The Timeliness of Financial Reporting among Jordanian Companies: Do Company and Board Characteristics, and Audit Opinion Matter?

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Abstract
This study investigates the influence of board independence, board size, auditor's opinion, profitability (good or bad news) and industry sector, on the timeliness of annual financial reports among Jordanian companies. It covers 114 listed companies on the Amman Stock Exchange for the year 2012. The timeliness of the financial reports is measured by audit report lag. We find that the firms, on average, take more than two months to complete the audit of financial reporting. Consistent with most studies, we find that firms with improved performance (good news) are faster in publishing their financial reports than firms with declining performance (bad news). The results also show that firms with an unqualified audit opinion release their financial reports earlier than those that do not receive a clean opinion. In addition, firms with a smaller board report faster than those with a larger board. Nevertheless, there is no evidence of the influence of independent directors and type of sector on the timeliness of financial reporting. This study serves as an input to policy makers and regulators in formulating policies and strategies with respect to the timeliness of financial reports.

Keywords: Timeliness of financial reporting, audit report lag, Jordanian companies

1. Introduction
Timeliness of financial reports is one of the qualitative characteristics of financial reporting because determines the relevancy of the information and influences the decisions made by the users and beneficiaries of financial reports. Information of the financial reports, however, is required to be made available within a short period of time; otherwise, it loses some of its economic value (Al-Ajmi, 2008). In Jordan, timeliness of financial reporting has become a buzz word since many companies are late in submitting financial reports to the capital market authority.

Financial information in annual reports of companies is more important than other sources of information, for example, releases in media, news conferences and forecasts by financial analysts. Compared to developed countries, the regulatory bodies in emerging economies are not very effective (Wallace, 1993). Therefore, companies in developing countries tend to release less information and in a less timely manner than those in developed countries (Errunza & Losq, 1985). Jordan is one of the developing countries which needs more research to be carried out in order to enhance published financial reporting and uplift the economy to a higher level in the future.

Many studies highlight the importance of timeliness of financial reporting as a vital aspect of the qualities of financial reporting. Timeliness provides a platform for market integrity and efficiency to ensure fairness, efficiency, transparency, protect investors and reduce risk, which will in turn improve financial reporting quality (Hakansson, 1977; Ahmed, 2003; Al-Ajmi, 2008; Türel, 2010). Given that the timeliness of financial reporting is one of the major determinants of quality financial reports, the greater the number of days a company takes to announce its annual report, the lower would be the quality of the report. On the other hand, the lesser number of days will signify a higher quality of the reports (Al-Ajmi, 2008).

There are two aspects of timeliness in financial reporting: (1) frequency of the reports; and (2) financial reporting lag. Frequency of reports issued by firms can be half-yearly, quarterly or monthly (Ku Ismail & Chandler, 2007). Financial reporting lag is the time lag, which is the period between the end of the financial reporting period and the date the financial reports are issued, or the date of the submission of the reports to the regulatory bodies.
Generally, there are two types of financial reporting lag: (1) audit report lag; and (2) management report lag. Audit report lag is the period from a firm’s year-end and the audit report date (Lai & Cheuk, 2005; Leventis, Weetman, & Caramanis (2005), while management report lag is a period between the end of the fiscal year of firms and the publication of the audited financial reports (Zaitul, 2010).

The regulations of most capital markets in the world limit the time taken to disclose financial information to ensure that the users of financial reporting are capable to access financial data on time. For example, the regulations of Jordan Securities Commission (JSC) require companies to issue the annual statements within three months (90 days) and the preliminary business results should be disclosed to the public within 45 days after the end of the fiscal year (JSC, 2007). In the U.S. for example, the Securities Commission requires companies to disclose annual financial reports to the public within 90 days and quarterly financial reports within 45 days after the end of the financial period (Çelik, 2007).

