

Factors Affecting Timeliness of an Audit Report in Nigeria

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ABSTRACT

This study examined factors that influence timeliness of an audit report in Nigeria. A pooled sample of 42 financial and non-financial companies quoted on the Nigerian Stock Exchange (NSE) was examined. The period covered was 2012-2015. The quasi-experimental design method was used. The Panel Data technique was employed in the econometric analysis. The Ordinary Least Square (OLS) regression technique was used to analyze the data. Our findings revealed that audit firm type, size of the company, and age of the company are factors that affect timeliness of audit report in Nigeria. The study showed that while audit firm type has a positive significant effect on audit report timeliness, the age and size of the company have a negative significant influence on timeliness of audit report. Audit firm switch was discovered to have no major influence on timeliness of an audit report. It was recommended that companies should ensure that internal mechanisms are put in place to accelerate audit report processes in Nigeria. Regulatory authorities should intensify the pursuit of timeliness of audit report among companies in Nigeria.

Keywords: Timeliness, Audit report, Agency, Nigeria.

1. Introduction

A comprehensive statement that reports all important financial information and presents them in an organized manner and in a form easy to comprehend for the use of management to take quick and up-to-date decisions that is associated with production and investment planning, expected returns and performance evaluation is known as financial report (IASB, 2008). Stewardship responsibility of management is achieved through corporate financial reporting in the form of preparation and presentation of audited annual reports and accounts to users of financial information. Financial report is perceived relevant when a wide range of users make decisions based on the available information provided on the financial position, performance and changes in financial position of a firm. The financial report therefore, would only be relevant to the users' group when it is promptly examined by an independent auditor and the report issued in a timely manner.

Timeliness of an audit report therefore is the period of time between the financial year end of a company

and the auditor's report date. This however, measures the time interval between a firm's financial year end and the date the audit is reported (number of days). The date the auditor obtained sufficient and suitable evidence to support an expressed opinion is the audit report date. This evidence include that all financial statements have been prepared and affirmed by management who have taken responsibility for the financial statements (Tina & Marko, 2014). Presentation of financial information in a timely fashion is about making audited annual report and account available to the users of financial information as and when due and ensuring that it is current when it is received and when it is to be used as information (Accounting principal board, 1970).

One of the qualities of accounting information according to the Financial Accounting Standard Board (1980) from the view point of decision usefulness accounting is the timely manner with which reports are made available. The accounting standard-setting bodies across the world have considered the time taken for reporting financial

statements as the most essential financial information quality because, delay in financial information could affect both decision makers and relevant users of such information. Accounting information must be timely for it to be meaningful, reliable, and relevant for decision making, thus, delayed accounting information are most often not seen to portray a true and fair view as it was argued that most delayed audited report are as a result of manipulation of the accounting information.

The need for timely financial reporting prompted global attention to establish standard requirements and recommendations for timeliness of published financial report. However, most countries could not comply with the global standards due to differences in regulatory laws, business environment, norms and culture, technological advancement and so on. Thus, the bases for varied reporting date from country to country.

Where the report of the audit is untimely, financial information obtained would be less pertinent and proper accountability difficult to achieve. Major researches conducted in developed countries on audit timeliness had identified audit delay as the bane of audit timeliness; however, findings from the few researches conducted in Nigeria recognized infrequent audit report as a major challenge to audit timeliness. In Nigeria, the time expected of a company to deliver its audited report as specified by the Security and Exchange Commission (SEC) of ninety (90) days does not align with the provisions of CAMA (1990) as amended of maximum time of 180 days [i.e. six (6) months]. Nevertheless, it has been observed that most companies do not present their reports within these time frames (Modugu, Eragbhe, & Ikhatua, 2012). Thus, the study seeks to examine factors affecting delay in audit report in Nigeria. This is what prompted the study and this is the knowledge gap the study seeks to fill.

The key objective of the study is to determine the factors affecting timeliness of an audit report. However, the precise objectives are stated as follows:

1. To investigate the impact of audit firm switches on timeliness of an audit report.
2. To determine the impact of audit firm type on timeliness of an audit report.
3. To determine the impact of age of the firm on timeliness of an audit report.

4. To determine the impact of firm size on timeliness of an audit report.

This paper is partitioned into five sections. Besides the foregoing introduction, section two discussed the literature review under three sub-heads as thus: conceptual frameworks, theoretical frameworks and empirical study. Section three harps on the methodology. This is followed by section four which is data presentation and analysis of result and finally, section five deals with conclusion, summary of findings, and recommendations.

