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A Study on the Effect of Corporate Governance on the Timeliness of Financial Reports of Listed Firms on Tehran Stock Exchange

Reza Eslami*, Afshin Armin, Hamid Rostami Jaz

Department of Accounting, Bandar Abbas Branch, Islamic Azad University, Bandar Abbas, Iran

A B S T R A C T

Financial reporting timeliness is considered as one of the important qualitative characteristics of financial reporting objectives, the effectiveness of accounting information and significant mechanism to minimize the transaction, based on tips and rumors in the capital markets. The presence of corporate governance structure can lead to improve the management role and minimize the occurrence of management misbehavior, reduce wrong reporting and financial reporting lag. Therefore, the aim of this study is to investigate the relationship between internal corporate governance (including Board independence, Board size, CEO duality, Board expertise and Board diligence) and timeliness of financial reports of listed firms in Tehran Stock Exchange. The sample of the study consists of 90 firms listed in Tehran Stock Exchange in the 5-year period from 2010 to 2014. To verify the hypotheses, multiple regression analysis has been used. The results of the hypotheses testing indicate that there is no significant relationship between Board independence, Board expertise and Board diligence and the possibility of fraudulent financial reporting in the firms. However, there is a significant correlation between Board of Directors size and financial reporting timeliness (audit and management reports lag) in the firms.

Keywords: Internal Corporate Governance, Board Independence, Board Size, CEO Duality, Timeliness of Financial Reporting.

INTRODUCTION

Optimal allocation of capital plays a crucial role in the economic growth and development of countries. Stock Exchange as financial market, is considered as one of the most outstanding places for asset allocation. Effectiveness of the Stock Exchange is very effective to achieve these goals. Transparency of information is one of the characteristics of efficient market. In other words, the more appropriate and accurate is the information, the more the possibility of informed investment decisions is provided. Appropriateness is one of the factors determining the suitability of the information. Statement of financial accounting expresses appropriateness as the important qualitative characteristic of accounting information. Such information can be of value, if it could predict future events of the firm or help the users to confirm and refine the expectations. However, the appropriateness alone does not provide relevant information. In order to be relevant, information must be timely. That is to say, to affect investors' decisions, the information must be available before it loses the credibility. Therefore, timely informing of stock firms has a significant effect on current and potential shareholders' decision-making[1].

* Corresponding Author: reza.eslami1106@gmail.com

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Financial reporting timeliness is considered as one of the important qualitative characteristics of financial reporting objectives, the effectiveness of accounting information and significant mechanism to minimize the transaction, based on tips and rumors in the capital markets. In fact, timeliness of financial reporting as an important qualitative characteristic of financial information is taken into account by accounting standard setters around the world. The delay in issuing the financial reports can be costly for both decision-makers and users. In addition, providing timely information can be a way to reduce information asymmetry and reduce spreading rumors about the health and financial performance of the firm. According to previous studies, many factors can affect the firm's financial reporting timeliness; in this regard some factors such as the size of the audit firm, size of firm, level of internal and external monitoring (internal and external corporate governance), good and bad news, accounting complexity of the firm, and the quality of financial reporting can be noted[2].

Accuracy of financial reporting is the common concern of standard setters and practitioners. Corporate governance is the procedures or actions, by which firms are run and thereby meet shareholders, employees and the society demands[3]. Economic Cooperation and Development Organization has defined corporate governance as: a set of interactions between management, Board, shareholders and other beneficiaries of the firm. World Bank defines corporate governance as follows: corporate governance is referred to maintaining a balance between economic and social objectives and individual and collective objectives. Corporate governance framework is for strengthening the effective use of resources as well as being responsible in order to monitor those resources and aims to further align the interests of individuals, firms and society[3].

The available definitions of corporate governance are in a wide range. Limited perspectives are on one side and broad perspectives are on the other side of the spectrum. In the limited perspectives, corporate governance is limited to relation between the firm and shareholders. This pattern is expressed in the form of Agency Theory. At the other end of the spectrum, corporate governance can be considered as a network of relationships, not only between firms and their owners, but also among firms and a large number of beneficiaries, including employees, customers, dealers, bondholders and so on. Such a view is seen in the form of Stakeholders Theory. Corporate governance is the process of monitoring and controlling in order to ensure the performance of the Firm manager in accordance with the interests of shareholders. Observation and progress in implementing corporate governance is taken place at global level. Empirical research suggests the importance of corporate governance in connection with the transparency of financial reporting[4]. In addition, corporate governance also has a key role in promoting timeliness of financial reporting[5]. Efficient corporate governance should be taken into account as a way to reduce the problem of agency, specifically a way for the interests of all stockholders. The presence of corporate governance structure can lead to improve the management role and minimize the occurrence of management misbehavior, reduce wrong reporting and financial reporting lag. Therefore, the establishment of an efficient corporate governance leads to an increase in internal control and mitigation of firm’s risk[6].

