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Does Ownership Characteristics Have Any Impact on Audit Report Lag? Evidence of Malaysian Listed Companies

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Abstract: This study examines the link between corporate governance mechanisms and audit report lag (ARL) among 288 companies listed at Bursa Malaysia for a three year period from 2007 to 2009. It examines a part of the corporate governance mechanisms, namely ownership structure. In this study,audit report lag refers to the number of days from the company's year end (financial year) to the date of auditor's report.The 288 companies listed on Bursa Malaysia have been randomly selected since they are governed by the rules and regulations imposed by Malaysian Code Corporate Governance (MCCG) and the Bursa Malaysia Listing Requirements. Four corporate governance characteristics on ownership are examined - managerial ownership, dedicated ownership, transient ownership and foreign ownership.The results of this study also show that there are significant relationships between managerial ownership and dedicated ownership. With regards to managerial ownership, this study found that the managerial ownership held by the executive directors in a company will be longer the audit report lag. Transient ownership positively significant with audit report lag. Foreign ownership how ever does not show any relation with audit report lag.

Key words: Audit report lag · Corporate governance · Ownership concentration · Managerial ownership · Dedicated ownership · Transient ownership and foreign ownership

INTRODUCTION

Objective of financial reporting is to provide users with quality information that could assist in their decision-making process. The current scenario in Malaysia, however often pictures the inability of companies in submitting their annual report on time to Bursa Malaysia. Such scenario is supported with empirical evidences that show timeliness is associated with market's reaction up to the information is released [1]. This is due to the delay in releasing the financial reports that cause users to be in doubt of their decisions with regards to their investment in the companies.

Bursa Malaysia has demanded for timely annual report through the provision of Chapter 2 (2013) and Chapter 9 (2014), of the Listing Requirements Bursa Malaysia Securities Berhad. The demand of timeliness in financial reporting is crucial to many users particularly the shareholders and potential investors.

Bursa Malaysia views the delay of issuing annual reports as a serious issue. Steps have been taken by Bursa Malaysia in cautioning the directors of companies to submit their annual report on time. Bursa Malaysia listing requirement under chapter 9.23 (a) provides that a public listed companies must submit its annual report to Bursa Malaysia within six months after the company's year end. To prevent companies from late submission of their annual report, Bursa Malaysia in consultation with Securities Commission has imposed penalty to public listed companies for failure to disclose the material facts such as the annual report within the time frame. However, despite the penalty being imposed, there are companies that could not meet the submission deadline.

The drawbacks of not achieving on timeliness of annual report would be the company to lose all its relevancy information. Such setback may motivate users to seek information about the company from other sources which may likely to expose any unpleasant

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reports of the company. Consequently, users particularly investors would likely to postpone their transaction on shares, either purchase or sales until reports on earnings is announced [2]. Such argument is supported by Ashton *et al*., [3] where they identified delay in releasing annual report would increase uncertainty on investment decisions. Therefore, the success to submit financial statement on time would provide greater benefits to the company.

As discuss previously, Malaysian companies frequently unable to provide the annual report timely to the users. This is the situation of reporting lag or audit report lag. Audit report lag would lead the shareholders and potential shareholders to postpone their transaction on shares [1]. This in turn, would provide negative effect to the company. Owusu-Ansah [4] provides that audit timeliness is one of the factors that will influence on the timeliness of financial statements.

There are few companies that had been imposed penalty due to breach of listing requirements; 9.23(a) as reported in Bursa Malaysia Website 2012 and 2013.

Owusu-Ansah [4] argues that timely annual reporting is necessary to mitigate the possibility of negative occurrences such as insider trading, leaks and rumors in emerging capital markets. The failure of companies in submitting their annual reports on time indicates a serious problem that needs to be resolved. This is because delaying information will make the market to be less efficient due to investors postponing their investment decisions [3]. It is therefore, imperative for the management of the companies to ensure such problem do not occur.

Parties that have relation towards the companies would have influence power to increase or decrease the time lag on the annual report. This also noted by Al-Najjar *et al*., [5] where the owners play a key role in monitoring the firms in which they hold equity. Owners (shareholders) of the firm have different rights; such rights on election of the board of directors, who will act as an agent to monitor the performance of the firms' managers.

