February 2021

AUDIT REPORT LAG: DO COMPANY CHARACTERISTICS AND CORPORATE GOVERNANCE FACTORS MATTER? EMPIRICAL EVIDENCE FROM LEBANESE COMMERCIAL BANKS

Rasha M. Nouraldeen
PhD Student, Department of Accounting, Faculty of Business Administration, Beirut Arab University, Beirut, Lebanon, rashanouraldeen@hotmail.com

Mohamed Mandour
Associate Professor, Department of Accounting, Faculty of Business Administration, Beirut Arab University, Beirut, Lebanon, m.mandour@bau.edu.lb

Wagdi Hegazy
Professor, Department of Accounting, Faculty of Business Administration, Beirut Arab University, Beirut, Lebanon, w.hijazi@bau.edu.lb

AUDIT REPORT LAG: DO COMPANY CHARACTERISTICS AND CORPORATE GOVERNANCE FACTORS MATTER? EMPIRICAL EVIDENCE FROM LEBANESE COMMERCIAL BANKS

Abstract

The objective of this study is to investigate the determinants (company specific characteristics and corporate governance factors) of audit report lag (ARL) in a developing country, namely, Lebanon. This paper adds and contributes to the limited literature that investigated the determinants of ARL in the developing Middle East countries through focusing on the Lebanese context. The study is carried out depending on a sample of Lebanese commercial banks operating in Lebanon, covering the period from 2012 to 2017. The researchers used the multiple regression analysis to examine the impact of the explanatory variables on ARL. The results show a significant relationship between ARL and each of bank size, leverage, board independence, board diligence, audit committee (AC) independence, and AC diligence. The regression outcomes reveal that banks with longer ARL are smaller, have higher leverage, their boards and ACs are less diligence, their boards are more independent, and their ACs include less independent and non-executive members.

Keywords

1. INTRODUCTION

The usefulness of accounting data to the different users of financial reports relies on the timeliness of these data (Singhvi & Desai, 1971). Timeliness is one of the main qualitative features of financial reporting that supports the decision making of the users (IASB, 2018), delayed accounting data is of little use to the different investment decisions taken by the investors (Hassan, 2016). Indeed, among the most significant elements that influence the timeliness of information release is the timeliness of the external audit reports (Givoly & Palmon, 1982; Leventis et al., 2005; Afify, 2009; Abernathy et al., 2017). The fact that delay in performing the audit procedures and processes postpone the release of the audited financial reports, companies may be exposed to bad situations such as negative and unexpected market responses and increase in information asymmetry due to ARL (Abbott et al., 2012). Therefore, decreasing the external audit lag is considered essential to increase the timeliness of financial reporting and to promote the trust of stockholders in capital markets (Ettredge et al., 2006). In fact, the auditing literature has realized the significance and necessity of conducting researches that focus on external audit lag due to its impact on the timeliness of financial and audit data disclosure (Givoly & Palmon, 1982; Pizzini et al., 2015; Oussii & Taktak, 2018a). ARL (named also as audit delay), is measured in literature by the number of days from the end of a firm's fiscal year till the date of signing the audit report, which is the time needed to finish the audit mission (Ashton et al., 1987; Hussin & Bamahros, 2013; Pazzini et al., 2015; Hassan, 2016; Oussii & Taktak, 2018a).

Timely financial reporting in developing markets is so critical, because data in those markets are finite and take long time to be published (Afify, 2009). Since timely financial data can support decision-makers and decrease information asymmetry in those capital markets, scouting the determinants of ARL in Lebanon, which is one of the developing markets, is essential. The goal of this study is to examine whether the company specific characteristics (company size, financial performance and financial condition) and corporate governance factors (Frequency of board meetings, board size, board independence, AC size, AC independence, and frequency of AC meetings) influence ARL. This paper contributes to the limited literature that investigated the determinants of ARL in the developing Middle East countries. Especially that this finite literature reveals contradict results regarding the direction and significance effect of each of these determinants on ARL. This can be due to the variations in each of the regulatory and institutional situations, measures of explanatory and dependent variables, and the number of years and observations that each study covers. In this concern, Durand (2019) found in her meta-analysis study of the determinants of ARL that the relationships between each of corporate governance factors (concerning the boards and their ACs) and ARL are still unobvious; thus, the author suggested further research to be conducted to clarify and explain these associations. Due to this inconsistency in literature findings, the researchers consider that investigating the associations between ARL and each of the company characteristics and corporate governance elements in the Lebanese context may provide additional clarification and explanation for these associations. The study is conducted on 130 annual reports related to 24 Lebanese commercial banks operating in Lebanon, covering the years from 2012 to 2017. The results reveal that the ARL for the sample banks ranges from 51 to 273 days, with an average 122 days, for the six-year period (2012-2017). Regarding the company specific factors, the multiple regression analysis reflects that both bank size and leverage have significant influence on ARL but in opposite directions, the bank size affects ARL negatively but leverage influences the audit lag positively. Concerning the third company characteristic, it is found that bank's profitability has insignificant impact on audit delay. In addition, the outcomes show that three corporate governance factors (frequency of board meetings, AC independence, and frequency of AC meetings) have negative significant influence on ARL; however, one corporate governance factor (board independence) affects audit delay positively and significantly. Regarding the control variable, the findings document that ownership concentration has positive significant influence on external audit delay.

The rest of this study is arranged as follows: The second section presents brief background about timeliness of financial reporting and ARL in USA, Europe, and Lebanon; besides, this section displays a set of Lebanese laws and circulars issued for boosting the corporate governance mechanisms in the banking sector. The third section presents the literature review and develops the study's hypotheses. The fourth section displays the research methodology, while the fifth section

demonstrates the regression analysis results. Finally, the sixth section illustrates the conclusion of the study, comprising the limitations and suggestions for further future research.

2. BACKGROUND

The audit washout in the early periods of 2000s increased the doubt in the quality and timeliness of financial data, which resulted in the issuance of the Sarbanes Oxley (SOX) act 2002 in USA (Ettredge et al., 2006; Eulerich et al., 2017). Sections 404 and 409 of SOX act (2002) recommend external auditors to accomplish more efforts in less time (Ettredge et al., 2006; Bronson et al., 2011; Pizzini et al., 2015). After the publishing of section 409, the Securities and Exchange Commission (SEC) gradually shortened the deadlines for submitting the 10- K reports, which comprise the audited financial statements and the external audit report, of the accelerated filers 30 days (from 90 to 60 days) covering a three-year period. The goal of this action was to increase the timeliness of financial data (Pizzini et al., 2015). Similarly, in Europe there was an increasing interest in improving the timeliness of data dissemination. In this concern, the European Union mentioned: "The disclosure of accurate, comprehensive and timely information about security issuers builds sustained investor confidence and allows an informed assessment of their business performance and assets. This enhances both investor protection and market efficiency" (EU, 2004, Para. 1).

Consistent with the international callings to achieve more timely financial data through accelerating the release of the external audit report and the audited financial statements, the Lebanese central bank (Banque du Liban) since 1982 was interested in enhancing the timeliness of financial statements of the banking sector. The Basic Circular No 7 published by the Lebanese central bank in 1982 requires from the banks operating in Lebanon to submit their external audit reports before September 30 of each year (BDL, 1982). Moreover, the Basic Circular No 122 and the Intermediate Circular No 447, published by the central bank, recommend the external auditors of these banks to follow the International Standards on Auditing (ISA), comprising ISA 700-701-705-706-720, while accomplishing their audit and preparing the audit reports (BDL, 2009; BDL, 2017).

The Lebanese central bank focuses also on promoting the corporate governance mechanisms in the banking sector through issuing several circulars. For example, the Basic Circular No 106 (BDL, 2006) and the Intermediate Circular No 255 (BDL, 2011a) require from the banks functioning in Lebanon to follow the rules released by the International Basel Committee and to formulate their own "Corporate Governance Guide" that should state the procedures that must be followed by the banks' departments to execute the rules of corporate governance. The guide of each bank should also specify the board's responsibility, size and synthesis (number of non-executive, independent, and executive directors). Furthermore, these two circulars recommend the bank's internal audit function to check whether all the departments follow the corporate governance regulations and principles (BDL, 2006; BDL, 2011a). In this concern and for the purpose of enhancing the efficacy and efficiency of the banks' boards, the Basic Circular No 118 and the Intermediate Circular No 253 recommend the Lebanese banks to elect boards that include sufficient number of nonexecutive and independent directors and to establish ACs independent from management with minimum size of three members. Those two circulars also require from the banks' boards and ACs to conduct frequent and periodic meetings during the year in order to discuss the different regular and urgent cases (BDL, 2008; BDL, 2011b).

