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Investigation The Effective Factors on Audit Reports Issuance Delay in Iranian Companies That Listed Tehran Stock Exchange Market

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ABSTRACT

Audit reports are the most important key in accounting process. This process should be in time presented, But several factors cause a delay in this process. In most markets, disclosure time limit is when in which users will obtain financial information timely. Timeliness of the information cannot ensure their effectiveness characteristic but if they will not timely, they never can be effective. There are other factors that researcher is unaware of their existence, it is impossible to quantify the effect of them on dependent variable, or the researcher cannot control them. Time domain of this research is between years 2005 and 2008 (a four years period). Comparison of the averages between years 2005 and 2008 shows that, the average time between the issuance of audit reports and the end of fiscal year, had downward motion in this period. Finally, the conditional comments have limited auditors' responsibility to the desirability of some components of financial statements. In cases where the auditors provide opposite (failed) comments, they should provide sufficient evidence for their adverse comments and silence is necessary when, there were fundamental limitations on investigations or other conditions prevent auditors to apply accepted auditing standards.
KEYWORDS: audit reports, issuance delay, Tehran stock exchange market, auditing.

1. INTRODUCTION

Benefiting different parts of society from audit services reaches to its maximum when, auditor's role in community will clearly specified. Circumstances like interests' conflicts, important economic consequences, complexity, and lack of direct access to information in auditing process environment, make indirect evaluation of information quality very difficult to the users. These conditions justify the need to audit by the qualified independent auditors and their authentication services. One of the factors of trust to auditors is timely issuance of audit report (Yeganeh and Ghasemi, 2004). According to the Board American Accounting Standards, statement no. 2 called "qualitative characteristics of accounting" the most important quality of information from decision-making viewpoint is their usefulness. Useful information is related information and for information to be related, it must be issued before losing its effectiveness. Timeliness refers to a quality in which, information will be available in appropriate time, i.e. being on time. Since, financial information are very sensitive to time elapse, and lose their decisions-making value and over the time, shorter time interval between the end of fiscal year and financial reports issuance means higher benefits of these reports. Timeliness of the information cannot ensure their effectiveness characteristic but if they will not timely, they never can be effective. Therefore, timeliness is one of inhibitor factors of financial statements issuance. Collection, summarization, and issuance of accounting information should have required speed to ensure that they can be available for users in desirable time. It also means that, financial statements must be issued regularly and in specific times to inform company's status changes to others and new information could have their influence on users' decision-making predictions (Von berda, 2006). In most markets, disclosure time limit is when in which, it is ensured that, users will obtain financial information timely. According to United States' Securities and Exchange Commission (SEC), financial statements should be issued within 90 days from the end of the financial year, and this time limit is 45 days for midterm reports (Mustafa Dogan, Ender Coskun, Orhan Celik, 2007). Similarly, this time limit for companies accepted in Iranian stock exchange, according to last provided instructions, is 4 months for audited annual financial statements and 60 days for audited half-yearly reports. For these financial statements to be reliable and trusty to users, they need to be certificated by a third party, mainly by auditors on the audit process.

Managers are in a flexible position to issue financial statements for public. In other words, the time of issuing financial statements is a management decision while, having specified time limits. Management flexibility must be in such a way that, publish financial statements when they are required not when arbitrarily decided. Management flexibility in issuing financial statements related to several factors which, some are related to the company and its

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financial statements and some are related and market and company's external environment (Mustafa Dogan, Ender Coskun, Orhan Celik, 2007)

Most important issue in this relation is recognizing these factors that affect the date of audit reports issuance.

2. LITERATURE REVIEW

Bonson-Ponte et al., (2009) investigated the determining factors on delay of signing audit reports in Spain. Delays have been measured by counting the days after the end of financial year or signing audit report. This study indicated that, two factors related to companies' characteristics lead to reduce auditing delay, classification by industries that have been imposed on law enforcement and the size of associated companies. Variables such as audit institution, conditions, and regulatory changes have no significant relationship with audit report delay in Spain. Xiaoli Yuan and McGee (2008), investigated corporate governance and timeliness of financial reporting in the China. They selected 18 Chinese companies, which were publishing their financial reports in English and in order to compare, selected 21 companies among non-Chinese companies and then, calculated the number of days between the end of fiscal year and audit report issuance date. They also collected the information about auditing companies and accounting standards they used. Results indicate that, Chinese companies issued their financial reports later than non-Chinese companies did.

