MANAGEMENT AND ACCOUNTING REVIEW

C O N T E N T S

Determinants of Audit Delay: An Analysis of Post Malaysian Financial Reporting Standards (MFRS) Adoption

Najihah Marha Yaacob♣ and Norazamina Mohamed
Faculty of Accountancy, Universiti Teknologi MARA,
Cawangan Terengganu Kampus Dungun, Terengganu, Malaysia

ABSTRACT

Changes in standards will need more audit effort and, as a result, audit delays are anticipated to rise. This study intended to determine the factors that influence Malaysian audit timeliness in the years after complete implementation of the Malaysian Financial Reporting Standards (MFRS). This study used 534 firm-year observations of non-financial firms listed on Bursa Malaysia's main market and the ACE market. The causes of audit delays were determined using panel data analysis from 2017 to 2018. Panel regression results revealed that four variables have significant relationships with audit delays, which include firm size, firm risk, firm complexity, and international audit firm. While the accounting period year-end and type of industry of the company implied no relationship with audit delays, the findings provide evidence that the main determinants of audit delays, namely the client's size, complexity and risk endure across the era and realm. Moreover, this study provides support for the brand name theory that signifies a positive relationship between reputation, price, and quality. The results provide tangible effects of audit delays in companies during post-MFRS adoption, and these findings should provide useful insight into the accounting profession and the corporate sector as a whole.

Keywords: Audit Delay, Malaysian Financial Reporting Standards, Panel Data Analysis, Malaysia

♣ Corresponding Author: Najihah Marha Yaacob, Faculty of Accountancy, Universiti Teknologi MARA, Cawangan Terengganu Kampus Dungun, Sura Hujung, 23000 Dungun, Terengganu, Malaysia; Email: najihahm@uitm.edu.my ; Tel: +609-8403787

INTRODUCTION

The timeliness of information communicated to investors decreases as reporting lag increases, since the annual report's well-timed release of accounting details is critical for minimising information asymmetry between financial statement preparers and users, and signals the efficiency of audits (Oradi, 2021). Lengthening the time to complete an audit report would impair the users' ability to make timely evaluations and decisions based on the audited financial statements. As a result, the quality of financial statements deteriorates as information becomes less useful to consumers of financial reports.

Timely reporting of financial statements influences an agency relationship between managers and investors (Rediyanto, Sutrisno & Endang, 2017). Carslaw and Kaplan (1991) felt that there is a significant correlation between information release timeliness and investors' choices based on audited financial statements. For example, Givoly and Palmon (1982) discovered that the market responds favourably to early profit releases that are dense with information. Lawrence and Glover (1998) stated that in order for information to be valuable to users, it must be trustworthy, relevant, and timely. The complexity of International Financial Reporting Standards (IFRS) has become a significant source of worry for financial statement preparers, directors and auditors. According to DeGeorge, Li, and Shivakumar (2016), even 10 years after the adoption of the IFRS, which affects thousands of companies worldwide, the issue of costs and benefits remains uncertain. Moreover, Trimble (2018) emphasised that even though the IFRS has been adopted by more than 140 countries, the impact on accounting quality remains vague. On the other side, the increase in accounting quality only occurred in the countries with strong investors' protection and stringent enforcement (Cai, Rahman & Courtenay, 2014).

IFRS is designed to accomplish two (2) primary objectives: to improve the quality of financial reporting and to increase the comparability of financial accounts across global borders. This uniform standard is achieved by requiring more disclosures and a larger investment of work and time to thoroughly examine and assure the audited financial statements (Hoogendoorn, 2006). Ballas, Skoutela, and Tzovas (2010) revealed a genuine concern of one (1) of the accountants surveyed, who writes "there

has been an increase in the accounting activities since the preparation of the financial statements is time-consuming due to the amount of information that is required". Hence, a longer delay is expected when an audit engagement deals with certain sensitive audit issues (Knechel & Payne, 2001). The consequences of this delay mean that users will get the financial information not as timely as before, which therefore causes the information to be irrelevant to the users upon receipt. Furthermore, decisions made from irrelevant information would lead to inaccurate planning and execution at the individual and the organisational level.