2. Review of Related Literature

2.1 Conceptual Framework

Basically, the idea behind audit report is for auditors to express an opinion on the truth and fairness of the financial performance and position of the entity, thereby strengthening the users' confidence on the report for timely decision making. Audit report is an essential tool in financial reporting. However, the understanding of an audit report is preceded by the understanding of the word audit. Thus, the question "what is audit"? "Audit" has been conceptually defined by various scholars. The definitions adopted in this study were that of the "Committee of the American Accounting Association, (1954) and Millichamp, (2002). According to the definition of the committee of the American Accounting Association (1954), audit is a methodical procedure of accurately obtaining and appraising evidence concerning claims about economic actions and events to determine the level of agreement between the claims and established benchmarks and the results communicated to interested users of the report. Millichamp (2002) defined audit as an independent examination of the Financial Statements and underlying records of an enterprise by an independent auditor in accordance with the terms of his engagement and the expression of opinion on the examined statements and records of the entity, complying with all relevant Professional Requirements and Statutory Obligations that exist in the business environment.

Audit report is a report issued by an independent auditor who expresses his view on the true and fair state of a company's financial statements examined by him principally for the benefit of the shareholders, and other users. The principal means used by the auditor to communicate audited financial information of a company to investors and

other financial statement users is the auditor's report. Auditor's report is aimed at providing reasonable assurance to users of financial statements that material errors or misstatements are absent in the financial statements of an organization. The law requires that audit reports be prepared by all publicly traded companies and industry regulated by the Securities and Exchange Commission (SEC).

2.1.1 The Concept of Timeliness of an Audit Report

Jim (2014), states that timeliness can be measured as the time between when data is expected and when it is readily available for use. The International Accounting Standard Board (2008) defines timeliness as making the financial information available to users on time so as to influence their decision. Carslaw and Caplan (1991) posit that timeliness is when information is readily made available to the users as quickly as possible. Information given at the right time has more impact and usefulness than when it is made available after decision had been made. The time it takes the company to present its audited report before the public after the company's financial year end is known as timeliness of an audit report. Timeliness is an important concept in accounting. Though an old concept, it however, stresses the relevance of making information available to decision makers while it is still relevant and useful. Timeliness can be defined as the capacity of the decision makers to access information before losing its relevance and ability to effects judgments.

Abdulla (1996) states that when the time frame between an accounting years end of a company to the date of the auditor's report is shorter, the benefits obtained from the audited financial statements become more. Liu, Jaikaeo, Shen and Hwang (2009) posit that timely information is the most valuable information which refers to the most recent information. Thus, financial reporting timeliness is about ensuring that financial information reaches the target financial statement users in a timely manner in order to provide them with relevant and useful information for decision-making process.

Many scholars (Liu, et al, 2009; Chue and Lai, 2007; and Aktas and Kargin, 2011) have echoed the importance of financial report being delivered and made available to information users on time. Aktas and Kargin (2011) posit that in order to maintain a

healthy financial market, timely information is necessary. There may be an increase in information lopsidedness when there is a delay in disclosing information (Chue and lai, 2007) and this would lead to an uncertainty in investors' decision making process (Mohamad-Nor, Shafie, and Wan-Hussin, 2010) and in turn have an effect on the shareholders' (present and prospective shareholders) decision. The two aspects to financial report timeliness are: the frequency of the reports and the delay from the accounting reporting date to the report released date. For the purpose of this study, the concept of "Timeliness of an audit report" is viewed from the perspective of the delay in the issue of financial statements to users.

2.1.2 Audit Firm Switch and Audit Report Lag

Audit firm switch is the change of an auditor by a client's company. This occurs when the client is not satisfied with the audit work conducted by the present audit firm or decides to change the audit firm for another with the hope of a better audit being carried out by the newly engaged audit firm.

Enofe, Mgbame, and Abadua (2013) state that audit firm switch is intended to resolve two likely occurring problems when an organization appoints the same audit firm annually. Firstly, there is a tendency that the audit firm would be too comfortable and hassle-free with the organization management they are assigned to audit. This could easily hinder auditors' independence due to their personal and professional ties with management clients. Secondly, audit firm switch enables the organization to be scrutinized by an entirely new auditor from a different perspective. Changing an auditor guarantees that obvious internal control problems of the organization that may not have been considered by previous auditors may get picked up by the new ones for total consideration.

