IFRS Adoption and Audit Delay: The Role of Shareholders in the Audit Committee

Ishaq Ahmed Mohammed (Corresponding author)

Tunku Puteri Intan Safinaz

School of Accountancy, Universiti Utara Malaysia

Kedah Darul Aman, 06010 UUM Sintok, Malaysia

E-mail: isyakubolari@gmail.com

Ayoib Che-Ahmad

School of Accountancy, Universiti Utara Malaysia

Kedah Darul Aman, 06010 UUM Sintok, Malaysia

Mazrah Malek

School of Accountancy, Universiti Utara Malaysia

Kedah Darul Aman, 06010 UUM Sintok, Malaysia

Abstract

This study examined the relationship between audit delay after IFRS adoption and the role of shareholders in the audit committee as well as testing the difference of pre-and post IFRS adoption periods. A sample of 101 firms with 505 firm-year observations over five year period for firms listed on the Nigeria Stock Exchange was employed for the study, utilizing data from the annual report and accounts of the sample firms. Generalized Methods of Moment (GMM) estimation was used to check the effects of unobserved heterogeneity in audit delay model, while the test of difference in R^2 value for pre-and post-adoption periods was determined using Cramer's Z-statistics. Findings indicate that audit report lag is faster with shareholders in the audit committee. The study proved that brand named auditors such

as Big4 can significantly perform faster audit task than non-Big4 firms in IFRS regime. The importance of the study's findings demonstrates statistical inference on value relevance increase based on the unique IFRS adoption in Nigeria. Thus, regulators should consider increasing the tenure of shareholders in the audit committee to enable them to become more familiar with the corporate reporting under IFRS regime.

Keywords: Audit delay, IFRS, Shareholders, Audit committee

1. Introduction

The mandatory adoption of International Financial Reporting Standards (IFRS) across the globe and Nigeria in particular, has availed researchers with new vista to study the effects of accounting standard setting and how the effects differ across legal and institutional settings (Onulaka, 2014; DeGeorge, & Shivakumar, 2016). Thus, IFRS adoption has braced empirical research on whether the adoption has improved the quality and timeliness of financial reporting (Khlif & Achek, 2016). Audit delay often called audit report lag is one of the external audit variables that is being used to measure audit efficiency (Habib, 2015). It is defined as the period taken between a firm's fiscal year end and to the audit report date. This implies that an essential function is being played in influencing the delay by management during financial statement preparation and external auditors when examining it (Khlif & Samaha, 2014). Arguably, IFRS' stresses fair value accounting as required by most IFRS standards (Ahmed, Chalmers, & Khlif, 2013). The adoption is expected to lower the audit delay and provide a readable financial statement to stakeholders within the time span regulated (Oussii & Boulila Taktak, 2018), this is because financial reporting timeliness has for long been acknowledged as one of the distinct feature of financial reporting (Sultana, Singh, der Zhan & Mitchell, 2015, Ika & Ghazali, 2012; Abbott, Parker & Peters, 2012).

In developing capital markets such as Nigeria, the immediate source for financial information available to shareholders is financial report hence, its timeliness affects decision-making and lower capital market information asymmetry (Al-Ajmi, 2008; Owusu-Ansah & Leventis, 2006). Consequently, external auditors are faced with dilemma and pressure of producing audit report within the regulation hitherto constrained by unnecessary delays in the preparation process (Sultana et al., 2015). The span of time audit report takes is important to timely provision of information and has a strong positive effect on the value of the firm (Blankley *et al.,* 2014, Sultana *et al*., 2015). Hence, audit delay becomes critical factor in the today's corporate governance study. There is therefore, a growing concern by regulators and researchers alike over the varying elements that determine audit delay as well as improving corporate governance efficiency and the quality of financial reporting. Previous researches have examined the duration taken by external auditor to accomplish audit task (e.g. Hassan, 2016; Baatwah et al., 2015; Sultana et al., 2015) however, there is little or no attention given to investigate the relationship between audit committee, IFRS and audit delay, as most of the empirical research investigating the role of audit committee in determining audit delay continue to be inadequate and mostly confined to developed nations where the quality of corporate governance is broadly high (Oussii & Boulila Taktak, 2018).

Several factors serve as motivation for this study. First, the literature investigating the

relationship between IFRS adoption and audit delay in Nigeria is still in the infant stage and are very limited in scope. Second, the calls by Sultana et al. (2015) and Bédard & Gendron (2010) on the need for empirical research that would provide linkage between effective roles of audit committee and audit delay also serve as a motivation. Third, the involvement of shareholders in the audit committee by section 359 (3&4) of the Companies and Allied Matters Act, 2004 (CAMA) and the 2011 revised Code of corporate governance under part 'E' article 30 of corporate governance code is also a strong motivation (CAMA, 2004; SEC; 2011). Fourth, the Nigerian business environment is characterized by a weak law enforcement, ownership concentration, and lack of international market discipline for corporate control (World Bank, 2011). Similarly, the mandatory adoption of IFRS in 2012 occasioned by inadequate disclosure provisions by the defunct Nigerian Accounting Standards (SAS) adds to the study's motivation. Thus, conducting this study for Nigeria provide us with a distinct opportunity to showcase a clear perception into the potency of shareholders in lowering the extent of audit delay. Our analysis focus on shareholder's ability to perform as audit committee members and how effective they may be in performing their task in the new IFRS reporting regime in relation to financial reporting timeliness.

This present study adds to the existing literature in many folds. First, the study exemplifies the first attempt to investigate the Nigeria's audit committee with shareholders as members in the wake of the new accounting reporting language (IFRS), the audit committee provides a unique composition that varies with audit committee elsewhere and to the best of our knowledge there is few or no study in this important area of scholarship. Second, the study brings to the fore the operational settings concerning managers' incentives and the effort of shareholders and influence in determining the workability of new corporate governance regulations, accounting standards and audit delay relationship. Third, the results would also add to the body of auditing and CG literatures by rendering empirical evidence that in Nigeria, the Big4 auditors played effective roles in reducing the reporting timeliness in IFRS reporting regime. The remainder of the paper is as follows. The next section discusses the literature review and hypothesis development, followed subsequently by the research methodology and data. The next section presents the empirical results, conclusion and limitation and suggestion for further studies.