Board of directors is among the responsible parties in managing the companies on it daily operation. They take part in arrangements for the company and having power to control and make decision on behalf of the shareholder. Here would exist the separation of ownership and control in firms. The separation would create serious conflict between the owner of the firm (shareholders) and the board of director as well as the manager [6]. The serious conflict that would occur here is transferring the wealth in expense of the owner. The manager would not transparently manage the company in bona fide because they think that it not ours.

One of alternatives that would motivate them in managing the company efficiently and effectively is by awarding them a portion of ownership in the company. This as noted by Warfield *et al*., [7] argue that managers who own a significant portion in the equity of a firm have less incentive to manipulate reported accounting information. Less incentive to manipulate reported information also show initiative to report the financial report early and thus would reduce the reporting lag. This is because a manager who owns a certain portion of equity would feel worry on the late of reporting as concern by Afify [8] where the timely corporate reporting is an essential for well-functioning market. Delay of releasing financial information to the users will increase uncertainty on their investment decision. As the level of ownership by managers increases, the gap between the interests of the managers and the shareholders decreases.

Previous study show inconsistent results on board of directors and audit committee characteristics in relation of audit report lag. Is it possible that the ownerships characteristics would also significant in reducing the audit report lag? The inconsistent results on the research area of board of directors and audit committee characteristics in relation of audit report lag, will be further explore in this study.

With regards to the separation of ownership and control issue in corporate governance, various opinions revealed among the researchers. Agency theory is the concern that arose among them, where there will be conflict of interest between the parties in the company. The situation would lead to the "corporate problem" that widely discussed at this century. This is because separation of ownership and control of agency theory show that each individual in the company have their own agenda since their capacity towards the company are different. Having a percentage of ownership or shares among the managers or directors in the company will let everybody have the same objective, mission and vision. The directors of the firm will be more alert and more sensitive on the company's achievement, documentation, reporting as well as on timely of reporting. This is because, as discuss earlier, Ashton *et al*., [3] noted that delaying of information will make the market to be less efficient due to investors postponing their investment decisions and in return will affect the company's performance.

The parties that own a percentage in the company affirm that they concern on the achievement of the company. In Malaysia, there are few kinds of ownership such as managerial ownership (which has been discussed in the earlier paragraph), institutional ownership, foreign ownership and family ownership [6-10]. Some of the previous study further extend institutional ownership as dedicated and transient ownership [11].

Many of previous study investigated on ownership structure in relation to earning management [6], corporate internet reporting [12], audit quality [13], firm performance [14-17], corporate social responsibility [9].

A review of the literature showed that less of prior studies examine on ownership structure in relation to audit report lag. Apadore and Mohd Nor [18] only look at one variable of managerial ownership only, Che-Ahmad and Abidin [10] analyse on audit delay and director shareholdings, Afify [8] study on ownership concentration in relation to audit report lag. Most of prior study did not explore further on ownership characteristics with audit report lag. Those characteristics will be comprehensively examined in this study.

The main objective of the study is to evaluate the effectiveness of the corporate governance mechanisms in ensuring timeliness of audit reports in Malaysia. Specifically, this study examines the relationship between ownership structure and audit report lag of public listed companies in Malaysia. It is going to investigate whether ownership structure could effectively assure audit report lag in Malaysian companies.

Specifically, this Study Examines:

i) Relationship ofmanagerial ownership on audit report lag.
ii) Relationship ofdedicated ownership on audit report lag.
iii) Relationship oftransient ownership on audit report lag.
iv) Relationship offoreign ownership on audit report lag.

The objective of this study will be achieved by the way of content analysis.

This study contributes to the corporate governance and audit literature by examining the link between the mechanisms of corporate governance; namely, the ownership structure and the audit report lag. The findings of the study would have policy implications to the regulators in order to have the best practice among the firms. This study provides supporting evidence whether the development of corporate governance could significantly increase the timeliness of annual reports among companies in Malaysia. Upon the result of this study, it could assist Malaysian Institute of Corporate Governance (MICG) to suggest best practice in order to enhance corporate governance mechanisms.