This study is concerned with the timeliness of financial reporting of Jordanian firms, which remains below standard. The delay in the issuance of the financial statements of Jordanian companies is an issue reported by the Securities Commission (2012) as well as by Al-Hija and Al-Hayek (2012) and Nour and Al-Fadel (2006), who indicate that if this delay is still the same in the future, it would affect the Amman capital market. We examine if the timeliness of financial reports is influenced by some company characteristics, corporate governance mechanisms and type of industry. Corporate governance is given special attention because the current status of corporate governance of Jordanian companies is at a relatively underdeveloped stage as stated by the World Bank (2004), Abdullatif and Al-Khadash (2010) and Abed, Badainah and Serdaneh (2012).

2. Theoretical Background

Past literature has discussed corporate governance, mainly with regards to the agency relationship and the conflict between principal and agent (Azman & Kamaluddin, 2012). Studies on corporate governance were motivated from the agency theory perspective, whereby companies employed corporate governance mechanisms to reduce agency conflicts (Yunos, 2011). Moreover, corporate governance mechanisms (corporate ownership structure, board of directors, auditor and audit committee) have been developed to reduce the conflict in companies (Yunos, 2011; Habbash, 2010). One of the major pillars of agency theory is the corporate managers who are seeking to maximize their personal wealth at the expense of creditor or shareholders through providing financial information that is different from the essence of the financial transactions. Thus, the core issue that is raised by the agency theory is in ensuring that corporate managers are expected to meet the interests of the company and not only for their personal interests (Habbash, 2010). Furthermore, Shukeri and Nelson (2010) indicate that the system of corporate governance will enhance management control and minimize the range of misreporting or mismanagement as well as delays in the process of financial reporting. Consistent with Hashim and Rahman (2010) and Baker and Owsen (2002) that corporate governance serves as a control mechanism in safeguarding against inappropriate management behavior. Ajmi (2008) and Shukeri and Islam (2012) support agency theory by providing evidence that corporate governance mechanisms contribute towards ensuring the timeliness of financial reporting.

Internal reporting theory indicates that firm performance evaluation is assumed to be associated with profit performance. Administrators at various stages have a tendency to delay financial reporting of bad news in the firm until accuracy of such news is proven. In this way, administrators can have more time to prepare replies to criticisms and to prepare a plan to improve low performance (Dogan, 2007).

3. Literature Review

A number of empirical studies have discussed the aspects, components and effects of the timeliness of financial reporting. Generally, there are two aspects of timeliness of financial reporting: (1) audit report lag; and (2) financial reporting lag. This section reviews some of the previous studies that have examined the impact of mechanisms of corporate governance on the issue of timeliness of financial reports based on the theoretical background.

One of the earliest studies that addressed the issue of the timeliness of financial reports was conducted in the U.S by Ashton, Willingham and Elliott (1987). They investigate the determinants of timeliness of annual reports, measured by audit report lag. The results of the study indicate that audit delay is significantly associated with audit opinions, internal control, audit technology, industry type and end of fiscal year. Ashton, Graul and Newton (1989), in their study of firms listed on the Toronto Stock Exchange, find that audit firm size, extraordinary items, net income, industry type are related to audit delays. Türel (2010) studies timeliness of financial reporting among Turkish companies. He discovers the existence of an association between the auditor firm, the industry, the income levels, and auditor opinion and the timeliness of reports. His study indicates that
firms which receive an unqualified audit report tend to take less time than others in publishing their reports. Firms that have a positive income taken a shorter time to announce their results. Hashim and Rahman (2010) explore the association between corporate governance characteristics (board independence, financial expertise among the board members and board diligence) and the timeliness of audit reports. The findings show a significant negative link between the variables of board diligence and audit report lag. According to the authors, the frequency of meetings by the board reduces the lag in audit reports. The study however failed to show any evidence on the relationship between board independence and financial expertise among the board members, and audit report lag.

Afify (2009) studies the effects of corporate management style and their interfacing with audit reporting on the audit report lag among Egyptian companies. His study focuses on the influence of some mechanisms of corporate governance, namely the presence of an audit committee, CEO duality and board independence on audit report lag. In addition, he studies the effect of company size, industry and profitability on the lag of the financial reports. It was found that the presence of an audit committee, CEO duality and board independence affect the audit report lag significantly. The study also shows that company size, industry and profitability influenced the audit report lag significantly.

