Volume: 9 Issues: 56 Issue [September, 2024] pp. 82 - 99
International Journal of Accounting, Finance and Business (IJAFB)
eISSN: 0128-1844
Journal website: www.ijafb.com
DOI: 10.55573/IJAFB.095607

# AUDIT REPORT LAG IN MALAYSIA

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**Article history**
**Received date** : 26-4-2024
**Revised date** : 27-4-2024
**Accepted date** : 10-7-2024
**Published date** : 30-9-2024

**To cite this document:**
Apadore, K., Tazilah, M. D. A. K., Punchanathan, U. E., & Letchumanan, T. (2024). Audit Report Lag In Malaysia. *International Journal of Accounting, Finance and Business (IJAFB),* 9 (56), 82 - 99.

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**Abstract***: The nature of the Corporate Governance mechanism in a company may influence the timeliness of the audited financial statement. This study examines the trend of Audit Report Lag (ARL) within Malaysia Public Listed Companies. This study examines data collected between 2011 and 2015 during the IFRS Convergence period, as opposed to data from 2012 in earlier work. This research used balance panel data with 1710 observations for a sample of 342 public listed companies from Bursa Malaysia website. Policymakers, regulators, and academics can all benefit from this study's insightful recommendations on how to ensure that the code of corporate governance is appropriately managed in compliance with Bursa Malaysia's criteria.*

**Keywords***: Audit Report Lag, IFRS, Malaysia*

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**Introduction,Importance and Consequences of Audit Report Lag**

Audit report lag (ARL) although it varies between firms, it is the representation of duration a firm's financial year-end and the issuance of the audit report. This duration depends on factors affecting the audit process's completion (Bamber et al., 1993; Bhuiyan & D'Cost,2020). According to Mathuva et al., (2019), delays in issuing the audit report issuance signify a lack of timeliness, concerning regulators, entities, auditors, market participants, and academics. (Afify, 2009; Shofiyah & Wilujeng Suryani, 2020) Timeliness in financial statements is crucial for users of accounting information, ensuring pertinent financial data reaches decision-makers before losing its value. Timely disclosure of financial reports sustains capital markets and reflects the auditor's efficiency in maintaining financial information's reliability and relevance. Failure to adhere to timeliness disrupts capital market operations and undermines the auditor's credibility, leading to interruptions in decision-making processes. (Abdillah et al., 2019; Lee et al., 2024)

According to Lee et al. (2009), understanding and analyzing factors contributing to audit delays is crucial. These delays impact annual earnings, affecting the accuracy and timeliness of financial disclosures. To ensure accurate and quality financial disclosure, certain attributes including relevance, faithful representation, comparability, verifiability, timeliness, and understandability are essential (Conceptual Framework for Financial Reporting 2018; Nobes & Stadler, 2013; Ironkwe & Otti, 2016). These characteristics promotes the overall standards and quality of financial information, which is an important attribute for financial operators in business sectors. High-quality audit reports would increase the confidence in both in local and foreign investors whom they depend for capital investments (Baatwah et al., 2018). Timely produced reports have been beneficial for decision-makers in emerging markets, helping them identify inconsistencies in market information (Agyei-Mensah, 2018).

Disclosure of the relevance of information should be made readily available and accessible to decision makers to ensure that the information does not suffer from value loss, leading to inaccurate decisions (Alkhatib & Marji, 2012). Timely disclosure of audit reports, shortly after the financial year-end, would enhance their utility and reliability, particularly in growing capital markets (Agyei-Mensah, 2018; Leventis et al., 2005; Baatwah et al., 2022). The audit report lag acts as a evaluation for audit efficiency and is closely linked to both audit and earnings information (Habib & Bhuiyan, 2011). Despite its importance, the significance of timely accounting information may be overlooked by managers who may not fully grasp its importance (Afify, 2009).

Timeliness play a mediating role in financial reporting, which impacts the efficiency and effectiveness of decisions made. It also ensures to keep in sight of the accuracy and relevance of information, impacting the position of the capital market (Carslaw & Kaplan, 1991; Soltani, 2002; Al Daoud et al., 2014). Timeliness has also been linked to the quality of financial information and the purpose of reporting (Sultana et al., 2015). A timely prepared audit report signifies high-quality reporting, benefiting investors and stakeholders (Habib et al., 2019). Conversely, audit report lag reduces the value of information, stakeholder's reliance and potentially leading to poor decision-making and thus impacting overall capital market performance.

