2018

The Relevance of audit report lag and its corporate governance determinants among listed companies in the East African Community States

Grace Wanjiku Gacheru
Strathmore Business School
Strathmore University

The Relevance of Audit Report Lag and its Corporate Governance determinants among listed companies in the East African Community States.

093822 Gacheru Grace Wanjiku

A Research Thesis Submitted to the School of Management and Commerce in Partial Fulfillment for the award of a Master of Commerce Degree from Strathmore University

June 2018

DECLARATION

I declare that this thesis is my original work and has not been presented to any other university for the award of a degree. Any work done by other people has been duly acknowledged. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made in the thesis itself.

Gacheru Grace Wanjiku 093822

……

……

Approval

The thesis of Gacheru Grace Wanjiku was reviewed and approved by the following;

Professor. David Wang'ombe
Supervisor, School of Management and Commerce
Strathmore University

Professor. David Wang'ombe
Dean, School of Management and Commerce
Strathmore University

Professor. Ruth Kiraka
Dean, School of Graduate Studies
Strathmore University

ABSTRACT

The objective of this study is to establish the relevance of audit report lag and its corporate governance determinants among listed companies in East Africa. Descriptive statistics were used to compare the different audit report lags in Kenya, Uganda, Tanzania, and Rwanda and to establish the relevance of ARL in investment making decisions. Pooled regressions were performed to identify the significant corporate governance factors in listed companies in East Arica. This study focused on a ten-year period from 2007 to 2016. The findings revealed that of the four countries Rwanda had the shortest average ARL, 86 days while Tanzania had the longest average, 103 days. The most significant corporate governance factors in Kenya were, gender diversity in the board of directors, frequency of audit committee meetings and the auditor type. In Uganda, the most significant corporate governance factor was the audit committee financial expertise while in Tanzania, the board size and auditor type were the most significant. There were no significant corporate governance factors influencing audit report lag in Rwanda. The analysis of Primary data revealed that most investors rely on published financials for investment decisions, suggesting that ARL could be relevant for investment making decisions. Further analysis of information collected from the questionnaires revealed that the competence of the clients' finance team, completeness and quality of information provided to auditors and the type of the audit report (qualified or unqualified) highly influenced ARL. There is need for academic scholars to extend this research by examining other factors influencing ARL in East Africa. The various regulators and policymakers are invited ensure strict adherence to the codes of corporate governance to achieve high standards of governance in listed companies. The boards of directors', management and external auditors are encouraged to focus on prompt financial reporting because investors in East Africa highly rely on published financial reports to make investment decisions. This study acts the foundation for future research by providing empirical evidence on the relevance of audit report lag and its corporate governance determinants among listed companies in East Africa.

LIST OF TABLES

LIST OF FIGURES

ABBREVIATIONS AND ACRONYMS

AC	Audit Committee
AICPA	American Institute of Certified Public Accountants
ARL	Auditor Report Lag
AS	Auditing Standards
BOD	Board of Directors
CEO	Chief Executive Officer
CG	Corporate Governance
CMA	Capital Markets Authority
DSE	Dar es Salaam Stock Exchange
EAC	East African Community
FASB	Financial Accounting Standards Board
GoK	Government of Kenya
IFRS	International Financial Reporting Standards
IS	Industry Sector
NSE	Nairobi Securities Exchange
PCAOB	Public Company Accounting Oversight Committee Board
RSE	Rwanda Stock Exchange
USE	Uganda Stock Exchange

TABLE OF CONTENTS

ACKNOWLEDGEMENT

I express my profound gratitude to the Almighty God for the gift of life and giving me the strength and good health to pursue this demanding but rewarding program. Special and sincere thanks to my supervisor Professor. David K. Wang'ombe for patiently and selflessly guiding me through all aspects of this study.

I would also like to give special thanks to my parents, Gacheru Mbuthia and Wothaya Gacheru, and my siblings, Mbuthia Gacheru and Wangari Gacheru for their encouragement in this research thesis.

Special acknowledgment to my husband, Masika Muia, for his support, prayers, and encouragement through this journey.

CHAPTER ONE
INTRODUCTION

1.1 Background of the study

An audit is an independent examination and expression of opinion on the financial statements of a company's annual report (PCAOB, 2016). Audits are performed to validate that the content and the preparation of the financial statements are in conformity to the stipulated standards, legislation, regulations and requirements (PCAOB, 2016). In today's markets, people transact with and in corporations that they have limited knowledge about. External auditing is promoted as a trust instigating tool that promotes a set kind of social order (Power, 1999).

There exists two aspects of financial reporting timeliness; first, the frequency of the interim reports, and second, the period between the fiscal year end and the annual report signing date. Globally, regulators have expressed concerns about both aspects of timeliness, but this paper focuses on the later because the Capital Markets' Authorities in East Africa require that only the annual reports be audited. Reporting timeliness is one of the qualitative characteristics of financial information, AICPA, (1973); FASB, (1979) and audit report lag is a crucial determinant of financial reporting timeliness (Ashton et al., 1989; Givoly & Palmon, 1982 and Abbott et al., 2012).

Several studies have examined the factors that influence timeliness. Research by Ika & Ghazali, (2012); Owino, (2017) and Abernathy et al., (2017) on audit report lag indicate that auditor related attributes, company related factors and corporate governance-related factors affect audit reporting timeliness. Studying the drivers of ARL in Kenya, Owino (2017) opined that auditor type was the most significant auditor related factor associated with ARL and, the return on assets (ROA) was the most significant company-specific factors associated with ARL. Blankley, Hurtt, & MacGregor, (2015) found a positive relationship between an extended ARLs and financial books restatements. A study of the USA banking industry in 2014 by Alali and Elder revealed that company size, profitability, restatement of income, and abnormal audit fees were significant determinants of ARL. Afify, (2009) studying 85 Egyptian listed companies observed that the independence of the board of directors, CEO duality and the presence of an audit committee were significant corporate governance-related factors. Karim et al., (2006) studying the effect regulation on the timeliness of reporting in Bangladesh opined that the most significant company-related and auditor related factor affecting ARL was lack of sufficient personnel resources. Leventis &

Caramanis, (2005) studying the determinants of ARL in Greece used a linear regression model and concluded that the appointment of an international auditor was the most significant auditor related factor affecting ARL. Handerson & Kaplan, (2000) studying the determinants of ARL in USA over a period of six years found that financial loss and size of the company were the most significant company-related factors. These studies focussed on both the developed and the developing economies. In the developing economies, auditor related factors were significant driver of ARL while in the developed economies, company related factors were significant drivers of ARL. There is however no consistency in conclusion about the factors influencing ARL. There exist socio-economic, cultural and political differences and no one study on ARL has had its findings generalised for all countries (Bokpin, Isshaq, & Nyarko, 2015 and Waweru, Hoque, & Uliana, 2004). The divergence in-country legislation, research methodology, variables measured, and theories anchored on are some of the factors that explain the inconsistent conclusions on the determinants of ARL.

For a long time, researchers and scholars have studied the corporate governance determinants of audit report lag (Knechel Robert & Payne, 2001). Evidence from prior research reveal that CG characteristics like board independence, audit committee independence, number of meetings, size of the board and CEO duality affect ARL (Apadore & Mohd Noor, 2013; Baatwah, Salleh, & Ahmad, 2015 and Henderson & Kaplan, 2000). To the best of the researchers knowledge, studies on audit report lag are yet to be done in Uganda, Tanzania, and Rwanda. This study shall compare the length of ARL within the EAC member states and analyze the CG factors influencing ARL. The EAC member states are characterized by developing markets. Beyond published reports, these markets have minimal financial information, implying that regulators and users of financial data need to understand the drivers of ARL (Leventis & Caramanis, 2005).

The EAC is made up of six members states; this study shall limit its research to Kenya, Uganda, Tanzania, and Rwanda because South Sudan and Burundi have no securities exchanges. The Nairobi Securities Exchange (NSE), Uganda Securities Exchange (USE), Dar es Salaam Stock Exchange (DSE), and Rwanda Stock Exchange (RSE) are regulated by the various Capital Markets Securities Acts. There were seventy-nine listed companies in East Africa as at 31 December 2016. Of the seventy-nine, the nine cross-listed companies were; Kenya Commercial Bank, Nation Media Group, Centum Investments Limited, Umeme Limited, Jubilee Holdings Limited, Equity Bank Limited, East Africa Breweries Limited, Uchumi Limited and Kenya Airways. Legal

bonding, market access, lower cost of equity, increased firm value and enhanced cooperate governance have motivated firms to cross-list in the East African Stock Exchanges. (Berg, 2012; Dodd, 2013 and Cetorelli & Peristiani, 2010). For financial reporting purposes, when control is identified, IFRS requires the reporting entity to prepare consolidated financial statements for the whole group, presenting the parent and its subsidiaries as a single economic unit, (IFRS 10, Consolidated Financial Statements). IFRS 10 provides that subsidiaries be exempted from consolidation if; the parent company is part of a superior consolidated group, or is an employment benefit plan, or is an investment entity. All the cross-listed companies had their financials consolidated by the parent companies in Kenya.

Studying the Egyptian market in 2009, Afify opined that, for the Capital Market to function efficiently, timely financial reports are a necessity, and unwarranted delays in presenting these reports increased uncertainty in decision making for investors. This findings were in line with research findings by Ashton, Willingham, & Elliott, (1987) who did an empirical analysis on audit delay in the USA. Timely reporting enhances decision making and reduces information asymmetry in the capital market (Owusu-Ansah & Leventis, 2006). Timely publishing of financial information by listed companies is one of the overriding determinants of stock price movement on the stock exchange and makes it possible for investors to evaluate the risk and expected returns of their stocks (Ohaka & Akani, 2017).

1.1.1 Regulatory Environment in the EAC States

In Kenya, the Companies Act of 1948 embodies the local law governing corporate governance in listed companies. The elements of the Kenyan Companies Act were borrowed from England in 2002 and revised in 2015. In 2002, the Capital Markets' Authority issued guidelines on good CG practices by public listed companies. The guidelines were prepared in recognition of the role of corporate performance, capital formation and maximization of shareholders' value as well as the protection of investors' rights (CMA, 2002). Other regulations that govern listed companies' corporate governance are; the Banking Act (revised 2015) and the State Corporations Act (revised 2015) and "Guidelines on Corporate Governance Practices "Gazette Notice No. 3,362, issued in 2002 and replaced in 2015 which summarizes the key issues on principles of good CG practices and the recommended best practices.

In 2001, the Institute of Corporate Governance of Uganda (ICGU) published the Recommended Guidelines for Corporate Governance in Uganda. In 2003, the Capital Markets Authority published

the Capital Markets Corporate Governance Guidelines (2003), governing companies trading their securities on the Uganda Securities Exchange (USE). These Corporate Governance Guidelines provided the minimum standard for good corporate governance practices by public companies and issuers of corporate debt in Uganda. These CG guidelines led to the establishment of governance frameworks that promote domestic and regional capital markets growth, (Capital Markets Corporate Governance & Guidelines, 2003)

Tanzania's Companies Act (CA) 2002 provides the framework for governance of corporations in Tanzania. The Capital Markets and Securities Authority, (2002) and the Steering Committee issued the first guidelines on CG in 2002. These guidelines were similar to those issued in Kenya and emphasized the role of the board of directors in corporate reporting (Waweru & Prot, 2018)

In Rwanda, the Companies Act 2009 gives the foundational corporate governance framework providing for among others, duties of directors, rights of shareholders, protection of minority shareholders, maintenance of capital, and reporting requirements such as filing annual returns and external audits. The Capital Market Corporate Governance Code No. 9, 2012 provides essential provisions for corporate governance. The code applies to all listed companies. The corporate governance regulation (No. 06/2008) for financial institutions provides for duties of shareholders, requirements for approval of board members, internal audit requirements, conduct of board meetings, board committees, responsibilities of management and a code of conduct.

In Kenya, The Income Tax Act, Cap 470, requires that all companies operating in Kenya file their self-assessment return six months (180 days) after the financial year end, (The Income Tax Act, 1974). Similarly, in Uganda, The Income Tax Act, Cap 340, requires that all companies operating in Uganda file their self-assessment return within s six months (180 days) after the financial year-end.

The Income Tax Act, Cap 332, section 91 requires that all companies operating in Tanzania file their Income tax returns three months (90 days) after the financial year end, this is the case in Rwanda. The Income Tax Law, No. 16/2005 of Rwanda requires that all companies operating in Rwanda file their Income tax returns by 31 March of the following tax period, (90 days) after year end.

1.1.2 Audit report lag and corporate governance

The IASB framework for the Preparation and Presentation of Financial Statements requires that a set of financial statements display; the statement of financial position, statement of comprehensive

income and statement of changes in entity (IASB, 2014). This information is valuable, only if it is complete, accurate, reliable and timely (Wisna, 2013).

The sooner the information is disclosed, the more valuable it is, however, there some tradeoffs such as inaccuracies are experienced early reporting (McGee & Yuan, 2008).

Corporate governance is a framework of regulations, structures, processes, cultures, and systems which lead to achieving the goals of accountability, transparency, fairness and the rights of the principals /stakeholders (Salehi & Alinya, 2017). The theoretical basis of studying corporate governance is the agency theory. An agency relationship as an undertaking contract where one party (the principal) engage another party (the agent) to perform services on their behalf, this involves delegating the decision making authority (Jensen & Meckling, 1976).

1.2 Problem Statement

Some researchers argue that timely audited financial information improves the pricing of securities Gul, Kim, & Qiu, (2010), limits insider trading and spreading of rumours in the market (Owusu-Ansah, 2000). Others argue that a longer audit lag can be good news to investors, especially in cases where the effectiveness of fraud detection is high, (Yim, 2010). With this inconclusive findings, it is crucial for the users of financial information to understand the nature of audit report lag in East Africa.

Advancement in technology has amplified the markets' reaction to information. Platforms, such as online trading have been created to ease access of stakeholders to financial information, (Sultana, Singh, & Zahn, 2015). These platforms have; reduced capital flow barriers increased market integration, and have contributed to higher market volatility (Sultana et al., 2015). With technology advancements, the demand by users of financial statements, to publish timely audit reports is ever more essential.

Delayed disclosure allows investors with unusual detective abilities or wealth to acquire costly information. These "well-informed" investors trade on their private information at the expense of "less-informed" investors making policymakers voice concerns about the timeliness of public information disclosures (Sultana et al., 2015). Audit delay could suggest a strain in the quality of client-auditor interaction which could translate into an auditor change, and a negative stock market reaction (Krishnamurthy, Zhou, & Zhou, 2006).

The EAC member states are characterized by weak governance structures, corruption, and fraud (Ntayi, 2013 and Badu & Owusu-Manu, 2010). They have a shortage of skilled human capital suggesting that they experience difficulties attracting people with accounting or finance knowledge to their audit and other governance committees (Waweru et al., 2011). Weak corporate governance structures significantly affect ARL. (Afify, 2009 & Owino, 2017). Policymakers should, therefore, ensure compliance to the stipulated codes of corporate governance among listed companies to protect shareholders wealth.

1.3 Main Research Objectives

The main research objective of this study was to examine the relevance of audit report lag and its corporate governance determinants among listed companies in the East African Community States.

1.4 Specific Objectives

The study seeks to address the following objectives:

1. To compare ARL among listed firms in the East African Community States.
2. To determine the corporate governance-related factors that influence the Audit Report Lag (ARL) among listed firms in the East African Community States
3. To establish the relevance of ARL in investment making decisions among users of financial information in the East African Community States.

1.5 Research Questions

1. Is there a significant difference in the extent of ARL among listed firms in the East African Community States?
2. What corporate governance-related factors influence the ARL of listed firms in the East African Community States?
3. To what extent does ARL influence investment making decisions among users of financial information in the East African Community States?

1.6 Scope of the study

This study sought to examine the relevance of audit report lag and its corporate governance determinants on listed companies in East Africa. As at 31 December 2016, the NSE had 64 listed companies; the USE had 16 listed companies, the DSE had 26 listed companies and RSE had eight listed companies. This research was limited to **632** observations from the 79 listed in the four securities exchanges, from 1st January 2007 to 31st December 2016.

Responses were sought from investment analysts, auditors, and finance executives of the listed firms.

1.7 Significance of the study

The findings of this study will be significant in the following ways:

1.7.1 To regulators

This study is critical because regulators of the capital markets are usually involved in the formulation of policies that enhance market efficiencies, recently, they have focused on the role and responsibilities of audit committees in improving financial reporting including its timeliness. Establishing the relevance of ARL to investors will help the regulators justify the resources spent in implementing policies and regulations within the EAC community states.

1.7.2 To researchers and academicians

The study examines the relevance of audit report lag and its corporate governance-related factors on listed companies in the EAC states. The findings of this study will extend the literature on the knowledge of the relevance ARL and CG determinants in Kenya, Ugandan, Tanzanian and Rwanda.

1.7.3 To Investors

Emerging markets are characterized by limited information and long audit report lags. With remarkable growth in modern technology and advancing business practice worldwide, timely reporting is very important and understanding of the difference in ARL among listed companies in the EAC states will guide investors in adjusting their investment preferences in good time, choose the market to invest in and improve their confidence on the securities market.

1.7.4 To Auditors

Knowledge on the determinants of ARL is likely to provide more insights into audit efficiency (Leventis, Weetman, & Caramanis, 2005; Walker & Hay, 2007). The findings of this study should help auditors understand how corporate governance influences their audit timelines in East Africa.

CHAPTER 2
LITERATURE REVIEW

2.1 Introduction

This chapter focuses on the theoretical and empirical literature of the relevance of ARL and its corporate governance determinants among listed companies in East Africa. A discussion on the theoretical and empirical literature will establish the relationship between variables. This chapter has three sections. First, a review of the theories related to this study, second, the empirical review, based on the study objectives and third, the research gap.

2.2 Theoretical Literature Review

There have been inconsistent conclusions on the CG determinants influencing ARL. Some of these inconsistencies arise because of the theories on which the researchers base their studies. Theories guide the formulation of dependent and independent variables and are therefore cardinal in any research. There are many proposed CG theories proposed as highlighted below:

The proponents of the stewardship theory argue that managers are good stewards of a corporation and are usually motivated to; achieve, be recognized, respect authority, and be ethical, (Nicholas, 2009).

The social entity theory looks at the organization as a consortium of political, legal processes and as a social entity for pursuing collective goals with public obligations (Gamble & Kelly, 2001).

Signaling theory explains the behavior in labor markets and the concept of timely financial reporting; proponents of this theory argue that there exists information asymmetry, companies are usually aware of facts that that investors are not (Watson, Shrives, & Marston, 2002). Managers of higher quality firms will want to distinguish themselves from lower quality through timely financial reporting (Leventis et al., 2004). Signaling is a response to information asymmetry in financial markets.

The agency theory, an agency relationship is a contractual relationship that arises when one or more persons (principles) engage another (agents) to perform services on their behalf (Jensen & Meckling, 1976). The delegation of control leads to a potential conflict between the agents (managers) and principles (owners), (Otchere, Bedi, & Kwakye, 2012; Hassan, 2016). The theory holds that agents (managers) always act in their self-interest as there exists information asymmetry (Urquiza, Navarro, Trombetta, & Lara, 2010).

The Stakeholder theory argues that companies have the moral responsibility of considering all the interested parties affected by their decisions and management should make decisions that benefit all its stakeholders (Antonelli, D'Alessio, & Cuomo, 2016).

The resource dependency theory assumes that; by employing experiences directors, organizations are able to control their external environment (Pfeffer & Salancik 1978). This theory provided a theoretical basis that the board of directors is a resource to the firm Hillman & Dalziel, (2003) and that appointing competent directors brings social capital and increases the value of the firm through improved performance.

The Agency theory, Stakeholder theory, and Resource dependency theory guide this study because; with delegation of control to the agents, the owners need a competent board of directors and an audit committee to enhance monitoring so that management can make decisions that benefit all stakeholders.