Gold (2011) improved and changed the auditor's reports on the client assets, which published in September 2010, and set out the actions that they are undertaking to improve the quality and consistency of the auditor's client assets report, and sought views on a number of policy proposals for Handbook amendments. The policy proposals aimed to apply the standards required for the auditor's client assets report and increase and use consistent the information provided within the auditor's reports to the enhance its supervisory value.

McGee and Igoe (2008) investigated corporate governance and timeliness of financial reporting in a comparative study between the economically strong and developing countries of the Europe union. The performed Wilcoxon showed no significant difference. Dogan and Celik (2007), investigated the relationship between performance of Turkish companies and the date of issuing financial reports. In their model, the initial date of issuing companies' financial statements considered as the date of issuing financial statements and they investigated financial statements of 249 companies. The results indicate that, there is significant relationship between performance of companies and delay in issuing the audit reports. Moayeri (2007) investigated five factors of company size, profitability, company risk (financial risk), type of audit report, and the date of financial year's end on timeliness of audit reports among Iranian companies (listed in stock). In this study, audit delay defined as the time interval (number of days) between the end of financial year and date of audit report. Investigations using multiple variable regression method indicated that, between years 2003 and 2005, only the independent variable of fiscal year's end date had an strong correlation with the audit report timeliness with significance level of $\alpha = 5\%$. Other variables showed no significant correlation.

Alikhani (2006) conducted a research titled as "Effective factors on prolongation of the audit report". In this research, he investigated several factors that prolonged audit report such as company size, profitability, industry type, and company's debt ratio. According to the analyses and results in $\alpha = 5\%$ level and $Z=1.96$, prolonged report issuance have significant relationship with company size, profitability, financial or non-financial status of companies, and the end of fiscal year but, there is no significant relationship between auditor's report date and debt ratio.

3. METHODOLOGY AND DATA

Statistical population was all of the companies listed in Tehran Stock Exchange. Samples were selected among the member companies that have following conditions:

- Companies that are classified as financial industries will be released earlier than non-financial companies due to large differences in information disclosure requirements and auditing process with others, and also because their assets are composed from special items and has a lower level of inventories (physical) and fixed assets (inventories are usually one of the most time consuming parts of auditing) to prevent the effect of this factor, sample companies have been selected among non-financial companies.
- The results of previous studies in Iran and other countries have shown that, fiscal year's end may affect the issuance of audit reports date, so that, the reports of companies which their fiscal years' end are simultaneous with auditors' busy season, are issued with delay. Considering that, fiscal year of most Iranian companies ends at the last day of solar calendar and to prevent the effect of this factor, sample have selected among the companies that their fiscal year end is in Esfand (march).
- Their required data will be available.

Research data has been gathered from following resources.

- Companies financial statements that been collected from Tehran Stock Exchange (TSE) information system.
- Field studies in libraries, especially Tehran stock exchange library.
- Tadbir Pardaz software.

Research method is post-event. Using statistical methods, a number of accepted companies in stock exchange were selected and the necessary information for research extracted from of the companies' financial statements. The statistical population of this study is companies listed in Tehran Stock Exchange. To investigate selected samples, initially, using random numbers table we selected a number of companies and have tested hypotheses based on their data. Z-test had been used to determine the number of samples.

Usually, parametric methods are using for data analysis. If certain statistical requirements were considered in the model and data, this method is effective, but if the model or data contravene the above-mentioned requirements, the results will not be reliable. Primary data collected using Excel software and then, the results as inputs of SPSS software.

Time domain of this study includes the years 2005 to 2008 (a four-year period).

First hypothesis: There is difference in the averages of delay time in issuing audit report between acceptable and unacceptable reports.

Second hypothesis: There is difference in the averages of delay time in issuing audit report between financial reports with and without.

Third hypothesis: There is difference in the averages of delay time in issuing audit report between financial reports with and without unexpected items.

The fourth hypothesis: There is difference in the averages of delay time in issuing audit report between companies with and without a major shareholder.

The fifth hypothesis: There is difference in the averages of delay time in issuing audit report between companies with and without cooperation history with auditor.