Audit report lag(ARL) defined and determined as duration between a company's year-end financial status, including its balance sheet, which details necessary information until the date of the auditor's report (Ng & Tai, 1994; Whittred & Zimner, 1984; Bamber et al., 1993;

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Blankley et al., 2014; Habib, 2015). ARL is the cumulative days among the financial statement date(end of financial year and signing of the independent auditor's report is signed, as evident in the company's audited financial information (Agyei-Mensah, 2018; Abdillah et al., 2019; Lee et al., 2024). Delays in audits can postpone the announcement of annual earnings, therefore leading to a reduced market response and less informative disclosures(Habib, 2015). According to Mohamad-Nor et al. (2010), delays in the announcement made by the auditor may compromise the equality of information and influence investment decisions based on supposedly accurate financial information. Excessive delays in financial statement disclosure can increase the risk and uncertainty surrounding investment decisions. Given the heavy reliance of investment decision-makers on accurate, relevant, reliable, and timely financial statements, auditors bear the responsibility of meeting these expectations to ensure they serve as a robust reference for guiding investment decisions (Ashton et al., 1987; Durand, 2019).

Longer ARLs are often linked to firms reporting extraordinary items, losses, and complexity. Studies suggest that longer ARLs are prevalent among firms in financial services with poor financial performance and non-standard audit reports (Agyei-Mensah, 2018; Ismail et al., 2022). Poor performance may deteriorate the investor confidence, leading companies to delay report publication. Companies with weaker financial performances will also prompt auditors to extend the timeline and expand the procedure of the audit to mitigate audit risks which may arise due to weak performance and poor profitability of a firm (Abdillah et al., 2019; Alhawamdeh et al., 2024). Firms with year-end performance falling during auditors' busy schedules also face similar delays (Walker & Hay, 2013). There are arguments over the relationship between information value and report timeliness, with auditors often taking more time to conclude audits, resulting in ARL. Understanding and mitigating factors like firm performance and auditor schedules are crucial to prevent damage to the capital market due to audit process challenges (Sultana et al., 2015).

Abdillah et al. (2019) observed an inversely proportionate relationship connecting a firm's profitability and its ARL suggesting that higher profitability correlates with shorter ARLs. Mathuva et al. (2019) corroborated this finding, indicating a firm's profitability does impact the ARL in a negative way. Companies with higher profits are driven to conduct audits promptly and publish positive financial statements, increasing their value among stakeholders and investors. Adherence to audit report deadlines demonstrates compliance with corporate governance regulations, enhancing firm credibility and reputation, and positioning the firm as an attractive choice for potential investors.

## Literature Review

### Trends of Audit Report Lag in Developed and Developing Countries

The literature emphasizes that timeliness is the most fundamental and important qualitative characteristic of audit report lag (Cohen & Leventis, 2013). Financial information is reported as the vital for the financial status and performance of capital market in efficiency and decision-making effectiveness of company goal (Baatwah et al., 2018; Agyei-Mensah, 2018; Habib & Muhammadi, 2018; Abdillah et al., 2019). Regulators stress the significance of timely financial information for perusal of investors and other financial statement users (Munsif et al., 2012; Alhawamdeh et al., 2024). Timeliness of audits is linked to audit efficiency, reflecting auditors' competence in providing accurate opinions on a company's operations (Yaacob & Che-Ahmad, 2012). Financial statements serve as the primary means of communication between companies and external stakeholders, enhancing investor confidence and attracting prospective investors

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(Abdillah et al., 2019; Habib & Muhammadi, 2018; Baatwah et al., 2018). This communication is crucial for portraying the firm as upholding high corporate governance standards and worthy of future investments (Mathuva et al., 2019).

Previous studies on audit report lag has been carried out by Courtis (1976) and Gilling (1977) from various country-based perspectives in a time span of more than 35 years ago. Such studies have widely been carried out in developed and developing countries for many years now. An assessment of such studies, provide a clear indication that both, developing and developed countries have been studied from the perspective of audit report lag. The earliest studies were conducted since the late 1970s in New Zealand. More studies have followed through from the beginning of the 1980s by Davies and Whittred (1980) in Australia, Garsombke (1981), Givoly and Palmon (1982), Chambers and Penman (1984), Ashton et al. (1987), Atiase et al. (1989) in the United States, Ashton et al. (1989) in Canada. A slight increase in such studies was observed in the number of investigations about audit report lag in the 1990s, where various researchers carried out studies such as Carslaw and Kaplan (1991) in New Zealand, Bamber et al. (1993); Kinney and McDaniel (1993); Mohamad (1995); Schwartz and Soo (1996) in the United States, Mohamad (1995) in Egypt, Hossain and Taylor (1998) in Pakistan and by Jaggi and Tsui, (1999); Henderson and Kaplan (2000); Ettredge et al. (2006); Behn et al. (2006) and Wermert et al. (2000) in the United States and Ahmad(2003); Che-Ahmad (2008); Mohamad-Nor et al., (2010); Junaidda & Hashim, (2011), Wan-Hussin and Bamahros, (2013) in the context of Malaysia. As highlighted earlier, numerous studies been conducted in the contexts of Bangladesh, Canada, China, Greece, and Australia. All of these studies have collectively contributed to the discovery of the determinants of audit report lags.

