



**Empirical analysis of delays in the signing of audit reports in Spain.**

Journal:	<i>International Journal of Auditing</i>
Manuscript ID:	IJA-2007-006.R1
Manuscript Type:	Original Article
Keywords:	audit Report, Disclosure, Regulation



Review Only

## Empirical analysis of delays in the signing of audit reports in Spain.

**Abstract:** This study sets out to analyse the factors that determine delays in the signing of audit reports. The delays are measured in function of the number of days that elapse from the closure of the accounting period until the date when the audit report is signed. The study has been conducted in Spain, on 105 companies of the Spanish continuous market, from 2002 to 2005. The results obtained utilising the panel data methodology demonstrate that the two factors characterising the companies that present less audit delay are: classification to sectors that are subject to regulatory pressure, such as the financial and energy sectors; and the size of company relative to its sector. Variables such as audit firm, qualifications or regulatory change show no significant relationship with audit delay in the Spanish scenario.

*Key words:* Audit delay; audit report; regulatory pressure; size; regulation.

## SUMMARY

Investors need reliable and timely information in order to take correct decisions, and auditing is the process that assures users of the reliability of the financial information that they require. However, it cannot be denied that a time gap always exists between the end of the financial accounting period and the time when the audited information is made available to the public. In our study we find that the audited information becomes available after a period that ranges from 16 days, for the company with the least audit delay, up to 163 days, for the company with the greatest audit delay. It is considered that this finding confirms the need for the regulatory authorities to establish maximum periods for the issuing of audited information that meet the needs of the parties interested in this information, with the object of minimising this inevitable gap. Thus the aim of this study is to ascertain the determinants of the audit delay, since the discovery and knowledge of these should allow specific actions to be taken to reduce the existing gap. To this end our study analyses different types of factor, not only those characteristic of the company, like its size, but also other factors specific to the environment or context of the company, such as the regulatory pressures operating on companies in certain sectors, or factors associated with the process of auditing, such as the opinion issued as a result. The results obtained establish an inverse relationship between audit delay and regulatory pressures, which demonstrates that the pressures exerted on certain sectors stimulate the reduction of audit delay. At the same time, the company's relative size is also associated negatively with audit delay. However, in the rest of the variables analysed (auditor and qualifications), no significant relationship with the audit delay is found.

## 1. INTRODUCTION

In this study the factors associated with the length of time taken by the auditors to complete the Audit Report are analyzed. This time is referred to as audit delay and is measured by the number of days that elapse from the close of the accounting period until the day the auditors' report is signed<sup>1</sup>.

The existence of audit delay is important because, as Knechel & Payne (2001) state, the informative value of the audited financial statements will diminish proportionately as the audit delay increases, since competitively-oriented users may obtain information from substitute sources.

In addition, audit delay adversely affects the promptness of the financial information. The requirement that annual financial statements be subjected to external audit can conflict with the requirement of timely reporting (Ashton, Willingham & Elliot, 1987).

Entities whose securities are dealt on the Spanish Securities Markets must submit their audited annual accounts to the corresponding regulatory body (Comisión Nacional del Mercado de Valores (CNMV)) not later than the day of publication of the notice in respect of the meeting when the Annual accounts must be approved, normally the General Meeting of Shareholders (AGM). The submission of the audited annual accounts is made telematically, with the object of facilitating access by making the information available as rapidly as possible. When applicable, the special audit reports

---

1  
2  
3  
4 must be submitted together with the periodical public information on the first half-year.  
5  
6  
7 The special audit reports are obligatory for those issuers of securities admitted for  
8  
9 dealing on the Securities Markets whose audit reports in respect of the annual accounts  
10  
11 present an opinion with qualifications or reservations. The purpose of these special  
12  
13 reports is to inform shareholders of the state of the qualifications at the close of the first  
14  
15 half-year of the accounting period next following that for which this qualified opinion is  
16  
17 applicable.  
18  
19

20  
21  
22  
23 The objective of this study is to provide further evidence on the determinants of audit  
24  
25 delay and to extend prior research.  
26  
27

28  
29  
30 First, no previous study exists that analyses the determinants of audit delay in Spain,  
31  
32 which is one of the countries where the terms stipulated both for the signing of the  
33  
34 accounting information and for the signing of audit reports are shorter than those  
35  
36 considered in other previous studies on audit delay and timeliness; this is the case in  
37  
38 Greece with a term of 160 days for the signing of the audited financial statement  
39  
40 (Leventis, Weetman & Caramanis, 2005) and Hong Kong with 180 days (Ng & Tai,  
41  
42 1994). Although a specific number of days is not stipulated for the signing of audit  
43  
44 reports in Spain, these in fact tend to be signed in fewer days than in some of the  
45  
46 countries cited, since the audit report must be completed for the day of the AGM of  
47  
48 Shareholders, and this is usually held within 120 days from the date of closure of the  
49  
50 accounting period.  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60

1  
2  
3  
4 Second, there are hardly any previous studies on audit delay that employ the technique  
5 of panel data. This is considered the most appropriate technique for this type of study  
6 due to its power in dynamic settings and its potential for improving estimation.  
7  
8  
9