Therefore, considering the importance of above mentioned content and the significance of financial information timeliness as well as the role of corporate governance in the timeliness of financial information, this study seeks to examine the impact of internal corporate governance on timeliness of financial reporting of listed firms in Tehran Stock Exchange and aims to investigate to what extent the internal corporate governance can affect the timeliness of financial reports.

LITERATURE REVIEW

Appropriateness is one of the factors determining the relevance of the information. Statement of financial accounting expresses appropriateness as the important qualitative characteristic of accounting information. Such information can be of value, if it could predict future events of the firm or help the users to confirm and refine the expectations. However, the appropriateness alone does not provide relevant information. In order to be relevant, information must be timely. That is to say, to affect investors' decisions, the information must be available before it loses the credibility. Leventis and Caramanis[7] argue that appropriateness is a measurement criterion for audit quality. Al-Ajmi[8] stated that users of financial reports consider the appropriateness as one of the decisive factors of the audit quality. Several factors may affect the timeliness of firm's financial reporting and the delay of presenting audit report. In studies conducted in this regard, the effectiveness of factors related to the audit as well as the special features of the firm on the timeliness of financial reporting and delay in the auditor's report has been examined. Studied characteristics include firm size, profitability, financial structure, good and bad news, the external monitoring level and audit firm's size. Factors such as the complexity of firm's accounting and financial reporting transparency can impact on delay in presenting the audit report.

To prepare consolidated financial statements, parent firms are obliged to have the financial statements of their subsidiaries. Therefore, the delay of subsidiaries in the preparation of their financial statements can lead to delay in the presentation of parent firm's financial statements and consequently, consolidated financial statements. Preparation of the consolidated financial statements increases accounting complexity of the parent firm. The increase of this complexity can directly affect the required time to audit the parent firm and increase the time of the audit. In the case of parent firms' audit, the auditor must have an appropriate supervision of audit process of subsidiaries, because distortions in the financial statements of subsidiaries could hurt the consolidated financial statements. Accounting complexity is a major factor on the timeliness of information for decision making.

Sengupta[9] argues that auditing of multi-part firms is more complex and more difficult and leads to further delay in the presentation of their financial statements. Therefore, it is expected that the preparation of consolidated financial statements causes an increase in delay time in the presentation of audit report. In the preparation of financial statements, the more the firms have transparency and consistency, the less difficult is their audit by the auditors. Therefore, the extent that the quality of financial reporting is low, the uncertainty of the information increases and auditors must spend more time for examining the accounts and items in the financial statements, to ensure the accuracy of the information contained in the statements. In order to conceal the unlawful acts or to hide tax management practices, firm managers may adopt policies and practices that lead to the lack of transparency in financial reporting. Kross[10] stated that firms that do not have financial health may lag the announcement of bad news. Quality of financial reporting and disclosure policies affect the firm transparency. This can increase the delay in the audit report and the audited financial statements.

The objective of financial statements is to provide useful information about the business unit to make decisions. To be useful in decision-making, financial statements must be relevant, reliable and comparable. Timeliness of financial statements is one of the main characteristics of relevance. Regardless of whether someone choses timeliness as purpose of accounting or one of the characteristics of accounting information usefulness, it is obvious that both the disclosure regulations and a wide range of accounting literature have accepted that timeliness is a necessary condition for convincing about the usefulness of financial statements[11].

Many studies have been carried out on various aspects of corporate governance. For example, in relation to the timeliness of financial reporting, Accounting Principles Board has recognized this general rule. Financial Accounting Standards Board recognized the importance of timeliness in one of the conceptual statements[12]. Financial Accounting Standards Board has presented the following features to the usefulness of the information: usefulness in predicting, the value of the feedback, timeliness, the ability to review (confirm), impartiality and fair presentation[13].