In Malaysia, the adoption of new accounting rules has created additional difficulties for auditors, particularly in terms of financial statement timeliness and quality (Sidik & Abd Rahim, 2012). The complete implementation of Malaysian Financial Reporting Standards (MFRS) in 2012 has affected auditors' efforts to improve financial reporting in order to conform to international standards. Adopting the new accounting standard will alter how businesses are managed, how they are evaluated, and the kinds of information and records that need to be retained (Sidik & Abd Rahim, 2012). The implementation of MFRS would need a shift in accountants' and auditors' practises to conform to the new norms and regulations. Therefore, given the additional audit effort and risk imposed on the auditors, the concern about whether determinants of audit delays endure after the remarkable changes in audit work remains questionable.

Malaysia is regarded as a developing country with an emerging capital market characterised by concentrated shareholding. Different institutional, cultural, and jurisdiction settings between Malaysia and other countries would provide a rich understanding of the extent of audit delays due to full IFRS adoption. Malaysia needs timely audit reports to capture the country's income for tax purposes and for the continuity of the country's prosperity. It is undeniable that a timely, true, and fair understanding of audited financial statements is critical for users because it provides valid and relevant information for making accurate decision(s), builds trust in the accounting profession, and also serves as an indicator that financial statements communicate information to investors on time. Therefore, the issue of the delay in providing true and fair audited reports needs to be taken seriously and examined thoroughly in finding appropriate solutions. Hence, understanding and investigating the attributes of audit delays during the post-full MFRS adoption years are very crucial in the Malaysian context.

Thus, this study intended to determine the factors that influenced Malaysian audit timeliness over the years after complete implementation of the MFRS. Specifically, this study was conducted to determine the effect of firm size, firm risk, firm complexity, the Big 4 audit firms, accounting year-end, and the industry's effect on audit delays.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Preceding research has addressed multiple variables related to audit delays. Historically, the most often cited variables were the size, financial performance, and complexity of the client; valid views of expertise; structures of debt; and the types of industry (Dyer & McHugh, 1975; Ashton, Willingham & Elliott, 1987). Supplementary examination has revealed that company ownership, less-skilled personnel, consistently timed auditing, the auditor's auditing technology and global connection (Newton & Ashton, 1989; Bamber, Bamber & Schoderbek, 1993; Jaggi & Tsui, 1999), as well as corporate governance characteristics (Abdullah, 2007; Ezat & El-Masry, 2008; Hassan, 2016) were determinants of auditors' capacity to provide the audit report on schedule. Almosa and Alabbas (2007) classified all of these variables into two (2) divisions, namely, the characteristics of the business and the characteristics of the auditor (Owusu-Ansah, 2000).

The characteristics of a firm considered in this study include its size, leverage, complexity, accounting year-end, and industry impact. The auditor's type is specified as a variable under the characteristics of the auditor. The study framework shown in Figure 1 denotes the variables utilised.
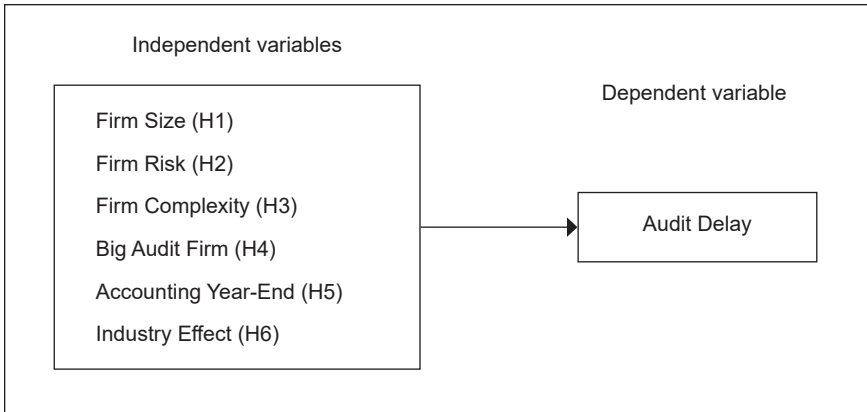
Figure 1: The Research Framework

Firm Size

Firm size is a common factor used to ascertain the extent of audit timeliness. The bulk of prior research has shown a link between firm size and audit delays (Davies & Whitted, 1980; Yaacob & Che Ahmad, 2012; Khoufi & Khoufi, 2018). Large companies impose strong internal control, which reduces the degree of substantive testing allocated to audit engagement. Larger companies have greater leverage to exert pressure on auditors to expedite the audit's completion (Carslaw and Kaplan, 1991) and normally have strong internal control (Hassan, 2016). In addition, larger companies are normally exposed to extra scrutiny from investors, regulatory agencies, and the community (Dyer & McHugh, 1975) due to higher agency and monitoring costs (Hassan, 2016). Therefore, they have to demonstrate a superior image to the public via reporting their annual reports as quickly as possible.