10  
11  
12  
13  
14 Third, this study includes the year 2005, in which a change in the regulations for the  
15 provision of financial information took place, due to the application of the principles of  
16 recognition and assessment of the International Financial Reporting Standards (IFRS).  
17  
18 As a result of this change, the forms in which the periodical public information  
19 presented by entities that issue securities admitted for dealing on the Securities Markets  
20 have undergone modifications. These changes imply a process of adaptation by  
21 companies that could have repercussions on the auditing.  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32

33 This study extends the previous literature on audit delay to a new scenario, Spain, while  
34 conducting research from another more novel perspective. Thus, in this study, we not  
35 only focus on the characteristics possessed by the firm or by the auditor, but rather we  
36 set out to encompass all the factors that may act on the audit delay. In addition, we also  
37 consider two aspects of the context of the company, as variables that can significantly  
38 influence its behaviour: the classification of the company to a particular sector, and the  
39 entry into force of new regulations. It is intended to verify in this study if any  
40 differentiating factors appear in the Spanish scenario that would represent a contribution  
41 of interest with respect to the previous literature.  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52

53  
54  
55  
56 The structure of this paper is as follows. Section 2 reviews prior research on timeliness  
57 and audit delay, while section 3 describes the hypotheses that will be tested in the  
58  
59  
60

1  
2  
3  
4 present study. Section 4 presents the methodology and the variables utilized. Section 5  
6  
7 gives the results, including descriptive statistics and pool regressions for the sample.  
8  
9 Section 6 contains conclusions.  
10

## 11 12 13 14 2. BACKGROUND 15 16 17

18  
19 The existing literature on timeliness and audit delay is very extensive. Most of these  
20  
21 studies were carried out in the US and have been focused on the timeliness of corporate  
22  
23 and audit reports (Ashton *et al.*, 1987; Elliot, 1982a, 1982b; Kinney & Mc Daniel, 1993;  
24  
25 Zeghal, 1984). The determinants of audit delay have also been analyzed outside the  
26  
27 USA, in countries like Australia (Davies & Whittred, 1980; Simnett, Aitken, Choo &  
28  
29 Firth, 1995; Whittred, 1980), Canada (Ashton *et al.*, 1989), New Zealand (Courtis,  
30  
31 1976; Gilling, 1977; Carslaw & Kaplan, 1991), Hong Kong (Ng & Tai, 1994; Jaggi &  
32  
33 Tsui, 1999), Pakistan (Hossain & Taylor, 1998), Zimbabwe (Owusu – Ansah, 2000),  
34  
35 France (Soltani, 2002), Malaysia (Ahmad & Kamarudin, 2003), and Greece (Leventis *et*  
36  
37 *al.*, 2005).  
38  
39  
40  
41  
42  
43  
44

45 While these studies on audit delay share many similarities, they also present  
46  
47 peculiarities that differentiate them. Studies in the various countries show differences in  
48  
49 respect of periods, methodology, variables introduced and conclusions obtained. In this  
50  
51 part, reference is made to some of those research studies, with the object of establishing  
52  
53 similarities and differences. Chart 1 presents a list of the most significant studies.  
54  
55

56 INSERT CHART 1  
57  
58  
59  
60

1  
2  
3  
4 In this research the inevitable gap existing between the close of the accounting period  
5 and the date of signing of the audit report is analysed, considering that minimizing this  
6 gap would improve the efficiency of the market (Leventis *et al.*, 2005). This study is  
7 carried out taking into consideration a change in the regulations that may have  
8 repercussions on the date of signing of the audit report and on the preparation of the  
9 report.  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19

### 20 21 3. HYPOTHESES 22 23 24

25  
26 This paper focuses on five variables that are expected to have particular relevance to the  
27 Spanish setting.  
28  
29  
30  
31  
32

33 H1: There is a negative relationship between the companies that are subject to  
34 regulatory pressures and the time-lag in auditing.  
35  
36  
37  
38  
39

40 In Spain, certain sectors are subject to more control than others, and are therefore under  
41 more pressure. The companies that are subject to regulatory pressures are likely to sign  
42 their audit reports sooner than those that are not under any kind of pressure.  
43  
44  
45  
46  
47  
48

49 Marston (2002) argued that the companies of regulated sectors appear to be more  
50 motivated to disclose information with the object of reducing agency costs (costs of  
51 complying with the legislation).  
52  
53  
54  
55  
56  
57  
58  
59  
60

1  
2  
3  
4 The companies typically under such pressures are those that belong to sectors that are  
5 especially supervised or protected. The social and institutional pressures on particular  
6 sectors lead companies in these sectors to remit their financial information before those  
7 in other sectors that are not under pressure. In Spain, the financial and energy sectors  
8 are subject to institutional pressures by regulatory authorities such as the Bank of Spain  
9 for the financial sector and the Comisión Nacional de la Energía Eléctrica (National  
10 Commission for Electrical Energy) for the energy sector.  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22

23 The Bank of Spain regulates the financial sector in accordance with the circular 4/1991,  
24 in which terms are fixed for the remission of financial information. The Balance Sheet  
25 has a monthly periodicity whereas the Profit and Loss Account has a quarterly  
26 periodicity. The Comisión Nacional de la Energía Eléctrica supervises the energy  
27 sector, under the law that regulates this sector. In that law it is stipulated that the  
28 companies belonging to the energy sector should provide the Administration with the  
29 information that may be required of them, and in particular the information related to  
30 the company accounts.  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44