In addition, Nour and Al-Fadel (2006) investigate the factors associated with the delay in the timeliness of financial reports of Jordanian companies, namely, factors associated with the audit, the office of audit and the company. They agree that all these factors, no matter the size of the corporation and the size of its operations, are realistic reasons for the delay. They further conclude that an average duration of delay in signing an audit report in Jordanian companies is about 91 days. According to Nour and Al-Fadel, if the delay is still the same in the future, it would affect the Amman capital market.

4. Hypothesis Development

4.1 Board Characteristics

Board characteristics are important factors for the timeliness of a company’s annual report (McGee & Yuan 2012; Abdelsalam & Street, 2007; Chiang, 2005; Wu, Wu, & Liu, 2008). Previous studies have shown that an effective practice of corporate governance system would ensure the behavior of corporate managers. It reduces the likelihood of mismanagement and misreporting (Dimitropoulos & Asteriou, 2010; Shukeri & Nelson, 2011; Afify, 2009). Shukeria and Nelson (2011) show that agency conflicts may be caused by the agency relationship among managers and shareholders. Effective corporate governance is presumed to reduce such problems. The existence of corporate governance mechanisms may reduce the audit labor and time required to complete the audit. Therefore, this study focuses on board independence and board size as the important aspects of the corporate governance system.

4.1.1 Board Independence

Board independence refers to the participation of outside directors (Yunos, 2011). The more independent the board is the more effective it will be in monitoring the management’s behavior (Fama & Jensen, 1983; Chen & Jaggi, 2000; Afify, 2009). Moreover, board independence is effective in resolving agency problems due to its effectiveness in monitoring management (Johnson, Daily, & Ellstrang, 1996).

Previous studies suggest that independent members on the board have a positive and significant influence on the timeliness of financial reporting. Afify (2009) provides evidence on the significant relationship between the independence of board members and audit report lag. The study implies that the monitoring role of the more independent board could have a positive influence on the timeliness of financial reports, through more effective and efficient audit, thus reducing the audit report lag. Abdelsalam and El-Masry (2008) claim that directors independence is positively related to the timeliness of financial internet reports. This is because outside directors usually have little to take advantage from delayed or selective disclosures (Abdelsalam & Street, 2007). Moreover, the independence of a board is related to a high quality of auditors as boards with a high percentage of independent directors employ specialized auditors than the less independent boards. Therefore, a more timely financial reporting can be achieved (Beasley & Petroni, 2001). In contrast, Wu et al. (2008) believe that the existence of independent directors is associated with a longer financial reports lag. This finding may be due to the directors’ monitoring role, as they must spend more time to verify a firm’s events. Thus, based on the previous results, the first hypothesis of this study will be as follows:

H1: There is a positive relationship between board independence and the timeliness of financial reporting.
4.1.2 Board Size
Previous studies have shown mixed results about the effects of board size on the timeliness of financial reports. In light of those results, larger boards are more effective in monitoring firms than smaller boards (Fauzi & Locke, 2012). A large board provides better exchange of skills and knowledge, but there will be a greater risk of a decrease in coordination among members (Lipton & Lorsch, 1992; Jensen, 1993). From another view, the supervision, communication and participation of the board of directors have an important effect on the timeliness of financial reports. As a result, the timeliness of financial reports is affected if one or more of these factors become(s) a problem by increasing members of the board. For instance, the timeliness of financial reporting is increased by the big number of directors who would take a lot of time communicating with the external auditor (Zaitul, 2010).