The Lebanese banking sector was one of the distinguished banking sectors worldwide due to its high liquidity and cohesive solvency; besides, it was protected against the several local and foreign jolts. The stability of the Lebanese banks in the various global economic jolts made the sector gain wide reputation during the global financial crisis in 2008 (Alrub et al., 2018).

3. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

The literature revealed several company specific characteristics and corporate governance factors that may influence ARL. The most company characteristics that were addressed in research (for instance, Owusu-Ansah & Leventis, 2006; Pizzini et al., 2015; Hassan, 2016; Abernathy et al., 2017; Khoufi & Khoufi, 2018; Durand, 2019) as determinants of ARL are company size, industry, and company's financial performance and financial condition (proxied by profitability and leverage). Besides, the most corporate governance factors that were addressed in prior studies (for example, Ezat & El-Masry, 2008; Samaha & Khlif, 2017; Oussii & Taktak, 2018b; Baatwah et al., 2019; Habib

et al., 2019) as determinants of ARL are board characteristics (board's size, independence, and diligence) and AC characteristics (AC's size, independence, and diligence).

3.1 Company Specific Determinants

The company specific determinants of ARL that this study focuses on are company size and the two proxies of financial performance and condition (profitability and leverage). The current study emphasizes on these characteristics because, as stated before, they were addressed in literature (for example, Abernathy et al., 2017; Khoufi & Khoufi, 2018; Durand, 2019) as the most common determinants of ARL that are related to company characteristics. The next context illustrates those determinants as documented in literature.

3.1.1 Company size

The studies that examined the association between the size of the company and ARL (e.g. Davies & Whittred, 1980; Ashton et al., 1987, Owusu-Ansah & Leventis, 2006; Abbott et al., 2012; Pizzini et al., 2015; Khoufi & Khoufi, 2018; Oussii & Taktak, 2018a; Durand, 2019) provided evidence that the two variables are significantly related. However, there is no agreement in literature concerning the direction of this association.

Although Pizzini et al. (2015) and Oussii and Taktak (2018a) found that ARL is positively associated with the company size, the majority of empirical research (e.g. Ashton et al., 1987; Carslaw & Kaplan, 1991; Ettredge et al., 2006; Afify, 2009; Al-Ghanem & Hegazy, 2011; Abbott et al., 2012; Khoufi & Khoufi, 2018; Durand, 2019) argued that there is a negative association between the two factors. According to the second point of view, larger firms are able to finish auditing their financial statements earlier than smaller firms for various reasons. First, big firms are more capable to possess stronger internal control system, which would diminish the likelihood of having errors in the financial reports and encourages the external auditor to rely more on those controls; hence, the ARL would decrease (Carslaw & Kaplan, 1991; Abbott et al., 2012). Second, large companies are more probable to have sufficient resources ready to be used for paying high audit fees to accelerate the issuance of the audit opinion (Afify, 2009). Third, since large firms are more monitored by regulatory agencies, trade unions, and investors, they face high external pressure to shorten the time of issuing the annual financial reports (Davies & Whittred, 1980). Finally, big companies are more likely to possess modern accounting softwares and have formal policies and procedures that would lead to timely audit completion (Afify, 2009). Based on the arguments of these studies, the first research hypothesis is as follows:

H 1: There is a negative relationship between company size and ARL.

3.1.2 Financial performance and financial condition

Profitability had been examined in literature as a determinant of ARL that reflects the performance of the company. Net income was used in some of these studies (for example, Courtis, 1976; Durand, 2019) as indicator of performance; while, return on assets (ROA) was used in other papers (e.g. Pizzini et al., 2015; Samaha & Khlif, 2017; Oussii & Taktak, 2018a & b) as a proxy for performance that reflects the company's profitability strength. Those studies consistently argued that profitability is negatively associated with ARL and found that bad performers publish less timely financial reports. Firms with high profitability are more probable to finish auditing their statements earlier in order to faster the publishing of their audited annual reports and transmit the "good news" to the stakeholders (Carslaw & Kaplan; 1991; Khoufi & Khoufi, 2018). Moreover, companies that report income less than anticipated may devote extra time to verify the reported outcomes or look for unregistered income items, which would delay the issuance of the audit report (Afify, 2009). Building on these arguments the researchers hypothesized that:

H 2a: There is a negative relationship between profitability and ARL.

Leverage is another proxy for performance and financial condition that was addressed in the studies that examined the external audit lag (for example, Carslaw & Kaplan, 1991; Bamber et al., 1993; Pizzini et al., 2015; Samaha & Khlif, 2017; Durand, 2019). These papers argued that external auditors might be more cautious when auditing firms with high debts, which would increase the ARL. Companies with high leverage may face additional financial problems that may push their managers to manipulate the accounting numbers and release to stockholders optimistic information. In this case, the external auditor would increase the audit efforts to decrease the additional audit risk generated from the poor financial condition, which in turn would increase the ARL (Carslaw & Kaplan, 1991; Samaha & Khlif, 2017). Based on these interpretations the researchers hypothesized that:

H 2b: There is a positive relationship between leverage and ARL.

3.2 Corporate Governance Determinants

In addition to the company specific characteristics, the literature (for example, Wu et al., 2008; Mohamad-Nor et al., 2010; Chan et al., 2016) mentioned several elements of corporate governance that may have impact on ARL. The sturdiness of the corporate governance mechanisms of the company can influence the external auditors' control risk assessment and the extent of their audit tests, which would influence ARL (Durand, 2019). The two groups of corporate governance factors that this study focuses on are board characteristics and AC characteristics. The current study emphasizes on those two groups because, as mentioned before, they were addressed in literature as the most common determinants of ARL that are related to corporate governance factors. Thus, the following context illustrates the influence of these characteristics on ARL according to the previous studies.

3.2.1 Board characteristics

The ability of the board to reduce ARL depends on its attributes, which are size, independence, and diligence (indicated by the recurrence of board meetings).

3.2.1.1 Board size

From a long time, a continuous debate among accounting and auditing researchers had occurred regarding whether small or large boards are more efficacious in oversighting and monitoring the managers and in enhancing the quality and timeliness of financial statements. On one hand, it was claimed that large boards are more efficacious in performing their tasks due to the multilateral experience that their members may possess and are more able to decrease the dominance of management (Akhtaruddin et al., 2009). In addition, large boards with diversity of members may have more desire to publish timely corporate information on the firm's website to entice new stockholders and satisfy the needs of different stakeholders (Ezat & El-Masry, 2008). On the other hand, according to the agency theory there should be a supreme limit to the number of directors to have an effective board (Hassan, 2016). Consistent with the argument of this theory, Jensen (1993) reported that if the board size is more than eight members, then the board would be ineffective in performing his duties. The large board may impede the ability to exchange ideas and reach an agreement among the members in the various decisions (Dalton et al., 1999; Mak & Li, 2001; Arcay & Vazquez, 2005). Furthermore, large boards may create problems in coordination and communication, thus their monitoring efficiency and effectiveness would decline (Wu et al., 2008; Dimitropoulos & Asteriou, 2010). Since timely release of annual reports requires effective monitoring and more coordination between the board members, large boards may increase the lag of publishing the annual reports (Wu et al., 2008).

Due to these arguments, there are opposite points of view in literature concerning the relationship between board size and ARL. Although Samaha and Khlif (2017) posited that board size affects ARL negatively, Hassan (2016) and Habib et al. (2019) suggested the opposite. However, Mohamad-Nor et al. (2010)

hypothesized significant association between the two variables without specifying the sign of this association. The authors of these studies supported their suggestions through referring to prior literature. For instance, Habib et al. (2019) debated that a large board is usually less efficacious in monitoring the various managerial tasks, including the tasks associated with financial reporting; besides it impedes the ability of its members to coordinate and communicate with each other, which would increase the ARL. In contrast, Samaha and Khlif (2017) argued that a large board may decrease ARL because it is more probable to include the required expertise. These contradicting results impede the researchers' ability to expect the sign of the relationship between board size and ARL; thus, the researchers hypothesized that:

H 3a: There is a significant relationship between board size and ARL.

