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The Impact of Audit Technology Usage and Corporate Governance on Financial Reporting Timeliness

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Abstract: This study examines the impact of audit technology usage and corporate governance as well as the factors that affect on financial reporting timeliness in the Jordanian listed company in Amman Stock Exchange in the Kingdom of Jordan. The sample internal auditors of the company. To achieve the study objectives, the researchers developed questioner and annual report, which was administered in a survey. The collected data were analyzed by using SPSS. The analysis of the descriptive statistics and correlations indicated that audit technology and selection as well as audit technology and corporate governance on financial reporting timeliness of Jordanian listed company. The study also recommended the steps to improve financial reporting timeliness in the Jordanian listed company.

Keywords: Audit technology usage, corporate governance, board of directors, audit committee, company size, internal auditors.

INTRODUCTION

Timeliness is a necessary qualitative characteristic of relevant financial information and it receives more attention from accounting regulators and listing authorities around the world [1]. There are many literature on the timeliness of financial statements due to the fact that timeliness act as an important aspect of financial reporting. The Accounting Principles Board (APB) in the United States, has identified timeliness of financial reporting as one of the qualitative attributes of financial reporting [2].

The global financial crisis and recent corporate failures have ensured that corporate governance remains one of the most topical issues in the business world. The subject is a recurring central issue, with various governments and regulatory authorities making efforts to introduce stringent governance regimes to ensure the smooth running of corporate organizations, and prevent such failures. In addition, the growing information needs of stakeholders who have operational interest in financial reporting have resulted in the quest for timely and credible financial reports. According to the International Accounting Standards Board [3] timeliness of financial. reports is the “availability of information needed by decision makers for useful decision making before it loses its capacity to influence decisions,”. In emerging economies, the provision of timely information in corporate reports assumes greater importance since other non-financial statement sources such as media releases, news conferences and financial analysts forecasts are not well developed and the regulatory bodies are not as effective as in the Western developed countries [4].

Financial Reporting Timeliness

Timeliness is amicable to protect the users of accounting information from making their decisions on outdated information. Imagine the problem that could arise if a company is to issue its financial statements to the public after 12 months of the accounting period. The users of the financial statements, such as potential investors, would probably find it difficult to assess the needed information (www.accounting-simplifed.com), as it is already outdated.

Timeliness is identified as one of the characteristics of information in financial reporting quality. To accomplish this objective, financial reports must be available on time to inform to the user to help them in decision making. Therefore, financial reports should be published as soon as possible after the end of the accounting period.

Corporate Governance

Corporate governance is the system which guide the work of the company and monitored at the highest level in order to achieve its objectives and meet the necessary standards of responsibility, integrity and candour [5]. A board of directors is a group of people who are elected by the company's shareholders to meet periodically to oversee the company's management and represent the interests of the shareholders and such it is the governing body of a corporation. The board has overall authority for decisions made by the company, but usually confines itself to the following areas: Issuance of stock, Issuance of dividends, naming members to various committees, adopting and revising bylaws, hiring or firing senior managers, and setting the company's overall direction. The board of directors may be comprised of senior managers of the company, as well as outsiders with special skills that can be of assistance to the company [6]. [7], stated that in companies with large number of members, the audit committee and repeated scrutiny committee meetings are more likely to produce audit reports in a timely manner.

The study explained that the independence and expertise of the audit committee are associated with the timing of the preparation audit report, and the researcher indicated that was not bound to give more attention and focus on the independence of the audit committee and the increase of experience they have. The result shows there is still scope for more research to study to effect of audit firms and financial reporting timeliness, that focus more on the factors that effect of the work auditor and the audit committee meetings, the result showed that there is still a need for the independence of the audit committee meetings and prevent intervention, also put a specific time frame for the number of meetings for audit committee, order not to effect on the date of issuance of the financial reports [7].

Total assets typically used in previous studies of delay audit to measure the size of the company, [8] and [9] founded most of the previous studies, the presence of negative correlation between delay the audit and the size of the company. This may be because of the considerable resources that the company has and is able to recruit individuals to control the internal functions correctly. In addition, large companies have more resources to pay relatively higher audit fees and are able to settle the charges shortly after the end of the year companies [10]. Thus, it is likely that the delay in reporting to the audit of large companies are less than those of smaller ones. [11] stated that the management of large companies have greater incentives to reduce delay auditing and reporting delay, because they are monitored closely by investors, unions and regulatory bodies.

