

Foreign experience and audit report lag

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Abstract

We examine the impact of top management teams (TMTs) foreign experience on audit report lag. We employ a unique sample of Chinese A-share listed firms from 2012 to 2021 and find that the overseas experience (returnee's effect) has a significant positive effect on the audit report lag. We argue that compared with locals, returnees have better education and international experience but often lack local ties and discernment in their native country, which leads to increased audit report lag. We also find that corporate innovation is a potential channel through which overseas experience positively affects audit report lag.

Keywords: Foreign experience; audit report lag; corporate innovation.

1. Introduction

In recent years, the Chinese government has issued a series of policies to influence the return of high-level overseas talents, and such progression of overseas talents has formed a wave of overseas experts returning to China. This not only alleviate the deficit of human capital, but also embeds foreign eruditeness into enterprises.¹ Accordingly, there is an increase in the return of high-level talents to China who joined the top management teams (TMTs) of Chinese enterprises (Giannetti et al., 2015; Yuan and Wen, 2018). Yet foreign-experienced top management remained rare in China and is still in the growing phase². Most of these returnees have studied in industrialized nations like the U.S. and the U.K. Compared to local executives (without international experience), they have creative ability, advanced experience, and highly specialized capableness. For this reason, the Chinese government has offered them high incentives (e.g., local prizes, schooling for their children, spouse jobs, and housing allowances or free housing, among others). Thus, our study interests Chinese and emerging market policymakers as it presents an interesting yet unexplored consequence of the foreign experience.

In addition, unlike other countries and regions, Chinese listed companies have a longer annual report disclosure period, and they are needed to complete the disclosure of annual returns within 4 months (about 120 days) after the end of each financial year. The long disclosure time of the annual report is not conducive to market development, so we focus on the study of the audit report lag, with aim to contributing towards the early disclosure of the annual report information.

Theoretically, the upper echelons perspective (Hambrick and Mason, 1984) elucidates that the unique knowledge, skills, and management concepts, developed by executives under the influence of overseas environmental systems will have a profound impact on corporate governance and operations (Dai and Liu, 2009; Le and Kroll, 2017;

¹ For instance, “Hundred Talents Plan”, “Thousand Talents Plan”, “Opinions of the Central Talent Work Coordination Group on the Implementation of the Overseas High-level Talent Introduction Plan”, “The State Council on Promoting the High-quality Development of Innovation and Entrepreneurship to Create an Upgraded Version of Dual Innovation”.

² For example, in our study the foreign experience TMTs account for 25% of the total sample.

Liu, 2010). Empirically, there is a growing literature (e.g., Dai and Liu, 2009; Giannetti et al., 2015; Liu et al., 2015; Ullah et al., 2021; Wen et al., 2020; Yuan and Wen, 2018) that explored the impact of foreign experience on different financial and non-financial outcomes. In particular, drawing from the upper echelons theory, some scholars have explored the impact of executive characteristics on the time lag of audit reports, including executive gender (Harjoto et al., 2015) and executive financial expertise (Baatwah et al., 2015). Moreover, foreign experience, as one of the important characteristics of executives, may determine the audit report time lag, which is still unexplored in the extant literature. Therefore, this paper investigates how the executives' overseas experience affects the audit report lag.

Our findings uncover a positive nexus between overseas experience and audit report lag, corroborating that auditors take more time to issue financial reports when executives have overseas experience. We argue that in comparison to the local executives, the returnees are (i) less acquainted with the accounting/auditing practices and domestic market (ii) experience cultural differences in the organizations and (iii) lack domestic connections, which make auditors put extra efforts and due diligence before signing the disclosure reports. Our findings are in line with the stream of literature (see for instance, Li et al., 2012) who find that locals perform better than the returnees in China's technology entrepreneurship market. In addition, firm innovation is a potential channel through which a positive association is observed between foreign experience and audit report lag. Our results are robust to the alternative proxies and the endogeneity issue.