3.2.1.2 Board independence

Board independence stands for the proportion of insiders versus outsiders. The presence of independent members in the board may have a vital influence on the monitoring role of the board to decline the likelihood of managers' opportunistic attitude (Fama & Jensen, 1983) and to support the financial reporting process (Samaha & Dahawy, 2011). Consequently, if the governance structure of a firm implements effective monitoring procedures and follows a vigorous strategic perspective, there is high likelihood to achieve both more efficient (fewer tests of details) and effective external audit (Cohen et al., 2002). The literature (for example, Afify, 2009; Chan et al., 2016; Samaha & Khlif, 2017) suggested a negative relationship between the independence of the board and audit delay. In this concern, Gilson (1990) documented that an independent board may require high audit quality to secure its reputation, and since timely audit reporting is an indicator of high audit quality (Khoufi & Khoufi, 2018), the independent board is more likely to require timely audit reports. Consistently, Chan et al. (2016) documented that the independency of the board enhances its oversight duty and assures more timely publishing of the audited financial statements and audit report. Based on these arguments the researchers hypothesized that:

H 3b: There is a negative relationship between board independence and ARL.

3.2.1.3 Board diligence

Diligence is another board characteristic that was examined in literature as a determinant of ARL, proxied by the recurrence of board meetings. The frequent board meetings improve the performance of the members and enable them to accomplish their tasks properly (Conger et al., 1998), which would enhance the internal control system of the firm. In this case, the strong internal control system would encourage the external auditor to increase his reliance on the client's internal controls to reduce his work; thus, the ARL would decline (Hashim & Abdul Rahman, 2010). In this concern, Tauringana et al. (2008) revealed that the recurrence of board meetings has positive and significant impact on the timeliness of the annual reports. In the same vein, Hashim and Abdul Rahman (2010) showed that firms that hold frequent board meetings had more effective corporate governance mechanism, which was reflected by increase in their performance and earlier publishing of their external audit reports. Consistently, Chan et al. (2016) and Habib et al. (2019) reported that boards that conduct more frequent meetings have better overseeing of the financial reporting process and are more interested in achieving timely disclosure of financial reports, which would decrease the ARL. Building on these arguments the researchers formulated the following hypothesis:

H 3c: There is a negative relationship between the frequency of board meetings and ARL.

3.2.2 Audit committee characteristics

The literature revealed that ACs can have a vital role in reducing audit lag (e.g. Afify, 2009; Hashim & Abdul Rahman, 2010; Pizzini et al., 2015; Hassan, 2016; Baatwah et al., 2019). However, the effectiveness of the ACs in accomplishing this role depends on their features, such as size, independence, and diligence.

3.2.2.1 Audit committee size

The AC cannot perform its duties effectively unless it includes a sufficient number of members (DeZoort et al., 2002; Davidson et al., 2005). Since publishing more timely financial reports is one of the duties of the ACs, it is expected that larger ACs decrease ARL. The different points of view in a large AC would lead to better assessment of the work accomplished by the external auditors (DeZoort et al., 2002). Furthermore, the variety of skills that the large AC may possess would increase its ability to solve conflicts related to the audit report (DeZoort et al., 2003). In this concern, some studies (for instance, Mohamad-Nor et al., 2010; Nelson & Shukeri, 2011; Durand, 2019) found that firms with larger ACs have shorter ARL. Mohamad-Nor et al. (2010) documented that larger ACs are more probable to spend additional time and exert more effort to release timely financial reports to the users. Relatedly, Nelson and Shukeri (2011) argued that a larger AC has more willingness to increase the strength of the company's internal control system, which would affect positivity the auditor's evaluation of the company's business and audit risk and decrease the audit procedures and substantive tests accomplished by the external auditor; thus the ARL would decline. Based on these arguments the study hypothesized that:

H 4a: There is a negative relationship between AC size and ARL.

3.2.2.2 Audit committee independence

Independence is another proxy for AC effectiveness. If the members of the AC are not independent from managers, they cannot accomplish their tasks well (Davidson et al., 2005; Oussii & Taktak, 2018b). The Blue Ribbon Committee Report (1999) documented that ACs should only consist of non-executive or independent members, or else they would not be able to act effectively. The presence of independent AC increases the likelihood to achieve financial statements with high quality (Davidson et al., 2005) and decrease the probability of having a qualified audit opinion (Pucheta-Martinez & De Fuentes, 2007). In this concern, Krishnan (2005) found that the likelihood to have problems in the internal controls over financial reporting is less in the existence of independent AC; in this case, the external auditor would decrease the planned audit hours and perform less audit procedures. Relatedly, both Mohamad-Nor et al. (2010) and Oussii and Taktak (2018b) posited that AC independence and audit lag are negatively related. Based on these arguments the researchers formulated the following hypothesis:

H 4b: There is a negative relationship between AC independence and ARL.

3.2.2.3 Audit committee diligence

The effectiveness of the AC is influenced by the number of meetings it holds per year (Davidson et al., 2005). During the AC meetings, the problems related to financial reporting process may be discovered. However, if the number of the meetings is not sufficient, the troubles could not be detected and might not be solved in a short time, which in turn, would reduce the quality of corporate reporting (Mohamad-Nor et al., 2010). In this concern, Abbott et al. (2003) argued that by conducting frequent meetings, the AC would be regularly informed about the various accounting and auditing matters and would be more able to drive the external audit resources to achieve more timely financial disclosure. In the same

vein, Mohamad-Nor et al. (2010) reported that the more the AC conducts frequent meetings, the more likelihood it can resolve financial problems and lead the external auditor to prepare timely audit report. Consistently, Samaha and Khlif (2017) found that AC activity, reflected by the frequent meetings, improves the quality of corporate reporting through decreasing ARL and enhancing the timeliness of corporate disclosure. Building on these arguments the researchers hypothesized that:

H 4c: There is a negative relationship between the frequency of AC meetings and ARL.

4. RESEARCH METHODOLOGY

In order to test the validity of this research's hypotheses, an empirical study is conducted depending on the data collected from the annual reports of the Lebanese commercial banks, covering the period from 2012-2017. This section is devoted for presenting the population and sample of the study, the method of collecting data, the formulated research model, and finally the measurement of the various variables of the research model.

Table 1:The Final Sample Selection Criteria and the Number of Observations

	Total Number
Lebanese Commercial Banks	35
(-) Banks that do not publish the annual reports or publish reports with missing data	(11)
Final Sample	24
Total expected annual reports for the period (2012-2017) (24 x6)	144
(-) Missing annual reports for certain years.	(14)
Final number of bank-year observations	130

Source: Developed by the Researchers

4.1 Population and Sample

This study focuses on the Lebanese banking sector because it was the most flourishing sector in Lebanon, especially the commercial banks (Alrub et al., 2018). In Lebanon, there are 62 active banks, including 8 Arab and foreign banks and 54 Lebanese banks. The 54 Lebanese banks are composed of 19 noncommercial and subsidiaries of commercial banks and 35 commercial banks (BDL, 2019). The population of this study is the 35 Lebanese commercial banks operating in Lebanon. From these 35 banks,

11 banks are removed from the sample because either they do not publish their annual reports or publish reports with missing data and those data are not found in their websites, thus the final sample is 24 commercial banks. Some of these 24 banks did not publish the annual report for certain years, which led to decrease the number of total observations from 144 (24 x 6) to 130 bank-year observations over the period 2012-2017. Table 1 displays the basis for selecting the final sample and the number of observations.

4.2 Data Collection

The main source of data that this study depends on is the annual reports of 24 Lebanese commercial banks operating in Lebanon, over the period 2012-2017. In addition, the researchers used the websites of some of these banks to get any missing information in the annual reports. The researchers intend to cover a long term interval period to provide more valid results. The study considers the six years, from 2012 till 2017, because they are the most recent years that the researchers could collect data about. Up to the date of preparing this research, the last annual reports presented in the websites of the sample banks are related to the year 2017.

4.3 Research Model and Measurement of Variables

The model of the current study is presented in Fig. 1. The researchers proposed this model to examine the effect of the company specific characteristics (company size, profitability, and leverage) and corporate governance factors (board characteristics and AC characteristics) on ARL.