Several proxies can be utilised to represent a company's size, which includes total assets, total revenues and log total assets. The most commonly used metric for determining the size of a company is total assets (Ashton et al., 1989; Davies & Whitted, 1980; Carslaw & Kaplan, 1991; Khoufi & Khoufi, 2018; Yaacob & Che Ahmad, 2012; Turel & Tuncay, 2016; Aksoy, Yilmaz, Topcu & Uysal, 2021). The total value of assets is shown to be inversely linked to audit delays (Dyer & McHugh, 1975; Owusu-Ansah, 2000; Leventis, Weetman & Caramanis, 2005; Bonsón-Ponte, Escobar-

Rodríguez & Borrero-Domínguez, 2008; Khasharmeh & Aljifri, 2010; Fujianti and Satria, 2020). In order to reduce the large discrepancy between large and small asset amounts, Bamber et al. (1993) transformed total assets into a log form. However, Bamber et al. (1993) found that auditee size had an insignificant influence on audit delays. Some researchers believe that instead of assets, total revenue is a proper indicator to ascertain the extent of the audit work required (Knechel & Payne, 2001; Oussii & Taktak, 2018). This might be due to the limitation of asset values in the statement of financial position where they do not reflect the current position of companies due to a historical cost basis. Based on the above arguments, this study hypothesised that:

H1: The size of the firm has an inverse relationship with audit delay.

Firm Risk

Leverage is a term that refers to the degree to which a business uses debt in relation to its overall investment in assets. The large percentage of overall indebtedness puts the business at danger of default and, as a result, of bankruptcy. Auditors may perceive that these types of companies tend to commit management fraud and unintentional misleading in the conduct of a company's operation. Therefore, when a detailed assessment is required, the audit engagement process will be delayed. In addition, high-debt companies are expected to incur more agency costs, which could result in a demand for a higher quality audit to satisfy long-term creditors and eradicate debtholders' suspicions about wealth transfer. At the same time, the degree of debt owed by the company will also influence the complexity of the audit work. As a result, the more debt owing to countless sources of debt holders, the longer it takes to conduct the audit, which extends the time required to provide the audit report. Carslaw and Kaplan (1991) conducted the first study that incorporated the proportion of debt in the audit delay model to represent the extent of client risks. A number of researchers discovered a statistically significant positive correlation between the debt percentage ratio and the timeliness of audits (e.g., Ettredge, Li, and Sun, 2006; Al-Ajmi, 2008; Khasharmeh and Aljifri, 2010; Yaacob and Che Ahmad, 2012). Hence, this study hypothesised that:

H2: The risks in firms have a positive relationship with audit delay.

Firm Complexity

Mellett, Peel, and Karbhari (2007) argued that complexity has no direct measure, and in most cases depends on the nature of the assets to be verified (Khoufi and Khoufi, 2018) and the probable number of sub-systems in the accounting process to be examined. The majority of prior studies relied on either company-specific variables such as the number of subsidiaries and locations or on measurements of a balance sheet's composition, such as the ratio of accounts receivable to total assets or the ratio of inventory to total assets. According to some academics, some kinds of existing assets, such as inventories and accounts receivable, are more challenging to audit than other types of current assets, such as cash or their counterparts (Samaha & Khlif, 2017; Givoly & Palmon,1982). With regards to inventories, they usually encompass numerous items; hence, it is difficult to determine the appropriate cost, verify the existence of ownership, and measure the net realisable value. Similarly, debtors usually consist of a large number of transactions, thus, making it difficult to ensure the accuracy of the account balances or the recoverable number of recorded transactions.

On the other hand, McKinnon and Dalimunthe (1993) argued that the complexity of company structure drives a company to be more visible and accountable to investors due to the agency relationship. The agency relationship between the principals and the agents drives several agency costs, which include monitoring costs and bonding costs of the contract, as well as a residual loss when the contract costs are more than the benefits (Jensen & Meckling, 1976). Moreover, Hassan (2016) believes that more complex companies are much more likely to have advanced reporting and management information systems that enable auditors to perform audit engagements more efficiently.

Based on this argument, accounts receivable to total assets (REC) was used to represent the more complex companies that have higher bonding and monitoring costs. Thus, this study hypothesised that:

H3: The complexity of the firm has an inverse relationship with audit delay.

