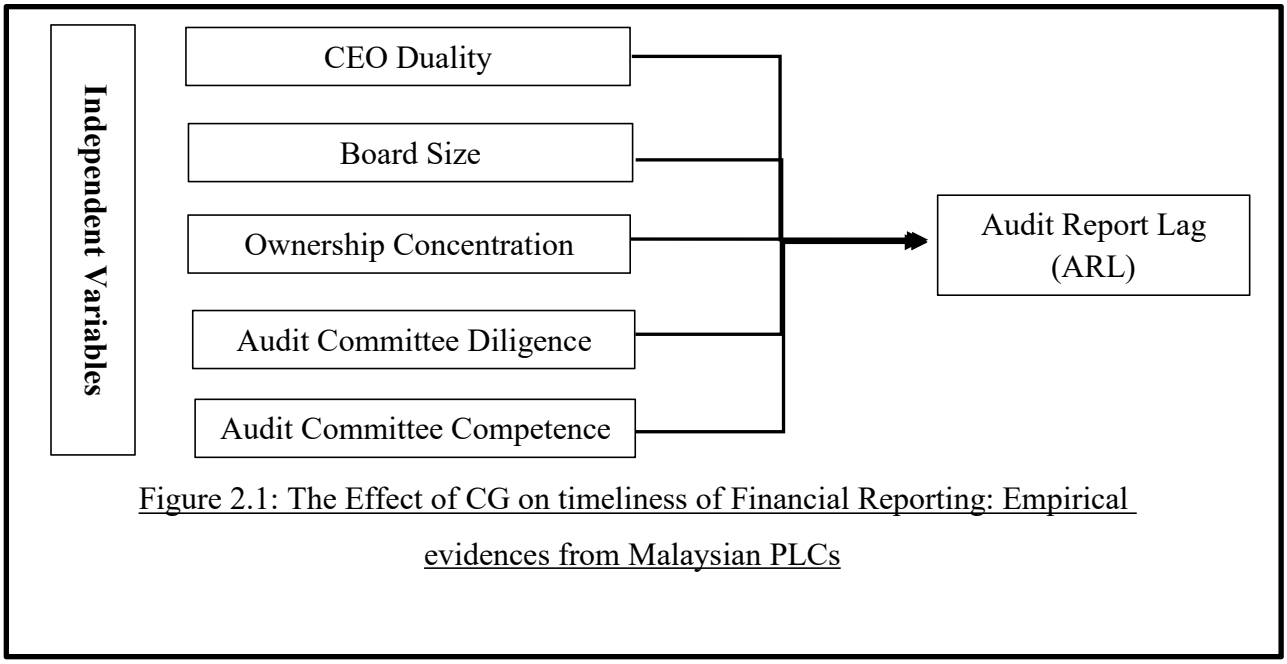


Figure 2.1: The Effect of CG on timeliness of Financial Reporting: Empirical evidences from Malaysian PLCs

Source: Developed for the research

The ARL model employed in this research is adopted from prior studies to accommodate the CG variables such as CEO duality, board size, ownership concentration, AC diligence and AC competence which are associated with agency theory.

Sources:

Al-Ajmi (2008); Mohamad-Nor et al. (2010); Shukeri and Islam (2012); Apadore and Mohd Noor (2013); Mouna and Anis (2013); Setiawan and Nahumury (2014); Daoud et al. (2015); Sultana et al. (2015); Hassan (2016)

2.4 Hypothesis Development

Based on prior empirical studies, five hypotheses have been developed as shown below:

Dependent variable	Independent variables	
Audit Report Lag	CEO duality	**H_1:** There is a positive and significant relationship between CEO duality and ARL.
	Board size	**H_2:** There is a positive and significant relationship between board size and ARL.
	Ownership concentration	**H_3:** There is a negative and significant relationship between ownership concentration and ARL.
	AC diligence	**H_4:** There is a negative and significant relationship between AC diligence and ARL.
	AC competence	**H_5:** There is a negative and significant relationship between AC competence and ARL.

Source: Developed for the research

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Research Design

This research belongs to exploratory study that able to diagnose the ARL problem from a CG perspective, thereby provide the groundwork for future studies (Manerikar & Manerikar, 2014). Quantitative methodology is applied in this research because CG characteristics and ARL can be quantified into numerical form and the result generated is more specific and has higher reliability (Fabozzi, Focardi, & Ma, 2005).

This research has adopted an archival research approach in which secondary data are gained from Bursa Malaysia PLCs' annual report. Secondary data is both time and cost saving since the development of search engines has simplified the process in obtaining a large amount of free and accurate corporate information from the Bursa Malaysia website (Lopez, 2013; Anastasia, 2015).

The cross-sectional methodology is applied in this study since the data in the year 2015 is collected once only and there is no follow up required (Mann, 2003; Levin, 2006). Meanwhile, the study is limited to year 2015 only as GST was first implemented during the year and is similar to the prior research design that examine the impact of CG on ARL for an annual year only (Mohamad-Nor et al., 2010; Wan-Hussin & Bamahros, 2013; Daoud et al., 2014).

3.2 Population, Sample and Sampling procedures

3.2.1 Target population

The population for this research targeted on Malaysian PLCs as their companies' accounts are required to be audited by a certified accountant according to the Malaysian Companies Acts 1965 (CA) (Che-Ahmad & Abidin, 2008). As expressed in Listing Requirements' Paragraph 9.23 (1), the annual audited reports and full financial statements must be forwarded by PLCs within 4 months after year-end to Bursa Malaysia ("Bursa Malaysia", 2015).

3.2.2 Sampling Frame

PLCs traded in Bursa Malaysia's Main Market excluded finance-related and initial public offerings (IPO) companies, will be the sampling frame of this research. Finance-related companies which consist close end funds (CEF), Real Estate Investment Trust (REITS), and finance companies (Puasa et al., 2014) are not included in the sample as they are governed under different rules and regulation (Wan-Hussin & Bamahros, 2013), whereas exclusion of IPO companies is due to their newly listed reason that might influence the quality of audited accounts. Remarkably, the sample focuses on companies listed on the main market since Ahmed Razman and Hashanah (2003) (as cited in Ismail et al., 2012) revealed that companies on main board have more public reprimands on ARL as compared with other boards.

3.2.3 Sampling Technique

The technique of simple random sampling will be employed in this study. According to Elsayir (2014), this technique enables users to retrieve the smaller sample size at random with equal probability being selected from a clearly defined large population. It is also preferable to use for online secondary sources such as Bursa Malaysia website (Saunders, Lewis, & Thornhill, 2009) as it is easy and simple to apply (Australian Bureau of Statistics, 2006). Since this study select sample through Bursa Malaysia's Main Board which is available on the Bursa Malaysia website, thus the simple random sampling technique will be the appropriate method as each company can have equal chances of being selected.

3.2.4 Sampling Procedures

Total 810 companies were listed on Bursa Malaysia as on 31st July 2016. The final population was 739 after removing finance related firms and IPO companies. As claimed by Krejcie and Morgan (1970) and Manno (2013), the effective sample size with confidence level of 95% for the population between 700 and 750 is 248 to 254 as shown in Table 3.1 below. Hence, 250 PLCs in Bursa Malaysia have been selected in this study given that this sample size is within the range recommended by Krejcie and Morgan (1970), and satisfies the rules of thumb proposed by Sekaran (2003) which covers one third of the total population.

