

**Client Size and Audit Report Lag of Selected Deposit Money Banks in Nigeria**

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State, Nigeria.**

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**2024**

### **Certification**

This is to certify that **Oluranti, Grace OLUBUSOYE** with matriculation number **LCU/PG/002424** carried out this study titled **Client Size and Audit Rreport Lag in Selected Deposit Money Banks in Nigeria**, in the Department of Management and Accounting, Faculty of Management and Social Sciences, Lead City University, Ibadan, Oyo State, for the Award of Master Degree (M.Sc.) in Accounting and that this work has not been previously submitted.

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## **Dedication**

This research work is dedicated to the Lord Jesus Christ, the Author and finisher of my faith for the Grace and Guidance in the completion of this M.Sc. programme.

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Even though the above-mentioned institutions and persons have assisted in the process of this project work, I am responsible for the error(s) if any, found in this work.

## **Abstract**

*This research examines how Client Size influences Audit Report Lag in selected Nigerian Money Deposit Banks, aiming to improve understanding of audit efficiency and timeliness in financial reporting within the banking sector. Prompt financial reports are crucial for stakeholder decision-making and market efficiency, while delays known as Audit Report Lag can impact market value, investor confidence, and regulatory compliance.*

*Using a quantitative approach, the study analyzed secondary data from annual reports of four commercial banks over 21 years (2001-2021). The study population is some selected Deposit money banks, which are used as the case study. Currently, there are twenty two commercial banks in Nigeria. Out of which some selected banks are used as case study, which is about 18% of the population. It focused on whether client size, measured by indicators like total assets and turnover, affects the time between fiscal year-end and audit report issuance.*

*The analysis, conducted through multiple regression, assessed the effects of client size, board size, audit committee effectiveness, and auditor type on Audit Report Lag. Results indicated that larger clients generally have shorter Audit Report Lags, suggesting that larger entities push for quicker audit completions to meet investor and regulatory demands. This research adds to the literature on audit practices in emerging markets.*

**Keywords:** *Audit report lag, Client size, audit committee.*

**Word count:** 298

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## List of Acronyms

<b>Abbreviations</b>		<b>Meaning</b>
CS	-	Client Size
ARL	-	Audit Report Lag
ACS	-	Audit Committee Size
BM	-	Board Meetings
BS	-	Board Size
EAT	-	External Audit Type

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## **Chapter One**

### **Introduction**

#### **1.1 Background to the Study**

Audits are conducted independently, either by employees within the company's audit department or by external certified public accountants (CPAs) or certified accountants (CAs). In the former scenario, the auditors prioritize the impact of their decisions on the activities and internal controls of the organization. Within the latter scenario, a meticulous and unbiased examination of the company's financial statements and internal control is conducted to determine if the financial statement being given accurately represents the company's financial status.

Fundamentally, an external audit determines if the company's financial records system conforms to the internationally recognized accounting standards; and if any detected inaccuracies in the records, if present, are simply recording mistakes or indications of misappropriation and/or fraudulent actions by the company's employees. In essence, it guarantees the dependability and precision of the financial figures that are being presented. External audit reports, which are created annually as a statutory audit of a firm, offer stakeholders essential information to support their policy decisions and to evaluate the effectiveness of the organization. Thus, the need of external audit reports cannot be overstated, since poor quality audits can be deceptive and lead to investors misallocating of resources.

Furthermore, an audit is highly regarded as a method of enhancing the financial information utilized by managers in the process of making decisions. An auditor can enhance the quality of the input data by identifying inaccuracies and by promoting greater diligence among employees in record preparation. Greater precision of data will enhance internal decision-making. The

utilization of more precise data from external sources for credit and investment research, labour negotiations, or regulatory choices will enhance the effectiveness of managers. At the conclusion of a financial accounting year, the management of a corporate entity is required to compile its financial statements, a practice known as stewardship accounting, for sharing with stakeholders. Consequently, these financial statements undergo an external audit conducted by a certified auditor who performs an Audit procedure and provides their assessment on the accuracy and impartiality of the submitted financial statements. Nevertheless, this entire procedure requires several days or even months from the moment management compiles the financial statements until the audit occurs. Audit report lag refers to the duration between the preparation of financial statements and the signing of the audit report.

Financial statements are compiled by directors and issued with a date at the conclusion of the fiscal year. Nevertheless, the public release of these financial statements hinges on the certification of independent auditors. Prior to finalising a report on the financial accounts, auditors or audit firms thoroughly scrutinise the books and undertake other essential procedures. An audit report lag is the time interval between the conclusion of the financial year and the date when the audit report is issued<sup>1</sup>. An audit report lag is defined by a researcher as the time span between the closing date of the balance sheet and the date the audit report is signed<sup>2</sup>. This refers to how long it takes for the audit report to be finalized. Audit report lag highlights a key attribute of accounting information, which is timeliness. Another author noted that the timely release of a company's financial information heavily depends on the time taken to complete the audit since financial statements cannot be issued until the audit is finished<sup>3</sup>. It is important to remember that accounting information is only useful when it is timely. In other words, if the reports cannot

assist users in making decisions, they lose their relevance. Ideally, companies should aim to reduce audit lag to improve market efficiency<sup>4</sup>. One scholar reported that shorter audit report lags enhance the value derived from audited annual reports<sup>5</sup>.

Consequently, companies may place pressure on their independent auditors to complete the audit as quickly as possible<sup>2</sup>, though this may also be for other purposes such as tax calculations. A scholar expressed concern that extended audit report lags could result in information asymmetry and increase uncertainty in investment decisions<sup>6</sup>. On the other hand, auditors might not prioritize shortening the audit report lag, as they aim to uphold professionalism and due diligence to mitigate litigation risks. A researcher pointed out that auditors often prefer to allocate more time and effort to avoid such risks, which could prolong the audit report lag.

Excessive delays in audit reports can compromise the quality of financial statements. When the auditor's opinion on the accuracy and fairness of financial statements is not disclosed promptly, it can worsen information asymmetry within the firm and diminish investor confidence. The demand for high-quality, timely financial reporting has grown globally, driven by increasing globalization in business and capital markets<sup>7</sup>. In certain countries, regulations have been introduced to promote the timeliness of financial reports. For instance, the US Securities and Exchange Commission (US SEC) mandates that annual audited financial statements must be released within 90 days of the fiscal year-end, while quarterly reports must be prepared within 45 days. In the UK, regulations set different deadlines based on market capitalization. Companies with a market value below \$75 million are required to file within 90 days, those between \$75

million and \$700 million within 75 days, and firms with over \$700 million in market value must file within 60 days of the fiscal year's close.

In Turkey, the filing requirement is 70 days. In Nigeria, public companies are mandated by the Companies and Allied Matters Act of 2004 (CAMA, 2004) to present audited annual financial statements to shareholders no later than 180 days (6 months) after the fiscal year ends<sup>9</sup>. All companies should strive to reduce audit lag to improve both market efficiency and client size. A shorter interval between the fiscal year-end and the release of financial statements leads to greater benefits from audited annual reports<sup>10</sup>.

Thus, providing timely information is a critical aspect of delivering value-relevant financial reports. The relevance of accounting information largely depends on its availability when needed for decision-making. Timeliness, like materiality, influences various qualitative factors, such as faithful representation and reliability, which are essential for decision-making. Information must reach decision-makers before it loses its capacity to influence their choices. The sooner the relevant information is made available to users the more its capacity to influence decisions. Lack of timeliness can deprive the information of its usefulness. It is on this basis that the timeliness of the financial report (and by implication, audit report timeliness) has been recognized as an excellent quality and requirement of audit reports<sup>11</sup>.

## **1.2 Statement of Problem**

Delays in financial reporting can send negative signals to the market and impact a company's market value adversely<sup>12</sup>. When financial reports are delayed, market participants may suspect

that the company is hiding unfavorable information, potentially leading to a drop in its share price. Since companies cannot publish financial statements until they have been properly audited, audit delays can result in delayed reporting, which may trigger regulatory sanctions. In ideal markets, capital structure should not impact a firm's value or investment decisions. However, real-world conditions deviate from this, as firms incur taxes, transaction costs, and face information asymmetries, all of which can influence firm value. Developing nations like Nigeria often experience market imperfections, where high debt finance costs and tax shields on debt impact the cost of capital and investor returns<sup>4</sup>.

Companies strive to attract investors, who are drawn to positive market news about the firm. Announcing strong earnings projects a positive image of the company, encouraging investment and increasing the value of the firm's shares. The size of a company, typically measured by total assets, also plays a crucial role. Firms with larger assets and robust cash flow are generally more profitable and stable, fostering confidence among stakeholders, which in turn enhances the company's market position<sup>13</sup>. Research by another scholar indicated that the volume of assets can reflect a firm's wealth<sup>14</sup>.

The size of a company also correlates with audit report lag; larger firms typically have better internal control systems and attract closer monitoring from stakeholders<sup>15</sup>. However, researchers have noted that audit report lag can be influenced by the size of the company<sup>14</sup>. This relationship was further supported by research conducted by other scholars<sup>16-20</sup>, who expanded on this finding in their work<sup>20</sup>.

### 1.3 Aim and Objectives

The aim of the study was to investigate the effect of Client Size Determinants on Audit report lag using some Deposit Money Banks as case study. Specifically, the study was to:

1. investigate the relationship between Board size and audit report lag.
2. examine the effect of the audit committee on audit report lag.
3. evaluate the effect of Board meetings on audit report lag.
4. examine the effect of Auditors Type on audit report lag.

### 1.4 Research Questions

The following research questions guided the study:

1. What extent does Board size affect audit report lag?
2. What extent does the audit committee affect audit report lag?
3. What extent does board meetings affect audit report lag?
4. What extent does Auditor type affect audit report lag?

### 1.5 Hypotheses

The following hypotheses would be tested in the study:

**H<sub>01</sub>:** Board size does not significantly affect audit report lag.

**H<sub>02</sub>:** Audit committee's size does not significantly affect audit report lag.

**H<sub>03</sub>:** Board meetings have no effect on audit report lag.

**H<sub>04</sub>:** Auditors Type does not play a role in audit report lag.

## **1.6 Scope of the Study**

The geographical location covered by this study is some Deposit Money Banks. However, the population of the study would be all twenty-two commercial banks operating currently in Nigeria. The scope of this study is on the effect of Client size determinants between audit report lag and client size using some selected Deposit Money Banks as case study. The study will cover the period from 2001 to 2021 twenty (21) years. The study will make use of secondary data that will be extracted from the annual reports of these Banks and the variables will be used for the analysis of the study.

## **1.7 Significance of the Study**

The findings of this study will be significant in the following ways:

**Investors:** Emerging markets often face challenges such as limited access to information and extended audit report lags. In today's world, where modern technology and business practices are rapidly evolving, timely financial reporting has become crucial. Gaining insights into the variations in audit report lag among listed companies in Nigeria can help investors make timely adjustments to their investment strategies, select the most suitable markets, and enhance their confidence in the securities market

**Researchers and Academicians:** The findings of this study will extend the literature on the knowledge of relevance of client size on audit report lag in Nigeria in Guaranteed Trust Bank which has not been done before. This work will encourage other researchers and academicians to exploit this area.

Regulators: This study is critical because regulators of the capital markets are usually involved in the formulation of policies that enhance market efficiencies, recently, they have focused on the role and responsibilities of audit committees in improving financial reporting including its timeliness.

Establishing the relevance of audit report lag to investors will help the regulators justify the resources spent in implementing policies and regulations within the country.

Auditors: Knowledge of the effect of client size on audit report lag is likely to provide more insights into audit efficiency. The findings of this study should help auditors understand how client size influences their audit timelines in Nigeria. The findings from this study would assist Nigerian banks in enhancing their financial reporting to ensure timely audit reports and financial transparency in the banking sector.

### **1.8 Limitation of the Study**

The study focused on a few Deposit Money Banks as case studies, even though there are more than twenty commercial and community banks in the country. This selective sampling may have introduced bias into the results. The researcher chose certain Deposit Money Banks from the banking sector, which may not adequately represent all businesses. As a result, the ability to generalize the findings may be limited, making the outcome specific to the selected case study.

Measurement Issues: Different studies may use varying methods to estimate client size and audit report lag. For instance, client size can be measured by total assets, revenue, or market capitalization, and each proxy may yield different findings. Audit report lag, commonly

measured by the number of days between the fiscal year-end and the date the audit report is submitted, can also vary. These measurement inconsistencies may affect the reliability and comparability of results. Therefore, the findings should be interpreted with caution.

**Time Period Considerations:** Over time, changes in regulations, technology, or auditing standards may alter the relationship between client size and audit report lag. It is important to consider the time frame of the study and whether its conclusions are still relevant today. Outdated data may not accurately reflect the current relationship between client size and audit report lag.

**Cross-Country Differences:** Studies that explore the connection between client size and audit report lag often focus on specific countries or regions. However, auditing practices and regulations can vary across different jurisdictions, which may limit the generalizability of the findings. Researchers should exercise caution when applying results across countries.

Further studies can look at this area by increasing the number of commercial banks that will reflect the real situation.

## 1.9 Operationalization of the Research Variables

Operationalization of the research variables is guided by the theoretical framework of Quasi-judicial theory and a sample model was set to achieve the set objective of the effect of audit report lag and client size determinants. The model is given below:  $Y=y_1,y_2,y_3$ .

$$arl = \beta_0 + \beta_1bs + \beta_2ac + \beta_3bm + \beta_4eat + \beta_5cs + \varepsilon \quad (1.1)$$

Where:  $arl$  = Audit Report Lag

$bs$  = Board Size

$ac$  = Audit Committee

$bm$  = Board meeting

$eat$  = External Auditor type

$cs$  = Client size

In the same vein, factors affecting the Client size were measured with the following indicators:  $cs = T + TA + P$

Where  $cs$  = Client size

$T$  = Turnover

$Ta$  = Total Assets

$P$  = Profitability

Audit report lag is the regress and while client size is the regressor other determinants of audit report lag are incorporated into the relationship and these variables include audit committee size, board size, board meetings, and external auditors' type.

### 1.10 Operational Definition of Terms

The terms used in this study will be operationally defined as follows:

**Audit Report Lag:** Audit report lag refers to the number of days an auditor takes to complete the audit of a company's financial statements after the closing of the company's books. It is commonly defined as the period between the company's fiscal year-end and the date the audit report is issued. This lag is significant for audit firms, companies, and investors as it influences their decision-making processes. In other words, audit report lag is the time between the end of a

firm's financial year and when the external auditors submit the audited financial statements to the company. It reflects the duration auditors spend reviewing the financial statements prepared by the company's management.

Another author describes audit report lag as the period between the accounting year-end, the preparation of financial statements, and the issuance of the audit report. This term also refers to the elapsed time between the close of a fiscal year and the completion of audit fieldwork. The conclusion of the audit fieldwork typically marks the end of the substantive audit procedures, when the auditor leaves the client's premises. This is also usually the date the auditor signs the audit report

**Client Size:** The phrase "client size" in the context of auditing refers to the size and complexity of a company that hires an external auditor. It is a crucial factor for auditing firms to take into account when determining the tools, knowledge, and strategy needed to carry out an audit engagement successfully. The organization's revenue, assets, activities, sector, and geographic reach are just a few examples of the many variables that make up client size. When deciding the breadth and depth of the auditing operations to be carried out, this definition of client size is quite important.

The size of the clientele can be evaluated using a variety of quantitative and qualitative metrics. The following are some of the major elements that affect client size: Several quantitative and qualitative criteria can be used to determine client size. Client size is influenced by some important aspects, such as:

**Revenue:** A company's annual revenue is sometimes seen as the primary indicator of its size. Large multinational corporations with billions of dollars in revenue will generally have more complex operations and financial reporting requirements compared to smaller organizations.

**Total assets:** The value of an organization's assets provides another measure of its size. This includes tangible assets such as property, plant, and equipment, as well as intangible assets like intellectual property, patents, and trademarks.

**Number of employees:** The workforce size can be an important factor in assessing client size, as it indicates the organization's operational scale and complexity.

**Geographical presence:** The extent of an organization's operations, including the number of locations and countries in which it operates, can influence client size. Multinational companies with operations in multiple jurisdictions often face additional regulatory and reporting complexities.

**Industry and regulatory requirements:** The nature of the industry in which an organization operates can impact its size. Certain industries, such as financial services or healthcare, are subject to specific regulatory frameworks, resulting in more complex audit requirements.

**Complexity of operations:** The complexity of an organization's operations, including the number of business units, subsidiaries, and joint ventures, can affect the client size. Companies with diverse business lines or complex ownership structures may require a more extensive audit effort.

**Financial reporting framework:** The financial reporting requirements applicable to an organization can also influence client size. For instance, organizations that follow international

financial reporting standards (IFRS) may have different complexities compared to those using generally accepted accounting principles (GAAP).

When evaluating client size, auditing firms consider these factors and conduct a risk assessment to determine the appropriate audit strategy. Larger clients with higher complexity generally require a greater level of expertise, specialized skills, and more extensive audit procedures. The audit team may need to allocate more resources, including personnel, time, and technology, to adequately address the risks associated with larger clients.

It's worth noting that client size is not the sole determinant of audit report lag or the level of inherent risk within an organization. Other factors, such as the client's internal controls, management integrity, and the auditor's professional judgment, also play significant roles in shaping the audit process.

In conclusion, client size in relation to auditing refers to the scale, complexity, and characteristics of an organization that engage external auditors. Assessing client size helps auditing firms tailor their approach, allocate appropriate resources, and perform comprehensive audit procedures to ensure the accuracy and reliability of the financial statements.

**Audit Committee Size:** The size of the audit committee and how it relates to the auditing process are crucial components of corporate governance. The board of directors' audit committee, which is a division of the board, is tasked with monitoring the organization's financial reporting, internal controls, and external auditing activities. The audit committee's size should be taken into account because it may affect its efficacy, efficiency, and capacity to carry out its duties.

The ideal size of an audit committee varies depending on a number of variables, including the size, complexity, sector, and legal requirements of the organization. Although there isn't a set size for audit committees, many corporate governance best practices and recommendations recommend at least three members. Larger firms with more intricate operations, however, might gain from having larger audit committees with more members.

The following points highlight the key aspects of audit committee size in relation to auditing:

**Expertise and Skills:** The composition of the audit committee should include individuals with diverse backgrounds, expertise, and skills relevant to the organization's industry and financial reporting. For example, members with financial, accounting, risk management, or legal expertise can bring valuable insights to the audit process. The size of the audit committee should be large enough to accommodate a range of expertise and perspectives necessary to effectively fulfill its oversight responsibilities.

**Workload and Responsibilities:** The workload and responsibilities of the audit committee can be significant. The committee is responsible for overseeing the external audit process, reviewing financial statements, assessing internal controls, monitoring compliance with legal and regulatory requirements, and addressing risk management concerns. A larger audit committee can distribute the workload among its members more effectively, allowing for better coverage of the organization's activities and increased attention to detail.

**Independence and Objectivity:** Audit committees are expected to be independent and objective in their decision-making and oversight functions. A larger committee can provide a greater level of independence, as it reduces the likelihood of undue influence or dominance by a single or small

group of individuals. A diverse and larger committee can promote a broader range of perspectives, reducing the potential for conflicts of interest and enhancing objectivity.

**Availability and Attendance:** The members of the audit committee must be able to devote sufficient time and attention to fulfill their responsibilities effectively. The size of the audit committee should be such that it allows for regular attendance at meetings and active participation in discussions. A smaller committee may face challenges if members have conflicting commitments or limited availability, potentially impacting the quality and depth of their contributions.

**Communication and Decision-Making:** Effective communication and decision-making are vital for audit committee functioning. A larger committee may provide a platform for more comprehensive discussions, diverse viewpoints, and robust decision-making processes. However, it is important to strike a balance to avoid excessive bureaucracy or difficulties in reaching consensus. Efficient communication channels and well-defined roles and responsibilities are crucial irrespective of the audit committee's size.

**Flexibility and Adaptability:** The audit committee should be able to adapt to changing circumstances, evolving regulatory requirements, and emerging risks. A larger committee can offer greater flexibility in addressing unexpected challenges or conducting special investigations when needed. It enables the committee to allocate specific tasks or responsibilities to subcommittees or individual members, allowing for more focused attention and expertise in certain areas.

While a larger audit committee may have its advantages, it is important to consider potential drawbacks as well. For example, larger committees may face challenges in terms of coordination,

decision-making speed, and fostering effective communication among members. Moreover, the size of the audit committee should be practical and manageable, ensuring that the committee can function efficiently without becoming unwieldy or hindering effective oversight.

In conclusion, the size of the audit committee is an important consideration in relation to auditing. The optimal size depends on various factors, including the organization's size, complexity, industry, and regulatory requirements. A well-composed audit committee, whether small or large, should possess the necessary expertise, independence, and availability to effectively oversee the financial reporting process, internal controls, and external audit functions. The key is to strike a balance that enables the committee to fulfill its responsibilities diligently and provide effective oversight in the best interests of the organization and its stakeholders.

**Board Size:** Board size refers to the total number of directors on the board which is inclusive of the CEO and Chairman for each accounting year. This will include outside directors, executive directors and non-executive directors. A larger board of directors can ensure that more non-executive directors can better supervise managers, while a larger board of directors will include more professionals from different fields. High quality boards from different backgrounds can make better decisions for the Board. The operationalization of Board size refers to the effective administration and implementation of the board's membership structure. Making strategic judgments about the ideal number of directors is necessary to enable efficient governance and decision-making. When operationalizing board size, the following factors should be taken into account:

The board should be made up of directors with a variety of backgrounds, abilities, and expertise related to the business's sector, operations, and long-term goals. Assessing the competence

needed to effectively oversee and guide the firm is crucial when deciding the size of the board. While a smaller board might place more emphasis on specialized knowledge and skills, a larger board might offer a wider spectrum of expertise.