Onwuchekwa, Erah and Izedonmi(2012) argue that audit firm switch may likely reduce the timeliness of audit completion because of the enormous time it takes succeeding audit firm(s) to comprehend the accounting processes, procedures and the accounting system of the new client which may run into years. Schwartz and Soo (1996) posit that the different timing of audit firm rotation could probably have different degree of influence on audit delay. Audit firm switches that occur early during the year are claimed to be well-planned and

controlled. This would pave the way for the succeeding audit firms to strategize and perform their audit assignment effortlessly. On the contrary, audit firm switches occurring in the concluding part of the year reveal incidences of breakdown in negotiation or opinion shopping. It is therefore essential that for early audit firm rotation and vice versa, be achieved, the audit report time be made shorter (Schwartz et al, 1996).

2.1.3 Audit Firm Type and Audit Reporting Lag

Audit firms are categorized as the "Big Four" and the "Non-Big Four" (Ahmed and Kamarudin, 2003).

Auditing firms with international affiliations across the globe such as the KPMG, Ernst and Young, Price Water Cooper, and Akintola Williams & Deloitte are referred to as the Big-four while the Non-Big Four are the domestic audit firms in Nigeria characterized as sole proprietorship and partnership audit firms which are relatively smaller in size. The expectation is that the audit delay for the Non-Big Four firms will be more than the audit delay for the Big-four firms (Carslaw et al, 1991 and Leventis, Weetman, & Caramanis, 2005). This is anchored on the fact that larger audit firms have stronger motivation to get their work done on time and as quickly as possible in order to retain their reputation. This would make the audit firm suitable for re-appointment in the subsequent year(s) as the auditor to the client companies rather than losing re-appointment. Carslaw et al, (1991) state that because larger audit firms are well known to have possessed adequate and qualified human resources than smaller firms, they are therefore able to perform their audit engagements as quickly as possible than smaller audit firms.

Ho-Young and Geum-Joo (2008) proposed that audit firm type impacts on audit report lag (ARL). Judging from the perspective of the Big four accounting firms and non-Big four firms, it is glaring that the Big four accounting firms have better access to advanced technologies and specialist staff than the non-Big four firms. Differences in audit report lags between the two groups of auditors could be attributed to differences in technologies and well programmed audit procedures adopted by each group.

2.1.4 Age of Company and Audit Report Lag

The length of time of existence of the company is the age of a company. According to Ofuan and Izien

(2016) the time interval during which a being or thing has existed is the age. Shumway (2001) revealed that some are of the belief that listing age, should define the age of the company, however, he is of the view that firm's age should be defined as the number of years of incorporation of the company. According to Shumway (2001) argues that listing is a defining moment in a company's life, hence, age listing has become more economical. His argument is set straight from the viewpoint of the company as a legal personality. This is based on the belief that as a legal person, a company is born through incorporation (Gitzmann, 2008, Pickering, 2011).

Prior literature has identified the age of a company as a feature that may likely have impact on the quality of accounting practice with regards to timeliness. The assertion is that when a firm grows older the tendency that the internal control procedures would be strong is higher. Thus, in older firms expectations are high on fewer internal control weaknesses which could possibly cause reporting delays. In the same vein, younger firms have less experience of accounting controls as they are more prone to failure. This has shown that age is a potential instrument to reducing audit reporting lag.

2.1.5 Firm Size and Audit Reporting Lag

Scholars have attempted to define firm size from different perspective. Trigueiros (2000) stated that where the use of size is required by theory, empirical studies typically revert to some proxy or others such as the number of employees, Total Assets, Sales or Market Capitalization.

The size of a company has been identified as one of the features that are often related with the financial reporting lag of an audit report (annual or interim report). Big firms has the capacity to pressurize auditors for timely reporting; in fact big firms could be largely monitored by regulatory agencies, investors etc. Therefore, they have more incentive to reduce audit report lag (Ashton, Willingham and Elliott, 1987; Habib and Bhuiyan, 2011). In addition, big firms could have strong internal control, which, in turn, will result in less audit work needed at the accounting year end (Ashton, Graul and Newton, 1989; Habib, et al, 2011).

Ku Ismail & Chandler (2004) proclaim that for several reasons it has often been argued that large

companies are early reporters. Firstly, large companies are often connected with possessing more advanced accounting information systems, more resources, and more accounting staff when compared to their smaller counterparts. These attributes would assist companies in quicker reporting. Secondly, a large number of analysts who usually expect timely information to confirm and revise their expectations follow large companies to get this done. Thus, they are greatly pressurized to publicize their reports on a timely basis to avoid their shares being traded on speculation. In most studies, size has been found to be a very substantial variable, having an indirect correlation between size of company and timeliness in annual financial reports (Iyoha, 2012; Mahajan & Chander, 2008; Karim, Ahmed, & Islam, 2006) and in the interim financial reports (Ku Ismail, et al, 2004).