Big 4 Audit Firms

Klein and Laffler's (1981) brand name theory outlines the relationship between the reputation of products and services, the prices and the quality of products and services. The model of brand name theory signifies the positive relationship between reputation, price, and quality. In the auditing field, the brand name auditors are synonymous with the Big 4 accounting firms. Big Accounting Firms (Big 8 or 6 or 5 or 4) are related to the quality-differentiated audit in which they are perceived to produce a higher quality audit-reporting decision (Geiger & Rama, 2006; Basioudis & Francis, 2007). Simunic (1980) argued that different accounting firms provide different audit service quality and brand name auditors, namely, Big Firms are more credible than others. They are driven to deliver a higher-quality audit to safeguard their firm's reputation and track record (Leventis et al., 2005), and they stand to lose more patrons than lesser accounting firms (Caneghem, 2010).

Brand-name auditors are expected to possess all the sophisticated expertise and skills to conduct the audit assessment in an efficient manner (Samaha & Khlif, 2017). There is evidence that investors perceive the quality of auditors from the positive or negative share price reaction. For instance, Knechel, Naiker, and Pacheno (2007) investigated the market response due to auditor switches from the Big 4 to Non-Big 4. The researchers revealed that the clients' firms suffer a negative abnormal return. The result is consistent with the perceived quality of the larger accounting firms by investors.

Extant literature in both the private and public sectors has established the association between audit engagements conducted by big accounting firms and the timeliness of the audit report. It is common for both sectors to engage high-quality audit firms in order to appreciate the management efforts in serving high quality reporting to the users (Payne and Jensen, 2002). Big firms are expected to take less time in conducting the audit process due to the more resources that they possess (Almosa & Allabas, 2007), and they normally hire higher quality audit staff (Chan, Ezzamel & Gwilliam, 1993). Moreover, big firms are facilitated by the use of sophisticated audit technology (Newton & Ashton, 1989) and granted the motivation to improve audit timeliness (Iman, Ahmed & Khan, 2001). Hence, it was hypothesised that:

H4: The Big 4 audit firms have an inverse relationship with audit delay.

Accounting Year-End

Ashton et al. (1989) advocated that auditing in a busy season leads to two (2) consequences: (i) increased audit delays due to increased audit work, or (ii) reduced audit delays when more work is compensated for with the increase in the number of audit staff and more overtime. It is important to note that the busy season varies between one (1) country and another, and between the private sector and the public sector. For instance, the majority of businesses in France finish their fiscal year on 31ˢᵗ December (Khoufi & Khoufi, 2018), while in New Zealand, the time between March and June is regarded as a busy season (Carslaw & Kaplan, 1991) and Australia documented June as a busy season (Dyer & McHugh, 1975; Davies & Whitted, 1980). In contrast, most Malaysian companies close their accounts on 31ˢᵗ December, which makes the period between January and March a busy season (Abdullah, 2007; Che-Ahmad & Abidin, 2008). For the public sector, Johnson (1998) revealed that September is the busiest time while Johnson, Davies and Freeman, (2002) found that the peak audit season is June and December. In the private sector, December is normally anticipated as a busy season (Newton & Ashton, 1989; Knechel & Payne, 2001).

Numerous research have used the end of fiscal year's accounting to determine if auditing performed during the peak season has a major role in addressing audit delay. Ashton et al. (1987; 1989) established that audit delays are greatly reduced during the peak season. Both studies documented weak evidence for the influence of the busy season on delaying the audit report. Meanwhile, Carslaw and Kaplan (1991), Abdullah (2007), and Che-Ahmad and Abidin (2008) discovered no correlation between audit latency and accounting year-end, whereas Knechel and Payne (2001), Dyer and McHugh (1975), and Payne and Jensen (2002) have shown that busy season audits suffer greater delays. In spite of the contradictory results above, it is reasonable to anticipate that audit delays will be greater throughout the peak season. Thus, it was hypothesised that:

H5: The year-end from 31st December to 31st March has a positive relationship with audit delay

Industry Effect

Different industrial sectors often have varying degrees of audit difficulty and distinct risk evaluations for audits. According to Bamber et al. (1993), the intricacy of auditing is determined by the industry the client is involved in, and therefore, influences the scope of auditing associated with the audit engagement. Numerous studies have been conducted to determine the impact of industry on the time required to produce audit reports (Ashton et al., 1987; Carslaw & Kaplan, 1991; Khasharmeh & Aljifri, 2010; Yaacob & Che Ahmad, 2012; Samaha & Khlif, 2017; Oussii & Taktak, 2018). In order to determine the extent of audit report efficiency attached to different industries, Ashton et al. (1987) segregated industries into industrial sectors and the financial industry. The industrial sectors include manufacturers, retailers, and oil and gas businesses, while the financial sectors include commercial banks, savings and loan associations, mutual savings associations, and insurance firms. The results proved that there are significant differences in the lag of audit reports between the two (2) categories of industry. Ashton et al. (1989), as well as Newton and Ashton (1989), discovered a substantial disparity between the financial and non-financial sectors.