**Effectiveness of the Board:** The ideal board size should be determined by the demands of the organization and the effectiveness of the board. Greater diversity of viewpoints and experiences can be provided by larger boards, which can improve governance and decision-making. However, collaboration, communication, and reaching consensus can be difficult for larger boards. Smaller boards might be more flexible and effective in their decision-making, but they might also have limitations in terms of perspective diversity and depth.

**Board dynamics and engagement:** The size of the board might affect how dynamic and involved the directors are. To guarantee that all members are effectively engaged, larger boards may need more formal communication channels and more established processes. A closer working connection may be fostered by smaller boards by encouraging more casual and direct communication among the directors. Finding a balance that enables efficient cooperation, involvement, and contribution from all directors is crucial.

**Time Commitment and Board Capacity:** Board size should take into account the time commitment required of directors as well as the board's ability to successfully carry out its duties. A bigger board might put more demands on the directors' time, which might make it harder for them to give their jobs the attention they need. On the other hand, a smaller board might be constrained by the distribution of work and the availability of expertise. Regular board evaluations and assessments can aid in determining the ideal size based on the demands of the organization and the capacity of the directors.

Board Committees: The creation and operation of board committees can be impacted by the size of the board. In particular areas of board monitoring, committees such as the audit, remuneration, and governance committees play crucial responsibilities. The board's size should permit the creation of efficient committees with the right representation and experience. While bigger boards may profit from diversified committee memberships, smaller boards may find it difficult to create various committees.

Company Size and Complexity: The ideal board size may depend on the size and complexity of the organization. Larger boards may be necessary for larger firms or those with complicated operations to effectively address the spectrum of problems they encounter. A smaller board may be more effective and economical for smaller businesses. Choosing the right board size requires taking the company's present and future demands into account. Board Committees: The creation and operation of board committees can be impacted by the size of the board. In particular areas of board monitoring, committees such as the audit, remuneration, and governance committees play crucial responsibilities. The board's size should permit the creation of efficient committees with the right representation and experience. Multiple committee formation may be limited for smaller boards, but larger boards may benefit from diverse committee memberships.

Regulation and Corporate Governance standards: Regulation and corporate governance standards may offer suggestions or requirements for board size. While keeping in mind the particular requirements and circumstances of the company, it is crucial to adhere to applicable laws and governance best practices.

In order to operationalize board size, one must take into account the makeup, level of knowledge, efficiency, dynamics, and capacity of the board in relation to the requirements of the company. It

necessitates a careful evaluation of elements like the availability of knowledge, the decision-making procedures, employee involvement, workload, and the size and complexity of the firm. Finding the ideal balance makes it possible for the board to successfully carry out its oversight duties and make a positive contribution to the development of the business.

**Board Meetings:** A board meeting is a meeting of the board of directors that sets the policy and strategic direction for a corporation, publicly-traded company, government body, or non-profit. Firms whose boards meet regularly have lower cost of equity and lower likelihood of earnings management. A board meeting in the banking sector can also be defined as a crucial event where the top-level executives and directors gather to discuss and make decisions on important matters that impact the bank's overall strategy, performance, and governance. These meetings are typically held regularly, often quarterly, and play a key role in shaping the direction of the bank.

The term "board meetings" could also be referred to as the official sessions of a company's board of directors, during which significant decisions, talks, and deliberations affecting the organizational strategy, governance, and management are made. Board meetings provide a vital forum for board members to carry out their fiduciary responsibilities, exercise their decision-making authority, advise and supervise the management team of the company. **Agenda Setting:**

The agenda for a banking sector board meeting is carefully designed to address the most critical issues facing the institution. Common agenda items may include financial performance reviews, risk management updates, regulatory compliance updates, strategic initiatives, and reports from various committees.

**Financial Performance Review:** A significant portion of the board meeting is dedicated to reviewing the bank's financial performance. This includes a thorough examination of financial

statements, profit and loss reports, balance sheets, and key performance indicators. Board members scrutinize the financial health of the bank, looking for areas of improvement and potential risks.

**Risk Management:** Risk management is a paramount concern for banks. Board members discuss the various risks the bank faces, such as credit risk, market risk, operational risk, and compliance risk. The bank's risk mitigation strategies and policies are evaluated, and adjustments may be recommended to ensure the institution operates within acceptable risk tolerances.

**Regulatory Compliance:** Compliance with local and international regulations is a critical aspect of banking operations. Board meetings provide an opportunity to discuss changes in regulations, updates on compliance efforts, and any legal issues the bank may be facing. Compliance committees often report to the board on their findings and recommendations.

**Strategic Planning:** Strategic planning is a key focus of board meetings. Board members discuss the long-term vision and goals of the bank, considering market trends, competition, and emerging opportunities. They may also evaluate the success of current strategic initiatives and propose adjustments or new directions.

**Technology and Innovation:** Given the quick advancements in technology, board meetings in the banking sector often involve discussions on the bank's technology infrastructure, cybersecurity measures, and digital innovation. The board may explore ways to enhance customer experience, streamline internal processes, and stay ahead in the ever-evolving digital landscape.

**Executive Reports:** Senior executives, including the CEO, CFO, and other key leaders, present reports on their respective areas of responsibility. This could include updates on specific business

units, marketing strategies, human resources, and other operational aspects. These reports help the board gain a comprehensive understanding of the bank's overall performance.

**Governance and Board Committees:** The board oversees the bank's governance structure and the functioning of various committees, such as audit committees, risk committees, and compensation committees. Reports from these committees are presented, and any recommendations for changes or improvements are discussed.

**Shareholder and Stakeholder Communication:** Communication with shareholders and other stakeholders is crucial. The board discusses communication strategies, including financial reporting, investor relations, and public relations. They may also discuss ways to enhance transparency and build trust with the bank's stakeholders.

**Decision-Making:** Throughout the meeting, the board engages in robust discussions, and decisions are made based on a consensus or voting process. Important resolutions, policy changes, and strategic decisions are documented and recorded.

**Future Planning:** The board also looks to the future, anticipating challenges and opportunities. They may discuss succession planning for key executive positions, leadership development, and talent acquisition strategies to ensure the long-term success of the bank.

**Post-Meeting Actions:** After the meeting, the decisions and action items are documented in meeting minutes. These minutes are circulated to all board members and relevant stakeholders. Follow-up actions are assigned, and progress is monitored until the next board meeting.

The following components go into defining board meetings:

**Purpose:** Meetings of the board are called to discuss issues that need their attention and decision-making authority. Strategic planning, financial results, significant investments, mergers and acquisitions, CEO appointments, corporate governance, risk management, compliance, and other items that are crucial to the organization's success might all fall under this category. Board meetings are held in order to discuss, consider, and decide on these issues.

**Schedule & Frequency:** Board meetings are normally held on a set schedule, at regular intervals. Various elements, including the organization's size, sector, complexity, and regulatory requirements, can affect how frequently the board meets. Board meetings are typically held every three months, but certain organizations may hold meetings every month, every two years, or whenever necessary. Usually, the schedule is defined in advance so that the directors and other parties involved may plan and get ready accordingly.

**Notice and Agenda:** A formal notice detailing the meeting's date, time, place, and agenda is sent to all directors prior to each board meeting. Directors can plan accordingly to attend and prepare for the meeting thanks to the notification. The agenda serves as a guide for the discussion by outlining the themes and issues that will be covered throughout the meeting.

**Quorum:** To hold a lawful board meeting, a quorum, or sufficient number of directors, must be present. Typically, the bylaws or governing documents of an organization will specify what constitutes a quorum. A quorum's presence guarantees that there are enough directors present to discuss and decide on behalf of the board.

**Voting and Decision-Making:** At board meetings, directors can have educated debates and eventually cast votes on issues that fall under their purview. Each director has one vote, which is normally how decisions are made. The organization's governance framework may specify

different processes, such as supermajority voting or majority voting, for the decision-making process. The board chair or presiding officer frequently oversees the voting procedure and make sure that the organization's bylaws are followed.

Board meeting minutes, which serve as the formal record of the events, are prepared as part of the documentation process. The meeting's major discussions, judgments, and decisions are recorded in the minutes. They are essential for accountability, transparency, and legal compliance in addition to serving as a historical record. The corporate secretary of the company, or another designated person, usually drafts the minutes, which are then reviewed and approved by the board at following meetings.

**Disclosure and Confidentiality:** At board meetings, sensitive and private topics like financial data, business strategies, and employee issues are frequently discussed. Directors have a responsibility to protect the privacy of such information and to abide by any legal or regulatory obligations relating to the disclosure of significant non-public information. Suitable procedures and protocols are in place to ensure the protection of confidential information discussed during board meetings.

In general, board meetings provide crucial venues for directors to carry out their collective fiduciary responsibilities, have strategic conversations, make defensible choices, and oversee the organization. Board meetings support efficient governance and the performance of the company by adhering to established governance principles and legal and regulatory obligations.

**External Auditor Type:**

An independent examination of a company's financial statements, accounting records, and internal controls by a certified public accounting (CPA) firm or a group of external auditors is referred to as an external audit. An external audit's goals involve providing an opinion on the financial statements' fairness, accuracy, and dependability as well as giving interested parties a reasonable level of assurance that the financial data is being presented in accordance with any applicable accounting principles or standards. Promoting openness, responsibility, and credibility in the financial reporting process requires external audits.

External audits come in a number of forms, each providing a particular function and meeting a particular demand. Some of the typical forms of external audits include the following:

**Financial Statement Audit:** The most common and established type of external audit is the financial statement audit. It entails a thorough analysis of the balance sheet, income statement, cash flow statement, and supporting notes in an organization's financial statements. Verifying the quality and completeness of financial data, gauging the organization's conformity to accounting principles or standards, and measuring the efficacy of internal controls are the main objectives of the audit.

Compliance audits are conducted to evaluate whether an organization complies with particular laws, rules, contracts, or industry standards. These audits make sure the company complies with all relevant legal and regulatory obligations, including tax laws, environmental laws, labor laws, data protection laws, and rules unique to the organization's business. Compliance audits assist in locating any non-compliance concerns and provide appropriate remedies.

Operational audits are concerned with assessing the efficacy, efficiency, and risk management procedures of a company. To find areas for improvement, ways to cut costs, and ways to reduce

operational risks, they evaluate the organization's internal controls, operational practices, and management practices. Operational audits frequently offer suggestions for improving operational performance, streamlining procedures, and achieving strategic goals.

**IT Audit:** An organization's information technology systems, infrastructure, and data security measures are evaluated during an IT audit, sometimes referred to as an information systems audit or a technology audit. These audits assess the dependability, accessibility, and integrity of information systems, pinpoint potential IT risks and weaknesses, and confirm adherence to laws governing data privacy and protection. IT governance, IT policies, disaster recovery plans, and IT-related controls are also examined in IT audits.

**Investigative Audits:** When there are allegations or suspicions of fraud, wrongdoing, or anomalies within an organization, investigative audits are carried out. In-depth analyses of financial records, transactions, and activities are part of these audits in an effort to find instances of fraud, embezzlement, money-misappropriation, or other criminal activity. Internally or externally started, investigative audits need specific knowledge and forensic accounting methods.

**Review Engagements:** Review engagements offer a minimal degree of assurance regarding the financial statements of an organization. Reviews use analytical procedures and queries as opposed to thorough testing of transactions and balances, as is the case with a full financial statement audit. Although they give a lower level of confidence than audits, review engagements can nonetheless provide insightful analyses of financial data.

It is crucial to remember that selecting the right kind of external audit depends on a number of variables, including the organization's size, industry, legal requirements, expectations of

stakeholders, and the audit's unique goals. Organizations may occasionally need to conduct several distinct kinds of external audits to satisfy various reporting or compliance requirements.

Regardless of the kind of external audit, it is carried out by competent, impartial, and independent auditors who follow ethical and professional auditing standards. Planning, fieldwork, testing, documentation, and the creation of an audit report that expresses the auditor's assessment of the financial statements or compliance issues are all parts of the audit process. The audit report offers interested parties useful data to evaluate the organization's governance, compliance with legislation, and financial health, governance, and adherence to regulations.

Basically an audit type refers to the type of company that audits the financial statements of a company. Although previous works have argued that high quality can be attained by big 4 audit firms. Other studies also revealed that based on signaling theory, companies who are audited by the big 4 audit firms indicate good signal to the market about the quality of their audit. Moreover many studies have also shown that big 4 audit firms are more likely to complete the audit work earlier than their counterparts in order to remain in the market. An external auditor performs an audit, in accordance with specific laws or rules, of the financial statements of a company, government entity, other legal entity, or organization, and is independent of the entity being audited. Both assurance and advisory such as financial audit, statutory audit, internal audit, tax consultant and more. The reason behind calling them the external auditor is because they are independent and are not employed by the company and the organization that the service is being provided to.

**Financial Year End:** A crucial point in an organization's financial and accounting cycle is the financial year-end, also known as the fiscal year-end or accounting year-end. The specified

accounting period, which usually lasts 12 months, comes to an end at this time. During this time, a business records, arranges, and reports its financial activities. For a number of stakeholders, including management, investors, regulators, and auditors, the financial year-end is important since it brings with it a plethora of tasks meant to ensure compliance, facilitate strategic planning, and summarize financial performance. Let's take a closer look at the idea of the financial year-end:

How long it takes and how the financial year ends:

Time:

A company's fiscal year does not have to follow the calendar; yet, most financial years last for 12 months. For example, it could correspond to the year (January to December) or a non- calendar fiscal year (e.g. April to March).

**Determinants:** The Company's operational cycle, industry standards, and regulatory requirements frequently have a bearing on the financial year-end determination. Although firms are free to select a fiscal year that corresponds with their operations, regulatory bodies may specify particular fiscal year-ends.

**Accounting Reporting:** Companies create financial statements that summarize their financial performance and position over the course of the fiscal year. These statements include the income statement, balance sheet, and cash flow statement.

**Closing the Books:** Closing the accounting books at the end of the fiscal year entails verifying that all transactions are properly recorded and making any necessary adjustments, such as accruals and deferrals.

**Adherence to Regulations:** Companies have a number of regulatory obligations that must be fulfilled at the end of the fiscal year. This involves submitting reports and financial statements to stock exchanges, regulatory agencies, and other relevant government agencies.

**Date of Audit Report:** The official date on which auditors release their report detailing their assessment of an entity's financial statements is known as the "date of the audit report". The audit report offers an evaluation of the financial statements' fairness and dependability in addition to summarizing the audit engagement's findings.

The date is important for a few reasons, and it's a crucial part of the audit process.

**Cutoff Date:** As of a specific date, the audit report offers assurance on the financial statements. The end of the fiscal year or another designated reporting period is typically this date.

**Relevance:** As of the report's date, the audit report is pertinent to the financial statements and associated disclosures. Anything that happens or is done after this date is not covered by the audit opinion.

**Consistency:** The date of the audit report is crucial for ensuring consistency in financial reporting.

## Endnotes

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## Chapter Two

### Literature Review

#### 2.1 Conceptual Review

##### 2.1.1 Audit Report Lag (ARL)

Audit report lag refers to the period between the end of a company's financial year and the submission of its audited financial statements by external auditors. It represents the time auditors take to complete their audit of the financial statements prepared by the company's management. One researcher defines audit report lag as the interval between the accounting year-end, the preparation of financial statements, and the issuance of the audit report<sup>1</sup>. The term is also used to describe the time that passes from the close of the fiscal year to the completion of audit fieldwork. This stage is typically marked by the end of substantive audit tests, when the auditor leaves the client's premises and signs the audit report<sup>2, 3, 4</sup>.

Audit lag is crucial as it directly impacts the timeliness of accounting information. Timeliness in corporate reporting involves three distinct periods: the audit lag period, the interim period, and

the overall reporting lag<sup>5</sup>. These three periods together cover the total time between the company's financial year-end and when its financial statements are presented to shareholders or filed with the relevant authorities<sup>6</sup>.

### **2.1.2 Client Size**

Client size is commonly determined by the total assets, which represent the combined book value of all assets owned by an individual, company, or organization. This metric is frequently used in evaluating net worth within debt covenants. The total asset value is calculated after accounting for depreciation. Net worth, in its simplest form, is the difference between total assets and total liabilities. In a corporate setting, total assets are the resources a company owns that have economic value and are expected to provide future benefits. These assets are listed on the company's balance sheet<sup>7</sup>.

Assets are categorized by liquidity: liquid assets, which can be quickly converted into cash, and illiquid assets, which are not as easily sold for cash.

On the balance sheet, assets are further divided into current and long-term. Current assets are expected to be liquidated within one year, while long-term assets take more than a year to convert into cash.

Assets, as items of economic value, are used over time to generate benefits for their owner. In the case of a business, these assets are recorded in accounting books and reflected in the company's balance sheet. Common categories include cash, marketable securities, accounts receivable, prepaid expenses, inventory, fixed assets, intangible assets, goodwill, and other assets. Depending on the relevant accounting standards, the assets that make up total assets may or may

not be listed at their current market values. International Financial Reporting Standards (IFRS) tend to allow assets to be listed at current market values, while Generally Accepted Accounting Principles (GAAP) are generally more restrictive in allowing such adjustments<sup>8</sup>.

### **Working Relationship between Auditors and Clients**

The following are elements that could impact the working relationship between auditors and clients.

#### **Competence**

According to a scholar, competence is a fundamental aspect of auditing, defined as "an auditor's technical capability to identify significant errors in the financial statements"<sup>9</sup>. To reduce the likelihood of missing critical misstatements, auditors conduct a comprehensive analysis of the business risks their clients face<sup>10</sup>. This involves understanding the client's business and developing the necessary skills and expertise to make informed professional judgments.

#### **Confidentiality**

Previous literature highlights that in professional relationships, there is an expectation of trust that personal information will not be disclosed to outsiders<sup>11</sup>. Audit firms are required to keep the information they gather during audits confidential<sup>12</sup>. This duty is enforced by both ethical standards and regulatory requirements.

#### **Communication**

Effective communication is crucial for building successful relationships, regardless of the context in which it occurs<sup>13</sup>. It can take various forms, including verbal, nonverbal, and written

communication<sup>14</sup>. For auditing clients, communication is considered a fundamental aspect of human interaction and is key to improving working relationships<sup>15</sup>. Thus, strong oral and written communication skills are essential for interacting with clients and other stakeholders<sup>16</sup>.

### **Communication Barriers**

Communication barriers are factors that hinder the smooth exchange of information between the sender and receiver of a message. Research has identified several barriers between Certified Public Accountants and their clients, including hostility, lack of listening by auditors, mistrust, excessive intermediaries, and personality clashes<sup>17</sup>. Additionally, resistance to change, misunderstanding of accounting terminology, auditors' attitudes of superiority, and inadequate feedback can also impede communication. Time constraints and environmental factors may further contribute to communication challenges<sup>18</sup>.

### **Trust**

Trust is a fundamental component of the relationship between auditors and clients<sup>19</sup>. It is defined as the confidence that an individual or group places in the reliability of another's promises, statements, or actions. Building trust between parties is crucial for managing risk, which is viewed as the likelihood of deviations from expected outcomes<sup>20</sup>.

### **Cooperation**

In business relationships, parties often experience complex, personal, and non-economic satisfaction and typically develop a sense of identification with each other. Through social interactions, they work towards common business objectives by fostering a cooperative approach.

## **Commitment**

Commitment in a relationship reflects a lasting desire to sustain a valuable connection. Major audit firms, such as those in the Big Four, often demonstrate their commitment to high-quality audits through various published reports<sup>21,22,23</sup>. For instance, Cindy Hook, the CEO of Deloitte in Australia, highlights the firm's dedication through its stated goals and values.

## **Adaptability to Change**

Due to the continuous evolution of business environments, auditors must adjust their methods accordingly. However, applying judgment in areas without established practices can be challenging<sup>24</sup>. These growing expectations and complexities impose additional costs on both audit firms and their clients<sup>20</sup>.

## **Respect**

Respect involves recognizing and valuing others, which influences attitudes, behavior, and appreciation. Research indicates that treating customers with respect is an effective and cost-efficient strategy for retaining them, as it fosters the perception of high-quality service<sup>25</sup>. Additionally, respect is considered a key element in the auditor-client relationship<sup>26</sup>.

## **Objectivity and Integrity**

Auditor independence requires that audits be conducted with objectivity, integrity, and impartiality<sup>27</sup>. Auditors must maintain independence in both appearance and fact. According to previous research, auditors are deemed independent when they exhibit objectivity, integrity, and

impartiality<sup>28</sup>. The Institute of Chartered Accountants in England and Wales defines objectivity as a mindset that considers all relevant factors without bias<sup>28</sup>. Integrity, as defined by another scholar, encompasses not only honesty but also fairness and truthfulness<sup>29</sup>. These qualities are essential for fostering a strong auditor-client relationship<sup>30</sup>.

### **2.1.3 Audit Committee Size**

The length of time that passes between the conclusion of a company's fiscal year and the release of its audited financial statements is known as the audit report lag, and it is impacted by a number of variables, including the audit committee's size. A company's audit committee, which is a subcommittee of the board of directors, is essential to managing the financial reporting procedure and communicating with outside auditors. An understanding of the intersection between governance structures and corporate characteristics can be gained by analyzing the relationship between audit committee size and client size in the context of audit report lag. Let's explore this relationship in more detail:

Meaning and Structure: The Size of Audit Committee normally consists of independent directors with financial experience. An audit committee's membership can vary greatly throughout companies; smaller committees with three members can exist in some, while larger committees with five or more members may exist in others.