2.2 Theoretical Framework

The theory adopted in this study is the agency theory. The study is anchored on this theory because of the business association that exists between the agent and the principal taking into consideration the problem (conflict of interest) that exists between them that hinders the agent from carrying out his responsibilities and facilitate information asymmetry, thus, resulting in audit report lag.

Meckling and Jensen, (1976) argue that an agency relationship is the process whereby one or more persons called the principal[s] (shareholders) engage the agent (management/ auditor) to perform some service on their behalf thereby delegating some of his decision making authority to the agent to enable them function appropriately. In auditing, agency relationships exist between the auditor, management (agents) and the shareholders (principal) by virtue of their business relationship, hence, accountable to the shareholders. This relationship that exists between them is known as agency theory. According to Eisenhardt (1989) agency theory focuses on resolving agency problems and the problem of risk sharing. An agency problem arises where the principal has conflicting interest with his agent, hence, seemingly difficult or expensive for the principal to monitor the agent's actions without a cost. On the other hand, a risk sharing problem occurs when the principal and agent have dissimilar attitudes towards taking risk.

Suggestion from an agency theory perspective also

proposes that the principal-agent association may be connected with information asymmetry (Ross,1973). The agent being the one with greater participation in the company is privy and accessible to information which may not be available to the principal with no cost. The agent is therefore at liberty to use this information to his/her own advantage at every slightest available opportunity. The essential factors in monitoring agency relationship are accounting and auditing. Healy and Palepu (2001) are of the view that financial reporting and disclosure was desired because of the problems of information asymmetry and the conflicting interests of managers and outside shareholders. Auditing has a significant role to play in terms of monitoring agency contracts. This is because auditing role has a connection with both information asymmetry and conflicts of interests.

This theory evaluates those issues that may occur between the agent and the principal such as conflict of interests, management problems and so on, which could lead to audit reporting lag.

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2.3 Empirical Study

Emeh & Appah (2013) examined the effect of audit committee and time lines of financial reports for the period 2007-2011 using thirty-five firms quoted on the Nigerian Stock Exchange (NSE). Data were collected for this study from the annual accounts and reports. Data collected were analyzed using appropriate analytical tests, granger causality test and pooled least square. The findings proposed that audit committee expertise (ACE) and audit committee independence (ACI) both have significant relationship with timeliness of financial reports while audit committee size (ACS) and audit committee meeting (ACM) both have no significant relationship with timeliness of financial reports.

Dibia and Onwuchekwa (2013) investigated the audit report lag of quoted companies for the period 2008 to 2011. A pooled sample of 60 firms across industries quoted on the Nigerian Stock Exchange was examined (Construction, Breweries, Oil & Gas, Health care, Packaging, Insurance, Publishing, Food Products, Automobiles, Hotel & tourism, Real Estate, Mortgage, ICT, Agro-Allied,

Building Materials, Conglomerates, Courier and Banking). Findings revealed that total asset and age of the company significantly impact on audit report lag in Nigeria. Conversely, result showed that firm switch and Firm size has no significant relationship with audit report lag in Nigerian companies.

Tina et al, (2014) investigated audit delay determinants. A sample of Croatian listed companies was investigated for the period of four years covering 2008 to 2011. Pooled OLS regression analysis and modeling audit delay was used as a function for the following independent variables: profitability, company size, leverage, audit opinion, absolute value of total accruals, audit committee existence, inventory and receivables to total assets and audit firm type. Their findings indicated leverage, profitability, and audit committee existence as major determinants of audit delay in Croatia.

Abdelrahman & Basheer (2016) examined the relationship between audit-firm tenure and audit report lag and how auditor industry specialization affects this relationship. An investigation was conducted on a sample of 691 Jordanian firm year observations quoted on Amman Stock Exchange for the period 2009-2013 using two methods for evaluating auditor industry specialization. A number of elementary statistical techniques such as descriptive statics, correlation and multiple-regression were used in analyzing data generated. This study revealed that significantly no relationship exists between audit tenure and audit reports lag.

Ishaq-Ahmed and Che-Ahmad (2016) examined corporate governance characteristics and its effects on audit report lag (ARL). The study used fourteen (14) Nigerian banks quoted on the Nigerian Stock Exchange covering a period of 5-year from 2008 to 2012. Ordinary Least Square technique was adopted in the data analysis. The study findings reveal that audit quality represented by the Big 4 firms significantly impact on ARL. Findings also show that board size, board meetings, board gender and total assets have significant positive relationship with audit report lag. Conversely, no significant relationship was found to have existed between audit committee size, risk committee size, board expertise, and audit report lag. Few corporate governance characteristics of the listed banks were discussed in this study.

