Faculty of Business and Economics

The influence of Corporate Governance on Timeliness of Financial Reporting: Empirical Evidence from Public Shareholding Companies Listed in Palestinian Exchange

تأثير حوكمة الشركات على توقيت إصدار التقارير المالية : دراسة تطبيقية على الشركات المساهمة العامة المدرجة في بورصة فلسطين

Prepared By
Alaa' Mohammad Tahhan

Supervised By
Dr. Yousef Hassan

This Thesis was Submitted in Partial Fulfillment of the Requirements for the Degree of Master in Business Administration, from the Faculty of Graduate Studies at Birzeit University, Palestine

Palestine, Birzeit
March, 2020

Birzeit University

Faculty of Graduate Studies

March 2020

The influence of Corporate Governance on Timeliness of Financial Reporting: Empirical Evidence from Public Shareholding Companies Listed in Palestinian Exchange

تأثير حوكمة الشركات على توقيت إصدار التقارير المالية : دراسة تطبيقية على الشركات المساهمة العامة المدرجة في بورصة فلسطين

Thesis Submitted for the Degree of Master in Business Administration

Prepared By
Alaa' Mohammad Tahhan

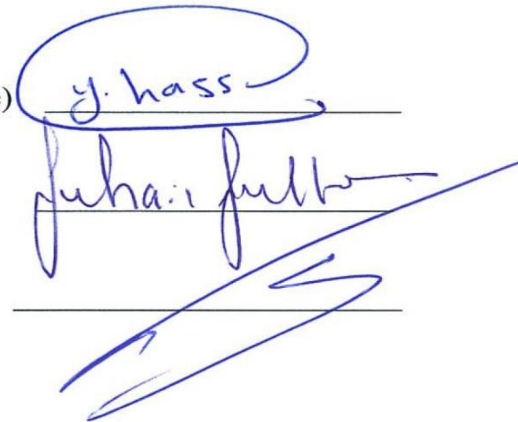
Supervised By
Dr. Yousef Hassan

Approved By:

Dr. Yousef Hassan
(Chairperson of Supervisory Committee) ____________________

Dr. Suhil Sultan
(Member of Supervisory Committee) ____________________

Dr. Ghasan Farmand
(Member of Supervisory Committee) ____________________



ACKNOWLEDGEMENTS

First, I would like to express my thankfulness to Dr. Yousef Hassan, the chairperson of the supervisory committee, for his support, motivation, and for all the courage that he gave to me to achieve my goal. Without his directing, this thesis would not have been accomplished. Also, I would like to thank the rest of the thesis committee members Dr. Suhil Sultan and Dr. Ghassan Farmand for their valuable comments and feedback.

Finally, I would like to express gratitude to my husband, my parents, and my family, you were my strength when I was weak. Thank you from my heart for supporting me through my years of study and through writing this thesis.

TABLE OF CONTENTS

Table of Contents

TABLE OF CONTENTS IV
LIST OF TABLES VI
LIST OF FIGURES VI
Abstract VII
Abstract (Arabic) VIII
Chapter One 1
Introduction 1
1.1 Introduction 1
1.2 Overview of legal Reporting Framework in Palestine 3
1.2.1 Business Law in Palestine 3
1.2.2 Code of Corporate Governance in Palestine 7
1.3 Importance of the study 9
1.4 Problem Statement and Research Questions 10
1.5 Objectives of the study 12
1.6 Organization of the study 13
Chapter Two 15
Literature review 15
2.1 Introduction 15
2.2 Background of Timeliness of Financial Reporting (Audit Report Lag) 16
2.3 The Role of Theories 21
2.3.1 Agency theory 24
2.3.2 Stakeholder theory 26
2.4 Previous Studies of Determinants of Audit Report Lag 27
2.4.1 Board effectiveness 28
2.4.2 Audit committee 31
2.4.3 Chief executive officer duality 32
2.4.4 Corporate size 33

2.4.5 The auditor 35
2.4.6 Profitability 36
2.4.7 Industry 37
2.5 Conclusion 38
Chapter Three 39
Methodology 39
3.1 Introduction 39
3.2 Research type, data and sample 40
3.2.1 Type of research 40
3.2.2 Source of data 41
3.2.3 Ethical issues 41
3.2.4 Population and sample of the study 42
3.3 Variables 43
3.3.1 Dependent variable 44
3.3.2 Independent variables 44
3.3.3 Operationalization of variables 46
3.4 Analysis method 49
3.5 Conclusion 51
Chapter Four 53
Findings 53
4.1 Introduction 53
4.2 Descriptive Statistics 53
4.3 correlation 59
4.4 Regression Analysis 62
4.5 Conclusion 71
Chapter five 72
Findings and conclusion 72
5.1 Introduction 72
5.2 Summary of findings 73
5.3 Conclusion 74

5.4 Recommendations 75
5.5 Study limitation and Recommendation for future research 77
References 79
Appendix: 90

LIST OF TABLES

Table 1.1 Numbers of companies in West Bank as in 01.01.2020 6
Table 3.1 Distribution of listed companies by sector 42
Table 3.2 sample selection criteria 43
Table 3.3Variables and Expected Relationship with Timeliness 46
Table 3.4 Operationalization of Variables 47
Table 4.1 Descriptive statistics about continuous variables employed in the analyses 55
Table 4.2 Descriptive statistics about discontinuous variables employed in the analyses 56
Table 4.3 Numbers of the Companies that had Duality according to the sectors……57
Table 4.4: Correlation among all variables used in the study………………………..60
Table 4.5 Ordinary Pooled Least Squares vs. Fixed vs. Random data analysis……..61
Table 4.6 Specification Tests…………………………………...……………………62
Table 4.7 Summary of results…………………………………………………………..96

LIST OF FIGURES

Figure 1:Conceptual framework for financial reporting 19
Figure 2: The research theoretical framework 45

Abstract

Purpose – The main purpose of this research is to examine the impact of corporate governance mechanisms ,namely, Board effectiveness, audit committee existence and chief executive officer duality, besides to companies' characteristics ,namely, company size, the status of the audit firm, profitability, and type of the industry on the timeliness of financial reporting in Palestinian listed companies. In addition, to employ agency and stakeholder theories in explaining the influence of these factors.

Design/Methodology/Approach – This research adopts the quantitative approach, using the content analysis methodology to analyze the annual reports' and financial statements' data of 41 listed companies on the Palestinian Exchange (PEX) over the period 2012-2017. Where the study sample consists of 246 firm-years reports. The Stata software was used for analyzing the data collected. Three-panel data techniques were performed and compared to decide which technique should use to answer the research questions, after that, found that the random effect model was the most suitable technique for this research.

Findings - The consequence of the analysis expounded that the audit reporting delay is affected by the board size, the type of auditor, and the type of industry. The findings showed a positive relationship between board size and ARL. Whereas the ARL will be longer if one of the big four firms perform the audit work, while the ARL will be shorter for financial companies. Thus, the findings found that agency and stakeholder theories partially interpret the results.

Abstract (Arabic)

يهدف البحث إلى دراسة أثر آليات الحوكمة الرشيدة وخصائص الشركات على تأخير إصدار التقارير المالية المدققة للشركات الفلسطينية المدرجة في بورصة فلسطين، حيث تم دراسة العوامل الآتية: فاعلية مجلس الإدارة، وجود لجنة تدقيق في مجلس الإدارة، الجمع بين منصب رئيس مجلس الإدارة و المدير التنفيذي، حجم الشركة، نوع شركة التدقيق، الربحية، ونوع القطاع. كما تم استخدام نظرية الوكالة ونظرية أصحاب المصلحة لتفسير أثر هذه العوامل.

ولتحقيق أهداف الدراسة تم تبني النهج الكمي، حيث استخدم منهجية تحليل المحتوى لتحليل بيانات التقارير السنوية والبيانات المالية المدققة لـ 41 شركة مدرجة في البورصة الفلسطينية، خلال الفترة الواقعة من عام 2012 وحتى عام 2017، حيث تكونت عينة الدراسة من 246 تقريرًا سنويا للشركات المدرجة.

أظهرت النتائج أن تأخر إصدار التقارير المالية المدققة للشركات المدرجة في بورصة فلسطين يتأثر بحجم مجلس الإدارة ونوع شركة التدقيق ونوع القطاع. حيث ظهر وجود علاقة إيجابية بين حجم مجلس الإدارة و تأخر إصدار التقارير المالية المدققة للشركات، في حين أن الفترة الزمنية اللآزمة لإصدار تقرير مدقق الحسابات ستكون أطول للشركات التي تقوم بتعيين أحد الشركات الأجنبية الكبرى لتدقيق الحسابات، بينما الفترة الزمنية اللآزمة لإصدار تقرير مدقق الحسابات ستكون أقصر بالنسبة للشركات المالية.

Chapter One

Introduction

1.1 Introduction

Financial reports are considered a description of position of any entity and its management performance within a specific period. According to IAS 1***, "Financial reports present the performance of management as stewards of resources trusted to them"***. As known, the public shareholding companies suffer from conflict of interests, that arise from the separation between the owners of the company and the agents who work on their behalf, as depicted in agency theory that all individuals act to serve their own interests (Jensen &Meckling, 1976), thus the agents may avail their positions to maximize their own wealth at the expense of their owners' wealth (Hassan, 2016). Therefore, corporate governance practices give the opportunity to the principals to boost trust in their agents, and that's what the World Bank clarified in its report on June 18, 2015 that ***"Corporate governance and financial reporting (CGFR) are key building blocks of a well-functioning market economy"***. In which quality reporting and good corporate governance lessen the hazard of investments and lending, thus forming circumstances to achieve sustainable growth (World Bank, 2015).

Through the last two decades, the corporate governance received great attention, which placed on the top of priorities for several countries, because of the need for

rising fairness, accountability, responsibility, and translucence, following financial collapses and business failures that happened in East Asia, Russia, and the United States (Helbling& Sullivan, 2002).

Governance would reinforce the operational efficiency of companies and its transparency, whereas, Charumathi et al. clarified in his research in (2011) that ***"Transparency includes the following eight concepts, namely accuracy, consistency, appropriateness, completeness, clarity, timeliness, convenience, and governance & enforcement."*** Among these concepts, there is an unanimity that the timeliness concept is one of the essential characteristics of quality financial reports (Belkaoui, 2002), because of its role in reducing rumors and leaks in emerging capital markets (Owosu-Ansah, 2000). And that's what the International Accounting Standard Board (IASB) confirmed in its revised conceptual framework that issued on 29 march 2018 (which consist of wide-ranging changes to the preceding Conceptual Framework, allotted in

1989 and partly revised in 2010), that timeliness is one of the enhancing quality characteristics for financial information that boost usefulness from this information. Therefore, the security and exchange commission markets all over the world have put down specific requirements relating to the timing of published financial reports (Abdel salam& Street, 2007).

While, the most substantial determinant of financial reporting timeliness is the audit report lag (ARL), which defined as the extent of time from a company's fiscal year-end to the audit report date (Abernathy et al.,2017).

1.2 Overview of legal Reporting Framework in Palestine

1.2.1 Business Law in Palestine

The importance of companies lies in their role in conducting the process of economic development and the growth of the countries, as it is one of the most significant tools of globalization and the most leading pillars of economic life in any political entity. But companies in Palestine have a different situation, it suffers a lot since the legal system in Palestine is one of the most complicated and rare systems in the world, to the fall of Palestine under occupation until this day (الدليل القانوني للبيئة التجارية في فلسطين معهد الحقوق-جامعة بيرزيت, 2010,50:ص).

Initially, Palestinian companies were subject to the Ottoman legal system more than 400 years, starting from 1516 until 1917, which was divided into two main periods, the first period where the legal system was based mainly on the principles of Islamic Sharia that remained valid until the year 1858. Whereas the second period, when the Ottoman legal system began to adopt some of the Western provisions to conform with the legal and economic environment such as the French commercial law that issued in 1807 (الدليل القانوني للبيئة التجارية في فلسطين معهد الحقوق-جامعة بيرزيت, 2010,153:ص). While the economic situation in Palestine changed after 1917 because of the British

occupation. Thus, at that time the English legislation was introduced in order to create attractive economic conditions to encourage Jewess immigration to Palestine and settling them (Likhovski, A, 1995, p:301). In 1948, the State of Israel was established by a decision of the United Nations and Palestine was divided into two geographical areas: The West Bank and Gaza, the West Bank was dominated by Jordan, where, issued the current law number 12 for the year 1964 that was derived from French and English laws. However as for the Gaza Strip, Gaza was administrated by Egypt, and companies in Gaza Strip have applied the Mandatory Law No. 18 of 1929 for corporations and the Ordinary Companies Law of 1930 for corporations. (الدليل القانوني للبيئة التجارية في فلسطين معهد الحقوق-جامعة بيرزيت, 2010 صفحة ,153).

In 1993, the Palestinian National Authority has been set up as a result of Oslo accords and got a confined dominance over parts of the Palestinian Territories (West Bank and the Gaza Strip). After the second agreement "Oslo 2" in 1995, the Palestinians got the authority to legislate with due regard for the Oslo accord under three kinds of jurisdiction: "Territorial, functional and personal." (Washington, D.C., September 28, 1995).

However, two different legislations remained governing companies and applied in the Palestinian territories until now, which are:

1. Companies Law No. 18 of 1929 (Mandatory Period) and Ordinary Companies Law No. 19 of 1930 and their amendments that applied in Gaza, in addition to the Commercial Companies Law No. (7) where enacted in 2012.

2. The Companies Law No. 12 of 1964 and its amendments that is applicable in the West Bank.

And it's worth mentioning that there is a committee presided by the Ministry of National Economy to draft company law, and according to my knowledge, the draft is almost ready.

Here are some procedures for starting a company in the West Bank and Gaza according to the world bank in its published doing business 2020 for West Bank and Gaza: ***"Reserve a unique company name and obtain approval, hired lawyer signs company documents, register at the Companies Comptroller, pay the registration fees and open bank account, register for income and VAT tax, obtain the business license from the Municipality, inspection by a doctor from the Ministry of Health, inspection by the Fire Department, obtain clearance of the Internal Policy Manual, and finally register with the Chamber of Commerce."***

After Oslo agreements, the Palestinian market needed a way to get along-term financing to flourishing investment, while banks impose conservative credit policies in financing long term investment. Consequently, in 1997 Palestine Securities Exchange (PSE) was established to enhance the chances for long – term equity financing, and people were excited to buy shares. Whereas, the private sector was

responsible for regulating itself until 2004, where the Securities Law number 12 was issued. After that in February 2005, the Palestinian Capital Market Authority (PCMA) was founded, which is the legal entity that is accountable for oversight the trading activities at the PSE.

The table below clarifies the number of companies in West Bank as in 01.01.2020:

Table 1.1 Numbers of companies in West Bank as in 01.01.2020

Type of companies	Number of companies
General ordinary companies	10523
Private shareholding companies	15274
Public shareholding companies	68
Foreign public shareholding companies	24
Listed Public shareholding companies	48
Regular limited companies	44
Foreign private shareholding companies	317
Foreign ordinary companies	22
Total number of companies in West Bank.	26272

Source: Corporate Comptroller, The Ministry of National Economy

While increasing public shareholding companies all over the world made what called Agent Problem float on the surface, which is resulting from the separation of

ownership from management in public shareholding companies. Therefore, the importance of corporate governance has protruded as a consequence of this problem. The basis of this problem is that shareholders in public shareholding companies elected board of directors to manage the company on their behalf, which is responsible for the executive management of the company. Where the owners assume that managers will make every effort to implement their objectives, but the reality indicated that shareholders' objective and managements' objectives do not match and thus highlight the problem of conflicts of interest, which is called the Agent Problem (هيئة سوق رأس المال الفلسطينية, 2012).

Governance rules are significant because it affects two aspects: one is the economic development of the country, where governance make the investment climate more efficient, in addition, to activate and expand the performance of the financial market, increase the competitiveness of the economy by raising the confidence of customers in the company, and enhance the country's ability to face risks. The second aspect is the public shareholding company, where governance rules aim to ameliorate the quality of board practices, improving corporate performance, raising competitiveness, raising the value of the company, and reinforcing the trust of other stakeholders in the company (اللجنة الوطنية للحوكمة, 2009).

