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The Role of Risk Committee and Firm Profitability in Reducing Audit Report Lag: Evidence from Non-Financial Listed Firms in Saudi Arabia

دور لجنة المخاطر وربحية الشركة في تقليل تأخر إصدار تقرير المراجعة: دليل من الشركات غير المالية المدرجة في المملكة العربية السعودية

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Abstract:
Objectives: This research investigates the influence of having a separate risk committee on audit report lag for non-financial firms in Saudi Arabia and whether firm profitability moderates these effects.
Methods: The study develops two regression models to examine the aforementioned relationships for 514 data observations from 140 non-financial firms in Saudi Arabia over the years from 2018 to 2021.
Results: The findings show that having a separate risk committee helps shorten the audit report lag for the companies analyzed, and that firm profitability has an important moderating role in this relationship. These findings emphasize the important role of a separate risk committee in improving the audit process's efficiency and timeliness. Furthermore, the findings suggest that audit processes are more effective in profit firms.
Conclusions: In such a context, market regulators across the region can use the findings to push for policies which encourage listed firms to establish independent risk committees. This must be beneficial for both stakeholders trust and the quality of financial reporting.
Keywords: *Risk Committee; Audit Report Lag; Firm Profitability; Financial reporting.*

الملخص:
الأهداف: يفحص هذا البحث تأثير وجود لجنة منفصلة للمخاطر على تأخر صدور تقارير المراجع للشركات غير المالية في المملكة العربية السعودية، وما إذا كانت ربحية الشركة تُخفف من هذه الآثار.
المنهجية: طورت الدراسة نموذجي انحدار لدراسة العلاقات المذكورة أعلاه لـ 514 ملاحظة بيانات من 140 شركة غير مالية في المملكة العربية السعودية خلال الفترة من 2018 إلى 2021.
النتائج: تُظهر النتائج أن وجود لجنة مستقلة للمخاطر يُسهم في تقصير فترة انتظار صدور تقارير المراجع للشركات التي خضعت للتحليل، وأن لربحية الشركة دورًا مُحسِّنًا في هذه العلاقة. تُؤكد هذه النتائج على أهمية دور لجنة مستقلة للمخاطر في تحسين كفاءة عملية المراجعة وتوقيتها. علاوة على ذلك، تُشير النتائج إلى أن عمليات المراجعة أكثر فعالية في الشركات الربحية.
الخلاصة: في مثل هذا السياق، يمكن لهيئات تنظيم الأسواق في جميع أنحاء المنطقة الاستفادة من هذه النتائج للدفع باتجاه سياسات تشجع الشركات المدرجة على إنشاء لجان مستقلة لإدارة المخاطر. ولا شك أن هذا سيعود بالنفع على ثقة أصحاب المصلحة وجودة التقارير المالية.
الكلمات المفتاحية: *لجنة المخاطر؛ تأخر تقرير المراجعة؛ ربحية الشركة؛ التقارير المالية.*

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1 Introduction

Audit reports are important tools for companies to communicate their financial information to shareholders, because they include the opinions of auditors about whether reliability and accuracy can be guaranteed in company financial statements (Habib et al., 2018). In the area of corporate governance, timely financial reporting and efficient audits are at the base, as they have a considerable impact on economic decisions and ensure fair trading. Consequently, delivering such information in a timely manner is crucial for investors and shareholders to be able to take informed decisions before such information loses their capacity (Shin et al., 2017; Fakhfakh & Jarboui, 2022). Hence, releasing the financial information at the earliest possible date became the top priority for regulators of the capital markets (Aifuwa et al., 2020) and a main responsibility of any company's management (Al-Ajmi, 2008). This underlined the significance of the time it takes for corporations to release audit reports following the end of their fiscal year, often known as Audit Report Lag (ARL) (Ashton et al., 1987). This measure, ARL, became the benchmark by which shareholders assess the efficiency of the company's management, audit effort, and the monitoring mechanisms imposed by the board of directors (Durand, 2019; Abdillah et al., 2019). This, in return, motivated several researchers to examine the impacts of the existence and characteristics of different monitoring mechanisms employed by the listed companies on the ARL, including board of directors, audit committee, and external auditors (Gacheru, 2018; Abernathy et al., 2014; Chan et al., 2016).