2.2.1 Agency Theory

Agency theory suggests that, where managers (agents) are conflicted, they are most likely to make decisions that maximize their selfish interests and not those of the principals (owners). In this case, a monitoring mechanism is put in place as an oversight tool for the owners (Mallin, 2004).

Proponents of this theory assume that corporations comprise of two participants, the managers and shareholders, these two are self-interested and generally unwilling to sacrifice their interests for the interests of the others (Daily, Dalton, & Canella, 2003).

Jensen and Meckling, (1976) opined that a firm is a legal entity and not an individual. Divergent intentions of the different players individuals are unified using a framework of contractual relationships implying that the agency role of the directors is the governance function in serving the shareholders (Jensen & Meckling, 1976). They do this by ratifying the decisions made by the managers and monitoring the implementation of those decisions. CG practices provide shareholders some assurance that managers will strive to achieve outcomes that are in their interest (Shleifer & Vishny, 1993). There exists both internal and external structures for aligning the shareholders and managers interests (Walsh & Seward, 1990). Some internal mechanisms are; an effectively structured board, compensation contracts that encourage shareholders orientation, and concentrated ownership holdings that lead to active monitoring of executives. Researchers have investigated board composition because the monitoring and governance function of the board is critical to every firm (Kiel & Nicholson, 2003). In cases where the internally set monitoring

structures for managerial opportunism fails, corporate control is activated and it serves as an external control.

The agency theory is a relevant theory in this study because the board of directors and audit committees is a firm's monitoring mechanisms in reducing agency problems. Monitoring mechanisms include; well defined corporate governance practices, proper management performance and the financial reporting processes (Nelson & Shukeri, 2011).

2.2.2 Stakeholder Theory

This theory is an extension of the agency theory. It anticipates that the agents take care of the welfare of the principals. This theory posits that there exists many other stakeholders apart from shareholders and management should make decisions for the benefit of all stakeholders (Freeman, 2004). A stakeholder is any group or individual who can affect or is affected by the achievement of the organization's objective (Freeman 1984). They include governmental bodies, political groups, trade associations, trade unions, associated corporations, prospective employees, prospective customers, and the public at large (Donaldson, Preston, & Preston, 1995).

Stakeholder theory asserts that management has a social responsibility that requires them to consider the interest of all its stakeholders when making decisions companies (Antonelli et al., 2016).

The stakeholder theory can also be used to explain the effect of ARL on the share returns in the sense that, managers have an incentive to prolong the publishing of audit reports because of the required statutory disclosures that prevent them from hiding bad news (Watts, 1992). Stakeholder theory suggests that the delay of audit reports sends a 'silent signal' for shareholder to divest their firms' shares before the news reaches the market. On the other hand, shorter ARLs imply that good news is released into the (Mahajan & Chander, 2008; Nor Izah Ku Ismail & Chandler, 2004).

The stakeholder theory argues that stakeholders such as regulator can influence the ARL by implementing policies that reduce ARL so they can ensure timely financial reporting. Al-tahat (2015) employed the stakeholder theory to investigate the association of ARL, firm size, profitability, leverage, and auditor type; he observed a significant relationship between profitability, auditor type, and ARL. This theory is imperative in our ARL and CG study.

2.2.3 Resource Dependency Theory

The basis of this theory is that organizations depend on their environment for resources and as such must establish good relations to ensure a constant flow of these resources and information.

The resource dependency theory basis is the fundamental assumption that firms control over their environment by bringing on board resources needed to survive (Pfeffer & Salancik 1978). This theory provided a theoretical basis that the board of directors is a resource to the firm (Hillman & Dalziel, 2003). Competent directors bring in social capital resources and advice to management on strategic actions (Poppo & Zenger, 2002). Al-Rassas & Kamardin, (2015) opine that large audit committees exhibit experience and expertise which contribute to the audit committee's effectiveness in monitoring management, hence leading to high earnings quality.

Empirical studies in the resource dependence tradition have revealed a relationship between board directors and a company's performance (Boyd, 1990; Dalton, Daily, Johnson, & EUstrand, 1999 and Pfeffer, 1972). This theory portends that skills and knowledge of directors are resources that strengthen the corporate governance framework.

2.3 Integrating the different theories.

The agency theory provides unique, realistic and empirically testable perspectives of the principal-agent problem (Waweru et al., 2015). This theory posits that whereas the agents are the managers and the principals are the owners, the board of directors acts as the monitoring mechanism (Mallin, 2004). On the other hand, the resource dependency theory perceives the board of directors as a means to counter management's selfish interests, reduce uncertainty and reduce the transactional costs that come with interacting with the environment. The stakeholder theory suggests that the firm must reflect on the interest of all stakeholders because their varying interests can affect the company's ability to achieve its objectives (Freeman, 2001). This study, therefore, derived its dependent variable, audit report lag from the Agency theory and the Stakeholder theory while the Resource Dependency theory revealed the significance of the board of directors and the audit committee.

2.4 Empirical Review

This section reviews documented literature on the corporate governance determinants of audit report lag of listed companies in East Africa. The influence of different corporate governance determinants has been revealed in studies by (Shafie & Wan-Hussin, 2010; Apadore & Noor, 2013 and Owino, 2017). Some of the corporate governance determinants studied are different because of different legal frameworks and institutional setups in various countries.

2.5 Audit Report Lag.

Research on audit report lag began in the 1970's. Early studies by Courtis (1976) and Gilling (1977) in New Zealand focussed on the relation between earnings announcements and companies' characteristics, such as company size, company performance, financial risk, and industry sector. Further studies observed that audit report lag was influenced by; company size , Ashton *et al*., (1989); Payne & Jensen, (2002); Ahmad & Kamarudin, (2003); Ismail & Chandler, (2004); Dogan, Coskun & Celik, (2007), auditor type Ashton *et al*., (1989); Knechel & Payne, (2001), audit risk Sharma *et al*., (2007), industry, Ahmad & Kamarudin, (2003); (Afify, 2009) and profitability (Ismail & Chandler, 2004; Al-Ajmi, 2008).

Shukeri & Islam, (2012) investigated the influence of auditor related determinants of ARL such as auditor size (big 4 and non-big four international firms), audit opinion (qualified or unqualified) and audit technology (auditing computer software). Soltani (2002) examined the effect that qualified reports have on ARL over a 10-year period (1986 – 1995), his study revealed that companies with qualified audit opinions have longer ARLs compared to the companies with unqualified opinions.

Al-Ajmi, (2008) examined the corporate reports timeliness for the three lags periods; audit lag period, interim period and the total of audit lag. Audit lag period was proxied as the period between the auditors'signature date and the publication date. His study revealed that company size, profitability, industry, and leverage significantly influenced ARL. These findings are consistent with findings by; (Ashton *et al*.,1989; Ismail & Chandler, 2004; Afify, 2009 and Lee *et al*. 2008).

Studying the Egyptian market, Afify (2009), observed that, board independence, duality of CEO and existence of audit committee are significantly related to ARL. This suggests that companies with robust corporate governance mechanisms have shorter period of audit report lag. Further, the study reports that company size, industry and profitability significantly affect audit report lag. These findings were consistent with findings by (Naimi *et al*., 2010). Naimi *et al*. (2010) observed that; firms with large audit committees and regular audit committee meetings have shorter ARLs and that audit committee independence and expertise are not associated with the timeliness of audit report.

Studying the determinants of ARL in Kenya, Owino, (2017) observed the banking industry took the shortest time to report. These findings were consistent with findings by Henderson & Kaplan,

(2000), who observed that financial institutions had shorter ARLs because they operate in a highly regulated industry.

Leventis and Caramanis, (2005), in their study on Greece companies, suggested that any attempts to regulate should focus on audit-specific issues, (audit fees or audit hours, proxied by the presence of extraordinary items in the statement of comprehensive income, the number of comments on the reviewed financials), rather than on the audit client's characteristics. The auditor type, audit fees, number of remarks in audit report, extraordinary items and uncertainty of opinion in the audit report were significant determinants of audit timeliness.

Bonson-Ponte et al., (2008) studied the factors that determine delays in the signing of audit reports on the Spain Capital Market between 2002 and 2005. They found that highly regulated sectors (financial and energy sector) and the size of company affect the audit delay. The type of the audit firm, auditors' qualifications, policy and regulatory changes were not significant determinants of ARL in Spain.

Lopes and de Alencar, (2008) investigated the role of financial reporting features (conservatism, timeliness and value relevance). They established that the interactions between corporate governance and earnings as well as change in earnings were both positive and significant and better-governed firms presented more timely earnings. Cross listing and corporate governance arrangements acted as complements to increased timeliness of earnings. Merdekawati and Arsjah, (2011), studying ARL in Indonesia concluded that corporate governance and audit opinion negatively affect audit lag, whereas firm size positively affected audit lag. Auditor's firm, profitability, price earnings ratio and dividend payout ratio had no significant effect on ARL.

For capital markets to function correctly; Timely reporting of annual reports is paramount, unnecessary delays increase investment uncertainty (Citron et al., (2008). Additionally, stakeholders' legitimate interests are disregarded by delays in reporting (Phillips & Freeman, 2003).

Timely financial reporting augments decision-making and reduces information asymmetry in capital markets (Owusu-Ansah & Leventis, 2006).

2.6 Corporate Governance-related factors and their influence on ARL.

The debate on the potency of corporate governance mechanisms as a means of reducing audit report delay has intensified due to the collapse of high profile corporate organizations and unending scandals in the corporate world. The significance of reporting timeliness to investors and

other stakeholders and the effectiveness of corporate governance in avoiding future corporate scandals is now indispensable (Abernathy et al., 2017)**.**

Scholars have been investigating corporate governance as a determinant of ARL (Nahar Abdullah, 2006; Al-Ajmi, 2008; Afify, 2009; Abernathy, Barnes, Stefaniak, & Weisbarth, 2017). In 2008, Al-Ajmi examined the impact of corporate governance (proxied by ownership concentration) on financial reporting timeliness in Bahrain and found no association between corporate governance and ARL, however, he observed that issuers with higher ownership concentration had shorter delays between financial statements signing date and the publishing date in local media, which implied timelier reporting. Similarly, in 2009, Afify reviewed the effect of corporate governance on ARL Egypt. Board independence and the presence of an audit committee were inversely related with ARL, however, CEO's duality was positively associated with ARL. This suggested that CEOs delay reporting of financial results that may adversely influence stakeholder perceptions. Ghosh and Tang, (2015) studies the audit characteristics of family-owned businesses ('family companies'); contrasting Afify (2009), Ghosh and Tang observed family-owned businesses have shorter ARL's, these findings imply that family-owned businesses have lower operational risk and provide generally higher financial reporting quality. In the recent years, corruption cases in the corporate environment have highlighted the importance of strong corporate governance structures (Ilaboya & Christian, 2014).

A robust corporate governance framework is essential for ensuring quality in the financial reporting process (Cohen, Krishnamoorthy, & Wright, 2004). Cohen et al., (2004), postulate that the key corporate governance players are board of directors, audit committees, external auditor, and the internal auditors. The Code of Best Practices (2003) identifies the three 'key players' of the corporate governance framework as the boards of directors, shareholders and audit committees. This study focuses on establishing the corporate governance determinants (board of directors and audit committee) of ARL of companies listed in the various EAC member states securities exchanges.

2.6.1 Board of Directors

The board of directors is the apex of the corporate structure, and it presumably oversees management's activities and protects the firm's resources, (Gerde et al., 2017). Lawler *et al*. (2002) argued that effective board members are; knowledgeable, are updated on company information and have the power to counterbalance the chief executive officer (CEO). To note,

however, is that for the interests of the shareholders and those of the board of directors to be aligned, shareholders may need to provide the board with incentives (Laiho, 2011).

2.6.1.1 Board Size

The board of directors is responsible for the review and monitoring of information contained in financial statements before publishing; however, large boards face communication problems which render them less efficient in monitoring and ensuring timely reporting of financial statements than small board (Dimitropoulos & Asteriou, 2010). Larger boards are likely to experience the directors' free-rider problem as compared to a smaller board (Jensen, 1993). Mak and Li, (2001) argue that directors sitting in large boards do not optimumly participate in decision making, are disorganized and rarely reach an agreement about the audit process and procedures. Beasley, (1996) contends that large boards drag the process of decision making; and in effect the audit process, he attributed this to the many meetings larger boards hold so they can deliberate on the audit process and the audit report date. In line with Beasley's argument, Abdul-Rahman and Mohamed-Ali (2006) argue that board size and audit delay are positively related.

Contrary to Beasley's findings, Xie, (2003) and Bradbury, Mak, & Tan, (2006) observed that small boards exhibit greater assertiveness and are more responsive, leading to a delay in the audit process. The conflicting findings justify the need for further research in the EAC context. The Capital Markets Authorities Acts in Kenya, Tanzania, and Uganda do not prescribe an appropriate board size but suggest that it should neither be too large nor too small to hinder the inclusion of experts. In Rwanda, the Capital Market Corporate Governance Code requires that board sizes range between seven and ten directors, depending on the company size.

This study hypothesize:

H1: There exists a positive relationship between board size and ARL

2.6.1.2 Board Independence

Agency theorists posit that board independence is crucial for active monitoring and governance of a firm. They advocate for outsider dominance (Bacon and Brown, 1973; Firstenberg and Malkiel, 1980). Insider-dominated boards, by their very nature, cannot be independent of management (Jensen, 2005). Fama, (1980) asserts that non-executive directors are highly motivated to perform the monitoring role and are a vital internal control. Eisenhardt, (1989); Hermalin & Weisbach, (1991); Cho & Kim, (2007) argued that independent boards improve firm performance by streamlining the interests of owners and managers and resolving the inherent conflict between the

interests of a firm's owner and its management. In contrast, Donaldson, (1990); Donaldson & Davis, (1994), argue that managers are good stewards of organizational resources because they are genuinely trustworthy individuals and can be depended upon. Preston, (1995) claimed that senior executives will not handicap shareholders for fear of damaging their reputation and human capital.

The resource dependency theory argues that; executive directors' esteem non-executive directors because they are more knowledgeable about the firm and its industry, and are better networked. Executive directors are presumed to be as diligent as independent directors, given their legal responsibility and their vested interest in the firm (Guest, 2008). The Capital Markets Authorities of Kenya, Uganda, and Tanzania stipulate that the board of directors should compose of a balance of executive directors and non-executive directors (at least one-third independent and non-executive directors). In Rwanda, the Capital Market corporate governance code requires that at least half of the board be independent.

From the empirical literature studied, there exist inconsistent observations in the relationship of the composition of boards' directors and corporate performance. The conflicting findings on board independence and ARL justify further research in the EAC context and we hypothesize:
H2: There exists a negative relationship between board independence and ARL

2.6.1.3 Director's Tenure

As discussed in the previous section, the evidence on the effectiveness of director independence is inconclusive. Directors are classified as independent if: they have not been employees of the firm in the past three to five years, or, have not consulted with the company, or, not had family members employed by the company, not been on the board or a manager of a foundation or other organization that receives grants or donations from the company, and, have not had any boards relationships between the company's CEO and other directors (Byrd, Cooperman, & Wolfe, 2010). Over time, this independence may be affected as directors relate with each other.

Studies by Vafeas, (2003) noted that the directors' independence gets compromised over time. He observed that long-tenured directors have greater firm and industry knowledge and, thereby, enhanced monitoring. Bebchuk, Fried, & Walker, (2002) opine that a new outside board member may highly regard a CEO and that long-tenured boards have more company information, more industry experience and better in monitoring. Salancik (1977) suggests that organizational

allegiance deepens with tenure because employees make certain 'side bets' in the organization like buying company stocks.

In contrast, Katz (1982) found that long-tenured board exhibit poor intragroup communication and information asymmetry. He also finds that firms' performance is inversely related director' tenure. Using data for large bank holding companies to develop a CEO allegiance hypothesis, Byrd et al., (2010), found that long-tenured CEOs are more loyal to management and their allegiance shifts away from shareholders.

This study examines the influence of director's tenure on ARL using data of listed companies within the EAC member states and hypothesizes that:

H3: There exists a positive relationship between directors' tenure and ARL.

2.6.1.4 Gender Diversity

One of the key aspects of satisfying corporate governance codes is gender diversity (Ferrero, Izquierdo, & Torres, 2015; Terjesen, 2008). Gender diversity has been championed as a means of improving organizational value and performance by bringing in new insights, perspectives, and information (Carter, Simkins, & Simpson, 2003). There has been significant progress in female representation in the board of directors in the past two decades (Daily & Dalton, 1999). The boardrooms of many organizations have from inception been significantly dominated by men with few female representation, both in developed and developing nations, (Şener & Karaye, 2014)

A study by Robinson & Dechant, (1997) argued that board gender diversity led to better informed corporate strategy decisions and in turn affected firm's performance. Further studies by Shrader, Blackburn, & Iles, (1997); Carter et al., (2003) found a positive relationship between gender diversity and firm's performance. In 2009, Adams and Ferreira observed that women are likely to be involved in monitoring related committees that increase transparency. Additionally, boardroom gender diversity is positively related to audit effort and may reduce the ARL (Srinidhi, Gul, & Tsui, 2011). Some studies find that boards with female directors tend to be associated with more accurate earning forecast thus, reducing information asymmetry (Gul, Hutchinson, & Lai, 2013)

Studying listed companies in Kenya, by Owino, (2017) observed no significant relationship between gender diversity and ARL, this was contrary to findings by Odit, (2013) who observed a positive relationship between ARL and board gender diversity.

This study hypothesizes:

H4: There exists a positive relationship between board gender diversity and ARL

2.6.2 Audit Committee

Reformists and scholars emphasize on the importance of delegating he central oversight, accountability, and monitoring of the financial reporting process to the audit committee, they however note that the overall responsibility for financial statements reporting lies with the board of directors (Sultana, Singh, & Van der Zahn, 2015). The audit committee roles and responsibilities have been reinforced by the codes of best practice guidelines introduced globally in the past few years. Although there exists various aspects of the corporate governance mosaic, (Cohen et al., 2004), the audit committee (AC) mechanism has the closest proximity to the financial reporting process. Policy makers and scholars have emphasized the importance of having a functioning AC with certain characteristics. Empirical literature has shown that audit committees enhance auditor's independence by monitoring the auditor-client relationship, Carcello, (2000), thus, shielding the auditor from managerial retaliation (McMullen, 1996; Carcello & Neal, 2003) and limiting earnings management by managers (Klein, 2002).

In East Africa, the CMA Acts mandate all listed companies to establish audit and board committees. The importance of the audit committees has influenced the actions and activities of the external auditor, including time taken to issue the audit report. The association between audit committee and financial reporting quality has been examined using; fraudulent financial reporting Abbott et al., (2000); Beasley et al., (2000), financial reporting restatement Abbott et al., (2004); Lin et al., (2006), earnings management, Xie et al., (2003); Bedard et al., (2004); Yang & Krishnan, (2005), level of interim financial disclosure, Mangena & Pike, (2005), qualified audit report Pucheta-Martinez & Fuentes, (2007) and timeliness of reporting Abdullah, (2006); Afify, (2009).

Most researchers study a single characteristic of audit committee while examining the relationship between audit committees and audit report lag, such as the existence of an audit committee in the sample company Afify, (2009), and the number of independent members in the audit committee (Abdullah, 2006). In the East African region, listed companies must have an audit committee, the study of a single characteristic may not be adequate in assessing the effectiveness of an audit committee in influencing financial reporting timeliness. This study fills the gap in the literature by utilizing some criteria of audit committee characteristics to develop the audit committee effectiveness.

2.6.2.1 Audit Committee size

Proponents of the resource dependence theory argue that, larger audit committees bring in diverse experience and expertise, more AC members can better monitor management and improve earnings quality. The Cadbury Report (1992), the Sarbanes–Oxley Act (2002) and the Smith Report (2003), specify at least three audit committee members. Buchalter & Yokomoto (2003) recommend that audit committees be composed of three to five members, this is dependent on the firm's size.