According to Klai and Omri (2010), a large board is associated with a high quality financial report. He finds that firms with large boards are associated with lower levels of earnings management. Similarly, Wu et al. (2008) argue that a large board will not delay its financial reporting since there are no weaknesses in the coordination of the board. In contrast, some researchers, such as Zaitul (2010) suggests that large boards contribute to increased audit report lag, while the small boards shorten audit report lag. He also shows that a small board may be more effective and capable of presenting better financial reports that will improve the timeliness of financial reports. This study expects the relationship between the timeliness of financial reports and board size to be negative, given that a majority of the previous studies indicate that a small board is more efficient in publishing timely financial reporting. Furthermore, large boards are often associated with large companies, whose operations are normally more diverse. Thus, we hypothesize that:

\[ H_2: \text{There is a negative relationship between board size and the timeliness of financial reporting.} \]

4.2 Audit Opinion
A qualified audit opinion is considered bad news that leads to the deceleration of a reporting process. Firms not having unqualified audit opinions have a longer delay compared with firms that receive an unqualified (clean) audit opinion (Türel, 2010). Moreover, firms that receive unqualified audit opinions have good management and sound internal control, leading to less audit time (Soltani, 2002; Shukeria & Nelson, 2011).

The timeliness of financial reporting is significantly influenced by an audit opinion. In other words, firms with unqualified audit reports have less problems in financial reports and thereby decrease the time spent by the auditors to complete their audit task (Shukeria & Nelson, 2011). Similarly, Soltani (2002) shows that firms which do not receive unqualified audit opinions tend to delay the release of their annual financial reports compared to firms that receive unqualified opinions. Ismail, Mustapha, and Ming (2012) argue that audit lags are likely to be associated with audit opinions. They conclude that qualified audit opinions are issued later than unqualified opinions. In an opposing argument, Iskandar and Trisnawati (2010) find that audit opinions have no influence on audit report lag.

Based on the arguments of previous studies, we expect that the relationship between audit opinion and the timeliness of financial reports to be positive. We believe that companies with a clean report take less time to publish their financial reports compared to companies that do not receive a clean report. Thus, we build our third hypothesis as follows:

\[ H_3: \text{There is a positive relationship between audit opinion and the timeliness of financial reporting.} \]

4.3 Profitability (Good or Bad News)
One of the most important elements in determining the timeliness of financial reporting is profitability, that is whether there is a good or bad news (Ahmed, 2003). An early release of financial reports is an indicator of a positive news about firm performance. On the other hand, firms with bad news are more likely to delay the announcement of their performance (Al-Ajmi, 2008). The timeliness of the release of annual reports is affected significantly by the profitability of a company. In other words, companies with good news take a shorter time to publish their financial reports than companies with bad news (Dogan, Coskun & Celik, 2007; Afify, 2009; Ku Ismail & Chandler, 2004).

According to Afify (2009), firms that have a high level of profitability may desire to perform the audit work as soon as possible so that they can announce the good news faster. On the other hand, firms may wish to delay the financial reports in order to avoid the discomfort of communicating a bad news. In addition, firms with income that is less than expected may spend more time verifying the results or income. Al-Tahat (2010) shows a significant association between profitability and the timeliness of the half-yearly financial reporting. The results...
suggest that firms that are more profitable tend to take less time to publish their half-yearly reporting. Thus, based on the above findings, this study presents the fourth hypothesis as follows:

H4: There is a positive relationship between firm profitability and the timeliness of financial reporting.

5. Methods

Companies listed under the Amman Stock Exchange are the subjects of this study. This is because the companies are governed by the regulations and rules of the Jordanian Listing Requirements and Jordanian Code of Corporate Governance. Companies listed on the Amman Exchange are divided into three sectors, which are services, industrial and financial sector. This study covers the industrial and services companies listed on the Exchange for the year 2012. Finance companies are omitted from the study because they are subjected to additional rules and requirements. The year 2012 is selected because the corporate governance code was implemented during the year. The process of data collection involved obtaining the annual financial reports of industrial and services firms for the year 2012. The annual financial reports are obtained directly from the firms’ websites or the website of the Amman Stock Exchange.