A multiple regression analysis is conducted to test the hypotheses of this study and to investigate the individual impact of each of the explanatory variables on the dependent variable. The regression equation is formulated as:

ARL $=\alpha+\beta 1$ SIZE $+\beta 2$ PROF $+\beta 3$ LEV $+\beta 4$ BSIZE $+\beta 5$ BIND $+\beta 6$ BMEET $+ \beta 7$ ASIZE $+ \beta 8$ AIND$+$B9 AMEET$+ \beta 10$ OWNC $+\varepsilon$

The researchers find that it is necessary to control for the ownership concentration (OWNC). Hassan (2016) and Khoufi and Khoufi (2018) argued that companies with high ownership concentration have longer ARL. In ownership concentration companies, opposite to ownership dispersion, where small major investors own big percentages of stocks, the likelihood to publish faster audited financial statements is low (Khoufi & Khoufi, 2018). Regarding the measurement of variables, Table 2 displays the definition of the model variables and their measurements based on prior studies.
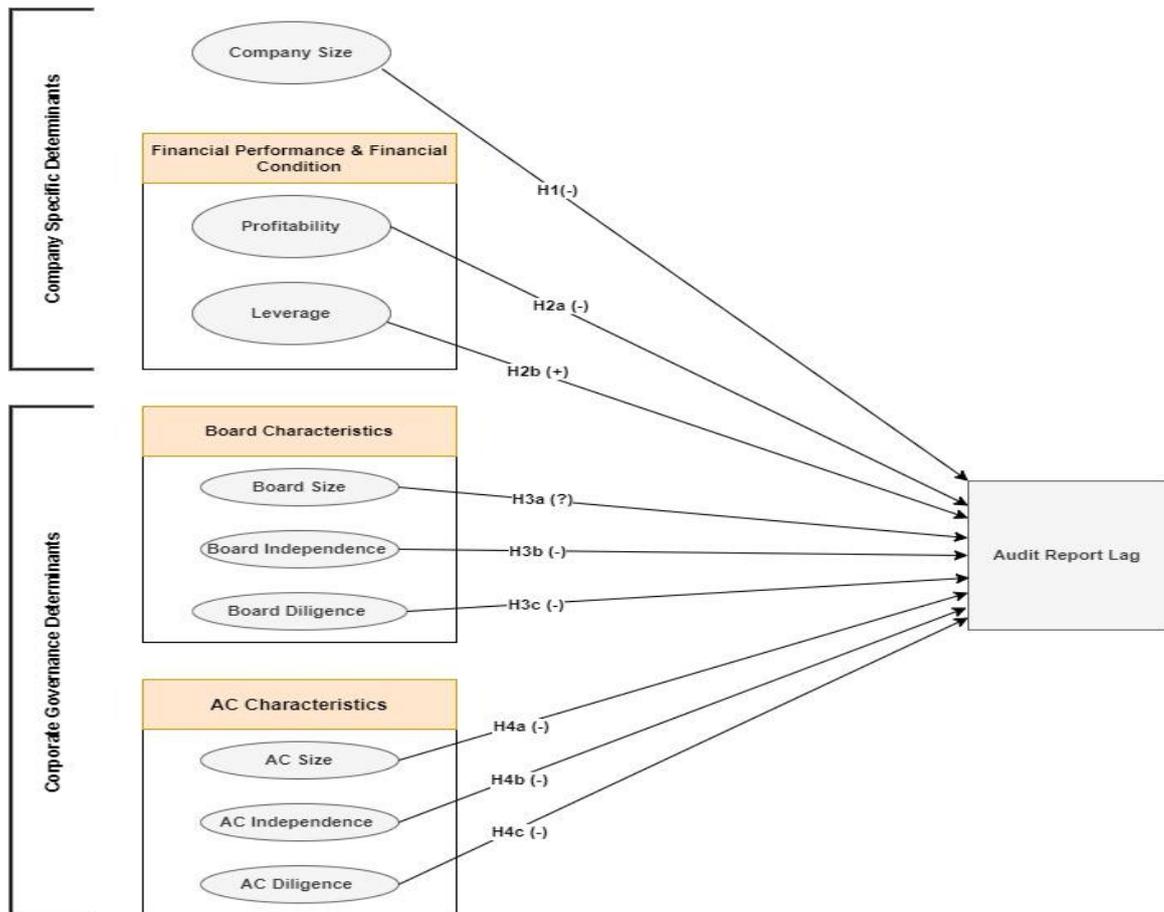

Fig.1: Proposed Research Model
Source: Developed by the Researchers

5. EMPIRICAL RESULTS

This section displays the evolution of ARL of the study sample during the six-year period (2012 – 2017), descriptive statistics of dependent and explanatory variables, correlation, multivariate analysis, and sensitivity analysis.

5.1 Evolution of the Audit Report Lag

The average ARL evolution of the sample banks over the six- year period (2012-2017) is presented in Table 3 and Fig. 2. The figure shows significant increase in the average ARL for the Lebanese commercial banks in 2016 and 2017, as compared to the previous years. Indeed, the average ARL increased from 116 days (in 2015) to 137 days (in 2016). Although this increase is considered a negative signal for stockholders because it decreases the quality of audit reports (Khoufi & Khoufi, 2018), the averages of 2016 and 2017 are still within the acceptable period for submitting the audit reports to the Lebanese central bank. As mentioned in Basic Circular No 7 published by the central bank, the Lebanese banks should submit their external audit reports before September 30 of each year (BDL, 1982).

Table 2: Measurement of Variables

	Variables	Measures	Previous Studies
Dependent Variable	Audit Report Lag (ARL)	Measured by the number of days from the end of a bank's fiscal year to the date of signing the external audit report.	(Ashton et al., 1987; Hussin & Bamahros, 2013; Pazzini et al., 2015; Hassan, 2016; Oussii & Taktak, 2018a).
Independent Variables (Company Specific Determinants)	Company Size (SIZE)	Measured by the natural logarithm of a bank's total assets.	(Ettredge et al., 2006; Afify, 2009; Abbott et al., 2012; Pizzini et al., 2015; Khoufi & Khoufi, 2018; Durand, 2019; Habib et al., 2019).
	Profitability (PROF)	Measured by a bank's ROA (net income divided by the total assets)	(Pizzini et al., 2015; Samaha & Khlif, 2017; Oussii & Taktak, 2018a &b).
	leverage (LEV)	Measured by a bank's total debts to total assets.	(Ettredge et al., 2006; Abbott et al., 2012; Dao & Pham, 2014; Pizzini et al., 2015; Samaha & Khlif, 2017; Durand, 2019).
Independent Variables (Corporate Governance Determinants)	Board size (BSIZE)	Measured by the number of board members.	(Ezat & El-Masry, 2008;Wu et al., 2008; Mohamad-Nor et al., 2010; Hassan, 2016; Samaha & Khlif, 2017).
	Board Independence (BIND)	Measured by a proportion of nonexecutive directors to total number of members in the board.	(Ezat & El-Masry, 2008; Akhtaruddin et al., 2009; Nelson & Shukeri, 2011)
	Board Meetings (BMEET)	Measured by the number of board meetings in a year	(Chan et al., 2016; Habib et al., 2019).
	AC Size (ASIZE)	Measured by the number of AC members.	(Mohamad-Nor et al., 2010; Nelson & Shukeri, 2011; Oussii & Taktak, 2018b; Baatwah et al., 2019).
	AC Independence (AIND)	Measured as a proportion of independent and/or non-executive directors to the total number of directors included in the AC.	(Mohamad-Nor et al., 2010; Oussii & Taktak, 2018b)
	AC Meetings (AMEET)	Measured by the number of meetings held by the AC during the year.	(Oussii & Taktak, 2018b; Habib et al., 2019; Baatwah et al., 2019)
Control Variable	Ownership Concentration (OWNC)	Measured by the percentage of capital held by major shareholders. The major shareholders are those who own more than 5 % of the bank's shares.	(Hassan, 2016; Oussii & Taktak, 2018b; Baatwah et al., 2019)

Source: Developed by the Researchers

Table 3: Average ARL in Days

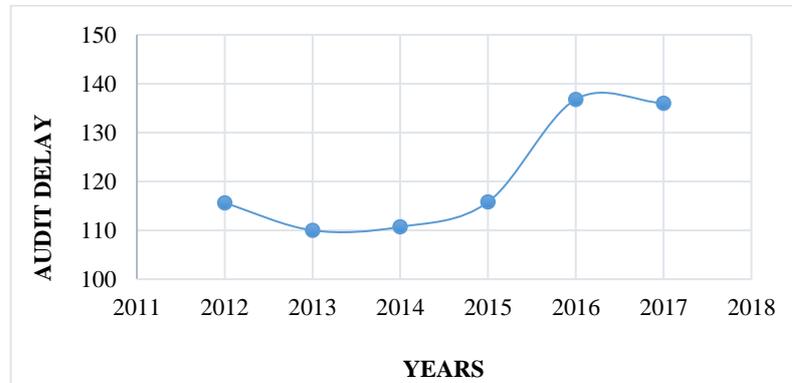| Years	2012	2013	2014	2015	2016	2017
Audit Delay	115.6	110	110.7	115.8	136.8	135.9

Source: Developed by the Researchers

Fig.2: Evolution of Average ARL in 2012-2017
Source: Developed by the Researchers