45 The regulation of both sectors means that the companies belonging to them provide  
46 such information in a timely way, and always before the companies belonging to other  
47 sectors that are not under institutional pressures.  
48  
49  
50  
51  
52

53 H2: There is a negative relationship between the size of the company and the time-lag in  
54 the auditing.  
55  
56  
57  
58  
59  
60

1  
2  
3  
4 Company size is one of the variables that have been related to the audit delay. The  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60

Company size is one of the variables that have been related to the audit delay. The existence of a negative relationship between audit delay and total assets (understood as a measure of size) was found in previous studies conducted in New Zealand, by Courtis (1976), Gilling (1977) and Carslaw & Kaplan (1991); in Australia by Davies & Whittred (1980); in the USA by Garsombke (1981); in Canada by Ashton *et al.*, (1989) and by Newton & Ashton (1989).

Company size is one of the variables that influences the time needed to produce the audit report. Audit delay causes information delay.

Dyer & Mc Hugh, (1975, 213), argued that the directors of larger companies had incentives for reducing audit delay, since they are closely monitored by investors, trades unions and regulatory bodies. Thus the studies analyzed previously have demonstrated that, in order to reduce uncertainty in respect of the company results (because this can depress its share price), a larger firm tends to complete its auditing work as soon as possible, to be able to issue its annual report as soon as possible.

On the other hand, larger firms have more extensive and complex accounts to be audited; therefore, it could be thought that the auditors of these companies need more time and that the audited financial reports are thus released later. However, the large auditor firms who serve the larger companies employ more staff, which should reduce the time needed for auditing. Thus there are economies of scale in auditing a larger company (Garsombke, 1981, 207).

1  
2  
3  
4 Larger companies may have stronger internal controls, which in turn should reduce the  
5 propensity for financial statement errors to occur and enable auditors to rely on controls  
6 more extensively and to perform more interim work. On the other hand, the larger  
7 companies can also exert pressures on the auditor to start and finish the auditing work in  
8 shorter terms (Carslaw & Kaplan, 1991).  
9  
10  
11  
12  
13  
14  
15  
16  
17

18  
19 In this paper 2 measures of size have been included: the logarithm of the capitalization  
20 and the relative size of the company within its sector.  
21  
22  
23

24  
25 The relative size is a variable that measures the size of the company within the sector to  
26 which it belongs. The absolute size variable measures this dimension of the company  
27 without taking into account the sector to which it belongs. A company may be small in  
28 relation to the rest of companies of the sample, but may nevertheless be the largest one  
29 in its sector; to cover this case, it is necessary to include the relative size variable.  
30  
31  
32  
33  
34  
35  
36  
37  
38

39  
40 H3: There is a negative relationship between the size of the auditing company and the  
41 time-lag in auditing.  
42  
43  
44  
45  
46

47 The auditors are classified into two groups: Big Four and other than Big Four (the rest).  
48 The Big Four are Ernst & Young, KPMG, PriceWaterhouseCoopers and Deloitte &  
49 Touche.  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60

1  
2  
3  
4 It is reasonable to expect that the larger auditor companies will have more human  
5 resources and experience in auditing quoted companies. In other words, the larger  
6 auditors will be more efficient than the smaller ones (Ashton *et al.*, 1989).  
7  
8  
9

10  
11  
12  
13  
14 Gilling (1977) argued that the audit delay for companies using an international audit  
15 firm was expected to be less than for audits done by other firms. Further, Williams &  
16 Dirsmith (1988) related audit technology and timeliness, considering that the  
17 international auditor firms should be more efficient because they can count on superior  
18 audit technology. However, it can also be argued that the small auditor companies will  
19 make special efforts to avoid delays in the auditing, with the result that the audit delay  
20 will be less for these auditors (Ng & Tai, 1994).  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32

33 H4: There is a negative relationship between the absence of audit qualifications and the  
34 time-lag in auditing.  
35  
36  
37  
38  
39

40 Whittred (1980); Carslaw & Kaplan (1991); Ashton *et al.* (1987), Ashton *et al.* (1989);  
41 Newton & Ashton (1989); and Ahmad & Kamarudin (2003) introduced qualifications or  
42 reservations expressed by the auditor as one of the variables that may determine the  
43 delays observed in the auditing.  
44  
45  
46  
47  
48  
49  
50  
51

52 Companies not receiving a standard Audit Opinion are expected to have a longer audit  
53 delay (Carslaw & Kaplan, 1991). According to Ng & Tai (1994) this is due in part to the  
54 potentially negative signal conveyed by a qualified report, and in part to the increased  
55 time that the auditors have to spend on the process of auditing when they issue an  
56  
57  
58  
59  
60

1  
2  
3  
4 opinion with qualifications. The directors of companies do not like receiving an opinion  
5  
6 with qualifications, so they try to negotiate with or pressure the auditors to modify the  
7  
8 opinion given (Whittred, 1980). The qualified opinion is viewed as bad news and thus  
9  
10 slows down the audit process (Ahmad & Kamarudin, 2003).  
11  
12  
13  
14  
15

