

## Determinants of Audit Report Lag of Commercial Banks in Nepal

Bishnu Prasad Bhattarai \*

Academic Director/Business Unit Head, Excel Business College, Pokhara University Affiliated, New Baneshwor, Kathmandu & Faculty Member, Patan Multiple Campus, Tribhuvan University, Patan Dhoka, Lalitpur, Nepal

### ABSTRACT

The purpose of the study to analyzed the determinants of audit report lag of commercial banks in Nepal. The secondary balance panel data of seven commercial banks for the period of 2013/2014 to 2017/2018, latest five years fresh data for the analysis. The sample has been choice from the convenience sampling technique. The descriptive statistics, correlational and casual comparative research design has been employed. The study has been selected audit report lag as dependent variable and return of total assets (ROA), leverage, size of bank, size of board, and bank age as independent variables. The study found that leverage and board size are the determinants of audit report lag in the Nepalese commercial banks perspectives. The study also found that the minimum 18 days to maximum 242 days lag of audit report of sample banks. The study concluded that leverage and board size have major determinants of audit report lag in Nepalese samples banks perspectives.

**Keywords:** Audit Report Lag; Panel Data; Nepal; Profitability; Leverage; Bank Size; Board Size; Age

### INTRODUCTION

Financial statements are prepared to provide useful information in making business and economic decisions. This information is important for users, especially investors as they use the statements to assess financial condition and performance of the related companies. However, this information is only useful when it is up to date and can be retrieved by investors on timely basis. It is contended that, when the time taken to produce the audit report increased, the usefulness of the information disclosed in company annual reports would decline. The delay in the production of audited financial statements not only affects the usefulness of the information but also the relevancy and reliability of the documents. Despite the importance of timely release of financial information, little has been done to investigate the cause of audit report lag—that is, the main reason of financial reporting delay, especially in developing countries [1].

The study of some determinants of "audit delay," i.e., the length of time from a company's fiscal year-end to the date of the auditor's report. Audit delay can affect the timeliness of accounting information releases, and it is well known that timeliness is associated with the market's reaction to the information released. Therefore, research on the determinants of audit delay may improve our understanding of market reactions to accounting releases [2]. As important information conciliator, audit report is all the time a focus of audit firms, companies, regulators and investors

and its report lag directly determines the usefulness of decision making [3]. Audit report lag is the time span for completing an audit of annual report conducted by the auditor. Audit report lag is very important because it can have an impact on the timeliness of accounting information presentation to be used as a decision maker by managers or external parties [4].

Recently, the timeliness of audited financial statement contributed enormously in the consideration of decision making process. Therefore, the audited financial statement must be published on time, as well as the availability and accuracy of the financial information required for shareholders, investors and other users as decision makers. Interval time to the completion of financial statement audit report can be measured by duration of the days required to obtain independent auditor report. The duration counted from the date of companies' financial statement year-end until the date of audit report, known as audit report lag. Previous research regarding audit report lag has been conducted, along with the results that show some of factors which are significantly affect audit report lag including; company size, profitability, public accounting firm, auditors' opinion, leverage, solvability, type of industry and profit / loss operation [5].

The studies on audit report lag has been begun more than five decades. The earliest study was done by Beaver (1968). Then, the studies have been continued by different scholars at different part of the world. Not yet, no one has been done such types of studies in

\*Correspondence to: Bishnu Prasad Bhattarai Faculty Member, Patan Multiple Campus, Tribhuvan University, Patan Dhoka, Lalitpur, Nepal, Tel: 9779851103366; E-mail: drbhattarai2019@gmail.com

Received: March 24, 2021; Accepted: July 10, 2021; Published: July 25, 2021

Citation: Bhattarai BP (2021) Determinants of Audit Report Lag of Commercial Banks in Nepal . Int J Account Res 9:213.

Copyright: © 2021 Bhattarai BP. This is an open-access article distributed under the terms of the Creative Commons Attribution License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original author and source are credited.

the Nepalese context. To fulfill the gap of the study, the researcher has been felt to the study in this topic. The study has been fulfilling the gap of literature for those who have been interested in this area in Nepal. In this connection, the issues of the study are: What are the determinants of audit report lag of commercial banks in Nepal?

The purpose of the study to analyzed the determinants of audit report lag of commercial banks in Nepal. To full fill the objectives of the study, the scholar has been taken profitability, leverage, bank size, board size and age to determine the audit report lag.

The study found that leverage and board size are the determinants of audit report lag in the Nepalese commercial banks perspectives. The study also found that the minimum 18 days to maximum 242 days lag of audit report of sample banks.

To finalize the remaining of the study has been divided in to following sections. The second section of the study has been explained literature review in these subject matters. The section third has been analysis of research methodology. The fourth part of the study has been detailed to the study analysis where data presentation and results have been explained in different tests like descriptive statistics, correlation and regression analysis. The final section has been draw summary and conclusion with recommendation of the study.

## LITERATURE REVIEW

The studies on audit report lag has been begun more than 52 years ago and the earliest study was done by Beaver (1968). Then, the studies have been continued by different scholars at different part of the world to date (2020). Some of major studies related with the study have been explained as follows.