Consequently, we contribute to the existing literature in the following unique ways. First, this paper links the overseas experience of TMTs with the audit report lag, which is a novel association. Second, we provide evidence on the potential channel through which foreign experience can affect the audit report lag. Third, we present the moderating mechanism of state-owned enterprises and Big-four audit firms in improving this nexus. From a policy implication perspective, this study improves the apprehension of the non-economic consequences of overseas executives by examining its effect on audit report lag. As one of the essential elements for the issuance of annual

reports, the timing of the audit report directly affects the timeliness of information disclosure of listed firms. Thus, this paper provides micro-evidence support for the government and policymakers to carry out and evaluate overseas talent introduction programs and how they can improve the audit mechanism in China.

The rest of the paper is organized as follows: Section 2 presents the hypotheses; Section 3 describes the research design; Section 4 presents the empirical results; Section 5 concludes.

2. Hypotheses development

Talent with overseas experience is generally perceived to have a good education, advanced management skills, and excellent social capital (i.e. foreign networks), and therefore their return to China as corporate executives can contribute to better corporate operations, performance and firm growth (Giannetti et al., 2015; Liu et al., 2015). According to the classical disclosure rule of Beaver's (1968) "good news early, bad news late", companies are more willing to disclose accounting information as early as possible when their financial situation is good. In addition, due to the strict disclosure requirements in foreign countries, returnees executive pay more attention to internal control and thus improve corporate governance (Giannetti et al., 2015). When the company's internal control is in a more robust and effective situation, auditors can appropriately narrow the audit scope, reduce the substantive testing procedures and decrease the audit time. Based on the better governance argument, we develop the following hypothesis:

Hypothesis 1a: TMTs with overseas experience will shorten the audit report lag.

Nevertheless, executives who have lived abroad for a long period may not be well acquainted with the domestic economic and institutional environment and may be "uncomfortable" with it, which may impair corporate performance (Li et al., 2012). We argue that, compared to local executives with no foreign experience, TMTs with foreign experience are (i) less aware of domestic accounting/auditing practices, (ii) more likely to encounter cultural divergences within their organizations, and (iii) less likely to have domestic connections. When scrutinizing companies with returnees in

executive positions, auditors will likely exercise additional caution and diligence. This may necessitate an exhaustive review of accounting practices, increased communication of local regulations, cultural sensitivity in interactions, and the collection of additional information to compensate for the absence of domestic connections (Abernathy et al., 2017; Cui et al., 2021). As a result, auditors, based on risk-based auditing, will often choose to increase the audit evidence and expand the scope of the audit to reduce the risk of future litigation and avoid losses, which will result in a time lag in the issuance of the audit report. Finally, executives with overseas experience are more probable to choose to work for larger companies with a better remuneration environment and better prospects for growth. However, larger companies have more intricate operations, which can lead to a larger audit workload and thus, affect the audit report time lag. Based on the discussion, we present the following alternate hypothesis:

Hypothesis 1b: TMTs with overseas experience will increase the audit report lag.

In recent years, Chinese companies have incessantly improved their level of innovation, and according to the annual reports of listed companies, the R&D expenditure of A-share listed companies in 2021 was about 1.36 trillion yuan, an increase of 24% year-on-year. TMT with overseas experience is influenced by overseas environments and prefers innovation and change, is better at identifying and seizing new opportunities, and increases investment in innovative projects, thereby increasing the company's innovation level (Yuan and Wen, 2018). However, (1) innovation projects are often accompanied by risks, which can lead to operational exertions and lack of funds (Chen et al., 2023; Zhang, 2021). If innovation fails, it is likely to lead to corporate bankruptcy (Biais et al., 2015). Firms may also have the incentive to inflate innovation investments to reduce taxes or acquire political resources; earnings management by manipulating R&D activities (Shust, 2015). Therefore, auditors based on risk-oriented audits will judge innovative projects as high risk when assessing enterprise risks, thereby significantly increasing audit investment and reducing inspection risks. Further, when the auditor observes R&D expenditure and intangible

assets, he/she invests more time and effort as R&D-related expenditure and the economic benefits of innovation are difficult to identify and measure. Both arguments will result in a longer time lag for audit reports. Therefore, the second hypothesis is formulated as follows:

Hypothesis 2: Corporate innovation mediates the nexus between TMTs' overseas experience and the audit report lag.