The sample selection covers audited annual report of year 2015 only to examine the effect after implementation of GST on the relationship between CG characteristics and ARL as GST will lead to increased workload in documentation and administration (Bureau, 2016) as well as a change in management, accounting and reporting procedure in the firm (Ernst & Young, 2016). Data is selected through the corporate annual reports which can be obtained from Bursa Malaysia's official website as it provides reliable audited information that is valuable to the credit analyst at which the

information obtained previously can be confirmed (Klingberg & Nilsson, 2010) and it comprises of creditable and adaptable document which able to address the successes of a corporation.

Table 3.1 Sample size of different population sizes at a certain confidence level with margin of error 5%

Table 3.1 Table for Determining Sample Size of a Known Population (Margin of error = 5%)									
N	**S**	**N**	**S**	**N**	**S**	**N**	**S**	**N**	**S**
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	346
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	354
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	191	1200	291	6000	361
45	40	170	118	400	196	1300	297	7000	364
50	44	180	123	420	201	1400	302	8000	367
55	48	190	127	440	205	1500	306	9000	368
60	52	200	132	460	210	1600	310	10000	370
65	56	210	136	480	214	1700	313	15000	375
70	59	220	140	500	217	1800	317	20000	377
75	63	230	144	550	226	1900	320	30000	379
80	66	240	148	600	234	2000	322	40000	380
85	70	250	152	650	242	2200	327	50000	381
90	73	260	155	700	248	2400	331	75000	382
95	76	270	159	750	254	2600	335	1000000	384
Note: N is Population Size; S is Sample Size									

Source: Krejcie and Morgan (1970); Manno (2013)

Table 3.2: Population and sample of Public Listed Companies

	Population	**Sample**
		2015
Main market	810	
Less:		
Finance related companies	(48)	
IPO companies	(23)	
TOTAL	739	250

Source: Developed for the research

3.3 Data Collection Method

Secondary data is adopted in this research to analyze the association among the variables. Secondary data is known as the data initially gathered for different objectives and was retrieved for other research purposes (Hox & Boeije, 2005). This study extracts the sample data from 2015 audited annual reports of 250 PLCs from Bursa Malaysia website. The information used to investigate the variables can be obtained from the reports such as AC report, profile of directors, statement on CG, risk management and internal control statement as well as other relevant reports. The data collection period of this research starts in the middle of June 2016 to ascertain the findings meet the research deadline.

3.4 Variables and Measurement

The details of definition, sources and measurements of the dependent variable, audit report lag; independent variable, CEO duality, board size, ownership concentration, AC diligence and AC competence will be shown in the Appendix B.

3.5 Data Analysis Techniques

3.5.1 Descriptive Analysis

Descriptive statistics is known as the graphical techniques or numerical procedures carried out to organize as well as summarize the given sample characteristics and factors. It describes the measure of central tendency (mean, standard deviation, minimum, maximum), frequency distribution and percentage (Fisher & Marshall, 2009), which allow us to simplify the interpretation of data in a more meaningful and understandable way (Ibe, 2014).

3.5.2 Inferential Analysis

3.5.2.1 Pearson Correlation Coefficient

Harring and Wasko (2011) referred Pearson Correlation Coefficient as the strength of linear relation's measurement between explanatory variables (CEO duality, board size, ownership concentration, AC diligence and AC competence) and dependent variable (ARL). According to Kent and Hall (2002), values of -1 and +1 symbolized the respective negative and positive linear correlation whereas 0 showed the two variables

have no linear relationship. Table 3.3 presented the strength of connection between independent variables and dependent variable according to Pearson Correlation Coefficient's rule of thumb.

Table 3.3 Rule of thumb for correlation coefficient value

Size of Correlation	**Strength of association**
.90 to 1.00 (−.90 to −1.00)	Very high positive (negative) correlation
.70 to .90 (−.70 to −.90)	High positive (negative) correlation
.50 to .70 (−.50 to −.70)	Moderate positive (negative) correlation
.30 to .50 (−.30 to −.50)	Low positive (negative) correlation
.00 to .30 (.00 to −.30)	Negligible correlation

Sources: Mirza and Redzuan (2012); Mukaka (2012)

Nevertheless, multicollinearity problem may occur if the correlation values among the independent variables are greater than 0.9 (Katz, 2006; Pallant, 2011). If multicollinearity issue is deemed to exist, it is vital to ascertain the nature of linear association between the explanatory variables and alleviate the impact of multicollinearity (Freund & Littell, 2000).

3.5.2.2 Multiple Linear Regression Analysis

Multiple Linear Regression (MLR) is the extension of Simple Linear Regression, a technique that examine the linear association between dependent variable and two or more explanatory variables (Brant, 2007). This technique will be adopted since there are five variables to be studied in the research (Higgins, 2005). It helps the researchers in solving the research questions which take account into the independent variables roles in accounting for variance in a single dependent variable (Nathans, Oswald, & Nimon, 2012). There are several assumptions for employing MLR such as the normal

distribution, linearity, independent errors without the presence of autocorrelation and homoscedasticity (Brant, 2007; Elsiddig, 2015).

The regression equation below was employed to examine the connection between the dependent variable (ARL) and the independent variables (CEO duality (CEODUAL), board size (BSIZE), ownership concentration (OWNCON), AC diligence (ACMEET) and AC competence (ACEXP)).

$$\mathbf{ARL = \beta_0 + \beta_1 (CEODUAL) + \beta_2 (BSIZE) + \beta_3 (OWNCON) + \beta_4 (ACMEET) + \beta_5 (ACEXP) + \varepsilon}$$

Table 3.4 displayed the description of the above model along with the expected relationship with dependent variables, relevant hypothesis and the variables.

Table 3.4: Summary of Variables measurement

Symbol	Description	Expected Relationship with ARL	Relevant Hypothesis	Variable
β_0	Constant	-	-	-
β_{1-5}	Slope of independent variables	-	-	-
ε	Random error	-	-	-
Dependent variable				
ARL	Audit Report Lag	-	-	Continuous Variable
Independent variables				
CEODUAL	CEO Duality	Positive	H_1	Dummy Variable
BSIZE	Board Size	Positive	H_2	Continuous Variable

OWNCON	Ownership Concentration	Negative	H_3	Continuous Variable
ACMEET	Audit Committee Diligence	Negative	H_4	Continuous Variable
ACEXP	Audit Committee Competence	Negative	H_5	Continuous Variable

Source: Developed for the research

CHAPTER 4: DATA ANALYSIS

4.0 Introduction

After collecting statistics from Bursa Malaysia, Statistical Analysis Software (SAS) will process and generate results for descriptive and inferential analysis in this study. Using SAS, various statistical analysis was carried out to examine the research hypotheses that have been established in chapter 2 as well as to explain the attribute of each variable and their interconnection.

4.1 Descriptive Analysis

4.1.1 Characteristics of Dependent Variable

4.1.1.1 Audit Report Lag

Table 4.1: Audit Report Lag of Malaysian PLCs

Distribution of ARL	Frequency	Percentages (%)	Cumulative frequency	Cumulative Percentage (%)
Less than 31 days	0	0.00	0	0.00
31 to 60 days	25	10.00	25	10.00
61 to 90 days	83	33.20	108	43.20
91 days to 120 days	139	55.60	247	98.80
More than 120 days	3	1.20	250	100.00
Total	250	100.00		

Source: Developed for the research

Table 4.1 revealed the ARL in days shown in term of frequency and percentage after the collected data being analyzed. Employing data from 250 samples of annual reports from Bursa Malaysia for year 2015, the ARL data were classified into five categories including submitting report within one month, in 2nd month, 3rd month, 4th month and in more than 4th month from the fiscal year-end period.