In emerging markets like Egypt, timely reporting is deemed crucial due to limited information availability, which may potentially lead to delayed reports and audit lag. Timely reporting would help to lower misrepresented information, enhances report quality and accuracy, and improves decision-making. Egyptian law mandates that listed companies to disclose and present yearly financial reports within three months of the following year, approximately 90 days from the financial statements' date (Afify, 2009). Additionally, research by Khlif and Samaha (2014) suggests that Audit Report Lag (ARL) acts as an indicator of corporate transparency in Egypt, influencing investor confidence. Their study indicates a strong negative association between internal control quality and ARL, suggesting that longer ARL may decrease investor interest and confidence in a company.

A study conducted in Nigeria over eleven years, from 2000 to 2010, analyzed financial reporting trends. Findings revealed that audited financial reports took anywhere from 16 to 2,224 days to be issued. The study identified patterns and trends in time lags faced by Nigeria. On average, Nigerian auditors took approximately 163 days to approve and sign audited financial statements, a duration of about four months. This study, by Oladipupo (2013), provided more comprehensive and reliable insights compared to earlier Nigerian studies due to its longer data span.

In Malaysia, Che-Ahmad (2008) has conducted a study revealing an average ARL of 114 days. Where the minimum are 20 days and the maximum was 442 days, with nine companies experiencing delays of at least 180 days. Such delays may indirectly breach Bursa Malaysia's rule, which requires financial reports to be submitted within six months. Similarly, under Article 66 of China's Securities Law, listed organizations must submit annual reports within four

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months of the end of the accounting year. According to a study by Habib (2015) in China, covering the years 2003 to 2011, found an average peak audit lag of 89.09 days.

Courtis (1976) conducted a study on delays in financial reports among New Zealand's listed companies, revealing that it took at least four months from the financial year-end for completed reports to be produced for shareholders. This timeframe exceeded the legal requirement of three months for report completion. Common causes of delays included poor schedule planning and punctuality issues due to the time taken by auditors to review client accounts. Similarly, Gilling (1977) examined timely reporting patterns in New Zealand, finding that leading audit companies took an average of fifty-three days to sign and approve financial reports, compared to smaller audit firms.

According to the study, larger companies can reduce audit completion time and avoid audit lag through effective planning and resource allocation, such as manpower, done collectively rather than individually. Moreover, larger companies with extensive multinational connections may streamline the audit process and communication, cutting down on audit lag. Durand (2019; Ismail et al., 2022) supports this, finding that larger companies with stronger earnings experience shorter Audit Report Lag (ARL) due to a stronger inclination to report positive financial news, especially when supported by experienced auditors. Additionally, Cullinan and Zheng (2017) suggest that larger fund groups receive more attention from auditors, significantly reducing ARL.

In Kenyan companies, larger firms with numerous subsidiaries experience longer Audit Report Lag (ARL) are due to extended time required to consolidate financial statements from all subsidiaries, meeting corporate governance standards. This is supported by Durand (2019), who notes that the complexity of a firm increases audit risk and scrutiny by auditors. Moreover, larger and more complex firms necessitate greater involvement of the audit committee and board members to ensure compliance with regulations, further delaying the publication of audited financial statements due to detailed scrutiny by all parties involved.

Farag (2017) conducted a comparative study on Audit Report Lag (ARL) between large accelerated filers and regular accelerated filers. Large accelerated filers have a public float exceeding $700 million, while regular accelerated filers have public floats ranging from $75 million to $700 million with annual revenue of at least $100 million. Both groups showed a decreasing trend in ARL, with large accelerated filers demonstrating a more pronounced reduction. This ability is attributed to increased pressure and expectations on auditors. In a related study by Mcgee (2010), it was suggested that Chinese companies may exhibit timely and accurate financial reporting behavior due to their association with a developed economy. This review suggests that Chinese companies are generally compliant with reporting timelines, given their operation in a fast-growing climate with increasing foreign investments.

Financial reporting practices vary globally due to differing regulatory requirements in developed and developing countries. Timeliness of financial reporting is particularly important in the US market to avoid audit lag and information misstatement. The SEC declared phased reductions, requiring complete financial reports within 90 days after the fiscal year end. reduced to 60 days by 2005. Reporting deadlines vary based on company size: non-accelerated filers (less than $75 million market value) have 90 days, accelerated filers ($75 million to $700 million market value) have 75 days, and large accelerated filers (over $700 million market value) have 60 days. Developed countries like Australia, Canada, New Zealand, Hong Kong,

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and Japan mandate reporting within 90 days. Singapore extends the reporting period to 105 days. In developing countries like Indonesia and Vietnam, the reporting timeline is 90 days. Other developing countries such as Malaysia, the Philippines, Jordan, Nigeria, China, Pakistan, Bahrain, Zimbabwe, and Egypt require firms to release audited financial statements within approximately 160 days, or 4 months.