3. Research design

We compile data on the employed variables from China Stock Market and Accounting Research (CSMAR) for all of China's Shanghai and Shenzhen A-share firms from 2012-2021. For the internal control variable, we compile data from the DIB database (<http://www.dibdata.com>), which has been used by recent Chinese studies (e.g., Du et al., 2017; Li et al., 2020). We exclude firms from financial industries, special treatment (ST and *ST), and firms with missing data, and our final sample is 29,210 firm-year observations. To avoid the effect of outliers, we winsorize all accounting variables by 1% of their distributions. To test our first hypothesis, we employ the following empirical model:

$$LnARL_{i,t} = \beta_0 + \beta_1 TMT_overseas_{i,t} + \beta_2 \sum Controls_{i,t} + \lambda_t + \eta_i + \varepsilon_{i,t} \quad (1)$$

To test our second hypothesis, we use a three-step test and build the following set of equations:

$$Pat_{i,t} = \alpha_0 + \alpha_1 TMT_overseas_{i,t} + \alpha_2 \sum Controls_{i,t} + \lambda_t + \eta_i + \varepsilon_{i,t} \quad (2)$$

$$LnARL_{i,t} = \beta_0 + \beta_1 TMT_overseas_{i,t} + \beta_2 Pat_{i,t} + \beta_3 \sum Controls_{i,t} + \lambda_t + \eta_i + \varepsilon_{i,t} \quad (3)$$

Here, our dependent variable is the logarithm of audit report lag (LnARL) in equations 1 and 2, and the key independent variable is TMT overseas experience (TMT Overseas). The mediating variable is corporate innovation (Pat). We also control for different relevant control variables, industry and year-fixed effects. All the variables are defined in Appendix A³.

³ Appendix B presents the descriptive statistics in detail.

4. Empirical results

4.1 Main regression results

Table 1 reports the results of the regression test between TMTs' overseas experience and the time lag in audit reporting. We find that the TMTs' overseas experience is positively associated with audit report time lag at the 1% level with or without the inclusion of control variables, confirming hypothesis *1b*. In addition, the regressions of the control variables show that Return on Assets (ROA), Loss or Loss (LOSS), Audit Opinion (Opinion), Executive Salary (TMT_salary), Executive Age (TMT_age) and Internal Control Quality (IC) all have a significant inhibitory effect on audit report lag at the 1% level. Audit fees (Lnfee), on the other hand, significantly lengthen the audit report time lag.

INSERT TABLE 1 HERE

4.2 Mediation and moderation tests

Table 2, Panel A reports the effect of corporate innovation as a mediating variable. Column (1) indicates a significant positive effect of executive overseas experience on audit report time lag; column (2) indicates a significant contribution of executive overseas experience to corporate innovation at the 1% level; while column (3) shows a significant positive effect of corporate innovation on audit report time lag at the 5% level. The coefficient of TMT overseas is smaller than the coefficient of TMT overseas in model (1), confirming our second hypothesis and indicating that corporate innovation plays a part in mediating the effect of executive overseas experience on the time lag of audit reports.

INSERT TABLE 2 HERE

In China, due to the peculiarities of the property rights system, there exist two completely different institutional systems for state-owned enterprises (SOEs) and non-state-owned enterprises (Non-SOES). Since SOEs and their executives are subject to stricter regulation and control from government departments. Therefore, SOEs are more stringent in terms of internal control and internal audit, which is conducive to shortening the time lag of audit reports. Following Li et al. (2012), this paper employs an indicator variable that is equal to 1 for state-owned enterprises and 0 otherwise. The

nature of ownership is divided according to the nature of the ultimate effective controller, and the results are shown in Panel B of Table 2 (column 1). It can be seen that the interaction term is significantly negative, showing the moderating role of SOEs in the nexus between TMTs' overseas experience and audit report lag, i.e., in state-owned enterprises, the overseas experience of executives can shorten the audit report time lag due to the strong connections of SOEs and their government supervision.