Literature Review and Hypotheses Development: Corporate governance can be justified by agency theory. Jensen and Meckling (1976 p.5.) [19] provide a meaningful definition to the agency relationship as “a contract under which one or more principals engage another person which is known as the agent to perform some services on his/ their behalfinvolving delegation of some decision-making authority to the agent”. Shareholders as the principals, having little knowledge of the business, will transfer the decision in relation to the operationalisation of the company to the agents, often represented by the managers. The role of the managers is to enhance shareholders’ value and will be monitored by the directors. Monitoring of them is vital since managers may act in their own best interests at the expense of the shareholders. Therefore, corporate governance (include BOD) serves as a control mechanism in safeguarding against inappropriate management behavior [20] by reconciling the interests of shareholders and managers [21]. Corporate governance not only provides as monitoring tool in companies, but also on monitoring the overall performance of the company which include assuring quality of the financial reports as well as timely of audited financial statements.

Thus, theoretically ownership by the directors will let them focus of their own interest and also will motivate the directors to increase their focus on company performance and on share value [22]. Focusing on company performance will include the reporting performance which is would reduce the reporting lag and then able to distribute it to the users earlier before they seek information from outsiders which is sometimes it is incorrect.

The recent studies by Hashim and Abdul Rahman [23], Mohd Naimi *et al*., [24] and Shukeri *et al*., [25] examined on some of corporate governance variables but not further look at other variables. There are other variables that have yet to be examined extensively.

In relation to ownership structure some studies have done on earning management [6], corporate internet reporting [12], audit quality [13], firm performance [14-17], corporate social responsibility [9].

The literature showed that previous studies did not examine on ownership structure extensively in relation to audit report lag. Therefore, current study will explore that characteristic in relation to audit report lag among Malaysian listed companies.Apadore and Mohd Nor [18] only look at one variable of managerial ownership only, Che-Ahmad [10] analyse on audit delay and director shareholdings, Afify [8] study on ownership concentration in relation to audit report lag. Most of prior study did not explore further on ownership characteristics with audit report lag. Those characteristics will be comprehensively examined in this study.

This study has developed four hypotheses in meeting its objective. The hypotheses as discussed follows:

Managerial Ownership: Abdul Rahman and Salim [22] stress that directors will motivate to increase their focus on company performance and share value when they own a portion of shares in a company. Che-Ahmad and Abidin [10] also noted that the interest of the shareholders and mangers will be in line when the managers or the directors hold ownership in the company. The presence of outside blockholders is also an important mechanism in corporate governance [26]. This is consistent with Jensen and Meckling, [19] where agency theory predicts that the principal-agent problem between managers and shareholders arises when managers hold little equity in the corporation. This will lead managers to engage in an opportunistic behaviour.

Past studies found that an increase in management ownership will reduce agency problems and managers being more transparent on company reports. Executive directors have the power to influence corporate decisions and also more involved with the operations of the firm compared to non-executive directors [27].

Thus, this study expects that the managerial ownership would able to reduce ARL. They will act efficiently and effectively as well as on timely of the reporting to be distributable to the potential users.

Therefore, this leads to the first hypothesis developed in this study.

Ha_1: There is negative relationship between managerial ownershipand audit report lag.

Institutional Ownership: Institutional ownership is an investment from a group of investment and institution. The bigger size of the institutional ownership may have incentives to monitor the management of company [10, 13]. Abdullah *et al.*, [28] found that firm with institutional shareholder would have better performance than firm without institutional ownership.

Some studies among Malaysian companies show different results. For example, study done by MohdSehat and Abdul Rahman [29] among top 100 companies listed at bursa Malaysia found that institutional ownership not increased firm value. Wan Abdullah [30] also did not find any significant relationship between firm performance and institutional ownership.Other researchers even find no evidence of a monitoring role by institutional investors [31].

Previous studies have acknowledged that the identity of different owners has important implications for firms because different owners can have different objectives [32, 33]. Zooming deeply, institutional investors actually have different in their size, goal and purpose.

Institutional investors more likely to monitor the management of the portfolio firm when they have large shareholding in a company. Some of institutional that hold large portion of ownership also tend to focus for long term, participate in strategic management and decision making and also monitor on company performance [32]. Here, it shows that the involvement of another party with a number of large institutional shareholding in the company would lead to better performance of the firm in reporting as well as on reducing the audit report lag. In Malaysia, the example of this kind of institution includes of Pension funds as well as Government funds namely Khazanah, Employee Provident Fund (EPF), LembagaTabung Haji (LTH) and LembagaTabungAngkatanTentera (LTAT). This kind of institution recognized as dedicated ownership [11, 32].