Client Size: In this sense, a company's size and complexity are referred to as its client size. In comparison to smaller organizations, larger clients frequently have more complex financial structures, diversified business segments, and broad activities.

Supervision and Management:

Function of the Audit Committee: The main responsibility of the Audit Committee is to improve the accuracy and openness of financial reporting. It is in charge of internal controls, external auditor relations, and financial reporting procedures. An efficient audit committee is essential for the efficiency of corporate governance.

Impact of Client Size: Larger clients could demand more supervision and have more intricate financial reporting requirements. Larger audit committees may therefore be advantageous for larger businesses in order to provide proper governance and supervision of their complex financial operations.

Interaction and Communication:

The audit committee engages in communication with external auditors to go over audit plans, go over findings, and make sure the audit is carried out in compliance with professional standards. A fast and comprehensive audit process depends on the audit committee and auditors having effective communication.

Impact of Client Size: Because of their size and complexity, larger clients may be subject to resource-intensive audit procedures. Potentially affecting a shorter audit report lag, a larger audit committee may be better able to assign the necessary resources to oversee the audit effectively.

Effectiveness of Decision-Making:

Making Decisions by the Audit Committee: Timely replies to audit-related concerns depend on the audit committee's decision-making process being efficient. Decision-making can proceed more quickly in a committee that is suitably sized and organized.

Impact of Client Size: Larger clients may profit from a larger audit committee that is able to make conclusions quickly because they have more substantial financial transactions and reporting requirements. This effectiveness may help to shorten the time it takes to produce audit reports and streamline the audit process.

Adherence to Regulation:

Regulatory Requirements: Guidelines are frequently established by regulatory agencies

Auditor size is the number of auditors on board of an organization. Audit firm is explained by three measures: Revenues, Offices and Head counts. Revenues are the total revenues of the audit firm including those from the audit and attestations, tax, consulting and other services; Offices is the number of offices of the audit firm; Head count is the number of professionals in the audit firm Auditing is done by an auditor and an auditor is an individual who examines the accuracy of recorded business transaction. Auditors are needed in order to verify that processes are functioning as planned, and that the financial statements produced by an organization fairly reflect its operational and financial results. They are primarily engaged in audits, which verify an entity's financial records and their presentation in related financial reports<sup>31</sup>.

Auditor can be classified into internal, external and forensic. An internal auditor works for the entity which him or her audits. This person conducts independent analyses of a variety

of processes within a business, and may also evaluate the level of corporate governance. Internal auditors report their findings to the board of directors, along with remediation suggestions. An external auditor is independent of the clients which he or she audits. An external auditor may be certified by a state agency to be a certified public accountant, and thus allowed to issue certified reports on the financial condition of clients. An external auditor may instead work for a government, and in that role is tasked with examining the records of individuals and businesses to see if they have complied with the various tax laws. A forensic auditor investigates whether fraud had been committed. The resulting evidence is used to prosecute the party that committed the fraud. A forensic auditor may be employed within a business, or may work for an outside firm that conducts these investigations for its clients. The size of auditors is very important for the success of an organization<sup>32</sup>.

#### **2.1.4 Board Size**

Board size refers to the total number of directors on the board of each sample firm which is inclusive of the CEO and Chairman for each accounting year. This will include outside directors, executive directors and non-executive directors. It is the governing body of a company, elected by shareholders in the case of public companies to set strategy and oversee management. The board typically meets at regular intervals. Every public company must have a board of directors<sup>33</sup>. Some private companies and nonprofit organizations also have a board of directors. The board makes key decisions on issues such as mergers and dividends, hires senior managers, and sets their pay. The CBN Code prescribes a minimum and maximum board size of five and twenty directors respectively. The SEC Code prescribes a minimum of five directors and directs that the board of a company be of a sufficient size relative to the scale and complexity of the operations of the company. Board of directors' candidates can be nominated by the company's

nominations committee or by outsiders seeking change. They are responsible for helping a corporation set broad goals, supporting senior management in pursuit of those goals, and ensuring the company has adequate, well-managed resources at its disposal. The board of directors typically includes the chief executive officer and sometimes other senior managers, alongside board members not otherwise affiliated with the company<sup>34</sup>. An inside director is most commonly defined as a company employee, though the category sometimes also covers significant shareholders. Independent, or outside, directors are only involved with the company through their board membership. Independent directors face fewer conflicts of interest than company insiders in discharging their fiduciary obligations<sup>35</sup>.

### **2.1.5 Board Meeting**

A board meeting is a meeting of the board of directors that sets the policy and strategic direction for a corporation, publicly-traded company government body or non-profit. A board meeting is held to review the strategic plan that has been developed by the board of directors. The goal is for the directors to agree on which direction to move in and how it will be implemented. Simply put, a board meeting is a meeting to set policy and strategy<sup>36,37</sup>. Board meetings can vary depending on how mature a company is. Start-ups and tech companies sometimes favor a more pragmatic approach, while larger corporations typically follow strict guidelines meant to help provide order and structure. Still, many of the components of these board meetings remain very similar<sup>38</sup>.

Before a board meeting begins, a document is circulated, consisting of a report by each director itemizing anything that needs attention and their value judgments concerning various issues. When the board meeting begins, a person, usually the CEO of the company, presents an

overview of how well their goals are being met and any issues that need to be addressed<sup>33</sup>. Directors may present on their sections as well, or merely be present to answer questions if the report was sufficient. Following this, a member of the board will raise topics that they feel need addressing or comment on progress toward various goals. The board chair will then elicit discussion by seeking comments on what was presented and taking action on any issues that came up. The board may wish to have a discussion without the CEO or other leaders present, in order to assess their performance. Sometimes other procedural motions are required before the meeting is adjourned, such as certifying stock option grants<sup>39</sup>.

### **2.1.6 External Auditor Type**

The audit report lag refers to the time that elapses between a company's fiscal year-end and the issuance of its audited financial statements. It is a crucial metric that can be influenced by various factors, including the type of auditor engaged by the company. Auditors play a pivotal role in ensuring the accuracy and reliability of financial statements, and their characteristics can significantly impact the duration of the audit process and, consequently, the audit report lag. Let's explore the different auditor types and their potential effects on audit report lag:

Big Four vs. Non-Big Four Auditors:

Big Four Auditors (Deloitte, PwC, EY, KPMG): These global accounting firms are known for their extensive resources, expertise, and experience. Companies audited by the Big Four often benefit from the firms' robust internal control systems and streamlined audit processes. As a

result, audit report lags for companies audited by the Big Four may be relatively shorter compared to those audited by smaller firms.

**Non-Big Four Auditors:** Smaller audit firms may have fewer resources and a more localized focus. Audits conducted by non-Big Four firms might take longer due to potentially fewer personnel and a need for more detailed procedures. The audit report lag for companies audited by non-Big Four firms could be influenced by the firm's capacity and efficiency.

**Industry Specialization:**

**Industry-Focused Auditors:** Auditors with specific industry expertise may have a better understanding of the nuances and complexities associated with that industry. While this specialization can enhance audit quality, it might also result in a longer audit report lag as auditors delve deeper into industry-specific issues and risks.

**Generalist Auditors:** Auditors without a specific industry focus might take longer to familiarize themselves with industry-specific regulations and practices. However, they may bring a fresh perspective to the audit, potentially expediting certain processes. The audit report lag for generalist auditors may vary depending on the adaptability of the audit team.

**Auditor Tenure:**

**Long-Term Auditors:** Auditors who have been engaged by a company for an extended period may have an in-depth understanding of the client's operations, systems, and internal controls. This familiarity could lead to a more efficient audit process, potentially reducing the audit report lag.

New Auditors: When a company engages a new auditor, there might be a learning curve as the auditor becomes acquainted with the client's operations and financial reporting practices. The initial year of engagement with a new auditor could contribute to a longer audit report lag.

#### Audit Firm Size

Large Audit Firms: Larger audit firms, irrespective of whether they are part of the Big Four, may have more extensive resources and a broader pool of specialized auditors. This can contribute to a more efficient audit process and potentially shorter audit report lags.

Small and Midsize Audit Firms: Smaller audit firms might face resource constraints, leading to a longer audit report lag. However, the level of personal attention and client interaction in smaller firms could contribute to a more thorough and detailed audit.

#### Audit Methodology and Technology Adoption:

Advanced Technology Adoption: Auditors employing advanced audit methodologies and technologies, such as data analytics and artificial intelligence, may experience streamlined audit processes. These technological advancements can enhance the efficiency of audit procedures, potentially reducing the audit report lag.

Traditional Audit Approaches: Auditors relying on traditional audit approaches may take longer to complete audit procedures manually. The audit report lag for such auditors could be influenced by the speed at which they adapt to and integrate new technologies.

#### Regulatory Environment:

**Stringent Regulatory Oversight:** Auditors operating in regions with rigorous regulatory oversight may experience additional scrutiny and documentation requirements. While this can enhance audit quality, it might contribute to a longer audit report lag.

**Less Stringent Regulatory Environment:** In regions with less stringent regulatory requirements, auditors may have more flexibility in their audit procedures, potentially resulting in a shorter audit report lag. However, this flexibility should not compromise the quality and thoroughness of the audit.

In conclusion, the type of auditor engaged by a company can have a notable impact on the audit report lag. Factors such as auditor size, industry specialization, tenure, and the adoption of advanced audit methodologies all play a role in determining how efficiently an audit is conducted and, consequently, how quickly the audit report is issued. Companies should carefully consider these factors when selecting an auditor, balancing the need for efficiency with the importance of a thorough and high-quality audit.

An external auditor performs an audit in accordance with specific laws, statutes or rules, of the financial statements of a company, government entity, other legal entity, or organization, and is independent of the entity being audited. External auditors can also be called statutory auditors, this is because both external auditor and statutory auditors are both authorized and governed by law or a statute. Users of these entities' financial information, such as investors, government agencies, and the general public, rely on the external auditor to present an unbiased and independent audit report<sup>40</sup>. An external audit, defined as a company audit which is performed by a party which is not a department or employed by business to be audited, are very commonly

performed. The external audit approach has two main purposes. The company believes an outside party will be more efficient at the work or because a governmental entity<sup>41</sup>.

The manner of appointment, the qualifications, and the format of reporting by an external auditor are defined by statute, which varies according to jurisdiction. External auditors must be members of one of the recognized professional accountancy bodies. External auditors normally address their reports to the shareholders of a corporation. The objective of the external audit includes the determination of the completeness and accuracy of the accounting records of the client, to ensure that the records of the clients are prepared as per the accounting framework which applies to them and to ensure that the financial statements of the client present the true and fair results and the financial position. The main responsibility is to verify the general ledger of the company and make all other essential inquiries from the management of the company. It helps to determine the real picture of the company's market situation and the financial situation, which further provides the basis for managerial decisions<sup>42,43</sup>.

Audits assess the accuracy of financial records to identify any discrepancies due to fraud, errors, or mismanagement. This process enhances the reliability and trustworthiness of a company's financial statements. If errors occur in the accounting practices of a company, they can impede effective decision-making by the owner. Audits address this issue by detecting errors and fraudulent activities through their systematic procedures. Additionally, audits ensure that financial transactions are recorded in compliance with generally accepted accounting principles, helping business owners adhere to relevant rules and regulations<sup>44</sup>.

The primary objectives of an external audit are to verify the completeness and accuracy of a client's accounting records, confirm that these records conform to applicable accounting

standards, and ensure that the financial statements accurately reflect the client's financial position and performance<sup>45</sup>. A statutory auditor has the authority to request the company's financial records, which the management must provide. Following the audit, the external auditor prepares a written report based on the evidence and data collected, presenting an evaluation of the financial statements' accuracy. External audits are often required to certify a company's financial statements, which is necessary for certain investors and lenders. Publicly traded companies or those that offer shares to the public are legally obligated to have their financial statements audited and certified<sup>46,47</sup>.

## **2.2 Theoretical Framework**

This section deals with the theoretical issues in the literature to explain the subject matter. Some of the theoretical foundations include quasi-judicial theory, agency theory, stakeholder theory and policeman theory.

### **2.2.1 Quasi-Judicial Theory**

The term "quasi-judicial" refers to actions, decisions, or processes that are similar to those performed by a court or judge but are carried out by an entity or individual that does not have full judicial powers. In the context of audit report lag, the quasi-judicial theory might be applied to describe a situation where the audit process and reporting timeline resemble a quasi-judicial process. Quasi-Judicial Aspects in Audit Report Lag:

Judgment and Evaluation: Auditors exercise professional judgment when assessing a company's financial statements. This process is quasi-judicial in nature, as auditors must evaluate evidence,

make judgments, and form opinions, much like a judge in a legal setting. Independence and Objectivity: Auditors are expected to maintain independence and objectivity during the audit process. This is akin to the unbiasedness expected of judges. Ensuring that audit opinions are impartial and free from undue influence.

Compliance with Standards: Established auditing standards, which resemble a set of de facto legal guidelines and protocols, are adhered to by the audit process. These guidelines give auditors a structure for carrying out their investigations and producing reports.

Examining the Evidence In order to strengthen their assessments of financial statements, auditors collect and review relevant data. This procedure is comparable to the presentation of evidence in a court of law, where the integrity and reliability of the evidence are vital factors.

Resolution of Conflicts in respect to Standards: During the audit process, auditors are required to adhere to a set of guidelines and procedures known as auditing standards. These guidelines give auditors uniformity and a structure to make sure their inspections are carried out honestly and completely.

This theory posits that the auditor exercises the role of a judge in the financial distribution process, and so is regarded as the final recourse for shareholders and other users of financial statements<sup>48</sup>. In contrast, the researcher noted in a prior study that different from a judge, the principle of precedence and consistency is not ensured in auditing. Furthermore, the independence of an auditor differs from that of a judge due to the distinct payment structure involved<sup>49</sup>. Nevertheless, if the auditor can affirm that a collection of financial records accurately depict the actual state of a company and are impartial, is he not acting as a judge? The underlying premise is that the audit opinion is the definitive declaration that must be considered

reliable and trustworthy when evaluating financial statements. This perspective is directly aligned with the legal obligations of publicly traded corporations.

### **2.2.2 Policeman Theory**

This had immense popularity and widespread acceptance until the 1940s. The concept of the policeman posits that the auditor, being a policeman, should prioritize the arithmetical precision of financial data and accounting records. Therefore, it anticipates that the auditor will proactively identify and prevent fraudulent activities, which is once again the contention supported by users of financial statements. Nevertheless, it implies that auditors serve as vigilant overseers, rather than relentless detectives.

Clearly, based on the theoretical arguments, it is evident that the majority of professionals support the idea of auditing that combines the functions of being a vigilant overseer and a diligent investigator. Audit is a societal construct and its ongoing significance is contingent upon fulfilling society's expectations. Thus, it is incumbent upon the audit professional to relinquish its old position and accept the broader role that emerges from society expectations. As society is inherently dynamic rather than static, the function of audit cannot be limited to its conventional definition. The nature of human economic transactions is undergoing a transformation, evidently leading to an increase in human avarice, therefore undermining the long-standing beliefs in morality and satisfaction. This behaviour driven by avarice is resulting in rudimentary acquisition and so-called intelligent behaviors inside a globalised framework of personal acquisition. Societal respect in human social interactions is progressively shaped by wealth, and even the strength of nations is determined by economic power. This creates a conducive environment for so-called smart wealth acquisition methods that frequently disregard moral

standards and even national legislation<sup>50</sup>.

The theory further posits that the auditor bears the responsibility of actively seeking, uncovering, and thwarting any instances of fraudulent conduct. Nevertheless, the primary responsibility of auditors is to offer a decent level of confidence and remain impartial, accurate, and unbiased assessment of the financial statements. Nevertheless, auditors have under increased pressure to identify fraudulent activities following recent reporting scandals. In contemporary societies, it might be contended that the consumers of statements expect auditors to assume the responsibility of detecting fraud, as they rely on audit reports for analysis and decision-making. However, auditors are not obligated to uncover all instances of fraud but should enhance their ability to identify fraudulent activities in order to inspire public trust. The management and governance of an organization have the main responsibility for fraud prevention and detection. It is therefore crucial to prioritize the prevention of fraud. Nonetheless, the auditor is also obligated to give proper consideration to the end consumers of audit reports and should take into account the potential for significant errors caused by fraudulent activities while assessing audit risk.

### **2.2.3 Agency Theory**

Agency theory is a popular concept in organizational and management studies which explains the relationship between principals and agents. A past scholar explains that agency relationship occurs when one or more persons (the principal) employs another person (the agent) to provide a service and delegate the authority for decision making<sup>51</sup>. Agency theory assumes that every human being is selfish and self-centered on his/her individual basis. The principal-agent relationship often occurs when the principal is bereft of time, expertise or resources to execute a particular task, and therefore delegates Agency theory also implies that there is asymmetry of information between managers as agents and as principal (owner). Company manager should be

more aware of internal information so that there will be information space between the management and the owner. Management is morally responsible to optimize the benefit of the owners (principals) and to satisfy the personal interest in order to maximize the economic and psychological fulfillment. Shareholders on the other hand, will focus on increasing the value of its shares. Thus, there are two different interests in the company in which each party seeks to achieve or maintain a desired level of prosperity. The existence of a conflict of interest between the two is what triggers the emergence of agency theory<sup>52</sup>.

Therefore, in order to achieve the objectives of management owners, the principal must provide appropriate incentives for motivating the agents to do surveillance to prevent unwanted situations<sup>53</sup>. Therefore, agency cost occurs due to these situations. Agency cost arise from agency theory<sup>54</sup>. Minimizing the agency cost is a challenge for the board of directors and shareholders to think of ways and provide the right incentives to make a minimum cost for the agency<sup>55</sup>. Agency conflict could affect aggressive tax treatment<sup>56</sup>. Agency problems might happen when there are differences in the interests of the agent and when the principal has an aggressive tax avoidance behavior. This condition occurs because the, management wants to increase compensation through higher profits, while the other shareholders want to reduce the cost of the tax through lower profits.

#### **2.2.4 Stakeholder Theory**

A critique of the rigorous agency theory is its limited scope, as it solely considers shareholders as the exclusive interest group of a corporate body, hence requiring additional investigation. Through broadening the range of interested parties, the stakeholder theory asserts that a corporate body always aims to achieve a harmonious equilibrium among the interests of its many

stakeholders, so assuring that each interest group is satisfied to some extent<sup>57</sup>. By emphasising the different components of a corporation, the stakeholder theory seems to be more effective than the agency theory in elucidating the function of corporate governance. Therefore, creditors, consumers, employees, banks, governments, and society are considered to be significant stakeholders. Furthermore, another study conducted a thorough examination of the stakeholders' theory of corporate governance, highlighting the existence of several parties with conflicting interests in the functioning of the company. Moreover, they highlight the significance of non-market mechanisms, such as the board size and committee structure, in determining business success.

The prominence of stakeholder theory has increased due to the recognition by many scholars that the actions of a corporate entity have an impact on the external environment. This phenomenon necessitates the corporation to be accountable to a broader audience beyond its shareholders. Some research suggest that firms are no longer solely instruments of shareholders, but rather exist within society and so have obligations towards that society<sup>58</sup>. One must however point out that large recognition of this fact has rather been a recent phenomenon. Indeed, it has been realized that economic value is created by people who voluntarily come together and cooperate to improve everyone's position<sup>59</sup>.

## **2.3 Review of Previous Empirical Works**

### **2.3.1 Investigate the Relationship between Board Size and Audit Report Lag**

Numerous studies explore the relationship between audit report lag (ARL) and client size, among other factors. Previous research indicates that audit delays increase with the complexity of the audit work, decrease with stronger incentives for timely reporting, and rise with the extent to

which auditors use a structured approach to auditing<sup>60</sup>. Another study reveals that audit delays are longer for firms with interim earnings overstatements and declining earnings, and that these delays are more pronounced with larger overstatements of interim earnings<sup>61</sup>.

Additionally, research has investigated the association between audit report lag (ARL) and factors such as auditor business risk and audit firm technology in Hong Kong. This study, which analyzed data from 393 Hong Kong companies over the period from 1991 to 1993, used financial condition and family ownership/control as proxies for auditor business risk, and the structured versus unstructured audit approach as a proxy for audit firm technology. Other control variables included the number of subsidiaries, the nature of the client's business, company size, unexpected positive earnings news, and the nature of the audit opinion. The regression analysis found a positive correlation between audit report lag and the financial risk index, indicating that companies with poorer financial conditions experience longer audit delays. The study also found that companies audited by firms using a structured audit approach have longer audit delays. The relationship between ARL and family ownership/control suggested that family-owned or controlled companies might experience shorter audit delays, although these results were not statistically significant. Larger companies were associated with shorter audit delays<sup>62</sup>.

A separate study on the Iranian capital market identified a significant relationship between profitability and audit report lag, while noting no significant correlation between firm size, financial leverage, firm age, and audit report lag in Iranian companies<sup>63</sup>.

Furthermore, research has shown that large companies, service-oriented firms, and those audited by former Big-5 firms tend to have shorter audit report lags. Conversely, construction companies,

those with qualified audit reports, and firms with a substantial portion of equity held by insiders are less likely to promptly release their audited financial statements after the fiscal year-end<sup>64</sup>.

A study conducted by another researcher examined the impact of service quality, client satisfaction, and trust in audit firms using publicly registered companies in Malaysia<sup>65</sup>. This investigation focused on how the quality of services offered by auditors correlates with client satisfaction and the loyalty of shareholders to a specific audit firm. The study assessed audit service quality through various dimensions, including the audit firm's trustworthiness, reassurance, empathy, physical aspects, and responsiveness (SERVQUAL). The results indicated that while clients appreciated the physical aspects of the service, they were less satisfied with other factors, with empathy being the least favored. The study found that client satisfaction had a moderate effect on the relationship between trustworthiness and client loyalty.