2. Literature Review and Hypothesis Development

IFRS adoption studies across the glove have shown negative and positive results and reasons to anticipate insignificant changes on audit delay (Doukakis, 2014). However, Habib & Bhuyan (2011) report an increase in audit delay after IFRS adoption in New Zealand for all auditors except for industry specialized one. Consistent with this finding, Yaacob & Che-Ahmad (2012) find that IFRS convergence in Malaysia has triggered off longer audit report lag. In the same vein, Berhunt (2008) and Griffin, Lont & Sun (2009) argue that audit delay increase is due to IFRS disclosure requirement. Additionally, preparation and timely release of financial statement is affected by IFRS disclosure demand (Stovall, 2010). Other previous studies also reported increase in audit time (see Modugu, Eragbhe & Ikhatua, 2012; Habib, 2015; Fodio *et al*., 2015). Nigerian regulatory authorities such as the Securities and Exchange Commission (SEC) acknowledged the complexity nature of IFRS (SEC, 2011). It

is no wonder therefore, that stale information due to complexity of IFRS may not be of any gain to stakeholders in their decision-making process (Fodio *et al.,* 2015).

Consequently, IFRS' stresses fair value accounting as required by most IFRS standards, hence, the adoption of IFRS would no doubt increase the reporting lag due to its complexity (Ahmed et al., 2013). Thus, in his conclusion, Kim (2013) affirm that Russian accounting numbers are better off under IFRS than under Russian GAAP. In the same manner, Vijitha & Nimalathasan (2014) examine value relevance of various items of accounting information for the period of 2008-2012, their report indicates a significant positive relationship between return and stock price on equity. Moreover, study on IFRS compliance by Tsalavoutas & Dionysiou (2014) show an increase on the value relevance of the R^2 coefficient. De George et al (2013) argue also that companies that have been exposed to greater audit complexity report higher increase in IFRS adoption.

2.1 IFRS Adoption and Audit Delay

IFRS transition yields modification to firms' financial reporting models that requires adaptation process by management in respect of financial information as well as the practical application of IFRS accounting standards (Bonson-Ponte et al., 2008). This suggests that IFRS adoption may cause an increase in delays by management in presenting financial statements to auditors. However, auditors viewed IFRS adoption from audit risk perspective (Habib, 2015). For example, IFRS Board Choose to use a principles-based approach which assumes that auditors must come to terms with managerial judgments in respect of rules recognition (e.g. intangible assets) and categorization (e.g. financial instruments) when performing their audit task (Khlif & Achek, 2016). This also results to longer audit reporting lags following the adoption of IFRS. Overall, IFRS adoption may increase delay by management when preparing financial statements and auditors delays when examining them which transform into longer audit delay.

2.1.1 Shareholders and Audit Committee Involvement

The introduction of shareholders to corporate monitoring provide a unique opportunity for debate in corporate governance research, this is due to the importance attached to the need for effective monitoring by regulators all over the world (Doukakis, 2014, SEC, 2011). Therefore, shareholders are expected to protect their investment by instituting higher level of commitment in firms reporting process and can as well punish external auditors who issue a going concern report arising from unclear circumstances (Mengena & Pike, 2005). The Nigerian audit committee comprises of three shareholders and three non-executive directors (SEC, 2011). Thus, aligning with resource dependency theory advocates whom suggest larger number of audit committee as one with the ability to effectively monitor financial reporting process using a variety and diverse knowledge base and can therefore, influence effective performance (Liu, Tiras & Zhuang, 2014). Thus, shareholders as the new determinant of audit delay in corporate governance research provide a new area for scholarship in accounting literature. With the coming of shareholders on board of the audit committee together with the power of ownership, shareholders can effectively check executive directors (ED) excesses concerning financial reporting process and provide protection to the auditor in

doing their duties, Shareholders can equally, accomplish certain activities in association with the argument between them and managers to effect changes in the firm's structure (Adegbite, Amaeshi & Amao, 2012; Enofe, Aronmwan & Abadua, 2013).

Additionally, the chairman of the audit committee serves as the contact point and represents one of the firm's hierarchy which serves as a solid source of power, thus, can determine the ability of the committee to work effectively because he is liable for the breakdown of reporting process (Bromilow, 2010; PricewaterhouseCoopers, 2003). Therefore, the involvement of shareholders in the audit committees can uniquely play important roles of chairing the committee by exploring several avenues in enhancing effective performance of the audit committee in adhering to the disclosure requirement of IFRS (Enofe et al., 2013). Furthermore, financial expertise remains one of the most essential features of the audit committee hence; audit committee with financial expertise improves the process of financial report (Abbott et al, 2004; Krishnan & Visvanathan, 2008). Moreover, audit committee provide link for interaction with internal, external auditors and management through fruitful discussions in their meeting and by developing inter-personal relationship among members' (Bedard & Gendron, 2010; PricewaterhouseCoopers, 2003).

This current study therefore, assumes that shareholders with financial expertise in the audit committee will improve timeliness of financial reporting. Previous studies argue that the fall of Enron in 2002 due high profile corporate scandals was because of the audit committee chair lacks relevant financial expertise (Breeden 2003). A combination of expert power and structural power may bring about audit committee effectiveness. Moreover, studies have used the SEC definition of financial expertise to examine the relationship between financial experts in audit committee and reporting quality (see for example Tiras et al., 2014; Dhaliwal et al, 2010).

Thus, shareholders in the audit committee are expected to have at least first degrees, its equivalent or higher degrees from a recognized university in Nigeria or abroad in the social or management related field of study. In addition, they can have lower academic qualification than a first degree in related field from any tertiary institutions in Nigeria or from abroad. Further, Part 'E' article 30 has emphasized on the need to combine independent directors (IND) and shareholders in the audit committee (SEC, 2011). The regulator further requires the committee members to have basic literacy and at least one of which must have accounting knowledge. Given the opportunity therefore, shareholders are expected to effectively perform in the audit committee as members.