Since executives who have lived abroad for a long time are more likely to trust the "Big 4", they are more likely to continue to choose the "Big 4" for their audits. The better human capital and higher risk tolerance of the "Big 4" can shorten the audit reporting time lag (Whitworth and Lambert, 2014). Therefore, this paper uses the dummy variable "Big 4" as a moderating variable to test the effect of "Big 4" on the relationship between executive overseas experience and audit report time lag, and the results are shown in Panel B of Table 2 (column 2). The Big4, TMT overseas and Big4 cross multipliers are all negatively correlated with LnARL at the 1% level of significance, which means that "Big 4" will significantly weaken the relationship between executive overseas experience and audit report time lag, and thus significantly shorten the audit report time lag.

4.3 Robustness and endogeneity results

This paper adopts lagged explanatory variables and substituted explanatory variables for robustness testing. The regression results in Panel A of Table 3 show that executive overseas experience with lags one, two and three are all positively related to the audit report time lag at the 1% level. Panel B of Table 3 reports the empirical results of replacing the explanatory variable with the auditor's signature time lag (i.e. the time interval between the balance sheet date and the auditor's signature of the audit report), which is consistent with the previous results, and therefore the robustness tests support the previous findings.

INSERT TABLE 3 HERE

In Table 4, we present results for (i) two-stage least squares (2SLS) in Panel A and (ii) Heckman two-stage regression model and propensity score matching method

(PSM) in Panel B to control for potential endogeneity and sample selection issues. For 2SLS, following previous relevant papers (Wen et al., 2020; Yuan and Wen, 2018), this paper selects (a) an indicator variable for the regions⁴ where Britain had established colonies or concessions during the late Qing Dynasty in China (British⁵) and (c) the average number of executives with overseas experience in the same industry (overseas(industry average)) as the instrumental variables. In particular, the values for the weak identification tests are above the standard threshold providing support to our 2SLS analysis. Overall, our results remain consistent after controlling for these endogeneity and sample selection-related issues.

INSERT TABLE 4 HERE

4.4 The impact of audit report lag on investor sentiment

Table 5 reports the impact of lagging audit reports on investor sentiment⁶. We use the company's stock return from May to April of the following year as a proxy indicator of investor sentiment (Hua et al., 2011). We find that audit report lag (LnARL) is significantly negatively associated with investor sentiment (Insent) at the 1% level, i.e., the longer the audit report lag, the lower the equity yield. Investors are more inclined to invest in companies with shorter audit reporting lags.

INSERT TABLE 5 HERE

⁴ These regions include Xiamen (in Fujian province), Hankou (in Hubei province), Jiujiang (in Jiangxi province), Zhenjiang (in Jiangsu province), Guangzhou (in Guangdong province), Weihai (in Shandong province), Tianjin, and Shanghai.

⁵ British-settled areas and cities offer greater Western culture and ideals. Individuals there, are more likely to study or work overseas and come home to work for domestic corporations. Due to their Western values and lifestyles, these places are more likely to attract returnee talents. For further details, refer to Wen et al. (2020) and Ang et al. (2014).

⁶ We are thankful to an anonymous reviewer for this valuable suggestion.

5. Conclusion

This paper investigates the relationship between executives' overseas experience and the audit report lag, using a series of robustness and endogeneity tests. In addition, this paper also inquires (a) the mediating role of corporate innovation, and (b) the moderating role of the nature of property rights (SOEs) and the "International Big Four". The findings are multi-fold: (a) overseas experience of executives significantly extends the time lag of audit reports, (b) corporate innovation plays a mediating role in the relationship between executive overseas experience and audit reporting time lag, and (c) state-owned enterprises (SOEs) and the international Big Four (Big4) can help reduce the impact of overseas experience on the audit report time lag and thus shorten the audit report time lag.