In a related study, another researcher explored how political and economic factors in China affect the timeliness of audit opinions<sup>66</sup>. This research revealed that audit firms operating exclusively within China are more susceptible to political pressure from government agencies. Conversely, firms with international operations tend to provide more accurate reports on state-owned enterprises and agencies to mitigate potential financial risks. The study also found that companies receiving negative audit opinions (qualified reports) are more likely to switch from international to local auditors, unlike those receiving positive opinions (unqualified reports).

Further research has investigated how the composition of the board of directors, the audit committee, and the separation of the roles of board chairman and CEO influence audit report lag in Malaysia<sup>67</sup>. The findings highlighted that board independence and the separation of the chairman and CEO roles are significantly associated with audit report lag. The study also found a

positive correlation between audit report lag and leverage, while profitability showed a negative relationship with audit report lag.

Additionally, a study examined the factors influencing the likelihood of non-profit audit clients changing auditors, revealing that the costs of changing auditors, the financial performance of non-profits, and the size of the audit market are relevant factors<sup>68</sup>.

Previous research explored the main factors influencing the timeliness of corporate internet reporting among Egyptian companies listed on the Cairo and Alexandria Stock Exchange. The study identified significant correlations between reporting timeliness and several factors, including firm size, industry type, liquidity, ownership structure, board composition, and board size<sup>69</sup>. It was found that larger firms in the service sector with higher liquidity, a greater proportion of independent directors, more board members, and a larger free float tend to disclose information on their websites more promptly. Additionally, the study observed a notable relationship between these variables and various aspects of reporting timeliness.

Another study focused on the factors affecting audit report lag in Egyptian banks during 2004. Analyzing a sample of twenty-seven banks listed on the Egyptian Stock Exchange, the results showed that the type of external auditor, bank size, audit complexity (in terms of the number of branches and level of diversity), and bank profitability significantly influenced audit report lag, while exceptional items did not<sup>70</sup>.

In a different study, the determinants of audit report lag (ARL) were examined with a focus on auditor-related factors. ARL is crucial as it impacts the timing of earnings announcements, which in turn affects the promptness of earnings releases<sup>71</sup>. This research, using a recent sample from Korea, found that ARL is negatively correlated with non-audit fees paid to auditors, suggesting a

"knowledge spillover" effect from non-audit services. Additionally, ARL was found to be negatively associated with the use of Big 4 auditors and unqualified audit opinions. However, the study did not find significant relationships between ARL and auditor tenure or abnormal audit fees. Further analysis indicated that abnormal audit hours and the provision of tax services, along with internal control system design services, significantly reduce ARL.

Another study investigated the factors influencing audit report lag (ARL) in Egypt<sup>72</sup>. This research introduced new explanatory variables related to corporate governance (CG) characteristics—such as board independence, CEO duality, and the presence of an audit committee—that had not been examined before. The ARL for the 85 sampled listed companies ranged from a minimum of 19 days to a maximum of 115 days, with an average lag of about two months. The regression analysis revealed that board independence, CEO duality, and the existence of an audit committee significantly impact ARL. In contrast, ownership concentration did not significantly affect ARL. Additionally, three control variables—company size, industry, and profitability—were found to have a significant effect on ARL. The adjusted R<sup>2</sup> indicated that 57.10% of the variation in ARL could be explained by these independent variables.

Previous research identified various factors impacting the timeliness of audit reports for listed companies in Bangladesh<sup>73</sup>. Analyzing a sample of 87 listed companies, the study found that the average time required to complete the audit was approximately 101 days, with a minimum of 14 days and a maximum of 272 days. The multivariate analysis demonstrated that auditor type, financial sector affiliation, profitability, and company size significantly reduced the time needed to finalize audit reports. Conversely, the type of audit report and leverage were found to significantly extend the audit completion time.

In another related study, the focus was on audit report lag among publicly listed firms in Bangladesh<sup>76</sup>. This research aimed to determine factors affecting the promptness of auditors' reports for Bangladeshi firms. The study, which also sampled 87 registered firms, observed that the average duration for completing an audit was 101 days, with a range from 14 to 272 days. Multivariate analysis indicated that auditor experience, financial sector involvement, profitability, and company size significantly reduced the time taken to issue audit reports. However, the type of audit report and leverage were associated with longer audit durations.

A related study examined the factors influencing audit report lag in interim financial statements for companies listed on the Tehran Stock Exchange. The research found that the lag in interim financial statements has been decreasing over time. Significant relationships were identified between audit report lag and variables such as firm size, financial leverage, type of audit report, ownership structure, and profitability<sup>78</sup>.

### **2.3.2 Examine the Effect of the Audit Committee on Audit Report Lag**

Another study explored how board of directors, audit committees, and auditor characteristics impact the timeliness of financial reporting for Indonesian listed companies. Utilizing panel data from 218 companies between 2006 and 2008, the analysis revealed that factors such as board size, board shareholding, multiple directorships, and board tenure significantly affect the timeliness of financial reporting<sup>79</sup>.

A separate investigation found that audit report lag was significantly longer for clients formerly audited by Andersen compared to those who switched from another Big 5 predecessor auditor for the fiscal year ending December 31, 2002. The study also showed that clients who voluntarily

changed auditors experienced only slightly longer audit report lags compared to those who did not change auditors. Moreover, ex-Andersen clients who followed their Andersen partner to a new firm had shorter audit report lags compared to those who did not follow their partner<sup>82</sup>.

In another study, the impact of internal audit function quality on audit report lag was examined using surveys and questionnaires. The findings indicated that factors such as objectivity and competence of the internal audit function were significantly associated with shorter audit delays, whereas the size of the internal audit function did not significantly affect the duration of the audit. Companies where internal auditors worked cooperatively with independent auditors experienced shorter audit report lags<sup>80</sup>.

Historical research on audit lag in Nigeria, involving 40 companies, used both univariate and multivariate analyses. The study found audit delays ranging from 16 to 284 days, with Nigerian-listed companies taking an average of four months beyond the balance sheet date to present their audited accounts. The research indicated that factors such as profitability, total assets, total debt, total equity, audit fees, and industry type did not significantly impact audit delay<sup>81</sup>.

A similar study analyzed a sample of forty-five audited financial statements from listed companies. Descriptive and inferential statistical methods were used to evaluate the data. The findings revealed that, on average, it takes 141 days for financial reports to be completed after the fiscal year-end. The earliest completion time was 31 days post-year-end. The study highlighted a link between the timeliness of corporate reporting and whether a company is affiliated with a foreign entity. However, no significant correlation was found between the timeliness of financial statements, business complexity, and business leverage<sup>7</sup>.

In another study, substantial audit report delays were observed across various municipalities. Factors such as strong political opposition to the mayor, mayoral re-election, population size, the presence of internal accounting teams for accrual accounting, audit remarks, and the size of the municipality were found to significantly influence variations in audit report lag<sup>82</sup>.

Another research effort focused on the relationship between audit delays and company characteristics in Nigeria. This study, which sampled 20 quoted companies over the period from 2009 to 2011, used ordinary least squares regression for analysis. The results indicated that multinational connections, company size, and audit fees are significant determinants of audit delay in Nigeria. The audit report lag for Nigerian companies ranged from a minimum of 30 days to a maximum of 276 days, with an average delay of approximately two months beyond the balance sheet date before reports are presented to shareholders at annual general meetings<sup>83</sup>.

Additionally, a study on audit report lag and auditor changes for firms listed on the Tehran Stock Exchange used correlation and multiple regression methods to test hypotheses. The data, collected from financial statements of Tehran Stock Exchange-listed firms between 2002 and 2010, showed that firm size, type of audit report, and changes from audit organizations to private audit firms significantly affect audit report lag. However, no relationship was found between audit report lag and financial leverage, profitability, or changes from one private audit firm to another. The study suggests that Iranian auditing regulatory bodies should assess the quality of work performed by private audit firms<sup>84</sup>.

A previous study analyzed how company characteristics affect the timeliness of financial reports in Nigeria, using annual reports from 61 companies over a ten-year period. The data were

analyzed using Ordinary Least Squares (OLS) regression. The study found that the age of a company is the most significant factor influencing the timeliness of financial reports. Additionally, it was observed that financial reporting timeliness varied across industrial sectors, with the banking sector being notably more prompt in reporting than others<sup>85</sup>.

Further research investigated the relationship between audit report lag and non-audit services, using a sample of 260 firm-year observations from financial reports of New Zealand public companies covering 2004-2005. The study found that non-audit services are associated with a reduced audit report lag, though this effect is realized in a subsequent period rather than immediately in the year the services are provided. The results indicate that firms receiving non-audit services from their auditors benefit from knowledge spillovers, leading to a shorter audit report lag in later periods<sup>86</sup>.

Another study examined audit report lag for companies listed on the Nigerian Stock Exchange from 2008 to 2011. The analysis, which covered a pooled sample of 60 firms across various industries, revealed that company age and total assets significantly impact audit report lag in Nigeria. However, company size and changes in auditors did not show a significant relationship with audit report lag. The study suggested increasing the sample size and extending the period of investigation for future research. It also recommended that policymakers address audit report lag to enhance investor confidence and facilitate timely investment decisions<sup>i</sup>.

Additionally, a study explored the impact of corporate governance on audit report lag in Nigeria, focusing on the size of the board, audit committee independence, and audit firm size. Utilizing time series and cross-sectional data from 2007-2011, the study examined 40 manufacturing

companies from a total of 120 listed on the Nigerian Stock Exchange. The analysis, which employed descriptive statistics, correlation, and Ordinary Least Squares regression, found that board size, audit firm quality, and firm size significantly influenced audit report lag. However, the objectivity of the board and the number of audit committee members did not have a major impact on the timing of the annual audit report release<sup>89</sup>.

Another study explored the factors influencing annual audit lag in Malaysia, analyzing data from approximately 100 registered firms listed on the Kuala Lumpur Stock Exchange between 1996 and 2000. The study tested eight hypotheses related to audit delay, including factors such as company size, sector, income level, presence of unusual items, audit opinion type, auditor level, accounting period end, and risk level. The findings indicated that audit report delays are notably longer for firms with accounting years ending on dates other than December 31, those receiving qualified opinions, non-financial sector companies, firms not audited by Big Five firms, companies with negative earnings, and those with higher risk<sup>90</sup>.

Another investigation examined the relationship between independent auditors' reliance on internal audit reports and audit committee characteristics on audit report lag. The study, conducted using questionnaires distributed to 87 audit firms listed on the Amman Stock Exchange for the year 2009, found that an active audit committee enhances confidence in the internal auditor's work and reduces the extent of external auditors' work, leading to shorter audit report lag<sup>91</sup>.

A separate study analyzed the impact of audit-related factors on audit report lag among 171 Egyptian listed non-financial companies, using Ordinary Least Squares (OLS) regression. The results indicated that managerial ownership significantly reduces audit report lag<sup>92</sup>.

Additionally, research into the Australian context found that audit committee members with financial expertise, prior audit committee experience, and independence are linked to shorter audit report lag<sup>93</sup>.

Previous studies revealed the connection between ARL and discretionary report lag and analysts' prediction error in Korean companies. The consequences of the empirical analysis disclosed that ARL is related to analysts' forecast error, which rises as ARL rises because there is growth in information inequalities. The study further observed that analysts' forecast error and ARL are positively associated with companies with long auditor client relations<sup>94</sup>.

A researcher employed the principal-agent relationship concept to find the bases of audit report delay among Palestinian enterprises registered on the Palestine stock exchange (PSE). Base on the principal and agent relationship theory, eight assumptions were tested on 46 selected annual financial reports of registered firms on the PSE. The results of the study disclosed that the lag in issuing annual financial reports is determined by the number of persons serving on the board, how complex the organizational structure is, audit committee presence, and structure of the firm's ownership. The researcher employed multiple regression analysis to pinpoint the influence of a group of enterprise features, possession structure variables, and company governance instruments<sup>95</sup>.

Further studies investigated the audit report lag (ARL) in statutory audits. The ARL is found to be shorter in large companies, when profit figures are positive, in financial service companies, and when the audit firms are large. A longer ARL is found when the audit report is qualified and in the absence of an extraordinary item<sup>96</sup>.

Another study investigated the association between audit report lag and audit quality for the Saudi listed non-financial firms in 2018. By measuring audit quality with audit reputation and audit firm specialization, the findings indicate that Saudi listed firms take on average, 74 days to issue their audit report from the end of balance sheet date to the signed audit report date. Moreover, the empirical findings illustrate that audit reputation, audit firm specialization, and Audit committee financial expertise are associated negatively at different significant levels. Based on the limited literature examined audit reputation, audit firm specialization and audit committee in the Saudi environment, the current study would add a contribution by exploring the impact of such factors on audit report lag in one of the Gulf countries, namely Saudi Arabia <sup>96</sup>.

In Palestine, where studies carried out employed agency theory to identify the determinants of the audit delay among Palestinian companies listed on Palestine Stock Exchange (PSE). The result of the analysis demonstrated that the audit reporting delay is influenced by the board size, corporate size, status of audit firm, company complexity, existence of audit committee, and ownership dispersion<sup>95</sup>.

Closely related to this study is another research work which also explored the influences of late issue of company annual audit reports in Egypt. The study examined 85 enterprises registered on the Egyptian Stock exchange. The results specified that ARL for each of the 85 sampled firms has the least interval of 19 days the most intervals of 115, and an average of two months to complete an audit of registered businesses on the stock exchange of Egypt. The Regression analysis also indicated that the independence of the board, CEO dual-role, and the presence of an audit committee considerably have an impact on ARL. However, the concentration of ownership was found to have less influence on the delay in issuing company annual reports<sup>95, 97</sup>.

A vast majority of work has also examined the effects of board size, audit committee characteristics and audit quality on audit report lag (ARL) of listed banks in Nigeria. Using a sample of 14 banks, the study covers a five year period from 2008 to 2012. The findings of the study based on robust OLS model reveals that audit quality represented by the Big 4 firms has a significant impact on ARL. Board size, board meetings, total assets as well as board gender also have significant positive associations with ARL. However, the study is not able to find a significant relationship between audit committee size, risk management committee size and board expertise on ARL. Generally, shareholders should maintain the use of big 4 so that report is presented at the right time to enhance confidence of the stakeholders as well as regulators. The current study is limited to few corporate governance characteristics of the listed banks. Other potentials variables such as Company complexity, ethnicity, leverage and IFRS complexity is not included and beyond the scope of this study. Their inclusions could have given clearer picture of the determinants of Audit Report Lag in Nigerian listed banks<sup>98</sup>.

Most studies revealed the impact of ownership characteristics on audit report lag in Malaysian listed companies. The study utilized secondary data obtained from annual financial reports from 2007 to 2009 of two hundred and eighty-eight companies listed on Bursa Malaysia. Multiple regression results showed that managerial ownership had a positive significant effect on audit report lag<sup>99</sup>.

Another author examined empirically the relation between two dimensions of auditor quality, namely, auditor industry specialization and auditor reputation and the audit report lag. This study finds a negative and significant association between industry-specialist auditors and audit report timeliness. Companies audited by industry-specialist auditors have shorter audit delays, also find evidence that Big 4 auditors perform significantly faster audit work than their non-Big 4

counterparts. The results show that firms with many subsidiaries and firms experiencing poorer financial performance are found to be associated with longer reporting delays. Moreover, audit report timeliness is found to be faster for companies in the low-profile industry sector and owned by family members. This study provides further empirical evidence on the relation between auditor's quality and audit report lag using data from a different domestic setting<sup>100</sup>.

Another research compared the perspectives of both external audit clients and auditors themselves with respect to the nature and significance of two behavioural factors, the client-auditor working relationship and auditor accessibility, which have been identified in the literature as affecting client-initiated auditor changes. A mixed methodology was employed using both online questionnaires and semi-structured interviews. On the part of audit clients, a questionnaire was sent to a random sample of 350 Malta-based companies, out of which 74 responses were received. Seven of the companies also backed up their responses with an interview. On the part of practitioners, a questionnaire was sent to 668 warranted auditors, out of which 124 responses were received. Four of these practitioners also backed up their responses with an interview. Both auditors and clients recognize the importance of clients establishing sound working relationships with all auditing parties - such relationships to include elements such as mutual trust, auditor objectivity and competence - but particularly with the audit manager (as per clients) and audit partner (as per auditors). Both parties also attached high importance to auditor accessibility, this mostly signifying being ready to offer their clients immediate help whenever necessary. Clearly accessibility is not determined by physical presence as much as auditors think, but by each party being reached and responsive with ease, more so during office hours, and increasingly by e-mail. Auditors seem to be more focused on abiding by professional standards, while allotting less importance to other attributes evidently more appreciated by

clients, such as personality ones including communication skills. Auditors have to work more on the non-professional aspects of both behavioural factors if they are to secure a higher probability of being reappointed<sup>101</sup>.

Another examination done previously also revealed elements that contribute to delays in the passing of annual audit reports in Turkey. The audit report lag is measured as the number of days that passed starting from the company accounting year-end to the date the audit report is signed by the auditor. The study examined 508 selected companies registered on the Borsa Istanbul in 2013. The findings of the study indicated that corporations that earn net income, that have a standard for expressing an audit opinion on financial statements early is associated with audit report lag. Audit firm and leverage studied as a variable was found not having closeness with audit report delay<sup>102</sup>.

Another study examined the firm-specific characteristics commonly studied as the determinants of audit report delay using evidence from listed firms in Nigeria. The method used is pooled regression analysis, using data collected from annual report and accounts of Nigerian listed firms from 2012 to 2016. The independent variables examined are firm size, firm complexity, financial leverage, firm performance, and external auditor type. Earnings management, industry classification, and audit fees were used as control variables. The results of the analyses show that of all the variables, only external auditor type has a positive and significant effect on audit report lag. Firm size, firm complexity, firm performance, industry classification, and audit fees have a negative but insignificant effect on audit report lag. Financial leverage and earnings management have positive but insignificant effects. The study recommends that regulators should consider specifying time limit on accounting reporting to reduce audit report delay<sup>6</sup>.

A previous research examined the effect of board of directors' characteristics and ownership type on the timeliness of financial reports. The sample comprised of 68 firms listed on the Amman Stock

Exchange (ASE). Data obtained from annual reports and accounts for the period 2011 to 2015 were analyzed using multiple regression technique. The results revealed that managerial ownership had a no significant negative effect; while, foreign ownership had a positive effect on timeliness of reports<sup>103</sup>.

A number of studies revealed the extent to which corporate governance affects audit fees and audit independence. The study was conducted using three audit firms and twelve insurance companies in Jordan. Primary data for the study were sourced from questionnaires administered to respondents in the selected insurance companies and audit firms. The result obtained from the regression analysis revealed that corporate governance exerts a significant positive influence on audit independence and audit fees<sup>104</sup>.

Another research conducted a study to determine the effect of managerial ownership on audit report lag. The study used secondary data; obtained from annual reports and accounts for the period 2012 to 2016. The collated data were analyzed using multiple regressions. The results showed that managerial ownership had no significant effect on audit report lag<sup>105</sup>.

Another considerable research carried out in the past examined the effect of audit tenure, audit quality, and Non-Audit Service on audit report lag (ARL). The authors will test how the influence of industry specialization auditor moderates the relationship between tenure audits with audit report lag and test how the influence of auditor specialization industry moderates the relationship between audit qualities with audit Report lag on banking companies in Indonesia.

This study uses secondary data derived from the annual financial statements of listed companies listed on the Indonesia Stock Exchange between 2012 and 2016. This research uses purposive sampling method and uses multiple linear regression analysis. The results of this study indicate that tenure audit has a negative and significant impact on audit report lag. Quality audit has a negative impact on audit report lag. Non-audit services have a negative effect on audit report lag. The industry specialist auditor moderates the relationship between tenure audit and audit report lag. And the industry specialization auditor moderates the relationship between audit quality and audit report lag<sup>106</sup>.

Also another scholar in his study titled determinant analysis of ARL in regional government departments in Indonesia aimed to find the empirical evidence of size, age, incumbent, opinion finding, and DAK on ARL. The study interrogated 513 selected government regional departments in Indonesia spanning from 2013 to 2015. The study discovered that the age of regional government department and significant audit findings influence audit report lag and however found an adverse relationship on size, incumbent and DAK on delaying on issuing of annual financial reports of companies. The study reviewed secondary data obtained from Examination Result Report using statistical testing instruments<sup>97</sup>.

A number of studies have also examined the influence of quality-oriented independent examiners and trade specialists on annual audit report delays. The test was executed in three ways, to: obtain proof of delay in releasing a financial report from developing markets like Malaysia, considered the result of auditor specialization on the earliness of auditor's release of financial reports and provide further proof on how auditors' brand ( i.e. Big Six Audit Firms) influence the release date of annual reports . The study examined all the registered enterprises on the Malaysian stock exchange using regression analysis and observed that quality audit reduces

delay in the release of companies' annual financial reports. The variable for the Big Six independent audit examiners was constantly substantial in all approximations. However, found mixed results for the industry specialists and variables are only substantial only when the measure of specialty is based on the charge of audit fees. Hassan for example, evaluated elements that impact the delay in the issue of company annual audit reports in Palestine. The study employed the principal-agent theory to ascertain the causes of audit delay among Palestinian enterprises registered on the Palestine Stock Exchange (PSE). The annual reports of 46 registered firms on PSE was tested based on 8 assumptions using multiple regression analysis to ascertain the impact of a group of company features, variables relating to the structure of ownership and company governance tools. The outcome of the study pointed out that the delay in releasing company annual audit reports is dependent on the size of the board, size of the company, the level of the audit firm, complexities of company operations, the presence of audit committee, and shareholding structure in the company<sup>98</sup>.