Further, instead of segregating the categories into financial and non-financial sectors, Owusu-Ansah and Leventis (2006) included two (2) types of industry in the audit delay model, i.e., the services sector and the construction sector. The results showed that both industries have a statistically significant coefficient value, and, thus, the researcher concluded that the industry type has a significant impact on audit timeliness. However, Oussii and Taktak (2018), who classified companies into financial and non-financial industries, found no evidence of industry effects. Based on the previous arguments, this study hypothesised that:

H6: The type of industry has a positive relationship with audit delay.

RESEARCH DESIGN

The finalised sample size for this study included 534 company-year observations from firms listed on Bursa Malaysia's main market and the

ACE market. The study spanned two years, from 2017 to 2018. Financial and non-financial data were carefully extracted from Bursa Malaysia's annual reports to guarantee their correctness and trustworthiness (Simon, Teo & Trompeter, 1992). Annual reports were obtained through a download from the Bursa Malaysia Company Announcement Website.

The two (2) years of panel data were utilised to determine the factors of audit delay. Data was pooled in the panel data analysis to allow for changes in time-dependent explanatory variables (Chou & Lee, 2003). The basic audit delay model originating from Ashton et al. (1989) was modified to test the hypotheses.

$$InDELAY_{it} = \langle + \circledR_1 InSIZE_{it} + \circledR_2 LEVERAGE_{it} + \circledR_3 REC_{it} + \circledR_4 BIG4_{it} + \circledR_5 YEND_{it} + \circledR_6 INDUST_{it} + a_i + u_{it}$$

Where:

Variable(s)	Description	Exp. Sign	Hypotheses
$\langle$	an intercept term, a constant		
$\circledR$	a regression slope coefficient		
Dependent Variable			
InDELAY	natural log of the time period between the end of the firm's fiscal year and the date of the auditor's report		
Hypotheses Variables			
InSIZE	natural log of total assets	-	H1
LEVERAGE	ratio of total debts to total assets	+	H2
REC	ratio of accounts receivables to total assets	-	H3
BIG4	auditor (code 1 if the firm audited by Big 4 audit firms, 0 otherwise)	-	H4
YEND	accounting year-end (code 1 if the firm year-end from 31 December to 31, 0 otherwise)	+	H5
INDUST	industry (code 1 if the firm is under technology, construction and consumer industry, 0 otherwise)	+	H6
a_i	unobserved company level effect		
u_{it}	disturbance term		

The static panel data regression analysis was used in this study, which included the constant variance, random effects, and fixed effects models. The Lagrangian Multiplier test indicated the presence of unobserved effects in the audit delay model, thus validating the usage of yje random effects model. Furthermore, the results of the Hausman Specification tests were in favour of random effects (between) regression.

RESULTS AND DISCUSSIONS

Descriptive Statistics

Table 1 summarises the descriptive statistics for all regression variables in the audit delay model. Audit delays (DELAY) on average were 94 days, with 21 days of standard deviation. The audit report cycle was between eight (8) and 338 days. On average, Malaysian publicly listed businesses issued their audit reports 94 days ahead of the four-month deadline stipulated by the Bursa Malaysia Listing Requirements. The mean delay was slightly lower than the Malaysian audit efficiency studies such as Che-Ahmad and Abidin (2008) of 114 days and Abdullah (2007) of 105 days. Nonetheless, in comparison to other countries, e.g., Turkey with 63 days (Turel & Tuncay, 2016), Palestine with 62 days (Hassan, 2016), Indonesia with 43 days (Suryanto, 2016), Bahrain with 48 days (Al-Ajmi, 2008), and Egypt with 67 days (Afify, 2009), Malaysian firms documented a prolonged average of audit delay. Other countries with much longer audit delays include Croatia with 106 days (Vuko & Cular, 2014), and Tunisia with 133 days (Oussii & Taktak, 2018).

