

## Audit Characteristics and Financial Reporting Timeliness of Nigerian Listed Non-Financial Institution

Eghosa Godwin Inneh<sup>1</sup>, Isaiah Omotayo FAKUNLE<sup>1</sup>, Romoke Rafiat BUSARI<sup>2</sup> & Ibrahim Gbenga OLATUJI<sup>3</sup>

<sup>1</sup>Department of Management and Accounting, Obafemi Awolowo University, Ile-Ife, Nigeria

<sup>2</sup>Centre for Distance Learning, Obafemi Awolowo University, Ile-Ife, Nigeria

<sup>3</sup>Department of Accounting and Finance, Kings University, Odeomu, Nigeria

eghinneh@oauife.edu.ng, rbusari@oauicd.edu.ng, jonafac01@yahoo.com, ig.olatunji@kingsuniversity.edu.ng

**Abstract:** The management is accused of opportunistic behavior and financial report delays following the global financial scandal. Consequently, studies examine the effect of client-specific characteristics on financial report timeliness, and Nigeria is not an exemption. Recent studies focus on the effect of auditor's attributes in mitigating or explaining the rationale for the financial reporting delay. However, limited studies exist in Nigeria on the effect of audit characteristics on financial reporting timeliness in non-financial institutions. Our study contributes to knowledge by examining the effect of audit characteristics on the financial reporting timeliness in the Nigerian listed non-financial institution. We select 450 firm-year observations from 2011 to 2020 using a purposive sampling technique and estimate the model using the Ordinary Least Square Method (OLS). The result reveals that audit price and audit firm size positively affect financial reporting timeliness, while audit tenure is negative but insignificantly related to financial reporting timeliness. Our study concludes that delivering the financial report to the users takes longer when the auditors charge higher fees, reflecting an increase in auditors' workload resulting from additional audit risk and procedure. Also, large audit firms take a long time to communicate financial reports taking due care in forming audit opinions to ensure audit independence and reduce the litigation risk arising from the audit assignment.

**Keywords:** *Financial reporting timeliness, Financial Reporting Quality, audit price, audit firm size, audit tenure.*

### 1. Introduction

Financial regulatory bodies across the globe stipulate the time listed firms are expected to furnish their financial statement to the general public (Although this varies from country to country). The essence is to ensure timely and reliable financial statements. However, despite the timeliness Act and its associated penalties, firms still fail to file their reports within the deadline, and Nigeria is not an exception. Most of the listed firms in Nigeria fail to publish their financial reports as of when they are due (Eze & Nkak, 2020; Modugu et al., 2012) despite being one of the bases for assessing the relevancy and the reliability of financial information (Abdillah et al., 2019; Omer, 2017; Oraka et al., 2019). Over four decades, stakeholders have been concerned about the financial reporting timeliness; this is evidenced by the study (see: Dyer & McHugh, 1975). To date, regulatory bodies, academic researchers and practitioners are concerned about the financial reporting timeliness (Dao & Pham, 2014; Oussii & Boulila – Taktak, 2018; Zandi & Abdullah, 2019). The investors view the delay in publishing financial information as an immoral act, which may result in an unusual loss (Chamber & Penman, 1984). Hence, the financial report should be communicated before it loses value, as various stakeholders depend on it to make an informed economic decision (Bryant – Kutcher 2013; Muhammad, 2020; Rahmawati, 2018).

Abdillah et al. (2019), assert that the time efficiency of communicating financial information depends on the management and the statutory auditors. To a reasonable extent, timeliness reporting is a tri-party affair (the management, auditors and regulatory bodies). The management prepares the financial statement, and the regulatory bodies state the guidelines and set the timeframe for firms to file their financial reports. In the same vein, the auditors are expected to work efficiently without overriding the relevancy and reliability of the financial report. The timeliness of delivering the published account is affected by the statutory audit as the audit process must be completed (Johnson, 1998; Reza & Poudeh, 2014; Puspitasari, 2014); hence the auditors are under pressure to timely communicate the financial report to the stakeholders (Oussii & Boulila – Taktak, 2018). The audit characteristics such as audit price, audit size and audit tenure play a major role in the financial reporting timeliness and quality. Studies show a divergent view on the effect of audit price on financial reporting timeliness. Despite this fact, audit price still plays a critical role in financial reporting timeliness. The auditor increases the audit effort to timely complete the process when the client pays a premium price (Egbunike & Asuzu, 2020; Modugu et al., 2012).