Have examined whether the audit report lag (ARL) of Hong Kong companies is associated with auditor business risk and audit firm technology. The study was based on a sample of 393 Hong Kong companies for the 1991-1993 periods. Financial condition and family ownership/control of a company were used as proxies for auditor business risk, and the structured/unstructured audit approach was used as a proxy for audit firm technology. Other variables, such as the number of subsidiaries, nature of client's business, company size, unexpected positive earnings news and nature of audit opinion, were included as control variables. Regression results showed that there is a positive association between the audit report lag and the financial risk index for Hong Kong companies, suggesting that companies with a weak financial condition are associated with longer audit delays. The results also showed that companies audited by audit firms using the structured audit approach have longer audit delays. The findings on the association between ARL and the company's family ownership and control suggest that family-owned/controlled companies may have shorter audit delays, though the results are statistically not significant. Larger companies appear to provide motivation for shorter audit delays [6].

Has investigated the determinants of the audit report lag in Egyptian banks during the year 2004. On a sample of twenty seven banks listed in the Egyptian Stock Exchange, the regression results showed that external auditor type, bank size, audit complexity in terms of the number of branches, audit complexity in terms of diversity level and bank profitability, all have a significant impact on the audit report lag but the exceptional items does not [7].

Have examined whether audit report lag (ARL) is determined by

certain auditor-related factors. Understanding the determinants of ARL are important as ARL is the single most important factor in determining the timing of earnings releases and, therefore, improving the timeliness of companies' announcements of earnings. Unlike prior studies, they were particularly interested in examining various auditor-related factors including audit and non-audit fees received from clients, auditor tenure, type of auditor and audit opinion. Using a recent Korean sample, they found that ARL is negatively associated with non-audit fees paid to incumbent auditors, consistent with "knowledge spillover" from the provision of non-audit services. They also found that ARL is negatively associated with the use of Big 4 auditors and unqualified audit opinions. They were, however, not able to find significant associations between ARL and auditor tenure, or abnormal audit fees paid to incumbent auditors. Additional analyses provide evidence that abnormal audit hours and the provision of tax services, and services relating to the design of internal control systems, significantly reduce ARL [8].

Have analyzed that there were three main purposes of this study which are: first, to review the literature on audit report lag (ARL) and its determinants; second, to measure the extent of ARL in a developing country, Egypt; and third, to empirically examine the impact of corporate governance (CG) characteristics on ARL in Egypt. The literature on determinants of ARL motivated the author to investigate about the impact of CG characteristics and audit-related characteristics on ARL especially in emerging capital markets, such as the Cairo and Alexandria Stock Exchange (CASE) for a sample (85 companies) of Egyptian listed companies. Further, the study includes explanatory variables relating to CG characteristics, which have not previously been considered (i.e. board independence, duality of chief executive officer (CEO), and existence of an audit committee), that may shed more light on the structure and dynamics of the ARL. The ARL for each of the 85 listed sample companies ranged from a minimum interval of 19 days to a maximum interval of 115, and Egyptian listed companies take approximately two months on average. A regression analysis indicates that board independence, duality of CEO, and existence of an audit committee significantly affect ARL. But on the other hand, ownership concentration has insignificant effect on ARL. Also, three control variables (company size, industry and profitability) significantly affected ARL. The adjusted R<sup>2</sup> indicates that 57.10 per cent of the variation in the dependent variable in the regression model is explained by variations in the independent variables [9].

Have examined empirically the determinants of audit delay in two developing countries, the UAE and Bahrain. This study utilizes a sample of 83 firms using the accounting and market data available for 2004. The sample firms are all listed in either the UAE or Bahraini Stock Markets. Cross-sectional regression analysis is employed to test the hypotheses of the study. The results of this study show that four variables (profitability, debt ratio, sector type, and dividend payout ratio) examined in Bahrain appear to have a strong influence on the timeliness of annual reports (audit delay). However, another three variables (audit type, firm size, and price earnings ratio) are found to have a weak effect on the audit delay. In the UAE, the study concludes that two variables (debt ratio and audit type) appear to have a strong influence on audit delay, while the other variables were found not to have a significant effect on it. These results may help users of financial information to assess the impact of such variables on improving the timeliness of annual reports [10].

Have identified factors that affect the timeliness of audit reports of the Bangladeshi listed companies. Based on a sample of 87 listed companies, the results of the study indicate that the time taken to conclude the audit work is around 101 days. The shortest was 14 days, while the longest was 272 days. The multivariate results showed that type of auditor, financial company, profitability and company size significantly reduced the time taken to prepare audit report. On the other hand, type of audit report and leverage significantly increase the time taken to conclude the audit work [1].