Habib and Bhuiyan (2011) highlight the importance of auditors' opinions in audit reports, emphasizing their role in assessing the credibility and reliability of financial statements. Shorter audit report lags (ARLs) are preferred by investors, as they enable more efficient and accurate investment predictions based on audit opinions. However, maintaining quality is crucial for auditors, as it directly affects the validity of their opinions and reflects the financial status of the company. In Malaysia, studies since 2010 have focused on financial report delays and the effectiveness of audit committees in listed companies. Junaidda and Hashim (2011) found audit processes taking 36 to 184 days, while Mohamad-Nor et al. (2010) analyzed corporate governance effects on audit report lag from 2007 to 2009, revealing delays ranging from 19 to 332 days. Puasa et al. (2014) examined audit committee impact on audit timeliness, reporting average lag exceeding 100 days before and after 2007, indicating Malaysian companies' ability to meet Bursa Malaysia's requirements. The above review shows that Malaysian companies are capable of complying with the Bursa Malaysia's requirements and the audit report lag in Malaysia is more than 100 days on average.

The review on audit report lag in countries such as China, New Zealand and Nigeria show that while some countries provide longer duration for preparation and submission of the audit reports, other countries expect the reports to be submitted within a significantly shorter duration of time. Most countries provide a minimum of three months for companies to submit their audit reports with an allowance of additional time should there be any unforeseen circumstances affecting the timeliness of the report. The literature reviewed on these countries also indicate audit lag can generally vary somewhere between the range of 20 day to 30 days. Under other circumstances, the ARL can be extended beyond 30 days, even up to 130 days. These varying patterns of delays may be attributed to various contributing factors ranging from the company, the auditor and audit committee, as well as the firm's board members.

**Why Malaysian Perspectives**

Malaysia has adopted a sound financial reporting process, which may potentially lead the country in achieving its financial goals which are stipulated as part of its Vision 2020, which is the national blueprint for a developed nation. By achieving such a goal, Malaysia's status as a developed country may improve the overall quality and standards of the market economic condition which serves as an important factor for prospective investors of the future. The achievement of this goal is highly dependent on Malaysian companies' ability to understand, adhere and practise compliance codes and rules towards improving timeliness of financial reporting to prevent audit lag that has proven damaging in the case of other countries (Durand, 2019). Malaysians must strive to upgrade the quality of financial reports with the end goal being to attract investors' reports, through the timeliness of financial reporting which is part of global accounting standards. In this regard, most of the earlier studies were considered to have been carried out over a moderately short period ranging from one to three years, prior to the implementation industry-accepted compliance standards such as the IFRS and business taxes such as GST in Malaysia. Such studies may have not been able to fully represent the intricate details of the ARL scenario of the country, more so after the introduction of compliance standards such as the IFRS.

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Hence, there is a need for the study of audit report lag to be carried out to uncover the differences of audit practices before and after the adoption of IFRS. Based on the available literature to date, very limited studies have considered this post IFRS period in Malaysia. Hence, the need to conduct such a study which is in line with contributing to the regulatory decisions to help shorten the reporting period. Moreover, Malaysia has established foreign business links or investments with many developed countries from which the investors will expect for submission of timely reports, failing which will result in loss of confidence, deterioration of stock performance and subsequently withdrawal of investors should the situation prevail (Durand, 2019). One example of how delayed audit report can engender skepticism among stakeholders is creditors and investors, who might be deprived of precise and current data pertaining to the financial position and performance of the organization. Such circumstances may impede individual’s capacity to render well-informed investment judgments, potentially leading to heightened risks and reduced trust in the organization (Yaacob & Mohamed, 2021). Till today, timeliness of financial statements remains a major focal point in many studies alongside other important considerations of accounting researchers and regulatory bodies. Hence, further research is needed to analyse the effects of new regulatory frameworks such as the IFRS towards the improvement of audit report timeliness in Malaysia. Such improvement will help Malaysia position itself as a country with firms practicing high corporate governance standards. This is a sought-after quality among many investors who have been eyeing for a piece of the Asian market share.

**International Financial Reporting Standards (IFRS)**

To date, over 100 nations worldwide have implemented IFRS (Yeow & Mahzan, 2013). The IFRS which was developed by the International Accounting Standards Board (IASB), was established in the year of 2001. As a post-colonial country, Malaysia has generally turned to United Kingdom for guidance where corporate governance and accounting standards are concerned. Therefore, Malaysia has been heavily influenced by the British accounting standards, resulting in the adoption of numerous accounting standards by the country’s experts and policymakers in the field of accounting. This is evident through the implementation of the former International Accounting Standards (IAS) and the present IFRS have been used as a framework to develop the Malaysian accounting standards (Hanefah & Singh, 2012).