Agency theory has anticipated a conflict that may arise between principals and the agents on the management of the firm due separation of ownership and control (Jensen & Meckling, 1976). Hence, the power of shareholders to control the firm is contained in both Companies and Allied Matters Act (CAMA) (2004) and SEC code (2011). First, part IV, V and VII of the Act has provided the fundamental rights of shareholders and how to apply them in term of voting power, resolutions, as well as rights to associations (activism), while part 'C' articles 22, 25, 26 and 27 have made details provisions on how the shareholders can have strong control over their investment and the company. Sections 331-334 of CAMA (2004) have

provided a clear relationship that put shareholders on top regarding contractual protection. Consequently, shareholders with 10% interest and above are powered by section 18 of the Act to call for a meeting at any given time as they deemed necessary to discuss the affairs of the firm when not satisfied. Moreover, shareholders have basic right to be served with 21 days' AGM notice along with the year-end annual report and accounts to their residential addresses for scrutiny and to prepare their minds for or against the content during AGM. Additionally, shareholders are also entitled to yet another 21 days' notice to be served through at least two national daily newspapers under section 222 of the Act. Consequent upon the plethora of powers given to shareholders by both company law and the code of corporate governance, it is assumed that block shareholders can provide the much-needed monitoring of financial reporting process in Nigerian listed firms. Blockholders in the audit committee will have influence on control, monitor managers on the timeliness of financial report, its process as well as the release of the report within the required time (Kibiya *et al*, 2016). Based on the above discussions the following hypotheses are developed:

Hypothesis 1: Shareholders with financial expertise is negatively related with audit delay after IFRS adoption in Nigerian listed firms.

Hypothesis 2: Shareholders as chairman of audit committee could influence lower audit delay after IFRS adoption in Nigeria listed firms

Hypothesis 3: Block shareholders in the audit committee could provide effective monitoring and enhance timeliness after IFRS adoption in Nigeria listed firms

3. Data, Methodology and Model Specification

The data employed in this current study are extracted from non-financial publicly listed firms in Nigeria over the period 2011–2015. The information concerning corporate government, audit committee and firms' auditors as well as the financial data concerning annual disclosure were hand collected from the annual report and accounts of all listed firms. Certain criteria were followed to generate sample firms for the study. First, firms must be listed on the Nigerian stock market as 31st December 2011 and have adequate data within the study period. Second, all firms involve in acquisition or merger within the period of the study are not considered. Third, financial institutions were removed due to their unique nature of various and high regulations (Elyasiani, Wen & Zhang, 2017). Consequently, this procedure generates a final sample of 505 firm-year observations, representing 101companies over 5 years' periods and a sample 606 firm-year observation representing 101companies over 6-year period form 2009-2001 as pre-IFRS adoption period and 2012-2014 as post-IFRS adoption period. The study utilizes the Generalized Method of Moment (GMM) estimator for AUDELAY model because GMM standard error produces a robust autocorrelation and heteroskedasticity of unknown form and can be more effective than fixed effect estimator in producing efficient result (Wooldridge, 2010), while we utilized Cramer's statistics (Cramer, 1987) to determine the pre-and post-IFRS adoption periods using the power of R^2. All normality assumption has been taken care off. Thus, we ran the following regression models;

$$AUDELAY_{it} = \beta_0 + \beta_1 SFEX_{it} + \beta_2 SACR_{it} + \beta_3 BLKH_{it} + \beta_4 FSIZEit + \beta_5 BIG4 + \beta_6 GWTH_{it}$$

$$+ \beta_7 IOit + \beta_8 LEV_{it} + \beta_9 PROF_{it} + \beta_{10} ROA_{it} + \varepsilon_{it} \qquad (1)$$

In testing the difference between the pre-and post-IFRS adoption periods, we estimate the following regression:

$$AUDELAY_{it} = \beta_0 + \beta_1 SFEX_{it} + \beta_2 SACR_{it} + \beta_3 BLKH_{it} + \beta_4 AUFEE_{it} + \beta_5 BIG4 + \beta_6 FSIZE_{it}$$

$$+ \beta_7 LEV_{it} + \beta_8 ROA_{it} + \beta_9 GWTH_{it} + \beta_{10} Sp_{it} + \beta_{11} BSIZE + D1_{it} + \varepsilon_{it} \qquad (2)$$

Where:

SFEX: Shareholder financial expertise, SACR: Shareholder audit committee chair, BLKSH: Block shareholder, BSIZE; Board size, ROA: Return on assets, AUFEE: Audit fee, AUD: Represent Big4 audit firms, LEV: Leverage, GWTH: Growth, SP: Share price and FSIZE: Firm size, while D1is a dummy variable which take a value of 1 for post-IFRS adoption period and 0 for pre-IFRS adoption period. Consequently, the R^2 values from equation (2) for the two periods were compared using the Cramer's z statistics (Cramer, 1987) to ascertain the significant differences between the two periods (Pre-and post-IFRS adoption) of the regressions. Similarly, to obtain valid conclusion on the extent of audit delay, the R^2 after the adoption period should be greater than the pre-adoption period. Hence, the Cramer's z statistics is calculated using the formula below;

$$Z = \frac{\hat{R}^2_{\ 1} - \hat{R}^2_{\ 2}}{\sqrt{var(\hat{R}^2)_1 \ var(\hat{R}^2)_2}} \qquad (3)$$

$$var(\hat{R}^2) \sim \frac{4}{N} \hat{R}^2 (1 - \hat{R}^2)^2 - \left[1 - \frac{2(q+1)+3}{N}\right] \qquad (4)$$

Where: *N* represent the size of the total sample used and q is the number of predictors (variables). $R\acute{}2\ 1$ represents the type of R^2 used for regression one and $R\acute{}2\ 2$ represents the type of R^2 used for regression two. $Var\ (R\acute{}2)1$ and $Var\ (R\acute{}2)2$ represents the variation of first and second regressions respectively.

3.1 Variables Measurement

AUDELAY: is measured as the difference between a firm's fiscal year end and to the audit report date, Habib (2015), SFEX: A dummy variable, 1 if a shareholder has a financial expert, 0 otherwise, SACR: An indicator variable 1 if shareholder is the chairman of the audit committee, 0 BLKH: A dummy variable, 1 if a shareholder in the audit committee is a blockholder, 0 otherwise, BIG4: An indicator variable 1 if a firm is audited by a brand name auditors such as Big4 auditor, 0 otherwise, AUFEE: Natural log of audit fees, IO: Represented by 5% or more shares held by investors, ROA: Net income divide by total assets, GWTH: Measured by market equity value to book value, PROF: Net profit divided by year-end owner's equity, FSIZ: Is the natural logarithm of total assets. D1 represents a dummy variable which takes a value of 0 for pre-IFRS adoption period and 1 for post-IFRS adoption period.