Conserve, auditors might charge a higher audit fee despite delaying the delivery of the financial information to the external stakeholders due to the demand for extra auditor's workload to complete the audit process (Behn, 2006; Habib et al., 2018). The auditor is expected not to trade off quality for timeliness reporting, hence must be independent and exercise due care when performing the audit assignment. The above-mentioned may account for charging a premium audit price regardless of the reporting timeliness. Also, audit size significantly affects the reporting timeliness. Large audit firms, usually known as the Big Four, have the resources to complete the audit process (Owusu-Ansah & Leventis, 2006). However, a large audit firm faces more litigation risk than a smaller firm, demonstrating a high level of independence and due process when executing the audit assignment, resulting in financial reporting delays (Abernathy et al., 2017; Owusu-Ansah & Leventis, 2006). The audit tenure positively affects the financial reporting timeliness. Based on the learning effect theory, a long-tenured auditor completes the audit process in a short period due to the auditor being familiar with the client's operations and nature of business (Dao & Pham, 2014; Habib & Bhuiyan, 2011; Lee et al., 2009). Although, Dao & Pham (2014) argue that the positive association of short-term audit tenure with financial report delay could be shortened when a firm engages industry-specialized auditors. There is no consensus on the determinants of timeliness reporting (Ogbodo & Jiagbogo, 2021; Oraka et al., 2019). Prior studies failed to provide ways to minimize financial reporting delays (Dao & Pham, 2014) or the reasons for the audit delays.

The audit characteristics provide information for financial reporting delays & minimization of audit delays. However, most Nigerian studies (e.g., Adebayo & Adebisi, 2016; Dibia & Onwuchekwa, 2013; Efobi & Okougbo, 2014; Ibadin et al., 2012; Iyoha, 2012; Oraka et al., 2019) examine the firm-specific determinants neglecting the effect of audit characteristics on financial reporting delay. Our study examines the effect of audit characteristics, also considering firm-specific characteristics as a control variable, on the timeliness of financial reporting. We proxy audit characteristics using audit price, tenure, and size. Although in Nigeria, there is limited empirical evidence (Arowoshegbe et al., 2017; Muhammad, 2020) that examines the audit and firm-specific characteristics determinants of financial reporting delay. The limited extant studies failed to focus solely on the non-financial environment. Also, our study considers auditors' tenure as one of the variables of audit firm attributes, which is rarely considered by the limited studies on the subject matter but is well established in the studies (e.g., Abdillah, 2019; Dao & Pham, 2014; Muhammad, 2020) to be an important variable in minimizing the audit report lag. Our study focuses on the non-financial sector, justify on the ground that the Nigerian government is driving toward economic diversification and encouraging growth in the non-oil sectors. There is a need for timely and reliable financial reporting in this sector to encourage economic decisions and reduce investment decision risk arising from prospective investors. Also, there is a dearth in the literature on the subject matter in the non-financial sector.

As most studies are conducted using the banking sector (see; Muhammad, 2020). The study contributes to the knowledge by examining the determinants of timeliness of financial reports from a holistic perspective, considering both the audit and firm-specific characteristics that directly affect audit report timeliness in the non-financial sector. We employ the two-stage systematic sampling technique to select the samples used for the study. The rationale for using the sampling techniques is to ensure that every category of the non-financial institution is proportionately represented and that members in each category are equally likely to be selected. We select 45 listed non-financial firms as a sample, and the scope of the study covers 2011-2020. The study chooses 2011 as the base year is introducing the International Financial Reporting Standard (IFRS), which significantly impacts the time of completing the financial report. Our findings show that financial reporting delay results from higher audit fee evidencing, untimely completion of the audit process probably due to weak internal control increasing audit workload. Also, our study shows that audit size is inversely related to financial reporting timeliness. The result indicates that large audit firms that exercise a high level of independence and intent to minimize litigation risk could be responsible for the financial reporting delay. However, the long audit tenure does not significantly minimize financial reporting delays. The remaining part of the paper is subdivided into; section two, a literature review, and section three, methodology. Section four covers the result and discussion, and finally, section five is the conclusion and recommendation.

## 2. Review of Literature

The financial reports are expected to be devoid of material misstatement (DeAngelo, 1981) and contain qualitative characteristics such as relevancy, reliability, comparability and understandability (IASB, 2008). External stakeholders hold firms that release their financial report on time in esteem value, as their investment decisions are affected by the report's availability. The secondary data collected is analyzed using the ordinary least square method. Investors prefer financial reports to be communicated as soon as possible (Habib et al., 2018). Also, the financial reporting reliability and relevancy may be lost due to financial reporting delays (Abdillah et al., 2019; Afify, 2009). The external stakeholders assume timely financial reports as credence and observable financial reporting quality (Bamber et al., 1993), although Carcello et al. (1992) presume timely as a perceived quality of financial reports. Financial reporting timeliness is the time difference between the company's accounting year-end and the date at which the financial report is communicated to the public (Abernathy et al., 2018; Akhalumeh et al., 2017; Chen et al., 2022; Egbunike & Asuzu, 2020; Van Horne, 1995). Timely reporting is the basis for evaluating the viability of firm and management performance (Abdillah et al., 2019), reducing investment risk (Ashton et al., 1989) and minimizing agency costs arising from information asymmetry (Christopher et al., 2017; Jaggi & Tsui, 1999; Lambert et al., 2012; Lang & Lundholm, 1999) and management opportunistic behavior (Oussii & Boulila – Taktak, 2018; Zandi & Abdullah, 2019).