Other than that, there is another institution that not focus for long-term but for short term. For this type of institution, it recognized as transient ownership. In this case, institutional investor including of mutual funds or unit trusts that have purely short-term orientation.

Starks [34] stated that mutual fund's main objective is for high current return due to their own reward systems, which emphasize quarterly performance. Gilson and Kraakman, [35] indicate that mutual fund managers tend to hold a given firm's stock for less time than pension fund managers. This means that, they focus on short term performance in most decision and also influence the company to adopt this orientation. This scenario of transient ownership shows that it is not looking at the company performance, disclosure as well as reporting since it just short term orientation and tend to sell the share more frequent as compared to dedicated ownership if they found that it not give them high current return. Consequently, the transient ownership is expected not assist in reducing audit report lag of the company.

Therefore, this study developed second and third hypothesis.

Ha_2: There is negative relationship between dedicated ownershipand audit report lag.

Ha_3: There is positive relationship between transient ownershipand audit report lag.

Foreign Ownership: One of the effective mechanisms that could complement the current governance structure is the foreign ownership. Foreign ownership can be seen as in order to monitor the management from non-value maximizing activities because their role resembles that of institutional investors [36]. Haniffa and Cooke, [37] documented that companies with a higher proportion of foreign shareholders disclosed significantly more information in their annual reports. Same as study conducted by Mohamed Ghazali [17], she found that foreign ownership able to influence the corporate performance of Malaysian companies. They more have initiative towards the reporting and this able to reduce audit report lag

Therefore, this study developed fourth hypotheses.

Ha_4: There is negative relationship between foreign ownershipand audit report lag.

Research Design: The companies listed on Bursa Malaysia are the sample chosen in this study. The listed companies are chosen because they are governed by the rules and regulations imposed by MCCG and Bursa Malaysia Listing Requirements. For example, the listing requirements under chapter 9.23(a) require all listed companies to submit their annual reports to Bursa Malaysia within six months from the companies' year end. The failure to complete and submit their financial reports on time would cause the companies' name to be disclosed in the Bursa Malaysia website (http://www.bursamalaysia.com.my

The sample is chosen based on the companies listed over a three year period from year 2007 to 2009. These three years period are chosen in order to increase the reliability and accuracy of the results in this study. There are 844 companies listed on the Bursa Malaysia in the year 2009. All companies from various sectors are selected. Companies that listed from the Banking and Financial Institution Act 1989 are excluded. The exclusion is because they are heavily regulated and the governance structure determined by Bank Negara Malaysia. Thus, the remaining listed companies are 806. The 806 listed companies include consumer, industrial products, trading and services, construction, infrastructure, hotel, property, technology and plantation.

In determining the sample size, this study relies on the work of Krejcie and Morgan [38][1]. Krejcie and Morgan [38] propose a table in determining sample size. Based on their table, with a given population of 806, a sample size of 265 is adequate to represent the population. Roscoe [39] such sample size is sufficient based on the rule of thumb. Sample size that is larger than 30 and less than 500 is appropriate for most research [39]. Thus the sample size chosen in this study is 288 companies from various sectors which cover 35 percent of the population[2]. Table 1 shows the total number of companies and samples for each of the sector.

This study uses stratified random sampling to select the sample. It is identified that there are subgroups within the population in this study which is comprise of the company from various sector. The number of companies selected in each sector is different depending on the size of the sector. Sector that has bigger population would have greater sample size.

Industrial product is the biggest sector representing one third of the sample size and therefore, 265 companies are listed under this sector. On the other hand, the smallest sector is the hotel industry which only has two companies since the total number of companies under this category is only five.

[1]Researchers rarely use the whole population when the population is large due to time and financial constraints. Most studies used a sample as a set of respondents from target population (Sallant *et al*.1994; Chuan, 2006).

[2]This represents one third of the population as per rule of thumb.

Table 1: Total number of companies and sample based on industry.