4. Results and Discussion

Table 1 below depicts the descriptive statistics; it shows that 96 days is the mean AUDELAY with 0 days minimum and maximum of 455 days. It means that the adoption of IFRS has yielded a positive outcome as some companies complied with the regulation as expected with no delay for even a single day. However, the result indicates that there are firms who had a maximum of 455 days which clearly implies the violation of the SEC 90 day's regulatory requirement. IFRS complexity and weak regulatory enforcement could have been the reasons for such a serious delay. Table 1 shows that SFEX had a mean of 86% it means that on average; 86% of shareholder in the audit committee had financial expertise signifying compliance with SEC regulation that at least a member of the committee must have financial expertise. This result is consistent Kibiya et al (2016) as the presence of shareholders has lowered the magnitude of audit delay. The result further indicates that on average 95% of listed firms in Nigeria are chaired by shareholders hence, expected to institute best practice by making sure that management adhere to IFRS disclosure requirement in preparing their financial report. In the same vein, 30% of shareholders in the audit committee are BLKH with at least 5% and above holding. Thus, the presence of blockholders in the audit committee would enhance sufficient monitoring and improve on the reporting process by safeguarding auditors' independence and reducing managers' excesses.

Table 1. Descriptive Statistics

CONTINUES VARIABLES	AUDELAY	AUFEE	IO	ROA	GWTH	FSIZE	PROF
Mean	96	15104	0.16	1.79	1.97	5.18E+07	4.73
SD	60	18523	0.14	13.20	6.27	1.28E+08	19
Min	0	350	0	-93.26	35.9	-438527	-97.4
Max	455	145,000	0.49	53.96	52.73	1.11E+09	86.31
Categorical Variables	%						
SFEX	86						
SACR	95						
BLKH	30						
BIG4	53						

Source: Author's Compilation

The readability of financial report within the regulation time becomes critical to stakeholders, thus, section 357(1) of the CAMA (2004) requires that each firm to hire the service of auditors to examine the financial statement and report to shareholders accordingly. As can be seen, Table 1 showed the values of ADFEE ranges from a minimum of N350 and a maximum of N145, 000 Nigerian Naira (The exchange rate was N197 for USD 1). As categorical variable, the result indicates that Big4 audit firms audited 53% of listed non-financial firms in Nigeria, this means that on average the quality of audited financial report of a firm will be increased by 56% if the firm is audited by a Big4. This result is consistent with several

previous studies (see Ahmed & Che-Ahmed, 2016; Khalif & Ozkan, 2016; Rusmin & Evans, 2017; Oussii & Boulila Taktak, 2018). Furthermore, Table 1 shows that IO's mean value is 0.16 which is interpreting to mean that on average, 16% of listed firms in Nigerian are owned by institutional investors. Overall, institutional investors owned 49% of firms listed on the Nigerian stock exchange. Consequently, the IOs presence as monitors can be an important apparatus for effective corporate monitoring and boost the capital market (Kim et al., 2016; Elyasiani et al., 2017). As for GRWTH the mean value is 2%, FSIZE N5.18 billion respectively, while the control variables as depicted in Table 1 revealed the mean value of PROF as 4.73%, ROA 1.9% and LEV 65%. The standard deviations for all the variables are not far away from the mean thus, the value can be accepted because they have low risk of being wrong assumption.

Table 2. Descriptive statistics by sectors

Sectors	Obs	Number	Sector %	Mean	Min	Max
Industries	85	17	16.83	84	19	212
Constructions	25	5	4.95	90	30	211
Agriculture	20	4	3.96	81	56	116
Conglomerates	25	5	4.95	162	82	283
Consumer	100	20	19.8	83	12	365
Health	40	8	7.92	113	25	455
ICT	35	7	6.93	91	29	241
Oil & gas	70	14	13.86	109	0	325
Services	105	21	20.79	91	0	264
Total	**505**	**101**	**100**	**81**	**0**	**116**

Source: Author's Compilation

Table 2 shows that the larger sample of 21 firms comes from services sector with 20.79%, while the least samples of only 4 firms are extracted from agricultural sector with 3.96%. Hence, the mean audit delay according to Table 2 is 81 days. The table further indicates that oil and gas as well services sectors complied with the 90 days regulatory period. However, the longest period of 455 days and 365days are from Health and consumer sectors respectively. The, lowest delay comes from consumer sector with minimum delay of 12 days. Further empirical evidence indicates that most companies are yet to fully adhere to the 90 days SEC rule even after the IFRS adoption. Although some emerging countries have also adopted IFRS but the delay is still a bit high for example, Indonesia with minimum and Maximum of 12 and 164 days Rusmin & Evan, (2017), and Zimbabwe with 17 and 115 days respectively Owusu-Ansa (2012), the current status for Nigeria concerning audit delay indicates that there is improvement due to the shareholders' roles in the audit committee and IFRS adoption. The periods of these prior studies suggest that managers were yet to become familiar with both 2011 revised code of corporate governance and IFRS. However, audit delay in Nigeria is steady improving.

4.1 Correlation Matrix

The correlation between AUDELAY and independent variables utilized is depicted in appendix I. the result indicates that SFEX and BLKH correlate positively with AUDELAY, and statistically insignificant with coefficient value of 0.07 and 0.04, while correlation between AUDELAY and IO is also positive but significant at 5%. However, SACR is negative with the value of -0.11 and statistically significant at 1%. The correlation between AUDELAY and FSIZE is negative and statistically significant at 5% with the value of -0.09 as shown in appendix I. Furthermore, the correlation between AUDELAY and Big4 is negative and insignificant, while correlation between GWTH is negative but significant with the value of -0.18. The correlation between AUDELAY and the control variables did not differ from our expectation as both PROF and ROA correlate negatively and statistically significant at 1%, except for LEV which has a positive correlation and statistically insignificant. The correction amongst independent variables is within the threshold as none is above 0.80 and the mean VIF is 1.25 thus; no high correlation exists.