Empirical study reviewed showed that the latest research year on “Timeliness of Audit Report” was that conducted by Ishaq-Ahmed, et al (2016) and Abdelrahman, et al (2016). Though, the period of coverage was 2008-2012 and 2009-2013 respectively. No study yet has been conducted on this area of study to cover more recent periods. However, this study seeks to examine the period from 2012-2015 using the multi-linear regression model. This is the gap that necessitated this study.

3. Methodology

The study employed the quasi-experimental design. Nachmias and Nachmias (1996) explain that quasi-experimental design takes a number of measures, at least three, such that the correlation between the dependent and explanatory variables over a period of time is established.

Data was gathered using the secondary source. The study population was the 180 firms listed on the Nigerian Stock Exchange as at 2016. The sample population was the 42 listed firms in the financial and non-financial sectors adopting the convenience sampling technique as basis for data collection. The 42 listed companies were conveniently selected based on high volume of their activities. Annual Reports for the period 2012 to 2015 were used to generate data for the study. Data generated were analyzed using tables, descriptive statistics and correlation analysis. The study adopted descriptive statistics which provides the initial characterization of the data while the econometric technique was used to analyze a cross section of companies over a four-year period. This is a pooled or panel data which the Ordinary Least Square (OLS) regression technique breaks down because of the heterogeneous nature of the data set which violates the normality assumption of OLS. The panel data estimation technique which takes into accounts the heterogeneity of the pooled data was used for the estimation of the relationships. The econometric analysis extends the statistical analysis with the goal of performing the empirical analysis and obtaining estimated coefficients which are valid enough in testing the study propositions. The data collected were then run using econometric statistical software (E-view 9.0).

Model specification employed is the multi-linear regression model which captures five (5) variables used in the study. On the strength of the above, we

decided to specify the correlation between Audit Delay and Firm Size, Age of Firm, Audit Firm Type and Audit Firm Switch.

The model is expressed in functional relationship as:

AUDIT DELAY = f (FSWITCH, AFT, AGE and FIRMSIZE)

The econometric model is expressed thus:

AUDL = f (X₀ + X₁ FSWITCH, + X₂ AFT, + X₃ AGE + X₄ FSIZE, + et)

X₀ = Constant

X₁, X₂, X₃ and X₄ =

Coefficients. AUDL= Audit

Delay FSWITCH = Audit Firm

Switch AFT = Audit Firm

Type AGE = Age of Firm

FSIZE = Firm Size

et = Error Term

The Apriori sign is X₁, X₂, X₃, and X₄ < 1

From the model specified, AUDIT DELAY is the dependent variable, while FSWITCH, AFT, AGE and FSIZE, are the independent variables.

The variables considered relevant were captured in the above specified model and measured below: AUDL = measured as the difference

between the accounting year end and the financial reporting date (published date).

FSIZE = Natural logarithm of total assets.

AFT = 1, if it is among the Big 4 auditors, otherwise 0.

FSWITCH = 1, if there was no audit firm switch within the relevant years otherwise 0.

AGE = Age of the company from the day of incorporation to date.

4. Data Presentation and Analysis of Result

The annualized summary statistics for the main variables in the study are presented for individual sectorial groupings of the sampled firms in the study. The average audit delay period is 155 days for the selected companies. Compared with 97 days lag for the Malaysian market (Shukeri & Islam, 2012) and 105 days for the Croatian market (Vuko & Cular, 2014), the delay period for Nigeria is large and quite close to the legal 180 days stipulated by CAMA. Indeed, the maximum lag period of 427 days shows that clearly some of the companies remarkably exceeded the stipulated legal period for presented audit report. This indicates gross violations of the CAMA rules and legal provisions by many companies in Nigeria.

In terms of the variables, the average age of the companies in the analysis is 41 years; which shows a wide distribution among the firms' ages when the minimum and maximum values are considered. Surprisingly, the audit lag and age data possess the same skewness value of 1.07, suggesting that the data are slightly negatively skewed. The Table also shows that about 73 percent of the companies have a big-four audit firm as their clients, indicating that most of the firms have auditors from reputable firms. It can also be seen that 93 percent of the companies did not switch audit firm within the relevant years; only 7 percent switched audit firms.