In East Africa, the Capital Markets Authorities do not specify the minimum number of audit committee members but requires that they should not be too few as to compromise on technical ability of the committee. Empirical literature suggests that the audit committee size is positively related to high earnings quality (Garcia, Barbadillo & Perez, 2010; Lin, Li & Yang, 2006). Studying the Malaysian market, Zaluki and Hussin (2010); Ismail et al. (2009) observed a significant positive relationship between audit committee size and earnings quality. However, Abbott et al., (2003); Abbott, Parker, and Peters (2004); Xie et al., (2003); Baxter and Cotter (2009); Adiguzel (2013) observed an insignificant association between audit committee size and earnings quality. The resource dependence theorists predicted that the more the audit committee members are, the more efficient the internal monitoring and better earnings quality. This study hypothesizes that:

H5: There exists a negative relation between the Audit committee size and ARL.

2.6.2.2 Audit Committee Independence

Ideally, for the members of the audit committee and management to efficiently perform their duties, they should be independent from each other (Ismail *et al.*, 2009; Krishnamoorthy, 2002). Lin et al., (2006) opine that the opportunity for fraudulent reporting is reduced when an independent audit committee effectively monitors management. Mustafa and Yusof (2010) argue that for an organization to exhibit high financial reporting quality, the audit committee should be independent. Beasley & Salterio (2001) observed that companies strengthen their audit committees when they include more outside directors in the audit committee than the minimum number required by legislation. Klein (2002) observes an inverse relation between a totally independent audit committee and the level of earnings management in the US publicly traded companies. Peasnell et al. (2005) findings on the UK firms differed from Klein's (2002). Abbott et al., (2004), Bédard, Chtourou and Courteau (2004), Persons (2005) and Archambeault, DeZoort and

Hermanson (2008) opined that the independence of the audit committee reduces earnings management, lowers the probability of financial reporting restatement and financial reporting fraud.

Additionally, the independence of the audit committee influences the going concern opinion of a company (Carcello & Neal, 2000). Krishnan (2005) finds that independent audit committees are associated with strong financial reporting controls. Pomeroy and Thornton (2008) observed that the independence of the audit committee enhances audit quality by avoiding going concern reports and auditor resignations than it is at enhancing accruals quality and avoiding restatements.

In the four East African Community States, the Capital Markets Authorities require the audit committee be composed of at least three independent, financially literate directors, so they can to make judgments that are in the best interests of shareholders.

This study hypothesizes:

H6: There exists a negative relationship between audit committee independence and ARL.

2.6.2.3 Audit Committee Financial Expertise

Audit committees are responsible for; understanding the audit procedures, audit risks, audit opinions, causes of conflict between management and the external auditor, and reviewing judgmental accounting areas. Felon and Salieri (2009) opine that audit committee members are financial experts if they; have past employment experience in finance or accounting, or, are certified accountants, or, have any other financial oversight experience or backgrounds which result in financial sophistication.

Previous studies show that the companies that suffered fraudulent financial reporting had few AC members with expertise in accounting (McMullen & Raghunandan, 1996; Beasley, Carcello & Hermanson, 1999). DeZoort and Salterio (2001) observe that audit committee members with previous financial reporting and audit experience are more likely to make expert judgments than those without. Xie et al. (2003), Abbott et al. (2004) and Bédard et al. (2004) document that audit committee financial expertise reduces financial restatements and limits the likelihood of managers to engage in earnings management. DeFond, Hann, and Hu (2005) note that the appointment of accounting financial experts propels positive stock market reaction in line with market expectation. DeFond, Hann, and Hu (2005) further note that the audit committee members' financial knowledge is crucial for them to execute their role as financial monitors. Krishnan (2005) and Zhang, Zhou,

and Zhou (2007) find that firms with weak internal controls had audit committees with less financial expertise.

Most studies suggest that financially knowledgeable audit committee members are more likely to prevent and detect material misstatements. Of great concern is that studies on the influence of audit committee financial expertise on ARL have not been done in Rwanda, Uganda, and Tanzania, this study shall fill in that gap. The following hypothesis is proffered:

H7: There exists a negative relationship between audit committee financial expertise and ARL.

2.6.2.4 Presence of the CEO in the Audit Committee

Prior studies on audit committees suggest that top management is an integral part of the corporate governance mosaic and may have a detrimental impact on the effectiveness of the audit committee (Beasley et al., 2009; Cohen et al., 2010; Carcello et al.,2011; Bruynseels & Cardinaels 2014). There have been concerns that audit committees are established for symbolic rather than substantive oversight of financial reporting (Lisic et al., 2016).

The corporate governance guidelines of Kenya, Uganda, Rwanda, and Tanzania place the nomination responsibility on the Nomination Committees, which consist of both executive and non-executive directors. This paper sheds light on the influence of the CEOs on ARL by specifically investigating their presence in the audit committee.

Financial reporting is significantly affected by the CEO's demographic characteristics (Bertrand & Schoar, 2003; Francis *et al.*, 2008; Bamber, Jiang, & Wang, 2010). Consequently, reporting timeliness can be predicted using these characteristics (Hambrick & Mason, 1984). In addition, Cheng & Lo, (2008) observed that CEOs have authority and influence what and when information should be disclosed. Bamber, Jiang, and Wang (2010), further argued that CEOs control the style of financial reporting disclosure as evidenced by the collapse of Enron, WorldCom. However, as evidenced by Jiang *et al.*, (2010); Demerjian *et al.*, (2013); Bamber *et al.*,(2006) the influence of CEOs is not uniform and varies according to their characteristics.

Prior literature suggests that a CEO is concerned with; strategic, operational and financing decisions, Bertrand & Schoar (2003), and financial reporting decisions such as earnings management and financial disclosures (Bamber *et al.*, 2010; Bergstresser & Philippon, 2006). Although the audit report date is rarely influenced by the CEO, in cases where he has accounting knowledge and experience, the annual audit proceeds promptly with fewer errors and required adjustments (Jiang *et al.*, 2013). The CEO also signals the degree of professional skepticism and

substantive internal testing that the auditor should apply (Cohen *et al.*, 2002). Gibbins *et al.* (2007) observed that the CEO is substantially involved in negotiations with the auditor regarding year-end accounting issues. Given the potential influence of the CEO on audit risk assessment and the negotiation process, audit report timeliness could be affected.

Nonetheless, we hypothesized that:

H8: The presence of a CEO in the audit committee is positively associated with audit report lag.

2.6.2.5 Audit Committee Meetings

The Corporate Governance guidelines in Kenya, Uganda, and Tanzania recommends that audit committees meet regularly, the frequency is not quantified. In Rwanda, the Capital Market Cooperate Governance Code requires that audit committees meet at least every quarter to monitor internal and external audits.

In other jurisdictions like the US through the Blue Ribbon Committee (BRC) (1999) recommend that audit committee meetings should be not less than four in a year. While in the UK the number of meetings should be not less than three in a year because companies are required to produce interim financial reports semi-annually (Mohamad-Nor et al., 2010).

Studies posit that independent audit committees are likely to be useful if they are active. One way of describing their activeness is regarding the number of meetings held (Menon & William, 1994). For the audit committee members to actively address the various changing and challenging complexities of the uncertain business and financial environment, they are expected to meet frequently (Vafeas, 1999; Bedard *et al*., 2004; Stewart & Munro, 2007). The more frequent the audit committee meetings, the better equipped the members are to detect and prevent opportunistic behavior by management, hence integrity of reported earnings (Vafeas, 1999; Bedard *et al*., 2004; Stewart & Munro, 2007). The frequency of audit committees meetings is positively associated with the degree of disclosure and discretionary accruals. (Li et al., 2008 and Xie, Davidson III, & Dadalt, 2003). Firms that meet less often are susceptible to record fraudulent dealings (Farber, 2005). Abbott et al. (2004) observed that audit committees that reported less prior period financial statement restatement met at least four times a year. However, Lin et al. (2006) found that audit committee meetings had insignificant relationship with earnings restatement. The study hypothesized:

H9: *There exists a negative association between audit committee meetings and ARL.*

2.6.3 Control Variables

2.6.3.1 Auditor Type

Prior studies denote auditor type as auditor characteristics. Auditor characteristics refer to the size of the audit firm or international link of the audit firm (Afify, 2009: Carslaw and Kaplan, 1991; Gilling, 1977)**.** Contrary to Gilling (1977) who found a significant positive relationship between the ARL and the size of the audit firms, Garsombke (1981), Carslaw and Kaplan (1991) and Davies and Whittred (1980) found no significant association between the auditor type and ARL.

Compared to small firms, large audit firms have a larger workforce enabling them perform client assignments more efficiently than smaller audit firms (Hossain and Taylor, 1998). This observation suggests that small audit firms spend a longer time auditing listed companies. Eghliaow, (2013) found that firms audited by big audit firms have shorter lags. Smaller audit firms lack capabilities to minimize audit time, while big firms may have the advantage of using efficient audit technologies (Newton & Ashton, 1989; Leventis et al., 2005). This study classifies auditors into two groups; big 4 (KPMG, EY, PWC, and EY), and other firms. The study hypothesized:

H10: There exists a negative relation between Auditor Type and ARL.

2.6.3.2 Board Diligence

The Kenyan, Ugandan, and Tanzanian Corporate Governance Code suggests that the board of directors should meet regularly for adequate performance of their roles and. The Rwanda Corporate Governance Code is silent on how often the board of directors should meet. Enhanced performance is reported when boards meet frequently (Vafeas, 1999). Consistent with Vafeas is Conger et al. (1998) who opined that the frequency of board meetings is essential in enhancing the efficiency of a board of directors. On the contrary, Jensen (1993) argued that inactive boards with few conflicts result to high performing companies.

The efficiency of the board is associated with the frequency of board meetings (Greco, 2011). A higher frequency of board meetings fortifies control over the process of financial reporting (Carcello et al., 2002). Hashim & Rahman (2010) revealed that a high frequency of board meetings enhances internal controls resulting in decreased ARL. Tauringana, Kyeyune, and Opio (2008) reported a significant negative relationship between board meeting frequency and timeliness of financial reports. This study hypothesizes that:

H11: There exists a negative relation between *board diligence and ARL.*

2.7 Research Gap

Unlike the studies discussed above, this paper investigates the corporate governance determinants of audit report lag over the 2007- 2016 period, which is more recent and extensive compared with the periods examined by existing studies. The current investigation is an extension to prior studies (Ntimet al., 2012a).

Much research has been done of the determinants of audit report lag in different jurisdictions. None has compared the lag in Kenya, Uganda, Tanzania, and Rwanda, this study shall compare the different audit report lags in the ten year period and establish the corporate governance determinants causing the differences observed.

Prior studies show differences in respect of periods, methodology, variables analyzed and conclusions obtained. It is inevitable that there exists a gap between the close of the accounting period and the date of signing of the audit report, minimizing this gap would improve the efficiency of the market (Leventis et al., 2005).

CHAPTER 3
RESEARCH METHODOLOGY

3.1 Introduction

Research methodology is the scientific approach used to gather information for answering research questions and addressing research objectives (Creswell, 2007). This chapter focuses on the research methods used to carry out the study. It starts by defining the research policy underpinning the quantitative and qualitative approach taken. The researcher then describes the research design adopted, the population and the variables studied. The data collection, data analysis and the various econometrics tests carried out are discussed as well as the research quality and ethical considerations made before data collection

3.2 Research Philosophy

The research methodology and the research philosophy underpinning a study is crucial in clarifying various research designs (Easterby-Smith et al. 2002). Most research methodologies are classified as either quantitative or qualitative (Collis & Hussey, 2003). Collins and Hussey note that quantitative methods which relied heavily on objective measures dominated the social and behavioral research was in the last two decades.However, in the recent past, a new research methodology aligned with a qualitative approach has emerged as a reaction against the dominant quantitative methodology. They argue that while the quantitative paradigm implies a positivist, objective, scientific and experimentalist approach. The qualitative paradigm implies a subjectivist, humanistic and interpretivist approach. In the most basic terms, quantitative research is an empirical research in which the researcher explores relationships using numeric data, Fraenkel et al., (1993) while qualitative approach involves examining and reflecting on perceptions in order to gain an understanding of social and human activities Hussey, (1997), it is subjective in nature. Consistent with prior studies, Hussey (1997); Eghliaow, (2013); Owino, (2017), this study has chosen to adopt a quantitative approach (positivist approach) as it is more suited to the purposes of this research. This research is interested in explaining the corporate governance determinants that influence audit report lag. Levin (1988) argues that through positivism, reality can be observed and described objectively since it is stable and does not interfere with the subject of study. The positivism approach allows for the use of quantifiable measures of the variables under study (Olrlikowski & Baroudi, 1991). In order to test the theories adopted, it also uses the perceptions

of the respondents as an indicators of the true situation and is quantified to arrive at a result Eghliaow, (2013).

3.3 Research Design

Longitudinal, exploratory and descriptive research designs were adopted for this study. With longitudinal research design, the researcher can observe a particular phenomenon over a period (Creswell, 2007). The trend of audit report lag was studied over a period of ten years (2007-2010) to develop a better understanding of ARL within East Africa. Exploratory research is useful when there is little information available to guide predictions; it helps develop a better understanding of the subject being studied, (Hair, Babin, Money, & Samouel, 2003). Exploratory research was used to explain the corporate governance determinants on ARL in East Africa. Descriptive research describes the characteristics of study population (Creswell, 2013), the relevance of audit report lag and its corporate governance factors the NSE, USE, RSE, and DSE were comprehensively analyzed in this study.

3.4 Study population and sample selection

The target population was all listed companies in the NSE, USE, RSE, and DSE. There were 79 listed firms in East Africa as at 31 December 2016, the number of observations expected was 790 but due suspension from trading and unavailability of data, only 632 observations were studied. We obtained the data from the Capital Markets Authorities libraries of the four countries and the different companies' websites (2007 through to 2016). A census was conducted since the population was not significant.

Table 3. 1: Number of Companies analyzed

Country		Number of companies	Number of observations
Companies listed in single markets as at 31 December 2016			
	Kenya	51	398
	Uganda	8	49
	Tanzania	16	102
	Rwanda	3	13
Add:	Cross-listed companies	8	70
Less:	Companies suspended from trading	2	
	Companies with no available information	-7	
	Companies listed in 2016	-2	
		79	**632**

3.5 Operationalization of Variables

This section outlines how we measured the dependent variable ARL and the independent variables, CG determinants. Afify (2009) investigated the CG determinants of ARL in Egypt using annual reports of 85 listed companies for the year ending 2003, 2004, 2005, 2006 and 2007. He measured ARL as the number of days from the financial year end to the audit report date. Using multiple regression analysis, Afify modeled ARL as a function of ownership concentration, independence of the board, the duality of CEO, the existence of an audit committee, company size, and type of auditor, industry, and profitability. This study shall treat ARL as the dependent variable and the corporate governance-related factors (board of directors and the audit committee) as independent variables.

Baatwah, Salleh, & Ahmad, (2015) investigated the CEO's tenure, financial expertise and audit reporting timeliness in Malaysia, using a two-stage least square analysis to support the primary results. In their research, Baatwah, Salleh, & Ahmad, (2015) measured the CEO's tenure as the number of years that he continuously held his position in a company, this approach has been widely used in previous literature (Hazarika et al., 2012; Zhang and Wiersema, 2009) and provides reliable results (MacCallum et al., 2002). A CEO is operationalized as a financial expert only if; he holds any accounting qualification, or has previously served as an auditor, or as a chief finance officer, or as a controller or in other accounting related positions (Baatwah et al., 2015). This study shall use this same operationalization for CEO's tenure and financial expertise

Ika & Ghazali (2014), examined the relation between audit committee effectiveness and timeliness of reporting in Indonesia. They measured the audit committee effectiveness using an index based on the framework developed by DeZoort et al., in 2002, this framework assumed that the four elements that determine audit committee effectiveness are its; composition, authority, resources, and diligence. DeZoort et al., (2002), defined composition as the requirements needed for one to qualify as an audit committee member (independence, capability, education background, and experience). Mathuva, Mboya, & Mcfie, (2017) examined the association of the governance of credit unions and their social, environmental disclosure in a developing country. The study utilized a corporate governance quality index to measure corporate governance quality and an audit committee quality index to measure audit committee quality.

Shukeri and Islam, (2012) studying the determinants of audit timeliness in Malaysia treated board independence, AC size, AC meetings, AC qualifications, auditor type, auditors' opinion and firm performance as dummy variables. Similarly, Zitouni, (2016) developed an index that constituted governance mechanisms as inputs and governance standards from the codes of good practices as the outputs. These studies treated the following as dummy variables; board size, independence, training of board members, board meetings, audit committee presence, AC size, AC meetings, relevant expertise, the presence of compensation committee, CEO presence in compensation committee, gender diversity, the presence of other committees, AC financial expertise, auditor type and board diligence. In his study on the drivers of ARL among Kenya listed firms, Owino, (2017) used the governance frameworks by Mathuva et al., (2016) and Zitouni, (2016) to operationalize his variables.

This study operationalized its variables using the corporate governance framework by (Shukeri & Islam, 2012; Zitouni, 2016; Owino, 2017).

Table 3. 2 Operationalization of variables

Dependent Variable	**Definition**	**Measure**	**Source**
Audit Report Lag (ARL)	Period from the company's financial year end to audit report date (Lee & Jahng, 2008)	Number of days from the company's financial year end to audit report date (Afify,2009)	Listed companies' annual reports
Independent Variable	**Definition**	**Measure**	**Source**

Board Size	The number of directors in the Board	Assigned 1 if more than 8 and 0 if otherwise	Listed companies' annual reports
Board Independence	The proportion of non-executive directors to total number of directors	Assigned 1 if more than a third are independent and 0 if otherwise	Listed companies' annual reports
Director's Tenure	Number of years one served as a director in the years	Assigned 1 if more than 10 years and 0 if otherwise	Listed companies' annual reports
Gender Diversity	The proportion of female directors to total number of directors (Marimuthu, 2008)	Assigned 1 if more than a third are female and 0 if otherwise	Listed companies' annual reports
Audit Committee Size	Total number of audit committee members (Saleh *et al.*, 2007).	Assigned 1 if more than 3 and 0 if otherwise	Listed companies' annual reports
Audit Committee Independence	The proportion of non-executive directors to total number of audit committee members (Saleh *et al.*, 2007).	Assigned 1 if more than 3 and 0 otherwise	Listed companies' annual reports
Audit Committee Financial Expertise	Audit committee members possessing employment experience in finance or accounting or professional certification in accounting. (Shukeri & Islam, 2012)	Assigned 1 if chairperson has accounting or finance qualifications and 0 otherwise	Listed companies' annual reports
CEO's presence in the audit committee	The CEO is a member of the audit committee (Zitouni, 2016)	Assigned 1 if member than 4 and 0 otherwise	Listed companies' annual reports
Audit Committee Meetings	The number of audit committee meetings held during the financial year (Shukeri & Islam, 2012)	Assigned 1 if more than 4 and 0 otherwise	Listed companies' annual reports
Control Variables	**Definition**	**Measure**	**Source**
Auditor Type	Size of the audit firm or international link of the audit firm (Afify, 2009: Carslaw and Kaplan, 1991; Gilling, 1977)	Assigned 1 for Big 4 and 0 otherwise (Shukeri & Islam, 2012)	Listed companies' annual reports
Board Diligence	The number of board meetings held during the financial year	Assigned 1 if more than 5 and 0 otherwise	Listed companies' annual reports

Source: (Shukeri & Islam, 2012; Zitouni, 2016; Owino, 2017)

3.6 Data collection

This study used both primary and secondary data. The use of both primary and secondary data helps avoid biases from a single source of data (Creswell, 2013).