1.2.2 Code of Corporate Governance in Palestine

In 2009, the National Government Committee in Palestine issued the Code of Corporate Governance which is for public companies (Listed and unlisted), as well as

for financial institutions which are supervised and controlled by the Palestinian Capital Market Authority (PCMA), Where the National Government Committee consisted of 14 member which are the Capital Market Authority, Palestine Monetary Authority, Palestine Securities Exchange, Businessmen Association, Federation of Palestinian Industries, Federation of Chambers of Commerce and Industry, Union of Insurance Companies, Palestinian Trade Center, Association of Legal Auditors, Association of Banks, General Coordinator of Aman Coalition, Ministry of National Economy, in addition to lawyers and academics (اللجنة الوطنية للحوكمة, 2009). It is also worth mentioning that the Palestine Monetary Authority (PMA) issued a particular code of governance for banks in the same year.

This code was designed to avert deficiencies in the legal regulation of the principles of corporate governance, in the relevant legislation related to governance in Palestine, such as the Jordanian Companies Law No. 12 of 1964, that is applicable in the West Bank, the Companies Law No. 18 of 1929 and the Companies Law No. 12 of 2012 that is applicable in the Gaza Strip, and the Palestinian Capital Market Authority Law No. 13 of 2004 and the Banking Law No. 2002 (تلاحمة, 2012,14:ص).

The Palestinian Corporate Governance Code contained a set of principles for good corporate governance practices, to ensure effective participation and management, in addition to preserving the rights of shareholders and stakeholders (such as employees, creditors, etc.).

The Code of Corporate Governance was based on the basic principles of the Organization for Economic Co-operation and Development (OECD), while the Code comprised two types of rules, mandatory rules which are based on explicit legislative texts, where enforcement is mandatory by companies. And optional rules which consist of two parts: one is optional rules that are consistent with international practices of corporate governance and do not contradict any explicit legislative text, however the application of this type of corporate governance is voluntary by companies within the statement of compliance and explain the non-compliance, while the other is optional rules that are consistent with international practices in the field of corporate governance, but inconsistent with the legislative texts of explicit, thus it was explicitly recommended that existing Companies Law should be amended to fit good corporate governance practices and rules (اللجنة الوطنية للحوكمة, 2009).

1.3 Importance of the study

Although the impact of the corporate governance mechanisms on the quality of financial reporting has been widely studied in the prior literature, these studies have mostly undertaken in stable operating environments. In this study, an attempt is made to add to the limited literature by examining the factors (corporate governance and company characteristic) that influence timely annual financial reporting in the Palestine which is characterized by extreme levels of political instability and uncertain economic and financial environment.

In an unstable environment such as Palestine, companies are more prone to agency problems, which are expected to have negative consequences on the financial reporting quality and, thus, resulting in a loss of domestic and foreign investor confidence. In such an unstable operating environment, governance mechanisms may be considered more important than stable operating context to deal with the agency problems and substitute non-functional legal systems in protecting the interests of shareholders and other stakeholders.

The impact of corporate governance on the audit report lag has received little attention in Palestine. According to the researcher knowledge, only one study has examined corporate governance effects on the audit report delay in Palestine which is Hassan's study in 2016. Therefore, Palestine offers an interesting and unique environment to study the influence of corporate governance code that issued in November 2009 on timeliness of corporate reporting. Moreover, this study gives a chance to examine the validity and applicability of the most prevailing theories, agency and stakeholder theories, in a Palestinian context. In addition, this study gives a chance to reiterate the previous study on a new sample and compare findings with Hassan's one.

1.4 Problem Statement and Research Questions

According to the security law number 12 for the year 2004, the public shareholding companies must issue at least annual and semi-annual audited financial reports to the

users. However, the annual report is considered a comprehensive and formal channel to afford useful information about the company's activities and financial performance to shareholders and other interested stakeholders, which is linked directly with the shareholders' general meeting. For corporate information to beneficial, accounting information needs to have a set of qualitative characteristics. One of these attributes to publish audited annual reports in a timely basis. The delay in releasing audited financial statements lessen the relevance and faithfulness of reported financial information and could significantly diminish the usefulness and benefits that stakeholders can gain from these statements (Kogilavani and Marjan, 2013; Whitworth and Lambert, 2014; Mukhtaruddin et al., 2015).

To prevent public corporations from late issuance of their audited financial reports, regulatory agencies worldwide have put a time ceiling within which these companies have to publish audited financial statements to stakeholders. Penalties are usually imposed on companies that fail to issue their audited financial reports within this time frame. In Palestine, both the Companies Law No.12 for the year 1964 and the Palestine Capital Market Authority (PCMA) in the code of corporate governance for the year 2009 require all listed companies to issue their annual financial statements within three months of the end of the financial year. While It’s worth mentioning, that the Capital Market Authority and the Palestine Monetary Authority are the legal entities that are responsible for imposed the penalties on the violating companies.

However, the stakeholders prefer to have audited financial statements as soon as possible, before they lose value to influence their decisions.

The main purpose of this study is to explore and examine the factors that may influence the audit report lag especially after issuing the Palestinian code of corporate governance. Thus, this thesis addresses the following questions:

RQ1. What are the fundamental determinants of the audit delay of Palestinian listed companies?

RQ2. Are the agency and stakeholders' theories convenient to explicate the Palestinian companies' stimulus for earlier disclosure?

1.5 Objectives of the study

The main objective of the study is to enrich the thinking of the Palestinian legislator to amend the outdated laws in a manner that suits the best practices of good corporate governance, in order to straighten the status of the public shareholding companies, which reflects positively on their performance and their reputation, where it boosts the confidence of existing investors, lenders, and suppliers in these companies, as well as attracts new investments and helps local companies compete globally.

Therefore, this study will try to highlight the factors that affect the audit report lag among the Palestinian companies listed on the Palestine Exchange (PSE), in addition,

to employing theories (agency, stakeholders) to explain the effect of corporate governance on timely reporting.

1.6 Organization of the study

The study is organized as follows:

Chapter one highlights the general framework of the study. In particular, it gives an introduction of the research topic, overviewed the Palestinian economy, specifies the significance of the study, states the problem of the study and the questions to be answered, lists the research objectives, and presents how the study is organized.

Chapter two intends to review the related literature and presents the theoretical framework of the study. In particular, define dependent and independent variables, presents the agency and stakeholders' theories and their role in the timeliness of financial reporting, specifies the variables that would affect the financial timeliness, and forms testable hypotheses.

Chapter three is devoted to explaining the research methodology. Specifically, it specifies the research type, describes the sampling, discusses data collection methods and procedures, explains the operationalization of variables, and finally discusses the analysis method.

Chapter four presents data analysis and discussion of findings.

Chapter five summarizes the study, discusses the main conclusions and presents the key recommendations and limitations.

Chapter Two

Literature review

2.1 Introduction

The timeliness of financial reporting has been an area of great interest for organizations and researchers, because it is needed in order to promote the transparency and quality of financial reporting as well as to financial statements' usefulness. Timeliness means that accounting information should be obtainable to decision makers before it forfeits its value to influence or makes a difference to their decisions (Al khatib & Marji, 2012).

Timely financial reporting is considered one of the significant components of good corporate governance (Kulzick, 2004). The agency theory and stakeholder theory could clarify the variables used in this study and their effect on timeliness, how each of these variables works as an observing technique to control agency cost. As these theories debated that companies can diminish the agency dispute between the owners and agents by implementing good corporate governance (Errunza and Miller, 2000; Drobetzet al., 2004).

Many organizations have mentioned the prominence of timely financial reporting such as the Accounting Principles Board (1970) that classified the affair in one of its statements, and the World Bank that performed more than 40 studies on corporate governance and addressed the timeliness of financial reporting (Mcgee R.W., 2008).

Moreover, there are several studies have been conducted in many countries for understanding the reasons behind the audit report lag, which shows a discrepancy in respect of time, methodology, variables tested and outcomes acquired (Bonso´N-Ponte Et Al., 2008).

This chapter intends to clarify the importance of timeliness of financial reporting, besides, to review the related literature divided upon the variables that would affect the financial timeliness. Also, a group of hypotheses is formulated to examine the effect of these variables; which divided into two groups: corporate governance and company characteristics, on the audit report delay among Palestinian listed companies.

2.2 Background of Timeliness of Financial Reporting (Audit Report Lag)

The audited financial statement is the only wherewithal to be in contact with the stakeholders of the company because it considered a credible source of information for users. However, it is common that most of the companies submit their audited financial statements after a while from a company's fiscal year closing date, which may affect the quality of the financial information submitted. Hence, stakeholders need these audited financial reports as soon as possible to make appropriate decisions. Therefore, the timeliness of financial reporting has enticed major alertness from researchers, professional organisms, regulatory proxies, and users of accounting

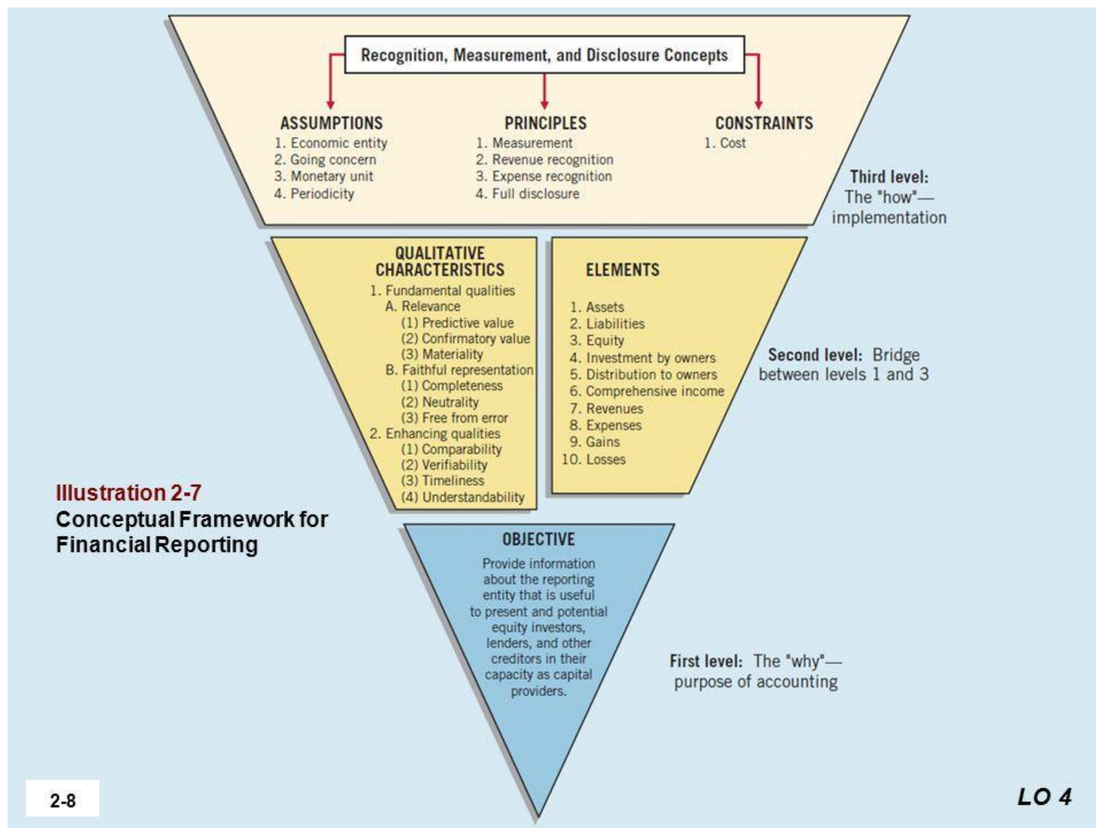
information because it considered a vital qualitative characteristic of financial accounting information (Rusmin& Evans, 2017). Where FASB defined timeliness in its concept statement number two which is ***"having information available to decision-makers before it loses its capacity to influence decisions"*** {2.33}.

The significance of timeliness of the financial reports goes back to April 1989, when the International Accounting Standards Committee (IASC) allotted a framework to reconcile all the regulations, accounting standards, and operations regarding elaboration and display of financial statements. The IASC suppose that this harmonization is very important to the preparation and presentation of financial statements issued by the companies, so as to facilitate and boost financial decisions made by users. In 2010, the financial accounting standard board (FASB) and the international standard accounting board (ISAB), joint together to evolve a widespread conceptual framework, that set up the concepts that underpin preparation and presentation of financial reporting. This conceptual framework was beneficial, however incomplete and needed an amendment, so the IASB allotted a revised conceptual framework on 29 March 2018. The IFRS clarified in its project summary in (2018) that this revised conceptual framework for financial reporting is ***"a comprehensive set of concepts for financial reporting to assist the Board to develop IFRS Standards based on consistent concepts, resulting in financial information that is useful to investors, lenders and other creditors."***

The conceptual framework addresses the main objective of financial reporting which is ***"To provide financial information that is useful to users in making decisions relating to providing resources to the entity. Users' decisions involve decisions about buying, selling or holding equity or debt instruments, providing or settling loans and other forms of credit, voting, or otherwise influencing management's actions"*** (IFRS, 2018). While the quality of this financial information and these financial reports is the key concern that burdens all current and bearable investors. In order to governate the financial reports quality; the conceptual framework confirmed the existence of the main characteristics in the financial information to be qualitative and to foster confidence in the financial information provided by the agents. These characteristics divided into two main categories: fundamental qualitative characteristics, and enhancing qualitative characteristics.

The Fundamental qualitative characteristics are divided into two elements: relevance and faithful representation. Thus, any financial information ought to have both of these fundamental characteristics in order to be useful to users. While, the enhancing qualitative characteristics are divided into four elements which are: comparability, verifiability, ***timeliness***, and understandability. These four enhancing characteristics promote the utility of financial information.

Figure 1:Conceptual framework for financial reporting



Source: Intermediate Accounting, Volume 1: John Wiley & Sons 10th edition.

As mentioned above, the timeliness is one of the enhancing characteristics where financial information should be characterized in it, to augment the quality of this information. Where the users need these timely financial reports because they are the clef influencer that affects their future financial decisions. While an inordinate late in the issuance of the financial reports will menace the quality of these reports and aggravate the information asymmetry and increase the gossips and suspicion (Mohamad-Nor, Shafie& Wan-Hussin 2010) for all users such as: investors, creditors, employees, and regulatory and professional agencies**.**

In addition, timeliness plays a pivotal role in the development of capital markets in developing economies, because the users need this timely financial information to make investment decisions, which in turn minimize financial hazards and optimize yields on investment, and boost the efficiency of the market which in turn will affect the economy of the country as all (Atuilik and Salia, 2018), whilst, there are many disgraces occur in different capital markets around the world when investors can't reach to timely financial information.

So timely financial reports are a fundamental component for the efficient capital market, for its role in enticing capital and boosting investor's trust in capital markets. Also, Atuilik and Salia argued in their research in (2018) that efficient market hypothesis theory, pecking order theories, and capital asset pricing theories and many other theories suggest that ***“stock prices change in response to knowledge of a number of financial variables obtained from corporate financial information.”***

According to researchers, there are three determinants of timeliness which are:

1. Preliminary lag: which is the period that lays between the company’s financial statement closing date and the date of the annual general meeting.
2. Audit report lag: refers to the duration possessed to terminate an audit, as measured from the company’s financial statement closing date to the date of release of the audit report.
3. Total lag: refers to the period that lays between the company’s financial statement closing date and the date of the annual general meeting, which means it

is the summation of the preliminary lag and audit report lag (Ettredge, Li & Sun, 2006; Zaitul, 2010).

Nevertheless, the audit report lag is the most essential determinant of timeliness of financial reporting and the most used one, because of the ease of obtaining the date of the auditor's report, which is the date the auditor signs his report. While there is a difficulty to obtain the date of the annual general meetings with the stakeholders when the researcher studies many years (Hersugondo And Kartika, 2013).

According to Abdulla (1996) whenever the company concise the time between the end of the fiscal year and the releasing date, whenever utmost usefulness can be gained from the financial statements. That usefulness embodied in reducing information asymmetry which influences the efficiency of resource allocation, improvement in the pricing of securities, besides limiting the prevalence of rumors in the market (Hassan, 2016). In contrast, the retard in releasing audited financial statements affect investment decisions that investors should make, which may negatively influence the corporate image in front of their stakeholders (Chambers and Penman, 1984; Imam Et Al., 2001).