According to the theoretical concepts of Iran financial reporting, in Article 2-33, timeliness of financial reporting is expressed as one of the dominant limitations on the qualitative characteristics of financial information as follows: when an untimely lag occurs in information report, the information may lose its appropriateness characteristic. It may be needed to establish a balance between the relative merits of "timely reporting" and "presentation of reliable information". To provide information timely, it may often be necessary to report the available information, before determining all aspects of a transaction or event that decreases the reliability of the reported information. On the contrary, if, in order to clarify all the mentioned aspects, the reporting is delayed, the information may be entirely reliable, but it becomes useless for users who need to make decisions during this time. To achieve a balance between the characteristics of relevance and reliability, according to the legal requirements regard to the time of information presentation, the most important issue that must be addressed is how to best answer the economic decision-making needs of users.

Most of studies on reporting in the capital market have emphasized the nature of financial information and its relation with the variables such as return, transactions volumes and their role in determining the stock price. Time of presenting this information and factors affecting the timeliness or delays in presentation of this information have been less taken into account. However, the identification of these factors and ways to strengthen the positive factors and weaken the negative factors will be undoubtedly a significant help to the efficiency of capital markets. To better understand how firms respond to the requirements of timely reporting, their timely reporting procedures should be linked to specific factors.

Firm’s specific factors are those factors that influence the firm's management to prepare the financial statements timely or to reduce the costs associated with inopportune delays in reporting. Literature on timeliness of financial reporting is divided into two main groups. The first group concerns the impact of timely reporting on the volatility of stock returns and the second group is primarily related to lag in reporting and factors affecting timely reporting behavior. Much research has been done on the relationship between the delay in reporting and the factors influencing it.

Abdullah conducted a study on the timeliness characteristic of annual reports for 26 firms in Bahrain. In this research, he examined the relationship between prolonged release of the firm's audit report and five characteristics. The results indicated an inverse relation of profitability, firm size and presence of varied businesses with timely issuance of financial statements. However, there was no significant relationship between the type of industry and timeliness. In addition, the relationship between timeliness and the ratio coefficient of debtors to equity was positive and significant[14].

Leventis and Weetman[7] reviewed the issue of annual financial reports timeliness in Greece Stock Exchange, using the information of 227 firms in 1997. Among the variables of profitability, barriers to entry, ratio of income concentration, IPO, stock trading volume, firm size and number of audit report paragraphs, only the variables of IPO, profitability, number of audit report paragraphs and the ratio of income concentration are correlated with the timeliness and the other two variables have no significant relationship with the research dependent variable. Che-Ahmad and Abidin[15] investigated the issue of lag in presenting annual financial reports on Malaysia Stock Exchange. A sample, consisting of 343 firms from 413 firms inserted in Malaysia Stock Exchange, was selected and the research period was 1993. The correlation between the variables of size, number of subsidiaries, the audit firm type, the auditor's opinion, return on equity, whether the manager is shareholder or not, type of industry, the share of long-term debt and the date of financial year end and the timeliness of financial reports presentation was examined. The results showed that except for the variable of industry type, leverage and the date of financial year end, all the other variables were significantly correlated with the dependent variable. Türel[16] examined the relationship between the variables of firm size, income, and type of auditor, type of opinion and the industry and timely reporting on the Istanbul Stock Exchange with financial reports of a sample containing 211 firms of 319 listed firms. Apart from the variable of size, the other variables of the study had a significant correlation with the dependent variable. Ibadin et al[17] studied the simultaneous effect of variables of corporate governance and firm’s characteristics on timeliness of financial reports in Nigeria Stock Exchange. The study sample consisted of 202 firms among listed firms in Nigeria Stock Exchange. Reports of 2011 were reviewed and an average of 193 days were observed as delay in the presentation of audit report regard to the statutory and due time of providing reports. Independent variables such as board independence, Board size, firm size, leverage, profitability and audit firm size were studied in connection with the dependent variable. Multivariate analysis showed that audit firm size has a significant relationship with the research dependent variable. Al Daoud et al[6], in their study, investigated the impact of internal corporate governance on the timeliness of financial reports in listed firms on Jordanians Stock Exchange during the period from 2011 to 2012.

