AUDIT COMMITTEE EFFECTIVENESS AND AUDIT REPORT LAG IN OMAN

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ABSTRACT

This study investigates whether there is an association between audit committee effectiveness, measured by audit committee independence, size, expertise, and meetings, and audit report lag for companies listed on the Muscat Securities Market (MSM). Data were collected from 110 companies in the financial year 2009.

Descriptive analysis was used to provide insight into the time taken by external auditors to complete the audit work. The results showed that, on average, 51 days were taken to accomplish external audit function. Meanwhile, the minimum was 18 days and the maximum was 76 days.

In addition, regression analysis was performed to provide empirical evidence on which variables of effective audit committee had significant impact on audit report lag. The results showed that audit committee independence was negatively related to audit report lag. Moreover, there was a negative relationship between audit committee expertise and audit report lag. The other two variables of effective audit committee (audit committee size and frequency of audit committee meetings) were found to have insignificant association with audit report lag.
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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Corporate reporting is one of the channels that provides information that assist external users in decision making. However, this information is required to be available within a short period of time to achieve its usefulness; otherwise, it loses some of its economic value. In line with what had been recognized by the American Accounting Association (AAA, 1955 and 1957), the Accounting Principles Board (1970), the American Institute of Certified Public Accountants (1973), the Financial Accounting Standards Board (1980), the Institute of Chartered Accountants of Canada and the Institute of Chartered Accountants of England and Wales, timeliness of corporate reporting is one of the qualitative characteristics of corporate disclosure. In addition, stakeholders and regulatory authorities, professional bodies, academicians, financial analysts, investors, and managers considered it to be an important attribute of financial accounting information.

A number of studies have concluded that the timeliness is the cornerstone of investors' decisions (Chambers & Penman, 1984; Choi & Choe, 1998; Ball, Kothari & Robin, 2000; Al-Sehali & Spear, 2004). Owusu-Ansah (2000) argues that timely reporting is an important device to mitigate insider trading, leaks and rumors in emerging capital markets. Timeliness can also be viewed as a way of reducing information asymmetry and reducing the opportunity to spread rumors about the companies' financial health and
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REFERENCES


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