Table 4.1: Descriptive Statistics for Measures of Firm Performance

	Mean	Max.	Min.	S.D.	Skew	Kurt.	J-B	Prob
AGE	41	121	9	21.84	1.07	5.12	63.6	0
AUDL	155	427	40	76.42	1.07	3.70	35.6	0
AFT	0.73	1	0	0.45	-1.01	2.03	35.4	0
FSWITCH	0.93	1	0	0.26	-3.33	12.08	886.9	0
ASSET (N' millions)	72119.2	2,839,373	557.7	338296.2	6.62	46.96	14752.1	0

Source: Author's computation, 2017 (E-view 9.0)

A special statistic of interest in this study is the Jarque Berra coefficients in the summary statistics. It shows the degree of normality, and hence the heterogeneity of the data series. Highly heterogeneous series are the precursors for panel data estimation techniques. The J-B values for each of the variables are very high hence, passes the test of significance at 1 percent level. This indicates the normality assumption in the data cannot be accepted: the series for the sectors are not distributed normally. By implication, the series across sectors are heterogeneous and would actually require a panel data estimation technique. This is an additional validation of the use of the panel data analysis used in the study.

For further investigation on the pattern of audit delay among the firms, we report the number of days taken by the firms (grouped into different industries) to supply their audit report. Table 4.2 shows that automobile sector are the quickest to make the reports within 67 days of the year-end during the sampled years. The banking sector takes 87 days on average to make the reports, confirming the argument that financial firms may have better leverage to reduce audit delays. Surprisingly, the insurance sector (a financial sector) has the largest

average delay period of 217 days, followed by the ICT sector. This again shows that even among the financial sector firms, insurance sector tends to delay audit report excessively. Compared to the legally stipulated 180 days for providing audit report, only ICT, insurance and tools & equipment sectors exceeded the limit.

To further examine the background behavioral patterns in the data series in the study, the (unconditional or ordinary) correlation analysis is conducted on the data. The relationship matrices for the variables are reported in table 4.3. Among the explanatory variables, there is a significant positive relationship between firm age and the use of a big-four auditing firm, and between firm age and its size. This shows that the longer older firms tend to be bigger and also tend to be the ones using reputable audit firms, the older the firm, the more likely it will employ a big-four auditing firm. However, no significant relationship exists among the other independent variables. In particular, no statistical proof shows that firm size and the use of big-four auditors move strongly in the same direction. Apparently, bigger firms do not necessarily employ the big-four auditors.

Table 4.3: Correlation Matrix for Board Structure

	AGE	AUDL	AFT	FSWITCH
AUDL	-0.214			
Probability	0.005			
AFT	0.223	0.073		
Probability	0.004	0.349		
FSWITCH	-0.081	0.010	-0.015	
Probability	0.295	0.896	0.849	
FSIZE	0.535	-0.148	0.116	-0.086
Probability	0.000	0.055	0.133	0.269

Source: Author's computation, 2017 (E-view 9.0)

4.2 Empirical Tests and Results Based on Panel Data Analysis

Results of the panel data estimates of the models specified in the previous section are reported and analyzed in this section. The focus of the analysis is actually on the goodness of fit statistics as well as the coefficients' results which will help provide the basis for the tests of hypotheses in the study. The panel data estimation strategy adopted in this section presupposes that the biases in the pooled data could either come from cross sectional heterogeneity or time series (periodic) variations.

Hence, the Hausman test of heterogeneity is initially conducted to determine the best effects model (random or fixed) to be adopted in the analysis.

The result of the Hausman test is reported in Table 4.4 below. The Chi-square statistic values for the equation are significant. From these results, the statistic provides little evidence that there is no misspecification when the random effect model is employed. Hence, the best method to apply is the Random-effect strategy. In this study, we report both random and fixed effects estimates in order to provide comparison. Moreover, the results are estimated in two variants with one equation controlling for firm size and the other without control. This is to enable the comparison between smaller and larger firms in terms of their corporate performance given different board structure outcomes.

Table 4.4: Hausman Test

Test Summary		Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random		12.67	4	0.013
Variable	Fixed	Random	Var(Diff.)	Prob.
AFT	82.77	51.01	441.95	0.13
FSWITCH	3.84	10.62	52.00	0.35
FSIZE	2.52	-13.06	154.13	0.21
AGE	-12.37	-0.97	15.85	0.00

Source: Author's computation, 2017 (E-view 9.0)

The result of the estimation of the main factors affecting the timeliness of an audit report is reported in Table 4.5 below. It can be noticed in the results that the Random effects results show more relevant information, though it possesses lower R-squared values. The low values of the coefficient of variation are generally acceptable since pooled data is used for the analysis (Iyoha, 2004). The adjusted R squared value of 0.113 indicates just over 11 percent of the systematic discrepancies in AUDL among the firms that are explained by the independent variables. The F-value however, is high and easily passes the test of significance at 1 percent level since the probability value is below 0.01. This shows the acceptance of the hypothesis of a significant relationship between AUDL and the combination of selected determinant variables.