To measure the internal corporate governance, the variables of Board independence, Board size, CEO duality, Board diligence, Board expertise in finance and presence of audit committee were used and to assess the timeliness of financial reporting, the audit report lag and management report lag were used. The results indicated that internal corporate governance plays an important role in improving the quality of financial reporting timeliness. Barzideh and Moayeri[12] studied the factors affecting the timeliness of audit reports. In this study, audit delay was defined as the time interval (number of days) from the firm’s date of financial year date to the date of their audit report. The study sample included 233 firms listed in the Tehran Stock Exchange during period 2003 to 2005. Using a univariate correlation analysis, they concluded that the delay in the presentation of t report of multivariate correlation and audit test were significantly higher for firms with fiscal year end date to March. However, the relation of firm size, firm profitability, firm risk and auditor type with the audit delay was not verified. Bani Mahd and Totonchi[18] investigated the determinants of timely presentation of the interim financial statements. The study period was from 2006 to 2009 and the sample consisted of 84 firms. The research overall results suggested that the timeliness of audited interim financial statements is correlated with the type of auditor and audit accepted report. The results indicated that if the auditor's report on the interim financial statements is among accepted reports, the time of financial statements presentation is reduced. However, if a firm’s auditor is audit organization, time of financial statements presentation increases. Soleimani and Rahim[19] examined the relationship between the timeliness of financial reporting and the performance of listed firms on Tehran Stock Exchange. In this study, the relationship between the timeliness of financial reporting and firm financial performance is reviewed. The research sample consisted of 142 firms during the period 2006 to 2011.

Dependent variable of the research was timeliness of financial reporting, which was calculated through the time difference between the disclosures latest allowed date (4.31) and financial information report date. In addition, the research independent variable was financial performance that was measured by three criteria of return on assets, return on equity and changes in net return. The results showed that there is a significant positive relationship between timeliness of financial reporting and return on assets and return on equity. Therefore, if firms can apply their assets appropriately and make more profits for shareholders, they present their reports more timely.

METHODOLOGY

Methodology of the present study is correlational in terms of nature and content. Using secondary data extracted from the financial statements of listed firms on Tehran Stock Exchange, the correlation relationship is analyzed. This study is conducted within the framework of deductive - inductive reasoning. Correlation methodology is applied to discover the correlation between variables. Correlation research is one type of descriptive research. In the present study we first examine the correlation between the research variables and in the case of presence of correlation between variables, multiple regression models will be estimated. Furthermore, the study is post - event (quasi-experimental). This means that it is performed on the basis of past and historical information (firms' financial statements) analysis. The present research is also among library and causal -analytical studies, and based on analysis of panel data (panel data).

Research Population and Sample and Period

The statistical population consists of all firms listed on Tehran Stock Exchange and studied sample includes 90 firms for the five - year period from 2010 to 2014. Statistical sample is selected using systematic removal method and in accordance with the following criteria:

1. The firms' fiscal year end is March 19.
2. The firms are not among financial firms (such as banks, insurance institutes) and investment firms.
3. The firms have no change in their fiscal year during the study period.
4. The firms have presented revised annual financial statements at least once in the research time territory.

Data Collection and Processing

As the present research is carried out through field methodology and deals with firms' real data, information is collected from various sources, including CDs of Tehran Stock Exchange Organization, Tadbir Pardaz software, information sites of Stock Market and Stock Exchange. SPSS software and Excel software are applied for data processing.

Research Model and Variables

$$ARI_{i,t} = \beta_0 + \beta_1 BIND_{i,t} + \beta_2 BSIZ_{i,t} + \beta_3 CEOD_{i,t} + \beta_4 BDEL_{i,t} + \beta_5 BFEX_{i,t} + \beta_6 S_{i,t} + \beta_7 FR_{i,t} + \beta_8 TR_{i,t} + \varepsilon_{i,t}$$

$$MRI_{i,t} = \beta_0 + \beta_1 BIND_{i,t} + \beta_2 BSIZ_{i,t} + \beta_3 CEOD_{i,t} + \beta_4 BDEL_{i,t} + \beta_5 BFEX_{i,t} + \beta_6 S_{i,t} + \beta_7 FR_{i,t} + \beta_8 TR_{i,t} + \varepsilon_{i,t}$$

Dependent Variable: Timeliness of Financial Reports
$ARL_{i,t}$: Audit report lag
$MRL_{i,t}$: Management report lag
Independent Variable: Characteristics of the Board of Directors
$BIND_{i,t}$: Board independence
$BSIZ_{i,t}$: Board Size
$CEOD_{i,t}$: CEO duality
$BFEX_{i,t}$: Board expertise
$BDEL_{i,t}$: Board diligence
Control Variables:
$S_{i,t}$: Firm size
$FR_{i,t}$: Financial risk
$TR_{i,t}$: Trading rate