Log total assets (InSIZE) had a mean of 19.97 and a standard deviation of 1.52. The asset value varied from 13.26 to 24.53. The average total assets were similar to Abdul Wahab, Mat Zain, James, and Haron's (2009) figure of 20.34 and are much more than Abdullah's (2007) figure of 13.27. For the ratio of total liabilities to total assets (LEVERAGE), the mean was 40.83% with a standard deviation of 49.28%, which was somewhat lower than the mean debt ratio of 53.2% given by Bliss, Muniandy, and Majid (2007). The average ratio of receivables to total assets (REC) was 16.45% (with a 15.47% standard deviation). The mean ratio for accounts receivable was similar to that of Yaacob (2002), who reported a ratio of 14.8%. On average, 42.51% of observations were audited by the Big 4 firms, and 54.79% were audited

by non-big firms. Contrary to Zulkarnain's claimed, the outcome showed that the Big 4 firms no longer control the Malaysian audit market (2009). The mean of the firm-year observations with an accounting year-end from 31st December to 31st March (YEND) was 69.29%, which is consistent with a study by Che-Ahmad, Houghton, and Yusof (2006) that found 69.7% (Big Firms), 75.4% (Non-Big Firms), and 70.3% (Che-Ahmad and Abidin, 2008). On average, 39.7% of observations fell into the consumer, construction, or manufacturing industries (INDUST).

Table 1: Descriptive Statistics of Regression Variables

Variables	Mean	Standard Deviation	Min	Max	Percent (%)
Continuous					
DELAY	94.47	21.08	8.00	338	
lnSIZE	19.98	1.52	13.26	24.53	
LEVERAGE	0.41	0.49	0.00	7.20	
REC	0.16	0.15	0.00	2.44	
Dichotomous					
BIG4					42.5%
YEND					69.3%
INDUST					39.7%

Panel Regression Results

Diagnostic and Validity Tests

The variance inflation factor (VIF) values (less than 10 for all variables) and tolerance values (more than 0.2 for all variables) indicated that no multicollinearity issue existed. Moreover, all variables had weak correlations with audit delay. There were positive associations between leverage (r= 0.0719), accounts receivable to total assets (r= 0.0168) and types of industry (r= 0.0554) with the length of time to issue audit reports. However, the total assets (r= -0.1718), big accounting firms (r= -0.1930), and accounting year-end (r= -0.0313) were negatively correlated with the audit delay.

The Breusch Pagan Lagrangian Multiplier test is a procedure used to evaluate the validity of the random effects model. The significance of the Lagrangian Multiplier test, with chi-square (χ^2= 99.81), indicates that the random effects model's variance is not zero (0). As a result, the random effects models are appropriate compared to the constant variance models.

The second step of panel data analysis involves doing discretionary analysis in order to choose whether to use the random effects or fixed effects model. The Hausman test was used to determine which model best fits the data. The Hausman test (fixed effects – random effects) yielded $\chi 2= 0.83$ with the p-value of the $\chi 2$ being 0.9938. Due to the non-significant chi-square value, the null hypothesis was not rejected, indicating that no significant variance in the coefficients of the random effects and fixed effects models. Consequently, the random effects model's tighter assumption was utilised.

Random Effects Regression Results

As shown in Table 2, the audit delay model had a significant Wald Chi^2 (p-value= 0.000), indicating the explanatory factors' importance in explaining audit delay. The adjusted R^2 of 7.79% indicates the extent of deviation to which the audit delay can be explained by its explanatory variables. The result was somewhat lower than that of Abdullah (2007), who similarly utilised Malaysian data and obtained an adjusted R^2 of 15% using a constant variance model. It is important to note that there is a norm for the audit delay model to report a low adjusted R^2. Ahmed (2003) similarly reported a low R^2 of 1%, 7.9% , and 23%, for Bangladesh, India, and Pakistan, respectively. Meanwhile, the Malaysian audit delay data used by Che-Ahmad and Abidin (2008) obtained a 19.5% adjusted R^2.