2.3 The Role of Theories

There are a lot of studies and researches that posited the issue of timeliness of financial statements around the world such as: (Ashton et al., 1987); (Abdulla, 1996); (Jaggi and Tsui, 1999); (Owusu-Ansah, 2000); (Leventis et al., 2005); (Abdelsalam

and Street, 2007); (Al-Ajmi, 2008); (Afify H.A.E., 2009); (Hashim and Abdul Rahman, 2010) ;(Hassan.Y.M.,2016); (RusminRusmin, John Evans,2017); (Maggy, P. Diana, 2018). Where the researchers used to apply theories to facilitate understand the timeliness and its importance to the users, while the most commonly used theories are legitimacy, stakeholder, institutional, and agency theories. It is worth noting that all these theories are overlapping with each other, with little differences (Fiedler and Deegan, 2002). When the researcher chooses a theory to lean on it in his research, he takes into consideration two leading factors which are: nature and focus of the study (Chen and Roberts, 2010), and the country in which the study is applied, as some theories are more convenient for some countries than others (Mallin Et Al, 2010).Where the researchers debated that the agency theory is more viable and pertinent to the developing market more than other markets, since the developing countries undergo weakness in regulatory power, weakly organizational infrastructure, and suffer from a low standard of economic growth. Therefore, these developing countries are more vulnerable to the so-called Agency problem. However, this is similar to the condition in Palestine, where there are fluctuations in the political environment in Palestine, which in turn affect the economic environment.

Here are some studies in developing markets that used agency theory in their study such as (Afify, 2009 and Akle, 2011) in Egypt, (Al-Ghanem and Hegazy, 2011) in Kuwait, (Abdulla, 1996; Al-Ajmi, 2008) in Bahrain, (Alkhatib, K., &Marji, Q., 2012) in Jordan, (Hassan, 2016) in Palestine, (Salleh, Z., Baatwah, S. R., & Ahmad, N.,

2017) in Malaysia, (Oussii, A. A., &BoulilaTaktak, N., 2018) in Tunisia, (RochmahIka, S., &Mohd Ghazali, N. A.,2012 and Rusmin, R., & Evans, J., 2017) in Indonesia, (Ahmed, M. I., & Che-Ahmad, A., 2016) in Nigeria and also (Dal Magro, C. B., Turra, S., Klann, R. C., &Lemes, S., 2017) in Brazil.

It is obvious that the timeliness of financial reporting assists the efficient distribution of resources by limits the rumors that may spread in the market as a result of the late issuance of financial reporting. Therefore, the Agency theory is more relevant to this research, because the instability political and economic environment in Palestine made the corporate governance mechanisms substitute of non-functional legal systems in protecting the interests of shareholders, by curtailment the agency problems and guarantee the quality of financial statements prepared by the agents, which in turn boosting trust in these reports and facilitate the decision-making process for the investors.

While the agency theory has a weakness because of the limited definition of the interest group which is the shareholders. However, Freeman, Wicks & Farmer (2004), suggested that: ***"if organizations want to be effective, they will pay attention to all and only those relationships that can affect or be affected by the achievement of the organization's purpose"***, where the timeliness of financial reporting is important for all stakeholders which are: shareholders, employees, creditors, government and potential investors and others, and that’s what the stakeholders’ theory attempt to address, that the companies have responsibility against all the

parties that affected by their actions(Al-Nasser Mohammed & Muhammed,2017). Thus, the stakeholder theory was also espoused in this research to fill the hiatus that found in the agency theory.

2.3.1 Agency theory

The agency problem is considered as one of the ancient problems that can't be neglected since any organization could suffer from this problem but in different ways. It's all started when human beings began to practice business and endeavored to maximize their interest (Panda and Leepsa, 2017). While panda and Leepsa aforesaid in their research in (2017) that Adam Smith was the first author who predicted in his book The Wealth of Nations (1776) that if the owners of organization appointed person to run their work then it will be a probability that this person may deceive the owners and work for his interest.

The agency problem term is a conflict that happened between two parties reside under the same company. These two parties have various and contrary goals, one of these parties is the principal who owns the company, while the other is the agent who manages the company on behalf of the principal (Hassan, 2016), which means that the agent is accountable for hiring the resources that invested by the owner in the company (Adams, 1994), where the agent has the dominance on decision making how to use these resources (Jensen and Meckling, 1976). Also, the agent is responsible for produced the financial statements, whereas the owners are not

engaged in their elaboration, so the owner wants credible financial reports in order to assess and anticipate the probable risks of their investment (Abdelrazik, 2017).

Whilst, Adam indicated in his research in 1994 that there are two major snags that face owners in their relationship with their agents.When principals appointed the agents to manage their work, they hope that the agents will act in the principals' best interests, but the agents are more concerned in maximizing their own interest and that refers to the rationality of human behavior, this is the headmost snag that called "Moral Hazard". The other snag is "Adverse selection" where the owner doesn't engage in day to day operations thus he can't access to the whole information that the agent used in making his decisions, which in turn affect the principal evaluation if the decision that the agent has made is the best benefit for the company or not (Adams, 1994).

From here, the principals may lack trust in their agents, therefore, they will use different monitoring activities to restrain the actions of the agents and to diminish the impact of the agency problem (Jensen and Meckling, 1976). The costs that the principal incurred to monitor the actions of the managers are called agency costs, which contain the fees incurred for appointing an external auditor in order to audit the financial statement, in addition to the costs of applying internal control and formation of policies and actions (Abdelrazik, 2017).

Hence, principals need to put a mechanism to reinforce the trust in their agents and to boost the procedures that made to monitor the agents, Eisenhardt (1989) highlighted

that an appropriate governance system can demote the agency conflict and help in the alignment of the interest between the principals and agents, so as to guard shareholders' rights and to maximize their wealth, which in turn will affect the corporate performance. Prior studies have posited that corporate governance mechanisms play substantial roles in forming and reinforcing financial reporting (Fama and Jensen, 1983).While some researchers contend that one of corporate governance most significant role is to safeguard the quality of the financial reporting process, which reduce the need for substantive testing, that way enhancing audit timeliness (Cohen Et Al.,2004; Nelson, And Shukeri, 2011).

2.3.2 Stakeholder theory

Sixty years ago, Mary Parker Follett, was the first one who raised the concept of stakeholder theory, while it re-protruded in the 1980s. Clarke (2004) acquaint stakeholder theory as follows ***"Stakeholder theory defines organizations as multilateral agreements between the enterprise and its multiple stakeholders".*** Hence, Freeman (1984) defined stakeholder as ***"any group or individual who can affect or is affected by the achievement of the organization's objectives".*** Therefore, stakeholder term embraces any person who has a direct relationship with the business such as shareholders, employees, investors, customers, and suppliers whose interests are aligned with the company, or has an indirect relationship such as government (Kiel & Nicholson, 2003). Usually all stakeholders are concerned in oversight the

company, nevertheless, their interest scale differs according to type and size of the relationship that ties the parties to the company (Bowen Et Al., 1992). Though, issuance of financial reporting on a timely basis plays a pivotal role in reinforcing stakeholder theory, so as to asserts value maximization for the stakeholder.

The main reason for the existence of any organization is maximizing wealth by producing product and services for the favor of all stakeholders. But we must say that, it's important to have a complementary partner for this process in order to assure success in their path, and creating value to stakeholders this partner is corporate governance who is an integral step of evolving businesses in this competitive global environment, and it's important to say that stakeholder theory is a prolongation of the agency theory, which anticipates the board of directors to the patronage of the shareholders' interest(Smith, 2015).

2.4 Previous Studies of Determinants of Audit Report Lag

Previous literature on the determinants of the audit lag have examined the influence of different governance and company characteristics on audit report lag such as: board size, independence of board members, board meetings, existence of audit committee, audit committee independence or diligence, CEO duality, Company size, industry, profitability, extraordinary items, debt proportion, company ownership, type of auditor, audit opinion, audit complexity, structure of audit, audit firm technology,

and much more, all according his country context, which shows differences in respect of time, methodology and result gained (Ponte, Rodriguez, and Dominguez, 2008).

In this research, a number of variables from corporate governance mechanisms and company characteristics were chosen to examine their effect on ARL among Palestinian listed companies.

2.4.1 Board effectiveness

One of the most critical mechanisms of corporate governance is the board of directors (BOD), which plays an important role in minimizing the agency cost that may face the companies because of the separation between ownership and control (Fama And Jensen, 1983; Belkhir, 2009). To avoid any exploitation that could happen by the agents, the shareholders appointed the board of directors as a herdsman to their interest (Kroll Et Al., 2008; Hassan, Naser, And Hijazi, 2016)The board's fundamental role is planning and monitoring, as Price says ***"It's often said that corporate boards are responsible for providing oversight, insight, and foresight"***, they work hard in order to align the interests of the management, shareholders, and stakeholders between each other (Price, 2018). From this point of view, the prime accountability of governing a company is upon the BOD, therefore good governance depends on the performance of the BOD (Jan And Sangmi, 2016).

There are many characteristics of the board that can affect its effectiveness in observing management and boosting corporate performance such as board size, the

frequency of the board meetings, and independence of the board of directors (Hassan et al., 2016). In this research, two of the board characteristics will be measured to examine the board effectiveness and its impact on the audit report lag which are: the board size, and the frequency of the board meetings.

Several studies of prior literature discussed the influence of the board size on the financial performance, while there is no unanimity if the large boards are more effective than the small ones in oversight management and enhancing performance. Some researchers reported a negative relationship between board size and the financial performance (Lipton And Lorsch, 1992; Cheng, 2008; Sanda Et Al., 2010; Adusei, 2012). They refer this result to the fact that the large boards may found hurdle in communication and coordination between each other, hence that's will decline its efficacy and surveillance efficiency (Lipton And Lorsch, 1992; Wu Et Al., 2008; Dimitropoulos And Asteriou, 2010). This argument is consistent with the agency theory, which advised not to have more than eight members on the board in order to get an active performance (Jensen, 1993). In contrast, the stakeholder's theory suggests that large boards are more dynamic because it consists of a combination of different expertise, experience, and knowledge and that's will lead to more competence. In addition, large boards could diminish agent dominance. Many studies were in line with stakeholder's theory, that presented a positive relationship between board size and company financial reporting (Coles Et Al., 2008; Belkhir, 2009; Varshney Et Al., 2012).

In the Palestinian context, the Corporate Governance Code states that the BOD should be managed by at least five people, and not more than eleven. While the companies law number 12 for the year 1964 mentioned an exception to increase the number of board members, that should be approved by the Minister if there is a reasonable reason to do so. Based on agency theory, the below hypothesis was formed:

H1. There is a negative relationship between the board size and the audit report lag.

The other important measurement for board efficacy is the frequency of board meetings (Lipton And Lorsch, 1992; Jensen, 1993). It considered a vital channel in order to fulfill board obligations (Vefeas, 1999a). Also, regular board meetings would intensify the monitoring activities on the management, which could reduce the agency cost (Conger Et Al., 1998). Nevertheless, the literature differed in whether the frequency of board meetings is boosting the firm performance or not (Lipton And Lorsch, 1992; Jensen, 1993). Some studies revealed that the company with extra board meetings have been valued less by the market (Fich And Shivdasani, 2006; Varshney Et Al., 2012). While other literature declared a positive relationship between the frequency of board meetings and the company performance (Vafeas, 1999b; Ntim, 2009). Nevertheless, some studies disclosed that there is no relationship between the frequency of board meetings and corporate performance (El Mehdi, 2007; Jackling And Johl, 2009). Therefore, based on the previous literature the following hypothesis formulated:

H2. There is a negative relationship between the number of board meetings and the audit report lag.

2.4.2 Audit committee

The audit committee (AC) consider being an important oversight mechanism which tries to reduce the principal-agent problem (Fama And Jensen, 1983). The presence of an effective AC will facilitate the job of the board of directors in supervising the firm's financial reporting, internal control, and audit requirements (Chen, Lin, & Lin, 2008; Sharma, Naiker, & Lee, 2009). Which in turn will reduce the information asymmetries and the incidence of misreporting, that would affect subsequent audit risk assessment. As a result, the number of audit samples may reduce, which means that the financial statements may be issued in a timely manner (Chung, Charoenwong, & Ding, 2004; Afify, 2009; Sultana Et Al., 2015; Oussii And Taktak, 2018). Thus, an audit committee act as a mediator between the corporate board of directors, management and external auditors (Fearnley, & Beattie, 2004).

Many studies had measured the AC effectiveness by different proxies such as AC size (Krishnan, 2005; Bronson, Carcello, &Raghunandan, 2006; Oussii And Taktak, 2018), AC independence (Bronson Et Al., 2006; Oussii And Taktak, 2018), and committee diligence (Sharma Et Al., 2009; Oussii And Taktak, 2018) and their effect on the ARL. While some countries have a lack of law to a compulsion of forming an audit committee, thus the researchers studied the effect of the existence of the AC on

the ARL (Afify, 2009; Hassan, 2016), and they found that there is a negative relationship.

And it's important to mention that the only study that was done on the Palestinians market (Hasan, 2016), which chosen a sample was consist of Palestinian companies that listed on the PEX, has reported a 45.7 percent of Palestinian companies had an audit committee in 2011. Thus, based on prior studies the below hypothesis was formed:

H3. There is a negative relationship between the existence of the AC and the audit report lag.

2.4.3 Chief executive officer duality

The CEO duality is a role duality comes when the corporate merges between the position of the board chairman and the CEO. Fama and Jensen (1983) argued that CEO duality can prohibit the board from monitoring managerial conducts, which in turn increase the agency cost, affect the company performance and the quality of financial reporting. Similar to agency and stakeholders' theories, some researchers debate that the role duality will negatively affect the board effectiveness in conducting its governing function (Stiles and Taylor, 1993; Blackburn, 1994). Because this role gives the CEO the power to dominate the board meetings, the selection of agenda topics, in addition to the selection of board members (Haniffa And Cooke, 2002). Thus, the corporate will need a more comprehensive audit to be

performed which in turn leading to a longer delay. Some researchers adopted this point of view in analyzing their findings, that states of existing a positive and significant impact of CEO duality on delaying the issuance of financial reporting to the shareholders (Afify, 2009; Mouna and Anis, 2013). While other researchers (Naimi Et Al., 2010; Hassan, 2016) reported that the relation between the CEO duality and the audit delay is insignificant.

On the other hand, some literature debated the benefit of the existing one person who combined both roles. They considered that this will facilitate the CEO in achieving the company objectives and enhancing leadership and board effectiveness (Donaldson And Davis, 1991; Dahya Et Al., 1996). This is compatible with the stewardship theory, which indicates that agents protect the interest of the shareholders. Therefore, and based on the agency and stakeholder theories, the below hypothesis was formed:

H4: There is a positive relationship between CEO duality and audit report lag.

2.4.4 Corporate size

Many studies examined the effect of the corporate size on audit report delay (Ashton Et Al., 1989; Carslaw and Kaplan, 1991; Abdulla, 1996; Al-Ajmi, 2008; Al-Ghanem & Hegazy, 2011; Hassan, 2016). Most of these studies debate that small firms take more time to issue their financial statements than the large firms do. These arguments support agency theory, which suggests that top management could face a hurdle in

supervising large firms, so they may incur more agency and surveillance costs than small ones (Jensen And Meckling, 1976; Himmelberg Et Al., 1999). Therefore, the large companies would adapt strong control and auditing system in order to recompense the loss of control that may have and to reduce monitoring costs (Abdel-Khalik, 1993). Having a strong controlling system would enable the external auditor to rely on this system (Carslaw & Kaplan, 1991) and hence minimize the requested audit work (Naser & Nuseibeh, 2008).

In addition, stakeholder theory argued that large companies are in contact with a great number of groups, such as creditors or shareholders and much more. So, these groups are pressing on external auditors to perform their job in a short time (Carslaw& Kaplan, 1991). Moreover, some studies claimed that large firms have more resources, thus they can hire a very good audit firm to conduct the audit work and release their financial statements on time (Rusmin& Evans, 2017).