Our novel findings hold important policy and practical implications for the policymakers, regulators and governing bodies. We explore the reasons for the extended audit time, which is important for auditors to maintain professional skepticism, avoid risks and reduce the occurrence of fraud in firms during the audit process. In addition, by perusing the overseas background of executives, it can also help enterprises in selecting and supervising the senior management team scientifically and reasonably. Finally, this paper not only provides micro-evidence support for government departments to incessantly carry out and evaluate high-level talent introduction plans.

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Table 1: TMTs overseas experience and audit report lag

VARIABLES	(1) LnARL	(2) LnARL	(3) LnARL	(4) LnARL
TMT_overseas	0.019*** (7.064)	0.006** (2.462)	0.009*** (3.533)	0.008*** (2.946)
Size			-0.007*** (-4.402)	-0.001 (-0.786)
Lev			-0.041*** (-5.540)	-0.012 (-1.634)
ROA			-0.354*** (-13.453)	-0.322*** (-12.589)
LOSS			-0.022*** (-4.643)	-0.014*** (-3.153)
Opinion			-0.063*** (-10.373)	-0.060*** (-10.026)
B_size			-0.060*** (-8.111)	-0.006 (-0.783)
IND			0.006 (1.401)	-0.000 (-0.041)
Top1			-0.000*** (-5.495)	-0.000 (-0.911)
TMT_salary			0.010*** (5.686)	-0.009*** (-4.841)
TMT_age			0.001** (1.981)	-0.001*** (-3.795)
TMT_gender			0.006** (2.310)	0.003 (1.336)
Lnfee			0.035*** (13.541)	0.016*** (6.316)
IC			-0.005*** (-8.801)	-0.003*** (-5.586)
Constant	4.588*** (3,384.736)	4.557*** (380.613)	4.350*** (134.430)	4.669*** (139.588)
Observations	29,210	29,210	29,210	29,210
Industry & Year FE	No	Yes	No	Yes
R-squared	0.00165	0.0889	0.043	0.115

Note: This table presents the results for the impact of TMTs overseas experience on audit report lag. The t-values are presented in the parentheses. All the variables are described in Appendix A. *** p<0.01, ** p<0.05, * p<0.1.

Table 2:**Panel A: Mediating effect of firm innovation**

VARIABLES	(1) LnARL	(2) Pat	(3) LnARL
TMT overseas	0.008*** (2.946)	0.158*** (5.489)	0.007*** (2.858)
Pat			0.001** (2.524)
Control variables	Yes	Yes	Yes
Constant	4.669*** (13.958)	1.517*** (4.698)	4.667*** (13.951)
Observations	29,210	29,210	29,210
Industry and year FE	Yes	Yes	Yes
R-squared	0.115	0.093	0.115

Panel B: The moderating role of SOE and international Big Four Auditors (Big4)

VARIABLES	(1) LnARL	(2) LnARL
TMT_overseas	0.009*** (3.089)	0.011*** (4.208)
SOE	-0.032*** (-10.221)	
TMT_overseas x SOE	-0.028*** (-5.113)	
Big4		-0.077*** (-14.120)
TMT overseas x Big4		-0.026*** (-3.127)
Control variables	Yes	Yes
Constant	4.548*** (132.565)	4.462*** (12.703)
Observations	29,210	29,210
Industry and year FE	Yes	Yes
R-squared	0.121	0.123

Note: This table presents the results for the (a) mediating effect of corporate innovation (in Panel A) and (b) moderating role of SOEs and Big4 auditors (in Panel B) on the nexus between TMTs overseas experience and audit report lag. The t-values are presented in the parentheses. All the variables are described in Appendix A. *** p<0.01, ** p<0.05, * p<0.1.