16 In the literature, others have also found evidence that qualifications in the Audit Report  
17  
18 will delay the auditing of the company (Whittred, 1980; Elliot, 1982 (a)(b); Dodd,  
19  
20 Dopuch, Holthausen & Leftwich, 1984). Whittred found that the audit delay increases in  
21  
22 line with the increasing importance of the qualifications.  
23  
24  
25  
26  
27

28 Leventis *et al.* (2005) expected that the greater the number of "subject to" opinions, the  
29  
30 longer delay might be.  
31  
32  
33  
34

35 While negotiations between auditor and client occur on a regular basis (Beattie,  
36  
37 Fearnley & Brandt, 2000; Gibbins, Salterio & Webb, 2001), it is probable that the  
38  
39 negotiations become more intensive and last longer when there are problems that arise  
40  
41 in the accounts (Leventis *et al.*, 2005).  
42  
43  
44  
45  
46

47 H5: There is a negative relationship between change in regulations and the audit delay.  
48  
49  
50

51 The inclusion of the year 2005 in this study introduces a year in which a significant  
52  
53 change in regulations agreed in recent years has come into effect.  
54  
55  
56  
57  
58  
59  
60

1  
2  
3  
4 This change is the application of the IFRS /IAS as the standards of valuation for the  
5  
6  
7 accounting information. The application of these standards has generated modifications  
8  
9  
10 in the traditional models of periodical public information.

11  
12  
13  
14 These changes imply a process of adaptation by companies, both to the new forms for  
15  
16  
17 the presentation of financial information and to the utilization of the new accounting  
18  
19  
20 standards, which have repercussions on the process of auditing, lengthening or  
21  
22  
23 shortening the time until the audit report is signed.

24  
25  
26 The Circular 1/2005 of 1 April establishes the specific modifications in accordance with  
27  
28  
29 the IFRS/IAS to be applied to the quarterly and half-yearly models of public  
30  
31  
32 information. The circular came into effect for the quarterly public information that had  
33  
34  
35 to be remitted from 7 April 2005, and for the half-yearly information that had to be  
36  
37  
38 remitted from 30 June 2005.

#### 39 40 4. METHODOLOGY

##### 41 42 43 44 4.1 Sample selection and data collection.

45  
46  
47 The objective of this research is to analyze the factors that determine audit delay. We  
48  
49  
50 found a total de 136 companies quoted on the Spanish continuous market at the end of  
51  
52  
53 2004. From these companies, employing a maximum admissible error of 5% and a  
54  
55  
56 confidence level of 95 %, an optimum sample size of 105 companies was obtained (all  
57  
58  
59 the companies in the sample close their accounts on 31 December). The study was  
60

1  
2  
3  
4 carried out between 2002 and 2005, which represents a total of 4 accounting periods  
5  
6 analysed, since the information has a yearly periodicity..  
7  
8  
9

10  
11 The study data were obtained from several different sources. The variable “regulatory  
12 pressures” was obtained from analysis of sectors to which the companies of the sample  
13 belong. This analysis was made with the object of verifying the possible existence of  
14 some kind of internal regulation to which the companies may be subjected, requiring  
15 them to follow rules for disclosure different from those established by the regulatory  
16 body (CNMV). The variables “size” and “relative size” are obtained by taking the  
17 capitalization of the company at the end of each year as the base; this data is available  
18 on the web page of the Madrid Stock Exchange (<http://www.bolsamadrid.es>). The  
19 information for the variables “auditor” and “qualifications” are obtained from the  
20 analysis of the audit reports that are available in the data base of the CNMV. Lastly the  
21 variable “change in regulations” arises from the study of the existing regulations in  
22 Spain in respect of the disclosure of financial information. The cited regulations are also  
23 found in the data base of the CNMV.  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44

#### 45 4.2 Model specification

46  
47 The technique of panel data has been utilised to measure the importance of the effect  
48 exerted by each independent variable on the audit delay. Panel<sup>2</sup> or longitudinal data are  
49 sets of data that combine time series with cross-sections. The sets of panel data are more  
50 oriented towards cross-section analysis - they are "wide" but, in general, short. The  
51 typical panel is one where there are many units of cross-section, and only a few periods,  
52  
53  
54  
55  
56  
57  
58  
59  
60

---

1  
2  
3  
4 as occurs in this research. The use of the panel technique enables the variations between  
5  
6 the different agents in space, and the changes that have occurred over the course of  
7  
8 time, to be observed.  
9

10  
11 By using this technique, the non-observable heterogeneity existing between companies  
12  
13 is eliminated; thus the individuals of the sample can be considered homogeneous. The  
14  
15 panel data technique is the most appropriate for this study because it is the technique  
16  
17 best suited to the actual characteristics presented by the data of this investigation, which  
18  
19 are mostly dichotomous variables, and spread over a few periods.  
20  
21

22  
23 We collected data on 6 independent variables (regulatory pressures, size, auditor  
24  
25 company, qualifications, relative size, and change in regulations). The dependent  
26  
27 variable is audit delay. In continuation each of the variables analyzed is defined.  
28  
29  
30  
31  
32