In the previous literature, corporate size was measured by multiple measures such as total assets, turnover, and market capitalization. In this research, the corporate size will be measured by market capitalization.

Based on agency and stakeholder theories, the below hypothesis was formed:

H5. There is a negative relationship between the corporate size and the audit report delay.

2.4.5 The auditor

The agency theory debated that the companies who suffer from a high agency cost, would hire a large audit firm (Francis And Wilson, 1988; Johnson And Lys, 1990; Firth and Smith, 1992) in order to minimize the monitoring costs, and grant more affirmation to the shareholders (Naser And Nuseibeh, 2008). Previous literature considered the large audit firm is a Big Four international audit firms, whereas small audit firms are the rest (Haniffa And Cooke, 2002; Glaum And Street, 2003). It's widely known that audit quality differs among audit firms, and many audit literatures documented that big four companies conducted a high-quality audit more than the non-big four, due to many facts such as they have more qualified employees (Bonsón-Ponte Et Al., 2008), they have greater recourses and superior audit technology (Leventis Et Al., 2005; Abidin, And Ahmad-Zaluki, 2012), they work hard in order to maintain their reputation (Lawrence, And Glover, 1998).

Nevertheless, there was inconsistency in literature when studying the impact of the audit firm status on the ARL. Some literature found an insignificant association between the audit firm status and ARL (Davies And Whittred, 1980; Carslaw And Kaplan, 1991; Al-Ajami, 2008). While many former studies (Abdulla,1996; Leventis Et Al., 2005; Owusu And Leventis, 2006; Rusmin & Evans, 2017) have recognized that companies would report on timely basis if one of the big four audit firms audited their financial statement, and they referred this to the facts mentioned above. Other researchers (Türel,2010; Hassan, 2016) found retard in the issuance of companies'

financial statements when the big four firms audited their statements. They explained their findings that the big four companies are keen on their reputation, by emphasizing stakeholders that their clients are disclosing all requirements instead of accomplishing their audit work quickly. Thus, they put more exertions to provide assurance on the companies' accounting systems, which sequentially will increase the audit work and creates a longer ARL (Hassan, 2016).

Based on some prior researches, which debated that the big four companies could accomplish their work more quickly than their counterparts. Therefore, the hypothesis is as follow:

H6. There is a negative relationship between the audit firm and the audit report delay.

2.4.6 Profitability

Profitability considered an assessment technique that measures the capability of the company to generate earnings from its normal operating activities (Subramanyam,2014). Some studies reported a negative relationship between profitability and ARL, contrary to the companies that have a negative income or less than predictable earnings, would have longer audit delays (Jaggi And Tsui, 1999; Yan, 2012). They explained their findings based on the argument which debated that companies with a noticeable profit denote an increase in the company's performance, which can be derived from an efficiency of the company's operations and control. As a result, the audit risk will reduce, which in turn will reduce the time that the auditor

needs to perform his work (Nelson and Shukeri, 2011). While others relied on stakeholder theory in explaining their findings, which debated that managers are interested in delaying the issuance of financial statements in case of the presence of bad news. And in contrast, companies like to communicate their profits with their investors, in order to show them the affirmative results that they achieved as soon as the year ends. This allows the company to put more pressure on the auditor to issue their reports in a short time (Basuony Et Al., 2015; Shukeri And Islam, 2012; Mishari Et Al., 2016). Hence, based on stakeholder theory the hypothesis is as follow:

H7. There is a negative relationship between the profitability and the audit report delay.

2.4.7 Industry

It's widely known that inventories are complicated in the audit because substantial errors occur repeatedly (Carslaw And Kaplan, 1991). Hence, manufacturing companies may be facing difficulties in the auditing process, which may take more time to perform the audit work (Afifi, 2009).

For instance, Rochmahika et al. (2012) who classified the companies to three sectors: manufacture, construction, and service, found that construction companies took more time to release their financial statements than the manufacturing companies do. Also, he found that services companies release their financial statement before manufacturing companies do, due to the fact that services companies have less

inventories comparing to manufacturing companies. As well Ashton et al. (1989), Bamber et al. (1993) and Afifi (2009) consistently reported that financial companies have released their financial statement quicker than non-financial companies. While Owusu-Ansah and Leventis (2006) and Mishari, M. Alfraih. (2016) found an insignificant association between industry and ARL.

This research classifies the companies into financial (such as banks and other financial institutions and insurance companies) and nonfinancial companies. Based on prior literature, the hypothesis is as follow:

H8. ARL will be shorter for financial companies than non-financial companies.

2.5 Conclusion

This chapter shed light on previous literature that discussed the determinants of audit report lag. The agency and stakeholder theories were adopted in the context of this study to help in explaining the phenomena. Many prior studies used a wide variety of proxies to study their effect on the audit report lag, each according to the economic nature of his country, while, in this research, the nature of the Palestinian economy took into consideration in choosing the proxies that may affect the audit report lag. The next chapter will debate the research methodology applied in this.

Chapter Three

Methodology

3.1 Introduction

In this chapter, the researcher explains the methodology applied to answer the research questions stated in this thesis and to examine the hypotheses discussed in Chapter 2. In general, the methodology defined as the framework used to answer the research question and to achieve its goals, that is, to build a valid argument (Miles & Huberman, 1994). Moreover, Creswell (2003) acquainted the research designs - which also known as strategies of inquiry (Denzin &Lincoln, 2011) - as ***"types of inquiry within qualitative, quantitative, and mixed methods approach that provide specific direction for procedures in a research design".***

This chapter clarifies why quantitative approach has been adopted in this thesis. Furthermore, it presents the data sources, and sampling procedures used to examine the hypotheses. Also, it discusses the measurements of the independent and dependent variables used in this study. At last, it highlights the data analysis method.

3.2 Research type, data and sample

3.2.1 Type of research

The intent of the study is to examine the corporate governance mechanisms and companies' characteristics that are related to the timeliness of financial reporting in Palestinian listed companies. This research follows a quantitative approach to provide empirical evidence related to the main research questions. Quantitative research is ***"an approach for testing objective theories by examining the relationship among variables. These variables, in turn, can be measured, typically on instruments, so that numbered data can be analyzed using statistical procedures."*** (Creswell, 2003).

There are two methods to conduct quantitative research: primary and secondary methods, in this study the secondary quantitative research method is conducted by performing analysis of annual reports' and financial statements' data of companies listed on the Palestinian Exchange (PEX) in 2012, 2013, 2014, 2015, 2016 and 2017.

The quantitative approach is more suitable for this research because it submits a suggested exposition for the relationship among variables being examined by the researcher. Furthermore, the nature of the data used in this study is numerical data which is reliable and accurate, in fact, numbers do not lie.

This study intends to scrutinize the relationship or correlation between variables of corporate governance mechanisms and companies' characteristics with the audit report lag. The corporate governance mechanisms include board effectiveness, audit

committee existence and chief executive officer duality. The companies' characteristics contain company size, auditor type, profitability, and industry type.

In addition, this study forms the explanatory study that shed lights on the relationship between the variables of the study and the testing of the formulated hypotheses.

3.2.2 Source of data

The data in this study were acquired from different sources. The researcher relies on published research papers, books, websites, journals, publications and other locally and internationally published documents in the fields of corporate governance and timeliness of audit report lag in order to develop the literature review. As well, the secondary data is used also to fulfill the objectives of the study and to answer the thesis questions. The data is collected from the PEX website, which can be accessed online at http://www.pex.ps, and the official websites of the companies that publish the annual reports and financial statements of companies.

3.2.3 Ethical issues

In this study, there is no ethical transgression since data collection relies on annual reports and financial statements which is accessible to everyone at the PEX website and companies' websites, where it doesn't include any primary source of data collection.

3.2.4 Population and sample of the study

Population

The population of the study is consisting of all companies listed on Palestine exchange (PEX). PEX was founded in 1995 to encourage investment in Palestine as a private shareholding company. It converted into a public shareholding company in February 2010 abiding by principles of transparency and good governance. The PEX operates under the surveillance of the Palestinian Capital Market Authority in accordance with the Securities Law No. 12 of 2004.

There are 48 listed companies on PEX as of 31/03/2019 with a market capitalization of about $3,758 million across five main economic sectors; banking and financial services, insurance, investments, industry, and services. Distribution of listed companies by sector are described in table 3.1 below:

Table 3.1 Distribution of listed companies by sector

Company sector	# of companies
Banking and financial services	**8**
Insurance	**7**
Investments	**9**
Industry	**12**
Services	**12**
Total	**48**

Sample:

The sample selection criteria are described in table 3.2 below:

Table 3.2 sample selection criteria

Sample selection criteria	**Number of companies**
All the companies in PEX	48
Companies with unavailable data	(7)
Total research sample	**41**
Observation years	x**6**
Total number of observation periods of the study (firm years)	**246**

The sample of the study includes all the companies listed on PEX, except the companies with unavailable data, which resulted in 41 companies. The researcher derived the data applied in the empirical analysis from the financial statements and the annual reports of the 41 listed companies on PEX over the period 2012-2017. In all, 246 firm-years reports were used.

3.3 Variables

The aim of this research is to identify the impact of explanatory variables (governance mechanisms and company characteristics) on the dependent variable

(audit delay) in the Palestinian context. In order to do that, the specific dependent and independent variables are now sought to be clarified.

3.3.1 Dependent variable

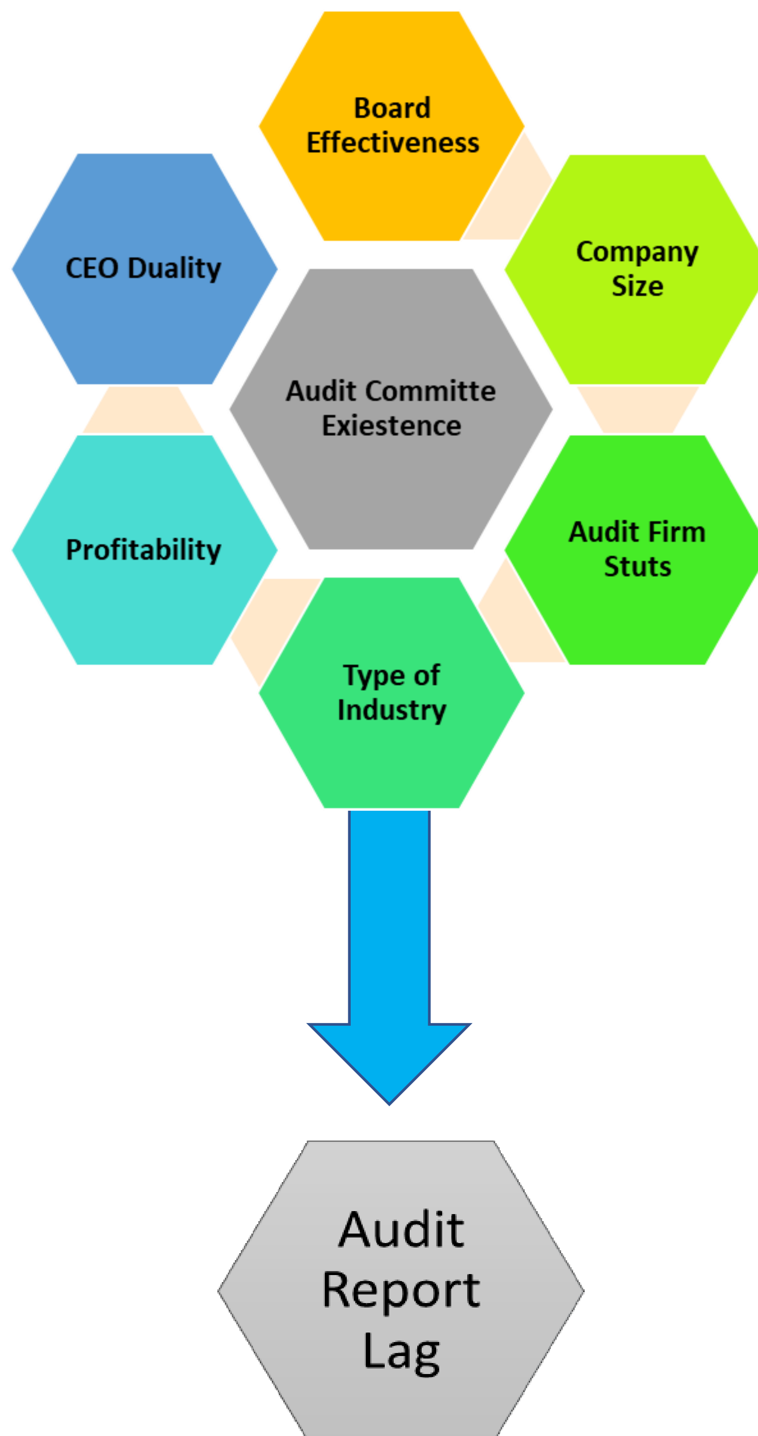
The dependent variable in this research is the audit delay. The audit delay was measured by computing the number of days that pass away between the company's fiscal year-end and the date of the auditor's report. In order to obtain the date of the auditor's report, the researcher downloaded the annual reports for all listed companies from the PEX website and computed the difference in days between the year-end date and the date of the audit report. Nevertheless, it should be noted here, that the researcher used the date on the auditor's report as a surrogate of the date that the companies released their financial statement to users - where both are certainly different - as there no other information related to release dates.

3.3.2 Independent variables

There are two categories of independent variables in this research: corporate governance mechanisms and company characteristics. The Corporate governance mechanisms which used in this research are Board effectiveness, audit committee existence and chief executive officer duality. The company characteristics that used are company size, the status of the audit firm, profitability, and type of the industry.

The following diagram represents the theoretical framework of the study:

Figure 2: The research theoretical framework



The variables used in the study and their expected relationship with timeliness is summarized in table 3.3 below:

Table 3.3Variables and Expected Relationship with Timeliness

Variable name	*Expected relationship with timeliness of financial reporting*	*Source of data*
Dependent: audit Delay		Fianancial statemnets
Explanatory:		
Board Size (BSIZE)	Negative	Fianancial statemnets
Board meetings (BMET)	Negative	Fianancial statemnets
Audit Committee (AC)	Negative	Fianancial statemnets
Duality (DUAL)	Positive	Fianancial statemnets
Firm Size (FSIZE)	Negative	Fianancial statemnets
Auditor (AUDIT)	Negative	Fianancial statemnets
Profitabilty (PROF)	Negative	Fianancial statemnets
Industry (IND)	Negative	Fianancial statemnets

3.3.3 Operationalization of variables

The operationalization of the research variables is described in table 3.4 below:

Table 3.4 Operationalization of Variables

Variables	*Operationalization*	*Measurement Tool*
Dependent: audit Delay	The difference between the date of the audit report and the end of the fiscal year	# of days
Explanatory:		
Board Size (BSIZE)	The total number of board directors of the firm	# of board members
Board meetings (BMET)	Number of board meetings held every year	# of board meetings
Audit Committee (AC)	The existence of an audit committee	Audit committee existence (1) Otherwise (0)
Duality (DUAL)	The CEO duality where if the CEO and Chairman is the same person	CEO and chairman is the same person (1) Otherwise (0)
Firm Size (FSIZE)	The total dollar market value of a company's outstanding shares	market capitalization
Auditor (AUDIT)	If the auditor is a local firm affiliated to a big international firm, or the auditor is a local firm.	Local firm affiliated to a big international firm (1) Otherwise (0)
Profitabilty (PROF)	Net income to total assets	Return on Asset

Variables	*Operationalization*	*Measurement Tool*
Dependent: audit Delay	The difference between the date of the audit report and the end of the fiscal year	# of days
Explanatory:		
Industry (IND)	Divided into two categories: financial companies (such as banks and other financial institutions and insurance companies) and non-financial companies	Fianacial companies is (1) Otherwise (0)

Empirical Model

The basic multiple regression model is as follow:

$$y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \ldots.. + \beta_n x_n + \varepsilon$$

Whereas, y is the dependent variable, and β0 to βn are parameters for several independent variables, and ε is a random error (Freedman,2014).