Financial reporting issues are determined by the management, auditors and financial regulatory bodies. The management's responsibility is to prepare and present a financial statement devoid of material misstatement under a regulatory framework. Despite this fact, management tends to engage in opportunistic behavior by exploiting the information asymmetry consistent with agency theory. Studies (Abdillah et al., 2019; Christopher et al., 2017; Jaggi & Tsui, 1999; Jensen and Meckling, 1976) argue that opportunistic management behavior is directly affected by the deadline set by the financial regulatory bodies for companies to submit their financial reports. In ensuring that the financial report is devoid of material misstatement, the statute requires the listed firm to engage an independent auditor to examine the financial statement and form an opinion. The investors appoint an independent and skilled auditor to complete the audit process and communicate quality financial reporting to the stakeholders. Hence, auditors are expected to work efficiently without overriding the relevancy and reliability of financial reports (Habib et al., 2018). The audit characteristics such as audit price, audit size and audit tenure affect the financial reporting timeline.

**Theoretical Framework and Hypothesis Development:** The auditors are expected to communicate the financial report in time as various stakeholders rely on the financial statement in making economic decisions (Muhammad, 2020; Ozcan, 2019). The audit characteristics that could affect audit delay are audit price & tenure.

**Audit Price and Financial Reporting Timeliness:** The audit price is expected to reflect the audit cost and quality. In ensuring timeliness reporting, the auditor should commit sufficient and efficient resources (human and capital) to the audit assignment. The economic bonding theory posits that auditors' timely reporting increases the audit fee (Simunic, 1980). The additional audit resources committed, such as personnel and overtime work required to timely complete the audit report, result in higher audit fees (Owusu-Ansah & Leventis, 2006; Rubin, 1992). Based on this fact, the audit price is negatively associated with the financial reporting timeliness (Egbunike & Asuzu, 2020; Lee et al., 2009; Modugu et al., 2012). Conversely, delay in the communication of financial reports could increase the audit fees, reflecting the client's weak internal control leading to an increase in the audit process and procedure (Behn, 2006; Habib et al., 2018; Ho & Ng, 1996; Lobo & Zhao, 2013). This argument indicates a possibility of a positive association between audit price and financial reporting timeliness. Based on those mentioned above, we posit a significant relationship between audit price and the timeliness of financial reporting.

**H<sub>11</sub>:** There is a significant relationship between audit price and financial reporting timeliness.

**Audit Firm Size and Financial Reporting Timeliness:** DeAngelo (1981) posits that audit quality is a function of audit firm size. The audit size plays a significant role in the quality and timely completion of audit assignments. Normally, large audit firms engage skilled and experienced audit personnel, technological capabilities, and resources than small audit firms (Owusu-Ansah & Leventis, 2006). Given the resources at the

disposal of large audit firms, the firm is expected to complete the audit assignment in a shorter period. Conversely, large audit firms may take longer to complete the audit report. The large audit firms' due process and comprehensive audit procedure may delay financial reports. Furthermore, clients may compel small audit firms to timely issue financial reporting, which is less likely with large audit firms (Shin et al., 2017). Against this Backdrop, we posit a bi-directional relationship between audit size and financial reporting timeliness.

**H<sub>21</sub>**: There is a significant relationship between audit size and financial reporting timeliness.

**Audit Tenure and Financial Reporting Timeliness:** The audit tenure is the successive years an audit firm spent on a particular audit engagement before being replaced with another audit firm. Based on the learning effect theory, long audit tenure reduces delays in audit reports. The assertion is premised on the auditors' acquaintance with the client's nature of the business, operation and internal control over time. In the same vein, the proponents of long audit tenure presume that in the early years of engagement, auditors will take a longer time to communicate the clients' financial information to the users (Dao & Pham, 2014; Habib & Bhuiyan, 2011; Lee et al., 2009) due to auditor unfamiliarity with the client's business environment. In line with this argument, long audit tenure reduces financial reporting lag. Contrary to this, the proponents (Carcello & Nagy, 2004; Lim & Tan, 2010) of audit switch view that long audit tenure compromises audit independence and the reliability of the timely financial report. The familiarity threat due to long tenure audit could impair auditor objectivity and independence. The audit switch proponents recommend that audit clients engage industry specialists to weaken the negative association between short audit tenure and financial reporting timeliness (Dao & Pham, 2014). In line with the above argument, we hypothesize that there is a significant relationship between audit tenure and financial reporting timeliness.