Industry	Population	Sample of companies	Percent
Construction	49	19	7
Consumer	139	53	18
Hotel	5	2	1
Industrial	265	88	30
Infrastructure	7	3	1
Property	88	31	11
Plantation	43	16	6
Technology	29	12	4
Trading & services	181	64	22
TOTAL	806	288	100

Variable Measurements: This study has three types of variables, namely independent variable, dependent variable and control variables.

Summary of all variables including variable definitions and measurements of dependent variable and independent variables used in examining the research objectives are presented in Table 2.

Table 2: Variables Measurements

Variable	Definition	Measurement	Authors
Dependent ARL	Audit report lag	Represents the number of days elapsing between the end of the fiscal year of the company to the completion of the audit for the current year for each individual firm (the audit report date)	Davies and Whittred [40], Givoly and Palmon [41], Atiase *et al*., [42], Ashton *et al*., [3], JaggiandTsui [43], Ahmad and Kamarudin [44], Afify [8], Hashim and Abdul Rahman [23].
Independent MANOWN (managerial ownership)	Directors with managerial position	Percentage of shares owned by executive directors to total number of shares issued.	Said et. al., [9], Che-Ahmad and Abidin [10].
DEDOWN (dedicated ownership)	Pension funds as well as Government funds namely Khazanah, Employee Provident Fund (EPF), LembagaTabung Haji (LTH) and Lembaga TabungAngkatanTentera (LTAT).	Percentage 5% for the minimum shareholding of the institutional ownership for this group	Katan and Mat Nor [11].
TRANSON (transient ownership)	One of the major types of transient ownership is mutual fund	Percentage 5% for the minimum shareholding of the institutional ownership for this group	Katan and Mat Nor [11].
FOROWN (foreign ownership)	Foreign ownership	Percentage of shares owned by foreign shareholders to total number of shares issued	Said et. al., [9], Mohd Ali et. al. [6]
Control BODIND (board independence)	Boards independence represented by Non executive directors	The proportion of non-executive directors to total number of directors is the number of non-executive directors on the board divided by the total number of directors on the board at the year-end.	Salleh *et al*. [45], Buniamin *et al*. [46], Wan Abdullah *et al*. [13]. Hashim and Abdul Rahman [23]
BODDIL (Board diligence)	Board meeting	Number of board meeting for the financial year	Carcello *et al*. [47], Tauringana *et al*. [48] Hashim and Abdul Rahman [23]
BODEXP(Board expertise)	Board expertise	Number of multiple directorships by non-executive directors to the total number of non-executive directors	Carcello *et al*. [47], Ismail *et al*. [49] Hashim and Abdul Rahman [23]
CEODUAL(CEO duality)	Duality of CEO	DUAL = '1' if CEO is the chairman and '0' otherwise	Buniamin *et al*. [46], Afify [8]
SIZE	Company Size	Natural log of year end total assets	Carslaw and Kaplan [50], Ng and Tai [1], Owusu-Ansah and Leventis [51], Al-Ajmi [52], Che-Ahmad and Abidin [10]

Variables Measurements

Table 3: Descriptive Statistics for Audit Report Lag (N= 288)

Year		N	Minimum	Maximum	Mean	Median
2007	ARL	288	40.00	184.00	103.14	110.50
2008	ARL	288	40.00	146.00	103.42	111.00
2009	ARL	288	36.00	136.00	102.46	110.00
2007-2009	ARL	864	36.00	184.00	103.00	111.00

Notes: ARL = number of days between the end of the fiscal year to the date of completion of audit.

Table 4: Descriptive statistic for ownership variables

Independent variables	N	Minimum	Maximum	Mean	Std. Deviation
MANOWN	864	0.00	74.35	11.30	15.81
DEDOWN	864	0.00	24.25	1.83	3.94
TRANSOWN	864	0.00	95.01	5.26	10.85
FOROWN	864	0.00	70.74	4.98	9.41

Notes:

MANOWN = Percentage of shares owned by executive directors to total number of shares issued.