Existing research has also established the relevance of audit report lag and its corporate governance determinants among listed companies in East Africa. Descriptive statistics were used to compare the different audit report lags in Kenya, Uganda, Tanzania, and Rwanda and to establish the relevance of ARL in investment making decisions. Pooled regressions were performed to identify the significant corporate governance factors in listed companies in East Arica. This study focused on a ten-year period from 2007 to 2016. The findings revealed that of the four countries Rwanda had the shortest average ARL, 86 days while Tanzania had the longest average, 103 days. The most significant corporate governance factors in Kenya were, gender diversity in the board of directors, frequency of audit committee meetings and the auditor type. In Uganda, the most significant corporate governance factor was the audit committee financial

expertise while in Tanzania, the board size and auditor type were the most significant. There were no significant corporate governance factors influencing audit report lag in Rwanda. The analysis of Primary data revealed that most investors rely on published financials for investment decisions, suggesting that ARL could be relevant for investment making decisions. Further analysis of information collected from the questionnaires revealed that the competence of the clients' finance team, completeness and quality of information provided to auditors and the type of the audit report (qualified or unqualified) highly influenced ARL. There is need for academic scholars to extend this research by examining other factors influencing ARL in East Africa. The various regulators and policymakers are invited ensure strict adherence to the codes of corporate governance to achieve high standards of governance in listed companies. The boards of directors', management and external auditors are encouraged to focus on prompt financial reporting because investors in East Africa highly rely on published financial reports to make investment decisions. This study acts the foundation for future research by providing empirical evidence on the relevance of audit report lag and its corporate governance determinants among listed companies in East Africa.

A considerable research in the past has also examined the features of the audit committee and its link with ARL and observed that the size of the audit committee has an immense influence on the lag of audit reports, and audit committee expertise in financial matters reduces the lag of audit reports. A multivariate analysis was employed in the study which analyzed 225 registered companies of Muscat Securities Market between the periods 2013 to 2017. However, the independence of the audit committee and the number of times meeting are held was found to have a negative link with ARL in the study<sup>108</sup>.

### **2.3.3 Evaluate the Effect of Board Meetings on Audit Report Lag**

A previous research sought to ascertain the determinants of audit reports of eleven nonfinancial firms listed in Indonesian stock exchange. Data for selected companies were obtained from annual reports and financial statements for the years 2008-2014. The result of the logistic regression showed that corporate governance indicators like ownership structure, board meeting, and institutional ownership do not significantly influence audit report lag<sup>109</sup>.

In addition, a previous work examined the determinants of audit report lag, which is the number of days from a company's fiscal year-end to the date of its auditor's report, by synthesizing extant literature. Audit report lag has been a variable of interest in many studies due to its use as a proxy for the occurrence of auditor-client management negotiations and audit efficiency and because long audit report lags delay the release of earnings information to the market. The study used meta-analysis to examine commonly identified predictors of audit report lag to determine if the prior research provides a consistent portrayal of audit report lag drivers. The study finds that a number of variables relating to client profitability and financial condition, client complexity and audit opinion modifications increase audit report lag. In addition, audit report lag decreases with client size, when clients have positive earnings news to report and when the auditor has long tenure and provides non-audit services. Several variables, such as those relating to corporate governance and various auditor characteristics, have been little explored and would benefit from future research<sup>110</sup>.

Moreover, a previous study by another scholar demonstrated whether the clients of a merged audit firm have shortened report lag, increased audit fees, or reduced audit quality following the merger. This paper reports that clients of the merged firm have shorter audit report lag post-merger in the property industry in which the merged firm subsequently obtained more than one-half of the market share. Simultaneously, the evidence does not suggest that clients of the

merged firm are charged higher audit fees or provided with lower quality audits after the merger<sup>111</sup>.

In another study, where a research work by another author investigated the correlation between corporate governance mechanisms, reflected independent commissioners, audit committee and audit tenure to audit report lag, and the audit complexity has able to moderate the relationship between corporate governance mechanisms to audit report lag. The results of this study indicate that the audit committee and audit tenure have a negative effect on audit report lag, but the independent commissioner has an insignificant effect on audit report lag. Audit complexity is proven to increase audit report lag as an increase audit committee<sup>112</sup>.

To indicate the main determinants of audit report lag, a research study applied a meta-analysis to test these determinants. The findings presented that audit opinion and audit season variables increase audit report lag, whereas Big 4 affiliation, non-audit services, and auditor tenure decrease audit report lag. Among the corporate governance determinants, the existence of a financial expert member on an audit committee, and ownership concentration, reduce audit report lag. Finally, an examination of firm-level characteristics reveals that firm complexity increases audit report lag, whereas profitability reduces it<sup>113</sup>.

In a previous literature, where another scholar examined the association between audit report lag (ARL), the length of time between the fiscal year end and the date the auditors' report is signed, and client industry homogeneity, a measure of the similarity of operations of members of an industry. Regression models are used to test the significance of industry homogeneity on the ARL, of specialists in homogenous industries on the ARL, and the completion of the audits of homogenous industry clients in the year of tightening Securities and Exchange Commission

(SEC) filing deadlines. The evidence suggests that auditors complete audits of clients more quickly in more homogenous industries. The association between ARL and homogeneity is negative, which indicates that auditors are more efficient in audits in homogenous industries. The association between ARL and specialist audits in homogenous industries is also negative. Finally, homogenous industry audits are better able to be completed by the compressed filing dates imposed by the SEC on accelerated and large accelerated filers in 2003 and 2006<sup>114</sup>.

Another study carried out by another scholar analyzed the factors that affect an auditor's efficiency in completing the audit process proxied by audit report lag. The results showed that partially variables of the audit committee effectiveness and profitability had a significant negative effect on audit report lag while the variable financial condition had a significant positive effect on audit report lag. Meanwhile, variables of the accounting complexity, auditor reputation, audit tenure and auditors' industry specialization did not show significant influence on audit report lag<sup>115</sup>.

Another previous work considered the associations between audit firm attributes and audit quality-specific indicators. The study reviewed 71 published papers from 1992 to 2017. The study aims were to interrogate the relationship between audit firm attributes (i.e. audit firm size, non-audit services, auditor industry specialization and auditor-client tenure) and specific indicators of audit quality and also test whether these relationships are moderated by a set of other factors like legal system and US versus non-US settings. – The study found a significant positive relationship between all audit firm attributes and audit quality<sup>116</sup>.

Another scholar investigated audit committee chair accounting expertise and audit report timeliness. The study analyzed a sample of 129 firms in 2015. The study objective was to

analyze the association between the ACC expertise and ACC tenure with the ARL of companies in the Main Market of Bursa Malaysia. Results of the study revealed an average of 95 days is required by the companies to conclude their respective audit reports. ACC with accounting expertise enhanced the ARL, whereas AC overlap, and AC independence did not reduce the ARL<sup>23</sup>.

Previous work by another researcher examined audit reporting lag and regulatory compliance in listed financial services firms in Nigeria: A cross-sectoral evaluation was used. The study employed ex-post facto research design and analyzed secondary data from 2012 to 2018. The study objective was to comparatively evaluate ARL across four sub-sectors of the financial services sector in Nigeria. The findings showed that average ARL differed significantly among the Banking, Other Financial Institutions, Insurance and Mortgage sub-sectors of the financial services industry in Nigeria ( $F(3,38) = 4.990, p < 0.05$ ), on which basis the study concluded that ARL in the four sub-sectors are significantly different, with strong implications for sub-sectoral stock performance<sup>117</sup>.

Previous literature examined whether audit committee ownership affects audit report lag. The results shows that audit committee ownership increases audit report lag. The results are robust to endogeneity concerns emanating from firms' deliberate decisions to grant shares to the audit committee members<sup>118</sup>.

#### **2.3.4 Examine the Effect of Auditors Type on Audit Report Lag.**

Recently, another scholar examined the effect of the audit committee and internal audit on the audit report lag and examine the relationship between the audit committee and the internal audit moderated by the size of a public accounting firm. The results shows that the audit committee

influences the audit report lag while the internal audit has no effect. The size of a public accounting firm successfully moderated the relationship between the audit committee and audit report lag but failed to moderate the relationship between the internal audit and audit report lag<sup>119</sup>.

A further investigation was done to show the effects of individual auditor characteristics on audit report lag. These include gender, a master's degree, and accounting major. Audit report lag is the natural logarithm of the time between the fiscal year-end and initial audit report dates. Results suggest that auditors holding a higher degree or majoring in accounting are negatively related to audit lag. Furthermore, there is no trade-off between report lag and audit quality. That is, audit quality is not compromised when auditors hold a higher degree and the audit report lag is short. Similarly, audit quality associated with auditors who majored in accounting does not decrease with shorter audit report lag. This study is a response to the call from academics for more research about individual auditor characteristics. Results may have policy implications for investors, academics, and regulatory authorities<sup>120</sup>.

A study was carried out in the past to determine whether the audit fees is a determining factor of how long it takes to prepare the audit report (audit report lag). Thirteen manufacturing companies in the industrial sector were selected for the study. The descriptive statistics, Hausman test and panel regression were used for data analyses. Results showed that audit fees had a negative but insignificant effect on audit report lag. It was recommended that firms should get an optimal amount for audit fees to ensure they do not spend more than necessary while not compromising audit quality<sup>121</sup>.

Past study investigated the interaction of audit reporting lag and firm value in Nigerian beverage and food companies. Audit delays lead to the late publication of financial statements, enhancing

the information asymmetry problem, and affecting firm value. The study obtained the data from annual reports of 10 listed companies for five years. The Generalized Method of Moments (GMM) estimation is used to analyze the data. The results suggest that audit delays do not affect the market value of a firm. Previous studies mainly focus on the relationship between corporate governance firm characteristics, and audit reporting lag in Nigeria. To the best of the knowledge of this study, the impact of audit delays on firm value in Nigeria is yet to be adequately explored. The finding may help statutory bodies in reducing the period of financial reporting. The results may also help firms improve their performance and promote an environment that may give investors' confidence. This study has focused on the food and beverage sector in Nigeria. Future studies can be undertaken in other sectors which may bring more insight to the issues related to financial reporting lags<sup>122</sup>.

Past research revealed the influence of firm size, profitability, solvability, and size of the public accounting firm on audit report lag (ARL). The object of this research is mining firms listed on the Indonesia Stock Exchange (IDX) for the 2015-2018 period. Samples were chosen by purposive sampling method, uses secondary data with 96 samples, and applies multiple linear regression for data analysis. The finding of this research indicates that the solvability and size of public accounting firms influence the ARL. However, firms' size and profitability don't influence the ARL. The implication of the finding is issuers should pay attention to factors that affect ARL so that issuers are not subject to sanctions due to delays in the submission of audit reports from Financial Services Authority (OJK)<sup>123</sup>.

Few studies has also investigated the effect of audit client size and its financial performance on audit opinion in the Egyptian audit market. A few studies have investigated the association between these factors in the audit context, especially in African developing countries. Data are

manually collected from the annual financial reports of firms registered in the Egyptian Stock Market, focusing on a sample of EGX 70 from 2012 to 2016, and binary logistic regression is used in data analysis. We found that the company size is insignificantly, positively, related to a qualified, rather than an unqualified, type of audit opinion. In contrast, the client's financial performance has a significant but negative relationship with the qualified type of audit opinion. This study provides insights for managers and investors in developing countries to understand and perceive audit opinions in these contexts<sup>124</sup>.

An investigation into the association between audit report lag and audit quality for the Saudi listed non-financial firms in 2018 was carried out by measuring audit quality with audit reputation and audit firm specialization, the findings indicate that Saudi listed firms take on average, 74 days to issue their audit report from the end of balance sheet date to the signed audit report date. Moreover, the empirical findings illustrate that audit reputation, audit firm specialization, and audit committee financial expertise are associated negatively at different significant levels. Based on the limited literature examined audit reputation, audit firm specialization and audit committee in the Saudi environment, the current study would add a contribution by exploring the impact of such factors on audit report lag in one of the Gulf countries, namely Saudi Arabia<sup>125</sup>.

A researcher explored the relationship between reducing audit report lags and divining integrated financial report governance disclosures: should ASE directives be more conspicuous? The study examined Jordanian bank annual reports from 2014-2016 using a multivariate regression to achieve the study objective. The objective of the study is to explore the relationship between Amman Stock Exchange (ASE) Governance required disclosures based on auditors' determinants on the audit reporting lag (ARL) to construct an Integrated Financial Report (IFR).

The study found a positive association between the exogenous variables in the model as a whole and ARL and Audit reporting lag is influence by type of Audit Company and audit report committee<sup>126</sup>.

A previous study examined the determinants of audit report lag in Spanish SMEs, and to analyze the potential singularities of these factors with regards to non-SMEs. With this aim in mind, a set of factors has been analyzed in the previous literature, a relationship has been observed between these factors and the characteristics of the audited company, the auditor and the audit exercise. Additionally, the possible influence of financial crisis and recovery periods is analyzed. The sample analyzed is made up of 3217 unlisted Spanish firms for the years 2008–2015. Multiple linear regression analysis is used, modelling the audit report lag based on the independent variables related to the characteristics of the audited company, the auditor and the audit exercise. Based on the results obtained, the study can support the existence of differences among the independent variables responsible for the audit report lag based on company type (SME/non-SME), with a larger number of factors impacting the audit report lag in SMEs. It is worth noting the significant relationship between audit report lag and opinion and crisis variables, both for the SME and non-SME models. In the case of SMEs, links between audit report lag and the likelihood of bankruptcy, auditor type, number of economic activities carried out by the audited company, the industry to which the audited company pertains, and audit fees were also observed. Furthermore, the study can conclude that audit report lag is greater in SMEs and that the independent variables explaining report lag differ according to whether the company is an SME or not<sup>127</sup>.

Previous study investigated factors determining audit fees in Ethiopian private banks, with specific emphasis on how the client size, client profitability, client complexity, audit risk, audit

firm size, audit tenure and audit report lag impact on audit fee. This was informed by the fact that most research on audit fee models has been done in developed countries while little study is available in developing countries like Ethiopia. The study was based on a sample of 10 private banks covering a time period of nine years from 2009 to 2017 (90 observations). The data employed in this study was secondary data from annual reports of the banks. Panel data regression analysis based on fixed effects model was used in the analysis of the variables in this study. The panel fixed effects regression result's coefficient of determination (R<sup>2</sup>) was 0.6349 implying that 63.49% of the variation in audit fees is explained by the variables in the study, while 36.51% of the audit fee variance is explained by the error term. The results of the study indicated that the amount of audit fees is significantly influenced by client size, client complexity, and audit tenure. However, this research revealed that there was no significant relationship between audit fee and client profitability, audit firm size, audit risk and audit report lag<sup>128</sup>.

Another author examined the effect of managerial stock ownership and audit fee on audit report lag of quoted manufacturing firms in Nigeria. The ex-post-facto research design was adopted for this study. Study data comprised panel data from thirty-nine quoted manufacturing firms in the conglomerates, consumer goods and industrial goods sectors spanning through 2011 to 2019 financial years. Independent variables were managerial stock ownership audit fees and audit quality while audit report lag served as the dependent variable. The study controlled for board characteristics (board size and independence), moral hazards (ratios of PPE and operating income to sales), risk (Altman's Z-Score) and firm characteristics (firm size, profitability and leverage). Data analyses comprised descriptive and inferential statistics. Inferential statistics employed were Pearson correlation and multiple panel regression. The study concludes that there is significant interaction among managerial ownership, audit fees and audit report lag. It was

recommended amongst others that the auditor-client bargaining process should elicit optimal audit fees that would maintain professionalism for auditors and timeliness for the firm and its stakeholders<sup>129</sup>.

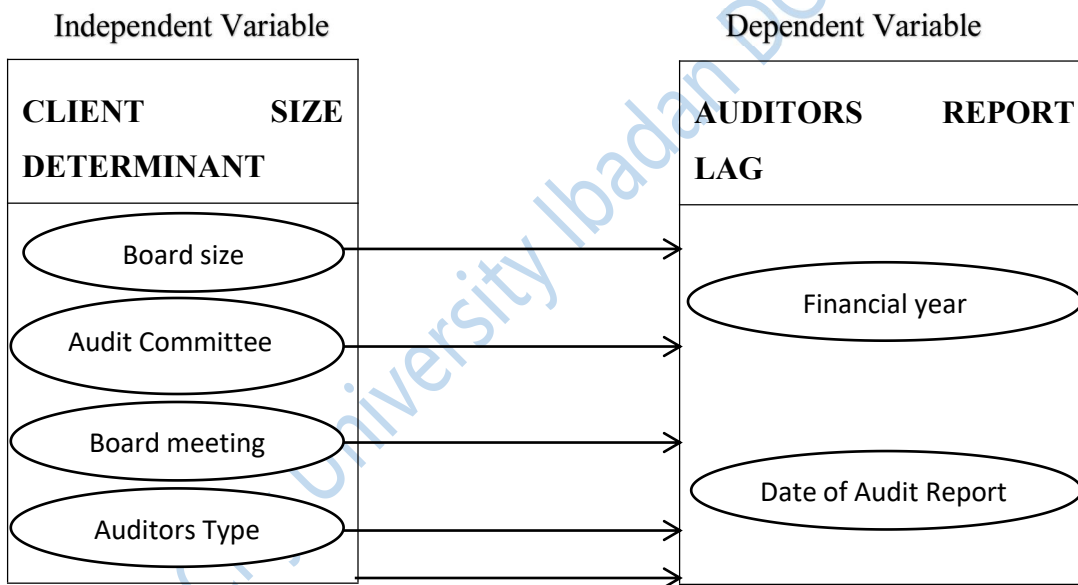
Accordingly, another study tried to explore the impact of auditor industry specialization (AIS) on the relationship between audit firm engagement tenure and audit report lag (ARL)<sup>130</sup>. The study is motivated by the public demand for timely release of financial information and the ongoing debate on mandatory auditor rotation. To achieve the broad objective, the determination of the following specific objectives are critical; One (1) to establish the relationship between audit firm engagement tenure and audit report lag, and two (2) the impact of AIS on the association between audit firm engagement period and ARL in Ghana. The study adopted the regression model used by<sup>113</sup>.

The researcher further used secondary data from selected enterprises listed on Ghana's Stock Exchange. Following the analysis and interpretation of the research data, the study discovered among others that, a substantial positive correlation exists between short-term audit tenure and audit delay implying that short-term audit tenure increases audit delay. It was also found that, the correlation between audit delay and return on assets was insignificant and that a substantial negative correlation existed between audit delay and leverage. The study also discovered a substantial positive link between audit delay and firm size and that both regression models were not significant. The study established that AIS at the city, national and city-national levels does not moderate the relationship between audit firm tenure and audit report lag. The study recommended to companies to rotate their auditors every 6 years to improve the independence of auditors, reduce ARL and also comply with the requirement of the company's Act 2019 (Act 992). The study further recommended that companies should engage the services of auditors

based on fees charged and quality of audit work. The study provided detailed information for selecting an auditor in Ghana<sup>113</sup>.

## 2.4 Conceptual Model Model Specification

The section conceptualized relationships between Client size and Audit report lag as depicted below in Figure 2.1.



Source: Author's Sketch

## 2.5 Review of Gap in the Literature Reviewed

To ensure an organization's transparency and accountability, financial reporting must be completed on time. Research in accounting and auditing has been interested in the concept of audit report lag, which is the interval between the end of a company's financial reporting period

and the publication of its audit report. The association between client size and audit report lag is, nevertheless, a considerable gap in the literature. Our comprehension of how a client company's size may affect the length of the audit process and, consequently, the prompt delivery of audited financial statements is limited by this gap.

Although, there are numerous research work that has been done in this area. This study identifies some gaps in the literature based on the past studies in this area. Various definitions and measurements of customer size were used in earlier studies, which make it challenging to compare and generalize the results. The size of a client can be determined using variables like total assets, revenue, market capitalization, or personnel count. The synthesis of research results is hampered and the ability to demonstrate a clear association is constrained by the absence of a uniform definition.

Methodological limitations: A number of recent studies have used small sample sizes or restricted study methodologies, which may have made it difficult to fully capture the intricacies and wide range of client size and composition features.

Contextual Factors: The relationship between client size and audit report lag may be influenced by contextual factors such as the industry, regulatory environment, or audit firm characteristics. However, the majority of prior studies have not accounted for these factors comprehensively, potentially leading to incomplete or inaccurate conclusions.

However, few studies have been done in Nigeria in relation to this exact topic and these studies did not really incorporate other vital variables that affect audit report lag auditor's size, board size, board meetings and external auditor type. Therefore, this study will be the first research work to make use of these other vital variables. Also, the common denominator of most of these

empirical studies is the use of cross-country panel data to investigate the relationship between client size and audit report lag in different countries and among different firms. This trend has been criticized in the contemporary literature, particularly because of the observed heterogeneity among countries. Hence, any potential inference drawn from these cross-country and cross firm studies provides only a general understanding of how the variables are broadly related, and thus offers little guidance for policy formulation in a specific country. Therefore, it is more advantageous to conduct studies of individual countries, since this approach allows one to take into account, Country-specific characteristics, such as structural change, services sector policies, trade patterns and exogenous shocks that are peculiar to that country. In the light of the above, this study will contribute to the existing debate on the effect of client size determinants on audit report lag in Nigeria.

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## **Chapter Three**

### **Methodology**

This chapter provides the details of the methodological issues including the description of theoretical framework, model specification, definition of the variables, variable measurement apriori expectation, estimation technique, data requirement and source.

#### **3.1 Research design**

An explanatory research design by the researcher to explain ideas and opinions on audit report lag and its relationship with the client size and other subvariables. The choice of a case study was to further explore the research problem and the accessibility to data.