**H<sub>31</sub>**: There is a significant relationship between audit tenure and the timeliness of financial reporting.

**Nigerian Regulatory Framework on Timeliness Reporting:** Regulations such as the Companies and Allied Matters Acts (CAMA) 2004 & (CAMA) 2020; Financial Reporting Council of Nigeria Act (FRCN) 2011, and Investment & Securities Act (ISA) 2007 indicate the time listed firms should file their' report. The Companies and Allied Matters Act (CAMA) 2004, S. 587 & S. 848 and CAMA 2020, S.822 & S. 848 stipulate that companies incorporated in Nigeria must duly file their audited annual report with the commission within 42 days following the annual general meeting. However, failure to file for a successive period of 10 years will result in the firm's delisting. Furthermore, S 58(3) of the Financial Reporting Council of Nigeria Act (FRCN) No. 6 of 2011 mandates the listed companies to present their audited financial statements no later than 60 days after the date of approval by the Board. Failure to comply with this attracts civil, administrative and criminal sanctions.

Also, to discourage late submission of audited annual reports by companies, section 60(1) of the Investment and Securities Act (ISA) 2007 places a sanction of a lump sum of ₦1,000,000 and a variable cost of ₦25,000 per day for the number of days at which the company fails to submit the audited financial statements to the commission. The Act provides that all listed companies must file their quarterly financial reports no later than 30 days from the end of each quarter. From the above measures, it could be inferred that Nigerian regulatory bodies put in place necessary measures to enforce timely reporting among the companies. However, the penalty fee for delay in communicating financial reporting is immaterial to the defaulters (see; Eze & Nkak, 2020, P39); this could be why there are still numerous defaulters of the financial reporting timeliness Act in Nigeria.

### 3. Methodology

**Research Design and Model Specification:** We employ a longitudinal research design by hand-collecting secondary data from the audited annual report of 45 listed non-financial institutions for ten years, covering 2011-2020, resulting in 450 firm-year observations. The longitudinal research design allows for the collection of large observations as data are collected on a firm-year basis. We estimate the data collected using the panel least square method. Our study also introduces the firm-specific characteristics such as inherent risk, profitability, leverage, firm size and loss included in the model as control variables.

**Model Specification:** The study measures the timeliness of financial reporting (TRF) in line with the studies (Daferighe & George, 2020; Hassan, 2016), and the difference between the audit report day and the fiscal year-end. Timeliness reporting is a function of audit and management entities (Abdillah et al., 2019); determined by audit and clients' specific characteristics. Our study measures audit characteristics using audit tenure, price, and size. The audit tenure reduces the audit delay because the auditor is familiar with the client's business, operations and internal control. Based on the learning effect, there is a presumption that the auditors learn over the successive year of a particular audit assignment. Hence, studies (e.g., Blankley et al., 2014; Doa & Pham et al., 2014; Daferighe & George, 2020; Ezat, 2015) evidenced a negative association between auditor tenure and the timeliness of financial reporting. Conversely, studies (Lai & Cheuk, 2005) show no significant relationship between audit tenure and financial reporting delay.

The economic bonding theory posits that timeliness reporting attracts extra audit costs (Simunic, 1980). However, studies have shown a mixed reaction to the association between audit price and timeliness of financial reports, while empirical studies show that there is a negative association between audit price and financial report delay (Egbunike & Asuzu, 2020; Modugu et al., 2012). Also, there is evidence of positive association (e.g., Behn, 2006; Habib et al., 2018; Ho & Ng, 1996; Lobo & Zhao, 2013), indicating that the complexity of the client's transaction or internal control weakness results in more audit procedures and delay of financial reporting communication to the user. The audit firm size is expected to have a significant association with the timeliness of the financial report. Studies (Afify, 2009; Schmidt & Wilkins, 2013) show that large audit firms are negatively associated with timeliness reporting. Conversely, studies (e.g., Shin et al., 2017) show that audit firm size positively correlates with financial reporting timeliness. Studies (Abernathy et al., 2017; Owusu-Ansah & Leventis, 2006) show that audit firm size increases the financial reporting reliability and reduces the time of communicating financial reports to users.