The particular impact of each of the explanatory variables on audit delay is determined by

considering the individual coefficients of the explanatory variables in terms of signs and significance. In the results reported, the coefficients of big-four, firm size and age of the firms are significant. Audit firm type and size and age pass the test at 1 percent and 5 percent levels respectively. Result reveals that audit firm type used, the size of a company and its age are all factors responsible for audit delay of the selected firms. The results however show that the use of big four audit firm has a substantial positive influence on audit delay, suggesting that companies that use this audit firms are 32 percent more probable to have a longer audit delay than companies that do not use the firms. The result also shows the size of a company and its age having negative impacts on audit delay. The older the firm and the larger it is, the less the period of audit report delay among the selected firms.

Table 4.5: Regression Results

Variable	Random effects result			Fixed effects result		
	Coefficient	t-Statistic	Prob.	Coefficient	t-Statistic	Prob.
C	5.655	17.26	0	7.252	6.79	0
AFT	0.329	3.14	0.00	0.556	3.46	0.00
FSWITCH	0.043	0.40	0.69	0.004	0.04	0.97
FSIZE	-0.078	-2.35	0.02	0.028	0.34	0.73
AGE	-0.007	-2.74	0.01	-0.073	-3.06	0.00
R-squared	0.113			0.668		
F-statistic	4.5 (0.002)			5.46(0.000)		
Durbin-Watson stat	1.83			2.55		

Source: Author's computation, 2017 (E-view 9.0)

In order to conduct a robustness check for the results, firm age and size are controlled in the model since these variables can influence how a firm carries out its audit activities. Results presented in Table 4.6 shows the robustness of the results even when the two variables are controlled in the model. In the first panel, firm size is controlled for and the findings still like the baseline result in table 4.5. The second part of the results show the outcome of the relationship when firm age is not controlled for. This can enable us discover in an indirect manner whether the size of firm distributively influence the behavior of firm performance when audit firm and audit switch variables change (Greene, 2002). The controlled results also possess impressive goodness of fit statistics, although the adjusted. All the results are essentially similar to the baseline outcomes. This therefore shows that use of big audit firm tends to increase audit delay, while firm size and age tend to reduce audit delay.

Table 4.6: Robustness Check Estimates

Variable	1			2			3		
	Coeff	t-Stat	Prob.	Coeff	t-Stat	Prob.	Coeff	t-Stat	Prob.
C	4.99	29.19	0.00	5.44	16.37	0.00	4.70	32.57	0.00
AFT	0.29	2.76	0.01	0.29	2.66	0.01	0.24	2.23	0.03
FSWITCH	0.04	0.38	0.71	0.06	0.54	0.59	0.06	0.52	0.60
AGE	-0.01	-2.84	0.01						
FSIZE				-0.08	-2.43	0.02			
R-squared	0.08			0.03			0.06		
F	4.21(0.01)			2.5(0.08)			3.57 (0.02)		

Source: Author's computation, 2017 (E-view 9.0)

4.3 Tests of Hypotheses

The tests of hypotheses are based on the results from Table 4.4 above where the econometric relationships between audit lag and the selected characteristics are reported. The decision is based on the t-value and its probability outcomes.

Hypothesis One

Audit Firm Switch has no significant impact on timeliness of an audit report.

In the result in Table 4.4, the coefficient of audit firm switch failed the significance test at the 5 percent level since the probability of t-ratio is greater than 0.05. Thus, the null hypothesis is accepted, and it can be stated that audit firm switch does not significantly impact on timeliness of an audit report. The flip side of this test shows that audit tenure actually has no significant impact on timeliness of audit report.

Hypothesis Two

Audit Firm Type has no significant impact on timeliness of an audit report.

The coefficient of audit firm type in the model is significant at 1 percent level with a t-value of 3.14 and a probability that is less than 0.01. This implies that the null hypothesis cannot be rejected and that audit firm type has a significant negative impact on timeliness of an audit report.

Hypothesis Three

Firm age has no significant impact on timeliness of an audit report.

The coefficient of firm age is significant at 5 percent level since the possibility value is less than 0.05. Hence the null hypothesis is rejected, implying that age of firm has a significant positive impact on timeliness of an audit report.