Table 3: Robustness tests**Panel A: Alternative measures of overseas experience and time lag**

VARIABLES	(1)	(2)	(3)
	One period behind LnARL	Two period lag LnARL	Three period lag LnARL
L.TMT overseas	0.010*** (3.469)		
L2.TMT overseas		0.009*** (2.919)	
L3.TMT overseas			0.009*** (2.666)
Control variables	Yes	Yes	Yes
Constant	4.665*** (12.890)	4.663*** (11.937)	4.736*** (11.645)
Observations	24,561	20,744	17,366
Industry and year FE	Yes	Yes	Yes
R-squared	0.118	0.112	0.106

Panel B: Alternative measures of dependent variables

VARIABLES	(1)	(2)	(1)	(1)
	auditorlag	auditorlag	auditorlag	auditorlag
TMT overseas	1.801*** (7.063)	0.620** (2.536)	0.980*** (3.721)	0.812*** (3.216)
Control variables	No	No	Yes	Yes
Constant	98.317*** (7.349)	95.277*** (8.988)	84.366*** (2.713)	114.234*** (3.594)
Observations	29,202	29,202	29,202	29,202
Industry and year FE	No	Yes	No	Yes
R-squared	0.0016	0.0872	0.053	0.123

Note: This table presents the results for the (a) alternative measures of overseas experience and time lag (in Panel A) and (b) alternative measures of dependent variables (in Panel B). The t-values are presented in the parentheses. All the variables are described in Appendix A. *** p<0.01, ** p<0.05, * p<0.1.

Table 4: Endogeneity tests and matching results
Panel A: Two-stage least square (2SLS)

VARIABLES	TMT_overseas	LnARL
	First Stage	Second Stage
British	0.037*** (6.910)	
Overseas (Industry average)	0.844*** (20.080)	
TMT overseas		0.098*** (4.080)
Control variables	Yes	Yes
Year FE	Yes	Yes
Constant	-1.662*** (-23.370)	4.796*** (100.95)
<u>Under-identification test</u>		
Kleibergen-Paap rk LM statistic		343.936***
<u>Weak identification test</u>		
Cragg-Donald Wald F statistic)		171.461
Kleibergen-Paap Wald F statistic)		222.551
Stock-Yogo weak ID test critical values: 10% maximal IV size		19.93
Hansen J statistic		0.206
Chi-sq(1) P-value		0.6497
Observations	29,210	29,210
R-squared	0.073	0.0309

Panel B: Heckman two-step model and Propensity Score Matching Results (PSM)

VARIABLES	Heckman 1 st	Heckman 2 nd	PSM
	Step	Step	
	D_LnARL	LnARL	LnARL
TMT_overseas	-0.048*** (-2.631)	0.011*** (0.000)	0.009*** (3.045)
Lambda		-0.098** (0.018)	
Constant	-2.977*** (-12.771)	4.943*** (0.000)	4.790*** (94.870)
Industry and year FE	Yes	Yes	Yes
Observations	29,206	29,206	14660
R-squared/ Pseudo R-squared	0.0817	0.115	0.121

Note: This table presents the results for the (a) two-stages least square (in Panel A) and (b) heckman two step model and PSM (in Panel B). The t-values are presented in the parentheses. All the variables are described in Appendix A. *** p<0.01, ** p<0.05, * p<0.1.

Table 5: Audit report lag and investor sentiment

VARIABLES	Insent	Insent	Insent	Insent
LnARL	-0.354*** (-15.802)	-0.200*** (-10.893)	-0.275*** (-11.991)	-0.138*** (-7.597)
Size			0.002 (0.323)	-0.002 (-0.380)
Lev			0.233*** (9.990)	0.179*** (9.258)
ROA			1.449*** (13.409)	1.429*** (14.070)
LOSS			-0.053*** (-3.064)	-0.049*** (-3.506)
Opinion			0.021 (0.975)	0.058*** (3.050)
B_size			0.057* (1.913)	-0.022 (-0.830)
IND			-0.006 (-0.393)	-0.007 (-0.490)
Top1			0.000* (1.665)	-0.000 (-0.485)
TMT_salary			-0.029*** (-4.644)	-0.010* (-1.812)
TMT_age			-0.003*** (-2.652)	-0.000 (-0.172)
TMT_gender			-0.002 (-0.193)	0.002 (0.272)
Lnfee			-0.024*** (-2.762)	0.001 (0.166)
IC			0.015*** (4.075)	0.004 (1.165)
Year	No	Yes	No	Yes
Industry	No	Yes	No	Yes
Constant	1.727*** (16.619)	0.861*** (9.643)	1.900*** (12.663)	0.655*** (5.197)
Observations	24,859	24,859	24,859	24,859
R-squared	0.0130	0.356	0.032	0.373