In contrast, other studies (Habib et al., 2018; Shin et al., 2017) presume that large audit firms are not under client pressure to timely release the financial report hence taking a long time to complete the audit process minimizes the litigation risk. The study hypothesizes a significant association between audit size and financial reporting timeliness based on the mixed results. Based on those mentioned above, the functional relationship between timeliness reporting and audit characteristics proxied by audit price, audit tenure and audit characteristics in econometric form is given as follows;

$$frt_{it} = \beta_0 + \beta_1 \text{audpr}_{it} + \beta_2 \text{big\_four}_{it} + \beta_3 \text{audten}_{it} + e_{it} \quad \text{Eqn (1)}$$

Where,  $frt_{it}$  = financial reporting timeliness of crosssectional unit i over time t

$\text{audpr}_{it}$  = audit price of crosssectional units over time t

$\text{big\_four}_{it}$  = large audit firm of crosssectional units over time t

$\text{audten}_{it}$  = auditor tenure of crosssectional units over time t,

The study introduces firm-specific characteristics such as firm size, loss, inherent risk, leverage and profitability to avoid spurious regression. The Firm size measured by the natural logarithm of total assets is predicted to have an inverse relationship with financial reporting timeliness, based on the fact that larger firms have stronger internal control systems (Hassan, 2016).

The firm's loss is measured as a dichotomous variable of one of the firms suffering a loss in the accounting year and zero otherwise. The firm loss is expected to have a positive association with the financial reporting timeliness, as firms that have suffered a loss in the accounting year have a higher tendency to engage in earnings management which invariably affects the delay in communicating the financial information, consistent with the studies (Oussii & Boulila – Taktak, 2018; Zandi & Abdullah, 2019). Our study predicts a positive association between inherent risk, measured by the ratio of the current asset to total asset, and this is in line with the studies (Dao & Pham, 2014; Walker & Hay, 2013). In addition, our study introduces capital structure as part of the control variables, which is still one of the firm-specific characteristics. We predict a positive association between capital structure, measured as the proportion of total debt to total asset, and financial reporting timeliness consistent with the study (Alkhatib & Marji, 2012; Ocak & Ozden, 2018). Our assumption is premised on the fact that a highly leveraged firm increases the auditor's workload and demands extended auditing time. Finally, the study introduces profitability, measured by return on assets, and expects a negative relationship between the two variables in line with the studies (Ocak & Ozden, 2018; Shukeri & Nelson, 2011). Thus, the introduction of the control variables to Model 1 resulted in Model 2, which



stated as: 
$$f_{rt_{it}} = \beta_0 + \beta_1 \text{audpr}_{it} + \beta_2 \text{big\_four}_{it} + \beta_3 \text{audten}_{it} + \beta_4 \text{ca\_ta}_{it} + \beta_5 \text{loss}_{it} + \beta_6 \text{lev}_{it} + \beta_7 \text{lev}_{it} + \beta_8 \text{roa}_{it} + e_{it}$$
 Eqn (2).

### Measurement of Variables

**Table 1: Definition of Variable**

Variable Code	Definition of Variables
Audit delay Audde	Measure in days, the length of time between the company's accounting year-end and the date at which the financial statement is signed by the external auditor (Daferighe & George, 2020)
Auditor's Tenure Audten	The successive number of years that the auditor has audited the client (Ocak & Ozden, 2018)
Audit price Audpri	Log of the aggregate amount given to external auditor(s) (Akhalmeh, Izebkhai, & Ohenhen, 2017)
Size of the firm (firm_size)	Natural log of total assets (Akhalmeh, Izebkhai, & Ohenhen, 2017)
Loss (Loss)	The indicator variable is assigned the value of 1 if the reported net income is less than zero or negative and assigned 0 if not (Dao & Pham, 2014)
Big_four (Big four)	Indicator variable that is assigned the value of 1 if the external auditor is one of the Big 4 audit firms, and 0 if not (Rusmin & Evans, 2017)
Current/total ratio ca_ta	Measured as the ratio of the current asset to the total asset (Dao & Pham, 2014)
Return on asset Roa	Measure as net income divided by total assets (Akhalmeh, Izebkhai, & Ohenhen, 2017); (Shofiyah & Suryani, 2020).
capital leverage	Measured as values of current and non-current liabilities divided by aggregate assets Rusmin and Evans (2017).