5.2 Descriptive Statistics

The descriptive statistics of the model's variables are summarized in Table 4. It is evident in the table that the average audit delay for the 130 bank-year observations over the six-year period (2012-2017) is 121.6 days (standard deviation 35.299) with minimum and maximum intervals of 51 and 273 days, respectively. Thus, the Lebanese commercial banks take in average 4 months and 3 days to be ready to publish the audited financial reports to the stakeholders. The results reveal high variations of audit delay among the sample banks; however, all banks meet the deadline for submitting the external audit report to the Lebanese central bank (within 273 days from the end of the bank's year). Compared with the ARL in developing and developed countries, the average ARL for the Lebanese commercial banks seems to be higher than the audit lag of the listed firms in these countries. For instance, in the developing countries, Afify (2009) reported an average ARL of 67.21 days for the Egyptian listed companies in the year 2007. Consistently, Hassan (2016) documented an average audit lag of 62.04 days of the Palestinian listed firms for the year 2011. In the developed countries, Khoufi and Khoufi (2018) found that the average ARL for a sample of 50 French firms is 88 days over the period 2010-2014, within an interval of 29 and 180 days. A probable interpretation for the difference between the mean ARL of this study and other studies carried out in various developed and developing countries is that this study concentrates only on the banking sector; however, the other studies were conducted on more than one sector. For example, Afify (2009) carried out his study on a sample of 85 Egyptian organizations from various sectors and listed in the Egyptian stock exchanges. Khoufi and Khoufi (2018) conducted their research on a sample of 50 firms listed in Paris stock exchange market and related to different sectors, except the banking sector. The authors considered that the operations of the financial sector are much different from other sectors; thus, it should be excluded from the sample.

Table 4 also provides information concerning the explanatory variables. Regarding the board characteristics, the board size ranges from 7 to 13 board members, with a mean of 10 members. The mean number of meetings conducted by the banks' boards is 5 meetings per year and in average 68.86% of the boards' members are non-executive. Concerning the AC characteristics, the mean number of AC members of the sample banks is approximately 4, with minimum and maximum intervals of 3 and 5 members, respectively. The mean (0.932) of the AC independence reflects that the majority members of the ACs are independent and/or non-executive members. Moreover, in average the ACs conducted 4 meetings per year during the period (2012-2017). With respect to the company specific determinants, the natural logarithm of the sample banks' total assets ranges from L.L. 12.86 (in millions) to L.L. 18.02 (in millions);

while ROA ranges from -1.56 to 1.99. The mean (0.9055) of the leverage reflects that total debts represents high proportion of the sample banks' total assets. Concerning the control variable, ownership concentration, the proportion of stocks owned by the major stockholders ranges from 41.04 % to 99.99%; and the standard deviation of (19.296) indicates high variations among the sample banks regarding ownership concentration.

Table 4: Descriptive Statistics

Variables	N	Minimum	Maximum	Mean	Std. Deviation
Dependent Variable					
ARL (Days)	130	51.00	273.00	121.5923	35.29954
Independent Variables					
SIZE	130	12.86	18.02	15.8755	1.20547
PROF (ROA)	130	-1.56	1.99	.8585	.36779
LEV	130	.79	.94	.9055	.02953
BSIZE	130	7.00	13.00	9.9154	1.61406
BIND	130	.36	1.00	.6886	.14822
BMEET	130	4.00	12.00	5.3538	2.07929
ASIZE	130	3.00	5.00	3.5769	.66897
AIND	130	.67	1.00	.9321	.11774
AMEET	130	3.00	8.00	4.2308	.84025
Control Variable					
OWNC	130	41.04	99.99	80.3171	19.29648

Note: ARL, audit report lag; SIZE, bank size; PROF, profitability; LEV, leverage; BSIZE, board size; BIND, board independence; BMEET, board meetings; ASIZE, AC Size; AIND, AC independence; AMEET, AC meetings; OwnC, Ownership concentration.

5.3 Correlation

As revealed in Table 5, there are significant correlations between ARL and each of the explanatory variables at 0.01 or 0.05 significant levels, except for AC size. The correlation coefficient value (0.526) between bank size and board size is the highest among the correlation coefficients of the explanatory variables. Thus, there is no multicollinearity problem since all the correlation coefficients among the explanatory variables are less than 0.8 (Bryman & Cramer, 2011). Furthermore, the variance inflation factor (VIF) for all the explanatory variables, shown in Table 6, are below 4; which provides additional evidence that there is no severe multicollinearity trouble among the explanatory variables (Kutner et al., 2004). Moreover, the Durbin-Watson (DW) value (2.024) shown in Table 6 reflects that there is no serious autocorrelation problem (Durbin & Watson, 1950).

Table 5: Pearson Correlation Coefficients for the Model Variables

	ARL	SIZE	PROF	LEV	BSIZE	BIND	BMEET	ASIZE	AIND	AMEET	OWNC
ARL	1										
SIZE	-.303**	1									
PROF	-.233**	.389**	1								
LEV	.178*	.300**	.044	1							
BSIZE	-.266**	.526**	.154	.032	1						
BIND	.185*	-.037	-.052	-.203*	-.087	1					
BMEET	-.252**	.038	.027	-.015	-.028	-.020	1				
ASIZE	-.054	.079	.182*	-.061	.383**	.037	-.031	1			
AIND	-.244**	.244**	.125	.183*	.157	.101	.154	-.227**	1		
AMEET	-.488**	.215*	.214*	-.196*	.112	-.049	.272**	-.197*	.283**	1	
OWNC	.254**	-.393**	-.155	-.091	-.313**	.025	-.007	-.095	.093	-.214*	1

Note: * Correlation is significant at the 0.05 level (2-tailed); ** Correlation is significant at the 0.01 level (2-tailed).

5.4 Multivariate Analysis

Table 6 displays the outcomes of the multiple regression analysis. The adjusted R^2 reflects that the explanatory variables are accounting for 36.7 % of the variance in ARL. The F- value of 8.49 ($P = 0.000$, less than 0.05) supports the significance of the regression model. The outcomes show that three variables (leverage, AC meetings, board independence), one variable (AC independence), and three variables (bank size, board meetings, ownership concentration) are statistically significant at 1, 5, and 10 percent, respectively in interpreting ARL of the Lebanese commercial banks. The p-value (0.17) of AC size reflects insignificant relationship between the variable and ARL.

The results support H1, H2b, H3c, H4b, and H4c, and reject H2a, H3a, H3b and H4a, since no significant associations are revealed between ARL and each of profitability, board size, and AC size. Besides, opposite to the predictions, the outcomes reveal that board independence affects audit delay positively.

Table 6: Results of Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t- test	Sig. (*P*- Value)	VIF
	β	Std. Error	β			
(Constant)	-1.773	96.241		-0.018	.985	
SIZE	-5.274	2.958	-.180	-1.783	.077*	2.080
PROF	-2.812	7.705	-.029	-0.365	.716	1.314
LEV	322.902	99.411	.270	3.248	.002***	1.410
BSIZE	-0.076	2.118	-.003	-0.036	.972	1.912
BIND	56.518	17.794	.237	3.176	.002***	1.138
BMEET	-2.227	1.251	-.131	-1.780	.078*	1.107
ASIZE	-6.243	4.521	-.118	-1.381	.170	1.497
AIND	-63.529	25.266	-.212	-2.514	.013**	1.448
AMEET	-11.551	3.627	-.275	-3.184	.002***	1.520
OWNC	0.265	.149	.145	1.783	.077*	1.344
R^2= 0.416	*Adjusted R^2* = 0.367		*F- value*= 8.49 (Sig. = .000)	*DW* = 2.024		

Note: *significant at 10 % level; **significant at 5 % level; ***significant at 1 % level

H1 predicts a negative association between bank size and audit delay. The results accept this hypothesis and provide evidence that bank size (coefficient = -5.274, p =0.077) is significant predictor for ARL at 10 percent level. The studies of each of Ettredge et al. (2006), Afify (2009), Abbott et al. (2012), Khoufi and Khoufi (2018), and Durand (2019) confirm this result and found that the two variables are negatively and significantly related to each other.

H2 (a) posits a negative relationship between profitability and ARL. The findings of this study reject this hypothesis and reveal an insignificant association between profitability (coefficient = -2.812, p = 0.716) and audit delay. This finding suggests that whether the Lebanese bank achieves high or low ROA that would not affect the date of issuing the audit report. Thus, the banks that achieve good (bad) performance are not interested to push the external auditors to faster (slower) the preparation of the audit report to early (postpone) transmit the good (bad) news to the stakeholders. This result is in line with Pizzini et al. (2015) and Oussii and Taktak (2018a) who reported insignificant association between the two variables.