Risk committees are one of these monitoring tools. The risk committees are board of directors' subcommittees that are responsible for overseeing and ensuring the implementation of risk management mechanisms within companies (Halim et al., 2017) and ensuring credible communication between managers and stakeholders (Al-Hadi et al., 2016). As re-ported by Halim et al. (2017), according to KPMG, the risk committee is defined as "an independent oversight commit-tee, separate from the audit committee, being specifically responsible for providing the learning of risk management system, developing supervisory functions of risk at the level of commissioners, and evaluating the risk reports" (p.273). In the past, this responsibility was allocated to the audit committee; however, after recent global financial crises, a separate risk committee became mandatory by a number of regulators around the world (Al-Hadi, 2016; Iselin, 2020). In fact, in the past, stakeholders and companies alike did not regard risk committees as a significant instrument of corporate governance mechanisms (Omer et al., 2020). Due to the above historical developments, the influence of the presence of a risk committee and its attributes did not attract much attention from the researchers in the past when compared to other corporate governance and monitoring mechanisms despite the fact that an effective risk management system can enhance the companies' financial reporting practices (Subramaniam et al., 2009).

Accordingly, this research goals to examine the association between the presence of a separate risk committee and ARL together with whether the companies' profitability impacts such a relationship or not for non-financial listed Saudi companies. Several factors played an important role in examining the above relationships, specifically, for non-financial Saudi firms. The most important of these factors is that the Saudi corporate governance regulations do not enforce the establishment of a standalone risk committee, and it is left to the companies as to whether to create such a subcommittee or not (Omer et al., 2020) which led to notable variations in the corporate governance mechanisms of the listed Saudi companies. Second, in its efforts to diversify its economy from the oil & gas sector, the country sponsored the development of its non-financial sector in an attempt to attract foreign investors (Al-Faryan & Shil, 2022) who, in re-turn, put great emphasis on releasing the audit report on time (Elneel & AlMulhim, 2022); hence, we opted to examine the above relationships for these companies and excluded the financial ones as the latter are subject to different corporate governance regulations. Lastly, with the increased calls for corporate governance research for developing countries (Al-Matari, 2022) and being the principal capital market in the Middle East and a member of the G20, investigating the corporate governance mechanisms of the listed Saudi companies will help in fulfilling such demands.

This study aims to evaluate the relationship between risk committees and corporate profitability in minimizing audit report lag, particularly in the rapidly developing country of Saudi Arabia, where research on this topic is currently insufficient. This objective is achieved through conducting a number of steps. First, we employ both the agency and stakeholder theories to develop our hypotheses, which is followed by collecting data from 140 Saudi non-financial firms from 2018 to 2021. Next, random-effect analysis is utilized as the primary test for the above two relationships, and robust-ness tests, with alternate measures for both the ARL and the firm profitability, are conducted. Consequently, based on the deduced results, it can be argued that having a separate risk committee has a significant negative effect on the ARL and helps in reducing the time needed to issue these reports. Moreover, the firm profitability has a significant moderating impact on the association between risk committee and ARL, which suggests that the influence of an independent risk committee on ARL is dependent on the level of profitability of the firm, as the negative association be-tween the two variables is weakened when the firm profitability is high. These results are in agreement with both the agency and stakeholder theories and contribute to the literature on both the determinants of ARL and the impacts of the existence of a separate risk committee as, to our best knowledge, this is the first research to examine such relationships for Saudi non-financial companies. Furthermore, results deduced from this study offer key insights that can help regulators implement policies requiring independent risk committees for listed companies. These committees would ensure objective, transparent risk management, boost investor confidence and improving financial reporting quality.

2 Literature Review

2.1 Prior Research on the Impact of Risk Committee

Previous research has attempted to examine the different impacts that the presence of an independent risk committee has on different aspects of the company's performance. The first performance aspect that was studied in previous research was the companies' financial performance. In that stream of research, Aebi et al. (2012), Battaglia et al. (2014), Nahar, Jubb, and Azim (2016) found that a separate risk committee leads to better financial performances for banks, Halim et al. (2017) reached the same conclusion for non-financial companies in Indonesia, and Ames et al. (2018) for insurance companies. The second aspect examined by the literature was related to the risk behavior of the companies that have separate risk committees. Subramaniam et al. (2009) and Tao & Hutchinson (2013) observed Australian companies with standalone risk committees typically have higher financial reporting risk; contrarily, Ng, Chong, and Ismail (2012) observed the standalone risk committee in Malaysian companies is negatively associated with risk. As for the levels of disclosures, Al-Hadi et al. (2016) showed that GCC companies with separate risk committees typically reveal more information on market risk; Hossain & Farooque (2019) concluded that the presence of the subject committee leads to more carbon emission disclosure; and Jia et al. (2019) argued that having a standalone risk committee leads to better risk management transparency. In addition, Fajembola et al. (2018) deduced that Nigerian banks with separate risk committees are more stable than those that lack these committees; Iselin (2020) argued that risk committees lead to higher capital ratios for the banks; Yatim (2010) found that Malaysian companies with a separate risk committee have stronger boards; and, finally, Wu et al. (2016) found that Malaysian insurance companies with a separate risk committee are more efficient than their counterparts.