Primary data used was semi-structured questionnaire to triangulate the secondary information obtained from the annual financial reports, the Capital Markets Authorities, the NSE, USE, DSE & RSE handbook and the various company websites. Likert scales were used for structured questions as they measured the different aspects of the variables under study, unstructured

questions were included, this made it possible to capture relevant information that could have been ignored, (Ahlstrom & Westbrook, 1999).

The researcher facilitated the collection of data by first making phone calls to the respondents to seek their permission to participate in this study. Those who agreed, questionnaires were emailed in the form of Google docs, (a free web-based application on which the questionnaire was created). Google docs is a real-time document authoring tool that allows the respondents submit their responses on email. It was used in this study because of the convenience it offered the respondents in data collection as they did not have to print and scan their responses. Data was collected between 1st March 2018 and 31st March 2018. The target respondents were investment analysts, senior finance executives, and auditors.

3.7 Data analysis and presentation

Data collected from primary and secondary sources was sanitized before analysis, as proposed by (Sekaran, 2003). To test the hypotheses developed in the previous section, a multiple regression analysis was used modeling ARL as a function of the corporate governance (CG) determinants and control variables as below:

$Y = \beta + \delta$ (Corporate Governance factors + control variables) $+ \mu t$…….. (1)

$ARL = \beta 0 + \beta 1(BS) + \beta 2(D.I) + \beta 3(D.T) + \beta 4(G.D) + \beta 5(ACS) + \beta 6(ACI) + \beta 7(ACFE) + \beta 8(CEO.AC) + \beta 9(ACM) + \beta 10(AT) + \beta 11(BD) + \mu t$……(2)

Where

Y-	Audit Report Lag (ARL)
β0 -	Constraint Coefficient
BS-	Board Size,
DI-	Directors' Independence
DT-	Directors' Tenure
GD-	Gender Diversity
ACS-	Audit Committee Size
ACI-	Audit Committee Independence
ACFE-	Audit Committee Financial
CEO.AC-	CEO in Audit Committee
ACM-	Number of Audit Committee Meetings.

AT - Auditor Type

BD - Board Diligence.

μt - Error term associated with the regression.

3.7.1 Estimation techniques and diagnostic tests

Descriptive analyses were used to analyze objective one which was about the extent of ARL within the EAC member states. Typically, descriptive statistics are conducted to provide simple summaries about a population or sample (Cooper & Schindler, 2014).

To test objective two, correlation and pooled regression analysis was used to measure the strength of relationship and direction of the relationship between the independent and dependent variables. Skewness and kurtosis tests were used to test for normality of the data. Multi-collinearity was tested using Tolerance coefficients and VIF; Homoscedasticity was tested using Chi-Square while autocorrelation will be tested using Durbin Watson test.

Similar to objective one, objective three was analyzed using descriptive data, collected from the distributed questionnaires.

3.8 Research quality

3.8.1 Internal validity

Internal validity addresses whether or not an observed co-variation should be considered as a causal relationship (Calder, Phillips, & Tybout, 1982). To ensure internal validity, the researcher conducted a pilot study in Strathmore University. The questionnaire was issued to five MCOM students specializing in forensic accounting, three accounting lecturers, and two investment analysts. Feedback from the respondents was useful in improving on the final questionnaire.

3.8.2 External validity

External validity addresses the concern of whether or not a causal relationship should be generalized (Calder et al., 1982). Yin (1994) cautions on the generalizability of findings in emerging and dynamic markets because forces for and against the area studied are very different in emerging markets. This study was generalized to listed company in the NSE, USE, RSE, and DSE

3.8.3 Ethical Considerations

Ethical considerations in research is important especially when it involves human beings (Cooper & Schindler, 2010). Research ethics is defined as the appropriate behavior of research relative to

norms of the society (Zikmund, 2010). Research may have adverse consequences, and therefore research subjects have to be protected (Cooper & Schindler, 2010; Patton, 2002; Sekaran & Bougie, 2013). This research considered ethical considerations in the following ways. First, participation was voluntary, and participants had the freedom to withdraw at any time. Secondly, the participants were informed of the purpose of this study and lastly, the identities of the participants were be kept private and confidential.

CHAPTER 4
RESEARCH FINDINGS

4.1 Introduction

This chapter presents the results obtained from the different statistical analyses. The primary objective of the study was to establish the relevance of Audit Report Lag (ARL) and its corporate governance determinants among listed companies in East Africa. Descriptive statistics were used to compare the ARL of listed firms in Kenya, Uganda, Tanzania, and Rwanda, (objective 1). A pooled regression analysis was relied on for the determination of the corporate governance-related factors that influence the Audit Report Lag (ARL) among listed firms in East Africa (Objective 2). Questionnaires distributed to auditors, finance executives, investment analysts, and regulators were analyzed to establish the relevance of Audit Report Lag (ARL) in investment making decisions among users of financial information in the region. (Objective3).

4.2 Difference in ARL among listed firms in the East African Community States

The first objective of this study was to compare the ARL of listed companies in the different countries, (Kenya, Uganda, Tanzania, and Rwanda).

Table 4. 1 Descriptive statistics- ARL in Kenya

Industry	ARL Mean	Std. Deviation	Minimum	Maximum	Range	N
Telecommunication and technology	49	13	36	79	43	10
Commercial Services	98	25	26	202	176	74
Banking	70	16	37	145	108	103
Manufacturing and Allied	81	67	26	517	491	50
Energy and Petroleum	102	17	60	138	78	44
Construction and Allied	97	31	39	150	111	50
Agriculture	83	23	54	167	113	50
Insurance	94	17	58	121	63	47
Investments	115	41	65	212	147	30
Automobiles and Accessories	103	21	77	122	45	10
Total	**88**	**34**	**26**	**517**	**491**	**468**

The overall statistics indicate that the Telecommunication and Technology sector had the shortest ARL mean in Kenya, with a mean score of 49 days, with a maximum and minimum of 79 days and 36 days respectively. The company took about 49 days on average to get the audited financial report signed. The only listed Telecommunication and Technology Company in Kenya is

Safaricom. In Korea, companies in the Telecommunication and Technology sector had the longest ARL (50 days), (Ho-Young Lee & Jahng, 2008).

The Automobiles and Accessories industry had the longest ARL, with a mean score of 103 days, with a maximum and minimum of 122 days and 45 days respectively. The company took about 103 days on average to get the audited financial report signed. The only listed Automobiles and Accessories Company in Kenya is Car and General.

The Banking industry had a mean ARL of 70 days with a maximum and minimum of 145 days and 37 days respectively. In Kenya, banks are highly regulated by the Central Bank, under the CBK Prudential Guidelines of 2013. "All institutions licensed under the Banking Act and operating in Kenya are required, within three months of the end of every financial year, to publish in a newspaper of nationwide circulation between Mondays and Fridays excluding public holidays, a copy of their audited statement," (Central Bank of Kenya, 2013). Banks have a reporting timeline of 90 days, and failure to comply attracts a penalty of $10,000, (Central Bank of Kenya, 2013).

The Insurance industry had a mean ARL of 94 days with a maximum and minimum of 121 days and 58 days respectively. This industry is highly regulated by the Insurance Regulatory Authority. The Guideline to the Insurance Industry on External Auditors, IRA/PG/14 of 2013 stipulates that the insurer should submit its audited management accounts within three months (90 days) of the end of the financial year (Insurance Regulatory Authority, 2013). From the table above, we observe that some insurance companies were not, the insurance industry mean ARL was 94 days above the stipulated 90 days' timeline.

The Income Tax Act, Cap 470, requires that all companies operating in Kenya file their self-assessment return within six months (180 days) of the end of every financial year, (The Income Tax Act, 1974). From the descriptive statistics above, some companies in the commercial services and the manufacturing and allied industries were not compliant to this regulation. Non-compliance attracts fines and penalties.

Table 4. 2 Descriptive statistics- ARL in Uganda

Industry	ARL Mean	Std. Deviation	Minimum	Maximum	Range	N
Commercial Services	106	29	78	145	67	7
Banking	80	21	38	119	81	21
Manufacturing and Allied	51	8	45	56	11	2
Energy and Petroleum	84	5	78	90	12	4
Construction and Allied	137	28	115	181	66	7
Insurance	127	40	76	209	133	8
Total	**99**	**35**	**38**	**209**	**171**	**49**

The overall statistics indicate that the Manufacturing and Allied Industry had the shortest ARL mean in Uganda, with a mean score of 51 days, with a maximum and minimum of 56 days and 45 days respectively. The company took about 51 days on average to get the audited financial report signed. The only listed Manufacturing and Allied Company in Uganda is British American Tobacco. The company was listed in year 2000 but first published its financials is 2015.

The Construction and Allied industry had the longest ARL, with a mean score of 137 days, with a maximum and minimum of 181 days and 115 days respectively. The companies took about 137 days on average to get the audited financial report signed.

The Banking industry had a mean ARL of 80 days with a maximum and minimum of 119 days and 38 days respectively. In Uganda, banks are highly regulated by the Bank of Uganda, which is the Central Bank of Uganda. "A financial institution shall within three months after the end of its financial year, submit to the Central Bank its audited annual financial statements approved by its board of directors together with the auditors' report and the management letter," (Financial Institutions Act, 2004). Banks have a reporting timeline of 90 days, and failure to comply attracts a penalty of twenty currency points for every day on which the default continues, (Financial Institutions Act, 2004).

The Insurance industry had a mean ARL of 127 days with a maximum and minimum of 209 days and 76 days respectively. This industry is highly regulated by the Insurance Regulatory Authority. The Insurance Act of 2011, Cap 213 stipulates that the insurer should submit its audited management accounts within three months (90 days) of the end of the financial year. From the table above, we observe that some insurance companies were not, the insurance industry mean ARL was 127 days above the stipulated 90 days' timeline.

The Income Tax Act, Cap 340, requires that all companies operating in Uganda file their self-assessed return within six months (180 days) of the end of every financial year. From the descriptive statistics above, some companies in the construction and allied and Insurance industries were not compliant to this regulation. Non-compliance attracts fines and penalties.

Table 4. 3 Descriptive statistics- ARL in Tanzania

Industry	Mean	Std. Deviation	Minimum	Maximum	Range	N
Commercial Services	95	32	66	153	87	23
Banking	90	8	73	109	36	25
Manufacturing and Allied	99	35	38	181	143	25
Energy and Petroleum	192	67	81	293	212	11
Construction and Allied	82	23	43	136	93	18
Total	**103**	**46**	**38**	**293**	**255**	**102**

The overall statistics indicate that the Construction and Allied Industry had the shortest ARL mean in Tanzania, with a mean score of 82 days, with a maximum and minimum of 136 days and 43 days respectively. The company took about 82 days on average to get the audited financial report signed. The only listed Construction and Allied Companies in Tanzania were Tanga Cement and Tanzania Portland.

The Energy and Petroleum industry had the longest ARL, with a mean score of 192 days, with a maximum and minimum of 293 days and 81 days respectively. The companies took about 192 days on average to get the audited financial report signed.

The Banking industry had a mean ARL of 90 days with a maximum and minimum of 109 days and 73 days respectively. In Tanzania, banks are highly regulated by the Banking and Financial Institutions Act, Cap 342. "Every bank shall publish its audited annual financials within fifteen days after approval of the board of directors but not later than one hundred and five (105) days after the end of the financial year," (Banking and Financial Institutions, Publication of Financial Statements, Regulations, 2008). Banks have a reporting timeline of 105 days, and failure to comply attracts a penalty of one million shillings for every day during which such failure continues, (Banking and Financial Institutions, Publication of Financial Statements, Regulations, 2008).

The Income Tax Act, Cap 332, section 91 requires that all companies operating in Tanzania file their Income tax returns within three months (90 days) of the end of every financial year. These

returns are based on audited accounts. From the descriptive statistics above, non of the industries fully complied to this as each industry had companies exceeding ARLs of 90 days. Non-compliance attracts fines and penalties.

Table 4. 4 Descriptive statistics- ARL in Rwanda

Industry	Mean	Std. Deviation	Minimum	Maximum	Range	N
Telecommunication and technology	86	4	83	89	6	2
Banking	80	10	67	90	23	5
Manufacturing and Allied	86	14	57	105	48	8
Total	**84**	**12**	**57**	**105**	**48**	**15**

The overall statistics indicate that the Banking Industry had the shortest ARL mean in Rwanda, with a mean score of 80 days, with a maximum and minimum of 90 days and 67 days respectively. The bank took about 80 days on average to get the audited financial report signed. These findings were consistent with Abidin & Ahmad-Zaluki, (2012) who found that compared to other sectors, banks had the shortest ARL in Malaysia (77 days). The only listed bank in Rwanda was Bank of Kigali. In Rwanda, banks are regulated by the National Bank of Rwanda. Article 71, of Law No. 48/2017 requires banks to provide the audited financials to the National Bank of Rwanda when requested to. There is no publishing requirement in Rwanda.

The Income Tax Law, No. 16/2005 requires that all companies operating in Rwanda file their Income tax returns by 31 March of the following tax period, (90 days after year-end). All companies in Rwanda have 31 December year ends. From the table above, Bralirwa Limited, the only company in the manufacturing and Allied industry was not compliant in years 2011 and 2012.

Table 4. 5 Summary descriptive statistics- ARL in Kenya, Uganda, Tanzania, Rwanda

Country	ARL Mean	N (Observations)	Std. Deviation	Minimum	Maximum	Range
Tanzania	103	102	46	38	293	255
Uganda	99	49	35	38	209	171
Rwanda	86	13	10	67	105	38
Kenya	88	468	34	26	517	491
Total	**91**	**632**	**36**	**26**	**517**	**491**

Table 4.5 presents a comparison of the descriptive statistics of the four countries. The findings reveal that Rwanda had the shortest ARL, with an average of 86 days (standard deviation of 34 days) while the Tanzania had the longest ARL, with an average of 103 days (standard deviation of 46 days). Uganda had an ARL of 99 days, (standard deviation of 35 days) while Kenya had an ARL of 88 days (standard deviation of 10 days).

In Tanzania, the Income Tax Act, Cap 332, section 91 requires that all file their Income tax returns within three months (90 days) of the end of every financial year, a mean ARL of 103 days indicate that some companies in Tanzania are non-compliant. Both the Income Tax Act, Cap 470 and the Income Tax Act, Cap 340 require that all companies operating in Kenya and Uganda respectively file their self-assessment returns within six months (180 days) of the end of every financial year, the mean ARLs of 88 days and 99 days indicated compliance to the tax regulations. The Income Tax Law, No. 16/2005 requires that all companies operating in Rwanda file their Income tax returns by 31 March of the following tax period, (90 days after year-end), the 86 days ARL indicated compliance to the tax regulations.

When compared to ARLs in other countries like; Egypt 67 days Afify, (2009), Zimbabwe 62 days Owusu-Ansah, (2000), USA 59.36 days Lee et al., (2009), Canada 54 days Newton & Ashton, (1989), the mean period of ARL among the East African listed companies seems to be longer. The reason could be due to the differing regulatory and statutory timelines within East Africa.

4.3 The corporate governance-related factors that influence the Audit Report Lag (ARL).

To determine the corporate-governance determinants that influence ARL among companies listed in Kenya, Tanzania, Uganda and Rwanda, secondary data was analyzed using pooled regression analyses. Diagnostic tests were conducted before the regression analysis.

4.3.1 Goodness of fit of the model

The goodness of fit of a model evaluates how good, reliable and valid the model is for prediction. We used the R squared, Standard error of estimate (S.E.) and the F-test statistic to evaluate the goodness, reliability, and validity of our models.

Table 4. 6: Goodness of fit of the regression model- East Africa

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.379[a]	.144	.127	34.08198	.144	8.659	12	619	.000

Table 4.6 indicates that the predictor variables account for 14.4% of the model variation with an R- Squared of 0.144. The model predicts the observed data at 37.9%.

Table 4. 7 Analysis of Variance- East Africa

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	120693.542	12	10057.795	8.659	.000[a]
Residual	719019.034	619	1161.582		
Total	839712.576	631			

The model developed is a good fit, the F- Statistic is 8.659 which is higher than 1, with a significance level of 0.000 which is less than 0.05. The overall significance of regression model is measured by the F-test (Gujarati, 2012, Brooks, 2012), the model is significant since the p-value of the f-statistic is less than the level of significance, in this case, 0.05.

4.3.2 Test for Heteroscedasticity

To adjust for Heteroscedasticity, the dependent variable (ARL) was transformed to logs. Brooks, 2012 and Wooldridge, (2012) suggest that in cases of Heteroscedasticity, the variables can be converted to logs. After transformation, the P- values of F and Chi-square (both 0.0000) indicated that the residual variables are heteroscedastic, they had values less than 0.05. This study failed to reject the null hypothesis. Autocorrelation and multi-collinearity tests are further tested.

This study applied white's test using Eviews 7.0, the null hypothesis of Heteroskedasticity is rejected if the probability of the test statistics is significant, (p-value > 0.05). Heteroscedasticity exists when errors do not have a constant variance (Wooldridge, 2012).

4.3.3 Autocorrelation Test

Autocorrelation is said to exist if the disturbance terms are not equal to zero, leading to incorrect standard errors (Brooks, 2012). A data set is considered free of autocorrelation if the statistic is within the range of 1.5 and 2.5 (Gujarati & Porter, 2014). Consistent with prior studies the Durbin-Watson test was used to check for auto-correlation (Fatwah et al., 2015; Sultana et al., 2015) and the study statistics were within the range.

Table 4. 8: Serial Auto-correlation Test

Durbin Watson Statistic	
Model	Durbin-Watson
1	1.9634[a]

4.3.4 Test for multicollinearity.

Multi-collinearity exists when two or more variables are highly correlated with each other (Brooks, 2012). Studies by Gujarati & Porter, (2008) and Dao & Pham, (2014) show that multicollinearity may be a problem if the Variance Inflation Factor, (VIF) exceeds 10 and Tolerance goes below 1. Hair, Ringle, & Sarstedt, (2013) and Mardikyan & Çetin, (2008) opined that the regression coefficients were poorly estimated if the VIF exceeded 5, (tolerance <0.20). In Table 4.9, the VIF of the independent variables ranged between 1.052 and 3.969 while the Tolerance values ranged between 0.252 and 0.961, both values proved that there was no multi-collinearity

Table 4. 9: Multi-collinearity check using Tolerance and VIF

Model	95.0% Confidence Interval for B		Collinearity Statistics	
	Lower Bound	Upper Bound	Tolerance	VIF
(Constant)	2.030	2.167		
Board Size	-0.044	0.007	0.790	1.266
Independent Directors	0.027	0.084	0.949	1.054
Dir Tenure	-0.053	0.006	0.945	1.058
Gender Diversity	-0.125	-0.011	0.938	1.067
AC Size	-0.047	0.041	0.252	3.963
AC Independent Dir	-0.040	0.050	0.249	4.019
AC Fin. Expertise	-0.068	0.018	0.830	1.204
CEO.AC	-0.066	-0.007	0.935	1.069
AC Meeting	-0.049	0.008	0.737	1.357
Board Meetings	-0.080	0.012	0.915	1.093
Auditor Type	-0.167	-0.093	0.932	1.073

4.3.5 Normality Tests

The study used the Kolmogorov Smirnov and Shapiro Wilk's tests of to test for normality. Observations made on table 4.10 imply that the data distribution is not normal, the P value is less than 0.05 at 5% significance.

Further analysis into skewness and kurtosis to test for normality revealed that that the data distribution was not normal. Asymmetric distribution should be zero (Gujarati & Porter, 2009). The Z- values in Table 4.11 (statistic/standard error) were extracted from SPSS, and the descriptive statistics suggest that the data is slightly skewed to the right with flat distribution.

These findings are consistent with previous research (Owino, 2017). Violation of the normality assumption in large asymptotic data is of little consequence (Ghasemi & Zahediasl, 2012). Large refers to a sample larger than 30 or 40, (Ghasemi & Zahediasl, 2012).

The bell-shaped histogram and normal Q-Q plot were used to check for normality visually and suggested normal distribution.