Table 2: Random Effects (Between) Regression Results for Audit Delay

$lnDELAY_{it} = \langle + \circledR_1 lnSIZE_{it} + \circledR_2 LEVERAGE_{it} + \circledR_3 REC_{it} + \circledR_4 BIG4_{it} + \circledR_5 YEND_{it} + \circledR_6 INDUST_{it} + a_i + u_{it}$

Variables	H	Exp Sign	β	p-value
Constant				0.000
lnSIZE	H1	-	-1.672	0.043
LEVERAGE	H2	+	6.190	0.014
REC	H3	-	-14.979	0.048
BIG4	H4	-	-6.725	0.007
YEND	H5	+	-1.862	0.447
INDUST	H6	+	1.813	0.437
N	534			
R Square	0.0779			
Wald Chi²	23.30			
Sig. of Wald Chi²	0.000			

The coefficient of InSIZE (referring to the size of a company) was significant at the 5% significant level, with the p-value of 0.043, lower than the tabulated value of 0.05. This negative coefficient implied that, other things being equal, audit delays will lessen by an average of 1.67 days for every additional 1% increment of InSIZE, thus supporting H1. In other words, a bigger firm size will have lesser days of audit delay. This study analysed Malaysian annual reports for 2018. The results were consistent with previous studies such as in Canada by Newton and Ashton (1989), in New Zealand by Carslaw and Kaplan (1991), and in Turkey by Turel & Tuncay (2016). Numerous variables, it was argued, contribute to this connection. For instance, it is generally accepted that large companies have solid internal controls in place to avoid financial statement mistakes. Therefore, the auditors are not likely to perform audit substantive tests and can complete their audit tasks within a reasonable audit period. In other words, no audit work was delayed.

The coefficient of LEVERAGE (referring to the company's risks) was significant at the 5% significant level, with a p-value of 0.014, which was lower than the tabulated value of 0.05. The positive coefficient of 6.19 showed a positive correlation between the risks (leverage) of a firm and audit delay. The positive coefficient implied that audit delays increased by an average of 6.19 days for every additional 1% increment of LEVERAGE, thus supporting H2. In other words, higher firm risks will lead to longer days of audit delay. This study supports the notion that higher firm risks will lead to longer days of audit delay. The justification for this is due to the high level of leverage related to management fraud. Auditors raise more concerns about the reliability of the financial statements and, therefore, need longer time to perform audit work. Studies that reported evidence for similar relationships were by Carslaw and Kaplan (1991), Ahmed and Hossain (2010), Maggy and Diana (2018), and Handoko, Deniswara, and Nathania (2019). They found that companies with higher levels of debt will experience longer audit delays because the auditors will audit the company's financial statements with due care, which requires more time and therefore increases audit delay.

The coefficient of REC was statistically significant at the 5% level, with a p-value of 0.048, which is less than the calculated value of 0.05. The negative coefficient of 14.98 showed a negative connection between

accounts receivables as a percentage of total assets and audit delay. The negative coefficient also implied that, other things being equal, audit delays lessened on an average of 14.98 days for every additional 1% increment of REC, thus supporting H3. The result implied that the higher composition of accounts receivables indicated that the firm has high sales, which represent large and complex companies. Hassan (2016) believed that complex companies have strong internal control since they are subjected to more monitoring costs. In reducing monitoring costs, these companies tend to have better and timely issuance of audited financial statements. Furthermore, Carslaw and Kaplan (1991) emphasised the greater influence of big corporations in pressuring auditors to finish audit engagements on schedule. Bonsón-Ponte et al. (2008) also noted that complex companies emphasise greater control in monitoring their auditors' work which supports the Agency Theory.

The p-value of 0.007 for BIG4 was lower than α= 0.01. At the 1% level of significance, hypothesis 4 was supported by a negative coefficient of 6.72. Thus, the conclusion suggested that engaging a Big 4 international audit firm substantially decreased the time required to complete the audit report. When all other variables are kept constant, the audit delay of brand name auditors was 6.72 days less than that of non-brand name auditors. The findings are similar to those of many other studies, such as by Khoufi and Khoufi (2018), Leventis et al. (2005), and Che-Ahmad and Abidin (2008), which found a strong negative correlation between the auditors of Big Firms and audit delays. The finding proved that large accounting firms have high-quality audit staff and greater resources compared to small firms. Knechel and Payne (2001) found a strong correlation between inexperienced audit personnel and audit delay. Carslaw and Kaplan (1991) noted that Big Firms have more freedom to schedule their processes so that audit work can be accomplished in a shorter time. Additionally, Big Firms often specialise in a few sectors in order to become industry experts, which reduces the time required to get acquainted with the audit process. Ashton et al. (1989) and Leventis et al. (2005), for example, discovered a strong negative correlation between foreign accounting companies and audit delay.