Regarding the impact on the ARL, Ismaiel (2020) investigated the association between risk committee features and ARL of non-financial Malaysian enterprises and discovered that risk committee expertise has a negative relationship with ARL, while the committee's size and proportion of independent directors have no significant impacts. In the con-text of Saudi Arabia, Omer et al. (2020) deduced combining both risk committee and audit committee in the listed Saudi manufacturing companies lead to longer ARLs. Nevertheless, none of the afore-mentioned studies examined the influence of a separate risk committee on the ARL and whether firm profitability plays a moderating role in this relationship Therefore, this research will aim to fill this gap in the field by examining the influence of the presence of a separate risk committee on ARL and the moderating effect of the firm's profitability on this relationship for the non-financial Saudi companies.

2.2 Association between Risk Committee and Audit Report Lag

According to Nahar et al. (2016), the agency theory is the main framework that links corporate governance with the firm performance. Moreover, the essence of the agency theory suggests that firms with strong monitoring mechanisms tend to engage in activities that guard investors' interests and ensure the quality and timeliness of the companies' financial reporting as they seek to minimize information asymmetry between management and owners (Fama & Jensen, 1983; Nasser, 2019). Since risk committees are part of the monitoring mechanisms employed by the board of directors (Aebi et al., 2012), it may be claimed that the presence of such committees will help in ensuring a timelier issuance of the companies' financial information, including audit reports. Hence, this theory became the most prominent theory used by researchers when trying to identify both the determinants of the ARL and the impacts of the presence of several board committees, including the risk committee (Subramaniam et al., 2009). Simultaneously, the stake-holder's theory claims that firms aim at having good relationship with all their stakeholders through enhanced reporting practices (Oh & Jeon, 2022). Hence, to fulfill this demand, companies tend to enhance their monitoring mechanisms to ensure high quality of their reporting practices and one of the ways to achieve such objective is through establishing a risk committee (Al-Hadi et al., 2016). Moreover, creating a standalone risk committee will allow its members to devote more time to their monitoring and reporting obligations (Al-Hadi et al., 2016). Omer et al. (2020) showed that combining risk and audit committees in Saudi Arabian listed manufacturing enterprises leads to longer audit report lags. A previous study has demonstrated that the expertise of risk committees is negatively associated with audit report delays (Ismaiel 2020). In accordance with the theories and previous research, it may be claimed that establishing a separate risk management committee would be essential in lowering audit report delays. Therefore, a hypothesis that follows can be made:

H_1: Existence of risk committee negatively significantly impacts audit report lag.

2.3 Moderating Role of Profitability on the Association between Risk Committee and Audit Report Lag

As stated earlier, agency theory stresses the necessity of a good oversight system in order to improve firms' efficiency. This is especially important for companies that have greater financial risk—those more likely to be in bad shape, such as heavily leveraged and unprofitable ones (Subramaniam et al., 2009). Thus, according to this theory, companies with higher profits will tend to be less strict in their oversight than those that suffer losses; in other words, a company's level of profitability can affect the relationship between oversight mechanisms like risk committees and ARL.

Earlier research has underlined the importance of a stand-alone risk committee, pointing out that this lack may lead to ARL delays (Omer et al., 2020). Furthermore, Fujianti et al. (2020) investigated the elements impacting ARL in Indonesia and reported that increased profitability encourages enterprises to deliver financial reports earlier, resulting in a decrease in ARL. Similarly, Owusu-Ansah (2000) and Rusmin and Evans (2017) also pointed to profitability as an important factor affecting a firm's ARL. Consequently, it can be hypothesized that:

H_2: Firm profitability has a significant impact on the relationship between existence of risk committee and audit report lag.

3 Method

To fulfill its research objectives, this study adopts a descriptive quantitative approach. The current research design incorporates data from secondary sources. As the scope of this study encompasses testing the above hypotheses for non-financial listed firms in the Saudi stock market, our sample included 514 data observations from 140 non-financial Saudi companies over the years from 2018 to 2021. Initially, 568 data observations were collected for non-financial Saudi companies; yet 53 of these observations were discarded from our sample due to the absence of annual corporate reports and a single observation was considered as an outlier and removed from the sample which led to the final sample of 514 observations.

The dependent variable is the audit report lag for Saudi non-financial publicly traded firms, which is measured as the total number of days between the end of the fiscal year (FYE) and the date the audit report is released. The choice of this definition as our primary measure for the dependent variable stems from the fact that such definition is the prevailing one in the previous literature that aimed at examining the ARL determinants (Ashton et al., 1987; Jha & Chen, 2015; Shin et al., 2017).

The existence of an independent risk committee as a corporate governance mechanism employed by the board of directors is the independent variable. Hence, to express this variable, a dichotomous indicator was used which was given a score of "1" if an independent risk committee exists within a company and a score of "0" if such committee does not exist (Al-Hadi et al., 2016; Larasati, Ratri, Nasih & Harymawan, 2019; Iselin, 2020).