Research hypotheses

H1: THERE IS A NEGATIVE RELATIONSHIP BETWEEN AUDIT TECHNOLOGY USAGE AND FINANCIAL REPORTING TIMELINESS.

H1: THERE IS A POSITIVE RELATIONSHIP BETWEEN BOARD OF DIRECTORS AND FINANCIAL REPORTING TIMELINESS.

H2: THERE IS A NEGATIVE RELATIONSHIP BETWEEN AUDIT COMMITTEE AND FINANCIAL REPORTING TIMELINESS.

H3: THERE IS A NEGATIVE RELATIONSHIP BETWEEN COMPANY SIZE AND FINANCIAL REPORTING TIMELINESS.

Variable Operational Measures

Operational measure for each variable examined in the study needs to have a clear definition. This section provides detailed measurement for all variables (as in the table 1) for the purpose of data collection later.

Table-1 :Operational Definition

Type of Variable	Variable	Operational Definition
Dependent Variable	*FRT*	The difference between the end of the financial year and the timing of the issuance of the company's financial reports.
Independent Variable	*AUDTECHUSE*	The percentage of IT audit usage by internal auditors in financial statement audit
	BOD	The proportion of independent directors to total number of directors
	AC	Total number of audit committee members and Number of audit committee meetings held during the year
	COSIZE	Total assets in the company.

RESEARCH FINDINGS

Regression Analysis

As shown in correlation results the highest correlation value is board of directors (r= .289; p<.05), its mean there are positive and significant relationship with financial reporting timeliness, this result supported by [12] there are positive and significant relationship with financial reporting timeliness. Followed by audit technology (r=.-137; p<.05), that’s mean there are a negative and significant relationship with financial reporting timeliness, this result supported by [13] there are a negative and significant relationship with financial reporting timeliness. Then company size (r=.-172; p<.05), that’s mean there are a negative and significant relationship with financial reporting timeliness, this result supported by [9], there are a negative and significant relationship with financial reporting timeliness. And smaller correlation value is an audit committee (r=. -176; p<. 527), that’s mean there are a negative and significant relationship with financial reporting timeliness, this result supported by [5] there are a negative and significant relationship with financial reporting timeliness. The results indicates that the board of directors have positive relationship and statistically significant at (p<.05). While, audit technology, company size, and audit committee have negative relationship and statistically significant at (p<.05).

Table-2:Correlation analysis

		FRT	BOD	AC	CS	AT
Financial reporting timelines	Pearson Correlation	1	.289**	-.176**	-.172*	-.137*
	Sig. (2-tailed)		.000	.008	.010	.041
	N		223	223	223	223
Board of Directors	Pearson Correlation		1	-.144*	.051	.137*
	Sig. (2-tailed)			.031	.452	.041
	N			223	223	223
Audit Committee	Pearson Correlation			1	.075	-.064
	Sig. (2-tailed)				.264	.345
	N				223	223
Company Size	Pearson Correlation				1	.019
	Sig. (2-tailed)					.777
	N					223
Audit Technology	Pearson Correlation					1
	Sig. (2-tailed)					
	N					
**. Correlation is significant at the 0.01 level (2-tailed), *. Correlation is significant at the 0.05 level (2-tailed).						
Note: Financial reporting timelines (FRT), Board of Directors (BOD), Audit Committee (AC),Company Size (CS), Audit Technology (AT)						

REGRESSION ANALYSIS

Multiple regression analysis is normally used to serve the purpose of this study. [14] suggested that multiple regression analysis is the most extensively used multivariate technique to predict and/or explain the relationship. The regression analysis was done to examine the influence of independent variables on the dependent variable. The results of multiple regression analysis based on independent variables are reflected in table 3.

Table-3: Regression analysis

Variables	Standardized Coefficients Beta	Significant value
Board of Directors	.305	.000
Audit Committee	-.131	.039
Company Size	-.174	.006
Audit Technology	-.184	.004
R Square	.166	
Adjusted R Square	.151	
F Change	10.871	
Sig. F Change	.000	
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Sig. F Change	.000	

Table 3 depicted the multiple regression coefficients (R) of the four (4) independent variables to the financial reporting timelines, as the dependent variable. All variables are significant where p < 0.05. In terms of beta values, the highest beta coefficient was discovered for board of directors, where (Beta = .305). This indicated that the board of directors variable made the strongest contribution to explain the dependent variable. The second beta value represented by the audit committee with the value of (Beta = -. 131). Company size with the value of (Beta = -.174), subsequently, the lowest beta value indicated that audit technology with (Beta = -.184). That's mean uses the audit technology still low compared to other variables in companies listed on the Amman Stock Exchange. And the companies still need to developed audit technology to financial reporting timeliness.