H2 (b) expects a positive association between leverage and ARL. Based on the findings shown in Table 6, the study accepts this hypothesis and provides evidence that leverage (coefficient =322.902, p =0.002) is significant predictor for ARL at 1 percent level; which means that banks with higher total debts experience longer ARL. This result is line with Ettredge et al. (2006), Abbott et al. (2012), Pizzini et al. (2015), Samaha and Khlif (2017), and Durand (2019).

H3 (a) posits that board size is significantly related to audit delay. The findings of this study reject this hypothesis and show that board size (coefficient = -0.076, p =0.972) does not have significant impact on the audit report signature date. Thus, whether the board includes a big or small number of directors that would not affect the time disclosure of audit. This finding is consistent with Mohamad-Nor et al. (2010), Nelson and Shukeri (2011), Samaha and Khlif (2017), and Habib et al. (2019) who found a non-significant relationship between the two variables.

H3 (b) predicts a negative association between the independence of the board and audit lag. Opposite to the expectations, this study shows a positive significant association between board independence (coefficient =56.518, p =0.002) and ARL. In this concern, Nelson and Shukeri (2011), Chan et al. (2016), and Samaha and Khlif (2017) found that the two variables are not significantly associated. However, Afify (2009), Habib et al. (2019) and Durand (2019) showed negative and significant relationship between the two variables. Although this study contradicts the outcomes of these studies, it is in line with Wu et al. (2008) and Mohamad-Nor et al. (2010) who found positive and significant association between board independence and reporting lag. The researchers agree with the justification reported by Wu et al. (2008) for this result, the authors argued that boards with more non- executive members have more effective monitoring role and they usually devote additional time to check and verify the firm's accounting and auditing issues; which would increase the ARL.

H3 (c) expects a negative relationship between board diligence and ARL. The results accept this hypothesis and provide evidence that the frequency of board meetings (coefficient = -2.227, p =0.078) has negative and significant influence on ARL at 10 percent level. This finding is in line with Hashim and Rahman (2010) and Chan et al. (2016). The board would be able through the frequent meetings conducted during the year to perform close assessment of the financial reporting process and assure the early preparation of the audit report and the timely publishing of the audited financial statements.

H4 (a) expects a negative association between AC size and ARL. The results do not provide evidence for significant association between the two variables; therefore, the hypothesis is rejected. This outcome is consistent with Oussii and Taktak (2018b) who revealed that ARL is not significantly associated with AC size. This finding can be justified by the close size of the sample banks' ACs during the period (2012-2017). The ACs' size of the 130 bank-year observations, with different ARLs, range within limited interval from 3 to 5 members as presented in Table 4.

H4 (b) posits that the independence of the AC is negatively related to audit lag. The findings support this hypothesis and show that increasing the AC independence (coefficient = -63.529, p =0.013) can significantly decrease ARL. Durand (2019) confirms this result and found that the two variables are negatively and significantly related to each other. This outcome provides evidence that the existence of non-executive and/or independent members in the AC enhances the internal controls over financial reporting, which would encourage the external auditors to increase their reliance on these controls and reduce the time-consuming audit tests; thus the ARL would decrease.

H4 (c) suggests a negative association between AC diligence and audit lag. The results accept this hypothesis and reveal that as the number of AC meetings increases during the year the ARL significantly decreases. This outcome is in line with Mohamad-Nor et al. (2010) and Samaha and Khlif (2017) who found that the recurrence of AC meetings is negatively and significantly related to ARL. Through the repeated meetings, the AC would be informed about the various financial and auditing aspects, and might be able to direct the external auditors to issue timelier audit reports.

Regarding the control variable, the findings provide evidence that there is positive and significant association between ownership concentration (coefficient = 0.265, p = 0.077) and ARL at 10 percent level. This result means that the Lebanese commercial banks with few major investors who own high percentages of stocks have longer audit delay. Although this outcome contradicts some studies (for example, Leventis et al., 2005; Hassan, 2016; Oussii & Taktak, 2018b; Khoufi & Khoufi, 2018) which found that ownership concentration is insignificantly associated with ARL; nevertheless, all these studies posited a positive relationship between the two variables.

5.5 Sensitivity Analysis

ARL is measured in literature either as the number of days between the end of the firm's fiscal year and the date of signing the audit report or as the natural logarithm of this amount (Samaha & Khlif, 2017; Durand, 2019). Following Samaha and Khlif (2017), the researchers performed a sensitivity test through measuring the ARL by its natural logarithm value instead of its original value. The F- value 10.691 ($P = 0.000$) of the sensitivity model, presented in Table

7, supports the significance of the regression model. Moreover, the results of the robustness test reveal no serious differences between the outcomes of the study's primary model and the sensitivity model. Consistent with the primary model, the results of the sensitivity test show that ARL is significantly and negatively related to each of bank size, frequency of board meetings, AC independence, and frequency of AC meetings; besides, the outcomes reveal that leverage and board independence are significantly and positively associated with ARL, at level 1 percent. Furthermore, the sensitivity analysis reflects no significant association between ARL and each of profitability, AC size, board size, and ownership concentration.

Thus, the results of the sensitivity test are consistent with the outcomes of the primary model concerning the significance and direction of the associations between each of the explanatory variables and ARL, except for the control variable (ownership concentration) that reveals to be significantly associated with audit lag in the primary model but insignificant in the sensitivity model.

Table 7: Robustness Test

		Primary Model (ARL)			Sensitivity Model (Natural Log. of ARL)		
	Hypotheses	Coefficients (β)	t- test	Sig. (P-value)	Coefficients (β)	t- test	Sig. (P-value)
(Constant)		-1.773	-0.018	0.985	3.483	4.861	0.000 ***
Independent Variables							
SIZE	*H1 (-)*	-5.274	-1.783	0.077*	-0.043	-1.972	0.051*
PROF	*H2a (-)*	-2.812	-0.365	0.716	-0.054	-0.947	0.346
LEV	*H2b (+)*	322.902	3.248	0.002***	2.919	3.944	0.000***
BSIZE	*H3a (?)*	-0.076	-0.036	0.972	-0.006	-0.359	0.721
BIND	*H3b (-)*	56.518	3.176	0.002***	0.444	3.352	0.001***
BMEET	*H3c (-)*	-2.227	-1.780	0.078*	-0.021	-2.214	0.029**
ASIZE	*H4a (-)*	-6.243	-1.381	0.17	-0.033	-0.972	0.333
AIND	*H4b (-)*	-63.529	-2.514	0.013**	-0.338	-1.794	0.075*
AMEET	*H4c (-)*	-11.551	3.184	0.002***	-0.105	-3.871	0.000 ***
Control Variable							
OWNC		0.265	1.783	0.077*	0.001	1.206	0.23
Number of Observations	130				130		
Adjusted *R2*	0.367				0.429		
F (P-value)	8.49 (0.000***)				10.691 (0.000***)		
DW	2.024				1.923		
Maximum VIF	2.08				2.08		

Note: *significant at 10 % level; **significant at 5 % level; ***significant at 1 % level

6. CONCLUSION

The timeliness of financial disclosure depends definitely on the timeliness of audit reports. The goal of this study is to investigate the company specific determinants and corporate governance determinants of ARL in the Lebanese context, specifically in the banking sector. Using the data of 24 Lebanese commercial banks for six-year period, from 2012 to 2017, nine hypotheses were tested by conducting a multiple regression analysis. Regarding the company specific determinants, the study provides evidence that profitability has no significant effect on audit delay; however, bank size and leverage appear as significant determinants of ARL. The results show that large banks are more able to accelerate the publishing of the external audit reports; while, banks with high debts are less likely

to decrease the external audit lag. These outcomes confirm that big banks are more capable to possess stronger internal control systems that can reduce the likelihood to have errors in the financial statements and enable the external auditors to depend more on those controls and faster the release of the audit reports. In addition, the high debts would increase the doubts of the external auditor on the quality of the financial reports because he would consider the probable existence of manipulations in the financial reports for the sake of releasing more optimistic information to the shareholders. In this case, the external auditor would increase the audit tests, which would delay the publishing of the audit report.