Table 3. Dynamic Panel Estimation Twostep GMM for Audit Delay Model

AUDELAY	Coefficient	Standard Errors	Z-Statistics	P-Value
AUDELAY				
L1.	0.87***	0.01	62.16	0.000
SFEX	-12.52*	7.58	-1.65	0.099
SACR	-58.60***	9.66	-6.07	0.000
BLKH	-9.16**	4.31	-2.12	0.034
LFSIZE	4.56***	0.87	5.27	0.000
BIG4	-13.65***	3.29	-4.15	0.000
GRWTH	-0.11*	0.06	-1.88	0.061
IO	-64.60***	18.31	-3.53	0.000
LEV	-1.92*	1.01	-1.91	0.056
PROF	-0.12***	0.04	-3.11	0.002
ROA	-0.52***	0.06	-8.32	0.000
Constant	-90.13***	21.76	-4.14	0.000
AR1	0.010			
AR2	0.496			
Sargan	0.664			
Hansen	0.449			

Source: Author's Compilation

4.2 Dynamic Panel Estimation Results for Audit Delay Model

Table 3 reports the regression result of dynamic panel data estimation using GMM and the post estimation test which comprises of second order correlation (AR2) and over-identifying

restriction of Hansen/Sagan J-statistic test as well as the moment condition of the model. The result indicates a p-value of 0.496 AR2 hence, the null hypothesis of no second order correlation cannot be rejected due to non-existence of second order correlation as confirmed by AR2 test. Further, Hansen/Sargan J-statistic shows a p-value of 0.664 and 0.449 respectively indicating that the model has a good fit. In addition, the instruments employed in the model are valid and the moment condition is correctly specified at 10% level of significance. Moreover, the model fitness is also corroborated by the Wald Chi2 (11) = 6586.94 with a probability > chi2 = 0.000 respectively.

The results in Table 3 show a coefficient value of -12.52 for SFEX. This means that SFEX has a negative relationship with AUDELAY and statistically significant at 10% level of significance with the p-value of 0.099. It means that the higher the number of shareholders in the audit committee the lower the audit delay. Hence, one increase of a shareholder in the audit committee will bring about approximately 13 days decrease in AUDELAY. This Result clearly affirmed our prediction of Hypothesis one. However, as can be seen in Table 3, the relationship between SFEX and AUDELAY is weak, our expectation of this weak relationship come from two perspectives. First, the status of the members of the audit committee matters because status improves perceived ability and commands respect (Badolato, Donelson, & Ege, 2014). Second, members of the audit committees with relatively high status are likely to be active monitors and possess more sufficient information. Equally, the US SEC has place more emphasis on asking the right questions by audit committee to acquire information and be effective (Xie, Davidson III, & DaDalt, 2003). Our analysis suggests that the shareholders status in the audit committee is perhaps low, hence, provides another avenue for further research.

Hypothesis 2 predicts a negative relationship with AUDELAY based on shareholder as audit committee chair. The coefficient of SACR is -58.60 and has a strong negative relationship as predicted. Thus, the more the audit committee is being chaired by a shareholder the less audit delay. Consequently, the results further show that audit delay will significantly decrease by approximately 59 days as the established association is statistically significant at 1% level of significance and the p-value of the z-statistics is 0.000 as shown in Table 3. It further means that the relationship is a strong one. Thus, the roles played by shareholders in the audit committees could have been unique, because chairman of the audit committee is expected to explore various avenues in reducing the magnitude of audit delay by enhancing audit committee effectiveness as demonstrated by result of this current study and which is also consistent with (Bromilow, 2010; PricewaterhouseCoopers, 2003).

Similarly, the result of hypothesis 3 in Table 3 reveals a coefficient value of -9.16 indicating a negative relationship between BLKH and AUDELAY and statistically significant at 5% level of significance. It means that one increase of BLKH in to audit committee will also bring about a corresponding decrease in AUDELAY by approximately 9 days. This result is consistent with some prior studies for example, empirical evidences abound that block shareholders participate actively in corporate governance process; hence, companies with dominant block shareholders could lower AUDELAY through mitigating agency related problems and raising the level of internal monitoring. Block shareholders could also reduce

managers' opportunistic behaviour of choosing accounting techniques against IFRS that can only improves the profitability level of the firms for their selfish gain (Ahmad-Zaluki, Campbell, & Goodacre, 2011; Waweru, Ntui, & Mangena, 2011; Catuagno, Arena, Saggese & Sarto, 2016). This current study concludes that the presence of block shareholders in the audit committee could be an effective tool for monitoring and reducing audit delay.

The coefficient of Size is positive and statistically significant at 1% level of significance; hence, our results support the argument that large firms in Nigeria are likely to have various branches, units and subsidiaries that are widely spread across Nigeria which increase a layer to the complexity characterized by IFRS and thus, increase time to the audit process as demonstrated in this present result. These factors may lead to variation in result as compared to other studies. Other variables of interest in this study such as BIG4 accounting firms with coefficient value of -13.65, GRWTH with coefficient value of -0.11, and institutional investors (IO) with coefficient value of -64.60, indicate a negative coefficient and are statistically significant at 1%, 10% and 1% respectively as shown in Table 3. The relationship between BIG4 and AUDELAY did not come as surprise because several studies has affirmed that BIG4 can reduce the magnitude of AUDELAY due to their understanding of IFRS and technical-know-how as well as qualify manpower in their disposal unlike their counterpart that lack sufficient resources and IFRS knowledge based (Yaacob & Che-Ahmad, 2012, Khalif & Ozkan, 2016; Khlif & Achek, 2016).

In the same vein, Big4 auditors are more likely to work extra hard to reduce the reporting time line when compared to their non-Big4 counterparts in IFRS reporting environment (Al-Ajmi, 2008; Rusmin & Evan, 2017), hence, timely report would no doubt lead to the boosting of the capital market efficiency, reduce information asymmetry and enhance firm growth as demonstrated by this present study and also consistent with studies such as by (Blankley et al., 2014; Owusu-Ansah, 2012). Thus, the result indicates that GWTH could reduce AUDELAY by approximately 14 days. The result also affirm that institutional investors could provide effective monitoring in IFRS regime, as long-term institutional owners are economically important due to their significant presence in most of the capital market all over the world and Nigeria by actively participating in corporate monitoring which lead to positive stock market reactions (Elyasiani et al., 2017). Table 3 indicates that IO can reduce AUDELAY by 65 days approximately. The results of the control variables show that the coefficient of LEV, GRWTH and ROA are negative and statistically significant at 10% and 1% levels of significance. Thus, this finding suggests that strong internal control is a condition necessary to guarantee audit timeliness (Ahmed & Che-Ahmad, 2016).