Have examined the audit report lag of companies quoted in Nigeria stock exchange for the period 2008 to 2011. The investigation was conducted on a pooled sample of 60 firms across industries (Construction, Breweries, Oil & Gas, Health care, Packaging, Insurance, Publishing, Food Products, Automobiles, Hotel & tourism, Real Estate, Mortgage, Ict, Agro-Allied, Building Materials, Conglomerates, Courier and Banking). The results show that age of a company and total asset has a significant impact on audit report lag in Nigeria. However, the result indicates that Firm size and firm switch has no significant relationship with audit report lag in Nigerian companies. They have recommended that further research area on audit report lag should increase the sample size and also the number of years under investigation. Also, Policy makers should look into the audit report lag of quoted companies in Nigeria and formulate policies to enforce compliance. This will assist in boosting investors' confidence and also guide them in taken timely quality decisions either to invest or de-invest [3].

Have aims to analyze the relation between the characteristics of corporate governance; board independence, ownership concentration, audit committee independence, expertise, meeting, size, internal audit investment and audit report lag among companies listed under Bursa Malaysia. The samples covered are among 180 companies listed at Bursa Malaysia for 2009 and 2010. The samples were chosen randomly from 843 companies, the population. Descriptive statistics have been used to provide better perception of the length of time needed by an auditor, to complete an audit. The results showed that in average, the companies took about 100 days to complete their audit report with maximum and minimum days of 148 days and 26 days respectively. In addition, regression analysis was used to provide empirical evidence on which variables had strong bonding with audit report lag. The outcomes elicit that audit committee size, ownership concentration; organization size and profitability are significantly associated with audit report lag. However the other six variables (audit committee independence, meetings, expertise and types of auditors) were found to have insignificant relationship with audit report lag [11].

Have investigated corporate governance in relation to audit report lag in Nigeria. It specifically examined the effect of board size, board independence, audit firm type, audit committee size and audit committee independence and firm size on audit report lag. The study employed time series and cross sectional survey data covering five year's period (2007-2011). A total of one hundred and twenty (120) listed corporate organizations in the manufacturing sector of the Nigerian Stock Exchange constituted the population, from where a sample of 40 firms was drawn. Historical data were sourced from the financial statements and accounts of the sampled firms. Data were analyzed using descriptive statistics correlation and Ordinary Least Square, (OLS) regression. They found that board size, audit firm type, firm size had a significant effect while board independence and audit committee size had no significant effect on audit report lag. They have recommended that government

should make stringent policies and regulations on audit report lag; professional accounting bodies should monitor auditing firms for early completion of any engagement, and good corporate governance practices should be fully implemented in Nigerian organizations in order to reduce incidence of audit report lag [12].

Have determined the impact of profitability, solvency, and auditor's opinion to audit report lag on sub-sector coal mining companies listed on the Indonesian Stock Exchange. Quantitative study with purposive sampling method was used as the research method. The study were concluded that (1) Profitability has a negative significant influence on audit report lag of mining companies listed on Indonesia Stock Exchange. (2) Solvency has no significant influence on audit report lag of mining companies listed on Indonesia Stock Exchange. (3) Auditor's opinion has a negative significant influence on audit report lag of mining companies listed on Indonesia Stock Exchange [13].

Has examined to employ agency theory to identify the determinants of the audit delay among Palestinian companies listed on Palestine Stock Exchange (PSE). Drawing on the agency theory, eight hypotheses are tested using data collected from the year 2011 annual reports for all the 46 listed companies on PSE. Multiple regression analysis was performed to identify the influence of a set of company characteristics, ownership structure variables, and corporate governance mechanisms. The result of the analysis demonstrated that the audit reporting delay is influenced by the board size, corporate size, status of audit firm, company complexity, existence of audit committee, and ownership dispersion. The main shortcoming of the current study is that the analysis covered the Palestinian companies' annual reports for only one year. A time series analysis might give fuller and understandable picture about the audit report lag (ARL) determinants. The outcome of the study can be used by companies' managements and policy makers in Palestine to improve future disclosure [14].

Have analyzed the factors that affect audit report lag in some of public companies in Indonesia. The study examines the influence of company size, profitability, solvability, age of company, accounting firm size and audit committee towards audit report lag. The total sample consists of 332 firm-years observations of manufacturing companies listed in Indonesia Stock Exchange during 2009-2012. Analysis hypothesis is using multiple regressions. The results of multiple regression show that profitability and accounting firm size significantly influence audit report lag. Whereas, company size, solvability, age of company and audit committee does not influence audit report lag [5].

Has examined 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 three out of four hypotheses positive were 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 [15].

Have aimed to examine the empirical evidence of effect of size, age, incumbent, opinion finding, and DAK on audit report lag. The study was used secondary data, the sample of 513 regional governments in Indonesia from 2013 –2015 and obtained from Examination Result Report –Laporan Hasil Pemeriksaan (ERR – LHP) of BPK –Supreme Audit Institution on LKPD. Data analysis was done by panel data analysis, and data processing was done using statistics testing instrument Views 9. The result showed that only age of regional government and audit finding significantly affect audit report lag, while size, incumbent, opinion, and DAK do not affect audit report lag [16].