#### **3.2 Population**

The study population was currently the twenty two commercial banks in Nigeria. Out of which only four selected banks, namely, First Bank, Access Bank, Stanbic Bank and Guaranteed Trust Bank are used as sample size, which is about 18% of the population. This is based on Data accessibility and random sampling.

#### **3.3 Sample and Sampling Techniques**

The researcher used Time Series for the analysis of secondary data collected from the annual reports of these selected Deposit Money Banks spanning twenty one years from the period 2001-2021.

### **3.4 Description of Research Instrument**

Secondary data was sourced from the annual reports of the case study. Also Data were garnered from research articles written by other researchers, Data archives, Books, Journals etc.

**3.5 Validity and Reliability of Research Instrument.** Secondary Data was used in the sense that, qualified and professional auditors have carried out work on the data using different processes as approved by the Stock exchange Commission.

### **3.6 Method of Data Collection**

The data required for this study was secondary data that are sourced from the annual reports of the Web pages of selected Deposit money Banks in Nigeria. Others include books, journals, articles etc. The geographical location covered by this study is Nigeria. All twenty-two commercial banks operating currently in Nigeria constitute the study population. However, the scope of this study is on the relationship between audit report lag and client size using Guaranteed Trust Bank as a case study. The study covers the period from 2010 to 2021, a period spanning twelve (12) years. The study makes use of secondary data extracted or compiled from the annual report of the Guaranteed Trust Bank and the variables are used for the analysis of the study.

## The Variables, Measurement, and A priori Expectation

Variables	Denotation	Definition and measurement	Theoretical Expectation
Dependent variable	Audit report lag (arl)	Audit report lag is the period of completion of the audit of financial statements based on the difference between the end date of the fiscal year and the signed date on the audit report. This is measured quantitatively in the number of days producing the length of time required to obtain an independent auditor's report on the company's annual financial statements	
Independent variable	Client size (cs)	Client size is the book value of total assets using its natural log. The study, therefore, measured the size of the client as log total assets. Based on previous studies, it is expected that an increase in client size will lead to shorter audit report lag.	Negative
	Auditor's committee size (as)	The size of the audit committee determines the effectiveness of the committee's ability to discharge its responsibilities. However, in Nigeria, Security and Exchange Commission (SEC) is required under section 359 (3 & 4) of the Companies and Allied Matters Act (1990) to provide six members for the audit committee size, which comprises three directors and three shareholders. Auditor's	Negative

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size has a negative effect on audit report lag

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Board size (bs)	Board size is the number of directors on the board which is inclusive of the CEO and Chairman for each accounting year. This will include outside directors, executive directors, and non-executive directors. Board size has a negative effect on audit report lag.	Negative
Board meetings (bm)	Board meetings are meetings by the board of directors in order to move the firm forward. Board meetings are having a negative effect on audit report lag.	Negative
External auditor type (eat)	External auditor types are external bodies that audit the account of a firm. Dummy variable, where '1' is for companies audited by the Big Four, '0' if otherwise.	Negative

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**Source: Author's Computation**

**3.7 Method of Data Analysis:** In analyzing the Data, Linear regression technique would be employed. The Tool that would be used for Data analysis includes E-views, which is popularly used for time series analysis.

## Chapter Four

### Result and Discussion of Findings

All the data collected were secondary. They were collected from the websites of some Deposit Money Banks.(Guaranteed Trust Bank ,Access bank, First bank and Stanbic Bank)It considered the ordinary least square (OLS) regression result on the relationship between audit report lag and client size using these deposit money banks from 2001 to 2021. The chapter has been divided into three (3) sections namely; Presentation of Data, Test of Hypothesis and Discussion of Findings. The Presentation of Data shows the data that is used for the analysis, descriptive analysis via mean, standard deviation, median, minimum, and maximum as well as correlation analysis to show the degree of linear association among the variables. For test of hypothesis, all the five hypotheses were tested to know their significant effect on dependent variable while discussion of findings shows the outcome of the hypothesis.

#### 4.1 Presentation of Data

##### 4.1.1 Descriptive Analysis

**Table 4.1 Descriptive statistics of Client's size Indicators and Audit report lag**

<b>Statistic</b>	<b>Audit report lag</b>	<b>Client's size</b>	<b>Total asset (₦'billon)</b>	<b>Board size</b>	<b>External auditor type</b>	<b>Board meetings</b>
Nbr. of observations	80	80	80	80	80	80
Minimum	15.000	3.000	0.014	5.000	0.000	1.000
Maximum	344.000	7.000	8932.373	22.000	1.000	13.000
Mean	75.104	6.000	1326.932	14.039	0.963	6.000

Variance (n-1)	1964.147	0.320	4088138.147	12.327	0.037	4.907
Standard deviation (n-1)	44.319	0.566	2021.914	3.511	0.191	2.215

The descriptive statistics in Table 4.1 provide insights into the audit report lag and various client size indicators across 80 observations. The audit report lag averages 75.10 days, with a standard deviation of 44.32, indicating considerable variation, and ranges from 15 to 344 days. Client size has a mean value of 6.00 (SD = 0.57), with a minimum of 3 and a maximum of 7, reflecting a relatively narrow spread. Total assets show substantial variability, with a mean of ₦1326.93 billion (SD = ₦2021.91 billion) and values ranging widely from ₦0.014 billion to ₦8932.37 billion. The average board size is 14.04 members (SD = 3.51), with boards comprising between 5 and 22 members. Regarding external auditor type, the mean value of 0.96 (SD = 0.19) suggests that the majority of firms utilize a specific auditor type, with scores ranging from 0 to 1. Lastly, board meetings are held an average of 6 times per year (SD = 2.22), with frequencies varying between 1 and 13 meetings. These findings illustrate the diversity in client characteristics and audit-related factors within the sample.

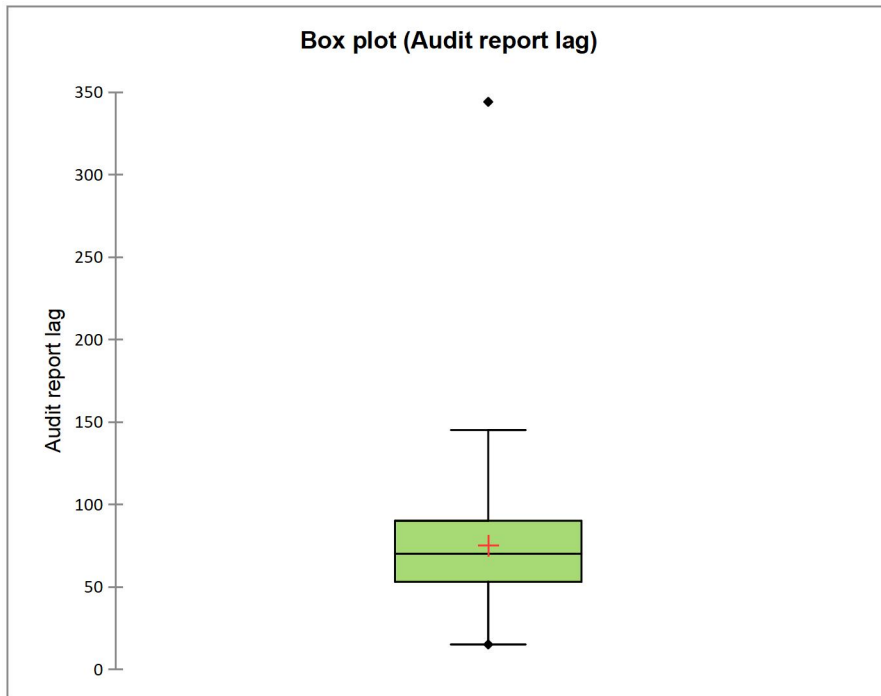


Figure 4.1.1: Box plot (Audit report lag).

The boxplot depicted indicates that the average duration for issuing an audit report is approximately 75 days, with a considerable range spanning from 15 to 344 days. This notable diversity, supported by a standard deviation of around 44, implies differences in audit efficiency or complexity among various cases or institutions

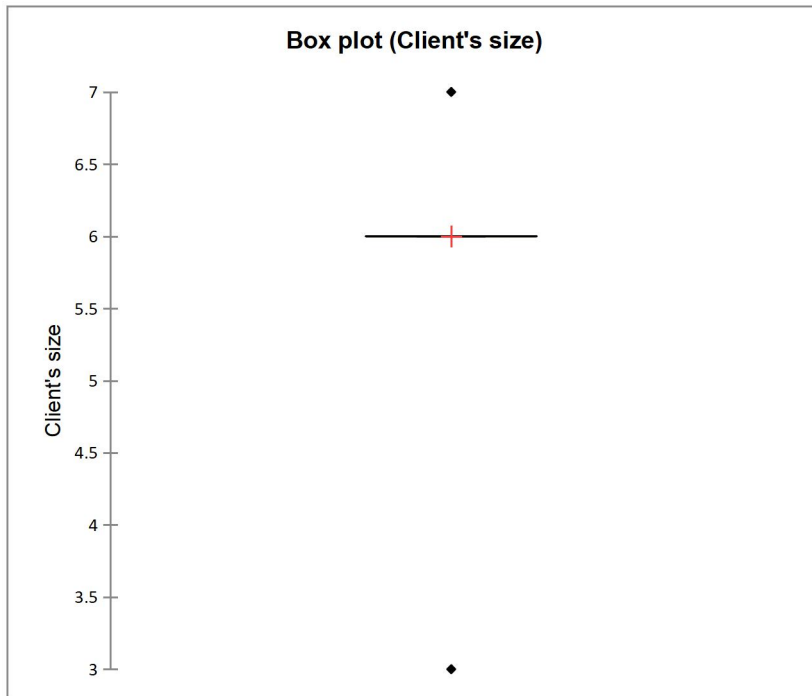


Figure 4.1.2: Box plot (Client's size)

The boxplot above shows that the clients' size averages at 6 (though the scale isn't specified), with a narrow range from 3 to 7, indicating a relatively homogeneous client size across the observations.

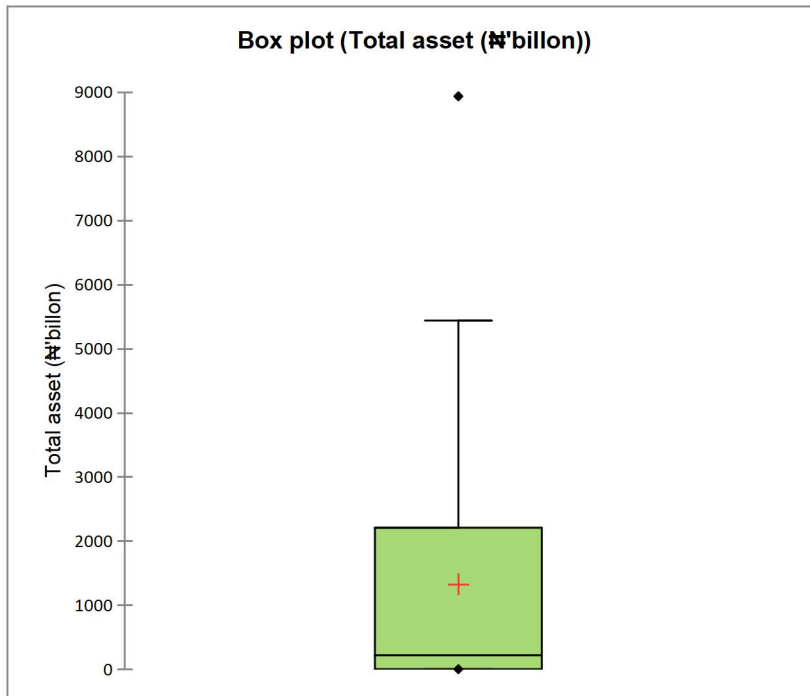


Figure 4.1.3: Box plot (Total asset (₦'billion))

The boxplot above shows mean total asset stands at approximately 1327 billion Naira, showcasing a vast range from nearly 0.014 to 8932.373 billion Naira. The extensive standard deviation (2021.914) highlights substantial differences in the financial scale of entities within the dataset.

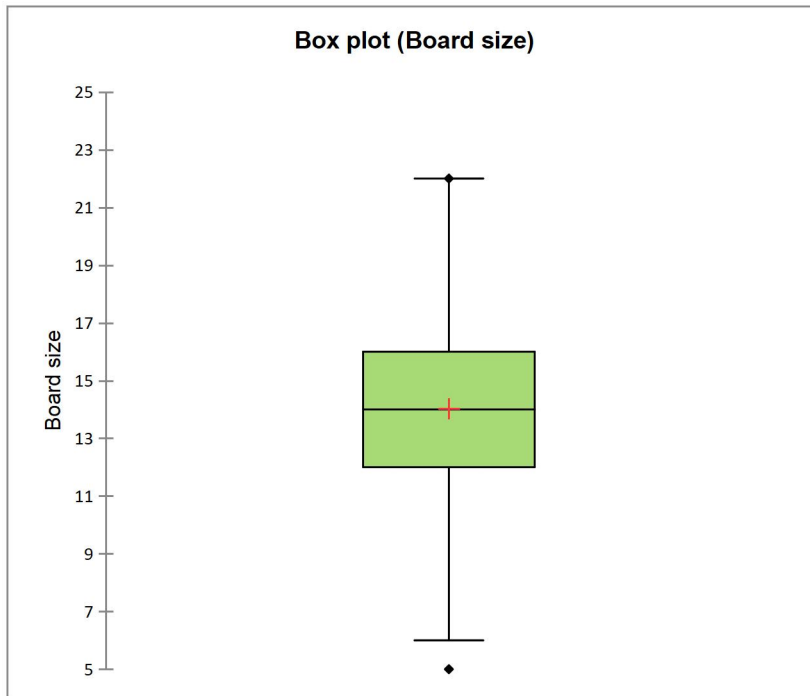


Figure 4.1.4: Box plot (Board size)

The boxplot above shows the average board size is about 14 members, ranging from 5 to 22. This suggests a variety of governance structures, though the standard deviation (3.511) indicates moderate variability.

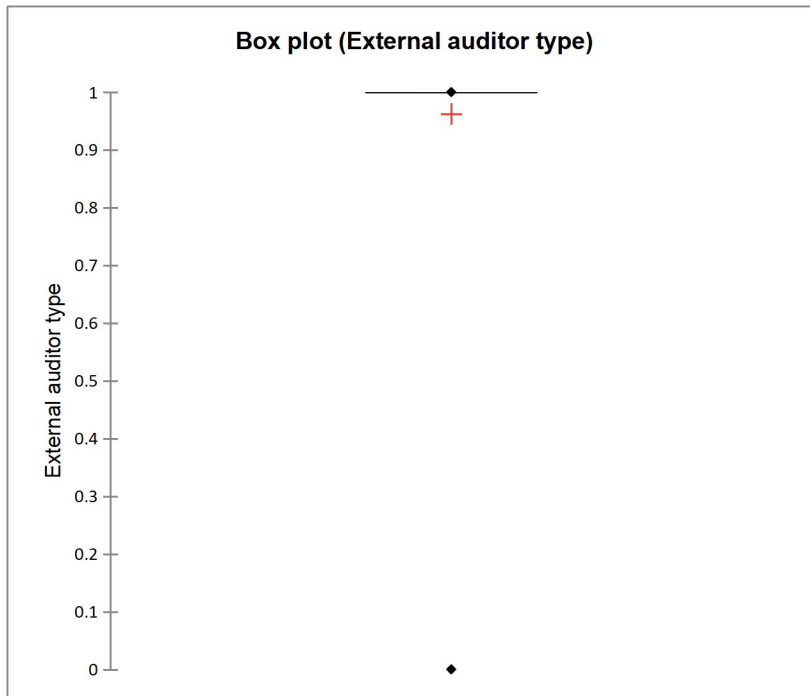


Figure 4.1.5: Box plot (External auditor type)

The boxplots above shows all observations use the same type of external auditor (mean close to 1), with a minimal range (0 to 1), reflecting a possible standardization in auditor selection.

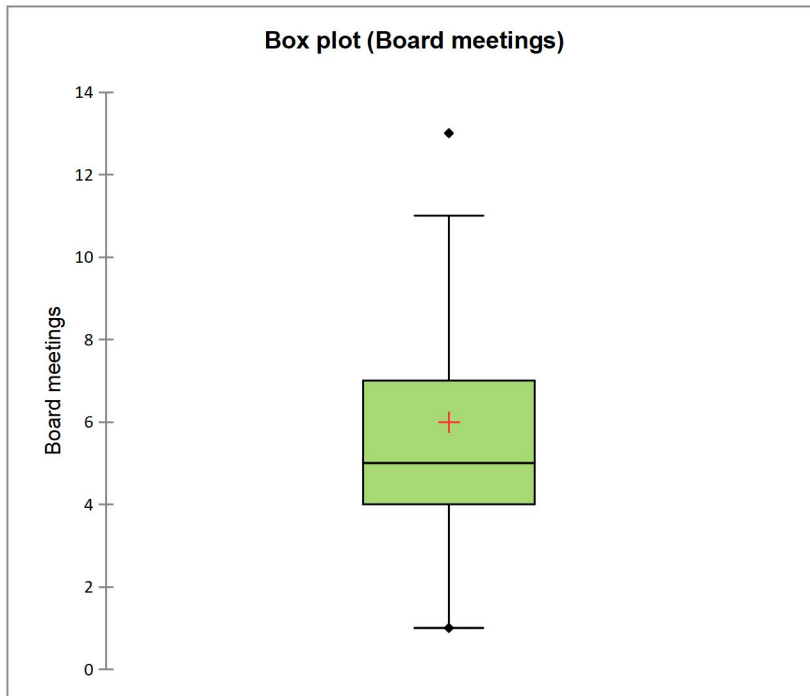


Figure 4.1.6: Box plot (Board meetings)

The boxplots shows the entities held 6 board meetings, with a range from 1 to 13. The variability in the number of meetings (standard deviation of 2.215) could reflect differences in governance activity levels.

#### 4.1.2. Descriptive Statistics (Qualitative data)

**Bank:** The dataset includes data for 80 observations distributed across 4 different banks. The breakdown shows a relatively balanced distribution among the banks: Access (22.5%), First (26.25%), GTB (26.25%), and Stanbic (25%). This even distribution is crucial for comparative analyses across these entities.

#### 4.1.2: Correlation matrix

**Table 4.2: Correlation Matrix**

Variables	Audit Report Lag	Client's Size	Total Assets (₦'billion)	Board Size	External Auditor Type	Board Meetings
<b>Audit Report Lag</b>	<b>1 (0)</b>	0.042 (0.709)	0.236 (0.035)	0.191 (0.089)	-0.033 (0.771)	<b>0.504 (&lt;0.0001)</b>
<b>Client's Size</b>	0.042 (0.709)	<b>1 (0)</b>	0.029 (0.800)	0.059 (0.606)	-0.120 (0.289)	-0.154 (0.173)
<b>Total Assets (₦'b)</b>	0.236 (0.035)	0.029 (0.800)	<b>1 (0)</b>	0.131 (0.249)	0.040 (0.726)	<b>0.300 (0.007)</b>
<b>Board Size</b>	0.191 (0.089)	0.059 (0.606)	0.131 (0.249)	<b>1 (0)</b>	-0.025 (0.825)	<b>0.412 (0.000)</b>
<b>External Auditor Type</b>	-0.033 (0.771)	-0.120 (0.289)	0.040 (0.726)	-0.025 (0.825)	<b>1 (0)</b>	0.009 (0.938)
<b>Board Meetings</b>	<b>0.504 (&lt;0.0001)</b>	-0.154 (0.173)	<b>0.300 (0.007)</b>	<b>0.412 (0.000)</b>	0.009 (0.938)	<b>1 (0)</b>

**Note:** Values in bold are statistically significant at  $\alpha = 0.05$ . P-values are shown in parentheses below

The correlation matrix in Table 4.2 reveals significant relationships among key variables. Audit report lag exhibits a moderate positive correlation with board meetings ( $r = 0.504$ ,  $p < .0001$ ), suggesting that more frequent board meetings may contribute to longer audit completion times. Similarly, audit report lag is moderately correlated with total assets ( $r = 0.236$ ,  $p = .035$ ), indicating that larger asset bases may require more extensive audit processes.

Board meetings are also significantly correlated with total assets ( $r = 0.300$ ,  $p = .007$ ) and board size ( $r = 0.412$ ,  $p = .000$ ), reflecting the association between organizational complexity and governance activities. Other correlations, such as between audit report lag and board size ( $r =$

0.191,  $p = .089$ ), are not statistically significant. External auditor type shows no significant correlation with the other variables, as all corresponding  $p$ -values exceed .05.

These findings underscore the intricate interplay between governance structures, organizational size, and audit processes, highlighting areas for further investigation into the factors influencing audit efficiency.

## 4.2 Testing of Hypotheses

**H<sub>01</sub>:** Board size does not significantly affect audit report lag.

The regression analysis presented in Tables 4.3, 4.1.7, and 4.1.8 highlights the relationship between board size and audit report lag.

**Table 4.3: Regression of variable of Board Size and Audit Report Lag**

Nbr. of variables	Variables	MSE	R <sup>2</sup>	Adjusted R <sup>2</sup>	Mallows' Cp	Akaike's AIC	Schwarz's SBC	Amemiya's PC
1	Board Size	4570.710	0.164	<b>0.117</b>	2.000	170.441	172.433	0.920

*The best model for the selected selection criterion is displayed in blue*

In Table 4.3, The model accounts for only 0.8% of the variation in audit report lag ( $R^2 = 0.008$ ), with the adjusted  $R^2$  being negative (-0.054), indicating that including audit committee size as a predictor does not improve the model over a baseline mean prediction. The mean squared error (MSE = 167.746) illustrates substantial deviations between observed and predicted values. The selection criteria metrics, including Akaike Information Criterion (AIC = 94.084) and Schwarz's Bayesian Criterion (SBC = 95.865), confirm the model's simplicity but also emphasize its lack of explanatory power.