According to the above, the study regression model is summarized in the following equation:

$$ADit = \beta0 + \beta1BSIZE + \beta2\ BMEET + \beta3\ AC + \beta4DUAL + \beta5\ FSIZE + \beta6\ AUDIT + \beta7\ PROF + \beta_8 IND + \varepsilon$$

Where: β_0 to β_8 are the model parameters and ε is a random error. The definitions and proxies of the variables that used in this study are presented in Table 3.4 above.

3.4 Analysis method

In this study, a descriptive analysis is used to describe the frequency distribution of variables in this research, the maximum, minimum, average (mean) and standard deviation. In addition, a regression analysis performed in order to identify the impact of explanatory variables on the dependent variable.

However, based on those researches the regression in this study is based on a panel data set covering 41 companies listed on PEX over the period 2012–2017. The panel data/longitudinal analysis is a model that combines cross-section and time-series data (Gujarati and Porter, 2009), it contains observations of several phenomena obtained over different time periods for the same firms or individuals (Diggle et al., 2002).

Using panel data has many advantages such as (Mishra,2018):

- Panel data can better notice and measure the effects which cannot be observed in either cross-section or time-series data.
- Panel data gives further information discrepancy, less collinearity and further competence.
- Panel data is better suited for examining the drives of change. For example, it gives a better understanding of transition behavior –for example, company bankruptcy or merger.

In this study, some panel data techniques used and compared to decide which technique should use to answer the research questions. These techniques are:

- Ordinary Pooled Least Squares Model

The pooled OLS model gathers the whole remarks and appraises the total regression, disregarding the cross-section and time-series nature of the data and neglect its panel (Gujarati and Porter, 2009).

- Fixed Effects model

The fixed effects (FE) model aggregate all remarks, however, contains an intercept for every cross-section unit to apprehend its particular impact (Gujarati and Porter, 2009). FE model can be applied when the variables alter across time. So, this model is not suitable for variables that don't vary over time, in this situation, it is recommended to use other panel data models (Baltagi, 2008).

- Random Effects models

It assumes a difference between cross-section units and difference within cross-section units over time. From its name “random” every sampling unit or attribute is considered to be random. The RE can take even the variables that don’t change over time, that's one of its advantages (Gujarati and Porter, 2009).

In order to select the appropriate model from above, there are two tests should be employed: Breusch and Pagan Lagrange Multiplier test and Hausman test.

Breusch and Pagan Lagrange Multiplier (LM) test is used to help in deciding among a random effect regression and a simple OLS. The null hypothesis in the LM test is that

variances across entities is zero, this is, no significant difference across units, so the OLS model is the preferred model, while the alternative hypothesis is that there is an important distinction among units, so the preferred model is the random effect. However, Hausman Test is used to investigate if fixed or random is the utmost proper model, a Hausman test is performed, where the null hypothesis is that the preferred model is random effects while the alternative hypothesis is that the fixed effects is the preferred model.

It's worth mentioning that many studies have used panel data in their researches such as (Henderson and Kaplan, 2000; Efobi, U., &Okougbo, P., 2014; Ahmed, M. I., & Che-Ahmad, A., 2016; Dal Magro, C. B., Turra, S., Klann, R. C., &Lemes, S., 2017; Lourenço, I. C., Branco, M. C., &Curto, J. D., 2018; Oussii, A. A., &BoulilaTaktak, N., 2018; Salehi, M., LariDashtBayaz, M., &Naemi, M., 2018). Which applied the three-panel data techniques mentioned above, then compared between them and decided which technique is appropriate to use in their research.

3.5 Conclusion

This chapter debated the methodology followed to conduct this research. Where it presents the sample, data, and research method used to examine the research questions and test it hypothesizes. Furthermore, there was an explanation of why the researcher used the quantitative method, how the data was collected and analyzed to

provide a meaningful conclusion. The next chapter presents the findings and provides analysis and discussion of what the researcher found.

Chapter Four

Findings

4.1 Introduction

This chapter aims to analyze the data that was collected from the annual reports, and manifest the nature of the relationships between the tested variables. Besides to illustrate the significance of each existed relationship among the tested variables. Whereas Stata software was used to analyze these data.

This chapter provides descriptive statistics and empirical results. Section 4.2 describes the distribution of the variables. Section 4.3 shows the correlation matrix. Section 4.4 presents the empirical results for the multivariate regressions that examine the impact of corporate governance mechanisms and companies' characteristics on the timeliness of financial reporting in Palestinian listed companies.

4.2 Descriptive Statistics

Descriptive statistics were made to highlight the dependent and explanatory variables utilized in this study. Table 5 and 6 provide summarize statistics for the variables used in the study over the period 2012-2017.

As shown in table 4.1, the mean of ARL for the companies listed in PEX in 2012 was 68 days and then it gradually rising through the period. The maximum and minimum days within the period was 112 and 14, respectively, this result reflects a

comparatively aloft variance among the sample companies. The average of the period was 74 days, which is longer than prior audit report lag study applied to companies listed on PEX (Hassan, 2016) within 2011 which was 62 days. Compared with the delays in other studies, findings shed light that ARL in Palestine is higher than Jordan listed companies which were 40.8 days in 2010 (Alkhatib et al., 2012) and Bahraini companies which were 60.5 days over the period 1992-2006 (Al-Ajmi, 2008). However, the results of this study appear to be shorter than the audit delay among Tunisian listed companies which were 136 days through 2011-2013 (Ahmad et al.,2018), and Istanbul Stock Exchange-listed companies which were 86 days (Türel, 2010). Nevertheless, the findings of this study are parallel to Salleh et al. (2017) who found that the Malaysian companies had an average of 77 days to release their audited annual reports during the period 2005-2011.

Also, table 4.1 showed that the average number of members in boards of companies was approximately constant on 9 members through the period, with a maximum and minimum of 18 and 4 members, respectively, whereas, this reveals that some companies failed to abide by the code of corporate governance which states that board size should be between 5-11 members. The number of board meetings ranged from 1 to 13 meetings within the year with a mean of 5.93 meetings per year. With respect to the company size, which measured by the natural logarithm of the company's market capitalization, it ranged from \$14.44 to \$20.79 with a mean of

$17.02 within the whole period. In terms of profitability, the statistics show that the mean return on assets is 0.023, ranging from-0.622 to 0.261.

Table 4.1 Descriptive statistics about continuous variables employed in the analyses

Variable	Year	Mean	Std. Deviation	Minimum	Maximum
ARL	2012	68.171	20.287	20.000	90.000
	2013	71.073	21.490	14.000	90.000
	2014	71.902	19.684	29.000	90.000
	2015	78.610	16.751	30.000	91.000
	2016	78.829	14.493	45.000	112.000
	2017	77.073	15.910	30.000	94.000
	Pooled	**74.276**	**18.550**	**14.000**	**112.000**
BDSIZE	2012	9.049	2.133	5.000	15.000
	2013	9.000	2.156	5.000	15.000
	2014	8.976	2.230	5.000	15.000
	2015	8.927	2.252	5.000	15.000
	2016	8.512	2.271	5.000	15.000
	2017	8.927	2.733	4.000	18.000
	Pooled	**8.898**	**2.288**	**4.000**	**18.000**
Meeting	2012	5.927	1.723	1.000	12.000
	2013	5.902	1.319	2.000	10.000
	2014	6.122	1.418	3.000	12.000
	2015	6.000	1.432	3.000	13.000
	2016	5.878	1.382	3.000	12.000
	2017	5.756	1.374	3.000	9.000

	Pooled	**5.931**	**1.437**	**1.000**	**13.000**
MKTCap	2012	16.944	1.446	14.565	20.688
	2013	16.929	1.450	14.565	20.797
	2014	16.869	1.443	14.445	20.780
	2015	17.062	1.487	14.590	20.753
	2016	17.146	1.470	14.565	20.645
	2017	17.175	1.486	14.565	20.561
	Pooled	**17.021**	**1.453**	**14.445**	**20.797**
ROA	2012	0.018	0.059	-0.158	0.184
	2013	0.029	0.070	-0.181	0.261
	2014	0.011	0.077	-0.194	0.225
	2015	0.012	0.117	-0.622	0.219
	2016	0.029	0.065	-0.179	0.214
	2017	0.038	0.056	-0.134	0.188
	Pooled	**0.023**	**0.077**	**-0.622**	**0.261**

Table 4.2 Descriptive statistics about discontinuous variables employed in the analyses

Variable		Frequency	Percentage
Dual	Yes	63	26%
	No	183	74%
ADCOM	Yes	168	68%

	No	78	32%
Auditor	International	161	65%
	otherwise	85	35%
Financial companies	Yes	14	34%
	No	27	66%

Table 4.2 represents the descriptive statistics for discontinuous variables in the study. With regard to CEO duality, 74 percent of the sample companies separate the positions of CEO and Chairman. Compared to the prior study that applied on Palestinian listed companies, the findings highlight a decline in the number of companies that separate the two positions, that was 87 percent in 2011 (Hassan, 2016). However, CEO duality was not eminent in Palestinian listed companies. The table 4.3 below, shows depth look for the numbers of companies that combined the two positions through the studied period according to the sectors. With respect to audit committee existence, the percentage of companies that have an audit committee has increased by 57% over the period (2012-2017) with an average of 68 %, which is higher than Hassan's' findings in his study in 2011 which was 45.7%. This sign posts that the awareness of the necessity of audit committee existence had increased by the Palestinian listed companies. Besides, 65 % of the yearly reports were audited via companies allied with the Big Four global auditing companies. This denotes that the

Big Four global auditing companies are predominated the exercise of auditing in the Palestinian Territories. Finally, descriptive statistics regarding the sample companies expose that 34 % of the sampled firms are financial companies.

Table 4.3 Numbers of the Companies that had Duality according to the sectors

Sectors	Total Numbers of companies in the sector	Year	Numbers of companies that had Duality
Service Sector	8	2012	1
		2013	4
		2014	3
		2015	2
		2016	2
		2017	2
Industry Sector	11	2012	2
		2013	3
		2014	2
		2015	2
		2016	2
		2017	4
Bank and Finance Services Sector	7	2012	1
		2013	1
		2014	0
		2015	0
		2016	1
		2017	1

Insurance Sector	7	2012	3
		2013	3
		2014	3
		2015	3
		2016	3
		2017	3
Investment Sector	8	2012	2
		2013	3
		2014	2
		2015	2
		2016	2
		2017	1
Total Number of companies according to Sectors	41		63

4.3 correlation

Table 4.4 presents the correlation coefficient for all the variables used in the study. Pearson correlation coefficient matrix was undertaken to explore the strength and direction of the linear relationship among the dependent (ARL) and independent variables and to assess the multicollinearity problem among the independent variables.

The analysis revealed that there is a significant positive association between ARL and each of board size, existence of audit committee, and audit firm. A positive but

insignificant association was observed between board diligence (measured by frequency of board meetings) and company size. On the other hand, while ARL was found significantly negative associated with and financial performance, a negative but insignificant association was observed between ARL and each of CEO duality and financial sector.

This matrix also used to investigate the strength of the relationship among independent variables, that, any correlation between two variables should be less than 80 percent (Gujarati, 2003). Multicollinearity problem appears when the pairwise correlation coefficient is exceeding 80 percent, which may menace the regression analysis. It's obvious that even though there is a correlation between all independent variables, none of the correlations exceeds 0.8 (Bryman and Cramer, 2011), the highest correlation was between company size (that measured by natural log of market capitalization) and the status of audit firm (0.5046) with a positive relationship, this correlation is expected, as it proposes that the status of the audit firm is related to the company size, where usually big companies hired one of the big four firms to audit their financial statements, due to the fact that big four firms have more qualified employees, in addition to greater recourses and superior audit technology, which help big companies in controlling their work. This indicates that multicollinearity is improbable to be an earnest concern explaining multiple regression outcomes.

Table 4.4: Correlation among all variables used in the study

	ARL	BDSIZE	Meetings	Dual	ADCOM	Auditor	Financial	Mkt Cap	ROA
ARL	1.0000								
BDSIZE	0.3455*	1.0000							
Meetings	0.0185	-0.0121	1.0000						
Dual	-0.0354	-0.0391	-0.0497	1.0000					
ADCOM	0.1366*	-0.0112	0.0037	-0.0605	1.0000				
Auditor	0.2971*	0.1474*	-0.0171	-0.3375*	0.4785*	1.0000			
Financial	-0.1247	0.0208	0.0646	0.0096	0.4354*	0.1447*	1.0000		
Mkt Cap	0.0785	0.2976*	0.0998	-0.1627*	0.3857*	0.5046*	0.1278*	1.0000	
ROA	-0.1784*	-0.0352	-0.0098	-0.0039	-0.0443	-0.0249	-0.0053	0.2098*	1.0000

Note: correlation is significant at 0.05

4.4 Regression Analysis

As the Pearson correlations matrix shows that the independent variables are not highly correlated with each other, multivariate tests were performed on all independent variables discussed. In this study three of panel data techniques applied the ordinary pooled least squares model (OLS), fixed effect model, and random effect model are shown in table 4.5.

Table 4.5 Ordinary Pooled Least Squares vs. Fixed vs. Random data analysis

Variable	OLS regression		Fixed regression		Random regression	
	Coef.	P>|t|	Coef.	P>|t|	Coef.	P>|t|
BDSIZE	2.791	0.000	-0.442	0.630	1.486	0.024
Meetings	0.663	0.369	-0.784	0.500	0.106	0.907
Dual	2.796	0.268	3.498	0.396	2.842	0.374
ADCOM	5.691	0.054	1.872	0.593	3.069	0.326
Auditor	12.803	0.000	7.346	0.078	11.235	0.001
Financial	-12.012	0.001	0.000	omitted	-12.713	0.022
MktCap	-2.651	0.005	-0.202	0.918	-1.442	0.259
ROA	-21.226	0.149	19.510	0.341	0.480	0.978

To choose between the different panel models, two tests were performed: Breusch Pagan Lagrange Multiplier (between random and pooled OLS) and Hausman test (between fixed and random) and presented in Table 4.6.

Breusch Pagan Lagrange Multiplier (LM) was first conducted to explore the random effects and thus to decide whether pooled OLS model or random-effect model should be used. The Breush-Pagan test creates a statistic that is chi-squared. As the computed value of LM is found to be significant (p-value < 0.05), the null hypothesis

is rejected. Therefore, random effects model is preferred compared to the pooled OLS model. The second test (Hausman test) is undertaken to choose fixed effect model or random effect model. With regard to this, the null hypothesis (H_0) considers that "random effects exist" and the alternative hypothesis (H_1) claims that "random effects do not exist". The results of the test ($p = 0.0952 > 0.05$) indicated that the random effect model is preferred to the fixed effect model.

Table 4.6 Specification Tests

Specification Tests	P-value	Tested	Selection
Breusch-Pagan test	0.0000	OLS/Random	Random
Hausman test	0.0952	Fixed/Random	Random

According to the random effect test, the adjusted R^2 of the model equal 25.5 percent. Which means that the independent variables that included in the study are responsible for 25.5 percent of the variations in the ARL. Also, according to table 4.5 above, three independent variables were significant at the 0.05 level in the regression model. These variables contain board size, auditor status, and industry type. The industry type variable influences the ARL in the same predicted direction contrary to the other two variables. While the other variables were insignificant.

The rest of this chapter is devoted to test the hypotheses that were developed in Chapter Two, about the association between the audit report lag and explanatory variables.

Board effectiveness

There are two measurements of board effectiveness are founded to examine its effect on the ARL, each has a hypothesis need to be tested. The first hypothesis which states that there is a negative relationship between the board size and the audit report lag is not supported. Contrary to expectation, the result shows a positive significant association between the two variables, which means that the larger the board is the longer ARL. This result supports the agency theory that recommended not to have more than 8 members on the board in order to get an active performance (Lipton and Lorsch, 1992; Jensen, 1993). Also, the result is congruous with some prior studies (Li et al.,2014; Hassan, 2016) which reported that large boards may have obstacles in communication and coordination between each other, henceforth the board effectiveness will decrease. Moreover, companies with larger boards take more time to reach an agreement with the auditor on key audit matters (Hassan, 2016). However, this finding is not in line with the stakeholder theory which suggests that large corporate boards are more likely to be effective as they provide better collective knowledge and skills and reduce management supremacy, which may lead to more efficiency. Also, some prior studies are in line with the stakeholder theory (Xie et al., 2003; Cormier et al., 2009; Mishari, 2016) which documented a negative relationship between the board size and ARL. Mishari (2016) relied on the stakeholder theory in his interpretation of his findings. Also, he argued that the large board might dedicate more effort to assure the quality and timeliness of financial reporting.