Regarding the corporate governance determinants, the outcomes show that board diligence, AC independence, and AC diligence decrease ARL. Through the frequent board meetings, the directors would follow up and make close assessment to the firm's financial and auditing situation and would assure timely disclosure of the annual report, including the external auditor opinion. In addition, through the frequent AC meetings, the members of the committee would be informed about the various accounting and auditing aspects and they can push the external auditors to faster the issuing of the audit report. Concerning AC independence, the presence of independent and non-executive AC members would improve the internal controls over financial reporting, which would reduce the substantive tests accomplished by the external auditors and faster the preparation of the audit report. With respect to board independence, the results reveal that the presence of non-executive members in the board increases ARL. For the sake of maintaining their reputation, the non-executive board members devote more time for checking the various financial and auditing matters, which increases the audit delay. Furthermore, the results show that each of AC size and board size have insignificant effect on ARL. Hence, increasing the number of members in the board or in its subcommittee do not have significant influence on the date of signing the external audit report.

Regarding the control variable, the outcomes show that high ownership concentration increases significantly the ARL. This result confirms that the dominance of few investors who own big percentages of stocks increases the delay of issuing the external audit reports of the banks. In conclusion, the regression results reveal that banks with longer ARL are smaller, have higher leverage, elect more non-executive board directors, their boards and ACs conduct less meetings, their ACs are less independent from management, and have higher ownership concentration.

The results of this study can be beneficial for the boards, managements, and the external auditors of the banking sector. Shedding the light on the key determinants of ARL may give insights for those parties to take decisions or follow procedures that faster the preparation of the audit reports, which would accelerate the publishing of the audited financial reports. For example, the outcomes of this study may encourage the Lebanese commercial banks' boards and their ACs to conduct more frequent meetings during the year and increase the number of independent and non-executive members in the ACs. In addition, the results may stimulate the regulators and policy makers in different countries to issue laws to enhance the timeliness of audit disclosure in the banking sector. For example, the Lebanese central bank may issue new law or circular to shorten the deadline for submitting the banks' external audit reports to be before September 30 of each year. Moreover, due to the significance impact of ownership concentration on ARL, as revealed in this study, issuing a new law that sets the maximum percentage of stocks that can be owned by each stockholder may decrease the ARL of the Lebanese banks.

This research adds and contributes to the finite literature that investigates the influence of firm characteristics and corporate governance factors on the ARL in the Middle East countries by focusing on the Lebanese context, specifically on the Lebanese banking sector. Moreover, through covering six-year period (2012-2017), this research considers the limitations of other previous studies (for example, Afify, 2009; Mohamad-Nor et al., 2010; Nelson & Shukeri, 2011; Hassan, 2016) who focused only on one year in their examinations of the determinants of ARL. Considering a long-term interval that covers six-year period to investigate the determinants of ARL, rather than focusing on one single year, provides more valid results and reflects the trend of ARL over the time.

However, the current study has two limitations that shed the light on future research. First, this study considers the impact of company characteristics and corporate governance factors on ARL and excludes the influence of audit related attributes. The literature (for example, Hajiha & Rafiee, 2011; Dao & Pham, 2014; Pizzini et al., 2015; Samaha & Khlif, 2017; Khoufi & Khoufi, 2018; Oussii & Taktak, 2018a; Durand, 2019) revealed that certain audit factors (such as the type of audit report, auditor change, and the type of auditors) have significant influence on ARL. After going through the

130 bank-year observations of the 24 sample banks during the six-year period (2012-2017), the researchers found that most of the banks' audit reports are unqualified, few banks changed their external auditors, and each bank appointed two external audit firms one of them is a big N audit firm. The Basic Circular No 122 published by the Lebanese central bank in 2009 requires from the banks working in Lebanon to appoint the external auditors for a renewable three-year period (BDL, 2009), which would decrease the likelihood to have changes in the external auditors of these banks. In addition, the periodic visit of the qualified external auditors of the big N audit firms to the Lebanese commercial banks during the audit period and the continuous follow up with management to correct the misstatements in the financial reports and the deficiencies in the internal controls decrease the probability of having qualified audit opinions. This may justify the rarely existence of qualified audit reports. Due to these reasons, the researchers did not consider the audit factors because they assumed that those factors would not have significant role in interpreting the ARL of the Lebanese banks. The second limitation of this study is that it focuses only on the banking sector and excludes the other Lebanese sectors (e.g. insurance, manufacturing, other service sectors, etc…). The exclusion of the other sectors is due to the difficulty of getting the annual reports of their firms, especially that most of these companies do not publish their annual reports. In addition, these sectors have different regulations and policies from the banking sector. Indeed, those limitations can be considered as bases for future research.

REFERENCES

− Abbott, L.J., Parker, S., & Peters, G.F. (2012). Internal audit assistance and external audit timeliness. *Auditing: A Journal of Practice & Theory,* 31(4) 3-20.
− Abbott, L.J., Parker, S., Peters, G.F., & Raghunandan, K. (2003). The association between audit committee characteristics and audit fees. *Auditing: A Journal of Practice & Theory,* 22(2), 17-32.
− Abernathy, J., Barnes, M., Stefaniak, C., & Weisbarth, A. (2017). An international perspective on ARL: A synthesis of the literature and opportunities for future research. *International Journal of Auditing,* 21(1), 100-127.
− Afify, H.A.E. (2009). Determinants of ARL: Does implementing corporate governance have any impact? Empirical evidence from Egypt. *Journal of Applied Accounting Research,* 10(1), 56-86.
− Akhtaruddin, M., Hossain, M.A., Hossain, M., & Yao, L. (2009). Corporate governance and voluntary disclosure in corporate annual reports of Malaysian listed firms. *Journal of Applied Management Accounting Research,* 7(1), 1-19.
− Al-Ghanem, W., & Hegazy, M. (2011). An empirical analysis of audit delays and timeliness of corporate financial reporting in Kuwait. *Eurasian Business Review,* 1(1), 73-90.
− Alrub, A.A., Ağa, M., & Rjoub, H. (2018). Does the improvement in accounting standard IAS/ IFRS cure the financial crisis and bank profitability? Evidence from banking sector in Lebanon. *Asia-Pacific Journal of Accounting & Economics* [online]. Available at: www.tandfonline.com/ (Accessed 16 September 2019).
− Arcay, M.B., & Vazquez, M.M. (2005). Corporate characteristics, governance rules and the extent of voluntary disclosure in Spain. *Advances in Accounting,* 21, 299-331.
− Ashton, R.H., Willingham, J.J., & Elliott, R.K. (1987). An empirical analysis of ARL. *Journal of Accounting Research,* 25(2), 275-292.
− Baatwah, S.R., Salleh, Z., & Stewart, J. (2019). Audit committee chair accounting expertise and audit report timeliness: The moderating effect of chair characteristics. *Asian Review of Accounting,* 27(2), 273-306.
− Bamber, E.M., Bamber, L.S., & Schoderbek, M. (1993). Audit structure and other determinants of ARL: An empirical analysis. *Auditing,* 12(1), 1-23.
− Banque du Liban (BDL). (1982). *Basic Circular No 7.* Available at: www.bdl.gov.lb/ circulars/ search (Accessed 27 August 2019).
− Banque du Liban (BDL). (2006). *Basic Circular No 106.* Available at: www.bdl.gov.lb/ circulars/index/5/33/0 (Accessed 25 September 2019).
− Banque du Liban (BDL). (2008). *Basic Circular No 118.* Available at: www.bdl.gov.lb/ circulars /index/5/33/0 (Accessed 25 September 2019).