Normality Tests

Table 4. 10: Kolmogorov Smirnov and Shapiro Wilk's tests

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
ARL	.073	632	.000	.972	632	.000

Table 4. 11: Skewness and Kurtosis

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
ARL	632	0.403	.097	2.388	.194
Valid N	632				

Figure 1: Histogram

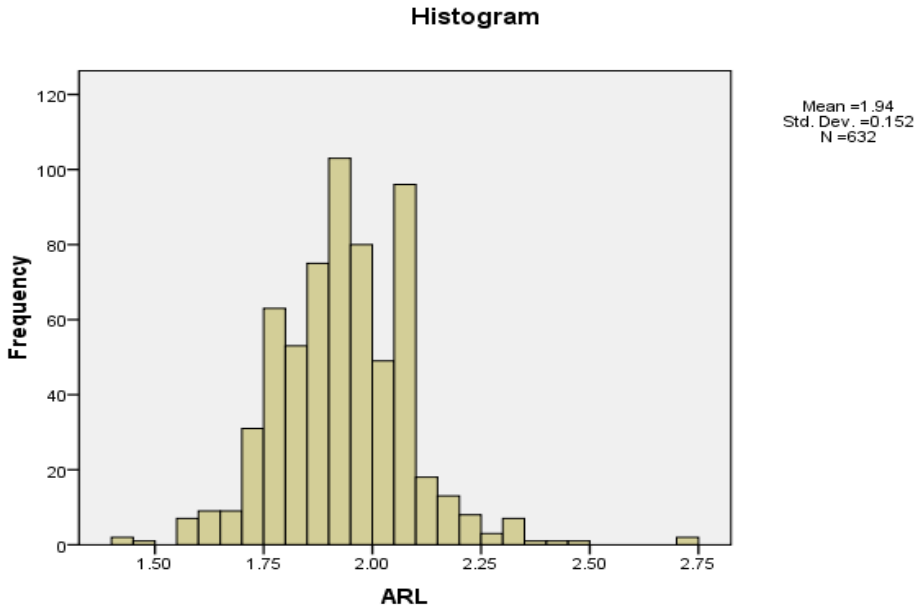
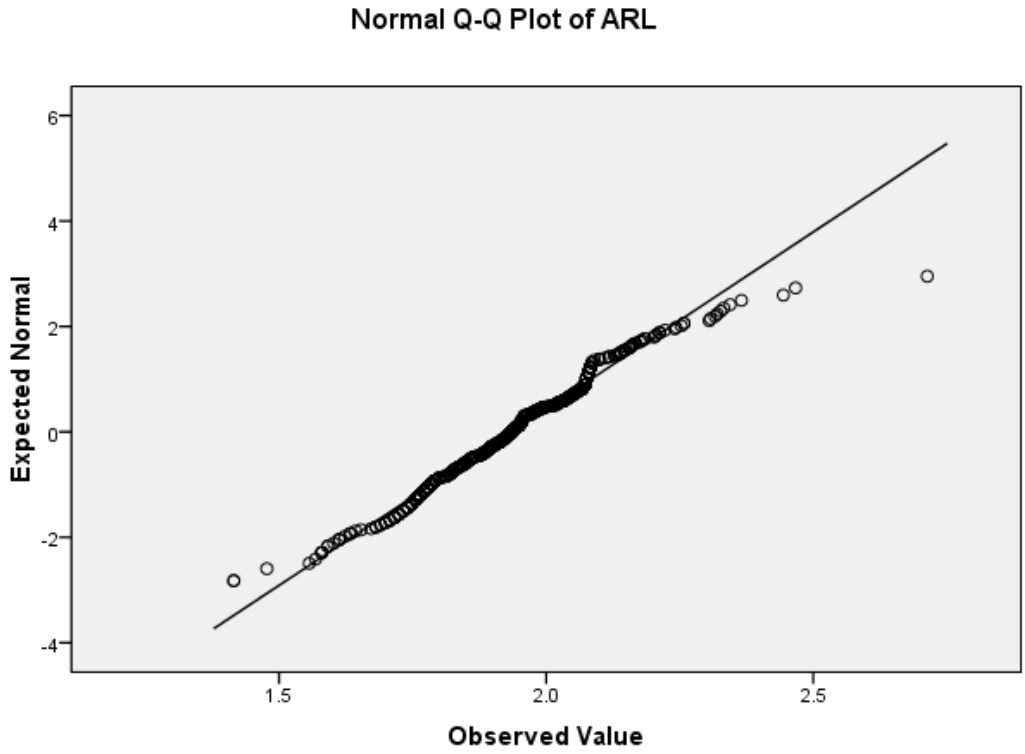


Figure 2: Q-Q Plot



4.3.6 Correlation Analysis

Consistent with Afify, (2009) and Owino, (2017), Pearson's correlation analysis was performed among the observed variables. All the independent variables had a negative relation to ARL apart from the number of independent directors, (coefficient=0.134, p-value=0.01). The observation is consistent to findings by (Afify, 2009, Odit, 2013 & Owino, 2017). All the audit committee variables are negatively associated with ARL; this could imply that an audit committee is vital in strengthening communication between management and the external auditor, and influences auditors' assessments of risks, audit hours and financial reporting, which subsequently shortens the ARL, (Afify, 2009).

4.3.7 Regression Model:

This study used pooled regression method to identify the corporate governance-related factors that influence ARL. The use of pooled regression was consistent with studies by Afify, (2009); Al-tahat, (2015); Ika & Ghazali, (2012), in their study of ARL. The ARL was transformed into natural logs to adjust for the diagnostic tests. Positive coefficients denote a positive relationship between the ARL and the independent variable while a negative coefficients denote negative relationships.

4.3.7.1 Kenya

Table 4. 12: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
Regression		1.64	11.00	0.15	8.17	.000[a]
Residual		8.33	456.00	0.02		
Total		9.98	467.00			

The model developed is a good fit, the F- Statistic is 8.659 which is greater than 1, with a significance level of 0.000 which is less than 0.05. The overall significance of regression model is measured by the F-test (Gujarati, 2012, Brooks, 2012), the model is significant since the p-value of the f-statistic is less than the level of significance, in this case, 0.05.

Table 4. 13: Goodness of fit of the regression model.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1.00	.406[a]	0.16	0.14	0.14	0.16	8.17	11.00	456.00	0.00

Table 4.13 indicates that the predictor variables account for 14.4% of the model variation with an R- Squared of 0.144. The model predicts the observed data at 40.6%.

Table 4. 14: Linear Regression Model for Kenya.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.13	0.06		38.60	0.00
Board Size	-0.02	0.01	-0.07	-1.56	0.12
Ind. Directors	0.03	0.02	0.10	2.13	0.03
Dir. Tenure	-0.03	0.02	-0.08	-1.88	0.06
Gender. Diversity	-0.09	0.03	-0.14	-3.13	0.00
AC. Size	-0.03	0.02	-0.09	-1.01	0.31
AC. Independence	0.03	0.03	0.11	1.30	0.19
AC. Fin. Expert	0.01	0.04	0.02	0.33	0.74
CEO.AC	-0.03	0.02	-0.09	-1.96	0.05
AC. Meeting	-0.05	0.02	-0.15	-3.01	0.00
Board. Meetings	-0.02	0.04	-0.02	-0.49	0.63
Auditor. Type	-0.17	0.02	-0.36	-7.92	0.00

In Kenya, the number of independent directors in the board, directors' tenure, gender diversity, presence of the CEO in the audit committee, frequency of audit committee meetings and the auditor type were the significant determinants of ARL. This was evidenced by the significant t-statistic ($p<0.05$). Of the eleven variables tested; the number of independent directors in the board, audit committee independence and audit committee financial expertise had a positive relation to ARL.

4.3.7.2 Tanzania

Table 4. 15: Analysis of Variance

Model	**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
Regression	0.97	11.00	0.09	4.97	.000[a]
Residual	1.60	90.00	0.02		
Total	2.57	101.00			

The model developed is a good fit, the F- Statistic is 4.97 which is greater than 1, with a significance level of 0.000 which is less than 0.05. The overall significance of regression model is measured by the F-test (Gujarati, 2012, Brooks, 2012), the model is significant since the p-value of the f-statistic is less than the level of significance, in this case, 0.05.

Table 4. 16: Goodness of fit of the regression model.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1.00	.615[a]	0.38	0.30	0.13	0.38	4.97	11.00	90.00	0.00

Table 4.16 indicates that the predictor variables account for 38% of the model variation with an R- Squared of 0.3. The model predicts the observed data at 61.5%.

Table 4. 17: Linear Regression Model for Tanzania

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
(Constant)		2.05	0.11		18.26	0.00
Board. Size		-0.12	0.04	-0.37	-3.34	0.00
Ind. Directors		0.13	0.10	0.16	1.25	0.22
Dir. Tenure		0.10	0.05	0.22	2.10	0.04
Gender. Diversity		0.28	0.17	0.17	1.63	0.11
AC. Size		-0.12	0.17	-0.33	-0.71	0.48
AC. Ind		0.05	0.17	0.13	0.28	0.78
AC. Fin. Expert		0.10	0.04	0.25	2.56	0.01
CEO.AC		-0.06	0.05	-0.13	-1.30	0.20
AC. Meeting		0.06	0.03	0.20	1.93	0.06
Board. Meetings		0.02	0.04	0.07	0.61	0.55
Auditor. Type		-0.28	0.06	-0.47	-4.68	0.00

In Tanzania, the board size, directors' tenure, audit committee financial expertise the auditor type were the significant determinants of ARL. The observation was evidenced by the significant t-statistic ($p<0.05$). Of the eleven variables tested; only the board size, audit committee size, presence of the CEO in the audit committee and auditor type had a negative relation to ARL.

4.3.7.3 Uganda

Table 4. 18: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
Regression		0.50	10.00	0.05	2.95	.008[a]
Residual		0.65	38.00	0.02		
Total		1.15	48.00			

The model developed is a good fit, the F- Statistic is 2.95 which is greater than 1, with a significance level of 0.008 which is less than 0.05. The overall significance of regression model is

measured by the F-test (Gujarati, 2012, Brooks, 2012), the model is significant since the p-value of the f-statistic is less than the level of significance, in this case, 0.05.

Table 4. 19: Goodness of fit- Uganda

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1.00	.661[a]	0.44	0.29	0.13	0.44	2.95	10.00	38.00	0.01

Table 4.19 indicates that the predictor variables account for 44% of the model variation with an R- Squared of 0.44. The model predicts the observed data at 66.1%.

Table 4. 20: Linear Regression Model for Uganda

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
(Constant)		2.13	0.22		9.54	0.00
Board. Size		0.01	0.06	0.02	0.13	0.90
Ind. Directors		0.03	0.08	0.07	0.41	0.68
Dir. Tenure		-0.05	0.09	-0.08	-0.61	0.55
Gender. Diversity		0.12	0.14	0.16	0.85	0.40
AC. Size		-0.09	0.07	-0.31	-1.41	0.17
AC. Ind		0.22	0.08	0.64	2.70	0.01
AC. Fin. Expert		-0.22	0.07	-0.66	-3.23	0.00
AC. Meeting		-0.01	0.05	-0.02	-0.11	0.91
Board. Meetings		-0.11	0.20	-0.11	-0.58	0.56
Auditor. Type		0.06	0.06	0.18	0.97	0.34

In Uganda, the audit committee independence and audit committee financial expertise the auditor type were significantly related to ARL as evidenced by the significant t-statistic ($p<0.05$). Of the eleven variables tested; only the directors' tenure, audit committee size, audit committee financial expertise, audit committee meetings and board meetings had a negative relation to ARL

4.3.7.4 Rwanda

Table 4. 21: Analysis of Variance- Rwanda

Model		Sum of Squares	df	Mean Square	F	Sig.
Regression		0.02	5.00	0.00	2.37	.146[a]
Residual		0.01	7.00	0.00		
Total		0.03	12.00			

The model developed is not a good fit, though, the F- Statistic is 2.95 which is greater than 1, the significance level is 0.146 which is greater than 0.05. The overall significance of regression model

is measured by the F-test (Gujarati, 2012, Brooks, 2012), the model is not significant since the p-value of the f-statistic is less than the level of significance, in this case, 0.05.

Table 4. 22: Goodness of fit of the model- Rwanda

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1.00	.793[a]	0.63	0.36	0.04	0.63	2.37	5.00	7.00	0.15

Table 4.22 indicates that the predictor variables account for 63% of the model variation with an R- Squared of 0.63. The model predicts the observed data at 79.3%.

Table 4. 23: Linear Regression Model for Rwanda.

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
(Constant)		1.94	0.03		70.87	0.00
Board. Size		-0.09	0.05	-0.89	-1.65	0.14
AC. Ind		0.08	0.04	0.76	1.87	0.10
AC. Fin. Expert		-0.02	0.04	-0.17	-0.38	0.72
AC. Meeting		-0.03	0.05	-0.31	-0.55	0.60
Board. Meetings		0.03	0.03	0.24	0.96	0.37

In Rwanda, none of the variables is significantly related to ARL, the t- statistic for all the variables is greater than 0.05 (p>0.05). The findings implies that there exist other determinants of ARL in Rwanda other than corporate governance factors.

Table 4. 24: East African Community States Coefficients Summary

Model		Regression Analysis Coefficients Summary			
		Kenya	Tanzania	Uganda	Rwanda
H1: Board. Size		-0.07	-0.37	0.02	-0.09
H2: Ind. Directors		0.10	0.16	0.07	
H3: Dir. Tenure		-0.08	0.22	-0.08	
H4: Gender. Diversity		-0.14	0.17	0.16	
H5: AC. Size		-0.09	-0.33	-0.31	
H6: AC. Ind		0.11	0.13	0.64	0.08
H7: AC. Fin. Expert		0.02	0.25	-0.66	-0.02
H8: CEO.AC		-0.09	-0.13		
H9: AC. Meeting		-0.15	0.20	-0.02	-0.03
H10: Board. Meetings		-0.02	0.07	-0.11	0.03
H11: Auditor. Type		-0.36	-0.47	0.18	

4.4 Relevance of audit Report Lag

4.4.1 Reliability Analysis

Cronbach's Alpha coefficient was relied on to determine the reliability of the questionnaire. Studies by Cortina (1993), Howarth & Westhead, (2003) and Cheng & Pike, (2003) suggested the use of Cronbach's Alpha coefficient to test for the internal reliability of an instrument.

A Cronbach's Alpha of 0.841 for 22 items indicate high internal consistency of the scale.

Table 4. 25: Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No. of Items
.869	.841	22

4.4.2 Response Rate

A total of 210 questionnaires were emailed on google docs; two questionnaires to 75 listed companies, one to the senior finance officials and one to the internal audit department, 20 to investment analysts in Nairobi, 20 to external auditors and 20 to the various regulators. Out of the 209 questionnaires issued, 116 responded giving a response rate of 55.2%.

4.4.3 Demographics

52.6%, N=61 of the respondents were female while 47.4%, N=55 were male. 24.8%, N=28 were senior accountants, 19.5%, N=20 were external auditors, 13.3%, N=15 were internal auditors, 14.2%, N=16 were finance managers, 20%, N= 23 were finance analysts and tax accountants, 8.2%, N=14 were in other related professions.

62.9%, N=73 had 5-10 years of working experience, 28.4%, N=33 had worked for between1-4 years, 5.25%, N=6 had worked for less than 1 year while 4%, N=4 had over 11 years of working experience. The findings revealed that majority of the respondents had CPA as a professional qualifications represented by 86.2%, N=100. Those with ACCA qualifications were 5.3%, N-6. The remaining 8.5% N=10 had either CFA, CISA, AIIK or CIMA qualifications. The respondents had the necessary knowledge to comprehend the questionnaire.

4.5 Relevance of ARL in investment making decisions among users of financial information

Respondents were asked 6 questions to find out the relevance of Audit Report Lag in their investment decisions on a Likert scale of 1 to 5 where 1- Strongly Disagree, 2- Disagree,3- Neutral, 4- Agree 5-Strongly Agree. The responses are summarized in Table 4.26 below:

Table 4. 26 : Relevance of ARL in investment decisions

Questions	1 Strongly Disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly Agree	Mean	Standard Deviation
The time taken for the auditor to review and sign greatly influences investment decisions.	6.03%	10.34%	10.34%	53.45%	19.83%	3.71	1.09
Early signing of auditor's report enhances the quality of financial reporting.	8.62%	20.69%	12.07%	37.93%	20.69%	3.41	1.27
Investment decisions are influenced by financial reporting timelines set by the various regulators.	2.59%	10.34%	13.79%	51.72%	21.55%	3.79	0.98
Published financials are a major source of information necessary for investment decisions.	0.86%	4.31%	2.59%	43.10%	49.14%	4.35	0.80
There is a higher preference for investing in the financial services sector (banking and insurance).	0.00%	12.07%	31.03%	36.21%	20.69%	3.59	0.93
There is a higher preference for investing in the Consumer and Industrial markets (FMCG, Telecommunication, Energy)	2.59%	10.34%	40.52%	38.79%	7.76%	3.38	0.86

From Table 4.26 above, the study observes that published financial statement constitute a significant source of information necessary for investment decisions in East Africa with an observed mean of 4.35, with a standard deviation of 0.8. More than 92% of the respondents agreed that published financial statement are a significant source of information for them to invest.

The respondents were further asked to rank the extent to which the financial factors influence their investment decision making. (1- To a very small Extent, 2- To a small extent,3- To a moderate extent, 4- To a large extent and 5-To a very large extent). The responses are summarized in Table 4.27 below:

Table 4. 27: Financial factors that influence investment decisions

	1	2	3	4	5		
	Very small extent	**Small extent**	**Moderate extent**	**Large extent**	**Very large extent**	**Mean**	**Standard deviation**
Past Dividends	2.59%	6.03%	19.83%	46.55%	25.00%	3.84	0.95
Financial ratios	1.72%	2.59%	23.28%	41.38%	31.03%	3.97	0.90
Recent Financial	0.86%	2.59%	7.76%	52.59%	36.21%	4.21	0.76
Performance Bonus given in recent years	3.45%	17.24%	25.00%	36.21%	18.10%	3.48	1.08
Daily reports of stock exchanges on gainers and losers	2.59%	7.76%	19.83%	33.62%	36.21%	3.93	1.05

From Table 4.27 above, the study observes that information in the recently published financial statements is a major influencer of investment decisions in East Africa. The observed mean is 4.21, with a standard deviation of 0.76, more than 88% of the respondents rely on information in the recently published financial statements for investment decisions.

From tables 4.26 and 4.27 above, it is evident that investors in the East African region rely on published financial accounts to make investment decisions. Timely corporate financial reporting is an essential ingredient for a well-functioning capital market (Ettredge et al., 2005) and undue delay in releasing financial statements increases uncertainty associated with investment decisions (Ashton et al., 1987). Developing markets are characterized by limited financial information and investors significantly rely on the published reports to make decisions (Afify, 2009), therefore in times of delay; the market speculates presence of bad news being concealed by managers of the company (Carslaw & Kaplan, 1991). One way of delaying bad news is delaying the audit report (Alkhatib & Marji, 2012 and Patrick & Benjamin, 1994).

4.6 Chapter Summary

The chapter began with the comparison of ARLs in East Africa using descriptive statistics. It was observed that Rwanda has the shortest ARL (86 days) while Tanzania had the longest ARL (103 days). A pooled regression analysis was used to identify the corporate governance factors that influence ARL; the findings varied on a country to country basis. The relevance of ARL for investment decisions cannot be underscored, evidenced from primary data collected and analyzed, this study contends that timely financial reporting is essential ingredient for a well-functioning capital market (Ettredge et al., 2005) and undue delay in releasing financial statements increases uncertainty associated with investment decisions (Ashton et al., 1987).

CHAPTER 5

DISCUSSION, CONCLUSION, AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the study, conclusions, recommendations and policy implications, limitations of the study and suggestions for future research.