The other important measurement for board effectiveness (board meeting frequency) is found to be insignificant in explaining the audit report lag. This finding does not support the hypothesis which states that a more diligent board is more likely to reduce the audit report delay. This is contrary to the belief that board meets frequently are likely to deal with problems as they arise and are therefore quicker in releasing their audited annual reports to the public(Tauringana, Kyeyune & Opio, 2008; Chan, Luo & Mo, 2016).This finding is also inconsistent with Ahmed et al. (2016) who reported a significant negative relationship between the board meetings and ARL.

Furthermore, this finding does not lend support to agency theory. From the agency perspective, a board that demonstrates greater diligence will enhance the reporting quality including the timeliness of financial reporting shorten the audit delay. The result is also inconsistent with stakeholder theory as it suggests that boards who meet more frequently tend to perform their duties in accordance with stakeholders' interests.

Audit committee

The existence of audit committee is found to be positively insignificant in explaining the ARL among Palestinian listed companies. This finding does not support the study hypothesis which states that the companies with audit committees take shorter time to emission their audited financial statements than companies that do not have such committees. The finding is contrary to what was assumed. The finding shows a

positive but insignificant association between the two variables. Which means that the existence of the AC has no effect on the ARL. Yet, this result is inconsistent with (Afify, 2009; Hashim and Abdul Rahman, 2010; Hassan, 2016) which reported a significant negative relationship between the two variables. This finding is inconsistent with both agency and stakeholder theories. Shareholders as well as other stakeholders need complete, accurate and timely reporting to base their decisions on. The audit committee can play a key a monitoring role that improves the quality of information flow between company management and stakeholders including owners and enhances the trust in the firm's financial reports.

Although establishment of audit committees are generally mandated for listed companies around the word, where the Palestine Capital Market Authority (PCMA) code only encourages listed companies to form such committees. Therefore, this finding can be explained on the grounds that the establishment of an audit committee does not necessarily guarantee that it performs its duties with due diligence and achieves greater excellence in corporate governance (Turley and Zaman, 2004; Firth et al., 2007). This is empirical evidence that AC in Palestinian listed companies is only a festive ornament rather than an effective monitoring mechanism for corporate governance.

CEO duality

Although the CEO duality related positively with audit report lag, this association, however, is not significant and thus, the related hypothesis is not supported. This result

is similar to the findings of Mohamad-Nor et al. (2010) in his study in Malaysia, and Hassan (2016) in his study in Palestine. While this result inconsistent with prior studies (Haniffa and Cook, 2002; Afify, 2009; Mishari, 2016), that documented a positive significant association between these two variables. This may be explained by the fact that CEO duality affects the company performance and the quality of financial reporting, which result in a more extensive audit to be conducted and hence a longer audit delay. This finding lends little support to the agency and stakeholder theories. Agency theorists suggest that the CEO duality leadership implies greater concentration of formal authority and informal power in one person, eroding a board's effectiveness in its monitoring and controlling functions (Fama and Jensen, 1983; Westphal and Zajac, 1998). From the stakeholder theory perspective, duality is expected to reduce the overall commitment of board members to stakeholders. Both theories suggest that the presence of CEO duality will hamper the reporting quality and thus increase the audit report delay and, therefore, they recommend that separation between CEO and board chair roles would allow more effective monitoring of management by shareholders and other stakeholders.

Company Size

The company size variable is found to be insignificant in explaining the ARL. This finding does not support the hypothesis which states that large companies are expected to report financial statements earlier than small ones. This result lends only limited support to the agency theory which debates that large companies are more

likely to have progressive sound governance, risk and control, and compliance monitoring systems that boost the trust in the top management. The existence of such strong systems allows external auditors to minimize the audit work that required to be performed. Likewise, this result provides partial support to stakeholder theory, which argues that large companies communicate with a large number of groups, such as suppliers or employees and much more. So, the company needs to show how accountable they are with interested parties, as a result, they put more pressure on the auditor to perform the work quickly, and release the financial statements earlier.

A similar result was obtained by prior researches such as Rochmah et al. (2012) and Rusmin (2017). However, this result is inconsistent with prior studies (Ashton et al,1989; Abdulla,1996; Mashari, 2016; Hassan, 2016) that found a significant negative relationship.

The auditor

The type of auditor is initiate positively significant with ARL. This finding does not support the study hypothesis, which states that the ARL will be shorter for companies that hired one of the big four companies to audit their financial statements. Therefore, the issuance of financial statements will retard when one of the big four firms audited the financial statements. This finding is consistent with Türel (2010) findings in Turkey, and Hassan (2016) findings in Palestine. A reasonable explanation for this result may be that, the big four firms take more time to perform their audit work, because they are eager on their reputation and credibility in front of the stakeholders,

so they put more exertions to provide assurance on company's controlling system, which results in longer ARL. Nevertheless, this result does not support the findings of (Ahmad and Kamarudin, 2003; Leventis et al., 2005; Owusu-Ansah and Leventis, 2006; Rusmin, 2017) that showed a negative relationship between the two variables.

Profitability

The profitability variable is found to be positively insignificant in explaining the ARL. This finding does not support the hypothesis which states that's there is a negative relationship between profitability and ARL. A similar result was obtained by Maggy (2018). This finding is inconsistent with stakeholder theory which contends that the managers would prefer to retard the issuance of the financial statements in case of the existence of bad news in order to delay subsequent imputation into share prices that would affect the stakeholders (Watts & Zimmerman, 1986). Also, the finding is inconsistent with Mishari (2016) who reported a negative significant association between the two variables.

Industry

As predicted in the hypothesis, the finding shows a negative significant association between the type of industry and ARL, which means that financial companies issued their financial statements earlier than nonfinancial companies. This result is consistent with many prior studies (Ashton et al., 1989; Ahmad et al., 2003; Afifi,

2009; Rusmin, 2017) which documented that ARL is shorter for financial companies. This result may refer to the fact that financial companies have a minimal standard of inventory or fixed assets, so the time needed to conduct the audit work will be less. Contrary to the finding, no significant association was found by Mashari (2016) study and Owusu-Ansah et al. (2006).

The table 4.7 below provides a summary of the above findings.

Table 4.7 Summary of results

Variable	Expected Sign	Resulted Sign	Significance	Agency Theory	Stakeholder Theory
Board size	-	+	√	Supported	Not Supported
Board meetings	-	+	×	Not Supported	Not Supported
Audit Committee	-	+	×	Not Supported	Not Supported
CEO Duality	+	+	×	Partially Supported	Partially Supported
Corporate size	-	-	×	Partially Supported	Partially Supported
Auditor type	-	+	√		
Profitability	-	+	×		
Industry type	-	-	√		

4.5 Conclusion

The results of this research provide evidence that only one variable is associated with ARL from four corporate governance mechanisms used in this research, which is the board size. However, the findings found a positive relationship between board size and ARL. While the other corporate governance mechanisms are found to be not significant. Whereas, only two of companies' characteristics are associated with ARL, namely, the type of auditor and the type of industry. where the results showed that the ARL will be longer if one of the big four firms conduct the audit work, and the ARL will be shorter for financial companies. Thus, other companies' characteristics are insignificant. As a result, the findings found that agency and stakeholders theories partially interpret the results.

Chapter five

Findings and conclusion

5.1 Introduction

After interpreted all the research results in the previous chapter, this chapter is going to summarize the research study and its major findings, a conclusion makeup and recommendations are set, at last, study limitation and recommendation for future research.

This study explores the influence of corporate governance on the timeliness of financial reporting on Palestinian listed companies. The audit report lag was measured as the number of days that pass away from the end of the company's financial year to the date of the audit report. A mix of corporate governance mechanisms and companies' characteristics were used to examine their effect on the ARL, namely, board effectiveness, audit committee existence, chief executive officer duality, company size, the status of the audit firm, profitability, and type of the industry. The sample consisted of all companies listed on the PEX in 2012, 2013, 2014, 2015, 2016 and 2017. In this study, the random effect model was used to examine the strengths of association between the audit report lag and the explanatory variables.

5.2 Summary of findings

Most of the listed companies that used in the sample have issued their financial statements within the allowed period of 90 days from a fiscal year ends, as stated by the Palestinian Securities Commission (PSC) Law (12/2004), with a maximum and minimum 112 and 14 days respectively within the study period, with an average of 74 days. Only nine observations failed to meet the deadline.

According to the regression analysis, the results showed that only three variables are significantly associated with the ARL, namely, the board size, auditor type, and type of industry. The board size and auditor type both have a positive relationship with the ARL, which means that the larger the board is, the longer the ARL, because of the difficulties that may have in communication and coordination between the board members, as a result, the ARL will be extended. In addition, ARL would be longer if one of the big four companies audited the financial statements, that refers to the fact that big four companies put more effort in work because they are anxious on their reputation, as a result, more work to be performed so there will be a longer ARL. While the type of industry has a negative relationship with ARL, which means that financial companies issue their financial statements earlier than non-financial companies because they have a lower level of inventory that takes a long time to examine in the audit work.

The other five variables in the study, namely, the board meetings, audit committee existence, CEO duality, company size, and profitability are insignificantly associated with ARL.

5.3 Conclusion

Based on the data analysis and discussion, it can be concluded that:

1. The findings showed that the independent variables tested in this study, are responsible for 25.5 percent of the variations in the ARL, which means that these variables explain only 25.5 percent from ARL that happened in the listed companies. Whilst, many variables shall take into consideration that could be more important and could affect the ARL more than the tested variables, such as board compensations, number of the independent members in the board and many more variables, where, the companies do not disclose this information in their annual reports.
2. The result found that board size supports the agency theory, which debated that big boards would increase the ARL. While, it is not in line with stakeholder theory, which argued that big boards are more effective because it contains a wide variety of expertise and dexterity, which in turn reflects on the performance of the company.

3. The finding showed that CEO duality partially supports the agency and stakeholder theories in reducing ARL, whereas both have a positive relationship with ARL.
4. Also, the result showed that corporate size partially supports the agency and stakeholder theories in diminishing the ARL, while both have a negative relationship with ARL.
5. The result reported that board meetings and audit committee proxies both don't support the Agency theory.
6. The Palestinian corporate Governance code still suffers and lacks much effectiveness, while it is far away from the good practices that applied globally.
7. The corporate governance mechanisms that applied in listed companies in Palestine still had weaknesses, which in turn can't raise the quality of financial reporting which has been measured by its timeliness.

5.4 Recommendations

In light of the conclusions of this study, the following recommendations are made:

1. In this global economy, good corporate governance is considered an essential instrument to create an attractive investment climate. Accordingly, apply globally compatible standards in developing markets like Palestine would entice foreign investors to invest in the Palestinian Exchange and guarantee their rights, in order to increase the Palestinian market share of international portfolio

investment. Therefore, Palestinian Capital Market Authority ought to reconsider the code of corporate governance that issued in 2009, in order to make it in line with the best practices in corporate governance for the benefit of public shareholding companies.

2. The PCMA must enact a law that imposes the formation of the audit committee on boards in Palestine, because of its effective role in overseeing the company's financial reporting, internal control, and audit requirements. In addition, the audit committee members must have accounting knowledge and experience, in order to facilitate their work, and enhance the quality of financial reporting.
3. In order to elevate the efficiency of boards, PCMA should force companies to have a certain number of independent members, not only issued a statement that urges to have two independent members on the board. Because of the fact that the larger number of independent members would enhance the board effectiveness in controlling managerial opportunism.
4. PCMA should determine a minimum number of board meetings that should be held within a year, in order to condense the monitoring activities on the management, which in turn reduce the loss of control that could happen, so as the agency cost decrease and the efficiency of boards raise. Furthermore, in order to enhance the board effectiveness, and following to some developed countries like Germany applying the two-tiered board structure of board governance would reinforce the competence of boards’ role, which consists of

two separate boards of directors that work align to govern the company (Molano, 2011). They are the management board and the supervisory board, whereas, each of these serves a specific goal in protecting and maximizing stakeholder wealth.

5. PCMA should impose a separation between the CEO and the chairman board of directors' position, in order to facilitate monitoring managerial conducts by the board, which in turn raise the board effectiveness in conducting its governing function.

5.5 Study limitation and Recommendation for future research

There are two limitations that faced the researcher in this study, which are the following:

1. The researcher couldn't subdue the entire population into the study, where there are 48 listed companies in the security exchange market in Palestine, but the researcher studied only 41 listed companies because there are some listed companies with unavailable data, therefore the sample reduced to 41 listed companies.
2. This research is limited to a specific number of variables, where the researcher used only eight independent variables to study their effect on the audit report lag, which are Board size, board meetings, audit committee existence, CEO duality, corporate size, auditor type, profitability, and industry type. However,

there are myriad variables that could affect the timeliness of financial reports aside from the variables mentioned above.

The researcher advocated other researchers to study further variables that might influence the timeliness of financial reports such as the auditor's opinion, leverage, the number of years listed on the market, auditor tenure, ownership structure, board committee expertise, and much more variables. In addition, to take into consideration the perceptions of the related parties, such as auditors, members of the board, and the CEOs, in explaining the findings.

References

مراجع باللغة العربية:

اللجنة الوطنية للحوكمة .(2009)، "*مدونـــة قواعد حوكمة الشركات في فلسطين*" . تم استرجاعها في تاريخ 01.06.2019 من.

http://www.hawkama.ps/Comp_Gov_Records/Code%20Of%20Corporate%20Governance.pdf

تلاحمة. (2012)، "حوكمة الشركات المساهمة في فلسطين : النظرية و التطبيق "، *المجلة الأردنية في القانون والعلوم السياسية* ، *المجلد (٤)* العدد (٣).

معهد الحقوق-جامعة بيرزيت.(2010)، "*الدليل القانونـي للبيئـة التجارية في فلسطين*"، سلسلة القانون و الإقتصاد1.

هيئة سوق رأس المال الفلسطينية. (2012)، " *الملامح الرئيسية لحوكمة الشركات المساهمة العامة المدرجة في بورصة فلسطين* " . تم استرجاعها في تاريخ 01.06.2019 من.
http://www.hawkama.ps/Researches_And_Pubs/Main_features_of_corporate_governance.pdf

English References:

Abdel-Khalik, A. R. (1993). Why do private companies demand auditing?. A case for organizational loss of control. *Journal of accounting, auditing & finance, 8(1)*, 31-52.

Abdelrazik, D. (2017). The determinants of audit fees and report lag: a comparative study of Egypt and the UK *(Doctoral dissertation, University of Plymouth*).

Abdelsalam, O. H., & Street, D. L. (2007). Corporate governance and the timeliness of corporate internet reporting by UK listed companies. *Journal of International Accounting, Auditing and Taxation, 16(2)*, 111-130.

Abdulla, J. Y. A. (1996). The timeliness of Bahraini annual reports. *Advances in International Accounting, 9*, 73-88.

Abernathy, J. L., Barnes, M., Stefaniak, C., &Weisbarth, A. (2017). An international perspective on audit report lag: A synthesis of the literature and opportunities for future research. *International Journal of Auditing, 21(1)*, 100-127

Abidin, S., & Ahmad-Zaluki, N. A. (2012). Auditor industry specialism and reporting timeliness. *Procedia Social and Behavioral Sciences, 65*, 873-878.

Adams, M. B. (1994). Agency theory and the internal audit. *Managerial auditing journal, 9(8)*, 8-12.

Adusei, M. (2012). Determinants of bank board structure in Ghana. *The International Journal of Business and Finance Research, 6(1)*, 15-23.

Afify, H. A. E. (2009). Determinants of audit report lag: Does implementing corporate governance have any impact?. Empirical evidence from Egypt. *Journal of Applied Accounting Research, 10(1)*, 56-86.

Ahmad, R.A.R. and Kamarudin, K.A. (2003), "Audit delay and the timeliness of corporate reporting: Malaysian evidence", *In Communication Hawaii International Conference on Business, University of Hawaii-West Oahu, Honolulu, Hawaii*, June 18-21.