DEDOWN = Percentage 5% for the minimum shareholding of the institutional ownership for the company

TRANSOWN = Percentage 5% for the minimum shareholding of the institutional ownership for this group

FOROWN =Percentage of shares owned by foreign shareholders to total number of shares issued

Data Analysis and Findings

Dependent Variable: Table 3 provides the descriptive statistics for the three year period on 288 listed companies. The mean score of audit report lag for the pooled sample is 103 days with a maximum and minimum day of 184 and 36 respectively. Using the pooled sample, the results indicate that the companies did comply with Bursa Malaysia listing requirements and the Companies act where they submit their report within six months except for one company took 184 days to submit the report. The average shows that the companies take about three months to finish the report. The three months period is a long period for waiting the information to be released to the users. None of the company under study score the audit report lag less than one month.

In comparison to Che-Ahmad and Abidin [10] and Ahmad and Kamarudin [41], however the results of this study show that there is a relatively difference on the maximum number of days with the current study. It shows that companies are improving over the years on number of days taken to complete the annual reports. The results of this study are somewhat similar to Afify [8] that found the maximum and mean score number of days to complete the annual report was 115 days and 67 days respectively.

Independent Variables: Table 4 provides the descriptive statistics for the independent variables for the three year periods from 2007- 2009. The results in Table 4 show that from the pooled sample above, the mean score of the managerial ownership (MANOWN) is 11.30 percent. The results show that most companies have 11.30 percent of managerial ownership. Interestingly, there are companies that have about 75 percent or three quarter entirely represented by managerial ownership. For the dedicated ownership (DEDOWN) the mean score of held by the listed companies was 1.8 percent. The maximum amount of DEDOWN was 24 percent.

The mean score of the transient ownership (TRANSOWN) in the companies is 5 percent. It is relatively high when the maximum of transient ownership represent by 95 percent.

Correlation Matrix Analysis: This section presents the results of the correlation matrix analysis used to examine effectiveness of ownership characteristics in assuring audit report lag among Malaysian listed companies. Before performing the correlation matrix analysis, a normality test was performed using the skewness/kurtosis test. The results show that the dependent variable of audit report lag does not have a normal distribution. This led this study to transform the non-normality variable into ranks before performing the analysis [53,54,55]. The non-normal distribution was normalised using the Van der Waerden test.

Table 5 provides the results on the normality test. The results show a non-significant value (0.333) which is more than 0.05, indicating data normality. Based onKolmogorov-Smirnov and Shapiro Wilk tests, this study could not reject normality for the dependent variable. Therefore, this study concludes that audit report lag is normally distributed.

Table 5: Normality Test for Audit Report Lag

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
NARL	0.034	864	0.021	0.998	864	0.333

a. Lilliefors Significance Correction

Table 6: Correlation Matrix Table

	ARL	MAOWN	DEDOWN	TRANSOWN	FOROWN	BODDIL	BODIND	BODEXP	CEODUAL	LOG_ASSET
ARL	1									
MAOWN	.160(**)	1								
DEDOWN	-.197(**)	.013	1							
TRANSOWN	-.179(**)	-.142(**)	.236(**)	1						
FOROWN	-.160(**)	-.136(**)	.173(**)	.336(**)	1					
BODDIL	.036	-.114(**)	.020	.092(**)	.033	1				
BODIND	-.083(*)	-.256(**)	.050	.150(**)	.080(*)	.172(**)	1			
BODEXP	-.097(**)	-.105(**)	.120(**)	.082(*)	.037	-.023	.065	1		
CEODUAL	.093(**)	.025	-.049	-.077(*)	-.044	-.111(**)	-.279(**)	-.144(**)	1	
LOG_ASSET	-.170(**)	-.151(**)	.329(**)	.244(**)	.242(**)	.178(**)	.156(**)	.128(**)	-.097(**)	1

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

Notes:

MANOWN= Percentage of shares owned by executive directors to total number of shares issued.

DEDOWN= Percentage 5% for the minimum shareholding of the institutional ownership for this group

TRANSOWN= Percentage 5% for the minimum shareholding of the institutional ownership for this group

FOROWN=Percentage of shares owned by foreign shareholders to total number of shares issued

BODIND= proportion of the independent non-executive director to total number of directors

BODDIL= number of board meeting

BODEXP = average number of outside directorships in other firm held by independent directors

CEODUAL= '1' if CEO is the chairman and '0' otherwise

LOG_ASSET= natural log of total assets (in billions of ringgit Malaysia)

The Pearson product moment correlation was used to determine the strength and direction of the relationship between the independent variables and dependent variable. The strength of the relationship is denoted by the coefficient value which must be between the range of negative one (-1) to positive one (+1). The signs denote the direction of the relationship. A positive (+) sign shows that the variables are moving in the same direction while a negative (-) sign indicates that the variables are moving in the opposite direction. Cohen (1988) provides guidelines on interpreting coefficient value in terms of relationship of either: large, medium or small. A correlation problem is considered high if the coefficient value is between 0.5 to 1.