Has analyzed that the punctuality of audited financial report delivery is one measure for company owners, the community, especially investors for decision making. Therefore, this study was conducted to find out clearly and see more specific relationships regarding the effect of variables such as company size, profitability, solvency, liquidity, and the size of KAP that affect audit report lag. The study uses secondary data in the form of financial statements and independent auditor reports obtained from the Indonesia Stock Exchange for the period of 2011-2015. The sampling technique in this study used the purposive sampling method. This technique takes samples from certain places and uses criteria for specific purposes that are considered potential subjects for this study. The result of the study proved that the profitability and size of KAP have a significant effect on Audit Report Lag. Whereas, company size, solvency and liquidity have no significant effect on Audit Report Lag. The study also proved that company size, profitability, solvency, liquidity and KAP size simultaneously affect Audit Report Lag in significant manner [17].

Have provided a meta-analysis of the determinants of audit report lag, defined as the period between a company's fiscal year end and the audit report date. They have meta-analyzed studies into three categories: (a) audit and audit-related determinants, (b) corporate governance-related determinants, and (c) firm-specific determinants. They have found that audit opinion and audit season variables increase audit report lag, whereas Big 4 affiliation, non-audit services, and auditor tenure decrease audit report lag. Among the corporate governance determinants, the existence of a financial expert member on an audit committee, and ownership concentration, reduce audit report lag. Finally, an examination of firm-level characteristics reveals that firm complexity increases audit report lag, whereas profitability reduces it. They employed a meta-regression technique and identify publication bias [18].

Have analyzed the factors that affect an auditor's efficiency in completing the audit process proxied by audit report lag. The factors used in the study were selected by looking at the characteristics of the company and the characteristics of an auditor. Company characteristics were proxied by the audit committee effectiveness, financial condition; accounting complexity and profitability, whereas auditor characteristics were proxied with auditor reputation, audit tenure and auditors industry specialization. Populations of this study were all manufacturing companies listed in Indonesian Stock Exchange in 2014–2016. Based on the purposive sampling method, the number of samples obtained from 231 companies was 77. Multiple linear regression method was used to analyze. Hypothesis testing was done by statistical t-test (partial).

The results showed that partially variables of the audit committee effectiveness and profitability had a significant negative effect on audit report lag while the variable financial condition had a significant positive effect on audit report lag. Meanwhile, variables of the accounting complexity, auditor reputation, audit tenure and auditors' industry specialization did not show significant influence on audit report lag [19].

Has examined the role of CEO's gender, power and ownership on audit report lag. The rapid changes of market regulations and societal norms make CEO's characteristics emerge as evolving risk factors for corporate governance and audit research. The study raises the importance for research to understand their dynamic influences on corporate financial disclosure quality specifically, timeliness. The study hypothesizes that different CEO's characteristics set different tones to the audit discussion in the boardroom. To test the hypothesis, the study uses multiple secondary data from Compustat, Audit Analytics Exec comp and BoardEX and STATA analytical solution. The CEO's characteristics are divided into three dimensions that measure gender diversity, power and ownership concentration. The study provides evidence that both CEO's ownership and power, which proxied by (1) industrial experience and (2) social network size are significantly associated with audit report lag. However, only the association with the CEO's power reduces audit report lag whereas CEO's ownership increases it. With regards to the gender diversity, it is only effective in reducing audit report lag if other CEO's characteristics are also presence. Overall, the results provide support to the study proposition in respect of the role of CEO's characteristics in accelerating financial reporting timeliness [20].

Have examined the factors that influence audit report lag in Indonesia. The factors were seen from the financial performance of the company size, profitability and corporate leverage. The research sample was 91 manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period of 2015 and 2016. The total observation for 2 years amounted to 182. The method of data analysis was random effect models. The results showed that company size and profitability are variables that can shorten audit report lag. Meanwhile, leverage has not empirically proven to have a significant effect. The findings implies that large companies have better information and technology systems compared to smaller companies so as to strengthen internal control and speed of presentation of financial statements. High profitability encourages companies to present financial reports on time so that the impact of ARL decline [21].

Has examined the factors affecting the audit report lag. There is three factors can affect audit report lag, namely solvency, firm size, and age companies. The population of this research is trading companies listing on the Indonesia Stock Exchange. The number of samples obtained was 32 companies that have been determined by purposive sampling method. Test result shows that the solvency and age variables of the company have no effect against audit report lag. The firm size affects the audit report lag [4].

The rigorous literature has been survey for the strong research methodology. From the literature survey, the present study has been drawn the research methodology as follows.

## RESEARCH METHODOLOGY

In this study, seven commercial banks have been chosen out of 27 commercial banks. The secondary balance panel data for the

period of 2013/2014 to 2017/2018. The reason behind the choosing of latest five years fresh data for the analysis. The sample also has been choice from the convenience sampling technique. The sample banks were NIC ASIA Bank, Standard Chartered Bank, Sanima Bank, Everest Bank, Agricultural Development Bank, Megha Bank, Prime Bank and Citizen Bank. The descriptive statistics, correlational and casual comparative research design has been employed.