The moderating variable in the study is profitability of the non-financial listed firms which can be measured in a number of ways. However, after examining the previous literature about the impact of the presence of independent risk committees and the determinants of ARL, it was deduced that the Return on Equity (ROE), which is measured by dividing firm's net income by its equity, is the most-widely used definition in such studies (Hassan, 2016; Rusmin & Evans, 2017; Habib et al., 2018; Fakhfakh & Jarboui, 2022); thus, we adopted this same definition to express the firms' profit-ability in our study.

Control variables help in preventing model bias; hence, two categories of control variables were included in our study. First, corporate governance variables, such as: board size (BrdSize) (Hassan, 2016; Iselin, 2020), board independence (Brdind) (Habib et al., 2018; Jia et al., 2019), female director (FDir) (Alkebsee et al., 2022;

Afenya et al., 2022), board meeting (BrdMeet) (Habib et al., 2018; Iselin, 2020), Audit Committee size (ACSize) (Naimi et al., 2010; Sultana et al., 2015), Audit Committee Independence (ACind) (Halim et al., 2017; Larasati et al., 2019), and Audit Committee financial expertise (ACFE) (Naimi et al., 2010; Abernathy et al., 2014) were utilized in this study. Second, a set of firm's characteristics variables, such as: audit opinion (AuditOpin) (Habib et al., 2018; Larasati et al., 2019), audit quality (Big4) (Habib et al., 2018, Larasati et al., 2019), firm's size (FSize) (Chan et al., 2016; Hassan, 2016), and firm's leverage (Lev) (Chan et al., 2016; Jia et al., 2019) were also included in our model. The dependent variable, independent and moderating variables, and control variables are all displayed in the theoretical framework (Figure 1).

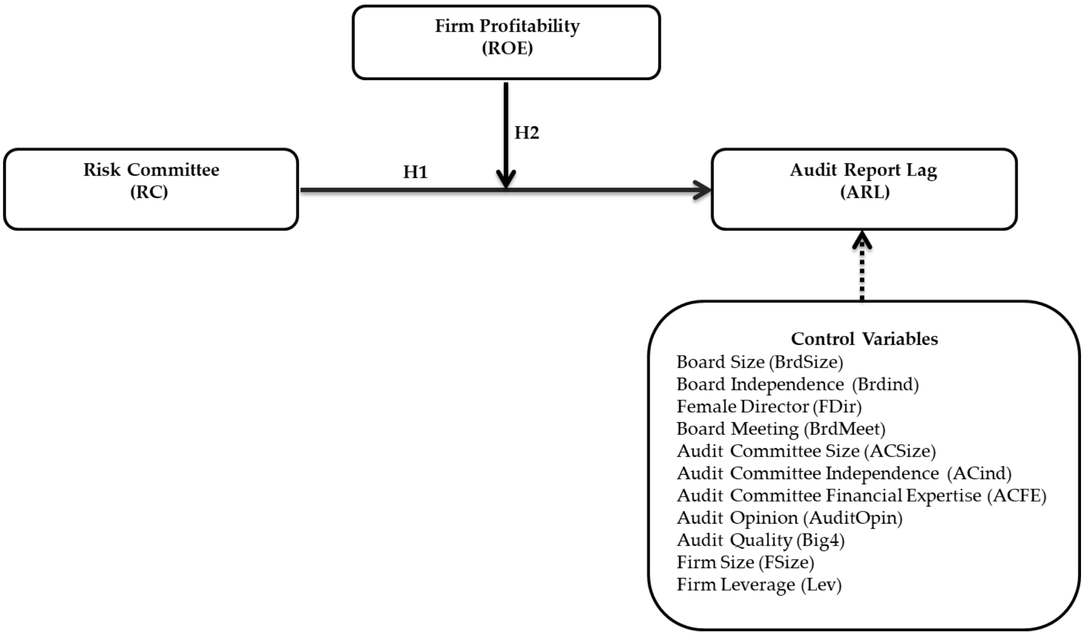

Figure 1: Theoretical Framework

To test the hypothesis concerning the impact of the existence of a risk committee on ARL, the following regression model was utilized:

$$ARL_{it} = \beta\_0 + \beta\_1\, RC_{it} + \beta\_2\, ROE_{it} + \beta\_3\, BrdSize_{it} + \beta\_4\, Brdind_{it} + \beta\_5\, FDir_{it} + \beta\_6\, BrdMeet_{it} + \beta\_7\, ACSize_{it} + \beta\_8\, ACind_{it} + \beta\_9\, ACFE_{it} + \beta\_10\, AuditOpin_{it} + \beta\_11\, Big4_{it} + \beta\_12\, FSize_{it} + \beta\_13\, Lev_{it} + Year_{it} + \varepsilon_{it} \qquad (1)$$