4.3 Test of Difference between Pre-and Post-IFRS Adoption Periods for Audit Delay

The result from the test of difference of pre-and post-adoption period's shows consistency with previous studies of Alkali & Lode (2016) that reported a significant and positive association between assets and liabilities of pre- and post-IFRS adoption respectively. Their results also showed empirically that fair value measures as preached by IFRS improve accounting information than the traditional historical cost which is like our present study's result. In the same vein, the results are like the findings of Omokhudu & Ibadin (2015) on

book value and earnings which affirmed that there is more value relevance of accounting information after the adoption of IFRS in Nigeria. Therefore, Table 4 shows the relationship differences between pre-IFRS and post-IFRS adoption periods. The overall R^2 result for the combine full sample (2009 to 2011) is 0.0675 while the pre- and post-IFRS result periods for the overall R^2s are 0.0525 and 0.1048 respectively. The increase in the overall R^2 from 0.0525 to 0.1048 shows a difference of 0.0523 between the two periods. Thus, the differences of the two periods were affirmed using Cramer's z-statistics. A z-score of -1.31 was obtained through Cramer test and is statistically significant at 10%.

Table 4. Test of Difference between Pre-and Post-IFRS adoption Periods for Audit Delay

Variables	Coefficient	Standard Errors	Coefficient	Standard Errors	Coefficient	Standard Errors
SFEX	15.667	10.01	23.324**	10.4	8.617	12.96
SACR	-56.319**	26.74	-71.467***	14.39	-29.882	23.57
BLKH	-9.026	7.2	-12.534**	6.56	3.006	8.43
GRWTH	-0.520**	0.26	-0.543	0.5	-0.093	0.38
SP	-0.036	0.04	-0.11	0.08	-0.057	0.04
AUFEE	-9.395	8.79	-9.852	7.2	-18.266*	10.84
AUD	0.724	7.53	-3.512	10.3	-1.063	10.79
PROF	-0.375**	0.16	-0.18	0.16	-0.429**	0.16
LEV	1.311	3.88	-4.455	6.54	3.674	5.76
FSIZE	0.000	0.00	0.000	0.00	0.000	0.00
PERIODS	Pooled(2009-2014)		Pre-IFRS (2009-2011		Post-IFRS (2012-2014)	
R2	0.0675		0.0354		0.1174	
Z-Statistics						-2.11**

Where: SFEX: Shareholder financial expertise, SACR: Shareholder audit committee chair, BLKH: Block shareholder, BSIZE; Board size, ROA: Return on assets, AUFEE: Audit fee, AUD: Represent Big4 audit firms, LEV: Leverage, GRWTH: Growth, SP: Share price and FSIZE: Firm size, while D1is a dummy variable which take a value of 1 for post-IFRS adoption period and 0 for pre-IFRS adoption period.

The study further tested Both R^2 within and R^2 between to see if there are significant differences between the two periods. The results show that 0.1525 and 0.0347 as R^2 within for pre-IFRS and post IFRS adoption periods indicating a difference of -0.1178. Using the explanatory power of the regression as confirmed by Cramer's z-statistics, a z-score of 2.84 was obtained and is statistically insignificant at all level of significance. However, R^2 between was also tested, and the results indicate a value of 0.0354 and 0.1174 respectively as R^2 for pre-IFRS and post-IFRS adoption periods providing a difference of 0.082. Similarly, The Cramer's z-statistic affirmed the power of the regression with a z-score of -2.11 which is statistically significant at 5% level of significance. Overall, the value relevance of IFRS accounting information in the regression model reveals an increase in the post-IFRS adoption

periods consistent with earlier studies mentioned. The model is fit as the Wald chi2 for the combined full sample is 20.39, while pre-IFRS adoption Wald is 35.79 and the post-IFRS adoption Wald chi2 = 19.49. All are statistically significant at 5% level respectively.

5. Conclusion and Suggestion for Future Research

The aim of this study is to examine the effect shareholders in the audit committee of Nigerian listed firms after the IFRS adoption. Our analyses focused on three key features of audit committee namely, financial expertise, audit committee chairmanship and block shareholder as authority for monitoring on audit delay following the 2011 revised code of corporate governance. The study investigates whether IFRS adoption has improved the value relevance of accounting information using pre- and post-IFRS adoption periods. The study employed Generalized Method of Moment technique (GMM) and Cramer's z-statistics for the analyses, findings indicate that shareholder with financial expertise, as chairman of the audit committee and block shareholder in the audit committee are negatively related with timelier financial reporting of Nigerian listed firms. The findings also suggest that BIG4 can produce timely financial reporting in the wake of IFRS adoption in Nigeria. However, firm size seems to have a significant positive effect on audit delay after IFR adoption. The result from Cramer's z-statistics using the explanatory power of R^2 further shows a significant improvement of accounting information after IFRS adoption among Nigerian companies.

This study brings several vital contributions into the extant audit committee literature by examining how shareholders in the audit committee influences audit delay in an emerging capital market such as Nigeria. Overall, the findings of the study are consistent with the agency theory, indicating that members of the audit committee increased technical expertise and improves quality of financial report. Our findings also have implication for regulators and managers. Regarding the regulators, our result demonstrates that regulatory changes within reasonable interval can put more confidence on the stakeholders and the capital market; for example, involving shareholders in the audit committee and IFRS adoption highlight significant contributions on the quality of financial reporting. Similarly, findings from our study concerning managers' have place emphasis on financial expertise on audit committee which enhances the external auditors to rely on the work of internal audit therefore, reduces audit delay.

Despite the enormous contributions of the study highlighted above, our study is not without its limitations. First, the study did not consider other potential variables that can explain audit delay such as industry specialist, auditor reputation and other audit committee features like independence, size and diligence. Our study also failed to capture other audit committee members as the study focused only shareholders in the audit committee. The scope of financial expertise definition in our study is wide as it includes other skills which may not necessarily enhance audit delay hence future study should confined it to a knowledge based to explore its potentials. Finally, Future studies should also seek to examine shareholders effort regarding audit delay in financial institutions as well as earnings management practice in IFRS reporting environment. Finally, the study ignored the use of stock price model and

considered the test of difference only hence; Future study should look at both stock price and stock return models for similar research.

References

Abbott, L. J., Parker, S., & Peters, G. F. (2012). Internal audit assistance and external audit timeliness. *Auditing: A Journal of Practice & Theory*, *31*(4), 3-20.