### The Model

The following model has been employed based on previous studies to determine audit report lag of commercial banks in Nepal.

$$ARL_{it} = \beta_0 + \beta_1 ROA_{it} + \beta_2 LEV_{it} + \beta_3 BSIZE_{it} + \beta_4 BODSIZE_{it} + \beta_5 AGE_{it} + e_{it}$$

Where

$\beta_0$  = Constant term

$\beta_1$  to  $\beta_5$  = Coefficient of Variables

$ROA_{it}$  = Return on Assets of  $i^{th}$  bank in year  $t$

$LEV_{it}$  = Leverage of  $i^{th}$  bank in year  $t$

$BSIZE_{it}$  = Bank Size of  $i^{th}$  bank in year  $t$

$BODSIZE_{it}$  = Board of Director Size of  $i^{th}$  bank in year  $t$

$AGE_{it}$  = Bank Age of  $i^{th}$  bank in year  $t$

$e_{it}$  = Error term

### Variables and Hypothesis

The study has been selected audit report lag as dependent variable. The study also have been taken return of total assets (ROA), leverage, size of bank, size of board, and bank age as independent variables. The explanations about the measurement and hypothesis of the study have been described as follows.

### DEPENDENT VARIABLE

#### Audit Report Lag

Audit report lag is the difference time (number of days) between the banks' financial year end and the signing of the audit reports. The same calculation have been made of the previous studies were: [22-29], [3-13], [1], [3], [16-21], [18].

#### Independent Variables

The study also have been taken return of total assets (ROA), leverage, size of bank, size of board, and bank age as independent variables. Most of the studies were taken these variables. The independent variables of the study have described as follows.

#### Profitability (ROA)

The profitability measure by net profit after tax on total assets. This variable has measure the efficiency of management. The organization has how many assets have been utilized to return. It may also parameter of the audit report delay. The present study has assumed that higher profitable organization takes less time to audit report. The profitability has negative related with the audit report lag. The studies in support were [7-11], [1], [13], [5], [18-21].

H1: The profitability has significantly negative relation with audit report lag.

#### Leverage

The leverage is the proportion of total debt with the amount of equity owned by the company. When the proportion of debt is higher than the equity, the formal procedures takes long time to finalize the audit. The priori study on the line were [8], [1], [5], and [18]. However, the leverage amount high intuitions have taken lower the time for audit, which is reverse relation each. The previous study on supported was [10] and [21]. Hence, the study also expected negative relation to each other's.

H2: The leverage has significantly negative relation with audit report lag.

#### Bank Size

The bank size has been measure by natural logarithm of total asset. The higher bank size lower the audit report lag and vice versa. The previous studies consistent with same line were [6], [8-11], [1], [3], [15], [18], [21], and [4]. The previous study have positive direction were [7], [28], and [17]. The present study hypothesis is as follows.

H3: The bank size has significantly negative relation with audit report lag.

#### Board Size

The total numbers of board of directors reflect the board size of the bank. It is also called corporate governance body. The large the board size delay the audit report and shorten the board size have less time takes the audit report. The results of study in the favor were [22], [23]; [27], [9], [12], and [20]. The present study has also expected negative relation.

H4: The board size has significant negative relation with audit report lag.

#### Bank Age

The year of foundation of the company has been taken as age of company in this study. The study has assumed that older institutions have made and follows the producer as per rules and regulations. So that they have less time to do audit. The older organization has more experiences so that older organizations have taken less time audit report lag. The younger organization has less experience to control accounting system so that they have taken much time to do audit. The time for the reporting definitely high and delay. The priori studies in the same conclusion were [3], [12], and [16]. The present study also expected negative relation.

H5: The age of the banks have significantly negative relation with audit report lag.

### Summary of Variables

The selected study variable variables, measurements, nation, source and hypothesis (expected sign) have been presented in the (Table 1).

## RESULTS AND DISCUSSION

### Descriptive Statistics Analysis

The descriptive statistics summary has been presented in Table 2. The average audit report lag of Nepalese sample commercial banks were 118 days. The early audit report reporting time was 18 days and the late interval of audit was 242 days (Table 2).

Table 1. Summary of Variables, Measurements, Nation, Source of Findings and Expected Sign.