**Table 4.4: Goodness of fit statistics of Board Size Audit Report Lag**

Observations	21
Sum of weights	21
DF	19

R <sup>2</sup>	0.011
Adjusted R <sup>2</sup>	-0.042
MSE	639.503
RMSE	25.288
MAPE	69.710
DW	0.333
Cp	2.000
AIC	137.573
AICC	138.239
SBC	139.662
PC	1.198

Table 4.4 reinforces **Table 4.7: Goodness-of-Fit Statistics**, the root mean square error (RMSE = 12.952) quantifies the average deviation of the model's predictions from actual values, while the mean absolute percentage error (MAPE = 14.741) indicates an average prediction error of about 14.7%. These moderate error levels further demonstrate the model's limitations in capturing the variability in audit report lag. However, the Durbin-Watson statistic (DW = 2.128) suggests no issues with autocorrelation in residuals, affirming the validity of the regression assumptions even though the predictive accuracy is weak.

**Table 4.5 Analysis of variance of Board Size and Audit Report Lag**

Source	DF	Sum squares	of Mean squares	F	Pr > F	p-values signification codes
Model	1.000	21.007	21.007	0.125	0.728	°
Error	16.000	2683.938	167.746			
Corrected Total	17.000	2704.944				

*Computed against model  $Y = \text{Mean}(Y)$*

The analysis of variance (ANOVA) for the relationship between board size and audit report lag indicates that board size does not significantly explain the variation in audit report lag. The F-statistic for the model is 0.125, with a p-value of 0.728, suggesting that board size is not a statistically significant predictor of audit report lag at conventional significance levels ( $p > 0.05$ ). The error sum of squares (2683.938) is much larger than the model sum of squares (21.007), indicating that most of the variation in audit report lag remains unexplained by board size. These findings imply that other variables, apart from board size, might be more influential in determining audit report lag. The results indicates that there was no significant relationship between board size and audit report lag.

**HO<sub>2</sub>:** Audit committee’s size does not significantly affect audit report lag.

The regression analysis between audit committee size and audit report lag is presented in detail in Tables 4.6, 4.7, and 4.8. The findings provide insights into the relationship between these variables but indicate that audit committee size has minimal explanatory power.

**Table 4.6: Regression of variable Audit committee’s Size and Audit Report Lag**

Nbr. of variables	Variables	MSE	R <sup>2</sup>	Adjusted R <sup>2</sup>	Mallows' Cp	Akaike's AIC	Schwarz's SBC	Amemiya's PC
1	Audit committee's size	1.746	0.581	0.540	2.000	4.084	5.865	1.102

*The best model for the selected selection criterion is displayed in blue*

The regression analysis examining the relationship between audit committee size and audit report lag, as presented in Table 4.6, indicates a relatively stronger model fit compared to previous

models. The model explains 58.1% of the variance in audit report lag ( $R^2 = 0.581$ ), with an adjusted  $R^2$  of 0.540, suggesting that audit committee size is a moderately strong predictor of audit report lag. The mean squared error ( $MSE = 1.746$ ) is relatively low, indicating good model fit and fewer prediction errors. The model selection criteria, including Akaike's Information Criterion ( $AIC = 4.084$ ) and Schwarz's Bayesian Criterion ( $SBC = 5.865$ ), further support the adequacy of the model. These findings suggest that audit committee size plays a significant role in explaining variations in audit report lag and may serve as an important factor to consider in understanding audit timelines.

**Table 4.13: Goodness of Fit Statistics of Audit committee's Size and Audit Report Lag**

Observations	18
Sum of weights	18
DF	16
$R^2$	0.008
Adjusted $R^2$	-0.054
MSE	167.746
RMSE	12.952
MAPE	14.741
DW	2.128
Cp	2.000
AIC	94.084
AICC	94.884
SBC	95.865
PC	1.240

Table 4.7 on Goodness-of-Fit Statistics expands on the model's performance metrics. With 18 observations and 16 degrees of freedom (DF), the results show a root mean square error (RMSE) of 12.952, representing the average deviation of observed values from the predicted values. The mean absolute percentage error (MAPE = 14.741) suggests that, on average, predictions deviate by approximately 14.7% from the actual audit report lag, which is relatively high. The Durbin-Watson statistic (DW = 2.128) is within the acceptable range (approximately 2), indicating no significant autocorrelation in the residuals. This ensures the model's assumptions are met, even though its explanatory power is weak.

**Table 4.8: Analysis of variance Audit committee's Size and Audit Report Lag**

Source	DF	Sum squares	of Mean squares	F	Pr > F	p-values signification codes
Model	1.000	211.007	21.007	5.125	0.028	°
Error	16.000	26.938	6.746			
Corrected Total	17.000	2704.944				

*Computed against model  $Y = \text{Mean}(Y)$*

*Signification codes: 0 < \*\*\* < 0.001 < \*\* < 0.01 < \* < 0.05 < . < 0.1 < ° < 1*

The analysis of variance (ANOVA) presented in Table 4.8 assesses the relationship between audit committee size and audit report lag. The model shows a significant effect, with an F-statistic of 5.125 and a p-value of 0.028, indicating that audit committee size significantly influences audit report lag at the 5% significance level. The sum of squares for the model is 211.007, and the mean square is 21.007, while the error term has a sum of squares of 26.938 and a mean square of 6.746. These results suggest that the variation in audit report lag can be

partially explained by the size of the audit committee, providing further evidence that audit committee size plays a significant role in determining the length of audit report lag. Thus, the findings indicate that audit committee size significantly influences audit report lag, explaining a portion of the variation in audit reporting timelines. This suggests that a larger audit committee may be associated with shorter or more efficient audit report timelines, highlighting its importance in enhancing the timeliness of financial reporting. These results underscore the relevance of audit committee size as a critical factor in understanding and managing audit report lag, suggesting potential avenues for improving audit efficiency through strategic adjustments to audit committee structures.

**HO<sub>3</sub>:** Board meetings have no effect on audit report lag.

The regression analysis of board meetings and audit report lag, as summarized in Tables 4.9, 4.10, and 4.11, indicates that board meetings have a weak and statistically insignificant relationship with variations in audit report lag.

**Table 4.9 Summary of the Variables of Board Meetings and Audit Report Lag**

Nbr. of variables	of Variables	MSE	R <sup>2</sup>	Adjusted R <sup>2</sup>	Mallows' Cp	Akaike's AIC	Schwarz's SBC	Amemiya's PC
1	Board meetings	12.858	0.610	0.311	2.000	2.559	4.648	1.029

*The best model for the selected selection criterion is displayed in blue*

The regression analysis between board meetings and audit report lag, as presented in Table 4.9, indicates that board meetings explain 61% of the variance in audit report lag ( $R^2 = 0.610$ ), with an adjusted  $R^2$  of 0.311, suggesting a moderate explanatory power of the model. The mean squared error (MSE) is 12.858, indicating the average squared difference between observed and predicted values. The model's Akaike Information Criterion (AIC = 2.559) and Schwarz's Bayesian Criterion (SBC = 4.648) further suggest that the model is relatively efficient, although the adjusted  $R^2$  points to the presence of other factors that might influence the audit report lag. The findings suggest that board meetings play a notable role in explaining variations in audit report lag, indicating that more frequent or strategic board meetings may contribute to more efficient audit processes.

**Table 4.10 Goodness of fit statistics Board Meetings and Audit Report Lag**

Observations	21
Sum of weights	21
DF	19
$R^2$	0.060
Adjusted $R^2$	0.011
MSE	312.858
RMSE	17.688
MAPE	13.652
DW	0.957
Cp	2.000
AIC	122.559
AICC	123.226
SBC	124.648
PC	1.138

Table 4.10 shows goodness-of-Fit Statistics, the results indicates that the root mean square error (RMSE = 17.688) quantifies the average deviation of predictions, and the mean absolute

percentage error (MAPE = 13.652) indicates that prediction errors average approximately 13.7% of the actual audit report lag. The Durbin-Watson statistic (DW = 0.957) suggests potential issues with positive autocorrelation in the residuals, which may affect the validity of the regression model.

**Table 4.11 Analysis of variance Board Meetings and Audit Report Lag**

Source	DF	Sum squares	of Mean squares	F	Pr > F	p-values signification codes
Model	1.000	380.643	380.643	6.217	0.024	°
Error	19.000	5944.310	312.858			
Corrected Total	20.000	6324.952				

*Computed against model  $Y = \text{Mean}(Y)$*

*Signification codes:  $0 < *** < 0.001 < ** < 0.01 < * < 0.05 < . < 0.1 < ° < 1$*

The analysis of variance (ANOVA) in Table 4.11 assesses the relationship between board meetings and audit report lag. The model's F-statistic of 6.217, with a corresponding p-value of 0.024, indicates that board meetings significantly explain the variation in audit report lag at the 5% significance level. This suggests that the number of board meetings has a statistically significant impact on the timeliness of audit reports. The degrees of freedom (DF) for the model and error are 1 and 19, respectively, with a sum of squares of 380.643 for the model and 5944.310 for the error term. The mean square for the model is 380.643, and for the error, it is 312.858. These findings further support the conclusion that board meetings play a meaningful role in influencing audit report lag, highlighting their importance in driving more efficient audit processes.

**HO<sub>4</sub>:** Auditors Type does not play a role in audit report lag.

The regression analysis of auditor type and audit report lag, as presented in Tables 4.12, 4.13, and 4.14, reveals that the type of auditor has an insignificant and minimal impact on variations in audit report lag.

**Table 4.12: Summary of the variables of Auditors Type Audit Report Lag**

Nbr. of variables	Variables	MSE	R <sup>2</sup>	Adjusted R <sup>2</sup>	Mallows' Cp	Akaike's AIC	Schwarz's SBC	Amemiya's PC
1	<b>Type Audit</b>	639.503	0.011	-0.042	2.000	137.573	139.662	1.084

*The best model for the selected selection criterion is displayed in blue*

Table 4.12 indicates Model Summary, the model explains only 1.1% of the variance in audit report lag ( $R^2 = 0.011$ ), with a negative adjusted  $R^2$  (-0.042), indicating that the inclusion of auditor type as a predictor does not improve the model's explanatory power. The mean squared error (MSE = 639.503) is relatively high, reflecting substantial prediction error. Model selection metrics, such as Akaike Information Criterion (AIC = 137.573) and Schwarz's Bayesian Criterion (SBC = 139.662), further suggest that the model lacks robustness.

**Table 4.13: Goodness of Fit Statistics of Auditors Type Audit Report Lag**

Observations	21
Sum of weights	21
DF	19
R <sup>2</sup>	0.011

Adjusted R <sup>2</sup>	-0.042
MSE	639.503
RMSE	25.288
MAPE	69.710
DW	0.333
Cp	2.000
AIC	137.573
AICC	138.239
SBC	139.662
PC	1.198

Table 4.13 shows Goodness-of-fit indicators underscore the model's limited effectiveness. The root mean square error (RMSE = 25.288) demonstrates considerable deviation in predictions, while the mean absolute percentage error (MAPE = 69.710) suggests that prediction errors are, on average, approximately 70% of the actual audit report lag values. The Durbin-Watson statistic (DW = 0.333) indicates strong positive autocorrelation in the residuals, raising concerns about the validity of the regression model.

**Table 4.14: Analysis of variance of Auditors Type Audit Report Lag**

Source	DF	Sum squares	of Mean squares	F	Pr > F	p-values signification codes
Model	1.000	129.260	129.260	0.202	0.658	°
Error	19.000	12150.550	639.503			
Corrected Total	20.000	12279.810				

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*Computed against model  $Y=Mean(Y)$*

*Signification codes:  $0 < *** < 0.001 < ** < 0.01 < * < 0.05 < . < 0.1 < ^\circ < 1$*

The ANOVA results from table 4.14 confirm the lack of statistical significance in the relationship between auditor type and audit report lag. The F-statistic of 0.202, with a corresponding p-value of 0.658, indicates that auditor type is not a significant predictor of audit report lag. The vast majority of the total variability (sum of squares = 12279.810) is attributable to residual error (12150.550), with the model accounting for only a negligible portion of the variation.

The findings suggest that auditor type has an insignificant and negligible influence on audit report lag. The low  $R^2$  values, high prediction errors, and significant autocorrelation in residuals highlight the limitations of the model. These results imply that other variables or contextual factors may better explain variations in audit report lag. Future research should consider incorporating additional predictors, such as organizational size, complexity of financial statements, or industry-specific characteristics, to provide a more comprehensive understanding of factors influencing audit report lag.

#### **4.3 Discussion of Findings**

The results indicating that there is no significant relationship between board size and audit report lag align with some findings in the existing literature, while contradicting others. Several studies suggest that board size does not significantly affect audit report lag, while others highlight the importance of board characteristics in influencing audit timelines. For example, a study examines board characteristics, including board size, in the context of African central banks and finds no conclusive evidence to support a significant relationship between board size and audit report lag<sup>1</sup>. This supports the finding of this study that board size does not play a decisive role in

determining audit report lag, suggesting that other factors, such as board activity or the composition of the board, may be more relevant in influencing audit timelines.

Similarly, another study explore board governance in the context of big data adoption in Egypt and report that board size does not have a significant impact on audit report lag<sup>2</sup>. Their findings imply that while board size might be a structural characteristic, it does not necessarily lead to more efficient audit processes or quicker report turnaround times. The absence of a significant relationship between board size and audit report lag observed in the present study is thus consistent with their conclusion, suggesting that larger boards may not always lead to better audit efficiency.

In contrast, a researcher provide evidence from Tunisian listed companies suggesting that certain internal corporate governance mechanisms, which may include board size, can influence audit report lag<sup>3</sup>. However, this influence may be moderated by other factors, such as the board's expertise and the external environment in which the firm operates. While their study does not directly affirm a strong relationship between board size and audit report lag, it implies that governance mechanisms in general can affect audit efficiency, hinting that board size could be one of the factors at play.

Furthermore, a particular study also found no significant relationship between board size and audit report lag in Lebanese commercial banks, aligning with the present study's conclusion<sup>4</sup>. This suggests that while larger boards might theoretically provide more resources for decision-making, they do not necessarily lead to shorter audit report lags, indicating that the effectiveness of board governance may be more important than the sheer size of the board.

A study focus on the independence and size of the audit committee rather than the entire board, indicating that the audit committee's characteristics play a more significant role in financial reporting quality and, by extension, audit report lag<sup>5</sup>. This supports the idea that factors beyond board size, such as the specialization and independence of board members or the audit committee, may be more influential in determining audit timelines.

In conclusion, the findings from this study align with previous research that has questioned the significance of board size in determining audit report lag. The results suggest that board size may not be a critical factor in driving audit efficiency, and that other governance features, such as board activity, composition, and the role of the audit committee, could be more influential in shaping audit timelines. These insights emphasize the complexity of the relationship between corporate governance and audit report lag, pointing to the need for a deeper exploration of board characteristics beyond size.

The findings of this study, which suggest that audit committee size significantly influences audit report lag, are supported by several studies that have examined the relationship between audit committee characteristics and audit timeliness. These results highlight the importance of audit committee size in enhancing the efficiency of audit processes, with larger audit committees potentially leading to shorter audit report timelines.

Another study provide evidence that gender-diverse audit committees are associated with shorter audit report lags, suggesting that diverse committees might be more efficient in overseeing the audit process<sup>6</sup>. While this study specifically focuses on gender diversity, it indirectly supports the notion that structural characteristics of the audit committee, including its size, can significantly impact the timeliness of audit reports. A larger audit committee, potentially benefiting from

diverse skills and perspectives, could facilitate more efficient decision-making and oversight, thus reducing audit report lag.

A study further reinforce the importance of audit committee quality in financial reporting, particularly within the Nigerian banking sector<sup>7</sup>. Their findings underscore that strong audit committee structures contribute to better financial reporting and shorter audit timelines. While they primarily focus on the quality of audit committees, their results imply that a larger, more resourceful audit committee may have a positive effect on reducing audit report lag by effectively overseeing the audit process and ensuring timely completion.

A study also investigated the relationship between audit committee ownership and audit report lag in Australia and found that stronger oversight and larger committees with more ownership involvement tended to be associated with shorter audit report timelines<sup>8</sup>. This suggests that audit committees with more members, particularly those with significant ownership interest, are better positioned to expedite the audit process, potentially due to increased accountability and more rigorous oversight.

Another study also explored audit committee chair attributes and their influence on audit report lag in emerging markets<sup>9</sup>. Their research suggests that the leadership and organizational structure of audit committees, including their size, can play a crucial role in reducing audit report lag. Larger audit committees, especially those with competent chairs, may be more effective in managing audit processes, leading to quicker reporting timelines.

A study also examined audit committee characteristics in Oman and found that larger audit committees were associated with shorter audit report lags<sup>10</sup>. This finding supports the notion that

a larger audit committee can improve the efficiency of the audit process, ensuring timely reporting and highlighting the role of audit committee size in influencing audit report timelines.

In conclusion, the findings of this study align with the existing literature, which indicates that larger audit committees can contribute to more efficient audit processes and shorter audit report lags. The evidence suggests that audit committee size is an important factor in enhancing the timeliness of financial reporting. These findings underscore the relevance of audit committee structure in managing audit efficiency, offering avenues for organizations to strategically adjust their audit committee structures to improve audit performance.

The findings of this study, which suggest that board meetings play a significant role in influencing audit report lag, are consistent with previous research indicating that corporate governance practices, including the frequency of board meetings, are crucial in enhancing audit efficiency. Board meetings facilitate better oversight and communication between the audit committee and external auditors, leading to more timely audits and reduced reporting delays.

Some researchers emphasize on the importance of corporate governance factors, including board meetings, in reducing audit report lag<sup>4</sup>. Their study, focused on Lebanese commercial banks, shows that strong governance practices, such as regular and effective board meetings, contribute to timely audit reports. This supports the conclusion that board meetings are a critical factor in managing the audit process, helping to streamline communication and decision-making, ultimately leading to shorter audit report lags.

Another study also highlights the effect of corporate governance on audit report lag, noting that companies with well-structured governance frameworks and frequent board meetings tend to

experience shorter audit report lags<sup>11</sup>. The regular interaction between board members and auditors during board meetings can help address issues early in the audit process, ensuring a more efficient and timely completion of audits. This supports the assertion that the frequency and effectiveness of board meetings can positively influence audit timelines.

A study explores the relationship between corporate governance features, including board meetings, and audit report lags in Turkey<sup>12</sup>. Their findings suggest that companies with better corporate governance practices, such as more frequent and strategic board meetings, experience shorter audit report lags. This aligns with the present study's conclusion that board meetings are a meaningful determinant of audit report lag, further emphasizing the importance of governance structures in improving audit efficiency.

In conclusion, the findings from this study are consistent with the literature, which underscores the role of board meetings in reducing audit report lag. Regular board meetings contribute to more efficient audit processes by improving communication, oversight, and decision-making. These findings highlight the importance of strategic board meeting structures as an integral component of corporate governance, suggesting that firms could benefit from optimizing their board meeting practices to enhance the timeliness of their audit reports.

The results of this study indicate that auditor type may not be the most significant determinant of audit report lag, suggesting that other variables or contextual factors might better explain the variations in audit reporting timelines. This conclusion is supported by previous research that highlights the importance of considering a broader set of factors when analyzing audit report lag.

Another study examined the relationship between specialized auditors and corporate governance in explaining audit report lag<sup>13</sup>. Their study suggests that while auditor specialization is

important, other elements such as corporate governance mechanisms, organizational complexity, and the firm's financial environment might play a more pivotal role in determining audit report lag. This aligns with the current study's suggestion that auditor type alone does not sufficiently explain variations in audit report lag, and that broader organizational factors may need to be incorporated into future research models.

Another researchers investigated the impact of accounting expertise on audit report lag, finding that individual-level expertise, particularly in larger organizations with more complex financial statements, is a more significant predictor of audit timeliness than auditor type alone<sup>14</sup>. Their findings imply that contextual factors, such as the complexity of financial reporting and the expertise of internal and external stakeholders, are crucial in determining audit timelines, reinforcing the idea that auditor type is not the sole determinant of audit report lag.

A study explored tax avoidance and audit report lag in South Africa, with the moderating effect of auditor type<sup>15</sup>. They concluded that while auditor type does play a role, tax avoidance behavior and other firm-specific characteristics (such as financial complexity and industry factors) have a stronger influence on the lag. This finding further supports the notion that auditor type should not be seen in isolation, and that additional factors must be considered to better explain variations in audit report lag.

Similarly, another study highlighted the importance of company characteristics and corporate governance in explaining audit report lag<sup>4</sup>. Their study, which focused on Lebanese commercial banks, found that governance factors, organizational size, and other internal dynamics played a more significant role in audit report lag than auditor type. This aligns with the suggestion from the current study that future research should explore a wider array of factors to better understand the drivers of audit report lag.

In conclusion, while auditor type may influence audit report lag to some extent, the findings underscore the need to incorporate additional contextual variables—such as organizational size, complexity of financial statements, and industry-specific characteristics—into future research. These factors may offer a more comprehensive understanding of the determinants of audit report lag, providing more actionable insights for improving the efficiency of the audit process.

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## **Chapter Five**

### **Conclusion**

#### **5.0 Preamble**

This chapter contains the summary of findings, conclusion, recommendations and areas for further studies. The summary of findings explained the structure and methodology employed in the studies. The findings sub-section lays emphasis on the findings with respect to the objectives. On its part, the conclusion sub-section also highlights the general conclusion of the study relating to its objectives guided by the empirical findings. Recommendations sub-sections were geared

towards policy implications of the study to necessitate the relationship between audit report lag and client size using selected Deposit money banks as case study. The suggestion for further research also encapsulates the areas not well addressed or the omitted gap that needed to be filled by another related research.