Dependent Variables:
Timeliness of Financial Reports:
• **Audit Report Lag**: Audit report lag is evaluated by the time interval between the date of financial year end to the date of signing the audit report.
• **Management Report Lag**: management report lag is evaluated by the difference between audit signing time in audit report and the time when the firm publishes its financial reports.
Independent Variables:
Board Characteristics:
• **Board Independence**: It is equal to the ratio of non-responsible Board members to total Board members.
• **Board Size**: It is equal to the number of Board members.
• **CEO Duality**: If CEO is the Chairman of the Board of Directors, it is equal to one, otherwise, it is zero.
• **Board Expertise in Finance**: It is the ratio of expert Board members in finance to total Board members.
• **Board Diligence**: It is equal to the number of Board meetings held during the financial year.

Control Variables:
According to research (Leventis, 2004; Sajadi et al., 2009) variables of firm size, financial risk and trading rate are effective on the timeliness of financial reporting. Therefore, these variables are considered as control variables and calculated as follows:
• **Firm Size**: It is the natural logarithm of assets.
• **Financial Risk**: It is debt-to-equity ratio
Equity / Debt = Financial Risk
• **Trading Rate**: It is the ratio of traded shares number to total shares
Total Shares / Number of shares Traded = Trading Rate

RESULTS

In order to evaluate and analyze the raw data, descriptive statistics of studied variables are calculated.

Table 1. Descriptive Statistics of Variables

Variable	Mean	Median	Standard Deviation	Min	Max
Audit Report Lag	77.660	81.5	26.452	17	129
Management Report Lag	46.433	42.5	26.332	0	107
Board Size	5.149	5	0.450	4	7
Board Independence	0.679	0.7	0.185	0.2	1
CEO Duality	0.162	0	0.369	0	1
Board Diligence	16.122	15	5.546	5	46
Board Expertise in Finance	0.160	0.2	0.106	0	0.4

As it can be seen, descriptive study of research variables are presented in Table 1. The means of the variables of auditor's report lag and management report lag at mentioned firms are 77.660 and 46.433, respectively.

Research Hypotheses Testing

In this section, in order to test the hypotheses (impact of variables), the t-statistic and its significance level are used. If the absolute value of the calculated t is greater than the t of the table, the null hypothesis is rejected and the coefficient is significant; otherwise the null hypothesis cannot be rejected. In addition, the significance level shows the least likelihood to confirm the null hypothesis based upon the desired coefficient being zero. This indicates that if the probability is greater than 5%, the null hypothesis cannot be rejected and otherwise, the desired coefficient is significant.

Testing the Hypotheses Related to the Audit Report Lag

The Board composition has a significant relationship with the timeliness of financial reports (auditor's report lag).

1.1 Board independence has a significant relationship with the auditor's report lag.

As we observed, at 5% error level, the significance level of the t-statistic of Board independence variable (-0.280) is greater than 5% (sig = 0.780), hence H_0 hypothesis is not rejected at confidence level higher than 95%. This means that there is not a significant relationship between Board independence and auditor's report lag in the mentioned firms.

2.1 Board size has a significant relationship with the auditor's report lag.

As it is observed, at 5% error level, the significance level of the t-statistic of Board size variable (2.142) is smaller than 5% (sig = 0.033), hence H_0 hypothesis is rejected at confidence level higher than 95%. This means that there is a positive (direct) significant relationship between Board size and auditor's report lag in the mentioned firms. Furthermore, regard to the positive regression coefficient of the independent variable, it can be expressed that the higher (lower) the size of the Board in firms, the more the auditor's report lag will increase (decrease) in the firms.

3.1 CEO duality has a significant relationship with the auditor's report lag.

As we observed, at 5% error level, the significance level of the t-statistic of CEO duality variable (1.067) is greater than 5% (sig = 0.287), hence H_0 hypothesis is not rejected at confidence level higher than 95%. This means that there is not a significant relationship between CEO duality and auditor's report lag in the mentioned firms.

4.1 Board expertise in finance has a significant relationship with the auditor's report lag.

As we observed, at 5% error level, the significance level of the t-statistic of Board expertise in finance variable (1.182) is greater than 5% (sig = 0.238), hence H_0 hypothesis is not rejected at confidence level higher than 95%. This means that there is not a significant relationship between Board expertise in finance and auditor's report lag in the mentioned firms.