Variables	Measurement	Notation	Source of Study	Expected relation with ARL
<b>Dependent Variables</b>				
Audit Report Lag	The Number of Days between the Banks' Financial Year End and the Signing of the Audit Reports.	ARL	Halme and Huse (1997), Jaggi and Tsui (1999), Xie et al. (2003), Cerbioni and Parbonetti (2007), Ezat and El-Masry (2008), Wu et al. (2008), Lee and Jahng (2008), <i>El-Bannany</i> (2008), Cormier et al. (2009), Afify (2009), Khasharmeh and Aljifri (2010), Ahmed and Hossain, (2010), Al-Ghanem and Hegazy (2011), Juanita and Satwiko (2012), Dibia and Onwuchekwa (2013), Apadore and Noor (2013), Ilaboya and Christian (2014), Hapsari, Putri and Arofah (2016), Hashim (2017), Mazkiyani and Handoyo (2017), Tannuka (2018), Karlina, Lindrianasari, Gamayuni (2018), Habib, Bhuiyan, Huang and Miah (2019), Abdillah, Mardijuwono and Habiburrochman (2019), Azizan (2019), Fujianti and Satria (2020), and Ustman (2020)	N/A
<b>Independent Variable</b>				
Profitability (ROA)	Net Profit After Tax to Total Assets	ROA	(+) Juanita and Satwiko (2012) and Tannuka (2018) (-) Lee and Jahng (2008), <i>El-Bannany</i> (2008), Afify (2009), Ahmed and Hossain, (2010), Khasharmeh and Aljifri (2010), Apadore and Noor (2013), Hapsari, Putri and Arofah (2016), Mazkiyani and Handoyo (2017), Abdillah, Mardijuwono and Habiburrochman (2019), Azizan (2019), Habib, Bhuiyan, Huang and Miah (2019), and Fujianti and Satria (2020)	Negative
Solvency (Leverage)	Debt to Equity Ratio (Total liabilities to Total Equity)	LEV	(+) Lee and Jahng (2008), Ahmed and Hossain, (2010), Mazkiyani and Handoyo (2017), and Habib, Bhuiyan, Huang and Miah (2019) (-) Khasharmeh and Aljifri (2010) and Fujianti and Satria (2020) <b>(No Sig) Hapsari, Putri and Arofah (2016),</b>	
Bank Size	Natural Logarithm of Total Assets	BSIZE	(+) <i>El-Bannany</i> (2008), Al-Ghanem and Hegazy (2011), and Tannuka (2018) (-) Jaggi and Tsui (1999), Lee and Jahng (2008), Afify (2009), Khasharmeh and Aljifri (2010), Ahmed and Hossain, (2010), Dibia and Onwuchekwa (2013), Apadore and Noor (2013), Hashim (2017), Habib, Bhuiyan, Huang and Miah (2019), Fujianti and Satria (2020), and Ustman (2020)	Negative
Board Size	Total Numbers of Boards of Directors	BODSIZE	(+) Cerbioni and Parbonetti (2007), Ezat and El-Masry (2008), Wu et al. (2008) (-) Halme and Huse (1997), Xie et al. (2003); Cormier et al. (2009), Afify (2009), Ilaboya and Christian (2014), and Azizan (2019)	Negative
Bank Age	Year of Foundation of Banks	AGE	(+) ..... (-) Dibia and Onwuchekwa (2013), Ilaboya and Christian (2014), and Karlina, Lindrianasari, Gamayuni (2018),	Negative

Source: Literature Survey by Researcher (2020)

Table 2. Summary Statistics, using the observations 1:1 - 8:5.

Variable	Min	Max	Mean	S.D.
ARL	18.0	242.	118.	62.9
ROA	0.970	3.12	1.87	0.402
LEV	4.12	13.7	8.27	2.44
BSIZE	17.2	25.9	24.6	1.74
BODSIZE	5.00	10.0	7.30	1.29
AGE	4.00	32.0	14.8	7.86

Source: Annual Report of Sample commercial banks and Results were drawn from Gretl Statistics Software 1.9.4

The average return on assets was 1.87 percent. It shows that management of banks has utilized its asset to earn profit was 1.87 percent. The maximum and minimum leverage were 4.12 percent and 13.7 percent. The average board of directors govern by banks were 7 plus. The minimum boards of directors were 5 people and maximum people in the board were 10 directors. The average banks age of sample banks 14.8 years.

### Correlation Analysis

The Pearson correlation coefficient of study variable has been

presented in the Table 3. Audit report lag was dependent variable and return on assets; leverage, bank size, board size and age of banks were independent variables (Table 3).

There is positive relation between profitability, bank size, board size with audit report lag. However, the leverage and age of banks have negative relationship between audit report lag. The correlation coefficient between independent variables has less than 0.30. It shows that there is low correlation between the independent variables. There is no multicollinearity problem of independent variables. It is also supported by VIF which is less than 2 each independent variable (see Table 4). So that that variables that have choice for the model is appropriated at the colnearity point of

**Table 3.** Correlation coefficients, using the observations 1:1 - 8:5, 5% critical value (two-tailed) = 0.3120 for n = 40.

ARL	ROA	LEV	BSIZE	BODSIZE	AGE	Variables
1.0000	0.2846	-0.5254	0.2970	0.3063	-0.1148	ARL
	1.0000	-0.4756	0.2671	0.0204	0.1276	ROA
		1.0000	-0.1819	0.0622	0.2099	LEV
			1.0000	0.1832	0.2340	BSIZE
				1.0000	-0.4317	BODSIZE
					1.0000	AGE

Source: Annual Report of Sample commercial banks and Results are drawn from Gretl Software 1.9.4 Version