From the analysis of sample study in Table 4.1, 139 companies submitted financial statement within 91 days to 120 days, which occupied the largest percentage of 55.60%, followed by 83 companies that experienced delays of 61 to 90 days in with 33.20%. Furthermore, there were 25 companies able to take 31 to 60 days to issue their reports which only accounted for 10% of the observations. It was also shown that none of the firms have published their financial statements within a month.

Additionally, out of the 250 companies, 247 companies (98.80%) were found to have ARL of less than 120 days, except 3 companies (1.2%) had not adhered to the financial reporting requirements as they managed to submit their audited report only after 120 days in the year 2015. This evidence suggested that ARL may be a vital concern for PLCs in Malaysian accounting policy, since the majority of PLCs did not violate the maximum allowable reporting lag stipulated by Bursa Malaysia Listing Requirement, which is 120 days (4 month) (Minority Shareholder Watchdog Group, 2015).

4.1.2 Characteristics of Independent Variable

4.1.2.1 CEO Duality

Table 4.2: CEO Duality

CEO duality	Frequency	Percentages (%)
0	187	74.80
1	63	25.20

Total	250	100.00

Source: Developed for the research

According to the Table 4.2, dummy variables coded 0 indicated the positions of CEO and Chairman were separated and coded 1 indicated CEO and Chairman hold by same person. Notably, 74.80% of the total PLCs did not combine the two roles, suggesting adherence to Recommendation 3.4 of MCCG 2012 to promote accountability and facilitates division of responsibilities between them. In other words, CEO duality was prominent in Malaysian PLCs as there were only 67 out of 150 or 25.20% companies' chairman was not the president of management team.

4.1.3 Central Tendencies Measurement of Constructs

Table 4.3: Central Tendencies Measurements (CTM) for Independent and Dependent Variables

		N=250		
Variable	**Mean**	**Std. Deviation**	**Minimum**	**Maximum**
Dependent Variable				
ARL	91.3480000	17.4561670	33.0000000	121.0000000
Independent Variables				
CEODUAL	0.2520000	0.4350322	0	1.0000000
BSIZE	7.3880000	1.9484975	4.0000000	17.0000000
OWNCON	55.2540000	17.228256	10.1200000	98.1680000
ACMEET	5.0120000	1.0660214	4.0000000	10.0000000
ACEXP	0.4581112	0.1913578	0.2000000	1.0000000

Source: Developed for the research

Table 4.3 displayed the CTM for variables examined in this study. It was found that the mean of ARL was 91.3480000 days with a standard deviation of 17.4561670 days. This conveyed that Malaysian PLCs took approximately 91 days on average to present reports to the shareholders after a company's fiscal year's closing date. Moreover, the minimum and maximum delay was 33 days and 121 days respectively. Hence, it indicated that the Malaysian PLCs did not face barriers in general to comply mandatory four-month reporting deadline as the compliance rate was high. However, Malaysia still considered to lack behind in issuing financial information when the means of ARL are compared with other developing countries such as Jordan 52 days (Aljaaidi et al., 2015), Indonesia 70 days (Setiawan & Nahumury, 2014) and Palestine 62 days (Hassan, 2016).

In term of CEODUAL, 0.2520000 was the mean while 0.4350322 was the standard deviation. The maximum and minimum value of CEODUAL was 1.0000000 and 0. In addition, the minimum number of commissioner owned by Malaysian PLCs was 4 people and maximum was 17 people with a standard deviation of 1.9484975. On average, BSIZE had a value of 7.3880000 so it is estimated that the majority of companies possible have at least 7 people served as board directors, which is comparable to Mohamad-Nor et al. (2010) who found a moderate size of 7.64 people for Malaysian PLCs.

With respect to OWNCON, it is a variable that represented the spread of stock ownership. When the stock ownership was concentrated, its value will be close to 100%. According to the results shown above, the most concentrated shares ownership was 98.1680000% whereas the least concentrated value was 10.1200000%. It also seen that the possession of shares in Malaysian PLCs tends to be evenly distributed with a mean of 55.2540000% and a standard deviation of 17.228256. This result is similar as one of the recent Malaysian studies, which reported average OWNCON of 54.241% conducted by Al-Rassas and Kamardin (2015).

In regards to the ACMEET, the average AC meetings held was 5 times in 2015. The highest number of meetings held in 2015 was 10 times, whereas a minimum value was 4 times with a standard deviation of 1.0660214, showing compliance to the listing requirement as MCCG (2012) provides that companies should conduct AC meetings at least four times a year as it deems essential to fulfill its responsibilities.

In relation to the ACEXP, table 4.3 presented the average figure of AC expertise as 0.4581112 with a deviation of 0.1913578, in consistent with the study of Shukeri and Islam (2012) which depicted mean score of 0.4 in Malaysia. This value indicated that most of the PLCs formed their AC with at least one members having background or experience in financial reporting and possess professional accounting qualification, which followed the listing provision of Bursa Malaysia under paragraph 15.10. The lowest value of ACEXP was 0.2000000, which means that none of the companies has violated the provisions as the lowest value was not found to be 0. Besides, the maximum value was 1.0000000, which demonstrated that there are companies whose all members of the AC are accounting experts.

4.2 Inferential Analysis

4.2.1 Pearson Correlation Analysis

Table 4.4: Pearson Correlation for the ARL model

	ARL	CEODUAL	BSIZE	OWNCON	ACMEET	ACEXP
ARL	1					
CEODUAL						
Correlation	0.42735	1				
Sig. (2-tailed)	<.0001					
BSIZE						
Correlation	-0.12218	-0.13950	1			
Sig. (2-tailed)	0.0537	0.0274				
OWNCON						
Correlation	-0.13166	0.04146	0.07965	1		
Sig. (2-tailed)	0.0375	0.5141	0.2094			
ACMEET						
Correlation	0.16056	-0.11047	0.06735	-0.07581	1	
Sig. (2-tailed)	0.0110	0.0813	0.2888	0.2323		
ACEXP						
Correlation	-0.02061	0.05669	-0.01566	-0.02127	0.02787	1
Sig. (2-tailed)	0.7457	0.3721	0.8054	0.7379	0.6609	

Source: Developed for the research

Table 4.4 presents the Pearson correlation coefficient analysis of the variables. The test was performed to identify the direction and the strength of linkage among the variables and to explore whether multicollinearity issues exists between the independent variables (Shukeri & Islam, 2012; Daoud et al., 2015; Hassan, 2016). Multicollinearity problem exists if the independent variables correlated at more than 0.9 (Katz, 2006; Pallant, 2011). As observed, none of the correlation values are greater

than 0.9. Notably, CEO duality and board size showed the greatest inter-relationship, which is -0.1395. This implies that multicollinearity is not an issue that would jeopardize the MLR result.

4.2.1.1 CEO Duality

H_1: There is positive and significant relationship between CEO duality and ARL.