The Malaysian corporations’ adoption of the IFRS allowed them to have common global accounting reporting standards and the same level of comparability with other foreign companies. It may also enable a better harmonization internationally thus allowing stakeholders from across the globe to benchmark the financial statements, against a globally acknowledged and accepted IFRS. Furthermore, it has been suggested by the International Organization of Securities Commissions that nations implement strategies to enhance the promptness of financial reporting. Such measures may encompass establishing strict time limits for financial statement submissions and levying sanctions for failure to comply (Adhikari et al., 2021). The primary objective behind Malaysia's implementation of International Financial Reporting Standards has been to enhance transparency and improve the quality of financial reporting (Fourati & Ghorbel, 2016). It is anticipated that this implementation will mitigate the problem of audit report delays in Malaysia. It is anticipated that the implementation of the Malaysian Financial Reporting Standards and Board will enhance the caliber and promptness of financial reporting, thereby mitigating the problem of audit report latency within the nation. It is anticipated that the implementation of Malaysian Financial Reporting Standards and International Accounting Standards Board-led International Financial Reporting Standards will improve the precision and openness of financial reporting (Dahiyat & Owais, 2021). In

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summary, it is anticipated that the implementation of International Financial Reporting Standards in Malaysia, under the guidance of the International Accounting Standards Board, will substantially contribute to the resolution of audit report lag through the enhancement of financial reporting quality and timeliness (Meshram & Arora, 2021).

Malaysia's implementation of International Financial Reporting Standards, which are overseen by the Malaysian Financial Reporting Standards and the International Accounting Standards Board, is an essential measure towards addressing the issue of audit report delays (Yaacob & Mohamed, 2021).Thus, this allows stakeholders especially investors to gain certainty on the genuine and reasonable perspectives of the financial reports which are derived based on globally recognised standards.

The MFRS framework, which was devised on the 19th November of 2011 by the Malaysian Accounting Standards Board (MASB) requires for all publicly listed corporations excluding Transitioning Entities, TE to comply with the IFRS. It is to be noted that the TE entities fall within the scope of MFRS 141: Agriculture and IC Interpretation 15: Agreements for Construction of Real Estate. Despite the names indicating differences in the standards, MFRS is equivalent to IFRS (PwC Malaysia, 2012). With immediate effect or after the 1st of January 2012, the implementation of MFRS 1 took place once an organization abided by aligning the respective MFRS in correspondence to the IFRS to produce its primary MFRS financial statements. As it was published and revised by the IASB, MFRS 1 is similar with the IFRS 1 First-time Adoption of IFRS along with the operative and issuance dates. It is deemed as instantaneous compliance with IFRS 1 for organizations that conform to MFRS 1 (i.e., the Malaysian Accounting Standards Board, 2011).

As MFRS 139’s impairment model may appear to be complex, the level of modernity may have to be required to mirror the essentialness of credit losses to an organization’s business. Most business organizations, which are consistent with the impedance prerequisites may not seem to have major difficulties. However, some analysis might be required to gather and keep the necessary data on credit loss experience. Abdullah and Sapiei (2013) in their study, cited an interviewee’s response who stressed that the poor appropriation of undeveloped capital market in the context of Malaysia for the fair value model standards, such as the MFRS 139 Financial Instruments (IAS 39) and the MFRS 141 Agriculture (IAS 41) can be associated with the availability of the referenced market value. Thus, it can be considered rather costly for Malaysian organizations to consider the IFRS necessities. Under the MFRS 141, the biological assets (such as oil palm trees) had to be displayed in the financial statements at their fair value. From the argument in the foregoing, it is evident that the IFRS has increased the complexity of audit engagement for firms adopting it.

The issue in relation to certain standards and additional disclosure by the IFRS involve greater complexities within the audit work scope. Therefore, this transition requires extensive knowledge and skills as there are ongoing updates on IFRS. Moreover, accountants and auditors may need to keep abreast of their knowledge with regards to the latest updates surrounding the IFRS. This would result in additional time and cost consumption for the companies as well as the auditors. Furthermore, Wieczynska (2016) found that firms are keener to appoint larger audit firms during the IFRS adoption period as these firms may have greater expertise in handling the complexities prescribed by the new standards.
On one hand, the new accounting pronouncement postures are one of the greatest challenges to the Malaysian reporting substances as there is no presence of such IFRS reception. On the other

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hand, the new standard requires more comprehensive systems and disclosure of goodwill impairment testing and has significantly expanded disclosure necessities (Carlin et al., 2009). Thus, close monitoring of the way in which the Malaysian organizations have reported despite the complex procedures of new reporting regime is of potential intrigue and may in turn have critical ramifications for stakeholders including auditors, financial analysts, regulators and report users.