5.1 Board diligence has a significant relationship with the auditor's report lag.

As we observed, at 5% error level, the significance level of the t-statistic of Board diligence variable (0.133) is greater than 5% (sig = 0.894), hence H_0 hypothesis is not rejected at confidence level higher than 95%. This means that there is not a significant relationship between Board diligence and auditor's report lag in the mentioned firms.

In addition, the study on the control variables shows that only firm size has a (positive) significant effect on audit report lag, while the financial risk and trading rates have shown no significant effect.

Table 2. Results of Testing the Regression Model of the Main First Hypothesis (Independent Variable: Auditor's Report Lag)

Variable	Regression Coefficient	Standard Error	t Statistic	Significance Level	Result
Constant	3.384	0.277	12.207	0.000	
Board Size	0.062	0.029	2.142	0.033	H_0 Rejection
Board Independence	-0.022	0.078	-0.280	0.780	Lack of H_0 Rejection
CEO Duality	0.066	0.062	1.067	0.287	Lack of H_0 Rejection
Board Diligence	0.000	0.003	0.133	0.894	Lack of H_0 Rejection
Board Expertise in Finance	0.167	0.141	1.182	0.238	Lack of H_0 Rejection
Firm Size	0.039	0.017	2.296	0.022	H_0 Rejection
Financial Risk	0.002	0.002	1.042	0.298	Lack of H_0 Rejection
Trading Rate	0.080	0.045	1.782	0.075	Lack of H_0 Rejection
Determination Coefficient	4.764		F Statistic		2.758 (0.006)
Adjusted Determination Coefficient	3.037		Durbin-Watson		1.517

Testing the Hypotheses Related to the Management Report Lag

The Board composition has a significant relationship with the timeliness of financial reports (management report lag).

1.1 Board independence has a significant relationship with the management report lag.

As we observed, at 5% error level, the significance level of the t-statistic of Board independence variable (-0.017) is greater than 5% (sig = 0.986), hence H_0 hypothesis is not rejected at confidence level higher than 95%. This means that there is not a significant relationship between Board independence and management report lag in the mentioned firms.

2.1 Board size has a significant relationship with the management report lag.

As it is observed, at 5% error level, the significance level of the t-statistic of Board size variable (-2.103) is smaller than 5% (sig = 0.036), hence H_0 hypothesis is rejected at confidence level higher than 95%. This means that there is a negative (inverse) significant relationship between Board size and management report lag in the mentioned firms. Furthermore, regard to the negative regression coefficient of the independent variable, it can be expressed that the higher (lower) the size of the Board in firms, the more the management report lag will increase (decrease) in the firms.

3.1 CEO duality has a significant relationship with the management report lag.

As we observed, at 5% error level, the significance level of the t-statistic of CEO duality variable (0.827) is greater than 5% (sig = 0.409), hence H_0 hypothesis is not rejected at confidence level higher than 95%. This means that there is not a significant relationship between CEO duality and management report lag in the mentioned firms.

4.1 Board expertise in finance has a significant relationship with the management report lag.

As we observed, at 5% error level, the significance level of the t-statistic of Board expertise in finance variable (-1.051) is greater than 5% (sig = 0.294), hence H_0 hypothesis is not rejected at confidence level higher than 95%. This means that there is not a significant relationship between Board expertise in finance and management report lag in the mentioned firms.

5.1 Board diligence has a significant relationship with the management report lag.

As we observed, at 5% error level, the significance level of the t-statistic of Board diligence variable (-0.283) is greater than 5% (sig = 0.777), hence H_0 hypothesis is not rejected at confidence level higher than 95%. This means that there is not a significant relationship between Board diligence and management report lag in the mentioned firms.

In addition, the study on the control variables shows that all control variables have a negative significant effect on management report lag.