According to Correlation Analysis, the relationship of CEO duality and ARL is positive. Given that, CEO duality will increase ARL. Correlation result of 0.42735 falls between ±0.30 and ±0.50 which indicates that CEO duality and ARL are having a low positive association.

The significant value of <0.001 which is less than 0.05 shows that CEO duality and ARL is significantly related. Hence, the null hypothesis (H_o) will be rejected while the alternative hypothesis (H_1) will be accepted.

4.2.1.2 Board Size

H_2: There is a positive and significant relationship between board size and ARL.

Board size and ARL has a negative association. When board size increases, ARL decreases. The correlation result of -0.12218 which is between ±0.00 and ±0.30 shows that board size is negligibly related with ARL.

0.0537 of significant value is larger than 0.05 which indicates that board size and ARL is insignificantly related. Thus, the null hypothesis (H_o) will be accepted whereas the alternative hypothesis (H_2) will be rejected.

4.2.1.3 Ownership Concentration

H_3: There is a negative and significant relationship between ownership concentration and ARL.

Ownership concentration has a negative association with ARL. ARL decreases when ownership concentration increases. The correlation result of -0.13166 categorized between ±0.00 and ±0.30 shows that ownership concentration is negligibly associated with ARL.

The significant value of 0.0375 which is smaller than 0.05 shows that the ownership concentration is significant with ARL. Hence, the null hypothesis (H_o) will be rejected while the alternative hypothesis (H_3) will be accepted.

4.2.1.4 Audit Committee Diligence

H_4: There is a negative and significant relationship between AC diligence and ARL.

The correlation result proves that the association between AC diligence and ARL is positive. The greater the AC diligence, the higher is the ARL. The correlation result is 0.16056 which falls between ±0.00 and ±0.30 shows that AC diligence is negligibly associated with ARL.

0.011 of significant value is less than 0.05 which shows that the relationship between AC diligence and ARL is significant. However, according to the finding generated, the relationship between AC diligence and ARL is positive, thus, the alternative hypothesis (H_4) is rejected.

4.2.1.5 Audit Committee Competence

H_5: There is a negative and significant relationship between AC competence and ARL.

Based on correlation result, AC competence is negatively related with ARL. When AC competence increases, ARL decreases. The correlation result of -0.02061 categorized between ±0.00 and ±0.30 shows that the AC competence has a negligible association with ARL.

The significant value of 0.7457 which is higher than 0.05 shows that the AC competence is insignificant with ARL. Hence, the null hypothesis (H_o) will be accepted whereas the alternative hypothesis (H_5) will be rejected.

4.2.2 Multiple Linear Regression Analysis

Table 4.5: Model Summary of Multiple Linear Regression Analysis

Root MSE	Dependent Mean	Coefficient Variance	R-squared	Adjusted R-squared
15.25647	91.348	16.70149	0.2515	0.2361

Model Summary [b]

a. Predictors: (Constant), CEODUAL, BSIZE, OWNCON, ACMEET, ACEXP
b. Dependent Variable: ARL

Source: Developed for the research

The R-squared of 0.2515 from the table above revealed that CEO duality (CEODUAL), board size (BSIZE), ownership concentration (OWNCON), AC meetings (ACMEET) and AC competence (ACEXP) can justify 25.15% of deviation in dependent variable, ARL. The remaining 74.85% of the ARL is described by other

elements that are not captured in the model. Besides, 23.61% of the adjusted R-squared summarized the fit of the model as it takes into account the number of variables in the model. It will only go up provided that the variable enhances the model above the expectation.

Table 4.6: Analysis of Variance

Source	DF	Sum of Square	Mean Square	F Value	Pr > F
Model	5	19081	3816.259	16.4	<.0001
Error	244	56793	232.76		
Corrected Total	249	75875			

a. Predictors: (Constant), CEODUAL, BSIZE, OWNCON, ACMEET, ACEXP
b. Dependent Variable: ARL

Source: Developed for the research

In light of the general statistical significance of the model, it is explained by the F value and p-value. From the F Distribution and Significance Tables with 0.05 significance level, it shows 2.2141 of F value when the numerator degree of freedom is 5 and the denominator degree of freedom is 244. As the F-test statistics produced (F = 16.4) is more than the F value ($F_{0.05}$ = 2.2141), it indicated that a significant direct association between dependent variable and all independent variables exist. Besides, the critical value 0.05 is higher than the p-value < 0.0001 , it is further confirmed that the model is statistically significant and fit.

Table 4.7: Parameter Estimates

Variables	Unstandardized Coefficient		Standardized Coefficient	t-value	Sig. Value (P-value < 0.05)	Collinearity Statistics	
	Parameter Estimate (β)	St. Error	Standardized Estimate (β)			Tolerance	VIF
Constant	83.74612	7.06632	0	11.85	<.0001		0
CEODUAL	18.04893	2.26253	0.44980	7.98	<.0001	0.96489	1.03639
BSIZE	- 0.57130	0.50388	- 0.06377	- 1.13	0.2580	0.96974	1.03120
OWNCON	- 0.13252	0.05656	- 0.13078	- 2.34	0.0199	0.98460	1.01564
ACMEET	3.37617	0.91702	0.20618	3.68	0.0003	0.97817	1.02231
ACEXP	- 5.07532	5.06496	- 0.05564	-1.00	0.3173	0.99510	1.00493

* Dependent Variable: Audit Report Lag (ARL)

Source: Developed for the research

4.2.2.1 Unstandardized Coefficients

In order to find out the influence of independent variables towards dependent variable, unstandardized coefficients (β) were employed through developing a regression equation. The results generated in Table 4.7 has contributed to the development of the regression equation as below:

ARL = 83.74612 + 18.04893 (CEODUAL) – 0.57130 (BSIZE) – 0.13252 (OWNCON) + 3.37617 (ACMEET) – 5.07532 (ACEXP)

Table 4.8: Variable's Measurement

Dependent Variables		**Measurement**
Audit Report Lag	**ARL**	Days between a company's fiscal year-end date and the auditor signing date.
Independent Variables		
CEO Duality	**CEODUAL**	"1" if a person serving both as a company's CEO and chairman of the board, "0" otherwise.
Board Size	**BSIZE**	Number of directors on the board at the fiscal year-end date.
Ownership Concentration	**OWNCON**	Combined ownership of five largest shareholders.
Audit Committee Diligence	**ACMEET**	Total number of AC meetings held annually.
Audit Committee Competence	**ACEXP**	Proportion of accounting expertise members to total AC members.

Source: Developed for the research

H_1 expects a positive and significant relationship between CEO duality and ARL. It was aligned with the outcomes showed in Table 4.7 whereby CEODUAL was found to have a significant effect to ARL, as the p-value located at less than 0.0001, which is lower than 0.05. Furthermore, CEODUAL with largest positive beta weight (β=18.04893) indicates a positive relationship which means that ARL is presumed to be increased by 18.04893 when 1 additional unit increase in CEODUAL.

H_2 predicts a positive and significant relationship between board size and ARL. This was inconsistent with the results in Table 4.7 whereby BSIZE was found that it has no remarkable effect to ARL, as the p-value of BSIZE is 0.2580, which is more than 0.05. Moreover, BSIZE reported a negative beta weight (β=-0.57130) evidenced that ARL is assumed to decline by 0.57130 when one additional unit rise in BSIZE.