#### 33 Dependent variable:

34  
35 - *Audit delay*: is measured as the number of days that elapse from the close of the  
36  
37 accounting period up to the day when the auditor company signs the Audit Report. This  
38  
39 variable was measured from the study of the audit reports of the sample companies for  
40  
41 each period which, as previously stated, are available in the data base of the CNMV.  
42  
43

#### 44 Independent Variables:

45  
46 - *Regulatory pressures*: this variable analyses the companies that are subject to  
47  
48 regulatory pressures that oblige them to release their financial information before the  
49  
50 rest. These companies are defined are those that belong to regulated sectors. In Spain,  
51  
52 the financial services and energy sectors are regulated by the Bank of Spain and by the  
53  
54 Comisión Nacional de la Energía Eléctrica, respectively. It is a dummy variable, 1 for  
55  
56 companies that belong to regulated sectors, 0 otherwise.  
57  
58  
59  
60

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60

- *Size*: this has been measured by the base 10 logarithm of the capitalization at the end of each half-year.

- *Auditor*: the auditing companies are classified in 2 groups: the Big Four and the others. It is a variable dummy, the Big Four audit firms are assigned 1, and the others are assigned 0.

- *Qualifications*: to ascertain their existence, the audit reports are analyzed and the corresponding opinion given by the auditor is checked. It is a dummy variable: 1 if the opinion is qualified, 0 otherwise.

- *Relative size*: this is variable takes the form of the log capitalization of the company as a proportion of the average log capitalization of all the companies of the sector to which it belongs.

- *Change in regulations*: this is a variable that differentiates the year of entry into force of the Circular from the rest of the years of this study. It is a dichotomous variable: 1 if the Circular is in force, 0 otherwise.

The following is the equation of this model:

$$\text{Audit delay} = \alpha + \beta_1 \text{Regulatory pressures} + \beta_2 \text{Size} + \beta_3 \text{Auditor} + \beta_4 \text{Qualifications} + \beta_5 \text{Relative Size} + \beta_6 \text{Change in regulations} + e.$$

## 5. RESULTS AND DISCUSSION

### 5.1 Descriptive Statistics

The descriptive statistics for this study consist of 3 tables. Table 1 gives the percentage of companies audited by the largest auditor companies, the Big Four (Deloitte,

1  
2  
3  
4 PriceWaterhouseCoopers, Ernst & Young, KPMG). Table 2 presents the descriptive  
5 statistics by sectors; and Table 3 presents the statistics by years.  
6  
7  
8

9  
10  
11 Table 1 shows that more than 90% of the companies of the sample are audited by one of  
12 the Big Four. The percentage is given in function of the number of companies for which  
13 this datum is available, in each year.  
14  
15  
16  
17  
18

19  
20  
21 INSERT TABLE 1  
22  
23  
24

25 Table 2 gives descriptive statistics by sectors, with the mean, the minimum and the  
26 maximum audit delay, for each sector and in each period. The lowest mean audit delay  
27 for the year 2002 is in the financial sector, for the year 2003 in the energy sector, and in  
28 the years 2004 and 2005 in the communications sector. The minimum values are found  
29 in the financial sector for the years 2002, 2003 and 2004, and in the energy sector for  
30 the year 2005; whereas the maximum values are found in the sector of consumer goods.  
31 These results demonstrate that the mean and minimum audit delay in the sectors subject  
32 to regulatory pressures is less than in the rest of the sectors.  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46

47 INSERT TABLE 2  
48  
49  
50

51 Table 3 gives the descriptive statistics by years; the mean audit delay for the total  
52 sample is 81.5 days compared to the 105.88 days found by Jaggy & Tsui (1999) or the  
53 109.4 days found by Ng & Tai (1994), in their studies. The mean audit delay for the  
54 individual years is almost the same as that for the combined period. The minimum and  
55  
56  
57  
58  
59  
60

1  
2  
3  
4 maximum values range significantly between 16 days (minimum) and 163 (maximum).  
5  
6  
7 This datum shows the need for a regulation to eliminate or reduce this period.  
8  
9

10  
11 INSERT TABLE 3  
12  
13

## 14 15 16 5.2 Pool Regression Results 17

18  
19 Table 4 presents the regression analysis of the panel data; all the variables studied for all  
20 the periods covered in the study, from the year 2002 up to the year 2005, are included.  
21  
22 By using the panel data methodology, the relationship between the dependent variable,  
23 audit delay, and the independent variables of the study has been obtained. In addition  
24 this methodology eliminates the observations that have incomplete data for any of the  
25 periods studied; this enhances the reliability of the results  
26  
27  
28  
29  
30  
31

32  
33  
34  
35 It was necessary to eliminate the variable "Size" from the regression, because  
36 multicollinearity exists if this variable is included together with the variable "Relative  
37 Size", since both variables are measures of the same parameter. It was decided to  
38 eliminate the variable Size since it was found to be statistically not significant.  
39  
40  
41  
42  
43  
44  
45

46  
47 The coefficients of the variables "Auditor" and "Qualifications" have the expected  
48 signs, but are not statistically significant variables for explaining the factors that affect  
49 audit delay. No evidence has been found to support the hypotheses 3 and 4. Further, the  
50 variable "Change in regulations", does not present the sign expected, nor is it  
51 significant.  
52  
53  
54  
55  
56  
57  
58  
59  
60