Hypothesis 5 was not supported as the negative coefficient of 1.86 for the YEND (year-ended December 31 until March 31) variable was insignificant at the 10% level (p= 0.447). The findings indicated no

statistically significant correlation between year-end and audit delay. This finding is similar to the studies by Carslaw and Kaplan (1991), Abdullah (2007), and Che-Ahmad and Abidin (2008), which also discovered no substantial correlation between accounting year-end and audit delay. Meanwhile, Ashton et al. (1987) and Ashton et al. (1989) proved that audit delay is reduced during the busy season. However, both studies documented weak evidence for the influence of the busy season on delaying the audit report.

Hypothesis 6 was not supported as the positive coefficient for the INDUST variable was insignificant at the 10% level (p= 0.437). There is no substantial connection between industry type and audit timeliness, as shown by this finding. The results of this study aligned with those conducted by Oussii and Taktak (2018) in Tunisia; Khasharmeh and Aljifri (2010) in the United Arab Emirates; Owusu-Ansah and Leventis (2006) in Greece; and Carslaw and Kaplan (1991) in New Zealand. The insignificant result suggests that the degree of audit difficulty and unique risk of the technology, consumer, and construction industries do not affect the timeliness of reporting of a financial report. One possible reason for the negligible finding is that the employment of information technology auditing, information systems auditing, and audit computerised systems enables the rapidity of audit testing and verification across all types of industry. Kamil and Nashat (2017) revealed that "*IT contributes to the reduction of audit fees by contributing to reducing the size of the audit team, which is based on the work and the time consumed in the performance of the audit work*… (pg. 1340)".

CONCLUSION AND RECOMMENDATION

This study attempted to determine the factors that influence Malaysian audit timeliness in the years after complete implementation of the MFRS. This study's final sample included 534 company-year observations from firms listed on Bursa Malaysia's main market and the ACE market. The research spanned two (2) years, from 2017 to 2018. Financial and non-financial data were carefully extracted from Bursa Malaysia's annual reports to guarantee their correctness and trustworthiness (Simon et al., 1992). Annual reports were obtained through a download from the Bursa Malaysia Company

Announcement Website. The hypotheses of the study were tested using the audit delay model by Ashton et al. (1989). Static panel data regression analysis was employed, which included the constant variance, random effects, and fixed effects models. The Lagrangian Multiplier test indicated the presence of unobserved effects in the audit delay model, thus validating the random effects model's usage. Furthermore, the results of the Hausman Specification tests were in favour of random effects (between) regression.

The findings provide evidence that the main determinants of audit delay, namely client size, complexity, and risk, endure across the eras and realms. Moreover, this study provides support for the brand name theory that signifies the positive relationship between reputation, price, and quality. Nevertheless, the accounting year-end and industry factors had an insignificant effect on audit delay. On a theoretical level, this research contributes significantly to the current auditing literature by identifying factors that influence and do not effect audit delay in developing nations.

The results provide tangible effects of audit delays in companies during the post-MFRS adoption, and these findings should provide useful insights to all affected parties. The fact that an audit delay can financially and economically affect companies and even countries should not be taken lightly. Regulatory agencies such as Bursa Malaysia and Bank Negara should use these findings to improve and strengthen their existing guidelines or regulations. They should enquire and investigate audit delay and improve policies to enforce compliance with the timely release of annual reports. Furthermore, through their accountants, audit committees, and internal auditors, companies should improve and set up practical internal guidelines through internal control systems. This is to assure timely audited financial reports to the local and international stakeholders. Internal control systems that are both systematic and practical will enable businesses to offer pertinent information for the production and presentation of high-quality financial statements. Thus, the external auditors can investigate the problem and arrive at conclusions in a reasonable audit period. In other words, audit delay can be reduced if the audited information has gone through proper internal controls designed by the companies. As a result, quality and timely financial statements will assist stakeholders to make relevant, useful and quality decisions and alleviate any speculation.

While this study contributes in several ways, there are a number of limitations that need to be highlighted that provide avenues for future research. First, this study utilised the data for only two (2) years. Future studies could be undertaken using longitudinal data in order to ascertain any changes in the trend of audit delay. Second, the testing for the quality of auditors uses auditor size, that is, the Big 4 auditors versus non-Big 4 auditors. Future research could measure the auditor attributes using industry specialisation as an alternative measure to judge the quality of the auditor. Third, the variables used in this study are limited to firm and auditor's attributes. In the future, research may include corporate governance factors such as the percentage of independent directors on the board of directors, the frequency of board meetings held every year, and CEO duality.

ACKNOWLEDGEMENTS

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