Moreover, to examine the second hypothesis concerning the influence of the interaction between the presence of a risk committee and firm profitability on audit report lag, the following regression model was specified:

$$ARL_{it} = \beta\_0 + \beta\_1\, RC_{it} + \beta\_2\, ROE_{it} + \beta\_3\, RC_{it}{*}ROE_{it} + \beta\_4\, BrdSize_{it} + \beta\_5\, Brdind_{it} + \beta\_6\, FDir_{it} + \beta\_7\, BrdMeet_{it} + \beta\_8\, AC\text{-}Size_{it} + \beta\_9\, ACind_{it} + \beta\_10\, ACFE_{it} + \beta\_11\, AuditOpin_{it} + \beta\_12\, Big4_{it} + \beta\_13\, FSize_{it} + \beta\_14\, Lev_{it} + Year_{it} + \varepsilon_{it} \qquad (2)$$

4 Results

4.1 Descriptive Statistics

Table 1 shows that the mean value of the ARL in our sample is 73.718 days and its standard deviation is 21.333. From these values, it can be deduced that firms in the sample, on average, take more than two months to issue their audit reports after the year-end date and that this release date has a wide variation in our sample as the minimum number of days was 16 days and the maximum was 197 days. These values are higher than what was previously reported in the literature concerning Saudi companies due to the difference in the nature of the companies comprised in the sample as Omer et al. (2020) reported a mean ARL of 55 days for manufacturing companies, and Aljaaidi et al. (2019) who reported a mean ARL of 52 days for all companies listed in the Saudi stock exchange; or the period under examination as Gamra, Hamza, and Borgi (2022) reported a mean ARL of 65 days over the period from 2016 to 2019.

With regards to the independent variables, only 19.84% of our sample companies had an independent risk committee as a corporate governance mechanism which is a low percentage when compared to other countries, such as: Australia (Subramaniam et al., 2009), Malaysia (Yatim, 2010), and Bangladesh (Nahar et al., 2016). As for the firms' profitability, there is a wide dispersion in the profitability levels of the companies in our sample as, on one hand, it reached 76% and, on the other hand, some companies in our sample recorded losses.

As for control variables, the average board of directors' size in the sample was eight members which is similar to previous studies in the Saudi context (Gamra et al., 2022) and almost half of these boards consist of independent di-rectors (47.7%) with a very small percentage of female directors, on average (1.4%). On the other hand, the average firm size and leverage in our sample were 9.306 and 147.8%, respectively, which are much lower than the previous sizes reported in the literature (Gamra et al., 2022; Bamahros et al., 2022; Al-Duais, 2021). Lastly, the size of the audit committee in our sample varied between two and five members, with a maximum of 100% of committee members having financial expertise and/or being independent members. Moreover, the majority of our sample (56.81%) are audited by the Big 4 firms and overwhelming majority of our sample (90.86%) did not have a qualified audit opinion including going-concern opinion.

Table 1: Descriptive Statistics

Panel A: Descriptive statistics for continuous variables					
Variable	**Obs**	**Mean**	**Std. Dev.**	**Min**	**Max**
ARL	514	73.718	21.333	16	197
ROE	514	0.028	0.275	-2.245	0.760
BrdSize	514	8.025	1.560	3	11
Brdind	514	0.477	0.147	0.09	1
FDir	514	0.014	0.0433	0	0.25
BrdMeet	514	5.448	2.358	1	25
ACSize	514	3.483	0.707	2	5
ACind	514	0.465	0.234	0.20	1
ACFE	514	0.760	0.251	0	1
FSize	514	9.306	0.761	7.380	12.335
Lev	514	1.478	2.167	0.005	17.493

Panel B: Descriptive statistics for dummy variables			
Variable	**Obs**	**No of 0 (%)**	**No of 1 (%)**
RC	514	412(80.16%)	102(19.84%)
AuditOpin	514	467 (90.86%)	47 (9.14%)
Big4	514	292 (56.81%)	222 (43.19%)

4.2 Correlation Analysis

As shown from Table 2, all of the variables, with exception of BrdMeet, ACind, and ACFE, have significant correlations with the ARL of the companies in our sample. Moreover, of all these said variables, only the audit opinion and board independence have positive correlations with the ARL while the rest have negative correlations with the ARL of the non-financial Saudi companies. The former can be explained by the fact that when there is a qualified audit opinion, more in-depth review of the financial statements will be required and this, in return, will delay the issuance of the audit report which is consistent with the results obtained by Habib etal. (2018) and Larasati et al. (2019).