**Table 4.** Regression Results of Determinants of Audit Report Lag.

<b>Model 1: Pooled OLS, Using 40 Observations</b>					
Variables	Coefficient	Std. Error	t-ratio	p-value	VIF
Const	16.8514	134.418	0.1254	0.9010	
ROA	-8.06119	24.5640	-0.3282	0.7448	1.459
LEV	-15.3326	4.26832	-3.592	0.0010***	1.622
BSIZE	3.25244	5.39242	0.6032	0.5504	1.325
BODSIZE	19.6082	7.85593	2.496	0.0176**	1.527
AGE	1.34662	1.37360	0.9804	0.3338	1.745
R-squared = 0.427341			Adjusted R-squared = 0.343126		
Joint significance of differing group means: F(7, 27) = 2.38655			p-value = 0.0489221 < 0.05		
Durbin-Watson = 1.376785					
<b>Model 2: Fixed Effects, Using 40 Observations</b>					
	Coefficient	Std. Error	t-ratio	p-value	
Const	114.076	187.917	0.6071	0.5489	
ROA	-29.2663	26.4570	-1.106	0.2784	
LEV	-7.42024	5.62593	-1.319	0.1983	
BSIZE	2.42579	6.22207	0.3899	0.6997	
BODSIZE	9.31149	9.06927	1.027	0.3137	
AGE	-0.514794	7.60155	-0.06772	0.9465	
LSDV R-squared = 0.646231			Within R-squared = 0.118710		
LSDV F(12, 27) = 4.110076			P-value(F) = 0.001111 < 0.05		
Durbin-Watson = 1.682666					
<b>Model 3: Random Effects (GLS), Using 40 Observations</b>					
	Coefficient	Std. Error	Z	p-value	
Const	64.8159	143.471	0.4518	0.6514	
ROA	-16.8734	24.3405	-0.6932	0.4882	
LEV	-11.2083	4.38851	-2.554	0.0106**	
BSIZE	2.63076	5.30496	0.4959	0.6200	
BODSIZE	14.2472	7.75046	1.838	0.0660*	
AGE	0.590751	1.90102	0.3108	0.7560	
Breusch-Pagan Test Statistic :			Hausman Test Statistics :		
LM = 0.366619			H = 6.59709		
p-value = prob(chi-square(1) > 0.366619) = 0.544853 > 0.05			p-value = prob(chi-square(5) > 6.59709) = 0.252371 > 0.05		
Durbin-Watson = 1.682666					

Note: \*\*\*. Correlation is significant at the 0.01 level (2-tailed), \*\*. Correlation is significant at the 0.05 level (2-tailed). \* Correlation is significant at the 0.10 level (2-tailed)

Source: Annual Report of Sample commercial banks and Results are drawn from Gretl Software 1.9.4 Version

view. Hence the study has been further calculation of regression analysis.

### Regression Analysis

Table 4 has been presented regression analysis of study variables.

The result has been analysis by three different models like Pooled OLS, Fixed Effects and Random Effects Model with the help of Gretl Statistical Software version 1.9.4. The result of Poled OLS and Random Effects Model has appropriate of this cases. In the Fixed Effects Model has not prediction of statically because there is

not any variable significant. The Pooled OLS and Random Effects Models have predicts same results. The further study has explained base on these two models. There is positive and statistically significant result found between the leverage and audit report lag. It shows that the banks have increases in leverage; the interval of audit report time has decreases. It is also further explained that higher the leverage lower would be the time interval of audit report lag of the sample banks. The result of the study consistent with studies of [10] and [21]. Whereas the study result contrary with the studies of [8], [1], [5], [18].

The board size has positive and statistically significant with audit report lag. It shows that higher board members the interval of audit report lags. The study result has not supported priori hypothesis of this study. The result inconsistent with the study results were [24-26], [30-31] (Table 4).

The others variable profitability has negative association with audit report lag but not statistically significant. It shows that profitability has not effect audit report interval. Rest two variables bank size and has positive but statistically significant with audit report lag. The size of bank and age bank were not determinants of audit report lag of Nepalese sample banks perspectives.

## SUMMARY AND CONCLUSION

Audit report lag is the time span for completing an audit of annual report conducted by the auditor. Audit report lag is very important because it can have an impact on the timeliness of accounting information presentation to be used as a decision maker by managers or external parties. The studies on audit report lag has been began more than five decades. The earliest study was done by Beaver (1968). Then, the studies have been continued by different scholars at different part of the world. Not yet, no one has been done such types of studies in the Nepalese context. To fulfill the gap of the study, the researcher has been felt to the study in this topic. The purpose of the study to analyzed the determinants of audit report lag of commercial banks in Nepal. The secondary balance panel data of seven commercial banks for the period of 2013/2014 to 2017/2018, latest five years fresh data for the analysis. The samples have been choice from the convenience sampling technique. The descriptive statistics, correlational and casual comparative research design has been employed. The study has been selected audit report lag as dependent variable and return of total assets (ROA), leverage, size of bank, size of board, and bank age as independent variables. The study found that leverage and board size are the determinants of audit report lag in the Nepalese commercial banks perspectives. The study also found that the minimum 18 days to maximum 242 days lag of audit report of sample banks. The study concluded that leverage and board size have major determinants of audit report lag in Nepalese samples banks perspectives.