Note: This table presents the results for the impact of audit report lag on the investor sentiments. The t-values are presented in the parentheses. All the variables are described in Appendix A. *** p<0.01, ** p<0.05, * p<0.1.

Appendix A: Variable definitions

Variable type	Variable name	Variable symbol	Description
Dependent variable	Auditing report time lag	LnARL	The logarithm of the interval between the balance sheet date and the date when the audit report was issued.
Independent variable	Executive Overseas Experience	TMT Overseas	At least 1 executive with overseas experience has a value of 1, 0 otherwise.
Control variables	company size	SIZE	Logarithm of the total assets.
	all capital earnings rate	ROA	Net profit divided by the average total assets.
	asset-liability ratio	LEV	Total liabilities are divided by the total assets.
	audit opinion	Opinion	The standard unreserved opinion takes the value of 1, and the other value is 0
	corporate deficit	Loss	If the net profit of the company is greater than 0, the value is 1, otherwise it is 0
	Board size	B_Size	The logarithm of the total board count.
	Board independence	IND	The proportion of the total number of independent directors on the board of directors.
	Internal control quality	IC	DIB data on the quality of internal control of listed companies.
	Equity concentration	TOP1	The number of shares held by the largest shareholder in the proportion.
	Executive pay	TMT_salary	Logarithm of (1 + total executive salary).
Executive age	TMT_age	Average ages of the senior executive team.	
Executive gender	TMT_gender	1 for female executive and 0 otherwise.	
Audit expenses	Lnfee	Logarithm of (1 + audit fee paid by the listed company).	
Moderting variables	Property nature	SOE	The value of the state-owned enterprise is 1, otherwise it is 0.
	The size of the firm	Big4	The value audited by the international “big Four” is 1, otherwise it is 0.
Mediating variable	Enterprise innovation	Pat	Logarithm of (1 + number of patents obtained by the reporting period).

Appendix B: Descriptive statistics

Table B1 reports descriptive statistics for the employed variables. The average value of explanatory variable (*LnARL*) is 4.593 with a standard deviation of 0.199, demonstrating a significant variation in our sample. The independent variable, *TMT overseas*, shows mean value of 0.25 with standard deviation of 0.43. *Pat* has a mean value of 1.033, a minimum value of 0 and a maximum value of 6.913, indicating a wide gap in innovation across firms.

Insert Table B1 Here

Table B2, Panel A reports the correlation coefficients among the involved variables in the study. From the Table B2, Panel A, it can be concluded that there is a positive correlation between executive overseas experience and audit report lag, which is significant at the 1% level, tentatively testing hypothesis *1b*. In addition, the absolute values of the coefficients are less than 0.5, except for the magnitude of the coefficients between *LOSS* and *ROA*, *IND* and *B_size*, which exceed 0.5.

Table B2, Panel B reports the univariate tests for the main variables for two groups, experienced and non-experienced. The mean differences for mostly variables are significant either positively or negatively.