The above changes may require more complex audit procedures and time with an increasing material proportion of goodwill. A study conducted by Hitz et al. (2013) indicated that there is no evidence found between the proportion of goodwill and audit delay in the context of Germany and the authors believe it is due to the auditor's ability to solve problem in a timely manner. However, this may only be applicable to the situation of the firms in the study and may not be generalized to other firms with different settings.

According to previous studies, countries adopting IFRS or making amendments to IFRS as required by the IASB reportedly suffered from disadvantages such as an increase observed in compliance cost and a reduced level of confidence in the amounts reported in financial statements (Shen, 2013). Furthermore, differences observed in the local accounting standards are one of the major sources that may lead to information asymmetry among the investors (Yu, 2010). On the other hand, such a development indicates that investors will face increased difficulties in making investment decisions especially when deliberating on cross border investments. In addition, a related study on Libyan Listed Companies indicated that the lack of awareness among the preparers of the IFRS, who are mainly the accountants and auditors appear to be the major challenge for Libyan Listed Companies to implement IFRS (Faraj & El-Firjani, 2014).

**Measurement**

Audit report lag is the major focus of this study and to date, it is still an outstanding variable to be continuously studied as it is one of the few externally observable variables that is associated with audit efficiency (Bamber et al., 1993). According to Lee et al. (2009), ARL is directly associated with the timeliness of companies' earnings announcements. Over the past several years, ARL (denoted ARLit) is measured by the number of days from the financial year end to the date of signing the audit report (Ashton et al., 1987; Ashton & Newton, 1989; Bamber et al.,1993; Jaggi & Tsui, 1999; Leventis et al., 2005; Lee & Jahng, 2008; Afify, 2009; Tanyi et al., 2010; Mohamad-Nor et al., 2010; Junaidda & Hashim, 2011; Al Daoud et al., 2014; Sultana et al., 2015). For this study, the above-mentioned measurement will be adopted from year 2011 to year 2015 due to the Financial Reporting Foundation (FRF) and Malaysia Accounting Standard Board (MASB) establishments, the adoption of IFRS by many awards in Malaysia, and the new suggestion for corporate reporting that occurs ahead of schedule. Apart from the plantation sector and real estate developers, who must start implementing the principles on January 1, 2014, the majority Malaysian listed firms have been subject to them since January 1, 2012. In addition to adding to the administrative and documentation burden, the introduction of GST has forced businesses to re-evaluate their governance and business processes (Bureau, 2016; Ernst & Young, 2016; Khaitan & Co, 2014).

**Findings**

The descriptive statistical discussion begins with the audit report lag's (ARL) statistical output. This infers to the number of days for Audit Report Lag incidence in Malaysia over the period 2011 – 2015. As shown in Figure 1, the ARL average values over the period 2011 to 2015 seem

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to have ranged from 95 days (minimum) through to 101 days (maximum). The average ARL is depicted as 99 days (refer to Table 1) for a total observation of 1,710 cases. The highest ARL was reported in 2012, with 101.35 days, followed by the ARL in 2011 of 101.14 days. In 2012, MASB adopted all IFRSs through its policy of convergence. 31 MFRSs were issued on 19 November 2011 which took effect for the annual period beginning on or after 1 January 2012. On top of that, *MFRS 1 First-time Adopting of Malaysia Financial Reporting Standards*, requires comparative information to be reinstated as if the requirements of MFRSs have always been applied. This add on to the difficulties and time required for the preparation of financial statements. Thus, the highest ARL was reported in 2012. The ARL in the year 2013 was reported as 101.11 days, which dropped to 99.97 days for the year 2014.There was a further reduction to 95.15 days for the year 2015.

**Table 1: Descriptive Statistics of Audit Report Lag.**

| Variable | Obs | Mean | Median | Standard Deviation | Minimum | Maximum |
|---|---|---|---|---|---|---|
| ARL | 1,710 | 99.744 | 108 | 20.650 | 34 | 168 |