## REFERENCES

- Ahmed AAA & Hossain MdS. Audit report lag: 2010; 4: 49-56.
- Asthor RH, John JW and Robert KE. An empirical analysis of audit delay. *J Acc Res* 1987; 25:275-292.
- Dibia NO & Onwuchekwa JC. An examination of the audit report lag of companies quoted in the Nigeria stock exchange. *Int J of Busi and Soc Res* 2013; 3: 8-16.
- Ustman. The effect of solvency, firm size, age companies on audit report lag. *Res J Fin and Acc* 2020; 11: 17-22.
- Mazkiyani N & Handoyo S. Audit reports lag of listed companies. *N Jurnal Aplikasi Bisnis* 2017; 17: 77-95.
- Jaggi B & Tsui J. Determinants of audit report lag: *Acc and Busi Res* 1999; 30; 17-28.
- El-Bannany M. Factors affecting audit report lag in banks: 2008; 5: 54-61.
- Lee H-Y & Jahng G-J. Determinants of audit report lag: *The J Appli Bus Res* 2008; 24: 27-44.
- Afify HAE. Determinants of audit report lag: Does implementing corporate governance have any impact? *J Appl Acc Res* 2009; 10 : 56-86.
- Khasharmeh HA & Aljifri K. The timeliness of annual reports in Bahrain and the United Arab Emirates: *The Int J of Bus and Fin Res* 2010; 4: 51-71.
- Apadore K & Noor MM. Determinants of Audit Report Lag. *International Journal of Business and Management* 2013; 8:151-163.
- Ilaboya OJ & Christian I. Corporate Governance and Audit Report Lag. *Int J Huma and Soc Sci* 2014; 4:172 -180.
- Hapsari AN, Putri NK & Arofah T. The influence of profitability, solvency, and auditor's opinion to audit report lag at coal mining companies 2016; 7:197-201.
- Hassan YM. Determinants of audit report lag: *J Acc in Emerg Econ* 2016; 6: 13-32.
- Hashim UJb. Does ownership characteristics have any impact on audit report lag? *World Appl Sci J* 2017; 35: 1826-1838.
- Karlina, Lindrianasari & Gamayuni RR. Determinant analysis of audit report lags. *Int J Scien & Tech Res* 2018; 7: 105-110.
- Tannuka S. Pengaruh ukuran perusahaan, profitabilitas, solvabilitas, likuiditas, dan ukuran kap terhadap audit report lag. *Jurnal Muara Ilmu Ekonomi dan Bisnis* 2018; 2: 354-368.
- Habib A, Bhuiyan MBU, Huang HJ & Miah MS. Determinants of audit report lag: A meta-analysis. *Int J Audit* 2019; 23: 20-44.
- Abdillah MR, Mardijuwono AW & Habiburrochman H. The effect of company characteristics and auditor characteristics to audit report lag. *Asian J of Acc Res* 2019; 4: 129-144.
- Azizan S. CEO's gender, power, ownership: roles on audit report lag. *Management & Accounting Review* 2019; 18: 245- 273.
- Fujianti L & Satria I. Firm size, profitability, and leverage as determinants of audit report lag: *Int J Fin Res* 2020; 11: 61-67.
- Halme M & Huse M. The influence of corporate governance, industry and country factors on environmental reporting. *Scandinavian J Manag* 1997; 13: 137-157.
- Xie B, Davidson WN & DaDalt PJ. Earnings management and corporate governance: the role of the board and the audit committee. *J Corp Fin* 2003; 9: 295-316.
- Cerbioni F & Parbonetti A. Exploring the effects of corporate governance on intellectual capital disclosure: an analysis of European biotechnology companies. *European Accounting Review*, 2007; 16: 791-826.
- Ezat A & El-Masry A. The impact of corporate governance on the timeliness of corporate internet reporting by Egyptian listed companies. *Managerial Finance* 2008; 34: 848-867.
- Wu C, Wu C & Liu V. The release timing of annual reports and board characteristics. *The International Journal of Business and Finance Research* 2008; 2: 103-108.
- Cormier D, Ledoux M-J & Magnan M. The use of web sites as a



- disclosure platform for corporate performance. *Int J Acc Inform Syst* 2009; 10: 1-24.
28. Al-Ghanem W & Hegazy M. An empirical analysis of audit delays and timeliness of corporate financial reporting. *Eurasian Business Review* 2011; 1: 73-90.
29. Juanita Greta, Satwiko, Rutji. Pengaruh Ukuran Kantor Akuntan Publik, Kepemilikan, Laba Rugi, Povitabilitas dan Solvabilitas terhadap Audit Report Lag. *Jurnal Bisnis dan Akuntansi*, 2012; 14: 31-40.
30. Alali FA & Elder RJ. Determinants of audit report lag in the banking industry: updated evidence. *Int J Acc, Auditing and Performance Evaluation* 2014; 10:364.
31. Jouini F. Cost of debt, corporate disclosure and audit report lag. *Euro Med J Management* 2018; 2:240.