1  
2  
3  
4 Of the relationships proposed in the hypotheses between the audit delay and the  
5 explanatory variables, those that relate audit delay with regulatory pressures and relative  
6 size are supported, according to the data. The coefficients of these variables are  
7 significant to 1% and have the expected negative sign.  
8  
9  
10  
11  
12

13  
14  
15  
16 The companies that are subject to regulatory pressures have less audit delay than  
17 companies that are not under such pressure. The companies of larger relative size have  
18 less audit delay.  
19  
20  
21  
22

23  
24  
25  
26 The  $R^2$  is 0.2003, which indicates that our model is capable of explaining 20.03 % of  
27 the variability in the delay of audit in the sample companies under study. The adjusted  
28  $R^2$  indicates that 19.02% of the variation in the dependent variable in our model is  
29 explained by variations in the independent variables.  
30  
31  
32

33  
34  
35 The  $R^2$  value can be compared favourably with those obtained in the studies of  
36 Ashton *et al.* [1989], which gives adjusted  $R^2$  values that range between 8.8% and  
37 12.3%, Carslaw y Kaplan [1991], which gives adjusted  $R^2$  values of 14.3% and 17%.,  
38 and Ng y Tai [1994], which gives adjusted  $R^2$  values of 13% and 14.4%.  
39  
40  
41  
42  
43

44  
45 INSERT TABLE 4  
46  
47  
48

### 49 5.3 Discussion of regression results

50  
51  
52 The results show that Regulatory Pressures and Relative Size are inversely associated  
53 with the audit delay. The negative coefficient of the variable Regulatory Pressures  
54 signifies that the companies that are subject to pressures by belonging to sectors that are  
55 especially closely supervised or protected sign the audit report sooner than companies  
56  
57  
58  
59  
60

1  
2  
3  
4 belonging to other sectors that are not so regulated. This result can be explained because  
5  
6 the companies belonging to sectors of this type are legally obliged to comply with the  
7  
8 terms imposed on them by the institutions that exert these pressures.  
9  
10

11  
12  
13  
14 The negative coefficient of the other significant variable, the Relative Size of the  
15  
16 company in its sector, could be because large companies have more effective internal  
17  
18 control systems, which result in their auditors having to spend less time in completing  
19  
20 the audit report. Another explanation may be that the larger companies exercise greater  
21  
22 control and monitoring on their auditors, with the result that the auditors feel under  
23  
24 more pressure to complete the process of auditing more rapidly for this type of  
25  
26 company. The companies of larger relative size may also play a leadership role within  
27  
28 their sector that leads them to behave differently from the rest of the companies, with  
29  
30 the object of being followed by the rest, which results in the reduced audit delay.  
31  
32  
33  
34  
35  
36

## 37 6. CONCLUSIONS

38  
39  
40  
41  
42 In this research the object has been to determine the factors that condition when the  
43  
44 audit report is signed (in more or less days) by 105 companies that are quoted on the  
45  
46 Spanish continuous market, for the period running from the year 2002 to the year 2005.

47  
48  
49 In this study 6 explanatory variables are considered.  
50  
51  
52

53  
54 During the 4 periods analyzed in this study, 2 of the explanatory variables present the  
55  
56 desired sign. The regulatory pressures and the company size relative to its sector are  
57  
58 factors that influence when the audit report is signed.  
59  
60

1  
2  
3  
4  
5  
6  
7 The companies of larger relative size sign the audit report in fewer days (negative sign).  
8  
9 In the Spanish scenario the accounts of larger companies are usually subjected to  
10 discretionary revisions more frequently; the effect of this is that these companies audit  
11 their accounts more rapidly than the companies of smaller size that are less visible in the  
12 market. Hence this significant negative relationship with audit delay is obtained. The  
13 companies classified to sectors that are regulated internally and are subject to regulatory  
14 pressures also sign the audit report before those companies that belong to sectors that  
15 are not regulated (negative sign). The sectors subject to institutional pressures by bodies  
16 unconnected with the CNMV (National Commission of the Securities Market), are the  
17 energy and financial services sectors. In Spain, the companies belonging to these sectors  
18 are subjected to political, social and institutional pressures, and so they are more  
19 vulnerable; controls are exerted over them which oblige them to comply with stricter  
20 rules and terms. The objective of submitting to institutional pressures is to achieve  
21 legitimacy and social acceptance, taking into account the environment with which the  
22 company interacts. However, as stated by Oliver (1991), organizations do not always  
23 conform and comply with the institutional pressures and, for this reason, delays occur.  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60

The descriptive statistics by sector corroborate the results of the regression: companies of the energy and financial sectors, for some of the periods analyzed, have an average audit delay that is less than the companies of the other sectors in this study. It should also be noted that the lowest minimum values are found in the financial sector.