H_3 anticipates a negative and significant relationship between ownership concentration and ARL. The results supported the hypothesis as the p-value of OWNCON equal to 0.0199 which demonstrates a significant association with ARL. Furthermore, OWNCON reported a negative beta weight (β=-0.13252) denoted that ARL is expected to decline by 0.13252 when one additional unit increment in OWNCON.

H_4 forecasts a negative and significant relationship between AC diligence and ARL. It was found that ACMEET has a significant and strong association with ARL. According to Table 4.7 shows that significant value of 0.05 is greater than the p-value of ACMEET which is 0.0003. However, ACMEET reported a positive beta weight (β=3.37617) indicated that ARL is assumed to rise by 3.37617 when one additional unit increase in ACMEET.

H_5 expects a negative and significant relationship between AC competence and ARL. However, ACEXP was found to be negative and insignificant correlated with ARL. This is because the p-value equal to 0.3173, which is more than 0.05 yet a negative beta weight (β=-5.07532) which showed that ARL is expected to reduce by 5.07532 when one additional unit increase in ACEXP.

4.2.2.2 Standardized Coefficients

Standardized coefficients were used in this study to identify the contribution of each variable in relation to the conceptual model. The larger beta of independent variable will lead to a remarkable change on dependent variable.

According to Table 4.7 showed that the standardized coefficients (β) of all five independent variables are less than 1. The independent variables that showed the highest β value is CEODUAL (0.44980), continued with ACMEET (0.20618), ACEXP (- 0.05564), BSIZE (- 0.06377) as well as OWNCON (- 0.13078).

4.2.3 Multicollinearity

Multicollinearity problem can be determined by calculating Variance Inflation Factor (VIF) and Tolerance value (El-Habil & Almghari, 2011). As seen from the result generated, the largest value of VIF and lowest value of tolerance was 1.03639 and 0.96489 respectively. Both of these values indicate that the multicollinearity problem did not exist in this research due to the value of VIF is less than 10 and the value of tolerance is more than 0.1 (Jeeshim & Kucc, 2002).

4.3 Conclusion

Overall in Chapter 4, we have employed SAS software to interpret the result by using tables, figures as well as equations. In conclusion, CEODUAL, OWNCON and ACMEET have significant influence towards ARL. In Chapter 5, the discussion will be focused on overview of statistical result, interpretaion of major findings, implications, restriction of study as well as recommendations.

CHAPTER 5: DISCUSSION, CONCLUSION AND IMPLICATIONS

5.0 Introduction

The views on major research findings, implication and restriction of the study as well as suggestions for future researchers will be presented in this chapter after summarizing the statistical analysis in the chapter 4. Lastly, a simplified and brief overall view of this study will be showed as a finalise of the research.

5.1 Summary of Statistical Analysis

5.1.1 Descriptive Analysis

According to Table 4.1 to 4.3, ARL, as a dependent variable revealed that nearly all of the PLCs provide a timely financial reporting as 98.8% of the PLCs did not exceed 4 month due date as well as the average of ARL was only 91 days within a range of 33 days to 121 days with a standard deviation of 17.4561670. Furthermore, CEODUAL, the only dummy independent variable had a maximum and minimum value of 0 and 1 with a standard deviation of 0.4350322, while its mean value was 0.252 that close to 0 as 74.8 % of the companies has separate the roles of CEO and Chairman.

According to Table 4.3, BSIZE had a mean of 7.388 within a range of 4 to 17 with a standard deviation of 1.9484975. Besides, OWNCON had the highest value in term of mean and standard deviation, comparing to others which were 55.2540000 and

17.228256, as it was measured by the percentage that had a maximum and minimum value of 10.1200000 and 98.1680000. Next, AC characteristic as presented by ACMEET and ACEXP had an average value of 5.0120000 and 0.4581112 respectively. In respect of standard deviation, minimum and maximum value, ACMEET was 1.0660214, 4.0000000 and 10.0000000, whereas ACEXP was 0.1913578, 0.2000000 and 1.0000000.

5.1.2 Inferential Analysis

5.1.2.1 Pearson Correlation Analysis

Table 5.1: Pearson Correlation Analysis Summary

Alternative Hypothesis	**Pearson Correlation**	**Significant p-value**	**Significance of correlation**	**Strength**	**Outcome**
H_1: There is a positive and significant relationship between CEO duality and ARL.	0.42735	<.0001	Significant	Low positive	Reject H_0 ; Accept H_1
H_2: There is a positive and significant relationship between board size and ARL.	-0.12218	0.0537	Insignificant	Negligible	Accept H_0 ; Reject H_2

H_3: There is a negative and significant relationship between ownership concentration and ARL.	-0.13166	0.0375	Significant	Negligible	Reject H_0 ; Accept H_3
H_4: There is a negative and significant relationship between AC diligence and ARL.	0.16056	0.0110	Significant	Negligible	Reject both H_0 & H_4
H_5: There is a negative and significant relationship between AC competence and ARL.	-0.02061	0.7457	Insignificant	Negligible	Accept H_0 ; Reject H_5

Source: Developed for the research

Table 5.1 depicts the strength of the association between the five CG independent variables and ARL. Based on the Pearson correlation values, CEODUAL has low association with ARL, whereas BSIZE, OWNCON, ACMEET and ACEXP have negligible correlation with ARL.

In addition, CEODUAL, OWNCON and ACMEET are found to have a significant relationship with ARL. In contrast, BSIZE and ACEXP are insignificantly associated with ARL.

5.1.2.2 Multiple Linear Regression Analysis

Table 5.2: Multiple Linear Regression Analysis for Audit Report Lag (ARL)

R-squared	F Value	Pr > F
0.2515	16.4	< 0.0001

Source: Developed for the research

Based on the table above, R-squared of 0.2515 indicated that all the independent variables could explain 25.15% of variances in the dependent variables, ARL. This result is quite similar with that reported by Che-Ahmad and Abidin (2008) and Daoud et al. (2015) of 20% and 22.1% respectively. Meanwhile, the remaining 74.85% of variances in ARL could be explained by other elements that do not discuss in the research.

Besides, the F-test statistics generated is 16.4 which is more than the F value ($F_{0.05}$ = 2.2141), it indicated that all independent variables has a significant linear relationship with the dependent variable. The model is statistically significant and fit as the p-value <0.0001. In this research, multicollinearity problem does not exist.

Table 5.3: Summary of MLR Analysis for Audit Report Lag (ARL)

Alternative Hypothesis	Significant p-value	Outcomes
H_1: There is a positive and significant relationship between the CEO Duality and ARL in Malaysia PLCs.	<.0001	Reject H_0 ; Accept H_1
H_2: There is a positive and significant relationship between the Board Size and ARL in Malaysia PLCs.	0.2580	Accept H_0 ; Reject H_2
H_3: There is a negative and significant relationship between the Ownership Concentration and ARL in Malaysia PLCs.	0.0199	Reject H_0 ; Accept H_3
H_4: There is a negative and significant relationship between the AC Diligence and ARL in Malaysia PLCs.	0.0003	Reject H_0 ; Accept H_4
H_5: There is a negative and significant relationship between the AC Competence and ARL in Malaysia PLCs.	0.3173	Accept H_0 ; Reject H_5

Source: Developed for the research

From the outcomes in Table 5.3, there are significant associations among CEODUAL, OWNCON and ACMEET with the dependent variable which is ARL as the significant p-value is less than 0.05. However, the p-value of 0.2580 for BSIZE and 0.3173 for ACEXP indicated that they have insignificant effect on ARL as the p-value is greater

than 0.05. Hence, the hypothesis for H_1, H_3 and H_4 were accepted. Likewise, hypothesis for H_2 and H_5 were rejected.