For the control variables that have significant negative impacts on the ARL of non-financial listed Saudi companies, with regards to the corporate governance variables, our findings for the board size contradicts previous studies in literature (Hassan, 2016; Iselin, 2020); while those for the proportion of female directors (Afenya et al., 2022; Alkebsee et al., 2022) and audit committee size (Ezat et al., 2021) are consistent with earlier research in the literature. Finally, as for the firms' characteristics, the results of being audited by the Big4, large firms, and high leverage con-forms with those of the earlier research in the literature (Larasati et al., 2019; Chan et al., 2016).

These correlation patterns extend across the remaining variables, with no factors displaying strong, compelling connections with one another. To put it another way, the results coming out of this correlation study prove that concerns about multicollinearity within the data set are not evident. Indeed, these observations provide a strong basis for con-ducting more statistical analysis.

Table 2: Pearson Correlation Matrix

Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
ARL	1													
RC	-0.18***	1												
ROE	-0.31***	0.09**	1											
BrdSize	-0.16***	0.12***	0.09**	1										
Brdind	0.12***	-0.06	-0.15***	-0.16***	1									
Fdir	-0.12***	-0.02	0.05	0.13***	0.00	1								
BrdMeet	-0.06	0.15***	-0.05	0.14***	-0.06	-0.01	1							
ACSize	-0.15***	0.29***	0.06	0.41***	-0.05	-0.04	0.17***	1						
Acind	0.06	-0.05	-0.11**	-0.06	0.18***	0.00	-0.12***	-0.18***	1					
ACFE	0.01	0.03	0.08*	0.18***	0.04	-0.09**	-0.02	0.12***	0.01	1				
AuditOpin	0.39***	-0.01	-0.29***	-0.04	0.08*	0.01	0.08**	-0.04	0.02	-0.03	1			
Big4	-0.22***	0.14***	0.21***	0.23***	0.15***	0.03	0.10**	0.16***	0.02	0.03	-0.21***	1		
Fsize	-0.31***	0.32***	0.20***	0.52***	0.26***	-0.00	0.18***	0.44***	-0.06	0.05	-0.21***	0.49***	1	
Lev	0.15***	-0.14***	-0.57***	0.00	0.01	-0.04	0.06	-0.02	-0.04	-0.04	0.26***	-0.00	0.10**	1

Note: ***p < 0.01, **p < 0.05, *p < 0.10.

4.3 Regression Analysis

The Hausman test is employed to ascertain the suitable methodology for research models to quantify the association between the variables and reduce the possibility of bias. The Hausman test results indicated that the Random Effects method is more suitable for the existing study models. This test was chosen because it more accurately reflects the sample distribution, and the results could be generalized to different situations (Borenstein et al., 2010). Furthermore, this test has been utilized in earlier studies on the determinants of ARL or the consequences of risk committees (Alsheikh & Alsheikh, 2023; Fajembola et al., 2018) because it can be more reliable when looking into cross-sectional relationships (Battaglia et al., 2014) as it offers greater monitoring for any serial dependency in the data (Tao & Hutchinson, 2013).

As a result, Table 3 provides the findings obtained from the models constructed in the methods section. Our first hypothesis is tested by analyzing the findings from Model 1. The results clearly show that the existence of a separate risk committee in non-financial listed Saudi companies has a noteworthy and adverse influence on the audit report lag (ARL) at 5% significance level. However, the R-squared value of model (1) of Table 4 is 17.21%, indicating that the model explains only a moderate portion of the variation in the dependent variable.

Model 2 (Table 3) demonstrates the outcomes of regression analysis examining the impact of firm profitability on the relationship between the presence of a risk committee and audit report lag (ARL), specifically focusing on the moderating effect of profitability. This model explains the determinants of the dependent variable more effectively than Model 1, as the R-squared value increases to 18.56%, indicating that the inclusion of the moderating variable (RC*ROE) has improved the model. Furthermore, based on the coefficient of this variable, which is statistically noteworthy at 95% confidence level, it is clear that return on equity (ROE) moderates the association between the existence of a risk committee and ARL.

Table 3: Regression Analysis Results (Random-Effect)

Dependent Variable (ARL) Model 1		Dependent Variable (ARL) Model 2	
RC	-6.3634**	RC	-7.4631**
	-2.21		-2.52
ROE	-15.6054***	ROE	-16.9536***
	-3.75		-3.82
		RC * ROE	25.9757**
			2.40
BrdSize	-0.4615	BrdSize	-0.3989
	-0.51		-0.44
Brdind	7.7104	Brdind	8.0563
	1.03		1.07
FDir	-66.5418**	FDir	-70.2930**
	-2.27		-2.54
BrdMeet	0.0015	BrdMeet	0.0716
	0.01		0.15
ACSize	-0.2686	ACSize	-0.4012
	-0.16		-0.23
ACind	-0.8204	ACind	-1.5251
	-0.20		-0.37
ACFE	-2.1376	ACFE	-2.4897
	-0.46		-0.53
AuditOpin	20.6818***	AuditOpin	20.9701***
	3.24		3.35
Big4	-1.3319	Big4	-1.3635
	-0.60		-0.62
FSize	-2.3871	FSize	-3.0270
	-0.98		-1.37
Lev	-1.5460***	Lev	-1.6942***
	-2.79		-2.93
Constant	99.2396***	Constant	105.2832***
	4.59		5.44
Years Effect	Yes	Years Effect	Yes
No. of Obs	514	No. of Obs	514
R-squared	%17.21	R-squared	%18.56

Note: ***p < 0.01, **p < 0.05, *p < 0.10.

