

**AUDIT REPORTING LAG IN RUSSIA: IMPACT OF CORPORATE
GOVERNANCE CHARACTERISTICS**

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**AUDIT REPORTING LAG IN RUSSIA: IMPACT OF CORPORATE
GOVERNANCE CHARACTERISTICS**

A thesis submitted to the Graduate School in partial fulfillment of the requirement for the
Degree Master of Science (International Accounting)

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ABSTRACT

Timeliness is very crucial aspect in assessing the accountability and the quality of financial reporting. Financial information could be accessed by users once the auditor has issued and completed the annual reports. Therefore, the time taken to publish the annual report depends partly on the audit time taken to prepare the audit report. This paper purposes are to investigate the extent of audit report lag (ARL) for companies listed in Russia capital market and to examine the association between corporate governance (CG) characteristics (board independence and existence of audit committee) and audit ARL for companies listed in Russia capital market.

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 Russian stock market (RSM) for a sample (62 companies) of Russian listed companies. Further, the study includes explanatory variables relating to CG characteristics, which have not previously been considered (i.e. board independence, 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 62 listed sample companies ranged from a minimum interval of 50 days to a maximum interval of 174 days, and Russian listed companies take approximately three months on average. Regression analyses indicate that board independence significantly affect ARL. But on the other hand existence of an audit committee has insignificant affect on ARL. Also, one control variable (type of auditor) significantly affected ARL.

This study of Russian companies listed on the RSM represents the initial comprehensive examination of ARL, and it is consider the first study to provide a thorough examination of the association between CG characteristics and ARL.

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CHAPTER ONE

Introduction

1.1 Background of the Study

Timeliness of the financial statements is considered one of the important aspects that the users of accounting information concern. Accounting researchers, regulatory bodies and professional agencies reflect the qualitative characteristic of financial accounting information (Knechel & Payne, 2001; Soltani, 2002). Prior studies have provided empirical evidence that audit timeliness is the most influential factor in the timeliness of financial statements (Owusu-Ansah, 2000; Leventis et al., 2005). Timely corporate financial reporting is an essential ingredient for a well-functioning capital market.

Undue delay in releasing financial statements increases uncertainty associated with investment decisions (Ashton et al., 1987). The importance of timely accounting information for operational reasons in general and capital markets in particular, cannot be over-emphasized.

Bamber et al. (1993) report that over 70 per cent of all companies wait until at least the annual audit report date before announcing earnings. This demonstrates the importance of a timely audit, earnings information, and the role of the annual audit in determining the timing of information releases. The importance of audit lag (AL) research is well recognized. AL affects the timeliness of accounting information, which is a key to promoting investors' confidence in capital markets (Ettredge et al., 2005). Regulators need

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