**Source:** Authors' Compilation (2022).

## 4. Results and Discussion

**Descriptive Statistics:** Table 2 shows the descriptive statistics of variables employed in Equation 2. The mean value for financial reporting timeliness is 104 days revealing financial reporting delay. The minimum and maximum values of the financial reporting delay are 0 and 234 days, respectively. The financial reporting delay could result from the immaterial fine for late communication of financial reporting (see; Eze & Nkak, 2020: P39) and other factors concerning the audit process. The Audit price (AUDPR) represents one of the variables used to proxy the auditor's attribute. The audit price has an average mean and median value of 9.44 and 9.58. The skewness value of -1.56 shows that the data are negatively skewed. The average value does not have economic importance unless it is delogged through the exponential power resulting in a mean value of ~~N~~ 12,581,780. The result in Table 3 shows that large audit firms in the non-financial institutions control 57 per cent of the entire audit market, evidenced by a mean value of 0.57. Table 2 shows that the audit tenure average (mean) and median values are (4.06) years and four years, respectively.

This shows that the audit client switches her auditor every four years, which is within the mandatory audit rotation of ten years. Also, the average audit tenure statistic that a client engages an auditor for a short or medium-term basis. The minimum and maximum values for an auditor's tenure are 1 and 9 years, respectively, indicating that audit clients comply with the mandatory auditor's rotation of 10 years. Furthermore, Table 3 depicts the descriptive statistics of the firm-specific characteristic. The capital structure measured by the leverage (LEV) shows that 53% of the total capital is financed by equity, indicating that the industry has appropriate equity and debt capital mix. Also, the Table shows that the level of inherent risk,

measured by the ratio of the current asset to the total asset (ca\_ta), is 0.56; the statistics indicate that 56 percent of the total asset is in the form of current assets. The high level of current assets may result in more audit effort due to increases in the firms' liquidity. The level of profitability is low, with an average of six percent. The mean statistics reveal that 22 percent of the firm-year observation suffers a loss within the study period. The statistic of return on assets and loss variables indicates that the sector is not too viable.

**Table 2: Descriptive Statistics**

Variables	Mean	Median	Maximum	Minimum	Std. Dev.	Skewness	Kurtosis	Jarque-Bera	Obs.
Frt	103.92	102.00	234.00	0.00	35.04	0.44	5.06	84.49	450
Audpri	9.44	9.58	13.36	2.64	1.54	-1.56	9.36	841.94	450
big_four	0.57	1.00	1.00	0.00	0.50	-0.28	1.08	67.26	450
Audten	4.06	4.00	9.00	1.00	2.45	0.49	2.13	28.91	450
ca_ta	0.56	0.50	0.66	0.01	0.99	17.45	33.30	365.	450
Loss	0.22	0.00	1.00	0.00	0.41	1.38	2.91	128.26	450
Lev	0.53	0.56	0.99	0.01	0.22	-0.42	2.49	16.17	450
Roa	0.06	0.038	4.28	-0.93	0.39	9.29	102.01	170407.1	450
Firm_size	16.28	16.47	19.97	10.63	1.99	-0.71	3.26	34.67	450

Authors' computation (2022). Where frt signifies financial reporting timeliness, audpri connotes audit price, big\_four represents auditors' type, audten represents auditors' tenure, ca\_ta connotes the ratio of current assets to total assets, lev represents leverage, and roa denotes profitability.

**Correlation Analysis:** Table 3 reports the degree of pairwise association among the variables employed in the study. The Big four and audit price has a positive and statistical correlation (Pc= 0.147, Pv= 0.003), suggesting that large auditing firms usually charge high fees. The higher audit fee charged by large audit firms may result from their reputation, provision of quality services, and international affiliation, among others. The loss has a significant correlation with financial reporting timelines, the big four and audit tenure. The positive correlation of loss with financial reporting timeliness (Pc= 0.142, Pv= 0.004) suggests that firms incurring loss in the accounting year-end usually have longer audit report lag because loss represents bad news to investors. Hence, the management usually delays reporting bad news to the market as they likely exercise discretion and manipulate the financial information. Hence, the auditor spends time in the audit process to detect earnings management. Also, firm size significantly correlates with audpri, big\_four, loss, lev and roa. Firm size has significant positive association with audit price and big four (Pc= 0.704, Pv= 0.000), (Pc= 0.274, Pv= 0.000) respectively. The results show that big firms engage large audit firms for their audit engagement and consequently pay higher fees. Lastly, the Pearson correlation coefficient in the model is less than 0.8 (the rule of thumb); therefore, the statistics connote that the model is free from a problem with multicollinearity.