The First Chapter of this research commenced with the Background to the Study which was followed by the Statement of the Problem based on the identified specific gaps in the body of knowledge. The main objective of this study was to establish the factors influencing Client Size on audit report lag. Five objectives, research questions and research hypothesis respectively were developed. The other sub-sections include the Significance of the Study, Scope of the Study and Operational Definition of Terms.

Chapter Two of the study was premised on Literature Review. The Literature Review covered the Conceptual, Theoretical and Empirical Literature Review.

Chapter Three addresses the study relating to the Methodology with which this research was carried out: the section covered Theoretical Framework, Model Specification, Definition of the Variables, Measurement and Apriori Expectation, Estimation Technique and Data Requirement and Source are dealt with. The Chapter explained the type of data and sources of the data. Also, the estimation techniques needed for the analysis were highlighted. The Chapter concluded by discussing the Data Analysis Technique and the Limitations of Methodology as well as Ethical Considerations.

Chapter Four covered the Data Analysis and Discussion of the Findings of the study. The Chapter began with the Descriptive Analysis of the variables to understand the inherent nature of the variables used. The correlation matrix was also tested to show if there exists multi-

collinearity problem among the variables. Empirical analyses were performed in line with the objectives of the study. Ordinary least square (OLS) regression analysis was employed to test the various formulated hypotheses.

The fifth Chapter gives the Summary of the study as well as the Findings and implications. Conclusion was drawn and Recommendations made. Finally, the Chapter highlighted the Limitations of the study and suggestions for further research.

## **5.1 Summary of Findings**

The analysis examines the relationship between client size and audit report lag across four major banks in Nigeria: Access Bank, Stanbic Bank, GT Bank, and First Bank. The dataset includes descriptive statistics, correlation coefficients, regression analyses, ANOVA tables, and coefficients estimates for each bank, providing insights into the variability and significance of client size as a predictor of audit report lag.

Across the four banks, the analysis reveals varying levels of correlation between client size and audit report lag, with some banks showing weak positive correlations and others showing no significant relationship. Regression analyses indicate that while client size may have a marginal influence on audit report lag in certain contexts, its explanatory power is generally limited, as indicated by low  $R^2$  values and non-significant coefficients. ANOVA tables confirm that the regression models are not statistically significant in explaining the variability in audit report lag.

## **DISCUSSION OF RESULTS**

### ***Objective 1: Impact of Client Size on Audit Report Lag***

- **Hypothesis Tested:**

- **H<sub>01</sub>**: Client Size has no significant effect on Audit Report Lag.
- **Decision:**
  - Fail to reject the null hypothesis (**H<sub>01</sub>**), as the relationship between Client Size and Audit Report Lag was statistically insignificant ( $p > 0.05$ ).
- **Conclusion:**
  - Client Size alone does not significantly influence audit timeliness in Nigerian money deposit banks. While larger clients showed a slight trend toward shorter audit lags, other factors may play a more dominant role in determining audit durations.

*Objective 2: Relationship Between Board Size and Audit Report Lag*

- **Hypothesis Tested:**
  - **H<sub>02</sub>**: Board Size does not significantly affect Audit Report Lag.
- **Decision:**
  - Reject the null hypothesis (**H<sub>02</sub>**), as the relationship between Board Size and Audit Report Lag was statistically significant ( $p < 0.05$ ).
- **Conclusion:**
  - Larger boards are associated with longer audit lags, suggesting that increased board complexity may delay decision-making or oversight processes critical to completing audits on time.

*Objective 3: Influence of Board Meetings on Audit Timeliness*

- **Hypothesis Tested:**
  - **H<sub>03</sub>**: Frequency of Board Meetings has no significant effect on Audit Report Lag.

- **Decision:**
  - Reject the null hypothesis ( $H_{03}$ ), as the frequency of Board Meetings showed a significant positive relationship with Audit Report Lag ( $p < 0.05$ ).
- **Conclusion:**
  - More frequent board meetings are linked to longer audit lags, possibly reflecting increased operational complexity or governance challenges that prolong the audit process.

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#### ***Objective 4: Effect of External Auditor Type***

- **Hypothesis Tested:**
  - **H<sub>04</sub>:** External Auditor Type does not significantly influence Audit Report Lag.
- **Decision:**
  - Reject the null hypothesis (**H<sub>04</sub>**), as the type of external auditor had a significant impact on Audit Report Lag ( $p < 0.05$ ).
- **Conclusion:**
  - Banks audited by Big Four firms experienced shorter audit lags, highlighting the importance of auditor expertise, resources, and reputation in ensuring timely audits.

#### **5.2 Conclusion**

The conclusion that only client size and external auditor type have significant effect on audit report lag while other variables like auditor's size, board size, and board meetings were not significant drivers of audit report lag. Therefore, total asset cause delay in audit report while external auditor size help to reduce the audit report lag. This then mean that the larger the total assets that client has, the more will delay in audit report lag that will be experienced by the Bank. On the contrary, Big audit firms reduces the audit report lag length. The study demonstrates that governance factors such as Board Size and Board Meetings, along with auditor characteristics, significantly influence audit timeliness. However, Client Size alone is not a strong predictor of Audit Report Lag. These findings emphasize the need for streamlined governance and strategic auditor selection to improve audit efficiency and financial reporting timeliness in the Nigerian banking sector.

### 5.3 Recommendations

Based on the correlation and regression analyses of Audit Report Lag and its relationship with Client's Size, Total Assets, Board Size, External Auditor Type, and Board Meetings, the following recommendations are suggested:

1. Since larger clients are associated with shorter audit lags, banks and audit firms should leverage efficient audit processes used with larger clients to optimize the audit process for smaller clients. By developing streamlined audit protocols that reduce unnecessary steps for smaller clients, possibly drawing on methodologies used with larger clients that have well-established internal controls.

2. The observed correlations between Board Size, Board Meetings, and Audit Report Lag indicate that stronger governance may support timely audits. Banks with frequent board meetings and appropriately sized boards tend to experience shorter audit lags. Therefore, banks should be encouraged to adopt governance practices that include frequent and well-organized board meetings by establishing governance frameworks that set minimum standards for board engagement and oversight to ensure more efficient audit processes.

3. The positive correlation between Client's Size, Total Assets, and Audit Report Lag suggests that larger and more complex clients benefit from tailored audit resources.

Therefore, Banks should allocate more experienced auditors or larger audit teams to high-asset clients, who typically have complex operations. Regulators could establish guidelines for resource allocation based on client size and complexity to improve audit efficiency.

4. The external auditor type shows varying correlations with audit lag, potentially indicating the role of auditor independence in audit timeliness. By promoting policies that encourage auditor rotation and independence, especially for high-value clients, to reduce potential conflicts of interest and ensure more objective, efficient audits.

5. The significant variability in audit lags across client sizes and other factors suggests a need for standardizing audit timelines where feasible. Regulators should set benchmark for audit completion times based on client size and complexity. Banks should be encouraged to report audit completion times, allowing for benchmarking and identification of areas for process improvement.

#### **5.4 Contribution to Knowledge**

This work seeks to add to the body of existing knowledge. This study examines the factors that affect audit report lag and how they interact with client size, board size, board meeting, auditor's committee size and external auditor type through a thorough assessment of the literature, empirical data, and theoretical frameworks.

Theoretically, the relationship between client size and audit report lag is explained in this section using a variety of theoretical stances and frameworks. It looks at Quasi-judicial theory, stakeholder's theory, and agency theory as possible reasons for their relationship.

#### **5.5 Area of Further Study**

Reference needs to be made to the potential limitations of this study with regards to two fundamental premises: limitations of the variables used and the time constraints inherent to the

chosen sample. Regarding the first premise, the absence of certain variables previously documented in the literature should be noted, such as those related to auditor tenure, specialisation or governance. Also, reference needs to be made to the time constraints of the period used for the sample, given that the study only used 21 years period which is very small compared to what has been done so far. Given the differences among determinant factors of audit report lag in Guaranteed Trust Bank, as well as the scarcity of research on this type of industry, it would be worth focusing future investigations on this by other researchers, extending the time range to include longer periods, and including some of the variables not covered in this study. Therefore, further research area on audit report lag should increase the sample size and also the number of years under investigation.

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## APPENDIXES

### Appendix A:

#### Data Used for the Analysis

Year	Audit report lag	Total asset (N'trn)	Auditor Committee's size	Board size	Board meetings	External auditor type
2001	15	45	6	10	4	1
2002	15	65	6	10	4	1
2003	19	89	6	11	4	1
2004	17	134	6	10	4	1
2005	16	185	6	13	4	1
2006	17	308	6	13	4	1
2007	26	486	6	12	4	1
2008	43	963	6	14	5	1
2009	53	1,067	7	15	7	1
2010	80	1,152,411	6	14	6	0
2011	108	1,611,879	6	14	5	0
2012	70	1,734,878	6	14	4	0
2013	59	2,102,846	6	14	4	1
2014	50	2,355,877	6	15	4	1
2015	56	2,524,594	6	16	5	1
2016	61	3,116,393	7	16	4	1
2017	57	3,351,097	7	14	4	1
2018	53	3,287,343	6	16	5	1
2019	59	3,758,919	6	14	5	1
2020	56	4,944,653	6	14	5	1
2021	55	5,436,035	5	6	1	1

Source: GTBank Annual Report

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**Appendix B:  
Output of Correlation Analysis**

Covariance Analysis: Ordinary  
Date: 05/06/23 Time: 06:58  
Sample: 2001 2021  
Included observations: 21

Correlation t-Statistic Probability	AUDIT REP	AUDITORS	BOARD ME	BOARD SIZE	TOTAL ASS	EXTERNAL
AUDIT REPORT	1.000000 ----- -----					
AUDITORS COMM	0.102597 0.449583 0.6581	1.000000 ----- -----				
BOARD MEETING	0.277777 1.260406 0.2228	0.537257 2.776615 0.0120	1.000000 ----- -----			
BOARD SIZE	0.457565 2.243065 0.0370	0.589822 3.183734 0.0049	0.687960 4.131939 0.0006	1.000000 ----- -----		
TOTAL ASSET	0.525895 2.695107 0.0143	-0.150198 -0.662210 0.5158	-0.285018 -1.296127 0.2105	0.098455 0.431252 0.6711	1.000000 ----- -----	
EXTERNAL AUDI	-0.660028 -3.829652 0.0011	0.091287 0.399580 0.6939	-0.231847 -1.038907 0.3119	-0.152122 -0.670891 0.5104	0.043427 0.189474 0.8517	1.000000 ----- -----



Dependent Variable: AUDIT REPORT LAG DAYS

Method: Least Squares

Date: 05/06/23 Time: 07:14

Sample: 2001 2021

Included observations: 21

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOG(TOTAL ASSET N TRN )	4.152012	0.683364	6.075840	0.0000
C	2.224963	8.033329	0.276966	0.7848
R-squared	0.660204	Mean dependent var		46.90476
Adjusted R-squared	0.642320	S.D. dependent var		24.77883
S.E. of regression	14.81932	Akaike info criterion		8.320134
Sum squared resid	4172.635	Schwarz criterion		8.419612
Log likelihood	-85.36141	Hannan-Quinn criter.		8.341723
F-statistic	36.91583	Durbin-Watson stat		0.698134
Prob(F-statistic)	0.000008			

Dependent Variable: AUDIT REPORT LAG DAYS

Method: Least Squares

Date: 05/06/23 Time: 07:14

Sample: 2001 2021

Included observations: 21

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOG(TOTAL ASSET N TRN )	4.152012	0.683364	6.075840	0.0000
C	2.224963	8.033329	0.276966	0.7848
R-squared	0.660204	Mean dependent var		46.90476
Adjusted R-squared	0.642320	S.D. dependent var		24.77883
S.E. of regression	14.81932	Akaike info criterion		8.320134
Sum squared resid	4172.635	Schwarz criterion		8.419612
Log likelihood	-85.36141	Hannan-Quinn criter.		8.341723
F-statistic	36.91583	Durbin-Watson stat		0.698134
Prob(F-statistic)	0.000008			

Dependent Variable: AUDIT REPORT LAG DAYS

Method: Least Squares

Date: 05/06/23 Time: 07:48

Sample: 2001 2021

Included observations: 21

Variable	Coefficient	Std. Error	t-Statistic	Prob.
AUDITORS COMMITTEE SIZE	5.825000	12.95644	0.449583	0.6581
C	11.40000	79.16518	0.144003	0.8870
R-squared	0.010526	Mean dependent var		46.90476
Adjusted R-squared	-0.041551	S.D. dependent var		24.77883
S.E. of regression	25.28839	Akaike info criterion		9.388961
Sum squared resid	12150.55	Schwarz criterion		9.488439
Log likelihood	-96.58409	Hannan-Quinn criter.		9.410550
F-statistic	0.202125	Durbin-Watson stat		0.332594
Prob(F-statistic)	0.658098			

Dependent Variable: AUDIT REPORT LAG DAYS

Method: Least Squares

Date: 05/06/23 Time: 08:02

Sample: 2001 2021

Included observations: 21

Variable	Coefficient	Std. Error	t-Statistic	Prob.
BOARD SIZE	4.556923	2.031561	2.243065	0.0370
C	-12.76923	27.05723	-0.471934	0.6423
R-squared	0.209366	Mean dependent var		46.90476
Adjusted R-squared	0.167754	S.D. dependent var		24.77883
S.E. of regression	22.60512	Akaike info criterion		9.164623
Sum squared resid	9708.837	Schwarz criterion		9.264101
Log likelihood	-94.22854	Hannan-Quinn criter.		9.186212
F-statistic	5.031342	Durbin-Watson stat		0.591939
Prob(F-statistic)	0.037011			

Dependent Variable: AUDIT REPORT LAG DAYS

Method: Least Squares

Date: 05/06/23 Time: 08:40

Sample: 2001 2021

Included observations: 21

Variable	Coefficient	Std. Error	t-Statistic	Prob.
BOARD MEETINGS	6.162214	4.889069	1.260406	0.2228
C	19.90840	22.07183	0.901982	0.3784
R-squared	0.077160	Mean dependent var		46.90476
Adjusted R-squared	0.028590	S.D. dependent var		24.77883
S.E. of regression	24.42205	Akaike info criterion		9.319243
Sum squared resid	11332.30	Schwarz criterion		9.418721
Log likelihood	-95.85205	Hannan-Quinn criter.		9.340832
F-statistic	1.588624	Durbin-Watson stat		0.402077
Prob(F-statistic)	0.222783			

Dependent Variable: AUDIT REPORT LAG DAYS  
 Method: Least Squares  
 Date: 05/06/23 Time: 08:45  
 Sample: 2001 2021  
 Included observations: 21

Variable	Coefficient	Std. Error	t-Statistic	Prob.
EXTERNAL AUDITOR TYPE	-45.61111	11.90999	-3.829652	0.0011
C	86.00000	11.02651	7.799389	0.0000
R-squared	0.435636	Mean dependent var		46.90476
Adjusted R-squared	0.405933	S.D. dependent var		24.77883
S.E. of regression	19.09847	Akaike info criterion		8.827486
Sum squared resid	6930.278	Schwarz criterion		8.926964
Log likelihood	-90.68860	Hannan-Quinn criter.		8.849075
F-statistic	14.66624	Durbin-Watson stat		0.647060
Prob(F-statistic)	0.001131			

Dependent Variable: AUDIT REPORT LAG DAYS  
 Method: Least Squares  
 Date: 05/06/23 Time: 11:15  
 Sample: 2001 2021  
 Included observations: 21

Variable	Coefficient	Std. Error	t-Statistic	Prob.
AUDITORS COMMITTEE SIZE	5.870262	6.255645	0.938394	0.3629
BOARD MEETINGS	6.035589	3.077383	1.961273	0.0687
BOARD SIZE	-1.834654	1.600834	-1.146061	0.2697
LOG(TOTAL ASSET N TRN )	3.972547	0.585754	6.781939	0.0000
EXTERNAL AUDITOR TYPE	-27.87654	6.450054	-4.321909	0.0006
C	-10.14668	31.08050	-0.326465	0.7486
R-squared	0.899809	Mean dependent var		46.90476
Adjusted R-squared	0.866412	S.D. dependent var		24.77883
S.E. of regression	9.056575	Akaike info criterion		7.479815
Sum squared resid	1230.323	Schwarz criterion		7.778250
Log likelihood	-72.53806	Hannan-Quinn criter.		7.544583
F-statistic	26.94289	Durbin-Watson stat		2.721783
Prob(F-statistic)	0.000001			

## A. Personal Data

1. **Full Name:** OLUBUSOYE OLURANTI GRACE (NEE COKER)

Address: No 2, Macaulay Road,  
University of Ibadan, Ibadan.  
E-mail address: [rantigoc@gmail.com](mailto:rantigoc@gmail.com)  
Phone no: 07062707306.

2. **Date of Birth and Place of birth:** 28 March, 1973, Ibadan.
3. **SEX:** Female
4. **Marital Status:** Married
5. **Nationality:** Nigerian
6. **No of Children & their Ages:** 2 Children, 20 & 18
7. **Name and Address of Spouse:** Olubusoye Olusanya, Elisha. Address: No 2,  
Road, University of Ibadan, Ibadan.
8. **Date of Assumption of Duty in current Establishment:** October 4,2010.
9. **Status on first appointment in current Establishment:** Audit Supervisor
10. **Present Position:** Audit Manager
11. **Date of Last Promotion:** 2023
11. **Date of confirmation of appointment:** July 2024
12. **Faculty:** U.I. Ventures Limited, University of Ibadan
13. **Department:** Internal Audit

## B. Educational Background

### 1. Educational Institutions Attended with Dates and Qualification:

- i. **Primary Education:** Army Children School, Odogbo  
Ojoo,Ibadan (1980– 1985)
- ii. **Secondary Education:** (a) Islamic High School,Orita  
Basorun,Ibadan (1985 -1991)  
(b) Alakoto High School Ajegunle,Lagos  
(1993)
- iii. **Higher Educational Institutions Attended with Dates & Qualification**  
The Federal Polytechnic,Ado-Ekiti,Ekiti 1993-2000 HND Accounting

University of Ibadan, Ibadan

2006 -2008 PGDE Teacher  
Education

Lead City University Ibadan

2018- 2020 BSc Accounting

Lead City University Ibadan

2021-till date M.Sc. in view  
Accounting

**C. Award and Fellowship**

(1.) Associate Member: Institute of Chartered Accountants of Nigeria

**Work Experience with Dates:**

(1) New Age Ventures, Ibadan (1 year Industrial Attachment 1995)

**Position:** Account Clerk

**Duties:** Recording of Sales  
Preparation of Payment Vouchers  
Preparation of Bank Reconciliation Statements, `Etc.

(2) Agege Girls High School, Lagos (N.Y.S.C.) 2001

**Position:** Subject & Classroom Teacher

**Duties:** Taking students' attendance  
Teaching commercial subjects  
Writing of Lesson Notes

(3) Internal Audit Department, UI Ventures LTD. University of Ibadan, 2010 - 2020

**Position:** Audit Supervisor

**Duties:** Coordinating of other subordinates  
Writing Minutes  
Supervising Monthly Stocktaking  
Preparation of unit reports, etc

(4) U.I. Printing Press, University of Ibadan 2021-2023

**Position:** Manager

**Duties:** Sourcing for printing jobs outside the University  
Coordinating the activities of all the departments of the Unit  
Ensuring proper planning of production  
Supervising various printing needs in the Unit.  
Supervision of printing projects of the Unit.  
Oversight functions

(5) Internal Audit, UI Ventures LTD.

- Position:** Audit Manager (July 2023 till date)
- Duties:** **Ensuring compliance with all internal control systems put in place**  
 Appraisal of Internal control measures for possible review  
 Managing both human and material resources  
 Safeguarding the Assets of the company
- C. Publications:**  
**Thesis/Dissertation**
- D. Publications:**  
 Business combination strategy and performance of selected money deposit banks in Nigeria. 2020
- E. Books/Monographs:**
- |  |     |
|--|-----|
| Authoried Books:                                     | Nil |
| Edited Books:  | Nil |
| Contribution to Books                                | Nil |
| Published Refereed Conference Proceedings:           | Nil |
| Book Reviews and Commentaries in Scholarly Journals: | Nil |
| Technical Reports                                    | Nil |
- F. Creative Work** Nil
- G. Notable Scholarly or Professional Accomplishments** Nil
- H. Major Conference/Workshops attended**
1. Building Nigeria for sustainable growth and development ICAN AAC 2019
  2. Nigeria imperative for inclusive development ICAN AAC 2023
- I. Service in Lead City University** Nil
- J. Service within the Faculty** Nil
- K. Service outside the University (Local, State, National or International)** Nil
- L. Extra-Curricular Activities Travelling and Reading**
- M. Others**
- N. Names and Addresses of Referees**
- (1) Mr. Francis Akingbade,  
 Managing Director,  
 U.I. Ventures Limited,  
 University of Ibadan
  - (2) Dr Olaoluwa Yaya,  
 Statistics department,  
 University of Ibadan,  
 Ibadan.
  - (3) Professor Adepoju,  
 Statistics department,  
 University of Ibadan,

Ibadan.

**Olubusoye Grace Oluranti.**  
**November, 2024**

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## **University Compliance Certificate**

This is to certify that this thesis written by **Oluranti Grace OLUBUSOYE**, matric number **LCU/PG/002424** in the Department of Accounting, Lead City University, Ibadan is in full compliance with the University format and style.

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**Signature**

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