4.4 Robustness Test

To verify our outcomes, two robustness tests were performed utilizing alternative measures for the dependent variable (ARL) and the moderating variable (profitability). With regards to the former, ARL2 was taken as a log of the number of days between the financial year end the release date of audit report (Jaggi &Tsui, 1999; Knechel & Sharma, 2012) and the results shown in Table 4 confirm our initial results as it demonstrates the presence of a separate risk commit-tee at non-financial listed Saudi companies has a significant and negative influence on ARL of these companies and that the firm's profitability has a moderating effect on this relationship; albeit, both with a lower R-squared value.

Table 4: Regression Analysis Results (ARL2)

Dependent Variable (ARL2) Model 3		Dependent Variable (ARL2) Model 4	
RC	-0.0397*	RC	-0.0450**
	-1.96		-2.08
ROE	-0.0816***	ROE	-0.0892***
	-4.61		-4.68
		RC * ROE	0.1541*
			1.77
BrdSize	0.0009	BrdSize	0.0012
	0.17		0.21
Brdind	0.0521	Brdind	0.0540
	1.15		1.20
FDir	-0.5304**	FDir	-0.5510**
	-2.34		-2.54
BrdMeet	0.0019	BrdMeet	0.0023
	0.68		0.82
ACSize	-0.0024	ACSize	-0.0033
	-0.24		-0.32
ACind	-0.0060	ACind	-0.0093
	-0.23		-0.35
ACFE	-0.0072	ACFE	-0.0094
	-0.26		-0.34
AuditOpin	0.0823***	AuditOpin	0.0839***
	3.40		3.58

Big4	-0.0063	Big4	-0.0066
	-0.41		-0.42
FSize	-0.0240	FSize	-0.0278*
	-1.48		-1.83
Lev	-0.0101***	Lev	-0.0110***
	-3.03		-3.10
Constant	2.0527***	Constant	2.0895***
	14.41		16.10
Years Effect	Yes	Years Effect	Yes
No. of Obs	514	No. of Obs	514
R-squared	%12.44	R-squared	%13.89

Note: ***p < 0.01, **p < 0.05, *p < 0.10.

Similarly, we ran our regression analysis using Return on Assets (ROA), which is computed by dividing net income by total assets, as an alternate measure for the firm's profitability. This measure has been previously used in the relevant literature, such as: Omer et al. (2020), Iselin (2020), and Fakhfakh & Jarboui (2022). In this vein, from Table 5, both of our original hypotheses about this measure were confirmed. However, this gave better R-squared values for both models of 17.73 percent and 20.5 percent, respectively.

Table 5: Regression Analysis Results (ROA)

Dependent Variable (ARL) Model 5		**Dependent Variable (ARL) Model 6**	
RC	-6.1495**	RC	-7.7899***
	-2.09		-2.77
ROA	-51.5322***	ROA	-66.7047***
	-4.88		-5.75
		RC * ROA	69.9358***
			4.06
BrdSize	-0.4883	BrdSize	-0.4681
	-0.53		-0.51
Brdind	6.4441	Brdind	6.2401
	0.83		0.82
FDir	-57.7138*	FDir	-61.5669**
	-1.87		-2.24
BrdMeet	-0.0973	BrdMeet	0.0165
	-0.21		0.04
ACSize	-0.3686	ACSize	-0.6890
	-0.22		-0.41
ACind	-0.5322	ACind	-1.3851
	-0.13		-0.34
ACFE	-2.0204	ACFE	-2.4266
	-0.43		-0.52
AuditOpin	19.6856***	AuditOpin	19.4966***
	3.04		3.17
Big4	-0.7724	Big4	-0.7109
	-0.35		-0.33
FSize	-2.3783	FSize	-3.0286
	-0.93		-1.32
Lev	-0.4963	Lev	-0.6324
	-0.97		-1.24
Constant	100.0615***	Constant	107.6287***
	4.36		5.30
Years Effect	Yes	Years Effect	Yes
No. of Obs	514	No. of Obs	514
R-squared	%17.73	R-squared	%20.50

Note: ***p < 0.01, **p < 0.05, *p < 0.10.