**Table 3: Correlation Matrix**

Correlation Probability	1	2	3	4	5	6	7	8	9
1. frt	1.000								
	<b>0.000</b>								
2. audpri	0.060	1.000							
	<b>0.230</b>	<b>0.000</b>							
3. big_four	0.034	0.147	1.000						
	<b>0.495</b>	<b>0.003</b>	<b>0.000</b>						
4. audten	0.054	0.055	-0.046	1.000					
	<b>0.280</b>	<b>0.271</b>	<b>0.354</b>	<b>0.000</b>					

5. ca_ta	-0.007	0.053	0.072	-0.045	1.000				
	<b>0.890</b>	<b>0.285</b>	<b>0.149</b>	<b>0.362</b>	<b>0.000</b>				
6. loss	0.142	0.045	-0.200	-0.109	-0.056	1.000			
	<b>0.004</b>	<b>0.369</b>	<b>0.000</b>	<b>0.029</b>	<b>0.264</b>	<b>0.000</b>			
7. lev	0.005	0.010	0.105	-0.076	0.115	0.096	1.000		
	<b>0.925</b>	<b>0.046</b>	<b>0.036</b>	<b>0.125</b>	<b>0.020</b>	<b>0.054</b>	<b>0.000</b>		
8. roa	0.056	-0.111	0.012	0.151	-0.027	-0.267	-0.181	1.000	
	<b>0.258</b>	<b>0.026</b>	<b>0.804</b>	<b>0.002</b>	<b>0.583</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	
9 firm_size	-0.046	0.704	0.274	0.045	-0.020	-0.147	0.231	-0.122	1.000
	<b>0.359</b>	<b>0.000</b>	<b>0.000</b>	<b>0.366</b>	<b>0.690</b>	<b>0.003</b>	<b>0.000</b>	<b>0.014</b>	<b>0.000</b>

Authors' computation (2022). Where frt signifies financial reporting timeliness, audpri connotes audit price, big\_four represents auditors' type, audten represents auditors' tenure, ca\_ta connotes the ratio of current assets to total assets, lev represents leverage, and roa denotes profitability. While the unbold figure represents Pearson pairwise correlation, the bold and italic figures represent probability value.

**Interpretation and Discussion of Finding:** Our study uses three ordinary least square methods of Pooled OLS, Fixed Effect Method (FEM) and Random Effect Method (RAM) in estimating Equation 2. The Breusch-Pagan and Hausman tests are used to select the appropriate analysis methods. The result of the Breusch-Pagan test and Hausman test report statistics of ( $X^2 = 32.44$ ,  $P < 0.05$ ) and ( $X^2 = 38.35$ ,  $P < 0.05$ ), respectively, indicate that the fixed-effect method is the most appropriate method of reporting. Table 4 reveals that the regressors of the model jointly explain 49 per cent of total variations in the financial reporting timeliness after adjusting for the loss in degree of freedom. The F-statistic (22.49) and ( $P < 0.05$ ) of the estimated model an indications that the model is statistically significant. The result shows that four, audit price, Big four, loss and firm size, out of the eight regressors are statistically significant at 5 per cent. Table 4 shows that audit price has a positive and significant relationship with financial reporting timeliness (coef= 3.41, t= 3.82) at a 5 percent level of significance.

The result indicates that the premium audit fees may reflect delays in the communication of financial reports due to the audit client's weak internal control resulting in extra audit workload and audit procedures. The result implies that a higher audit fee reflects auditors' effort in ensuring a financial reporting quality which is at the expense of timely delivery of the financial report to other users. The result is in line with studies (Habib et al., 2018; Lobo & Zhao, 2013; Rubin, 1992) that posit that auditors may charge a positive abnormal audit fee due to a delay in completing. The audit assignment increases auditors' effort. However, the result contradicts the studies (Ezat, 2015; Leventis et al., 2005; Modugu et al., 2012), who contend that a higher audit fee reduces the financial reporting delay by increasing audit effort by engaging more personnel, working overtime, or increase the technological input. The result is consistent with the economic bonding theory but contradicts similar Nigerian studies limited (Ezat, 2015; Modugu et al., 2012). The differences could be attributable to the sector, time covered and sample employed in the study.

Also, the Table shows that audit firm size has a positive and significant association with financial reporting quality, evidenced by statistics of (coef= 6.67, t= 2.87). The result indicates that large audit firms are more independent and objective than smaller ones. Hence, they tend to spend more time before appending their signature to the financial report. In other words, the result shows that the large audit firms are not under pressure from the client to timely release the financial statement. Although, auditors' independence and objectivity may be at the expense of the financial reporting timeliness. The possible reason could be to minimize the litigation risk arising from outside stakeholders. The result is consistent with the studies (Habib et al., 2018; Shin et al., 2017) but contradicts the studies (Afify, 2009; Schmidt & Wilkins, 2013). Furthermore, Table 4 shows that auditor tenure is negative but insignificant with financial reporting timeliness, evidenced by statistics of (coef= -0.44, t= -1.88). The result reveals that the auditor-client relationship fails to influence audit time efficiency over time positively.