1  
2  
3  
4 The rest of the variables analyzed, the auditor firm, existence of reservations and change  
5 in regulations, are not significant, and therefore are not variables that can be considered  
6 to influence the audit delay.  
7  
8  
9

10  
11  
12  
13  
14 These findings regarding the factors that influence the Spanish scenario in respect of  
15 audit delay have repercussions for several different groups. Thus, knowledge of the  
16 factors on which action should be taken to reduce the audit delay allows the Spanish  
17 regulators to establish obligatory terms that would shorten the gap that currently exists.  
18  
19  
20  
21  
22  
23  
24 The fixing of terms would have a direct impact on the auditing profession, since  
25 auditors would have to comply with these terms. The accounting profession in general  
26 will also be affected indirectly, since accountants will have to provide the auditors with  
27 the information that they require in time and form, so that the audit work can be  
28 completed within the stipulated term.  
29  
30  
31  
32  
33  
34  
35  
36  
37

38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60  
The results of this study are subject to a series of limitations that must be mentioned. In  
the first place, only a few time periods (4) are covered because, for earlier periods, we  
did not have access to the information required to conduct a study of this type. In the  
second place, a number of essentially qualitative variables were included in the study;  
these prevent further development and interpretation of the conclusions obtained.  
Lastly, the inclusion of the change in regulations of the year 2005 could have caused  
time-specific results to be obtained. On this point, a similar study could be conducted  
for years subsequent to 2005, to check if the results are consistent with those presented  
here.

1  
2  
3  
4 This topic of study could also be enlarged and undertaken from other research  
5 approaches. It could for example consider other types of variable, allowing the subject  
6 to be discussed on the basis of theories that are sociological in nature, such as the theory  
7 of legitimation or institutional theory. Alternatively, this study could be centred only on  
8 variables specific to the auditor, on variables specific to the company, or on variables  
9 related to the environment, with the object of understanding the factors that are closely  
10 linked to audit delay, and way of counteracting their impact on this time lag.  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23

#### 24 NOTES

25  
26 <sup>1</sup> This definition of audit delay agrees with that proposed by Ashton *et al.* (1987),  
27 Ashton *et al.* (1989), Carslaw and Kaplan (1991), Ng and Tai (1994), Hossain and  
28 Taylor (1998), Ahmad and Kamarudin (2003) and Leventis *et al.* (2005).  
29  
30  
31  
32

33 <sup>2</sup> Panel Data (see Greene, W. 1998).  
34

35 <sup>3</sup> Dependent Variable: Audit delay. Method: Pooled Least Squares. Sample: 2002 to  
36 2005. Number of cross- sections used: 104. Total panel (unbalanced) observations: 403.  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60  
Cross sections without valid observations dropped.

## 7. REFERENCES

Ahmad, R. and Kamarudin, K. (2003). Audit delay and the timeliness of corporate reporting: Malaysian evidence'. *Communication Hawaii International Conference on Business*, (June), University of Hawaii-West Oahu.

Ashton, R.H., Willingham, J.J., Elliott, R.K., (1987), An empirical analysis of audit delay, *Journal of Accounting Research*, vol. 25, n° 2 (Autumn), pp. 275-292.

Ashton, R.H., Graul, P.R., Newton, J.D., (1989), Audit delay and the timeliness of corporate reporting, *Contemporary Accounting Research*, vol. 5, n° 2, pp. 657-673.

Beattie, V., Fearnley, S., Brandt, R., (2000), Behind the audit report: a descriptive study of discussions and negotiations between auditors and directors, *International Journal of Auditing*, vol.4, n° 2, pp. 177-202.

Carslaw, C.A.P.N., Kaplan, S.E., (1991), An examination of audit delay: further evidence from New Zealand, *Accounting and Business Research* (Winter), pp. 21-32.

Courtis, J.K., (1976), Relationships between timeliness in corporate reporting and corporate attributes, *Accounting and Business Research* (Winter), pp. 45-56.

1  
2  
3  
4 Davies, B. and Whittred, G.P. (1980), The association between selected corporate  
5 attributes and timeliness in corporate reporting: further analysis, *Abacus*, June, pp. 48-  
6  
7  
8  
9 60.

10  
11  
12  
13  
14 Dodd, P., Dopuch, N., Holthausen, R., Leftwich, R. (1984), Qualified audit opinion and  
15 stock prices, *Journal of Accounting and Economics*, April, pp. 3-38.  
16  
17  
18

19  
20  
21 Dyer, J.C., McHugh, A.J., (1975), The timeliness of the Australian annual report,  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60  
*Journal of Accounting Research*, vol. 13, n° 2 (Autumn), pp. 204-219.

30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60  
Elliott, J. A. (1982a). The association of qualified audit opinions and security returns.  
Doctoral dissertation, Cornell University.

30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60  
Elliott, J. A. (1982b), Subject to audit opinions and abnormal security returns- outcomes  
and ambiguities, *Journal of Accounting Research*, 20 (Autumn), pp. 617–638.

41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60  
Garbsombke, H.P., (1981). The timeliness of corporate disclosure. *Communication via  
annual reports*, Courtis, J.K. (ed.) AFM Exploratory Series No. 11, Armidale, N.S.W.:  
University of New England, 204-218.

51  
52  
53  
54  
55  
56  
57  
58  
59  
60  
Gibbins, M., Salterio, S., Webb, A., (2001), Evidence about auditor-client negotiation  
concerning clients' financial reporting, *Journal of Accounting Research*, vol. 39, n° 3,  
pp. 535-563.