5.2 Summary

The primary objective of this study was to establish the relevance of audit report lag and its corporate governance determinants among listed companies in the East African Community States. To address this objective, longitudinal, exploratory and descriptive research designs were adopted for, relying on both primary and secondary data.

In chapter one, the background of the study and the problem being resolved were discussed. The primary objective of the study and the three specific objectives were highlighted. The contribution of the study to theory and practice was also elaborated.

A detailed literature review was discussed in chapter two. This study derived its dependent and independent variables, and hypotheses from the agency theory, stakeholders' theory, and resource dependency theory, all discussed in chapter two.

The research methods used to carry out the study were discussed in chapter three. The research policy underpinning the quantitative and qualitative approach taken was discussed. This study adopted a quantitative approach (positivist approach) as it is more suited to explain the corporate governance attributes behind audit report lag. The researcher then described the research design adopted, the population and the variables studied. The data collection, data analysis and the various econometrics tests to be carried out were discussed as well as the research quality and ethical considerations made.

Data analysis, presentation, and interpretation was discussed in chapter four. Descriptive statistics were used to compare the difference in length of the audit report lag in Kenya, Uganda, Tanzania, and Rwanda. A pooled regression analysis was used to identify the corporate governance factors that influence ARL in East Africa.

5.3 Discussion of the Findings

This section discusses the findings of the study under each study objective

5.3.1 Difference in ARL among listed firms in the East African Community States

From the descriptive statistics observed, Rwanda had the shortest ARL (86 days) while Tanzania had the longest (103 days). Kenya and Uganda had ARLs of 88 days and 99 days respectively. The early reporting in Rwanda could be explained by the early regulatory requirement to submit tax returns not later than 90 days after year-end.

The Income Tax Law, No. 16/2005 requires that all companies operating in Rwanda file their Income tax returns by 31 March of the following tax period, (ninety days or three months after year end). A mean ARL of 86 days ARL indicates compliance to the tax regulations.

In Tanzania, the Income Tax Act, Cap 332, section 91 requires that all companies file their Income tax returns within three months (ninety days or three months) of the end of every financial year. A mean ARL of 103 days indicates that some companies in Tanzania are non-compliant.

The Income Tax Act, Cap 470 of Kenya and the Income Tax Act, Cap 340 of Uganda require that all companies operating in Kenya and Uganda respectively file their self-assessment returns within six months (180 days) of the end of every financial year. The mean ARLs of 88 days and 99 days indicated compliance to the tax regulations.

Studying the influence of Corporate governance on foreign investments in Tanzania, Nyaki, (2013) observed poor enforcement of laws and regulations. This led to a weak corporate governance framework. In 2016, the World Bank ranked Rwanda as the best country within East Africa to do business, (World Bank Doing Business Report, 2016). The report focused on governance and trade. The findings could imply that corporate governance framework in Rwanda is stronger than it is in Tanzania. Studies by Owino (2017) on the drivers of ARL among listed companies between 2006 and 2015 revealed that Kenyan companies had an average ARL of 87 days, one day shorter than this current study. The one day difference may be explained by the difference in the data analyzed, whereas Owino omitted all companies listed after 2006, the current study included all companies listed before and after 2007.

An industry analysis revealed that in Kenya, the telecommunication and technology sector had the shortest ARL, (49 days) while automobiles and accessories industry had the longest ARL (103

days). Each of these industries had one listed company, Safaricom Limited plc, and Car and General plc. Apart from the tax regulation in Kenya, the telecommunication and technology sector is highly regulated by the Communications Authority of Kenya. The automobiles and accessories sector is not highly regulated; this could explain the difference in the ARLs.

In Uganda, the manufacturing and allied Industry had the shortest ARL (51 days) while the construction and allied industry had the longest ARL (137 days). The only listed manufacturing and allied company in Uganda is British American Tobacco (BAT) while the only listed construction and allied company is Uganda Clay Limited. BAT is 70% owned by the parent company, British American Tobacco Investments Limited, London while Uganda Clay Limited is 85% owned by local institutions and individuals. The ownership structure could have an influence on ARL and that foreign-owned companies tend to report sooner.

In Tanzania, the construction and allied Industry had the shortest ARL, (82 days) while the Energy and Petroleum industry had the longest ARL, (192 days). This study observes that Tanzania has the longest ARL in EA.

In Rwanda, the Banking Industry had the shortest ARL (80 days) while both the telecommunication and technology and manufacturing and allied industries had ARLs of 86 days. These findings were consistent with Abidin & Ahmad-Zaluki, (2012) who found that compared to other sectors, banks had the shortest ARL in Malaysia (77 days). The only listed bank in Rwanda was Bank of Kigali. In Rwanda, banks are regulated by the National Bank of Rwanda. Article 71, of Law No. 48/2017 requires banks to provide the audited financials to the National Bank of Rwanda when requested to. There is no publishing timelines in Rwanda.

5.3.2 Corporate governance determinants of Audit Report Lag (ARL).

A Pooled Regression analysis revealed that: In Kenya, the number of independent directors in the board, directors' tenure, gender diversity, and presence of the CEO in the audit committee, frequency of audit committee meetings and the auditor type were the significant determinants of ARL. This was evidenced by the significant t-statistic ($p<0.05$).

In Tanzania, the board size, directors' tenure, audit committee financial expertise the auditor type were the significant determinants of ARL. This was evidenced by the significant t-statistic ($p<0.05$).

In Uganda, the audit committee independence and audit committee financial expertise were the significant determinants of ARL. This was evidenced by the significant t-statistic ($p<0.05$).

In Rwanda, none of the variables is significantly related to ARL, the t- statistic for all the variables is greater than 0.05 ($p>0.05$). This implies that there exist other determinants of ARL in Rwanda other than corporate governance factors.

5.3.2.1 Board Size

From the study findings, board size significantly influences ARL in Tanzania. Boards with more than eight directors had shorter ARLs, consistent with observations by Abdul-Rahman & Mohamed-Ali (2006) and Akhtaruddin, Hossain, & Yao, (2009) who argued that larger board sizes have collective expertise and are more capable of executing their duties. Hussainey and Wang, (2010) further observed that such boards have minimal management supervision. Also, Jensen (1993) observed that boards with eight members had efficient and effective performance while Ezat and El-Masry (2008) reported shorter ARLs in companies with large boards. An increase in the board size by one director implies that the ARL in Tanzania will reduce by 37 days.

5.3.2.2 Board Independence

In the Kenya, board independence significantly influenced ARL. Directors' independence was positively related to ARL. These findings contradicted findings by John and Senbet (1998); Duchin et al (2010); Fama and Jensen (1983) and Afify, (2009) and imply that more independent boards (more than a third of board directors being independent), may not likely act better in the best interest of the shareholders. An increase in the independent directors by one implies that the ARL in Kenya, 10 days.

5.3.2.3 Director's Tenure.

Directors' tenure significantly influences ARL in Kenya and Tanzania. In Kenya, directors' tenure is negatively related to ARL. Bebchuk, Fried, and Walker, (2002) suggested that a new directors may be overly deferential while long-tenured directors may have more information and experience, hence faster monitoring implying a shorter ARL. In Tanzania Director' tenure was positively related to ARL. Katz (1982) found that extended tenure reduced intra group communication, and isolates groups from key information sources implying slower monitoring and longer ARLs.

An increase in the director's tenure by one year implies that the ARL in Kenya will decrease by 8 days and increase in Tanzania by 22 days.

5.3.2.4 Gender Diversity

In Kenya, there was a significant negative relation between board gender diversity and ARL; this was consistent with findings by Odit (2013) studying ARL in Kenya. This was consistent with findings by (Adams & Ferreira, 2009). In 2009, Adams and Ferreira observed that when women are involved in monitoring related committees, firms observe increased transparency. Additionally, boardroom gender diversity is positively related to audit effort and may reduce the ARL (Srinidhi, Gul, & Tsui, 2011). An increase in the number of female directors by one implies that the ARL in Kenya would decrease by 14 days.

5.3.2.5 Audit Committee Independence.

The relation between audit committee independence and ARL is significant among Uganda listed companies. Audit committee independence is positively related to ARL in Uganda. This implies the more independent the audit committee is, the longer financial report lag. These findings contradict the proponents of the agency theory, who argue that independent audit committees are less likely to be compromised and that they work for the benefit of the shareholders. Furthermore, a more independent audit committee is better placed in dealing with external auditor and mediation of disputes, shortening the ARL(Klein, 2002 and Bedard, Chtourou & Courteau, 2004).

An increase in the audit committee independence by one director implies that the ARL in Uganda would increase by 64 days.

5.3.2.6 Audit Committee Financial Expertise

Financial expertise of the audit committee has a significant, positive relation to ARL Kenya and Tanzania. This findings are consistent with conclusions by Emeh, (2013) studying the Nigerian listed companies but contradict the Agency theorists who argue that audit committee members with financial expertise enhance the audit committee's ability by ensuring that the work of the external auditors is competently done, reducing ARL. An audit committee with financial expertise implies that the ARL in Kenya and Tanzania would increase ARL by 2 and 25 days respectively.

5.3.2.7 CEO in Audit Committee

The presence of the CEO in the audit committee has a significant, negative association with ARL in Kenya. The CEO present in the audit committee is more concerned with strategic, operational and financing decisions Bertrand & Schoar, (2003) and financial reporting decisions, (Bamber *et al.*, 2010 and Bergstresser & Philippon, 2006). They also have sufficient knowledge and

experience about the audit processes, hence the annual audit proceeds promptly, with fewer errors and required adjustments (Jiang *et al.*, 2013). The presence of the CEO in the audit committee implies that the ARL in Kenya reduced by 9 days.

5.3.2.8 Audit Committee Meetings.

In Kenya and Uganda, the frequency of audit committee meetings is significant but negatively related to ARL. These findings are consistent with observations (Mohamad-Nor et al. 2010, Abernathy et al. 2011, Wan-Hussin and Bamahros 2013). Research by Krishnan & Visvanathan, (2007) reveal that a more industrious audit committee is less likely to issue fraudulent financial reports and is more likely to detect and report internal control weaknesses reducing audit time. Recent financial reporting timeliness predict an inverse association between audit committee financial expertise and financial reporting timeliness (Mohamad-Nor et al., 2010; Abernathy et al. 2011 and Wan-Hussin & Bamahros 2013). An extra audit committee meeting implies that the ARL in Kenya and Uganda would reduce by 15 and 2 days respectively.

5.3.2.9 Auditor Type.

The auditor type has a significant, but negative relation to ARL in Kenya and Tanzania. These findings are consistent with observations by Leventis et al. (2005); Apadore and Mohd Noor, (2013); Alali and Elder, (2014) and Ahmed and Che-Ahmad, (2016). Compared to companies audited by other audit firms, listed companies in Kenya and Tanzania audited by Deloitte, KPMG, EY, and PWC have shorter ARL's. The study suggests that if a listed company in Kenya and Tanzania is audited by a big 4 audit firm, its ARL would reduce by 36 and 47 days.

5.4 Relevance of ARL in investment decisions

Descriptive statistics were used to establish the relevance of audit report lag in investment making decisions in the East Africa Community States. The findings from the questionnaire were analyzed and it is evident that investors in the East African region rely on published financial accounts to make investment decisions (see tables 4.26 and 4.27).

The study observes that published financial statement are a significant source of information necessary for investment decisions in East Africa, observed mean of 4.35, standard deviation of 0.8. More than 92% of the respondents agreed that published financial statement are a significant source of information for them to invest. These observation could imply that developing markets are characterized by limited financial information and investors significantly rely on the published

reports to make decisions (Afify, 2009). Delay in releasing financial statement brings about uncertainty as information needed to make decisions is contained in the financial statements (Ashton, Graul, & Newton, 1989). Knechel and Payne (2001) noted that longer audit report lags were associated with lower information quality. Also, unwarranted delays in releasing financial statements increases uncertainty associated with investment decisions (Ashton et al., 1987). In times of delay; the market speculates presence of bad news being concealed by managers of the company (Carslaw & Kaplan, 1991). One way of delaying bad news is delaying the audit report (Alkhatib & Marji, 2012; Patrick & Benjamin, 1994). Timely corporate financial reporting is an essential ingredient for a well-functioning capital market (Ettredge et al., 2005). The accounting profession has recognized that the timeliness of reports is an essential quality to the users of financial information (Soltani, 2002).

5.5 Conclusion

Guided by the agency theory, stakeholder theory and resource- dependency theory, this study provides empirical evidence on the relevance of audit report Lag and its corporate governance determinants on listed companies in the East African Community States.

There is a significant difference in audit report lags in the four countries, Rwanda has the shortest ARL (86 days) while Tanzania has the longest ARL (103 days). The findings suggest that varying ownership structures (foreign or local), regulatory framework, and industry could influence the length of ARL in the East African Community States.

The significance of the corporate governance determinants on audit report lag differed from country to country. In Kenya, the number of independent directors in the board, directors' tenure, gender diversity, presence of the CEO in the audit committee, frequency of audit committee meetings and the auditor type were the significant determinants of ARL. This was evidenced by the significant t-statistic ($p<0.05$). In Tanzania, the board size, directors' tenure, audit committee financial expertise and the auditor type were the significant determinants of ARL. This was evidenced by the significant t-statistic ($p<0.05$). In Uganda, the audit committee independence and audit committee financial expertise were the significant determinants of ARL. This was evidenced by the significant t-statistic ($p<0.05$). In Rwanda, none of the variables is significantly related to ARL, the t- statistic for all the variables is greater than 0.05 ($p>0.05$). This implies that there exist other determinants of ARL in Rwanda other than corporate governance factors.

The observations from the primary data analyzed suggested that investors in the East African Community States rely on published financial reports for investment decisions, this findings were consistent with observations by Afify, (2009) who opined that in developing nations, limited financial information characterize the securities markets and investors significantly rely on the published reports to make decisions.

This study finds that the knowledge of the determinants of ARL is essential for listed companies in East African Community States for promoting capital market efficiency.

5.6 Research implications

5.6.1 To regulators

The study provide insight to policymakers and regulators on the specific corporate governance determinants influencing ARL that influence audit report lag within the EAC states.

The relevance of ARL and high dependence on published financials by investors justify the resources spent in implementing policies and regulations within the EAC states by the regulators

5.6.2 To researchers and academicians

The study extends to literature the knowledge of the relevance and determinants of corporate governance determinants ARL in Kenya, Uganda, Tanzania, and Rwanda. To the best knowledge of the researcher, audit report lag has not been studied in Ugandan, Tanzanian and Rwanda

5.6.3 To Investors

Given the importance of published financials, investors can adjust their market preferences in good time and choose the market to invest in.

5.6.4 To Auditors

Understanding the corporate governance factors influencing ARL in the EAC states is likely to provide more insights into audit efficiency (Leventis, Weetman, & Caramanis, 2005; Walker & Hay, 2007). The relevance of ARL for investment decisions should motivate auditors to promptly perform their audit procedures.

5.7 Contribution to knowledge

This study builds on to the existing corporate governance and audit report lag empirical literature by determining the corporate governance factors that influence audit report lag in East Africa. Also, with the opening up of the East African Capital market, the comparison of the four countries ARL's should inform investors on when and where to invest.

5.8 Limitations of the study

Based on the objectives of the study, the empirical literature investigated the relationship between audit report lag and the eleven variables that were thought to be the most relevant based on previous empirical studies. This study restricts itself to these eleven corporate governance factors. Company- related characteristics, auditor-related characteristics and the wider economic and institutional factors of law enforcement, governance and commerce that remarkably influence auditing processes are not considered. The effectiveness of the board of directors and the audit committee may also be affected by the organizational context in which they operate since they do not operate alone in an organization (Turley and Zaman, 2004).

Second, this study reviews the effectiveness of corporate governance factors only from externally available information (annual financial report). This study did not use other measures of effectiveness that would have enhanced interaction with the board of directors and audit committee members like surveys or interviews.

5.6 Areas of further studies

The study was limited to corporate governance factors influencing ARL in the East Africa Community States. Other corporate governance- related, company-related and auditor- related drivers of ARL should be studied within the East African region. The study relied heavily on annual reports as the main source for the drivers of ARL, data collection techniques that enhance interactions with the board of directors and audit committee members like surveys or interviews can be used as board and audit committee effectiveness may be influenced by the organizational environment in which they operate in (Turley and Zaman, 2004).

REFERENCES

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. https://doi.org/10.1111/ijau.12083

Abbott, L. J., Parker, S., & Peters, G. F. (2004). Audit committee characteristics and restatements. *Auditing: A Journal of Practice & Theory*, *23*(1), 69–87.

Abbott, L. J., Parker, S., Peters, G. F., & Raghunandan, K. (2003). An empirical investigation of audit fees, nonaudit fees, and audit committees. *Contemporary Accounting Research*, *20*(2), 215–234.

Abbott, L., Parker, S., & Peters, G. (2012). Internal Audit Assistance and External Audit Timeliness. *A Journal of Practice & Theory*, *34*(4), 3–20.

Abd-Elsalam, O. H., & El-Masry, A. (2008). The impact of board independence and ownership structure on the timeliness of corporate internet reporting of Irish-listed companies. *Emerald Insight*, *34*(12), 848–867. https://doi.org/10.1108/03074350810915842

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.

Abdul-Rahman, R., & Mohamed-Ali, F. H. (2006). Board, audit committee, culture and earnings management: Malaysian evidence. *Managerial Auditing Journal*, *21*(7), 783–804.

Abdullah, S. N., Mohamad-Yusof, N. Z., & Mohamad-Nor, M. N. (2010). Financial restatement and corporate governance among Malaysian listed companies. *Managerial Auditing Journal*, *25*(6), 526–552.

Aboagye-Otchere, F., Bedi, I., & Kwakye, O. (2012). Corporate governance and disclosure practices of Ghanaian listed companies. *Journal of Accounting in Emerging Economies*, *2*(2), 140–161.

Acemoglu, D., Johnson, S., & Robinson, J. A. (2001). The Colonial Origins of Comparative Development: An Empirical Investigation,. *American Economic Review*, *9*, 1369–1401.

ACGN. (2016). *State of Corporate Governance in Africa: An overview of 13 countries*. Retrieved from

http://www.iodkenya.co.ke/assets/resource/52a55520521edb893dc45a0af3c4197e.pdf

Adams, R. B., & Ferreira, D. (2009). Women in the boardroom and their impact on governance and performance. *Journal of Financial Economics*, *94*(2), 291–309.

Afify, H. a. E. (2009). Determinants of audit report lag. *Journal of Applied Accounting Research*, *10*(1), 56–86. https://doi.org/10.1108/09675420910963397

Agus, M., Indrarini, H., Lee, L. R., Harjoto, M. A., Laksmana, I., & Lee, R. (2015). The impact of demographic characteristics of CEOs and directors on audit fees and audit delay. *Managerial Auditing Journal*, *309*(8), 998–1022. https://doi.org/10.1108/MAJ-01-2015-1147

Agyeman, S. K. (2010). *Challenges facing venture capitalists in developing economies An empirical study about venture capital industry in Ghana*. Umeå University.

Ahearne, A. G., Griever, W. L., & Warnock, F. E. (2004). Information costs and home bias: an analysis of US holdings of foreign equities. *Journal of International Economics*, *62*(2), 13–336.

Ahmad-Zaluki, N. A., & Wan-Hussin, W. N. (2010). Corporate governance and earnings forecasts accuracy. *Asian Review of Accounting*, *18*(1), 50–67.

Ahmad, R. A. ., & Kamarudin, K. A. (2003). Audit delay and the timeliness of corporate reporting: Malaysian evidence.

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

Al-Arussi, A. S., Selamat, M. H., & Mohd-Hanefah, M. (2009). Determinants of financial and environmental disclosures through the internet by Malaysian companies. *Asian Review of Accounting*, *17*(1), 59–76.

Al-tahat, S. S. Y. (2015). Timeliness of Audited Financial Reports of Jordanian Listed Companies. *International Journal of Management*, *3*(2), 39–47.