4. RESULTS

In the following, results of descriptive statistics for each year are presented. Comparing the averages between years, 2005 and 2008 shows that, the average time between the issuance of audit report and the end of fiscal year, had a downward motion and for each year it is equal to 84.94, 84.46, 79.70, and 77.34, respectively. Moreover, the number of companies that received acceptable audit report during these years is 33, 26, 29, and 40, respectively. Other information is described in the following table.

Table 1: Obtained results from selected companies.

Audited year	**2005**	**2006**	**2007**	**2008**
Number of audited companies	86	92	93	101
Number of acceptable reports	29	26	33	40
Contingent liability	31	25	24	21
Unexpected items	11	6	0	0
Major shareholder	79	83	84	90
Cooperation history	70	84	77	86
Max. time for issuing audit report	122	134	174	166
Min. time for issuing audit report	35	37	33	33
Avg. time for issuing audit report	84.94	84.46	79.70	77.3

The above table shows that, the average time between the issuance of audit reports (number of days between fiscal year end and the date specified in the audit report as issuance date) was the least in the fiscal year ended at Esfand, 29 (in Persian date), 1999. Quicker issuance of audit report in this year could be explained by following. In this year, the percentages of companies that have received acceptable have a major shareholder. Companies without debts were about 5% higher than the average of each factor in four investigated year, and these three factors, according to the result of hypotheses, have effect on audit report issuing delay, also in this year, cooperation history with auditor affected audit report and therefore, these conditions accelerated audit report.

First hypothesis: There is difference in the averages of delay time in issuing audit report between acceptable and unacceptable reports.

Table 2: Results of first hypothesis

Year	Type of relationship	Result	P-Value of two-sample t-test	P-Value of test
2005	Difference in the averages of delay time in issuing audit report between acceptable and unacceptable reports	Accepted	0.003	0.098
2006	Difference in the averages of delay time in issuing audit report between acceptable and unacceptable reports	Accepted	0.01	0.130
2007	Difference in the averages of delay time in issuing audit report between acceptable and unacceptable reports	Accepted	0.001	0.402
2008	Difference in the averages of delay time in issuing audit report between acceptable and unacceptable reports	Accepted	0.00	0.17

The result of Lons's test for equality of variances is P-value = 0.098, indicating that, the equality of variances hypothesis for two populations discussed in the previous paragraphs is accepted.

Second hypothesis: There is difference in the averages of delay time in issuing audit report between financial reports with and without potential liabilities.

Table 3: Results of second hypothesis

Year	Type of relationship	Result	P-Value of two-sample t-test	P-Value of test
2005	No difference in the averages of delay time in issuing audit report between financial reports with and without contingent liability	Rejected	0.31	0.936
2006	No difference in the averages of delay time in issuing audit report between financial reports with and without contingent liability	Rejected	0.776	0.026
2007	No difference in the averages of delay time in issuing audit report between financial reports with and without contingent liability	Rejected	0.333	0.576
2008	No difference in the averages of delay time in issuing audit report between financial reports with and without contingent liability	Accepted	0.017	0.036

Results of examining samples in this study show that, the findings for the first three years are in agreement with previous researches and contingent liability have no effect on delaying on issuance of audit report, but the hypothesis is approved in year 2008.

Third hypothesis: Third hypothesis: There is difference in the averages of delay time in issuing audit report between financial reports with and without unexpected items.

Table 4: Results of the third hypothesis

Year	Type of relationship	Result	P-Value of two-sample t-test	P-Value of test
2005	No difference in the averages of delay time in issuing audit report between financial reports with and without unexpected items	Rejected	0.846	0.653
2006	No difference in the averages of delay time in issuing audit report between financial reports with and without unexpected items	Rejected	0.147	0.639
2007	No difference in the averages of delay time in issuing audit report between financial reports with and without unexpected items	Lack of enough data for analysis (none of sample companies had unexpected items)		
2008	No difference in the averages of delay time in issuing audit report between financial reports with and without unexpected items	Lack of enough data for analysis (none of sample companies had unexpected items)		

Forecasts based on past researches indicate that, unexpected items have effect on the audit report delay since, it is time consuming to determine whether an item is unexpected or not. The results of this study, for the first and second years were in contrary to most previous researches and it cannot said that, unexpected items have effect on issuance of audit reports

The fourth hypothesis: There is difference in the averages of delay time in issuing audit report between companies with and without a major shareholder.