Our findings contradict the learning effect theory and studies (Dao & Pham, 2014; Habib & Bhuiyan, 2011; Lee et al., 2009; Lim & Tan, 2010; Suryanto et al., 2017) that hold the view that extended auditor tenure reduces the audit delay time due to familiarity with the client's nature of business, operation, internal control



mechanism and audit process. Conversely, our result is in line with the studies (Amirul & Salleh, 2014; Dewi et al., 2019; Gholamreza et al., 2017; Lai & cheuk, 2005; Lee & Jahng, 2008). Moreover, Table 4 depicts a positive and significant association between loss and financial reporting timeliness, as shown in Table 4 (coef= 13.80, t= 2.19). The result implies that the auditor may delay communicating the accounting information to the outside stakeholders when the firm suffers a loss in the accounting year. The accounting loss increases the audit risk; hence auditor performs a substantive test to ascertain the client's concern. Also, the delay may be attributable to the auditor exercising due care as the loss signals the possibility of earnings management or fraudulent reporting practices. The result is consistent with the studies (Dao & Pham, 2014; Habib et al., 2018). Finally, Table 4 indicates that the client's firm size is negative and significantly related to financial reporting timeliness, supported by statistics of (coef= -2.64, t= -2.26). The result is consistent with studies (Dao & Pham, 2014; Hassan, 2016).

**Table 4: Regression Estimate, Dependent Variable: Financial Reporting Timeliness**

Variables	Pooled OLS		Fixed Effect		Random Effect	
	Coef.	T-stat.	Coef.	T-stat.	Coef.	T-stat.
AUDPR	1.36	0.51	3.41	3.82***	1.38	0.52
BIG_FOUR	0.71	0.55	6.67	2.87***	0.78	0.15
AUDTEN	-0.31	-0.91	-0.44	-1.18	-0.37	-0.55
CA_TA	0.23	0.72	-0.35	-0.74	0.28	0.17
LOSS	10.07	2.38**	13.80	2.19**	11.17	2.44**
LEV	-0.96	-0.73	2.08	0.40	-0.66	-0.07
ROA	7.32	1.32	7.32	0.71	8.61	1.93*
FIRM_SIZE	-0.09	-0.37	-2.64	-2.26**	-0.14	-0.07
C	91.09	2.90	104.94	8.48	88.47	3.50
R-sq	0.05		0.53		0.06	
AdjR-sq	0.02		0.49		0.03	
F-statistic	2.91		22.49		3.12	
Prob. (F-statistic)	0.04		0.000		0.03	
Breusch-Pagan			32.44(p<0.05)			
Hausman Test			38.35(p<0.05)			

**Source:** Authors Computation (2021). Table shows the coefficients and t-statistics of regression from equation 3. Pooled OLS, Fixed Effects and Random Effects were conducted; the fixed-effect method is chosen as the most suitable based on the outcome of the Hausman Test. Where \*\*\*, \*\* & \* indicated level of significance at 1%, 5% and 10% respectively.

## 5. Conclusion and Recommendations

The study investigates the effect of audit characteristics on financial reporting timeliness among Nigerian non-financial institutions from 2011 to 2020, resulting in 450 firm-year observations. In achieving the objectives, three hypotheses are postulated. We measure the audit price as the natural logarithm of the total audit fee. We proxy audit firm size as a dichotomous variable and ascribed one when the client engages the Big four for the audit assignment and zero otherwise. Our study measures audit tenure as the successive period in years the auditor is engaged before being replaced. The financial reporting timeliness is measured as the time difference expressed in days between the date the external auditor signed the audited annual

report and the date the company ends its financial year. The study is limited to Nigerian-listed non-financial institutions. We hand-collect secondary data on variables of interest from the audited financial report of sampled firms. The ordinary least square of the fixed-effect method is employed, following the Breusch-Pagan test and Hausman test.

The result shows that audit price and audit firm size have a positive and significant association with the financial reporting timeliness, while audit tenure is negative but insignificantly associated with financial reporting quality. The study concludes that audit price and size have a positive and significant association with financial reporting timeliness. Our findings connote that the auditors demand high audit fees when there is a delay in communicating the financial report due to increased workload, possibly resulting from the client's weak internal control and an increase in the audit process, procedure and risk. Also, large audit firms delay their report possibility to minimize litigation risk by exercising due care throughout the entire audit process. Although the financial report delay could affect the external stakeholders' economic decisions, it is important to increase the credence and reliability of the financial information. We recommend that the regulatory bodies reduce the number of days that firms should file their file financial report as it provides the management avenue to manipulate the financial report, especially for firms that have suffered a loss in the accounting year. Also, the fine for defaulting should be increased to deter firms from breaching the financial reporting Act.

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