Alkhatib, K., & Marji, Q. (2012). Audit Reports Timeliness: Empirical Evidence from Jordan. *Procedia - Social and Behavioral Sciences*, *62*, 1342–1349. https://doi.org/10.1016/j.sbspro.2012.09.229

Alves, P., Peter, F., & Steven, Y. (2011). Cross-Border Information Transfers: Evidence from Profit Warnings Issued by European Firms. *Accounting and Business Research*, *39*(5), 449–472.

Alzheimer Europe. (2009). Philosophies guiding research. Retrieved December 25, 2016, from http://www.alzheimer-europe.org/Research/Understanding-dementia-research/Types-of-research/Philosophies-guiding-research

Anderson-Gough, F., Grey, C., & Robson, K. (2005). "Helping them to forget..": the organizational embedding of gender relations in public audit firms. *Accounting, Organizations and Society*, *30*(5), 469–490.

Apadore, K., & Mohd Noor, M. (2013). Determinants of Audit Report Lag and Corporate Governance in Malaysia. *International Journal of Business & Management*, *8*(15), 151–163. https://doi.org/10.5539/ijbm.v8n15p151

Arrow, K. (1971). *Essays in the theory of risk bearing*. Chicago: Markham.

Arshad, Z., & Gondal, M. Y. (2013). Impact of working capital management on profitability a case of the Pakistan cement industry. *Interdisciplinary Journal of Contemporary Research in Business*, *5*(2), 384–390.

Ashton, R. ., Willingham, J. ., & Elliott, R. K. (1987). An empirical analysis of audit delay. *Journal of Accounting Research*, *25*(2), 275–92.

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.

Ashton, R. H., Willingham, J. J., & Elliot, R. K. (1987). An empirical analysis of audit delay. *Journal of Accounting Research*, *25*, 275–292.

Ayiro, L. (2016, December 31). Matiang'i radical reforms were inevitable. *Standard Digital*. Retrieved from https://www.standardmedia.co.ke/article/2000228425/matiang-i-radical-reforms-were-inevitable

Baatwah, S. R., Salleh, Z., & Ahmad, N. (2015). CEO characteristics and audit report timeliness: do CEO tenure and financial expertise matter? *Managerial Auditing Journal*, *30*(8/9), 998–1022. https://doi.org/10.1108/MAJ-09-2014-1097

Bamber, L. S., Jiang, J., & Wang, I. Y. (2010). What's my style? The influence of top managers on voluntary corporate financial disclosure. *Accounting Review*, *85*(4), 1131–1162. https://doi.org/10.2308/accr.2010.85.4.1131

Balsam, S., Krishnan, J., & Yang, J. S. (2003). Auditor industry specialization and earnings quality. *Auditing: A Journal of Practice & Theory*, *22*, 71–97.

Bamber, M., Bamber, L., & Schoderbek, M. (1993). Audit structure and other determinants of

audit report lag: an empirical analysis. *Auditing: A Journal of Practice and Theory*, *12*(1), 1–23.

Baumgartner, M. S., & Schneider, D. E. (2010). Perceptions of women in management: A thematic analysis of razing the glass ceiling. *Journal of Career Development*, *37*(2), 559–576.

Beasley, M. S. (1996). An Empirical Analysis of the Relation between the Board of Director Composition and Financial Statement Fraud Linked references are available on JSTOR for this article : An Empirical Analysis of the Relation Between the Board of Director Composition and F, *71*(4), 443–465.

Bebchuk, L., Fried, J. M., & Walker, D. I. (2002). Managerial Power and Rent Extraction in the Design of Executive Compensation. *University of Chicago Law Review*, *69*, 751–846. https://doi.org/10.1017/CBO9781107415324.004

Bergstresser, D., & Philippon, T. (2006). CEO incentives and earnings management. *Journal of Financial Economics*, *80*(3), 511–529. https://doi.org/10.1016/j.jfineco.2004.10.011

Blankley, A. I., Hurtt, D. N., & MacGregor, J. E. (2015). Are lengthy audit report lags a warning signal? *Current Issues in Auditing*, *9*(2), P19–P28. https://doi.org/10.2308/ciia-51215

Bokpin, G. A., Isshaq, Z., & Nyarko, E. S. (2015). Corporate disclosure and foreign share ownership: empirical evidence from African countries. *International Journal of Law and Management*, *57*(5), 417–444. https://doi.org/10.1108/IJLMA-01-2014-0004

Bradbury, Mak, & Tan. (2006). Board Characteristics, Audit Committee characteristics and Abnormal Accruals. *Statewide Agricultural Land Use Baseline 2015*, *1*(March). https://doi.org/10.1017/CBO9781107415324.004

Byrd, J., Cooperman, E. S., & Wolfe, G. A. (2010). Director tenure and the compensation of bank CEOs. *Managerial Finance*, *36*(2), 86–102. https://doi.org/10.1108/03074351011014523

Cadbury Committee. (1992). *The Financial Aspects of Corporate Governance: A Report of the Committee on Corporate Governance*. London.

Cai, C. X., Keasey, K., & Short, H. (2006). Corporate governance and information efficiency in security markets. *European Financial Management*, *12*(5), 763–787.

Calder, B. J., Phillips, L. W., & Tybout, A. M. (1982). The Concept of External Validity. *Journal of Consumer Research*, *9*(3), 240. https://doi.org/10.1086/208920

Capital Markets and Securities Authority. (2002). Guidelines on Corporate Governance Practices By Public Listed Companies in Tanzania, 1–20.

Capital Markets Authority. (2002). Guidelines on Corporate Governance practices by Public Listed Companies in Kenya, (3362), 469–494.

Capital Markets Corporate Governance, & Guidelines. (2003). The Capital Market Corporate Governance Guidelines. Guidelines, 1–14.

Carcello, J. V. (2000). Audit Committee Composition and Corporate Reporting. *Society*, 1–22. https://doi.org/10.2139/ssrn.141615

Carter, D. A., Simkins, B. J., & Simpson, W. G. (2003). Corporate Governance, Board Diversity, and Firm Value. *The Financial Review*, *38*, 33–53. https://doi.org/10.1111/1540-6288.00034

Catherine M . Daily , Dan R . Dalton, A. A. . C. J. (2003). Corporate Governance : Decades of Dialogue and Data Author (s): Catherine M . Daily , Dan R . Dalton , Albert A . Cannella Jr . Source : The Academy of Management Review , Vol . 28 , No . 3 (Jul ., 2003), pp . 371-382 Published by : Academy of Management, *28*(3), 371–382.

Castro-Schilo, L., & Ferrer, E. (2013). Comparison of Nomothetic Versus Idiographic-Oriented Methods for Making Predictions About Distal Outcomes From Time Series Data. *Multivariate Behavioral Research*, *48*, 175–207.

Cerbioni, F., & Parbonetti, A. (2007). Exploring the effects of corporate governance on intellectual capital disclosure: An analysis of European biotechnology companies. *European Accounting Review*, *16*(4), 791–826.

Chambers, A., & Penman, S. (1984). Timeliness of Reporting and the Stock Price Reaction to Earnings Announcements. *Journal of Accounting Research*, *22*(1), 21–47.

Charreaux, G. (1997). Vers une théorie du gouvernement des entreprises. *Le Gouvernement Des Entreprises: Corporate Governance, Théories et Faits*, 421–469. https://doi.org/10.3166/RFG.253.189-212

Che-Ahmad, A., & Abidin, S. (2009). Audit delay of listed companies: A case of Malaysia. *International Business Research*, *1*(4), 32.

Chen, C. J. P., & Jaggi, B. (2000). Association between independent non-executive directors, family control and financial disclosures in Hong Kong. *Journal of Accounting and Public Policy*, *19*(4), 285–310.

Chen, K. C. W., Chen, Z., & Wei, K. C. J. (2009). Legal Protection of Investors, Corporate Governance, and the Cost of Equity Capital. *mmmJournal of Corporate Finance*, *15*(273–289).

Cheng, E. C. M., & Courtenay, S. M. (2006). Board composition, regulatory regime, and voluntary disclosure. *International Journal of Accounting*, *41*(3), 262–289.

Connelly, B. L., Certo, S. T., Ireland, D., & Reutzel, C. R. (2011). Signaling theory: A review and assessment. *Journal of Management*, *37*(1), 39–67. https://doi.org/10.1177/0149206310388419

Cooper, D. R., & Schindler, P. S. (2010). *Business Research Methods* (11th ed.). New York: McGraw - Hill. 71

Cornelius, P. (2005). Good corporate practices in poor corporate governance systems. *Corporate Governance: The International Journal of Business in Society*, *5*(3), 12–23. https://doi.org/10.1108/14720700510604661

Costello, A. B., & Osborne, J. W. (2005). Best Practices in Exploratory Factor Analysis: Four Recommendations for Getting the Most From Your Analysis. *Practical Assessment, Research and Evaluation*, *10*, 1–5.

Courtis, J. K. (1976). Relationships between timeliness in corporate reporting and corporate attributes. *Accounting and Business Research, 25, 45–56.*, *25*, 45–56.

Cohen, J. R., Krishnamoorthy, G., & Wright, A. M. (2004). Corporate governance mosaic and financial reporting. *Journal of Accounting Literature*, *23*, 87–152.

Creswell, J. W. (2007). Research Design: Qualitative, Quantitative and Mixed Method Approaches. *SAGE Publications*, 203–223. https://doi.org/10.4135/9781849208956

da Silveira Di Miceli, A., Leal, R. P. C., Barros, L. A. B. de C., & Carvalhal-da-Silva, A. L. (2009). Evolution and determinants of firm-level corporate governance quality in Brazil. *Revista de Administração*, *44*(3), 173–189. Retrieved from http://papers.ssrn.com/sol3/papers.cfm?abstract_id=995764

Daily, C. M., & Dalton, D. R. (1994). Bankruptcy and Corporate Governance : The Impact of Board Composition and Structure, *37*(6), 1603–1617.

DeZoort, F. T., Hermanson, D. R., Archambeault, D. S., & Reed, S. A. (2002). Audit committee effectiveness: A synthesis of the empirical audit committee literature. *Journal of Accounting Literature*, *21*, 38–75.

Dao, M., & Pham, T. (2014). Audit tenure, auditor specialization, and audit report lag. *Managerial Auditing Journal*, *29*(6), 490–512. https://doi.org/10.1108/MAJ-07-2013-0906

Darrough, M. N., & Stoughton, N. M. (1990). Financial disclosure policy in an entry game. *Journal of Accounting and Economics*, *12*(1–3), 219–243.

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

DeFond, M. L., Hann, R. N., & Hu, X. (2005). Does the market value financial expertise on audit committees of boards of directors? *Journal of Accounting Research*, *43*(2), 153–93.

Demise, N. (2006). OECD principles of corporate governance. *Corporate Governance in Japan: From the Viewpoints of Management, Accounting, and the Market*, 109–117. https://doi.org/10.1007/978-4-431-30920-8_10

DeZoort, F. T., & Salterio, S. E. (2001). The effects of corporate governance experience and financial reporting and audit knowledge on audit committee members' judgments. *Auditing: A Journal of Practice and Theory*, *20*(2), 31–47.

Dibra, R. (2016). Corporate Governance Failure: The Case Of Enron And Parmalat, *12*(16), 283–290. https://doi.org/10.19044/esj.2016.v12n16p283

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), 773–784.

Donaldson, T., Preston, L. E., & Preston, L. E. E. E. (1995). Stakeholder Theory: Concepts, Evidence, Corporations and its Implications. *Management*, *20*(1), 65–91. https://d

Dodd, P., Dopuch, N., Holthausen, R., & Leftwich, R. (1984). Qualified audit opinions and 72 stock prices: Information content, announcement dates, and concurrent disclosures. *Journal of Accounting and Economics*, *6*, 3–38. oi.org/10.2307/258887

Eghliaow, S. M. (2013). An Empirical Examination Of The Determinants Of Audit Delay In Libya. *British Accounting Review*, *26*(July), 43–59. https://doi.org/10.1006/bare.1994.1005

Eisenhardt, K. M. (1989). Agency Theory : An Assessment and Review Linked references are available on JSTOR for this article : Agency Theory : An Assessment and Review, *14*(1), 57–74.

Emeh, Y. (2013). Audit Committee And Timeliness Of Financial Reports: Empirical Evidence

From Nigeria. *Issn*, *4*(20), 2222–1700. Retrieved from www.iiste.org

Fama, E. F. (1980). Agency Problems and the Theory of the Firm Agency Problems and the Theory of the Firm, *88*(2), 288–307.

Ferrero-Ferrero, I., Fernández-Izquierdo, M. Á., & Muñoz-Torres, M. J. (2015). Age diversity: An empirical study in the board of directors. *Cybernetics and Systems*, *46*(3–4), 249–270. https://doi.org/10.1080/01969722.2015.1012894

Freeman, R. E. (2004). The Stakeholder Approach Revisited. *Zeitschrift Für Wirtschafts-Und Unternehmensethik*, *5*(3), 228–241. https://doi.org/10.3763/jsfi.2010.0008

Gerde, V. W., Silva, P., White, C. G., Gerde, V. W., Silva, P., & White, C. G. (2017). Balanced Relationships among the Board of Directors and Top Management, (8).

Ghosh, A. (Al), & Tang, C. Y. (2015). Assessing financial reporting quality of family firms: The auditors' perspective. *Journal of Accounting & Economics*, *60*(1), 95–116. https://doi.org/10.1016/j.jacceco.2015.03.002

Givoly, D., & Palmon, D. (1982). Timeliness of Annual Earnings Announcements: Some Empirical Evidence. *The Accounting Review*, *57*(3), 486–508. Retrieved from http://www.jstor.org/stable/246875

Gujarati, D., & Porter, D. (2009). *The McGraw-Hill Series*. (A. E. H. N. Fox, Ed.) (5th ed.). Irwin: The McGraw-Hill Companies.

Hambrick, D. C., & Mason, P. A. (1984). Upper Echelons: The Organization as a Reflection of Its Top Managers. *Academy of Management Review*, *9*(2), 193–206. https://doi.org/10.5465/AMR.1984.4277628

Hillman, A. J., & Dalziel, T. (2003). Boards of Directors and Firm Performance: Integrating Agency and Resource Dependence The Academy of Management Review Boards of directors and firm performance: Integrating Agency and Resource Dependence Perspectives. *Source: The Academy of Management Review Academy of Management Review*, *28*(3), 383–396. Retrieved from http://www.jstor.org/stable/30040728%5Cnhttp://about.jstor.org/terms

Ilaboya, & Christian, I. (2014). Corporate governance and audit report lag in Nigeria. *Asian Academy of Management Journal of Accounting and Finance*, *6*(2), 57–84.

Jensen, M., & Meckling, W. (1976). Theory of the firm: managerial behaviour, agency costs, and ownership structure. *The Economic Nature of the Firm*, 283–303.

https://doi.org/10.1017/CBO9780511817410.023

Joseph Mpeera Ntayi, P. N. and C. S. K. (2013). Moral Schemas and Corruption in Ugandan Public Procurement. *International Electronic Journal of Elementary Education*, *7*(3), 301–318. https://doi.org/10.1007/s

Khasharmeh, H. A., & Aljifri, K. (2010). Thr Timeliness of Annual Reports in Bahrain and UniteArab Emirates; An Empirical Comparative Study, *4*(1), 51–72.

Laiho, T. (2011). Agency theory and ownership structure-Estimating the effect of ownership structure on firm performance. *International Conference on Economics, Management and Development*, 87. https://doi.org/10.1504/IJBGE.2013.052740

Lee, H.-Y., & Jahng, G.-J. (2008). Determinants Of Audit Report Lag: Evidence From Korea - An Examination Of Auditor-Related Factors. *Journal of Applied Business Research (JABR)*, *24*(2). https://doi.org/10.19030/jabr.v24i2.1352

Leventis, S., & Caramanis, C. (2005). Determinants of audit time as a proxy of audit quality. *Managerial Auditing Journal*, *20*(5), 460–478. https://doi.org/10.1108/02686900510598821

Lei.L.L, & Neal. L. T., Suny. Y.Z & Ivy X. (2016). CEO Power , Internal Control Quality , and Audit Committee Effectiveness in Substance vs . in Form.

Lo, Q. C. and K. (2008). Insider trading and voluntary disclosure. *International Journal of Theoretical and Applied Finance*, *11*(2), 143–162. https://doi.org/10.1142/S0219024908004750

Lopes, A. B., & de Alencar, R. C. (2010). Disclosure and cost of equity capital in emerging markets: The Brazilian case. *International Journal of Accounting*, *45*(4), 443–464. https://doi.org/10.1016/j.intacc.2010.09.003

Mahajan, P., & Chander, S. (2008). Determinants of timeliness of corporate disclosure of selected companies in India. The IUP. *Journal of Accounting Research and Audit Practices*, *7*(4), 28–63.

Mak, Y. T., & Li, Y. (2001). Determinants of corporate ownership and board structure: Evidence from Singapore. *Journal of Corporate Finance*, *7*(3), 236–256.

Mande, V., & Son, M. (2011). Do audit delays affect client retention? *Managerial Auditing Journal*, *26*(1), 32–50. https://doi.org/10.1108/02686901111090826

Mardikyan, S., & Çetin, E. (2008). Efficient Choice of Biasing Constant for Ridge Regression. *International Journal of Contemporary Mathematical Sciences*, *3*(11), 527–536.

Masli, A., Peters, G. F., Richardson, V. J., & Sanchez, J. M. (2010). Examining the potential benefit of internal control monitoring technology. *The Accounting Review*, *85*(3), 1001–1034.

Mathuva, D., Mboya, J., & Mcfie, J. (2016). Achieving legitimacy through co-operative governance and social and environmental disclosure by credit unions in a developing country. *Journal of Applied Accounting Research*.

Mathuva, D., Mcfie, J., & Mboya, J. (2016). Of Applied Accounting Research Achieving legitimacy through co-operative governance and social and environmental disclosure by credit unions in a developing country. *Journal of Applied Accounting Research*.

Matos, J. A. (2001). *Theoretical foundations of corporate governance.* Princeton University Press.

McGee, R. W. (2009). *Corporate Governance in Transition Economies*. Miami, FL.: Springer.

McMullen, D. A., & Raghunandan, K. (1996). Enhancing audit committee effectiveness. *Journal of Accountancy*, *182*(2), 7–81.

Menon, K., & William, J. D. (1994). The usage of audit committees in monitoring. *Journal of Accounting and Public Policy*, *13*(2), 131–139.

Milgrorn, P. (1981). Good news and bad news representation theorems and applications. *Bell Journal of Economics*, *12*, 380–391.

Mizon, G. E. (1995). A simple message for autocorrelation correctors: Don't. *Journal of Econometrics*, *69*(1), 267–288. Nahar Abdullah, S. (2006). Directors' remuneration, firm's performance and corporate governance in Malaysia among distressed companies. *Corporate Governance: The International Journal of Business in Society*, *6*(2), 162–174. https://doi.org/10.1108/14720700610655169

Mohamad-Nor, M., Shafie, R., & Wan-Hussin, W. (2010). Corporate Governance and Audit Report Lag in Malaysia. *Asian Academy of Management Journal of Accounting and Finance*, *6*(2), 57–87.

Mukhtaruddin, M., Oktarina, R., Relasari, R., & Abukosim, A. (2015). Firm and Auditor Characteristics, and Audit Report Lag in Manufacturing Companies Listed on Indonesia Stock Exchange during 2008-2012. *Expert Journal of Business and Management*, *3*(1), 13–26.

Naimi Mohamad-Nor, M., Shafie, R., & Wan-Hussin, W. N. (2010). Corporate governance and

audit report lag in Malaysia. *Asian Academy of Management Journal of Accounting and Finance*, *6*(2), 57–84.