This study uses a multiple regression analysis to investigate the association between the independent variables (board independence, board size, audit opinion, and profitability) and the timeliness of financial reports. We use audit report lag (ARL) to measure the timeliness of financial reporting. Type of industry or sector is included as a control variable. This is because the nature and complexity of a company may influence the time to audit and publish an annual report. The structural equation of the model is:

$$ARL = \beta_0 + \beta_1 \text{BIND} + \beta_2 \text{FSIZE} + \beta_3 \text{APIN} + \beta_4 \text{PROFIT} + \beta_5 \text{SECTOR} + \varepsilon$$

Where:

ARL = Audit report lags, measured by the number of days from the financial year end to the date of signing of the audit report,

BIND = Board independence, measured by ratio of non-executive directors to the total number of directors on the board,

FSIZE = Board size, measured by the total number of board members,

APIN = Auditor opinion, measured by a dummy variable, 1 if unqualified audit opinion, 0 otherwise,

PROFIT= Company profitability, measured by the change in profit from the previous year. Subsequently, it is measured by a dummy variable, 1 if the change is positive (good news) and 0 if the change is negative (bad news),

SECTOR = Sector classification, 1 if industry and 0 if services, and

$\varepsilon$ = the error term.

There are various measures of financial reporting lags used in previous studies. Dyer and McHugh (1975) describe three types of financial report lags (delays) – preliminary lag, signature or audit lag, and total lag. Preliminary lag is the number of days between the end of the fiscal year and the date the preliminary statement is received by a stock exchange. The signature or audit lag is the number of days that lapse from the financial year-end to the date the auditor signs the report. The total lag is the number of days between the financial year end and the date on which the audited financial report is received by a stock exchange. Following previous studies (Al-Ajmi, 2008; Afify, 2009; Shukeria & Nelson, 2011; Hashim & Rahman, 2011), we measure audit report lag by the number of days from the financial year-end to the date of the signing of the audited annual report.

6. Results and Discussion

Based on the observation of 114 listed companies we find that the average audit lag is 69 days, with a minimum and a maximum 14 and 271 days, respectively (see Table 1). The findings are different from those of Nour and Al-Fadel (2006), who show a mean audit lag of 84 days in 2002. This shows that there is an improvement in the audit report lag. However, compared to Al-Hija and Al-Hayek (2012) (who found the lag to be 60 days in 2010), we provide evidence of a longer audit report lag.

As evidenced from Table 1, eleven companies (9%) completed the audit within 30 days of the financial year end, and another 34 (30%) had an audit reporting lag between 31 to 60 days. For most of the Jordanian firms (47%), the auditors took between 61 to 90 days to complete the audit works. However, 14% of the companies had an audit report lag of more than 90 days. This implies that these companies would certainly exceed the deadline for submission of the financial reporting to the Amman Stock Exchange. Thus, they did not comply with the
Amman Stock Exchange Listing Requirements and the Companies Law No 23, 1997, which state that companies should submit their audited financial reporting to the public within 90 days after the end of the fiscal year.

Table 1. Distribution of audit report lag of Jordanian firms

<table>
<thead>
<tr>
<th>Audit report lag</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 to 30 days</td>
<td>11</td>
<td>9</td>
</tr>
<tr>
<td>31 to 60 days</td>
<td>34</td>
<td>30</td>
</tr>
<tr>
<td>61 to 90 days</td>
<td>54</td>
<td>47</td>
</tr>
<tr>
<td>91 days and more</td>
<td>16</td>
<td>14</td>
</tr>
<tr>
<td>Total</td>
<td>114</td>
<td>100</td>
</tr>
</tbody>
</table>

Mean audit lag = 69 days  
Minimum = 14 days  
Maximum = 271 days  
Std. deviation = 34 days

The Jordanian Stock Market would probably face a greater amount of asymmetry information, moral hazard, and adverse selections due to untimely accounting information. To improve the quality of investment decisions of investors, firms may attempt to publish their financial results more promptly. Since firms are likely to adhere to the minimum requirement of publishing financial reporting, one of the effective methods to encourage timelier financial reporting is to shorten the allowable reporting lag (Ku Ismail & Chandler, 2004).

6.1 Descriptive Analysis

Table 2 shows the descriptive statistics for both of board independence and board size. As for board independence, the mean value of board independence is 0.58. Some of the boards are not at all independent, and some are completely independent. The size of the boards ranges from 4 to 13 with an average of 8 members.