Table 4.4 presents the results of the correlation matrix analysis. The results show no correlation problem among the variables since the value is less than 0.5. The variance inflation factor (VIF) indicates all variables have a value below two which is within the acceptable range of 10

Table 6 shows the correlation among the variable under study. There are two variables: managerial ownership (MANOWN) and transient ownership (TRANSOWN) have different correlation; not as expected in this study. This study expects that there are negative relationship between audit report lag and managerial ownership. The correlation results show that there are positive correlation between the managerial ownership and audit report lag. For the transient ownership this study expects that there is positive relationship with audit report lags, while the correlation shows that positive correlation between two of the variables.

On the other hand, there are significant negative correlation between audit report lag, dedicated ownership (DEDOWN) and foreign ownership (FOROWN)

Additionally, this study also found significant negative correlation between the audit report lag with the control variables of company size. The results also show that most of the correlations between the variables are either low or moderately correlated with each other.

Fixed Panel Regression: Table 7 presents the regression results between the audit report lag, independent variables; ownership variables and control variables. The adjusted R^2 indicate that 80 percent of the variation in the audit report lag could be explained by the ownership variable under the current study.

Table 7 also shows that the managerial ownership (MANOWN), dedicated ownership (DEDOWN) and transient ownership (TRANSOWN), are significant at 1% level. Two of the control variables, board diligence (BODDIL) and company size are also significant at 1% level. Other independent variable, foreign ownership (FOROWN) does not have significant association with audit report lag.

Table 7: Fixed Panel Regression Result

Variable	Coefficient	Prob.
MANOWN	0.13	0.00
DEDOWN	-0.16	0.00
TRANSOWN	-0.09	0.00
FOROWN	-0.12	0.11
BODIND	-0.03	0.28
BODDIL	-0.00	0.00
BODEXP	-0.00	0.21
CEODUAL	0.00	0.86
LOG_ASSET	-0.13	0.01
C	5.79	0.00
N	864	
Adjusted R-squared	0.80	
F-statistic	10.59	
Prob(F-statistic)	0.00	

Notes:

MANOWN= Percentage of shares owned by executive directors to total number of shares issued.

DEDOWN= Percentage 5% for the minimum shareholding of the institutional ownership for this group

TRANSOWN= Percentage 5% for the minimum shareholding of the institutional ownership for this group

FOROWN=Percentage of shares owned by foreign shareholders to total number of shares issued

BODIND= proportion of the independent non-executive director to total number of directors

BODDIL= number of board meeting

BODEXP = average number of outside directorships in other firm held by independent directors

CEODUAL= '1' if CEO is the chairman and '0' otherwise

LOG_ASSET= natural log of total assets (in billions of ringgit Malaysia)

The analysis model has generated as follows:

ARL = f [Corporate governance variables + Control variables]

$$ARL = \beta_0 + \beta_1 MANOWN_{it} + \beta_2 DEDOWN_{it} + \beta_3 TRANSOWN_{it+} \quad \beta_3 FOWN_{it} + \beta_4 BDIND_{it} + \beta_5 BDMEET_{it} + \beta_6 BDEXP_{it} + \beta_7 DUAL_{it} + \beta_8 SIZE_{it} + \varepsilon it$$

MANOWN=Managerial ownership
DEDOWN=Dedicated ownership
TRANSOWN=Transient ownership
FOWN=Foreign ownership
BINDs=Independence of the board
BDMEET=Board diligence
BDEXP=Board expertise
DUAL=Duality of CEO
SIZE=Company size

Where;
β_0= the constraint coefficient of regression
β_1 - β_3 = regression of ownership variables
β_4 - β_{10} = regression coefficiencies of control variables
ε it = heterogeneity or uniqueness of subjects.

The model developed in this study in order to determine the effectiveness of ownership variables in assuring audit report lag. This model is adapted from Hashim and Abdul Rahman [23].