Ngigi, G. (2013, May 23). Centum penalised Sh50,000 for profit warning violation. *Business Daily*. Retrieved from http://www.businessdailyafrica.com/Centum-penalised-Sh50000-for-profit-warning-violation/539552-1860998-fn28vuz/index.html

Ngugi, B. (2016, January). Uchumi results release delayed over change of auditors. *Business Daily*. Retrieved from http://www.businessdailyafrica.com/Uchumi-results-release-delayed-over-change-of-auditors/539552-3438940-naivdqz/index.html

Nor Izah Ku Ismail, K., & Chandler, R. (2004). The timeliness of quarterly financial reports of companies in Malaysia. *Asian Review of Accounting*, *12*(1), 1–18.

NSE. (2016). History of NSE. Retrieved November 9, 2016, from https://www.nse.co.ke/nse/history-of-nse.html

Ntayi, J. M., Ngoboka, P., & Kakooza, C. S. (2013). Moral schemas and corruption in Ugandan public procurement. *Journal of Business Ethics, 112(3), 417-436.*, *112*(3), 417–436. Odit, M. (2013). The Effect of Corporate Governance on Timelines of Financial Reporting of Companies Listed at the Nairobi Securities Exchange. *International Journal for Management Science and Technology*, *5*(9), 45–50. https://doi.org/10.1017/CBO9781107415324.004

Ohaka, J., & Akani, F. N. (2017). Timeliness and Relevance of Financial Reporting in Nigerian Quoted Firms. *Management and Organizational Studies*, *4*(2), 55. https://doi.org/10.5430/mos.v4n2p55

Owino, F. J. O. (2017). The Drivers of Audit Report Lag by Listed Companies in Kenya, *1*.

Palepu, K. G., & Healy, P. M. (2001). Information asymmetry, corporate disclosure, and the capital markets: a review of the empirical disclosure literature. *Journal of Accounting and Economics*, *31*(405–440).

Patell, J. M., & Wolfson, M. A. (1982). Good News, Bad News, and the Intraday Timing of Corporate disclosures 509-527. *The Accounting Review*, 509–527.

Patelli, L., & Prencipe, A. (2007). The relationship between voluntary disclosure and independent directors in the presence of a dominant shareholder. *European Accounting Review*, *16*(1), 5–33.

Patrick, N., & Benjamin, T. (1994). An empirical examination of the determinants of audit delay

in Hong Kong. *Business Accounting 1Review*, *26*, 43–59.

Patton, M. Q. (2002). *Qualitative Research and Evaluation Methods* (3rd ed.). California.: Sage.

PCAOB. (2016). AS 1001: Responsibilities and Functions of the Independent Auditor. Retrieved March 12, 2017, from https://pcaobus.org/Standards/Auditing/Pages/AS1001.aspx

Persons, O. S. (2009). Audit committee characteristics and earlier voluntary ethics disclosure among fraud and no-fraud firms. *International Journal of Disclosure and Governance*, *6*(4), 284–297.

Petra, S. T. (2007). The effects of corporate governance on the informativeness of earnings. *Economics of Governance*, *8*(2), 129–152.

Piovani, J. I. (2008). The historical construction of correlation as a conceptual and operative instrument for empirical research. *Quality & Quantity*, *42*(6), 757–777.

Portes, R., & Rey, H. (2005). The determinants of cross-border equity flows. *Journal of International Economics*, *65*(2), 269–296.

Puat Nelson, S., & Norwahida Shukeri, S. (2011). *Corporate governance and audit report timeliness: evidence from Malaysia*. *Research in Accounting in Emerging Economies* (Vol. 11). Emerald Group Publishing Ltd. https://doi.org/10.1108/S1479-3563(2011)11

Poppo, L., & Zenger, T. (2002). Do formal contracts and relational governance function as substitutes or complements? *Strategic Management Journal*, *23*(8), 707–725. https://doi.org/10.1002/smj.249

Raghunandan, K., & Rama, D. (2006). SOX section 404 material weakness disclosures and audit fees. *Auditing: A Journal of Practice and Theory*, *25*(1), 99–114.

Raghunandan, K., Read, W. J., & Rama, D. V. (2001). Audit Committee Composition, "Gray Directors," and Interaction with Internal Auditing. *Accounting Horizons*, *15*(2), 105–118.

Remenyi, D., Williams, B., Money, A., & Swartz, E. (1998). *Doing Research in Business and Management.* London: Sage Publications.

Rezaei, F., & Shahroodi, P. (2015). The relationship between audit opinion change and timing of disclosure. *International Journal of Innovation and Applied Studies*, *10*(3), 778–790.

Robert Knechel, W., Krishnan, G. V., Pevzner, M., Shefchik, L. B., & Velury, U. K. (2013). Audit Quality: Insights from the academic literature. *Auditing*, *32*(SUPPL.1), 385–421. https://doi.org/10.2308/ajpt-50350

Robinson, G., & Dechant, K. (1997). Building a Business Case for Diversity. *Source: The*

Academy of Management Executive, *11*(3), 21–31. https://doi.org/10.5465/AME.1997.9709231661

Ross, S. (1973). The economic theory of agency: The principal's problem. *American Economic Review*, *63*, 134–139.

Salehi, M., & Alinya, A. A. (2017). Relationship between corporate governance and audit switching: Iranian evidence. *International Journal of Law and Management*, *59*(5), 673–686. https://doi.org/10.1108/IJLMA-02-2016-0024

Sarkar, J., Sarkar, S., & Sen, K. (2008). Board of directors and opportunistic earnings management: Evidence from India. *Journal of Accounting, Auditing, and Finance, 23(4), 517–551.*, *23*(4), 517–551.

Saunders, M., Lewis, P., & Thornhill, A. (2009). *Research Methods for Business Students.* (5th ed.). Essex: Pearson Education Limited.

Schoar, M. B. & A. (2003). Managing with Style: The Effect of Managers on Firm Policies, *CXVIII*(November), 41.

Sekaran, U., & Bougie, R. (2013). *Research Methods for Business: A Skill Building Approach* (6th ed.). New York: John Wiley and Sons Inc.

Şener, İ., & Karaye, A. B. (2014). Board Composition and Gender Diversity: Comparison of Turkish and Nigerian Listed Companies. *Procedia - Social and Behavioral Sciences*, *150*, 1002–1011. https://doi.org/10.1016/j.sbspro.2014.09.112

Shah, S. Z. A., Butt, S. A., & Hasan, A. (2009). Corporate governance and earnings management an empirical evidence form Pakistani listed companies. *European Journal of Scientific Research*, *26*(4), 624–638. Retrieved from http://www.eurojournals.com/ejsr.htm

Shamsul-Nahar, A. (2007). Board Composition, Audit Committee and timeliness of corporate financial reports in Malaysia. *Corporate Ownership & Control*, *4*(2), 33–45.

Shleifer, A., & Vishny, R. W. (1993). Corruption. *Quarterly Journal of Economics*, *108*(3), 599–617. https://doi.org/10.2307/2118402

Shrader, C. B., Blackburn, V. B., & Iles, P. (1997). Women in Management and Firm Financial Performance: An Exploratory Study, *9*(3), 355–372.

Shukeri, S. N., & Islam, M. A. (2012). The Determinants of Audit Timeliness: Evidence From Malaysia. *Journal of Applied Sciences Research*, *8*(7), 3314–3322.

Simunic, D. (1980). The pricing of audit services: theory and evidence. *Journal of Accounting*

Research, *18*(1), 161–190.

Siti Rochmah Ika & Nazli A. Mohd Ghazali. (2014). Audit committee effectiveness and timeliness of reporting : Indonesian evidence. https://doi.org/10.1108/02686901211217996

Srinidhi, B., Gul, F. A., & Tsui, J. (2011). Female directors and earnings quality. *Contemporary Accounting Research*, *28*(5), 1610–1644. https://doi.org/10.1111/j.1911-3846.2011.01071.x

Soltani, B. (2002). Timeliness of corporate and audit reports: some empirical evidence in the French context. *The International Journal of Accounting*, *37*, 215–46.

Spence, M. (1973). Job market signalling. *Quarterly Journal of Economics*, *87*(3), 355–374.

Spence, M. (2002). Signalling in retrospect and the informational structure of markets. *American Economic Review*, *92*, 434–459.

Srinidhi, B., Gul, F. A., & Tsui, J. (2011). Female directors and earnings quality. *Contemporary Accounting Research*, *28*(5), 1610–1644.

Stice, J. D. (1991). Using financial market information to identify pre-engagement factors associated with lawsuits against public accountants. *The Accounting Review*, *66*, 516–533.

Sultana, N., Singh, H., & Van der Zahn, J. L. W. M. (2015). Audit Committee Characteristics and Audit Report Lag. *International Journal of Auditing*, *19*(2), 72–87. https://doi.org/10.1111/ijau.12033

Tanyi, P., Raghunandan, K., & Barua, A. (2010). Audit Report Lags after Voluntary and Involuntary Auditor Changes. *Accounting Horizons*, *24*(4), 671–688.

Terjesen, S. (2008). Female Presence on Corporate Boards: A Multi-Country Study of Environmental Context, *83*(1), 55–63.

Treadway Commission. (1987). *Report of the National Commission on Fraudulent Financial Reporting.* Washington DC.

Tumurkhuu, T., & Wang, X. (2010). *The relationship between the profit warning and stock returns Empirical evidence in EU markets*. Sweden. Retrieved from http://umu.diva-portal.org/smash/get/diva2:394405/fulltext1.pdf

Vafeas, N. (2005). Audit committee, boards, and the quality of reported earnings. *Contemporary Accounting Research*, *22*(4), 1093–1122.

Wallace, R. S. O. (1990). Accounting in Developing Countries: A Review of the Literature. *Research in Third World Accounting*, *2*, 3–54.

Wanzala, O. (2016, May 19). Schools calendar overhauled in new war against exam cheating.

Daily Nation. Retrieved from http://www.nation.co.ke/news/Tough-rules-to-stop-exam-cheats-unveiled/1056-3209416-1dxn99z/index.html

Walsh, J., & Seward, J. (1990). On the efficiency of internal and external corporate control mechanisms.pdf. *Academy of Management Review*.

Wasuna, B. (2015). How Dubai Bank chief took billions from customers. Business Daily. Retrieved from http://www.businessdailyafrica.com/How-Dubai-Bank-chief-took-billions-from-customers/539546-2900102-4i4ebu/index.html

Wasuna, B. (2016). How Imperial Bank bosses stole billions from depositors. Daily Monitor. Retrieved from http://www.monitor.co.ug/Business/Prosper/How-Imperial-Bank-bosses-stole-billions-from-depositors/688616-3395520-6xve8rz/index.html

Watkins, A. L., Hillison, W., & Morecroft, S. E. (2004). Audit quality: a synthesis of theory and empirical evidence. Journal of Accounting Literature, 23, 153–193.

Watson, A., Shrives, P., & Marston, C. (2002). Voluntary Disclosure of Accounting Ratios in the UK. The British Accounting Review, 34(4), 289–313. https://doi.org/10.1006/S0890-8389(02)00077-X

Watts, R. L., & Zimmerman, J. L. (1986). Positive Accounting Theory. Englewood Cliffs, NJ: Prentice-Hall.

Watts, R. L. (1992). Accounting choice theory and market-based research in accounting. The British Accounting Review, 24(3), 235–267.

Waweru, N. M., & Riro, G. K. (2013). Corporate Governance, Firm Characteristics and Earnings Management in an Emerging Economy, 11(1).

Waweru, N. M., & Uliana, E. (2005). Predictors of management accounting change in South Africa: evidence from five retail companies. SA Journal of Accounting Research, 19(1), 37–71.

Waweru, N., Sultana, N., Singh, H., Mitchell Van der Zahn, J.-L., Outa, E. R., Waweru, N. M., … Lee, R. (2015). Audit tenure, auditor specialization, and audit report lag. Managerial Auditing Journal, 29(3), 292–316. https://doi.org/10.1108/MAJ-07-2013-0897

Waweru, N., & Uliana, E. (2014). Determinants of quality corporate governance in Sub-Saharan AfricaEvidence from Kenya and South Africa. Managerial Auditing Journal, 29(5), 455–485. https://doi.org/10.1108/MAJ-07-2013-0897

Wermert, J.G., Dodd, J.L., & Doucet, T.A. (2000). An empirical examination of audit report lag

using client and audit firm cycle times. Retrieved from www.cbpa.drake.edu/dodd/research/mbaa/MBAA ARL Paper, 2000.doc (accessed January 2008).

Wilson, K. (1968). On the theories of syndicates. Econometrica, 36, 119–132.

Wisna, N. (2013). The Effect of Information Technology on the Quality of Accounting 81 Information system and Its impact on the Quality of Accounting Information. Research Journal of Finance and Accounting, 4(15), 2222–2847.

Xie, B., Davidson III, W. N., & Dadalt, P. J. (2003). Earnings management and corporate governance: The role of the board and the audit committee. Journal of Corporate Finance, 9(3), 295–316.

Yaacob, N. M., & Che-Ahmad, A. (2012). Adoption of FRS 138 and Audit Delay in Malaysia. International Journal of Economics and Finance, 4(1), 167–176. https://doi.org/10.5539/ijef.v4n1p167

Yim, A. (2010). Fraud Detection and Financial Reporting and Audit Delay ∗. London.

Zhang, Y., Zhou, J., & Zhou, N. (2007). Audit committee quality, auditor independence, and internal control weaknesses. Journal of Accounting and Public Policy, 26(3), 300–327. https://doi.org/10.1016/j.jaccpubpol.2007.03.001

Zikmund, W. G. (2010). Business Research Methods (8th ed.). Mason, OH.: South - Western Cengage Learning.

Zitouni, T. (2016). Index Approach of Corporate Governance, *7*(3).

APPENDICES

Appendix. 1: Questionnaire

Dear Participant,

My name is **Grace Wanjiku Gacheru** a Master of Commerce student at Strathmore University researching ***"The Relevance of Audit Report Lag and its Corporate Governance determinants among listed companies in the East African Community States."*** At this point of my proposal, I am concerned with collecting data from investment analysts, stockbrokers and senior finance executives of listed companies that should lead to insights and recommendations for practitioners, investors and Academicians. Your contribution will go a long way in achieving the objectives of this study. I would be grateful if you could spare some time to fill this questionnaire. I assure you that all information provided for this study will be treated with strict confidentiality and will be used for the sole purpose of this research. For any queries, my contacts are: gacheru.grace@strathmore.edu or gracegacheru@gmail.com

Section 1: General Information

The information in this section will serve as background to the answers that will be provided in the other sections.

1. Kindly tick against your gender. Male [ ] Female [ ]
2. Kindly indicate your main occupation?
   Finance manager [ ] Accountant [ ] Internal auditor [ ] External auditor [ ]
   Other ……
3. Length of experience in this position?
4. Less than 1 year [ ] between 1 to 4 years [ ] between 5 to 10 years [ ] between 11 to 15 years [ ] Over 15 years [ ]
5. In how many countries within East Africa is your company listed? ……
6. Which professional certification do you hold? (CPA, ACCA, CFA, CFE, etc.)…….....

Section 2: Corporate Governance Related Factors

The purpose of this section is to establish the CG factors that influence ARL that. Please indicate the extent to which you agree or disagree with the following statements by ticking the cell that corresponds to your choice.

	1	2	3	4	5
	Strongly Disagree	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
Auditors tend to take longer to release audit reports for companies with more than five board members					
Board size does not affect the time taken to release audit reports					
Auditors take longer period to release audit reports for companies with of three or more independent members					
Auditors take longer to release audit reports for companies where the board Chairman has served for more than ten years					
Auditors take a longer period to release audit reports for companies with directors who have served as directors before					
Auditors take a longer period to release audit reports for companies with directors who have financial expertise					
Auditors tend to take longer to release audit report for companies with more than a third of the board members being from one gender.					
The gender of the board members does not affect the time taken to release the audit report.					
Auditors take longer to release audit report for companies with more than three audit committee members.					
Auditors take longer to release audit report for companies with more than three independent directors in the audit committee.					
Auditors take longer to release reports for companies whose audit committee chairpersons are financial experts.					
Auditors take longer to release audit reports for companies with the CEO as members of the audit committee					
Auditors tend to take longer to release audit reports where the audit committee meets more than three times in a year.					

Section 3: Relevance of Audit Report Lag to users of financial statements

The purpose of this section is to establish the relevance of ARL to the users of financial statements. Please indicate the extent to which you agree or disagree with the following statements by ticking the cell that corresponds to your choice

	1	2	3	4	5
	Strongly Disagree	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
The time taken for the auditor to review and sign greatly influences investment decisions.					
Early signing of auditor's report enhances the quality of financial reporting.					
Investment decisions are influenced by financial reporting timelines set by the various regulators.					
Published financials are a major source of information necessary for investment decisions.					
There is a high preference of investing in the financial services sector (banking and insurance).					
There is a higher preference of investing in the Consumer and Industrial markets (FMCG, Telecommunication, Energy, etc.)					

7. What other factors influence your investment decisions?

Section 3: Time taken by auditors to release audit report

8. In your opinion what is the average time it takes auditors to complete an audit?

   Between 0-30 days [ ] between 31- 60 days [ ] between 61 – 90 days [ ] between 91-120 days [ ] between 120-150 days [ ]

   Other ……

9. What factors do you think influence the time taken to release the audit report by auditors?

I thank you for taking the time to fill this questionnaire

Appendix. 2: Listed Companies in East Africa

Listed companies in Kenya as at 31 December 2016		Listed companies in Uganda as at 31 December 2016	Listed companies in Tanzania as at 31 December 2016	Listed companies in Rwanda as at 31 December 2016
Rea Vipingo Ltd	Athi River Mining Ltd	British American Tobacco	Mkombozi Commercial Bank	Braliwa
Sasini Tea and Coffee Ltd	Bamburi Cement	Bank Of Baroda	Maendeleo Bank	Bank of Kigali
Kakuzi Ltd	Crown Berger (K)	DFCU	Mwalimu Commercial Bank	Crystal Telcom
Eaagads	EA Portland Cement	NVPP	Tol Gases Limited	Equity
Williamson Tea Kenya	EA Cables	Stanbic Bank	Tanzania Breweries Limited	Nation Media Group
Kapchorua Tea	KenolKobil	National Insurance Corporation	Tanzania Cigar	Jubilee
Limuru Tea Company	Total Kenya	Uganda Clay Limited	Tanga Cement	Kenya Commercial Bank
Car and General	KenGen	Umeme	Swissport	Uchumi
Kenya Airways	Umeme Limited	East African Breweries Limited	Twiga Portland Cement	
Uchumi Supermarkets	KPLC	Kenya Commercial Bank	Dar es Salaam Community Bank	
Nation Media Group	Sanlam Holdings	Equity Bank Plc	National Microfinance Bank	
TPS (Serena)	Jubilee Insurance	Jubilee Insurance	CRBD Bank Plc	
Scan Group	Liberty	Kenya Airways Plc	African Barric Gold	
Standard Group	Kenya Re-Insurance	Nation Media Group	Precision	
Sameer Africa Plc	Britam Holdings	Centum Investments	Swala Gas and Oil	
Express Ltd	CIC Insurance Group	Uchumi	East African Breweries Limited	
Longhorn Publishers	Centum Investment		Kenya Commercial Bank	
Atlas Development	Olympia Capital		Jubilee Insurance	
Deacons	Trans-century		Kenya Airways Plc	
Nairobi Business Venture	Home Africa		Uchumi	
Barclays Bank of Kenya	Kurwitu			
CFC Stanbic Bank	BOC Kenya			
Kenya Commercial Bank	British American Tobacco			
National Bank of Kenya	Carbacid Investments			
Diamond Trust Bank of Kenya	East African Breweries Ltd			
Standard Bank	Mumias Sugar Company			
NIC Bank	Unga Group			
Equity Bank	Eveready East Africa			
Co-operative Bank of Kenya	Kenya Orchards			
I&M Holdings	Flame Tree Group			
	Safaricom			
Housing Finance Group	Stanlib Fahari			