Table 2. Descriptive statistics of the dependent variables.

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board Independence (BIND)</td>
<td>114</td>
<td>.00</td>
<td>1.00</td>
<td>.58</td>
<td>.229</td>
</tr>
<tr>
<td>Board Size (BSIZE)</td>
<td>114</td>
<td>4</td>
<td>13</td>
<td>8.01</td>
<td>2.11</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit opinion (AOPIN)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unqualified</td>
<td>90</td>
<td>79</td>
</tr>
<tr>
<td>Others</td>
<td>24</td>
<td>21</td>
</tr>
<tr>
<td>Total</td>
<td>114</td>
<td>100</td>
</tr>
<tr>
<td>Profitability (PROFIT)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Good news</td>
<td>73</td>
<td>64</td>
</tr>
<tr>
<td>Bad news</td>
<td>41</td>
<td>36</td>
</tr>
<tr>
<td>Total</td>
<td>114</td>
<td>100</td>
</tr>
<tr>
<td>SECTOR</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry</td>
<td>62</td>
<td>46</td>
</tr>
<tr>
<td>Services</td>
<td>52</td>
<td>54</td>
</tr>
<tr>
<td>Total</td>
<td>114</td>
<td>100</td>
</tr>
</tbody>
</table>

6.2 Correlation Analysis

Table 3 shows the Pearson correlation coefficients among the variables. The test of Multicollinearity was conducted to test the high correlation between all independent variables if they exist. According to Hair, Black, Babin and Anderson (2010) and Tabachnick and Fidell (2007), a multicollinearity problem occurs if the
correlation coefficient is above 0.90. As shown in Table 3, all of the correlation coefficients are less than 0.90. This implies that the problem of multicollinearity is not present in the current regression model.

Table 3. Pearson correlation

<table>
<thead>
<tr>
<th></th>
<th>ARL</th>
<th>BIND</th>
<th>BSIZE</th>
<th>AOPIN</th>
<th>PROFIT</th>
<th>SECTOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARL</td>
<td>1</td>
<td>.038</td>
<td>.138</td>
<td>-.391**</td>
<td>-.282**</td>
<td>-.002</td>
</tr>
<tr>
<td>BIND</td>
<td>.038</td>
<td>1</td>
<td>.025</td>
<td>.222</td>
<td>.033</td>
<td>-.077</td>
</tr>
<tr>
<td>BSIZE</td>
<td>.138</td>
<td>.025</td>
<td>1</td>
<td>.012</td>
<td>.125</td>
<td>.005</td>
</tr>
<tr>
<td>AOPIN</td>
<td>-.391**</td>
<td>.222</td>
<td>.012</td>
<td>1</td>
<td>.330**</td>
<td>.062</td>
</tr>
<tr>
<td>PROFIT</td>
<td>-.282**</td>
<td>.033</td>
<td>.125</td>
<td>.330**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>SECTOR</td>
<td>-.002</td>
<td>-.077</td>
<td>.005</td>
<td>-.089</td>
<td>.062</td>
<td>1</td>
</tr>
</tbody>
</table>

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

6.3 Regression Analysis

Table 4 shows the findings of multiple regression for the 114 Jordanian firms. The model is significant (F = 6.081, Sig. = 0.000) and the adjusted R² is 18.4%. This study supports the hypothesis that companies with an unqualified audit opinion are more likely to have a shorter audit lag compared to companies which receive a qualified opinion.

As for the relationship between profitability and timeliness of financial reporting, the findings reveal that profitability has a significant and negative effect on the audit report lag (t = -2.041, P= .044). The results support the hypothesis that companies with good news tend to delay the publication of financial reports in order to avoid the discomfort of communicating their bad news. In addition, firms with income that is less than expected may spend more time verifying results or income. This implies that firms with improved profit would take less time to publish their financial reports.