5 Discussion

The outcomes of this research show that when a non-financial listed Saudi company has a separate risk management committee, it significantly reduces their audit report delay at the 5% significance level. This means a firm with a risk committee usually releases the audit report in a timely manner, which in turn proves the first hypothesis. More particularly, this outcome is consistent with agency theory, which holds that a company having an independent risk committee helps to strengthen the board's monitoring of management, resulting in quicker and more accurate reporting procedures. These outcomes confirm those of earlier studies by Omer et al. (2020) and Ismaiel (2020).

Additionally, the outcomes show that ROE moderates the association between the existence of a risk committee and ARL. This means that the influence of a standalone risk committee on ARL is tied up with a firm's profitability, which supports our second hypothesis. As this variable has a significant and positive coefficient, it shows that the adverse influence of an independent risk committee on audit report lag is weakened when the firm is profitable. This suggests that profitability can be a more important factor of ARL than the standalone risk committee. This outcome is in line with agency theory and relevant research in the literature. For example, Owusu-Ansah (2000) and Rusmin and Evans (2017) found profitability as a substantial factor affecting ARL.

The study's outcomes offer strong support for both agency and stakeholder theories, showing the importance of a risk committee and profitability in affecting audit report delay. From an agency theory perspective, a risk committee in-creases the strength of governance and supervisory mechanisms and reduces possible conflicts of interest between managers and investors. Audit report lag is less influenced by the existence of a risk committee in profitable corporations, as good financial performance motivates managers to support an obligation to accurately and timely report, hence safeguarding investors' wealth. Conversely, in less profitable companies, the risk committee gets increasingly important in resolving conflicting interests and guaranteeing timely delivery of audit reports. Additionally, stakeholder theory suggests that forming a risk committee enhances monitoring mechanisms and improves reporting quality, leading to stronger and more positive relationships with various stakeholders. This alignment between governance practices and stakeholder interests underscores the importance of both effective monitoring and financial performance in ensuring transparent and timely corporate reporting.

6 Conclusions

Examining the determinants of the ARL and the impacts of a standalone separate risk committee on several aspects of the companies' performance has been the focus of a breadth of research studies in literature. Nevertheless, none of these previous studies studied whether existence of a separate risk committee is a significant determinant of the ARL or not. Hence, in this study, an attempt to examine such relationship is undertaken together with whether the companies' profitability impact such a relationship or not. Hence, we hypothesized that the existence of risk committee has a adverse significant influence on the ARL and that the firm profitability has a significant influence on the association between the existence of risk committee and ARL. To test these hypotheses, we utilized both the agency and stake-holder theories, and data from 140 Saudi non-financial companies over the period from 2018 to 2021 were gathered, and a regression analysis was utilized to examine the two relationships. Based on these tests, the deduced results supported both of these hypotheses which infer that the presence of an independent risk committee helps in shortening the time taken by companies to issue their audit reports and that this impact is dependent on the level of profitability of the firm. Additionally, robustness tests with alternate measures for the ARL and profitability were conducted and confirmed the above conclusions.

These results add to the literature on both the determinants of ARL and the effects of the presence of a separate risk committee because, as far as we know, this is the first study to investigate the influence of the presence of a risk committee on ARL and the moderating role that the firm's profitability plays in the extent of such a relationship for Saudi non-financial companies. In addition, a significant theoretical contribution was provided by this study as it ap-plied both the agency and stakeholder theories to develop its underlying hypotheses. Lastly, the outcomes of this re-search will offer valuable insights to regulators regarding the importance of establishing an independent risk commit-tee. The presence of such a committee is expected to improve the oversight of risk management practices, which, in turn, will help improve the accuracy and reliability of financial reporting. By ensuring more robust risk management, an independent risk committee can increase investor confidence, as stakeholders are more likely to trust companies with strong governance structures that safeguard financial transparency. Additionally, understanding how profitability inter-acts with the influence of risk committees on audit timeliness is crucial for advancing corporate governance dynamics in the context of Saudi Arabia.

At the same time, expanding the scope of the hypotheses of this study to also include financial companies, which were not covered in this study, will further increase the investors' confidence in the capital market as they represent a significant sector of those markets. Therefore, future studies that include a sample of financial firms will complement the results obtained from this study. Moreover, this study only examined the moderating influence of the company's profit-ability on the association between existence of risk committee and the ARL, yet there are other financial performance measures that proved to have an impact on the ARL, such as leverage, and examining their moderating impacts on the above-relationship will shed more light on the association between the risk committee and ARL. Finally, in this study, the impact of the different characteristics of these risk committees was not investigated; thus, to fully understand the impact of the risk committee on the ARL, these characteristics should be investigated in future studies concerned with Saudi companies.

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