Hypotheses Testing

Hypotheses testing

H1: There is a negative relationship between audit technology usage and financial reporting timeliness

The effect of audit technology usage was tested against financial reporting timeliness by using Pearson correlation and regression analysis. The results indicate that there is a negative relationship between the two variables as shown in table 4.2 (r= -.137. p<.05) indicating that the relationship between the variables is significant with low correlation. Also, the regression analysis results shown in table 4.3 (Beta= -.184, p<.05) indicates a negative statistically significant relationship between audit technology usage and financial reporting timeliness. Thus H1 is accepted.

H2: There is a positive relationship between the board of directors and financial reporting timeliness.

The effect of the board of directors was tested against financial reporting timeliness by using Pearson correlation and regression analysis. The results indicate that there is a positive relationship between the two variables as shown in table 4.2 (r= .289. p<.05) indicating that the relationship between the variables is significant and positive with low correlation. Also, the regression analysis results shown in table 4.3 (Beta= .305, p<.05) indicates a positive statistically significant relationship between board of directors and financial reporting timeliness. Thus H1 is accepted.

H3: There is a negative relationship between audit committee and financial reporting timeliness.

The effects of audit committee were tested against financial reporting timeliness by using Pearson correlation and regression analysis. The results indicate that there is a negative relationship between the two variables as shown in table 4.2 (r= -.176. p<.05) indicating that the relationship between the variables is significant and negative with low correlation. Also, the regression analysis results shown in table 4.3 (Beta= -.131, p<.05) indicates a negative statistically significant relationship between audit committee and financial reporting timeliness. Thus H2 is accepted.

H4: There is a negative relationship between company size and financial reporting timeliness.

The effects of company size were tested against financial reporting timeliness by using Pearson correlation and regression analysis. The results indicate that there is a negative relationship between the two variables as shown in table 4.2 (r= -.172. p<.05) indicating that the relationship between the variables is significant and negative with low correlation. Also, the regression analysis results shown in table 4.3 (Beta= -.174, p<.05) indicates a negative statistically significant relationship between company size and financial reporting timeliness. Thus H4 is accepted.

Table-4:Results of Hypotheses Testing

Ser.	Hypothesis	Result
1	There is a negative relationship between audit technology usage and financial reporting timeliness.	Accepted
2	There is a positive relationship between board of directors and financial reporting timeliness.	Accepted
3	There is a negative relationship between audit committee and financial reporting timeliness.	Accepted
4	There is a negative relationship between company size and financial reporting timeliness.	Accepted

Based on the summary of these hypotheses testing of hypotheses 1, it indicated that the board of directors was a significant and positive correlation related to financial reporting timeliness. Hypotheses 3 audit committee significant and negative correlation related to financial reporting timeliness. Finally, in hypothesis 4, company size significant and negative correlation related to financial reporting timeliness.

RECOMMENDATION

This study evaluated the relationship audit technology usage, board of directors, audit committee, and company size and financial reporting timelines. The study identified that audit technology usage have negative and significant relationship with the financial reporting timeliness, board of directors have positive and significant relationship with the financial reporting timelines. While, , audit committee, and company size have a negative and significant relationship with financial reporting timelines. Board of directors, audit committee, and company size will improve the business performance and enhance the chances of gaining competitive advantage in the companies listed on Amman Stock Exchange. The companies listed on Amman Stock Exchange should understand the importance of board of directors, audit committee, and company size as part of their strategic plan and should incorporate into their strategic decision-making.

The companies should be aware of the use of these factors in an integrative manner in order to realize the company objectives. Therefore the findings of this study can help them to improve their company performance which will lead to improved financial reporting timelines not only in the companies listed on Amman Stock Exchange, but also in other sector in Jordan.

The future research could replicate this research in more specific sampling contexts and expand the theoretical model by studying the effects of larger set of variables. For instance, there is a need to include more variables such number of shareholders, and audit report. Expand the study to include more companies to be in other to enhance the consistency and applicability of the results.

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