Ahmad-Zaluki, N. A., Campbell, K., & Goodacre, A. (2011). Earnings management in Malaysian IPOs: The East Asian crisis, ownership control, and post-IPO performance. *The International Journal of Accounting*, *46*(2), 111-137. https://doi.org/10.1016/j.intacc.2011.04.001

Ahmed, K., Chalmers, K., & Khlif, H. (2013). A meta-analysis of IFRS adoption effects. *The International Journal of Accounting*, *48*(2), 173-217. https://doi.org/10.1016/j.intacc.2013.04.002

Ahmed, M. I., & Che-Ahmad, A. (2016). Effects of corporate governance characteristics on audit report lags. *International Journal of Economics and Financial Issues, 6*(7). Retrieved from http://eserv.uum.edu.my/docview/1846291388?accountid=42599

Al-Ajmi, J. (2008). Audit and reporting delays: Evidence from an emerging market. *Advances in Accounting*, *24*(2), 217-226. https://doi.org/10.1016/j.adiac.2008.08.002

Alkali, M. Y., & Lode, N. A. (2016). The value relevance of accounting disclosures among listed Nigerian firms: IFRS adoption. *Iranian Journal of Management Studies, 9*(4), 707.

Baatwah, S. R., Salleh, Z., & Ahmad, N. (2015). CEO characteristics and audit report timeliness: do CEO tenure and financial expertise matter?. *Managerial Auditing Journal*, *30*(8/9), 998-1022. https://doi.org/10.1108/MAJ-09-2014-1097

Badolato, P. G., Donelson, D. C., & Ege, M. (2014). Audit committee financial expertise and earnings management: The role of status. *Journal of Accounting and Economics*, *58*(2-3), 208-230. https://doi.org/10.1016/j.jacceco.2014.08.006

Bédard, J., & Gendron, Y. (2010). Strengthening the financial reporting system: Can audit committees deliver?. *International journal of auditing*, *14*(2), 174-210. https://doi:10.1111/j.1099-1123.2009.00413.x

Bernhut, S. (2008). Global Standards. *CA Magazine, 141,* 24-28.

Bonsón-Ponte, E., Escobar-Rodríguez, T., & Borrero-Domínguez, C. (2008). Empirical analysis of delays in the signing of audit reports in Spain. *International Journal of Auditing*, *12*(2), 129-140. https://doi:10.1111/j.1099-1123.2008.00375.x

Breeden, R. (2003). Restoring trust. *Report to the Hon. Jed S. Rakoff, The United States District Court for the Southern District of New York on Corporate Governance for the Future of MCI (August).* Retrieved from http://www.sec.gov/Archives/edgar/data/723527/000119312503044064/

CAMA. (1990). Laws of the Federation of Nigeria, *CAP 59*, Vol. III.

Catuogno, S., Saggese, S., Sarto, F., & Viganò, R. (2016). Shedding light on the aim of stock options: a literature review. *Journal of Management & Governance*, *20*(2), 387-411. https://doi.org/10.1007/s10997-015-9318-0

Cramer, J. S. (1987). Mean and variance of R2 in small and moderate samples. *Journal of econometrics*, *35*(2-3), 253-266. https://doi.org/10.1016/0304-4076(87)90027-3

De George, E. T., Ferguson, C. B., & Spear, N. A. (2013). How much does IFRS cost? IFRS adoption and audit fees. *Accounting Review*, *88*(2), 429-462. https://doi.org/10.2308/accr-50317

De George, E. T., Li, X., & Shivakumar, L. (2016). A review of the IFRS adoption literature. *Review of Accounting Studies*, *21*(3), 898-1004. http://dx.doi.org/10.1007/s11142-016-9363-1

Dhaliwal, D. A. N., Naiker, V. I. C., & Navissi, F. (2010). The association between accruals quality and the characteristics of accounting experts and mix of expertise on audit committees. *Contemporary Accounting Research*, *27*(3), 787-827. https://doi.org/10.1111/j.1911-3846.2010.01027.x

Doukakis, L. C. (2014). The effect of mandatory IFRS adoption on real and accrual-based earnings management activities. *Journal of Accounting and Public Policy*, *33*(6), 551-572. https://doi.org/10.1016/j.jaccpubpol.2014.08.006

Elyasiani, E., & Jia, J. (2010). Distribution of institutional ownership and corporate firm performance. *Journal of Banking & Finance*, *34*(3), 606-620. https://doi.org/10.1016/j.jbankfin.2009.08.018

Enofe, A. O., Aronmwan, E. J., & Abadua, H. S. (2013). Audit Committee Report in Corporate Financial Statements: Users' Perception in Nigeria. *European Journal of Accounting Auditing and Finance Research, 1*(1), 16-28.

Fodio, M. I., Oba, V. C., Olukoju, A. B., & Zikrullahi, A. A. (2015). IFRS Adoption, Firm Traits and Audit Timeliness: Evidence from Nigeria. *Journals Acta Universitatis, Danubius, 11*(3), 160-171.

Griffin, P. A., Lont, D. H., & Sun, Y. (2009). Governance regulatory changes, International Financial Reporting Standards adoption, and New Zealand audit and non-audit fees: empirical evidence. *Accounting & Finance*, *49*(4), 697-724. https://doi.org/10.1111/j.1467-629X.2009.00310.x

Habib, A. (2015). The new Chinese accounting standards and audit report lag. *International Journal of Auditing*, *19*(1), 1-14. https://doi.org/10.1111/ijau.12030

Habib, A., & Bhuiyan, M. B. U. (2011). Audit firm industry specialization and the audit report lag. *Journal of international accounting, auditing and taxation*, *20*(1), 32-44. https://doi.org/10.1016/j.intaccaudtax.2010.12.004

Hassan, Y. M. (2016). Determinants of audit report lag: evidence from Palestine. *Journal of Accounting in Emerging Economies*, *6*(1), 13-32. https://doi.org/10.1108/JAEE-05-2013-0024

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, *3*(4), 305-360. https://doi.org/10.1016/0304-405X(76)90026-X

Khlif, H., & Achek, I. (2016). IFRS adoption and auditing: a review. *Asian Review of Accounting*, *24*(3), 338-361. https://doi.org/10.1108/ARA-12-2014-0126

Khlif, H., & Samaha, K. (2014). Internal Control Quality, Egyptian Standards on Auditing and External Audit Delays: Evidence from the Egyptian Stock Exchange. *International Journal of Auditing, 18*, 139-154. https://doi.org/10.1111/ijau.12018

Kibiya, M. U., Che-Ahmad, A., & Amran, N. A. (2016). Audit Committee Independence, Financial Expertise, Share Ownership and Financial Reporting Quality: Further Evidence from Nigeria. *International Journal of Economics and Financial Issues*, *6*(7S), 125-131.