*Note:* ARL is Audit Report Lag

**Figure 1: The trend of Audit Report Lag In Malaysia (2011 to 2015)**

The observed descriptive statistics for Malaysian Public Listed Companies indicate a higher Audit Report Lag of 100 days and beyond. Related studies for Malaysian PLCs have also found similar results. For example, Wan-Hussin and Bamahros (2013) and Wan Hussin, Bamahros and Shukeri (2018) reported an average audit reporting day of 98 to 103 days, over the years 2007 to 2013. Nevertheless, the Malaysian based findings are in contrast to other country studies. For example, studies by Abernathy et al. (2014) and Harjoto et al. (2015) reported an average of 55 days for US based firms to release their audited financial statements. From a comparative perspective, Abernathy et al. (2014) showed that the mean audit report lags for US companies and non-US companies are 62 days and 76 days, respectively. As far as New Zealand firms are concerned, they seem to be releasing their audit reports in about 60 days (Walker & Hay, 2013; Habib & Bhuiyan, 2011). Literature by Sultana et al. (2015), Mohammad Rezaei and Mohd-Saleh (2016) and Rusmin and Evans (2017) have reported an average audit reporting lag of around 80 days for firms operating in Australia, Iran and Indonesia firms. The ARL for Chinese firms seem to be averaging around 87 days (Habib, 2015). Meanwhile, studies by

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DOI: 10.55573/IJAFB.095607

Khlif and Samaha (2014) and Baatwah et al. (2015) for instance reported an average audit reporting lag of 47 days and 52 days for the Egyptian and Omani firms, respectively.

Apart from the overall ARL analysis, subsequent tests were also done for Audit reporting within 60 days (refer to Figure 2). The ARL trend was the highest in 2011 (11%). Meanwhile the analysis also reveal that ARL for the years 2012, 2013 and 2015 were at the same level of 10%, while it was reported at 9% of the 342 public listed companies for the year 2014.

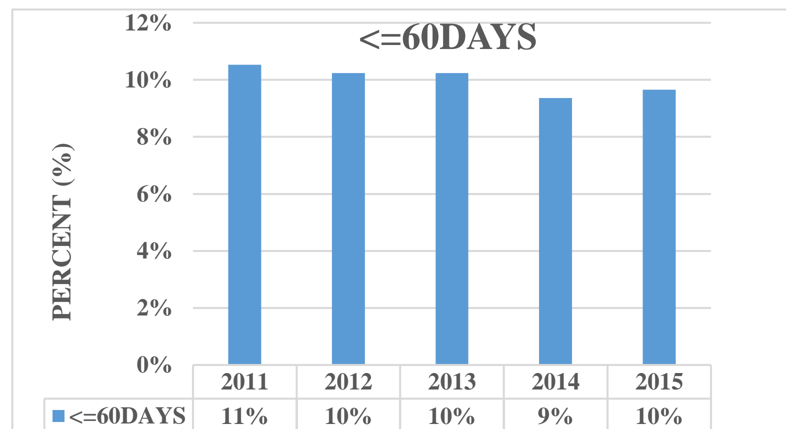


**Figure 2 : The percentage of public listed companies in Malaysia reporting within 60days (2011-2015)**

Based on the observations, the lowest percentage is 9% (i.e. 32 out of 342 companies) of the sample companies have managed to report within two months. Such reduction could possibly be because of the mandated convergence to MFRS in 2014**.** Apart from that, the amendments issued by the Malaysian Financial Reporting Standard in November 2014 on Changes in methods of disposal of MFRS 5 Non- Current Assets Held for Sales and Discontinued Operations and Disclosure of information 'elsewhere in the interim financial report' of MFRS 134 could have also lead to the delay in reporting in the year 2014. Such argument is also associated with the notion highlighted by Bryant-Kutcher et al. (2013) who argued that reducing audit filing deadlines to 60days increases the chances for companies to file quickly. These findings also similar with Blankley et al. (2014), who reported that time pressure associated with shorter timeframe lead to an increase in future restatements. Recent research by Lambert et al. (2017) asserted that shorter deadlines of 60 days would increase the time pressure among the auditors and companies that unable to meet the deadlines frequently experience late filings and reductions in earning quality.

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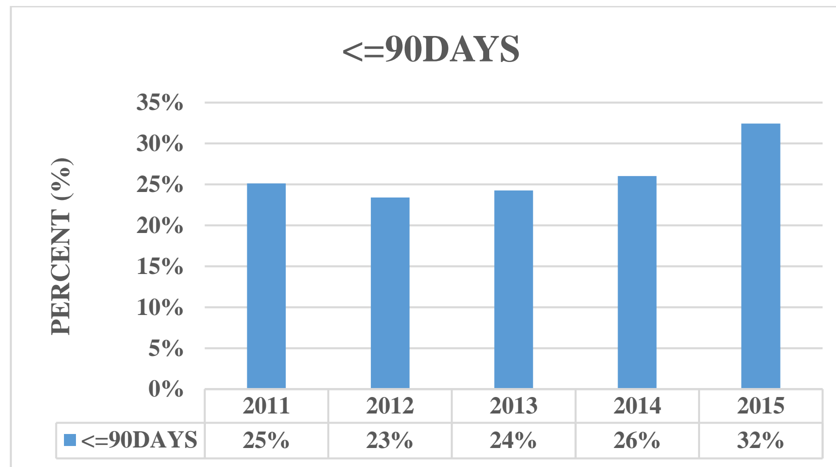