5.2 Discussion of Findings

5.2.1 Relationship between CEO Duality and ARL of PLCs in Malaysia

In regard to the effect of CEO Duality on the ARL, it is statistically significant in the predicted direction indicated by its significance level of less than 0.0001. This result was aligned with the agency theory recommending segregation of tasks and duties between chairman and CEO can lead to a shorter ARL, which aligned with Daoud et al. (2015) and Afify (2009) who found that the oversight functions was under the threat of dominant leadership structure of board. Few researchers also supported this argument by revealing the concentration of hierarchical power in both management implementation and governance control will lead bias on objectivity of decisions and cause a greater time for the auditor to review accounts (Mouna & Anis, 2013; Sakka & Jarboui, 2016).

In contrast, there were some studies that concluded CEO duality hardly exerting influence on ARL by showing an insignificant relationship. Hassan (2016) explained that no value will be added on the timeliness of publication of financial report when the chairman is not president of the company, which further proved by Yang and Zhao (2014) suggesting the duality minimize information costs and control costs thus is a more effective leadership structure especially when competition become intense.

5.2.2 Relationship between Board Size and ARL of PLCs in Malaysia

From the regression result, the p-value of 0.2580 is greater than the significance level 0.05 and proved that the board size has insignificant effect on ARL, thus H_2 is rejected. This finding is on par with that reported by Ibadin et al. (2012), Mohamad-Nor et al. (2010) and Mouna and Anis (2013). According to Ibadin et al. (2012), a larger board has the issue of reaching a consensus and the board will be difficult to monitor. Hence, ineffective communication among the board will affect ARL. Besides, they also added that smaller board also has the same issue as larger board. Thus, the board size has insignificant effect on ARL is examined.

According to Clatworthy (2010) and Ezat and El-Masry (2008), they argued that a larger board can be more effective by sharing more knowledge and experiences and providing different points of view. In addition, a large board also helps to enhance greater control among board, assist in the external auditors' work and eliminate the uncertainties (Sakka & Jarboui, 2016). Thus, larger board size enhances the financial reporting quality and reduces ARL.

5.2.3 Relationship between Ownership Concentration and ARL of PLCs in Malaysia

As hypothesized, H_3 can be accepted due to the significant level result 0.0199 is less than 0.05. The ownership concentration is negative significantly associated with the ARL, which is supported by previous studies of Al-Ajmi (2008) and Ishak et al. (2010). According to Ishak et al. (2010), the company's shares are normally owned by a few internal shareholders who can access information easily while external users may not rely much on the financial report information thus auditors are allowed to perform less detailed work and reduce ARL.

Nevertheless, research done by Lee and Jahng (2008), Mouna and Anis (2013) and Sakka and Jarboui (2016) pointed out the relationship should be positive and significant. Based on Lee and Jahng (2008), auditors tend to consume more time and be more intensifying in performing audit since concentrated ownership might increase the possibility of accounting practices being over-ride. Furthermore, this research did not align with Afify (2009) who proved that ownership concentration has a negative and insignificant impact on ARL given that each shareholder is unwilling to receive dominant information in order to boost the completion of the financial report.

5.2.4 Relationship between AC Diligence and ARL of PLCs in Malaysia

The significant value of 0.0003 indicated a significant influence between AC Diligence and ARL. The findings by Shukeri and Islam (2012) supported the results whereby they claimed that regular AC meetings able to help AC to remain knowledgeable and informed about the accounting and auditing issues thus enable a stronger internal control of the company.

Besides, recent study conducted by Apadore and Mohd Noor (2013) and Aljaaidi et al. (2015) aligned with the research outcome whereby they stated that AC that have frequently meetings are more likely to be active in accomplishing their tasks. Moreover, Hashim and Rahman (2011) and Al-Rassas and Kamardin (2015) argued that Malaysian companies with frequent meetings have good reporting system due to AC can monitor the internal activities during the meeting thus decrease the ARL. However, the finding by Ismail et al. (2008) and Ismail et al. (2012) were contradicted with the finding. The researchers argued that AC meeting could not affect the reporting time as those companies merely fulfilling the requirement of Bursa Malaysia rather than exceeding them.

5.2.5 Relationship between AC Competence and ARL of PLCs in Malaysia

Although AC competencies have the expected negative association with ARL, the relationship was statistically insignificant (P = 0. 3173), thus, H5 is rejected. This finding is on a par with the research of Ismail et al. (2012) and Shukeri and Islam (2012) who claimed that the effort of PLCs in complying with the enforcement of MCCG have caused all the AC characteristics to look similar. Moreover, the result was also supported by the study of Setiawan and Nahumury (2014) who stated that the existence of AC with financial expertise is unable to influence the length of ARL since the members have other activities such as working as an auditor in accounting firms.

Nonetheless, the result is contrary to few researches such as Yadirichukwu and Ebimobowei (2013) and Abernathy et al. (2014) who proved that AC competencies have a negative and significant influence on ARL. According to Yadirichukwu and Ebimobowei (2013), AC member who possesses financial knowledge are apparently able to prevent and detect statements that are materially misstated. Additionally, Abernathy, Beyer, Masli and Stefaniak (2015) and Sultana et al. (2015) have contended that AC competencies able to diminish the total time needed to deliberate and evaluate unusual transactions major accounting policies with auditor, enhance the ability to comprehend audit judgments, thereby shorten the ARL.

5.3 Implication of Study

5.3.1 Managerial Contribution

With the objective of investigating the impact of CG to the timeliness of financial report, the ARL model incorporates determinants emerged from board leadership

structure, AC characteristics and shareholder ownership. Thus, this study is should be of interest to the respective parties and bodies.

One of the implications of the study is that it draws the issue of timely reporting to the attention of legislator in formulating guidelines and strategies to accelerate the time taken to release audited financial reports after examining the flaws of the current company disclosure practices. For instance, this study could serve as valuable input for MICG to establish best practice in order to improve CG mechanisms with the impact of GST implementation. Besides that, the decision maker may wish to reduce the reporting deadlines among PLCs in Malaysia in line with the country's social, economic and political circumstances due to ARL in Malaysia is found to be longer compared to other developed and developing countries.

Moreover, this research also provides useful insight for PLCs in Malaysia as long ARL will lead to delay in publication of the financial report, thereby act as a signal to the capital market of poor earnings reporting quality. Consequently, this information plausibly adds values to the potential investors who may involve it in making investment decisions. In this regard, companies should establish a sound CG system and GST framework to reduce managers' opportunistic behavior and ensure that the audit works are performed in due course in order to meet the statutory deadlines for the publication of the annual audited report.

Furthermore, this study also recommends that more attention should be placed on strengthening the effectiveness of AC in addition to the adherence with the minimum requirements of MCCG. For instance, AC members should not only possess accounting knowledge and experience in financial management, but also should actively examine legal issues and regulations that pertains to the financial statements in order to enhance their functions in reviewing the audit process and financial report. In this context, AC that effectively monitor the corporation would able to ensure timely presentation of financial report to the users for decision making.