Kim, J. B., Wang, Z., & Zhang, L. (2016). CEO overconfidence and stock price crash risk. *Contemporary Accounting Research*, *33*(4), 1720-1749. https://doi.org/10.1111/1911-3846.12217

Kim, O. (2013). Russian accounting system: Value relevance of reported information and the IFRS adoption perspective. *International Journal of Accounting*, *48*(4), 525–547.

Liu, M. C., Tiras, S. L., & Zhuang, Z. (2014). Audit committee accounting expertise, expectations management, and nonnegative earnings surprises. *Journal of Accounting and Public Policy*, *33*(2), 145-166. https://doi.org/10.1016/j.jaccpubpol.2013.12.004

Mangena, M., & Pike, R. (2005). The effect of audit committee shareholding, financial expertiseand size on interim financial disclosures. *Accounting and Business Research*, *35*(4), 327-349.

Modugu, P. K., Eragbhe, E., & Ikhatua, O. J. (2012). Determinants of audit delay in Nigerian companies: Empirical evidence. *Research Journal of Finance and Accounting*, *3*(6), 46-55.

Omokhudu, O. O., & Ibadin, P. O. (2015). The value relevance of accounting information: Evidence from Nigeria. *Accounting and Finance Research*, *4*(3), 20-30. http://doi.org/10.5430/afr.v4n3p20

Onulaka, P. N. Impact of Adoption of IFRS in Nigeria Capital Market, Preparers of Financial Statements and Auditors. *International Journal of Science and Research (IJSR), 3*(11), 149-158.

Oussii, A. A., & Boulila Taktak, N. (2018). Audit committee effectiveness and financial reporting timeliness: The case of Tunisian listed companies. *African Journal of Economic and Management Studies*, *9*(1), 34-55. https://doi.org/10.1108/AJEMS-11-2016-0163

Owusu-Ansah, S. (2012). Timeliness of corporate financial reporting in emerging capital markets: empirical evidence from the Zimbabwe Stock Exchange. *Accounting and Business Research, 30*(3), 241-254.

Owusu-Ansah, S., & Leventis, S. (2006). Timeliness of corporate annual financial reporting inGreece. *European Accounting Review*, *15*(2), 273-287.

Rochmah Ika, S., & Mohd Ghazali, N. A. (2012). Audit committee effectiveness and timeliness of reporting: Indonesian evidence. *Managerial Auditing Journal*, *27*(4), 403-424. https://doi.org/10.1108/02686901211217996

Rusmin, R., & Evans, J. (2017). Audit quality and audit report lag: case of Indonesian listed companies. *Asian Review of Accounting, 25*(2), 191-210. https://doi.org/10.1108/ARA-06-2015-0062

Securities and Exchange Commission. (SEC, 2011). *Code of corporate governance for public companies in Nigeria*.1-54, Abuja.

Stovall, D. C. (2010). Transition to IFRS: What can we learn?. *The Business Review, Cambridge, 16*(1), 120-126.

Sultana, N., Singh, H., & Van der Zahn, J.-L. W. M. (2015), Audit Committee Characteristics and Audit Report Lag. *International Journal of Auditing, 19,* 72-87. https://doi.org/10.1111/ijau.12033

Tsalavoutas, I., & Dionysiou, D. (2014). Value relevance of IFRS mandatory disclosure requirements. *Journal of Applied Accounting Research*, *15*(1), 22-42. https://doi.org/10.1108/JAAR-03-2013-0021

Vijitha, P., & Nimalathasan, B. (2014). Value relevance of accounting information and share price: A study of listed manufacturing companies in Sri Lanka. *Merit Research Journal of Business and Management*, *2*(1), 1-6.

Waweru, N. M., Prot Ntui, P., & Mangena, M. (2011). Determinants of different accounting methods choice in Tanzania: A positive accounting theory approach. *Journal of Accounting in Emerging Economies*, *1*(2), 144-159. https://doi.org/10.1108/20421161111138503

Wooldridge, J. M. (2010). *Econometric Analysis of Cross Selection and Panel Data* (2nd ed.). Cambridge, MA: MIT Press.

World Bank. (2011) Report on the observance of standards and codes (ROSC) Nigeria. Retrieved from http://www.worldbank.org/ifa/rosc_aa_nigeria_2011.pdf

Xie, B., Davidson III, W. N., & DaDalt, P. J. (2003). Earnings management and corporate governance: the role of the board and the audit committee. *Journal of Corporate Finance*, *9*(3), 295-316. https://doi.org/10.1016/S0929-1199(02)00006-8

Yaacob, N. M., & Che-Ahmad, A. (2011). IFRS adoption and audit timeliness: Evidence from Malaysia. *The Journal of American Academy of Business, 17*(1), 112-118.

Yaacob, N. M., & Che-Ahmad, A. (2012). Adoption of FRS 138 and audit delay in Malaysia. *International Journal of Economics and Finance, 4*(1), 167.

Appendix 1. Correlation Matrix

	AUDELAY	SFEX	SACR	BLKH	FSIZE1	BIG4	GWTH	IO	LEV	PROF	ROA
AUDELAY	1.00										
SFEX	0.07	1.00									
SACR	-0.11	0.35	1.00								
BLKH	0.04	0.16	0.09	1.00							
FSIZE	-0.09	-0.08	-0.18	-0.04	1.00						
BIG4	-0.05	0.01	-0.09	-0.09	0.23	1.00					
GWTH	-0.18	-0.01	-0.11	-0.05	0.10	0.21	1.00				
IO	0.11	0.16	-0.03	0.12	-0.09	-0.21	-0.08	1.00			
LEV	0.06	0.08	0.05	0.08	-0.02	0.07	-0.08	0.02	1.00		
PROF	-0.19	-0.09	-0.06	-0.01	0.16	0.12	0.27	-0.13	-0.15	1.00	
ROA	-0.25	-0.17	-0.18	-0.10	0.15	0.17	0.35	-0.14	-0.19	0.61	1.00

Source: Author's Compilation