Table 5: Results of fourth hypothesis

Year	Type of relationship	Result	P-Value of two-sample t-test	P-Value of test
2005	Difference in the averages of delay time in issuing audit report between companies with and without a major shareholder	Rejected	0.386	0.234
2006	Difference in the averages of delay time in issuing audit report between companies with and without a major shareholder	Accepted	0.01	0.008
2007	Difference in the averages of delay time in issuing audit report between companies with and without a major shareholder	Accepted	0.0	0.935
2008	Difference in the averages of delay time in issuing audit report between companies with and without a major shareholder	Accepted	0.041	0.120

Based on what has been achieved in previous researches, it was predicted that existence of a major shareholder in the company has effect on the date of the audit report issuance.

Our investigations in this study indicate that, for years 2006 to 2008, existence of a major shareholder has effect on the delay of audit report issuance, but for the first year (2005), obtained results were inconsistent with previous researches and in this year, major shareholder has no effect on the delay of audit report issuance.

The fifth hypothesis: There is difference in the averages of delay time in issuing audit report between companies with and without cooperation history with auditor.

Table 6: Results of fifth hypothesis

Year	Type of relationship	Result	P-Value of two-sample t-test	P-Value of test
2005	No difference in the averages of delay time in issuing audit report between companies with and without cooperation history with auditor	Rejected	0.088	0.272
2006	No difference in the averages of delay time in issuing audit report between companies with and without cooperation history with auditor	Accepted	0.753	0.297
2007	No difference in the averages of delay time in issuing audit report between companies with and without cooperation history with auditor	Accepted	0.909	0.917
2008	No difference in the averages of delay time in issuing audit report between companies with and without cooperation history with auditor	Accepted	0.019	0.975

Previous researches have shown that, history of cooperation between the auditor and the employer can affect the date of audit report issuance and reduce its delay.

Our results show that, the forecasts for the years 2005 to 2007, were not happened and in three years, experience of cooperation with auditor has no effect on delay of audit report issuance.

5. Conclusion

In the real world –Especially accounting-, the phenomenon would be influenced by numerous factors and variables, some of these factors and variables are known to the researchers and they can determine the influence of these factors (independent variables) on the investigating phenomenon (dependent variable) that changes by independent variables, to an extent. However, there are other factors that researcher is unaware of their existence or it is impossible to quantify the effect of them on dependent variable or the researcher, himself cannot control them. Investigation the effective factors on audit reports issuance delay in Iranian companies that listed Tehran stock exchange market. Therefore, in any study, researcher can investigate few of these independent variables and in this study, the effect of five factors examined on the delay of audit report insurance among 372 companies listed in Tehran Stock Exchange during the four years between 2005 and 2008. Professionals in Investment jobs have interested in audit reports but have believed that reports of this audit would give more usefulness, meaningful and in-time information. In addition, the financial and economic cresses have fundamentally shifted the ways which the worldviews the capital markets structures and system. Therefore, we need to know and acknowledge that shift and respond to the challenge it presents to make help shape and define the future key role of audit and assurance.

Conditional comments have limited auditors' responsibility to the desirability of some components of financial statements. In cases where the auditors provide opposite (failed) comments, they should provide sufficient evidence for their adverse comments and silence is necessary when, there were fundamental limitations on investigations or other conditions prevent auditors to apply accepted auditing standards (Soleymani, 2004). Collecting evidences for unacceptable comments need to spend sufficient time; to these evidences could be appropriate support and insurance for auditor before users.

On the other hand, when the company's management realized that the auditor might provide unacceptable comments about financial statements, they will attempt to reduce the clause or clauses from audit report adjust them to an extent. These management efforts may create controversy between employer and auditor and consequently cause auditor's report issued with greater delay.

In the end of our discussion we present the limitations of research. No interest of respondents than questions and due to the conservatism of some audits is the limitations of this research. Finally, we have two recommendations for future researches. First, researchers could not to collect information from investment companies, because these firms nature is different from other companies and their data sets are not useful. Second, researchers could discover new lines of this task as well as other groups of firms or industries.

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