Ahmed Atef Oussii, NeilaBoulilaTaktak, (2018), "Audit committee effectiveness and financial reporting timeliness: The case of Tunisian listed companies", *African Journal of Economic and Management Studies, Vol. 9* Issue: 1, pp.34-55.

Ahmed, M. I., & Che-Ahmad, A. (2016). Effects of corporate governance characteristics on audit report lags. *International Journal of Economics and Financial Issues, 6(7S)*, 159-164.

Al-Ajmi, J. (2008). Audit and reporting delays: Evidence from an emerging market. *Advances in Accounting, 24(2)*, 217-226.

Alexander, D., & Britton, A. (2000). Financial reporting (5th ed.). *London: International Business Press.*

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.

Alkhatib, K., &Marji, Q. (2012). Audit reports timeliness: Empirical evidence from Jordan. *Procedia-Social and Behavioral Sciences, 62*, 1342-1349.

Al-Nasser Mohammed, S. A. S., & Muhammed, J. (2017). The relationship between agency theory, stakeholder theory and Shariah supervisory board in Islamic banking: An attempt towards discussion. *Humanomics, 33(1)*, 75-83.

Ashton, R. H., Graul, P. R., & Newton, J. D. (1989). Audit delay and the timeliness of corporate reporting. *Contemporary Accounting Research, 5(2)*, 657-673.

Atuilik, W. A., &Salia, H. (2018). The Importance of financial reporting to capital market development in Ghana. *Journal of Economics and International Finance, 10(8)*, 89-94.

Baltagi, B. (2008). *Econometric analysis of panel data. John Wiley & Sons*.

Bamber, E.M., Bamber, L.S. and Schoderbek, M.P. (1993), "Audit structure and other determinants of audit report lag: an empirical analysis", Auditing: *A Journal of Practice and Theory, Vol. 12* No. 1, pp. 1-23.

Basuony, M., Ehab, K. A., & Al-Baidhani, D. (2015). The effect of corporate governance on bank financial performance: Evidence from the Arabian Peninsula. Ahmed, *The Effect of Corporate Governance on Bank Financial Performance: Evidence from the Arabian Peninsula* (September 8, 2015).

Belkaoui, A. (2002*). Accounting theory* (4th ed). London: Thomson Learning.

Belkhir, M. (2009). Board of directors' size and performance in the banking industry. *International Journal of Managerial Finance, 5(2)*, 201-221.

Blackburn, V. L. (1994). The effectiveness of corporate control in the US. *Corporate governance: an international review, 2(4)*, 196-202.

Bonsón-Ponte, E., Escobar-Rodríguez, T., & Borrero-Domínguez, C. (2008). Empirical analysis of delays in the signing of audit reports in Spain. *International journal of auditing, 12(2)*, 129-140.

Bowen, R. M., Johnson, M. F., Shevlin, T., & Shores, D. (1992). Determinants of the timing of quarterly earnings announcements. *Journal of Accounting, Auditing & Finance, 7(4),* 395-422.

Bronson, S. N., Carcello, J. V., &Raghunandan, K. (2006). Firm characteristics and voluntary management reports on internal control. *Auditing: A Journal of Practice & Theory, 25(2),* 25-39.

Bryman, A. and Cramer, D. (2011), *Quantitative Data Analysis with IBM SPSS 17, 18 & 19, Routledge,* London and New York, NY, p. 298.

Carslaw, C. A., & Kaplan, S. E. (1991). An examination of audit delay: Further evidence from New Zealand. *Accounting and business research, 22(85),* 21-32.

Chambers, A. E., & Penman, S. H. (1984). Timeliness of reporting and the stock price reaction to earnings announcements. *Journal of accounting research*, 21-47.

Chan, K. H., Luo, V. W., & Mo, P. L. (2016). Determinants and implications of long audit reporting lags: Evidence from China. *Accounting and Business Research, 46(2),* 145-166.

Charumathi, B., & Krishnan, R. M. (2011). Corporate Governance and Timeliness of Financial Reporting by Indian Companies: An Empirical Study. *Indian Journal of Corporate Governance, 4(1).*

Chen, C. Y., Lin, C. J., & Lin, Y. C. (2008). Audit partner tenure, audit firm tenure, and discretionary accruals: Does long auditor tenure impair earnings quality?. *Contemporary accounting research, 25(2),* 415-445.

Chen, J. C., & Roberts, R. W. (2010). Toward a more coherent understanding of the organization–society relationship: A theoretical consideration for social and environmental accounting research. *Journal of business ethics, 97(4),* 651-665.

Cheng, S. (2008). Board size and the variability of corporate performance. *Journal of financial economics, 87(1)*, 157-176.

Chung, K. H., Charoenwong, C., & Ding, D. K. (2004). Penny pricing and the components of spread and depth changes. *Journal of Banking & Finance, 28(12),* 2981-3007.

Clarke, T. (2004). Theories of corporate governance. *The Philosophical Foundations of Corporate Governance, Oxon*.

Cohen, J. R., Krishnamoorthy, G., & Wright, A. (2004). The corporate governance mosaic and financial reporting quality. *Journal of accounting literature*, 87-152.

Coles, J. L., Daniel, N. D., & Naveen, L. (2008). Boards: Does one size fit all?. *Journal of financial economics, 87(2*), 329-356.

Conger, J. A., Finegold, D., & Lawler, E. E. (1998). Appraising boardroom performance. *Harvard business review, 76*, 136-164.

Cormier, D., Ledoux, M.-J. and Magnan, M. (2009), "The use of web sites as a disclosure platform for corporate performance", *International Journal of Accounting Information Systems, Vol. 10* No. 1, pp. 1-24.

Creswell, J. (2003), *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches*, 2nd ed., Thousand Oaks, CA: Sage Publications, Inc.

Dahya, J., Lonie, A. A., & Power, D. M. (1996). The case for separating the roles of chairman and CEO: An analysis of stock market and accounting data. *Corporate Governance: An International Review, 4(2),* 71-77.

Dal Magro, C. B., Turra, S., Klann, R. C., &Lemes, S. (2017). Timeliness of Accounting Information in Family Controlled and Managed Companies in Brazil. *Latin American Business Review, 18(2),* 139-164.

Davies, B., &Whittred, G. P. (1980). The association between selected corporate: attributes and timeliness in corporate: reporting: further analysis. *Abacus, 16(1),* 48-60.

Denzin, N. K., & Lincoln, Y. S. (Eds.). (2011). *The SAGE handbook of qualitative research* (4thed.). Thousand Oaks, CA: Sage.

Diggle, P., Diggle, P. J., Heagerty, P., Heagerty, P. J., Liang, K. Y., & Zeger, S. (2002). Analysis of longitudinal data. *Oxford University Press.*

Dimitropoulos, P. E., &Asteriou, D. (2010). The effect of board composition on the informativeness and quality of annual earnings: Empirical evidence from Greece. *Research in International Business and Finance, 24(2),* 190-205.

Donaldson, L., & Davis, J. H. (1991). Stewardship theory or agency theory: CEO governance and shareholder returns. *Australian Journal of management, 16(1),* 49-64.

Drobetz, W., Schillhofer, A., & Zimmermann, H. (2004). Corporate governance and expected stock returns: Evidence from Germany. *European financial management, 10(2),* 267-293.

Efobi, U., &Okougbo, P. (2014). Timeliness of financial reporting in Nigeria. South African *Journal of Accounting Research, 28(1),* 65-77.

Eisenhardt, K. M. (1989). Agency theory: An assessment and review. *Academy of management review, 14(1),* 57-74.

El Mehdi, I.K. (2007) 'Empirical evidence on corporate governance and corporate performance in Tunisia', *Corporate Governance: An International Review, Vol. 15*, No. 6, pp.1429–1441.

Errunza, V. R., & Miller, D. P. (2000). Market segmentation and the cost of the capital in international equity markets. *Journal of Financial and Quantitative analysis, 35(4)*, 577-600.

Ettredge, M. L., Li, C., & Sun, L. (2006). The impact of SOX Section 404 internal control quality assessment on audit delay in the SOX era. *Auditing: A Journal of Practice & Theory, 25(2)*, 1-23.

Fama, E. F., & Jensen, M. C. (1983). Separation of ownership and control. *The journal of law and Economics, 26(2)*, 301-325.

Fearnley, S., & Beattie, V. (2004). The reform of the UK's auditor independence framework after the enron collapse: An example of evidence-based policy making. *International Journal of Auditing, 8(2)*, 117-138.

Fich, E. M., &Shivdasani, A. (2006). Are busy boards effective monitors?. *The Journal of finance, 61(2)*, 689-724.

Fiedler, T., & Deegan, C. (2002, April). Environmental collaborations within the building and construction industry: a consideration of the motivations to collaborate. *In Critical Perspectives on Accounting Conference.*

Firth, M., & Smith, A. (1992). Selection of auditor firms by companies in the new issue market. *Applied Economics, 24(2)*, 247-255.

Firth, M., Fung, P. M., & Rui, O. M. (2007). Ownership, two-tier board structure, and the informativeness of earnings–Evidence from China. *Journal of accounting and public policy,26(4),* 463-496.

Francis, J. R., & Wilson, E. R. (1988). Auditor changes: A joint test of theories relating to agency costs and auditor differentiation. *Accounting Review*, 663-682.

Freedman, D. A. (2009). Statistical models: theory and practice. *Cambridge university press*.

Freeman, R. E. (1984). Strategic Management: A Stakeholder Approach (Boston: Pitman, 1984). *Jennings, in the article cited above, quotes Freeman and gives additional information concerning the influence of his work.*

Freeman, R. E., Wicks, A. C., & Parmar, B. (2004). Stakeholder theory and "the corporate

objective revisited". *Organization science, 15(3),* 364-369.

Glaum, M., & Street, D. L. (2003). Compliance with the disclosure requirements of Germany's new market: IAS versus US GAAP. *Journal of International Financial Management & Accounting, 14(1)*, 64-100.

Gujarati, D. 2003. *Basic econometrics* 5th ed. New York: McGraw-Hill/ Irwin.

Gujarati, D. and Porter, D. 2009. *Basic Econometrics* Fifth ed. New York: McGraw-Hill.

Haniffa, R. M., & Cooke, T. E. (2002). Culture, corporate governance and disclosure in Malaysian corporations. *Abacus, 38(3),* 317-349.

Hashim, U. and Abdul Rahman, R. (2010), "Board independence, board diligence, board expertise and impact on audit report lag in Malaysian market", In *Finance and Corporate Governance Conference.*

Hassan, Y. M. (2016). Determinants of audit report lag: evidence from Palestine. *Journal of Accounting in Emerging Economies, 6(1),* 13-32.

Hassan, Y. M., Naser, K., & Hijazi, R. H. (2016). The influence of corporate governance on corporate performance: evidence from Palestine. *Afro-Asian Journal of Finance and Accounting, 6(3)*, 269-287.

Helbling-Kuchta, C. L., & Sullivan, J. D. (2002). *Instituting Corporate Governance in Developing, Emerging, and Transitional Economies*: A Handbook.

Henderson, B. C., & Kaplan, S. E. (2000). An examination of audit report lag for banks: A panel data approach. *Auditing: A Journal of Practice & Theory, 19(2*), 159-174.

Hersugondo& Kartik, A. (2013), "Predicting probability of audit delay and determinants", *Journal Economics-Management-Accounting, Vol 35*, pp. 1-21.

Himmelberg, C. P., Hubbard, R. G., &Palia, D. (1999). Understanding the determinants of managerial ownership and the link between ownership and performance. *Journal of financial economics, 53(3),* 353-384.

IFRS. (2018). *Conceptual Framework for Financial Reporting*. Retrieved from. https://www.ifrs.org/-/media/project/conceptual-framework/fact-sheet-project-summary-and-feedback-statement/conceptual-framework-project-summary.pdf (accessed on 01.09.2019)

Imam, S., Uddin Ahmed, Z., & Hasan Khan, S. (2001). Association of audit delay and audit firms' international links: Evidence from Bangladesh. *Managerial Auditing Journal, 16(3),* 129-134.

Jackling, B., &Johl, S. (2009). Board structure and firm performance: Evidence from India's top companies. *Corporate Governance: An International Review, 17(4),* 492-509.

Jaggi, B., &Tsui, J. (1999). Determinants of audit report lag: Further evidence from Hong Kong. *Accounting and business research, 30(1),* 17-28.

Jan, S., &Sangmi, M. (2016). The role of board of directors in corporate governance. *Imperial Journal of Interdisciplinary Research, Vol 2*, 707-715.

Jensen, M. C. (1993). The modern industrial revolution, exit, and the failure of internal control systems. *the Journal of Finance, 48(3)*, 831-880.

Jensen, M. C., &Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of financial economics, 3(4)*, 305-360.

Johnson, W. B., & Lys, T. (1990). The market for audit services: Evidence from voluntary auditor changes. *Journal of accounting and economics, 12(1-3)*, 281-308.

Kiel, G. C., & Nicholson, G. J. (2003). Board composition and corporate performance: How the Australian experience informs contrasting theories of corporate governance. *Corporate Governance: An International Review, 11(3),* 189-205.

Kieso, D. A., Weygandt, J. J., & Warfield, T. D. (2000). *Intermediate Accounting*, Volume 1: John Wiley & Sons 10th edition.

Kogilavani, A., &Marjan, M. N. (2013). Determinants of audit report lag and corporate governance in Malaysia (*Doctoral dissertation, Universiti Utara Malaysia*).

Krishnan, J. (2005). Audit committee quality and internal control: An empirical analysis. *The accounting review, 80(2)*, 649-675.

Kroll, M., Walters, B. A., & Wright, P. (2008). Board vigilance, director experience, and corporate outcomes. *Strategic Management Journal, 29(4)*, 363-382.

Kulzick, R. S. (2004). Sarbanes-Oxley: Effects on financial transparency. *SAM Advanced Management Journal, 69(1)*, 43-50.

Lawrence, J. E., & Glover, H. D. (1998). The effect of audit firm mergers on audit delay. Journal of Managerial Issues, 10(2), 151.

Leventis, S., &Caramanis, C. (2005). Determinants of audit time as a proxy of audit quality. *Managerial Auditing Journal, 20(5),* 460-478.

Li, Y., Zhang, D. and Wang, X. (2014), “The influence of corporation governance structure on internal control audit report lag: evidence from China”, *Accounting & Taxation, Vol. 6* No. 2, pp. 101-115.

Likhovski, Assaf. (1995). In our image: colonial discourse and the anglicization of the law of mandatory Palestine. *Israel Law Review, 29(3),* 291-359.

Lipton, M., & Lorsch, J. W. (1992). A modest proposal for improved corporate governance. *The*

business lawyer, 59-77.

Lourenço, I. C., Branco, M. C., &Curto, J. D. (2018). Timely reporting and family ownership: the Portuguese case. *Meditari Accountancy Research, 26(1),* 170-192.

Maggy, Patricia Diana, (2018), "Internal and External Determinants of Audit Delay: Evidence from Indonesian Manufacturing Companies", *Acc. Fin. Review. 3 Issue :1*, pp.16 – 25.

Mallin, C.,MGoergen, M., Mitleton-Kelly, E., Al-Hawamdeh, A., & Chiu, I. H. Y. (2010). *Corporate governance and complexity theory*. Edward Elgar Publishing. allin, C. (2010). Corporate governance.

McGee, R. W., Yuan, X., Tyler, M., &Tarangelo, T. (2008). The timeliness of financial reporting: a comparative study of the People's Republic of China and Russia. *In Corporate Governance in Transition Economies* (pp. 173-179). Springer, Boston, MA.

Miles, M., and Huberman, A. (1994), *Qualitative Data Analysis: An Expanded Source-Book*, 2nd ed., Thousand Oaks, CA: Sage.

Mishari, M. Alfraih. (2016), "Corporate governance mechanisms and audit delay in a joint audit regulation", *Journal of Financial Regulation and Compliance, Vol. 24 Issue: 3*, pp.292-316

Mishra, Madhav. (2018, June 5). *Understanding panel data regression*. Retrieved from https://towardsdatascience.com/understanding-panel-data-regression-c24cd6c5151e. (accessed on 01.06.2019)

Mohamad-Nor, M.N., Shafie, R. and Wan-Hussin, W.N. (2010), "Corporate governance and audit report lag in Malaysia", *Asian Academy of Management Journal of Accounting and Finance, Vol. 6 No. 2*, pp. 57-84.