**Figure 3: The percentage of public listed companies in Malaysia reporting within 90days (2011-2015)**

Figure 3 shows the percentage of public listed companies in Malaysia reporting within 90 days. The result shows that about 23% to 32% (% out of 342 companies per year) of the sample companies are able to report within 90days. The reporting trends of reporting shows a reduction from 25% (2011) to 23% (2012) but increased to 24% in 2013 and increased further to, 26% in 2014. This moved up again to 33% in the year 2015. As explained earlier, due to the adoption of IFRSs which also required retrospective adjustments to comparative information, public listed companies need more time to prepare their financial statements. Thus, the percentage of public listed companies in Malaysia reporting within 90 days has decreased from 25% in 2011 to 23% in 2012. Besides, the changes to IFRS, to a large extend, have resulted in more subjective judgement on accounting estimates and valuations. It is therefore now incumbent on the audit committee to be more informed and increasingly scrutinise the risk for management bias in the application of these judgement. The improved trend in 2015 in which, 32% of the sample companies were able to file the audit report within 90 days suggest that the auditors have already digested and adopted to the new IFRS standard. Therefore, this has expediate the filing timelines.

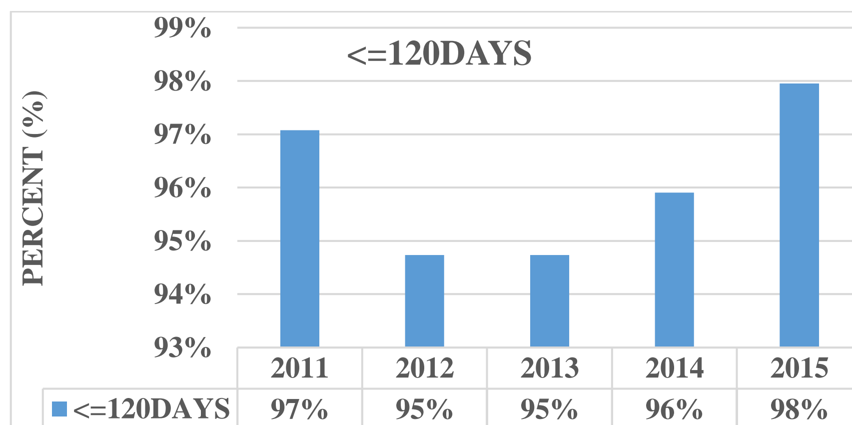


**Figure 4: The percentage of public listed companies in Malaysia reporting within 120days (2011-2015)**

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Figure 4 shows the percentage of the sample listed companies in Malaysia reporting within 120 days as required by the Listing requirement 9.23. Finding of this study shows a reduction in 2012 and 2013 during the IFRS adoption period. This shows that during the transition period of 2012 to 2013, about 5% of the sample companies were unable to meet prescribed deadlines. The trend of reporting shows a reduction from 97% (2011) to 95% (2012 & 2013) and gradually increase to 96% (2014) and 98% (2015). Again, familiarity with IFRS requirements in the later years has enabled more companies to comply with the deadlines.

## Conclusion

This research aimed to examine the current trend of audit report lag among public listed companies in Malaysia over the periods 2011 to 2015. The descriptive statistical result indicated an average Audit Report Lag (ARL) of 99 days for a total observation of 1,710 cases over the period 2011 to 2015, with the highest days of 101.35 in the year 2012 and a low of 95.15 days in 2015. The literature have presented evidences of corporate annual reporting timelines from other countries. Ahmed (2003) for instance found that the average ARL in Bangladesh, India and Pakistan to range between 92 to 145 days in the year 1998. Tauringana et al. (2008) reported an average of 74.50 days in Kenya, while Afify (2009) highlighted a minimum of 67 days and a maximum of 115 days for ARL in the Egyptian corporate landscape. Studies by Ahmad and Khairuddin (2003), Che-Ahmad (2008), Naimi et al., (2010) and Hashim and Abdul Rahman (2010) reported the ARL days taken by the listed corporations in Malaysia across different sample time periods. The ARL days ranged from 220 – 341 days (1996 – 2000), 442 days for the year 1993, a minimum of 19 days and maximum of 332 days in the year 2002, and 36 – 184 days for the years 2007 – 2009. These authors have found different timeline of delays. In comparison to other Malaysian based studies, the finding of the present study have documented the lowest ARL days. The reduction of ARL days was evident from 2013 onwards, which is plausible to coincide with the International Financial Reporting Standard (IFRS) adoption season in Malaysia. Comprehension and familiarity of the IFRS requirements could have enabled corporations to comply with Audit Reporting timeline efficiently.

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