Apart from that, this study also serves as a valuable input for external auditors in addressing the increase of the audit risk due to the implementation of the GST system in their company with regards to the time taken for issuing an auditor reports. Specifically, they may put more effort into audit planning in order to reduce ARL. Besides, this study also provides information about CG features that are relevant in reducing ARL after implementation of the GST. Thus, the auditor may examine those CG characteristics in order to lower down the control risk, thereby reduce the audit work and ultimately reduce ARL.

5.3.2 Theoretical Implications

This research offers a new and original insight on how different part of CG elements which include AC characteristic, ownership and board structure work together to influence ARL and contributed to the agency theory application in the ARL model. Remarkably, despite the long debate about the effect of share ownership on governance mechanisms, this research fills the gap in prior empirical literature by showing evidence on the significance of the relation between firm performance and ownership structure. Furthermore, this study added value to the future researchers by applying audit lag model on the transition process from previous SST to GST in Malaysia. The management practice will be influenced by GST implementation in term of transparency of disclosure, compliance cost and audit procedure applied which may increase ARL due to the organization may not be well prepared in adapting the overall tax reform.

5.4 Limitations of study

Firstly, this research is based on cross-sectional study which covers only year 2015 after the GST implementation in April 2015 in Malaysia. A clear picture of the

differences of the effect of CG characteristics on ARL between before and after the GST implementation may not be fully observed. Besides, the long term effect of CG characteristics on ARL and the trend of ARL after the GST implementation could not be observed due to the research period is limited to only year 2015.

Furthermore, this research is only focused on the effect of five CG characteristics on ARL. This is not strong enough for all five independent variables to justify the dependent variable, ARL as shown in the result of R-squared. Besides, this study also ignored the micro and macro environment factors which might influence the ARL. For future research, other factors should have been considered to examine their influence on ARL.

Given that this research data has been collected by using simple sampling method which might cause sample selection biased to occur although the sample size of this research is relatively large. The sample was chosen randomly but not chosen based on the companies industries. Therefore, some of the particular industry companies might not be selected as a sample. These could affect the appropriateness and accuracy of the outcome in representing the trend of the whole PLCs in Bursa Malaysia.

Another limitation in this research is the measurement of audit lag. According to Ibadin, et al. (2012), ARL is expressed as the number of days between the financial year-end to the AGM notice was signed which known as Total Delay. However, ARL in this study was measured as the number of days between financial year-end to the auditor signed date. Hence, ARL measurement in this study may be considered as one of the limitation due to the days excluded from the auditor signing date to the date of AGM notice signed.

5.5 Recommendation of Study

First, future researcher might consider carrying a deeper analysis for a longer period such as five year period data which would be more interesting by showing the trend of timeliness of PLCs in Malaysia and provide higher accuracy of results since the GST implementation impact may only be evident after a longer duration as it may take up to more than two years to operate smoothly. In addition, future research may exclude year 2015 and 2016 to avoid the cases of partly or early implementation of GST (which was implemented on 1 April 2015).

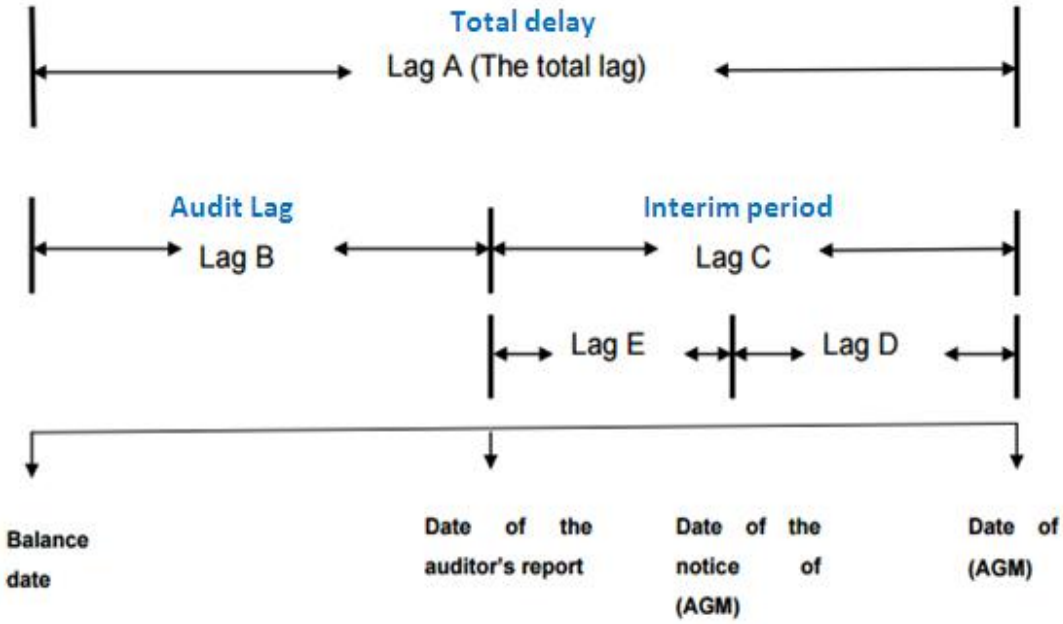
This research model should be extended in order to further improve the explanatory power of ARL. It is recommended to study on other variables such as company size, audit fee and board independence as different variables may enhance the predictive model of ARL. Apart from focusing on CG mechanisms, future study is proposed to consider the factors of government policy which could potentially influence ARL since politic, economic system and culture are the main features of a country.

In order to solve a sample selection biased, it is suggested to use the stratified sampling technique in selecting the sample size. Future researchers may categorize PLCs in Bursa Malaysia into different industries and choose randomly from their respective strata to ensure the sample includes companies from each industry. With this consideration, the representativeness of the sample for the trend of all PLCs might be more convincing and fair besides reducing the occurrence of sampling error.

Many of the previous studies include our research defined ARL as the duration of time between a company's financial year-end and the auditor report signing date. It is recommended for future studies to adopt more sophisticated ARL measurement starting from fiscal year-end to the AGM date named as total delay which divided into Audit Lag and Interim period (as shown in figure 5.1). This could not only determined whether a firm violated the listing requirement of publishing annual report within 4

months, but also take into account the lapse of time a company takes to present to its shareholder as Bursa Malaysia has required PLCs to issue the annual report to the Stock Exchange and shareholders within six months.

Figure 5.1: Time lag in financial reporting



Sources: Al-Ajmi (2008); Eghliaow (2013); Sakka and Jarboui (2016)

5.6 Conclusion

This research focused on the impact of CG on the ARL of PLCs in the year 2015 after the GST implementation in Malaysia. According to the finding outcome, CEODUAL, OWNCON and ACMEET have a significant association with ARL while BSIZE and ACEXP are insignificantly related with ARL. A few limitations have been discovered throughout this research and several suggestions have been provided to overcome those constraints for future studies. In short, CG mechanisms do have impact on ARL of PLCs.