Insert Table B2 Here

Table B1: Descriptive statistics

Variable	N	Mean	Median	S.D.	Min	Max
LnARL	29210	4.593	4.663	0.199	3.784	4.796
TMT overseas	29210	0.251	0	0.434	0	1
Pat	29210	1.033	0	2.018	0	6.913
Big4	29210	0.059	0	0.235	0	1
SOE	29210	0.338	0	0.473	0	1
Size	29210	22.19	22.00	1.294	19.91	26.21
Lev	29210	0.415	0.404	0.206	0.054	0.892
ROA	29210	0.043	0.041	0.065	-0.238	0.225
LOSS	29210	0.895	1	0.307	0	1
Opinion	29210	0.972	1	0.166	0	1
B_size	29210	2.118	2.197	0.195	1.609	2.639
IND	29210	2.702	2.750	0.337	1.750	3
Top1	29210	34.63	32.41	14.67	9.430	74.82
TMT salary	29210	14.97	14.95	0.777	13.01	17.04
TMT age	29210	47.39	47.50	3.806	37.75	55.88
TMT gender	29210	0.650	1	0.477	0	1
Lnfee	29210	13.84	13.71	0.678	12.61	16.22
IC	29210	5.809	6.487	1.968	0	6.708

Table B2: Panel A – Correlation Matrix

	LnARL	TMT overseas	Size	Lev	ROA	LOSS	Opinion	B size	IND	Top1	TMT salary	TMT age	TMT gender	Lnfee	Pat	IC
LnARL	1															
TMT overseas	0.041***	1														
Size	0.012**	0.044***	1													
Lev	0.029***	-0.044***	0.521***	1												
ROA	-0.137***	0.029***	-0.035***	-0.395***	1											
LOSS	-0.124***	0.003	0.047***	-0.197***	0.655***	1										
Opinion	-0.100***	0.014**	0.040***	-0.134***	0.272***	0.260***	1									
B size	-0.047***	-0.017***	0.261***	0.143***	-0.009	0.025***	0.014**	1								
IND	-0.026***	-0.019***	0.017***	0.014**	0.012**	0.023***	0.009	0.577***	1							
Top1	-0.053***	-0.051***	0.200***	0.045***	0.135***	0.108***	0.084***	0.019***	-0.039***	1						
TMT salary	0.031***	0.207***	0.468***	0.128***	0.179***	0.118***	0.089***	0.161***	0.046***	0.012**	1					
TMT age	0.006	-0.037***	0.283***	0.120***	-0.013**	0.021***	0.028***	0.158***	0.033***	0.106***	0.182***	1				
TMT gender	0.019***	0.086***	-0.086***	-0.086***	0.049***	0.020***	0.011*	-0.050***	-0.016***	-0.033***	0.076***	-0.136***	1			
Lnfee	0.080***	0.098***	0.760***	0.399***	-0.088***	-0.031***	-0.025***	0.175***	-0.008	0.128***	0.431***	0.227***	-0.043***	1		
Pat	0.046***	0.069***	-0.093***	-0.103***	0.068***	0.027***	0.038***	-0.070***	-0.028***	-0.027***	0.048***	-0.049***	0.025***	-0.060***	1	
IC	-0.059***	-0.020***	0.195***	0.112***	-0.053***	0.071***	0.175***	0.049***	-0.003	-0.011*	0.050***	0.111***	-0.040***	0.110***	-0.078***	1

Panel B: Univariate analysis

	TMT with Overseas Experience		TMT without Overseas Experience		t-test
	N	Mean	N	Mean	Difference
TMT overseas	15161	0.265	14049	0.236	0.028***
Size	15161	22.13	14049	22.26	-0.133***
Lev	15161	0.415	14049	0.415	0
ROA	15161	0.0340	14049	0.0520	-0.018***
LOSS	15161	0.856	14049	0.937	-0.080***
Opinion	15161	0.954	14049	0.990	-0.036***
B size	15161	2.104	14049	2.133	-0.029***
IND	15161	2.694	14049	2.711	-0.017***
Top1	15161	33.54	14049	35.80	-2.268***
TMT salary	15161	14.96	14049	14.98	-0.028***
TMT age	15161	47.25	14049	47.54	-0.296***
TMT gender	15161	0.659	14049	0.639	0.020***
Lnfee	15161	13.85	14049	13.82	0.027***
IC	15161	5.686	14049	5.942	-0.256***