- Banque du Liban (BDL). (2009). *Basic Circular No 122*. Available at: www.bdl.gov.lb/circulars/search (Accessed 27 August 2019).
- Banque du Liban (BDL). (2011a). *Intermediate Circular No 255*. Available at: www.bdl.gov.lb/circulars/intermediary/5/37/0/Intermediate-Circulars.html (Accessed 26 September 2019).
- Banque du Liban (BDL). (2011b). *Intermediate Circular No 253*. Available at: www.bdl.gov.lb/circulars/intermediary/5/37/0/Intermediate-Circulars.html (Accessed 25 September 2019).
- Banque du Liban (BDL). (2017). *Intermediate Circular No 447*. Available at: www.bdl.gov.lb/circulars/ search (Accessed 27 August 2019).
- Banque du Liban (BDL). (2019). *Complete List of Banks*. Available at: www.bdl.gov.lb/downloads /index/4/248/Banks.html (Accessed 20 June 2019).
- Blue Ribbon Committee Report (1999). *Report and Recommendations of the Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees*. NYSE, New York, NY.
- Bronson, S.N., Hogan, C.E., Johnson, M.F., & Ramesh, K. (2011). The unintended consequences of PCAOB auditing Standard Nos. 2 and 3 on the reliability of preliminary earnings releases. *Journal of Accounting and Economics,* 52(1-2), 95-114.
- Bryman, A., & Cramer, D. (2011). *Quantitative Data Analysis with IBM SPSS 17, 18 & 19*, Routledge, London and New York, NY.
- Carslaw, C.A., & Kaplan, S.E. (1991). An examination of audit delay: Further evidence from New Zealand. *Accounting & Business Research,* 22 (85), 21-32.
- Chan, K.H., Luo, V.W., & Mo, P.L.L. (2016). Determinants and implications of long audit reporting lags: evidence from China. *Accounting and Business Research,* 46(2), 145–166.
- Cohen, J., Krishnamoorthy, G., & Wright, A.M. (2002). Corporate governance and the audit process. *Contemporary Accounting Research,* 19(4), 573-594.
- Conger, J., Finegold, D., & Lawler III, E. (1998). Appraising boardroom performance. *Harvard Business Review,* 76, 136–148.
- Courtis, J.K. (1976). Relationships between timeliness in corporate reporting and corporate attributes. *Accounting and Business Research,* 7(25), 45 –56.
- Dalton, D.R., Daily, C.M., Johnson, J.L., & Ellstrand, A.E. (1999). Number of directors and financial performance: a meta-analysis. *Academy of Management Journal,* 42(6), 674-686.
- Dao, M., & Pham, T. (2014). Audit tenure, auditor specialization and ARL. *Managerial Auditing Journal,* 29(6), 490–512.
- Davidson, R., Goodwin-Stewart, J., & Kent, P. (2005). Internal governance structures and earnings management. *Accounting and Finance,* 45(2), 241-267.
- Davies, B., & Whittred, G.P. (1980). The association between selected corporate attributes and timeliness in corporate reporting: Further analysis. *Abacus,* 16(1), 48-60.
- DeZoort, F.T., Hermanson, D.R., & Houston, R.W. (2003). Audit committee support for auditors: the effects of materiality justification and accounting precision. *Journal of Accounting and Public Policy*, 22(2), 75-199.
- DeZoort, F.T., Hermanson, D.R., Archambeault, D.S., & Reed, S.A. (2002). Audit committee effectiveness: A synthesis of the empirical audit committee literature. *Journal of Accounting Literature*, 21(2002), 38-75.
- Dimitropoulos, P.E., & Asteriou, D. (2010). The effect of board composition on the in formativeness and quality of annual earnings: Empirical evidence from Greece. *Research in International Business and Finance*, 24(2), 190-205.
- Durand, G. (2019). The determinants of ARL: a meta-analysis. *Managerial Auditing Journal,* 34(1), 44-75.
- Durbin, J., & Watson, G.S. (1950). Testing for serial correlation in least squares regression: I. *Biometrika*, 37(3/4), 409-428.
- Ettredge, M., Li, C., & Sun, L. (2006). The impact of SOX section 404 internal control quality assessment on ARL in the SOX era. *Auditing: A Journal of Practice & Theory*, 25(2), 1-23.
- Eulerich, M., Henseler, J., & Köhler, A.G. (2017). The internal audit dilemma – the impact of executive directors versus audit committees on internal auditing work. *Managerial Auditing Journal*, 32(9), 854-878.

- European Parliament and Council (EU). (2004). *Directive 2004/109/EC of the European Parliament of the Council of 15 December 2004 on the Harmonization of Transparency Requirements in Relation to Information about Issuers Whose Securities are Admitted to Trading on a Regulated Market and Amending Directive 2001/34/EC.* Available at: eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32004L0109 (Accessed 20 August 2019).
- 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., & Jensen, M.C. (1983). Separation of ownership and control. *Journal of Law and Economics,* 26(2), 301-325.
- Gilson, S.C. (1990). Bankruptcy, boards, banks, and blockholders: evidence on changes in corporate ownership and control when firms default. *Journal of Financial Economics*, 27(2), 355–387.
- Givoly, D., & Palmon, D. (1982). Timeliness of annual earnings announcements: Some empirical evidence. *The Accounting Review,* 17(3), 486-508.
- Habib, A., Bhuiyan, M.B., Huang, H.J., & Miah, M.S. (2019). Determinants of ARL: A meta-analysis. *International Journal of Auditing,* 23(1), 20– 44.
- Hajiha, Z., & Rafiee, A. (2011). The impact of internal audit function quality on ARLs', *Middle East Journal of Scientific Research,* 10(3), 389-397.
- Hashim, U.J.B., & Abdul Rahman, R.B.A. (2011). Board independence, board diligence, board expertise and impact on audit report lag in Malaysian market. *In Finance and Corporate Governance Conference 2011* Paper. Available at: http://ssrn.com/abstract=1717479.
- Hassan, Y.M. (2016). Determinants of ARL: evidence from Palestine. *Journal of Accounting in Emerging Economies,* 6(1), 13-32.
- Hussin, W., & Bamahros, H. (2013). Do investment in and the sourcing arrangement of the internal audit function affect ARL?', *Journal of Contemporary Accounting & Economics,* 9(1), 19–32.
- IASB. (2018). *The Conceptual Framework for Financial Reporting, March 2018*. IASB: London UK. Available at: www.iasplus.com/en/news/2018/03/cf (Accessed 18 August 2019).
- Jensen, M.C. (1993). The modern industrial revolution, exit and the failure of internal control systems. *Journal of Finance*, 48(3), 831-880.
- Khoufi, N., & Khoufi, W. (2018). An empirical examination of the determinants of audit report delay in France. *Managerial Auditing Journal,* 33(8/9), 700-714.
- Krishnan, J. (2005). Audit committee quality and internal control: An empirical analysis. *The Accounting Review,* 80(2), 649-675.
- Kutner, M.H., Nachtsheim, C., & Neter, J. (2004). *Applied Linear Regression Models*, 4th ed., McGraw-Hill/ Irwin.
- Leventis, S., Weetman, P., & Caramanis, C. (2005). Determinants of ARL: Some evidence from the Athens Stock Exchange. *International Journal of Auditing,* 9(1), 45-58.
- Mak, Y.T., & Li, Y. (2001). Determinants of corporate ownership and board structure: Evidence from Singapore. *Journal of Corporate Finance,* 7(3), 235-256.
- Mohamad-Nor, M.N., Shafie, R., & Wan-Hussin, W.N. (2010). Corporate governance and audit report lag in Malaysia. *Asian Academy of Management Journal of Accounting and Finance*, 6(2), 57-84.
- Nelson, S.P., & Shukeri, S.N. (2011). Corporate governance and audit report timeliness: Evidence from Malaysia. *Accounting in Asia,* 11(1), 109-127.
- Oussii, A.A., & Taktak, N.B. (2018a). Audit report timeliness: does internal audit function coordination with external auditors matter? Empirical evidence from Tunisia. *EuroMed Journal of Business,* 13(1), 60-74.
- Oussii, A.A., & Taktak, N.B. (2018b). Audit committee effectiveness and financial reporting timeliness: The case of Tunisian listed companies. *African Journal of Economic and Management Studies,* 9(1), 34-55.
- Owusu-Ansah, S., & Leventis, S. (2006). Timeliness of corporate annual financial reporting in Greece. *European Accounting Review,* 5(2), 273-87.

- Pizzini, M., Lin, S., & Ziegenfuss, D. (2015). The Impact of internal audit function quality and contribution on ARL. *Auditing*: *A Journal of Practice & Theory,* 34(1), 25-58.
- Pucheta-Martinez, M. C., & De Fuentes, C. (2007). The impact of audit committee characteristics on the enhancement of the quality of financial reporting: an empirical study in the Spanish context. *Corporate Governance: An International Review,*15(6), 1394-1412.
- Samaha, K., & Dahawy, K. (2011). An empirical analysis of corporate governance structures and voluntary corporate disclosure in volatile capital markets: the Egyptian experience. *International Journal of Accounting, Auditing and Performance Evaluation,* 7(1/2), 61-93.
- Samaha, K., & Khlif, H. (2017). Audit-related attributes, regulatory reforms and timely disclosure: Further evidence from an emerging market. *Journal of Financial Reporting and Accounting,* 15(2), 158-179.
- Singhvi, S.S., & Desai, H.B. (1971). An empirical analysis of the quality of corporate financial disclosure. *The Accounting Review*, 46(1), 129-138.
- Tauringana, V., Kyeyune, M.F., & Opio, P.J. (2008). Corporate governance, dual language reporting and the timeliness of annual reports on the Nairobi stock exchange. *Research in Accounting in Emerging Economies,* 8(1), 13-37.
- Wu, C., Wu, C., & Liu, V. (2008). The release timing of annual reports and board characteristics. *The International Journal of Business and Finance Research*, 2(1), 103-108.