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Appendix A: Summary of Past Empirical Studies

Study	Country	Measurement and Data Collection	Major Findings
Afify (2009)	Egypt	• The sample collected through 85 out of 372 listed companies' annual report from Cairo and Alexandria Stock Exchange (CASE) in 2007. • Regression analysis • Existence of CEO duality is measured by coded 1 if CEO is the chairman and 0 otherwise.	The result showed that there is a positive and significant association between CEO Duality and ARL.
Mouna and Anis (2013)	Tunisia	• This study selected 33 Tunisian stock exchange listed companies' audited annual reports in 2009. • Multivariate analysis • If there is duality function of the CEO, coded 1 using binary variable, 0 otherwise.	The results implied that CEO duality function is positively and significantly related to ARL.
Daoud et al. (2015)	Malaysia	• The study covers 112 listed firms in 2011-2012 from Amman Stock Exchange (ASE) except financial sector. • Multiple regression analysis • If CEO-Chairman roles combine, 1; if separate, 0.	The results indicated that CEO duality and ARL relationship is positive and significant.
Hassan (2016)	Palestine	• 46 Palestine Stock Exchange (PSE) listed companies by employing agency theory have been chosen as sample by collecting their 2011 annual reports.	The result demonstrated that the association between board size and ARL is positive and significant.

		• Multiple regression analysis • Board size is measured by the total number of board directors for company.	
Azubike and Aggreh (2014)	Nigeria	• A sample of 40 Nigerian Stock Exchange manufacturing companies' 2010-2012 annual reports is chosen. • Ordinary least squares (OLS) regression • Board size is measured by the number of board of directors.	The outcome revealed that board size had a positive and significant relationship with ARL.
Mohamad-Nor et al. (2010)	Malaysia	• 628 non-financial Malaysian public listed companies' annual reports for the year ended 2002 were selected as sample. • Multivariate analysis • Board size is measured by the number of board of director members.	The result showed that the board size is positively and insignificantly related to ARL.

Setiawan and Nahumury (2014)	Indonesia	• A sample of 156 banking companies quoted in the Indonesia Stock Exchange in 2007-2012 was obtained via purposive sampling technique. • Multiple linear regression analysis. • Ownership concentration is measured by the proportion of shares held by the five largest shareholders in comparison to the total shares outstanding.	The results proved the insignificant relationship between ownership concentration and ARL.
Al-Ajmi (2008)	Bahrain	• The sample covers 231 firms-years companies that quoted on the Bahrain Stock Exchange (BSE) during 1999-2006. • Regression model. • Ownership concentration is measured by the total proportion of shares owned by shareholders holding 5% and more.	It revealed that the ownership concentration is negatively significant to the ARL.
Ishak et al. (2010)	Malaysia	• The sample selected 198 companies that quoted on the Main Board of Bursa Malaysia on the ARL for 2007. • Multivariate analysis. • Ownership concentration is measured by the percentage of shares held by the single largest shareholder relative to the total number of shares in the company.	It concluded that the ARL is negatively significant associated with ownership concentration.

Aljaaidi, Bagulaidah, Ismail, and Fadzil (2015)	Jordan	• 87 Jordan Amman Stock Exchange (ASE) listed companies' survey respondents and annual reports in 2009 were chosen as sample to obtain data. • Pearson Correlation matrix and Ordinary Least Square (OLS) regression analysis. • Audit committee (AC) meetings is measured by the number of AC meetings during the year 2009 while ARL is measured by the number of days from corporate fiscal year end date to the date of auditor's report.	The results generated via OLS regression analysis showed that AC meeting is significantly and negatively associated with ARL.
Shukeri and Islam (2012)	Malaysia	• 491 companies listed on Bursa Malaysia were chosen as the sample for this study. • Multivariate Regression Analysis. • AC meetings is measured by the number of AC meetings conducted during the financial year and ARL is measured by the number of calendar days from the interval period of firm financial year end date to the annual auditor's report date.	The result of regression analysis performed revealed that AC meeting is negatively and significantly related with ARL.

Puasa, Salleh, and Ahmad (2014)	Malaysia	• The sample of 669 company-years observation which comprises of companies that quoted on Bursa Malaysia for the year 2004-2006 (before MCCG 2007) and 2009-2011 (after MCCG 2007) was obtained. • Panel least square analysis • AC activity is measured by the amount of AC meetings conducted during the year and ARL is measured by the number of days between the firm's financial years ended to the auditor's report date.	The results depict that AC meetings is negatively and significantly related with ARL for the period before revision of MCCG 2007, whereas there is an insignificant relationship for the period after MCCG 2007.
Yadirichukwu and Ebimobowei (2013)	Nigeria	• This study covers 35 firms' annual report quoted in Nigerian Stock Exchange (NSE) for the period 2008-2011. • Granger causality test, relevant diagnostic tests and pooled least square test. • The AC competence is measured by the proportion of AC members who have financial management or accounting knowledge.	The results showed that there is significant association between AC financial expertise and ARL.

Abernathy, Beyer, Masli, and Stefaniak (2014)	United States	• The study examine a total of 332 firms (996 firm-years) included in Standard and Poor's 500 (S&P 500) for the years from 2006-2008. • Multivariate analysis • The AC competence is measured by the number of AC directors who qualify as Accounting Financial Experts (AFEs) divided by the total number of directors on the AC for firm "i" in year "t".	Their result depict that there is a significant negative association between the proportions of accounting financial experts on AC and ARL.
Sultana, Singh, and Zahn (2015)	Australia	• The study covered 494 firm-year data which acquired from Australian Securities Exchange (ASX) public listed firms from 2004-2008. • Regression analysis • AC financial expertise is measured by 1 if at least one director of the AC of firm "I" in time period "t" has necessary expertise such as professional, educational, affiliations and/or a for-profit role) to be financially qualified; 0 otherwise.	The result of this study provides evidence that the AC's financial expertise has significant inverse relationship with ARL.

Appendix B: Operationalization of model variables (related to 3.4)

Dependent Variable	Item	Definition	Sources	Measurement	Scale of Measurement
Audit report lag	DV	The difference of number of days between the end of the fiscal year and the date of completion of audit.	Hashim and Rahman (2011)	Number of days elapsing between the end of the fiscal year of the company to the completion of the audit report date.	Ratio

Independent Variable	Item	Definition	Source	Measurement	Scale of Measurement
CEO Duality	IV1	A person who is holding the position of chairman as well as	Hassan (2016)	It is coded by 1 if CEO-Chairman roles combine; 0 if separate.	Nominal

		CEO in a company.			
Board size	IV2	Size for a board of directors.	Wu, Wu, and Liu (2008)	Measured by the total number of board of directors.	Ratio
Ownership concentration	IV3	The composition of the company's shareholding.	Setiawan and Nahumury (2014)	Measured by the proportions of the number of shares held by the five largest shareholders of the company. $\sum \frac{Outstanding Shares Held by The Five Largest Shareholders}{Total Value of Shares Outstanding}$	Ratio
Audit committee Diligence	IV4	The number of audit committee meetings held in a year	Puasa, Salleh, and Ahmad (2014)	Measured by the number of audit committee meetings held in a year.	Ratio

Audit committee competence	IV5	The proportion of the AC members who is the members of professional accounting bodies or having a professional qualification in accounting to the number of AC members in the company.	Shukeri and Islam (2012)	Measured by the proportion of the AC members who is the members of professional accounting bodies or having a professional qualification in accounting to the number of AC members in the company. $\sum \frac{ACwithAcountingExpertise}{AuditCommittee(AC)}$	Ratio