In relation to the effect of auditor's opinion on the timeliness of financial reports, the results shown in Table 4 indicate that the relationship between the qualification of audit opinion and audit report lag among Jordanian companies is negative and significant (t = -3.860, P = .000). The results also support H3 (auditor's opinion) which proposes that an audit opinion has a pronounced effect on audit report lag. Auditors would spend less time auditing companies with a clean report than those with a qualified opinion. The result is consistent with those of Soltani (2002) and Türel (2010) who conclude that firms that had qualified audit opinion tend to delay issuing their annual financial reports as compared to companies that had not.

Our results with respect to board size also support the hypothesis. We show that larger boards would need more time to have their financial reports published, compared to their smaller counterparts. There is evidence to support the contention that larger boards would take more time communicating with the external auditors than their smaller counterparts (Zaitul, 2010).

However, this study is unable to provide evidence that independence of the board is associated with the timeliness of financial reports. Our findings indicate that board independence has an insignificant impact on audit report lag. The result is consistent with Wu et al. (2008), who believe that the existence of independent directors is associated with a longer financial reporting lag. This finding may be due to their monitoring role as they must spend more time to verify a firm’s events.
Table 4. Regression analysis of audit report lag

\[ ARL = \beta_0 + \beta_1 \text{BIND}_{it} + \beta_2 \text{BSIZE}_{it} + \beta_3 \text{AOPIN}_{it} + \beta_4 \text{PROFIT}_{it} + \beta_5 \text{SECTOR} + \epsilon \]

<table>
<thead>
<tr>
<th>Coefficients*</th>
<th>Model</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>Beta</td>
<td>4.902</td>
<td>.000***</td>
<td></td>
</tr>
<tr>
<td>BIND</td>
<td>.118</td>
<td>1.351</td>
<td>.179</td>
<td></td>
</tr>
<tr>
<td>BSIZE</td>
<td>.163</td>
<td>1.899</td>
<td>.060*</td>
<td></td>
</tr>
<tr>
<td>AOPIN</td>
<td>-.359</td>
<td>-3.860</td>
<td>.000***</td>
<td></td>
</tr>
<tr>
<td>PROFIT</td>
<td>-.186</td>
<td>-2.041</td>
<td>.044**</td>
<td></td>
</tr>
<tr>
<td>SECTOR</td>
<td>-.014</td>
<td>-.166</td>
<td>.868</td>
<td></td>
</tr>
</tbody>
</table>

Dependent Variable: ARL

Summary of the Regression Model

<table>
<thead>
<tr>
<th>N</th>
<th>114</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted R Square</td>
<td>.184</td>
</tr>
<tr>
<td>R Square</td>
<td>.220</td>
</tr>
<tr>
<td>F</td>
<td>6.081</td>
</tr>
<tr>
<td>Sig</td>
<td>0.000</td>
</tr>
</tbody>
</table>

*** Significant at the 0.01 level. ** Significant at the 0.05 level. *Significant at the 0.1 level.

7. Conclusion

In light of the lack of previous studies of timeliness of financial reporting practices by Jordanian firms, this study attempts to fill this gap by investigating the timeliness of financial reporting among Jordanian companies. We find that the majority of the Jordanian listed companies (47%) completed their audit between 61 to 90 days after the end of the fiscal year. However, 14% of the firms did not observe the disclosure requirements, in that the companies took more than 90 days after the end of the fiscal year to complete their audit works, exceeding that allowed by the Amman Stock Exchange.

Moreover, consistent with the previous literature, this study provides evidence that companies with improved profit and receive an unqualified audit opinion tend to report more promptly than other firms. In other words, firms that have bad news and receive a qualified opinion tend to delay announcing their financial reports. Nevertheless, there is no evidence that board independence and type of sector would affect the timeliness of financial reports.

This study is limited in a sense that it only considers some specific determinants of timeliness. Future studies may consider other corporate governance mechanisms that may affect the timeliness of financial reports, such as audit committee qualities, ownership structure, and board meetings. This study serves as an input to policy makers and regulators in formulating policies and strategies with respect to the timeliness of financial reports.
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