DISCUSSIONS

Four hypotheses were developed in this study. The first hypothesis states that there is a negative relationship between managerial ownership and audit report lag. The results show that there is a significant positive association between managerial ownership and audit report lag. The results indicate that the more managerial ownership in a company would more likely the audit report lag of the companies to be increased. Therefore, the first hypothesis is accepted that there is exist significant relative relationship with different direction.

The result in line with previous study whereby when managers own a significant portion of equity they have less incentive to issue misleading information to shareholders so auditors are less likely to need undertake additional testing [56]. Thus, that additional testing will lead to increase of audit report lag of the company.

The second hypothesis states that there is negative relationship between dedicated ownershipand audit report lag. The results show that there is a significant association between number of dedicated ownershipand audit report lag. Thus, the results indicate that the more dedicated ownership in a company, there would more likely the audit report lag of the companies to be reduced. Therefore, the second hypothesis is accepted.

Audit report lag would be not lesser if there is transient ownership in the company. This is supported when the result of this study show significant relationship with audit report lag, where by hypotheses three is accepted. Hypotheses three stated thatthere is positive relationship between transient ownershipand audit report lag.

However there are some contradict with study done by Katan and Mat Nor [11]. They examined characteristics of ownership; dedicated and transient ownership in relation to firm performance. They have posited the same hypotheses; dedicated institutional ownership is significant and positively related to firm performance and transient institutional ownership is significant and negatively related to firm performance. They found that dedicated ownership does not influence on the firm performance but transient ownership influence the firm performance.

The last variable tested in this study is on foreign ownership. The results of this study show that there is no association between foreign ownership with audit report lag. This is consistent with study done by Sulong and Mat Noor [15]. They found that foreign ownership did not significant in one of the year of their study when they examined relationship of foreign ownership on firm value. Result of their study showed that foreign ownership would not able to influence the firm performance of Malaysian listed companies for the year 2005.

For the control variables; which is board independence, board diligence, board expertise, CEO duality and company size. Board diligence shows that there is significant relationship with audit report lag and it consistent with Tauringana *et al*., [48] and Hashim and Abdul Rahman, [23]. The results show that company size is significant associated with audit report lag. The results of this study are consistent with Hashim and Abdul Rahman, [23], Afify [8], Jaggi and Tsui [43] and Owusu-Ansah and Leventis [51] that found significant relationship between company size.

Summary and Conclusion: This study examines the ownership structure of the listed companies at Bursa Malaysia in relation to audit report lag. It examines that mechanism as they are expected to be effective in assuring audit report lag as well as other study show that ownership would able to influence on audit quality, corporate social responsibility, firm performance, corporate diversification and others.

Three out of four hypotheses posit are significant; managerial ownership (MANOWN), dedicated ownership (DEDOWN) and transient ownership (TRANSOWN) which significant at 1% level. Two of the control variables, board diligence (BODDIL) and company size are also significant at 1% level. Other independent variable, foreign ownership (FOROWN) does not have significant association with audit report lag.

This study is not without limitations. First, this study employs only four variables of the ownership. McGee (2007) noted that the influence of timeliness might be attributed by culture, political and economic system of the country.

The findings of this study would be more accurate if the study covers all population. This would provide great generalization on the Malaysian listed companies on audit report lag and corporate governance characteristics. Coverage of the sample in this current study is quite limited. It only covers a three year period from 2007 until 2009. The findings would be more beneficial if a ten year period data is used. Further, a ten year data would be more interesting as it can show the trend on audit report lag. The other weaknesses identified are due to the sample selection. The other study that used the same time period, which is between 2009 to 2010, but it come to the different generalisation due to the different sample of the companies selected where the company only selected at random. Due to this weakness, the bundle of the literature cannot make generalisation, unless it utilise hundred percent of the sample.

For future research on audit report lag this study addresses few ideas. Apart from examining on annual report, Future study may also examine timeliness on other types of reporting such as interim reporting and quarterly reporting in relation with audit report lag since these reports are also important in assessing company performance.

Other than that, future research could examine the link between corporate governance mechanisms to share price firm specific characteristics on audit report lag. In addition, future study could also examine which parties are liable for the delay of annual report, either on the hands of the preparers (accountant) or auditors.

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