Hypothesis Four

Firm Size has no significant impact on timeliness of an audit report.

The coefficient of firm age is significant at 5 percent

level since the probability value is less than 0.05. Hence the null hypothesis is rejected, implying that firm size has a significant positive impact on timeliness of an audit report.

5.1 Summary of Findings

This study has set out to empirically ascertain factors that determine timeliness of audit report among listed firms on the Nigerian Stock Exchange. Audit activities among Nigerian firms have become an issue of strong interest among analysts and regulators. Using sampled firms for the period 2012 to 2015 both statistical and econometric tools were employed to empirically investigate audit delays and lags and how factors like audit firm type and firm size affect such delays. It is generally demonstrated in this study that internal characteristics of firms are the main factors that encourage timeliness of audit report. Results obtained from the analysis show the following:

1. That the type of audit firm used by a company largely affect or explain the timeliness of the audit report. Particularly, it was shown that the use of big-four firms will tend to extend audit delays among Nigerian companies. This is in line with findings by AL-Tahat (2015) for Jordan and Gilling (1977) for a set of international firms, who found a significant positive correlation between audit delay and size of the auditing firms.
2. That a switch of audit firms or audit tenure has no significant influence on audit report delays among firms. This implies the length of time taken by audit firms within a company does not shorten any delays in audit report. This is in line with the findings of Onwuchekwa et al, (2012) who found a non-significant association between audit firm switch and audit delay.
3. That the size of firms has a strong negative influence on audit delays. This implies that larger firms tend to produce early report of their audit activities. The size of company was also studied by Iyoha (2012) and Abdulla (1996) who found a negative relationship between the audit delay and the company size.
4. That the age of a company tends to have negative impact on audit delays. This indicates that older or more established companies tend to be timelier with their audit report than younger firms. The age of a company was also studied by Owusu-Ansah (2000) who found a negative correlation between audit delay and the age of the company.

5.2 Conclusion

In conclusion, the conduct of corporate activities among firms in emerging market has been hampered by many aspects of internal and external institutional failures. This has reduced transparency among the firms and hindered adequate development of the corporate world. One of such issues is that of audit report, especially with respect to its timeliness. Indeed, with the industrial revolution in today's business world, timely financial reports is indispensable, hence, delay in the production and release of financial reports, especially, in evolving markets has copious negative effects on the users of these reports. This can be primarily attributed to limited available financial information outside the financial statements in these developing markets. It therefore follows that having a better understanding of these factors that affect timeliness of audit reports in Nigeria would not only improve greatly the efficiency of audit work but would also aid users of financial information in taking informed decisions.

In this study, it has been confirmed that it is the internal factors within the firms that help improve audit report timeliness. For instance, the study shows that larger firms have better timeliness in this regard. Although, it has been noted that larger companies have the ability to pressurize auditors with a view to completing an audit engagement quickly and in a timely manner, other factors of internal efficiency may be responsible. It is a well-known fact that larger companies have stronger internal controls which could possibly result to timely audit reports. In this regard, there is a potential tendency for the auditor to rely more on the internal controls and reduce the extent of substantive tests. This would help to reduce the auditor's time spent on the engagement and this could be the reason why larger companies may have their audit reports completed earlier than smaller ones.

5.3 Recommendations

The results from the empirical analysis provide ground for identifying certain areas where recommendations can be made. These include:

1. Companies should ensure that they set up internal mechanisms that will help accelerate audit report processes in Nigeria. The study has shown that employing a reputable auditing firm does not actually improve on timeliness of audit

- report. Thus, more focus should be put on how to improve internal activities that will reduce time wastage in audit reports.
2. Smaller firms should learn the processes for speeding up audit reports from the larger ones. It is not just the might of the larger companies that guarantee their timeliness in audit reporting, there could be internal economies and accounting that need to be learnt by the smaller firms to improve their activities.
 3. Audit firm switch or tenure should not be considered as a yardstick for expecting audit report timeliness. There should be prompt actions by the company management when they discover that their external audit firms are slowing down their reporting processes.
 4. Finally, the regulatory authorities should intensify the pursuit of timeliness of audit report among the companies.

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Appendix

Table 4.2: Audit lags among sectors

Sector	Days
Agro	107
Automobile	67
Banking	87
food product	141
Healthcare	169
Hotel	131
ICT	203
Insurance	217
Livestock	124
Mort	177
Oil and gas	138
Packaging	177
Publishing	136
Real Estate	111
Tools and Equipment	182

Source: Author's computations, 2017.