Table 3. Results of Testing the Regression Model of the Main Second Hypothesis (Independent Variable: Management Report Lag)

Variable	Regression Coefficient	Standard Error	t Statistic	Significance Level	Result
Constant	5.374	0.505	10.633	0.000	
Board Size	-0.114	0.054	-2.103	0.036	H_0 Rejection
Board Independence	-0.003	0.146	-0.018	0.986	Lack of H_0 Rejection
CEO Duality	-0.094	0.113	-0.827	0.409	Lack of H_0 Rejection
Board Diligence	-0.002	0.006	-0.283	0.777	Lack of H_0 Rejection
Board Expertise in Finance	-0.275	0.262	-1.051	0.294	Lack of H_0 Rejection
Firm Size	-0.073	0.031	-2.361	0.019	H_0 Rejection
Financial Risk	-0.010	0.004	-2.388	0.017	H_0 Rejection
Trading Rate	-0.214	0.084	-2.536	0.012	H_0 Rejection
Determination Coefficient	6.682		F Statistic		3.947 (0.000)
Adjusted Determination Coefficient	4.989		Durbin-Watson		1.5

CONCLUSION

In this study, the effect of internal corporate governance on the timeliness of financial reports of listed firms on the Stock Exchange in Tehran is investigated.

It was expected that the more the firms have stronger internal corporate governance, the more timely they present their reports. Thus, according to the research literature, the five criteria of Board independence, Board size, CEO duality, Board expertise and Board diligence are used to evaluate the relationship between internal corporate governance and financial reporting timeliness (audit and management reports lag). The results of data analysis show that all hypotheses, with the exception of the second hypothesis, are met with disapproval. So that in accordance with the results of these hypotheses testing, the components of internal corporate governance (composition of the Board of Directors), including Board independence, CEO duality, Board expertise and Board diligence have no significant relationship with the timeliness of financial reports (delays in audit reports and management reports). However, according to the results of the second hypothesis, the size of the Board of Directors has a significant correlation with financial reporting timeliness (audit and management reports lag). As a result, the greater is the firms' Board size, the more rapid can the firms provide their reports. This result is consistent with results of previous studies and theoretical principles in this regard.

Making reasonable economic decisions and optimal allocation of limited and scarce resources to the superior activities is not possible in the absence of timely, valid and reliable information. Also in accordance with theoretical foundations and previous research in this regard, the usefulness of information from the perspective of users depends on the accuracy and timeliness of the information. To the extent that information is available to users with delay, the information will lose the economic value. Timeliness of financial reporting is one of the essential factors for the establishment of the capital market. As a result of delay in the issuance of financial statements, auditor's report and management report, uncertainty about investment decisions will increase. Since one of the criteria of timeliness of financial reporting is the lack of audit report lag and management report lag, it seems that the size of the Board is one of the factors affecting the timeliness of firms' financial reporting. Furthermore, the present study findings show that there is a positive and significant relationship between the size of the Board of Directors and timeliness of financial reporting.

Therefore, it can be concluded that the larger the size of the Board of Directors, the higher the cautious supervisory on the Board of Directors will increase, and the more the firm's management looks toward long-term goals. As a result, the economic value of information that is one of the key drivers of firm value, will be taken into account more. Applicable insights of this study show the importance of the size of the Board to increase the timeliness of financial reporting. Therefore, the Board size, as an important element of internal corporate governance, will be able to accelerate the issuance of financial statements, auditor's report and management report, as well as to increase the investment decisions assurance.

Recommendations Derived from Research Findings

According to the results of research hypotheses, the following recommendations are presented:

Failure to present timely financial reports can provide evidence in relation to the likelihood of firms' weak internal corporate governance for stock regulators and auditors.

Given the significant positive correlation between the size of the Board and timeliness of financial reporting, firms' financial policy makers should pay attention to the firm Board size to accelerate the issuance of financial statements, auditor's report and management report, as well as to increase the investment decisions assurance.

It is recommended that administrators and market supervisors, in order to accelerate the realization of favorable conditions for firm reporting, adopt and apply policies such as studies regarding the reliability and power of information and operation systems of firms demanding the acceptance in Stock Exchange.

Thematic Suggestions for Future Research

The topics that can be suggested in the context of the present study for doing future research include:

- ✓ Evaluation of the effect of industry type on the relationship between internal corporate governance and timeliness of financial reports of listed firms on Tehran Stock Exchange in various industries, comparatively.
- ✓ Evaluation of curve (nonlinear) relationship between external and internal corporate governance and the timeliness of financial reports of listed firms on Tehran Stock Exchange.
- ✓ Evaluation of the relationship between ownership type and timeliness of financial reports of listed firms on Tehran Stock Exchange.
- ✓ Evaluation of the relationship between conditional and unconditional conservatism and timeliness of financial reports of listed firms on Tehran Stock Exchange.

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