Molano-León, R. (2011). The roles of the board of directors: the unresolved riddle. *Vniversitas, (122)*, 541-602.

Mouna, A., & Anis, J. (2013). Financial reporting delay and corporate governance: Evidence from Tunisia. *International Journal of Information, Business and Management, 5(4),* 32.

Mukhtaruddin, M., Adam, M., Soraya, N., &Yusrianti, H. (2015). Good Corporate Governance and Cost of Debt: Listed Companies on Indonesian Institute for Corporate Governance. *Asian Social Science, 11(25),* 58-77.

Naimi, M., Nor, M., Rohami, S., & Wan-Hussin, W. N. (2010). Corporate governance and audit report lag in Malaysia. Corporate Governance and Audit Report Lag in Malaysia (October 20, 2010). *Asian Academy of Management Journal of Accounting and Finance, 6(2).*

Naser, K., &Nuseibeh, R. (2008). Determinants of audit fees: empirical evidence from an emerging economy. *International Journal of Commerce and Management, 17(3),* 239-254.

Ntim, C. G. (2009). Internal corporate governance structures and firm financial performance: evidence from South African listed firms *(Doctoral dissertation, University of Glasgow*).

Oussii, A. A., &BoulilaTaktak, N. (2018). 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. (2000). Timeliness of corporate financial reporting in emerging capital markets: Empirical evidence from the Zimbabwe Stock Exchange. *Accounting and business research, 30(3)*, 241-254.

Owusu-Ansah, S. and Leventis, S. (2006), "Timeliness of corporate annual financial reporting in Greece*", European Accounting Review, Vol. 15 No. 2*, pp. 273-287.

Panda, B., &Leepsa, N. M. (2017). Agency theory: Review of theory and evidence on problems and perspectives. *Indian Journal of Corporate Governance, 10(1)*, 74-95.

Price, N. J. (2018, October 11). *The role of the Boards of The directors in Corporate Governance.* Retrieved from:https://diligent.com/blog/role-board-directors-corporate-governance.(accessed on 01.06.2019)

RochmahIka, S., &Mohd Ghazali, N. A. (2012). Audit committee effectiveness and timeliness of reporting: Indonesian evidence. *Managerial Auditing Journal, 27(4),* 403-424.

Rusmin, R., & Evans, J. (2017). Audit quality and audit report lag: case of Indonesian listed companies. *Asian Review of Accounting, 25(2),* 191-210.

Salehi, M., LariDashtBayaz, M., &Naemi, M. (2018). The effect of CEO tenure and specialization on timely audit reports of Iranian listed companies. *Management Decision, 56(2),* 311-328.

Salleh, Z., Baatwah, S. R., & Ahmad, N. (2017). Audit Committee Financial Expertise and Audit Report Lag: Malaysia Further Insight. *Asian Journal of Accounting and Governance, 8,* 137-150.

Sanda, A. U., Mikailu, A. S., &Garba, T. (2005). Corporate governance mechanisms and firm financial performance in Nigeria.

Sharma, V., Naiker, V., & Lee, B. (2009). Determinants of audit committee meeting frequency: Evidence from a voluntary governance system. *Accounting Horizons, 23(3),* 245-263.

Shukeri, S. N., & Islam, M. A. (2012). The determinants of audit timeliness: Evidence from Malaysia. *Journal of Applied Sciences Research, 8(7),* 3314-3322.

Nelson, S. P., & Shukeri, S. N. (2011). Corporate governance and audit report timeliness: evidence from Malaysia. *Research in Accounting in Emerging Economies, 11(1*), 109-127.

Smith, A. (1937[1776]). The wealth of nations. Edited by Edwin Cannan, 1904. New York, NY: Modern Library.

Smith, S. S. (2015). Accounting, Governance and Stakeholder Reporting, and Economic Value Creation. *Journal of Applied Business & Economics, 17(2).*

Stiles, P., & Taylor, B. (1993). Maxwell–The failure of corporate governance. *Corporate Governance: An International Review, 1(1),* 34-45.

Subramanyam, K. R. (2014). Financial statement analysis (11th ed.). McGraw-Hill Education.

Sultana, N., Singh, H., & Van der Zahn, J. L. M. (2015). Audit committee characteristics and audit report lag. *International Journal of Auditing, 19(2),* 72-87.

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. *In Corporate Governance in Less Developed and Emerging Economies*, (pp. 13)

Türel, A. (2010), "Timeliness of financial reporting in emerging capital markets: evidence from Turkey", *Journal of the School of Business Administration, Vol. 39 No. 2,* pp. 227-240.

Turley, S., & Zaman, M. (2004). The corporate governance effects of audit committees. *Journal of management and governance, 8(3),* 305-332.

Vafeas, N. (1999a). Board meeting frequency and firm performance. *Journal of financial economics, 53(1),* 113-142.

Vafeas, N. (1999b). The nature of board nominating committees and their role in corporate governance. *Journal of Business Finance & Accounting, 26(12),* 199-225.

Varshney, P., Kaul, V. K., & Vasal, V. K. (2012). Corporate governance index and firm performance: empirical evidence from India. *Available at SSRN 2103462*.

Washington, D.C., (September 28, 1995). *Israeli-Palestinian Interim Agreement on the West Bank and the Gaza Strip*. Retrieved from. https://mfa.gov.il/mfa/foreignpolicy/peace/guide/pages/the%20israeli-palestinian%20interim%20agreement.aspx (Accessed on 25.02.2020)

Watts, R. L., & Zimmerman, J. L. (1986). Positive accounting theory.

Whitworth, J. D., & Lambert, T. A. (2014). Office-level characteristics of the Big 4 and audit report timeliness. Auditing: *A Journal of Practice & Theory, 33(3),* 129-152.

World Bank. (October 24, 2019). *Doing Business 2020 West Bank and Gaza*. Retrieved from https://www.doingbusiness.org/content/dam/doingBusiness/country/w/west-bank-and-gaza/WBG.pdf (Accessed on 01.09.2019)

World Bank. (2015). *Corporate Governance and Financial Reporting*. Retrieved from. https://www.worldbank.org/en/topic/governance/brief/corporate-governance-and-financial-reporting-global-solutions-groups (Accessed on 01.09.2019)

Wu, C. H., Wu, C. S., & Liu, V. W. (2008). The release timing of annual reports and board characteristics. *The International Journal of Business and Finance Research, 2(1*), 103-108.

Xie, B., Davidson, W.N. and DaDalt, P.J. (2003), "Earnings management and corporategovernance: the role of the board and the audit committee", *Journal of Corporate Finance,Vol. 9* No. 3, pp. 295-316.

Yan, H. (2012, October). Do Characteristics of Audit Firm Affect Timeliness of Audit Report?. Empirical Evidence from China. *In 2012 Second International Conference on Business Computing and Global Informatization* (pp. 87-90). IEEE.

Zaitul. (2010). Board of Directors, Audit Committee, Auditor Characteristics and Timeliness of Financial Reporting in Listed Companies in Indonesia (*Doctoral dissertation, Universiti Utara Malaysia).*

Appendix:

The table below represent the period of the audit report lag for all the 41 public shareholding listed companies in the Palestinian Exchange that studied in this research over the period 2012-2017.

YEAR	Codeof the company	Sector	ARL
2012	ABRAJ	Service	56
2013	ABRAJ	Service	64
2014	ABRAJ	Service	71
2015	ABRAJ	Service	76
2016	ABRAJ	Service	86
2017	ABRAJ	Service	85
2012	AHC	Service	59
2013	AHC	Service	90
2014	AHC	Service	90
2015	AHC	Service	91
2016	AHC	Service	89
2017	AHC	Service	88
2012	AIB	BnkFinServSec	90
2013	AIB	BnkFinServSec	85

2014	AIB	BnkFinServSec	90
2015	AIB	BnkFinServSec	90
2016	AIB	BnkFinServSec	75
2017	AIB	BnkFinServSec	78
2012	AIG	Insurance	56
2013	AIG	Insurance	44
2014	AIG	Insurance	48
2015	AIG	Insurance	45
2016	AIG	Insurance	112
2017	AIG	Insurance	33
2012	APC	Industry	30
2013	APC	Industry	32
2014	APC	Industry	32
2015	APC	Industry	30
2016	APC	Industry	46
2017	APC	Industry	49
2012	AQARIYA	Investment	20
2013	AQARIYA	Investment	14
2014	AQARIYA	Investment	48
2015	AQARIYA	Investment	82

2016	AQARIYA	Investment	82
2017	AQARIYA	Investment	86
2012	ARAB	Investment	84
2013	ARAB	Investment	90
2014	ARAB	Investment	83
2015	ARAB	Investment	82
2016	ARAB	Investment	88
2017	ARAB	Investment	88
2012	AZIZA	Industry	83
2013	AZIZA	Industry	86
2014	AZIZA	Industry	88
2015	AZIZA	Industry	90
2016	AZIZA	Industry	88
2017	AZIZA	Industry	86
2012	BOP	BnkFinServSec	90
2013	BOP	BnkFinServSec	40
2014	BOP	BnkFinServSec	82
2015	BOP	BnkFinServSec	74
2016	BOP	BnkFinServSec	82
2017	BOP	BnkFinServSec	74

2012	BPC	Industry	62
2013	BPC	Industry	49
2014	BPC	Industry	41
2015	BPC	Industry	74
2016	BPC	Industry	79
2017	BPC	Industry	85
2012	ELECTRODE	Industry	58
2013	ELECTRODE	Industry	61
2014	ELECTRODE	Industry	62
2015	ELECTRODE	Industry	60
2016	ELECTRODE	Industry	71
2017	ELECTRODE	Industry	59
2012	GMC	Industry	77
2013	GMC	Industry	85
2014	GMC	Industry	87
2015	GMC	Industry	90
2016	GMC	Industry	87
2017	GMC	Industry	87
2012	GUI	Insurance	30
2013	GUI	Insurance	76

2014	GUI	Insurance	43
2015	GUI	Insurance	84
2016	GUI	Insurance	82
2017	GUI	Insurance	86
2012	ISBK	BnkFinServSec	73
2013	ISBK	BnkFinServSec	78
2014	ISBK	BnkFinServSec	84
2015	ISBK	BnkFinServSec	74
2016	ISBK	BnkFinServSec	71
2017	ISBK	BnkFinServSec	84
2012	JCC	Industry	44
2013	JCC	Industry	90
2014	JCC	Industry	83
2015	JCC	Industry	82
2016	JCC	Industry	88
2017	JCC	Industry	88
2012	JPH	Industry	87
2013	JPH	Industry	90
2014	JPH	Industry	90
2015	JPH	Industry	90

2016	JPH	Industry	88
2017	JPH	Industry	88
2012	JREI	Investment	84
2013	JREI	Investment	90
2014	JREI	Investment	85
2015	JREI	Investment	90
2016	JREI	Investment	74
2017	JREI	Investment	78
2012	LADAEN	Industry	83
2013	LADAEN	Industry	86
2014	LADAEN	Industry	88
2015	LADAEN	Industry	90
2016	LADAEN	Industry	88
2017	LADAEN	Industry	86
2012	MIC	Insurance	72
2013	MIC	Insurance	90
2014	MIC	Insurance	45
2015	MIC	Insurance	87
2016	MIC	Insurance	82
2017	MIC	Insurance	86

2012	NAPCO	Industry	87
2013	NAPCO	Industry	86
2014	NAPCO	Industry	84
2015	NAPCO	Industry	88
2016	NAPCO	Industry	75
2017	NAPCO	Industry	87
2012	NCI	Industry	85
2013	NCI	Industry	79
2014	NCI	Industry	66
2015	NCI	Industry	89
2016	NCI	Industry	88
2017	NCI	Industry	88
2012	NIC	Insurance	56
2013	NIC	Insurance	71
2014	NIC	Insurance	71
2015	NIC	Insurance	74
2016	NIC	Insurance	73
2017	NIC	Insurance	80
2012	NSC	Service	42
2013	NSC	Service	78

2014	NSC	Service	83
2015	NSC	Service	89
2016	NSC	Service	73
2017	NSC	Service	69
2012	PADICO	Investment	90
2013	PADICO	Investment	90
2014	PADICO	Investment	90
2015	PADICO	Investment	91
2016	PADICO	Investment	92
2017	PADICO	Investment	88
2012	PALTEL	Service	64
2013	PALTEL	Service	48
2014	PALTEL	Service	41
2015	PALTEL	Service	66
2016	PALTEL	Service	54
2017	PALTEL	Service	63
2012	PEC	Service	78
2013	PEC	Service	77
2014	PEC	Service	81
2015	PEC	Service	79

2016	PEC	Service	87
2017	PEC	Service	57
2012	PIBC	BnkFinServSec	86
2013	PIBC	BnkFinServSec	84
2014	PIBC	BnkFinServSec	89
2015	PIBC	BnkFinServSec	90
2016	PIBC	BnkFinServSec	88
2017	PIBC	BnkFinServSec	94
2012	PICO	Insurance	59
2013	PICO	Insurance	28
2014	PICO	Insurance	29
2015	PICO	Insurance	31
2016	PICO	Insurance	45
2017	PICO	Insurance	30
2012	PID	Investment	58
2013	PID	Investment	54
2014	PID	Investment	80
2015	PID	Investment	86
2016	PID	Investment	51
2017	PID	Investment	69

2012	PIIC	Investment	83
2013	PIIC	Investment	86
2014	PIIC	Investment	88
2015	PIIC	Investment	91
2016	PIIC	Investment	88
2017	PIIC	Investment	86
2012	PRICO	Investment	90
2013	PRICO	Investment	90
2014	PRICO	Investment	90
2015	PRICO	Investment	91
2016	PRICO	Investment	92
2017	PRICO	Investment	88
2012	PSE	BnkFinServSec	29
2013	PSE	BnkFinServSec	34
2014	PSE	BnkFinServSec	48
2015	PSE	BnkFinServSec	33
2016	PSE	BnkFinServSec	51
2017	PSE	BnkFinServSec	51
2012	QUDS	BnkFinServSec	90
2013	QUDS	BnkFinServSec	57

2014	QUDS	BnkFinServSec	85
2015	QUDS	BnkFinServSec	84
2016	QUDS	BnkFinServSec	89
2017	QUDS	BnkFinServSec	77
2012	RSR	Service	82
2013	RSR	Service	85
2014	RSR	Service	89
2015	RSR	Service	90
2016	RSR	Service	87
2017	RSR	Service	88
2012	TIC	Insurance	69
2013	TIC	Insurance	86
2014	TIC	Insurance	57
2015	TIC	Insurance	69
2016	TIC	Insurance	82
2017	TIC	Insurance	84
2012	TNB	BnkFinServSec	90
2013	TNB	BnkFinServSec	86
2014	TNB	BnkFinServSec	90
2015	TNB	BnkFinServSec	90

2016	TNB	BnkFinServSec	87
2017	TNB	BnkFinServSec	87
2012	TRUST	Insurance	77
2013	TRUST	Insurance	76
2014	TRUST	Insurance	88
2015	TRUST	Insurance	68
2016	TRUST	Insurance	82
2017	TRUST	Insurance	81
2012	UCI	Investment	51
2013	UCI	Investment	79
2014	UCI	Investment	53
2015	UCI	Investment	81
2016	UCI	Investment	57
2017	UCI	Investment	46
2012	VOIC	Industry	73
2013	VOIC	Industry	77
2014	VOIC	Industry	82
2015	VOIC	Industry	89
2016	VOIC	Industry	86
2017	VOIC	Industry	86

2012	WASSEL	Service	84
2013	WASSEL	Service	90
2014	WASSEL	Service	82
2015	WASSEL	Service	91
2016	WASSEL	Service	89
2017	WASSEL	Service	88
2012	WATANIYA	Service	34
2013	WATANIYA	Service	33
2014	WATANIYA	Service	42
2015	WATANIYA	Service	82
2016	WATANIYA	Service	58
2017	WATANIYA	Service	79