1  
2  
3  
4 Gilling, D.M., (1977), Timeliness in corporate reporting: some further comment,  
5  
6  
7 *Accounting and Business Research* (Winter), pp.35-50.  
8

9  
10  
11 Hossain, M., Taylor, P., (1998). An examination of audit delay: evidence from Pakistan.  
12  
13 Working paper, University of Manchester.  
14

15  
16  
17  
18  
19 Jaggi, B., Tsui, J., (1999), Determinants of audit report lag: further evidence from Hong  
20  
21 Kong, *Accounting and Business Research*, vol. 30, n° 1, pp. 17-28.  
22

23  
24  
25  
26 Kinney Jr., W. R., McDaniel, L. S., (1993), Audit delay for firms correcting quarterly  
27  
28 earnings, *Auditing: A Journal of Practice and Theory*, 12 ( Fall), pp. 135-142.  
29

30  
31  
32  
33 Knechel, W.R., Payne, J.L., (2001), Additional evidence on audit report lag, *Auditing: A*  
34  
35 *Journal of Practice and Theory*, vol. 20, n° 1, pp. 137-146.  
36

37  
38  
39  
40 Leventis, S., Weetman, P., Caramanis, C., (2005), Determinants of audit report lag:  
41  
42 some evidence from Athens Stock Exchange, *International Journal of Auditing*, vol. 9,  
43  
44 n° 1, pp.45-58.  
45

46  
47  
48  
49 Newton, J.D., Ashton, R. H., (1989), The association between audit technology and  
50  
51 audit delay, *Auditing: A Journal of Practice and Theory* (Supplement), pp. 22-37.  
52

53  
54  
55  
56 Ng, P.P., Tai, B.Y.K., (1994), An empirical examination of the determinants of audit  
57  
58 delay in Hong Kong, *British Accounting Review*, vol. 26, n°1, pp. 43-59.  
59  
60

1  
2  
3  
4  
5  
6  
7 Oliver, C. (1991), Strategies responses to institutional processes, *Academy of*  
8  
9 *Management Review*, vol. 16, n° 1, pp. 145-179.

10  
11  
12  
13  
14 Owusu-Ansah, S., (2000), Timeliness of corporate financial reporting in emerging  
15  
16 capital markets: empirical evidence from the Zimbabwe Stock Exchange, *Accounting*  
17  
18 *and Business Research*, vol. 30, n° 3, pp. 241-254.

19  
20  
21  
22  
23 Simnett, R., Aitken, M., Choo, F., Firth, M. (1995), The determinants of audit delay,  
24  
25 *Advances in Accounting*, 13, pp. 1–20.

26  
27  
28  
29  
30 Soltani, B., (2002), Timeliness of corporate audit reports: some empirical evidence in  
31  
32 the French Context, *The International Journal of Accounting*, 37, pp. 215-246.

33  
34  
35  
36  
37 Whittred, G.P., (1980), The timeliness of the Australian annual report: 1972-1977,  
38  
39 *Journal of Accounting Research*, vol. 18, n° 2 (Autumn), pp. 623-628.

40  
41  
42  
43  
44 Williams, D.D., Dirsmith, M.W., (1988), The effects of audit technology on auditor  
45  
46 efficiency: auditing and the timeliness of client earnings announcements, *Accounting,*  
47  
48 *Organizations and Society*, vol.13, n° 5, pp. 487-508.

49  
50  
51  
52  
53 Zeghal, D., (1984), Timeliness of accounting reports and their information content on  
54  
55 the capital market, *Journal of Business Finance and Accounting*, 11 (3) (Autumn), pp:  
56  
57 367-380.  
58  
59  
60

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60

For Review Only

CHART 1

Chart 1: Analysis of previous studies<sup>1</sup>.

AUTHOR	YEAR	SAMPLE	VARIABLES	CONCLUSIONS
Courtis	1976	New Zealand (204 listed companies; 1974)	Corporate size Age (number of annual general meetings held by the entity as a public company) Number of shareholders Pagination length of the annual report.	Time employed in the auditing causes losses of timeliness.
Gilling	1977	New Zealand (187 listed companies; 1976)	Activities and attributes of the auditor	Leading auditing firms work faster for the client companies of greater size.
Ashton <i>et al.</i>	1987	USA (488 companies; 1982)	Total revenue for current year Industry classification Public/non public status of the company Month of financial year end Overall quality of internal controls Complexity of its operations Financial complexity	Audit delay is related:  Positively to: total revenues, operational complexity.  Negatively to: Public/non public

<sup>1</sup> In all the articles the methodology used is similar, with *Audit Delay* being considered as: "Number of days from the end of the company's financial year to the date of the auditor report".

			Electronic data processing complexity Reporting complexity Mix of audit work Number of years company has been client Sign of net income Current year net income or loss/ total assets Type of audit opinion	classification, overall quality of internal control, relative mix of audit work.
Ashton <i>et al.</i>	1989	Toronto (465 listed companies; 1977- 1982)	Company size Industry Month of year-end Sign of net income Type of audit opinion Extraordinary items Contingencies Audit firm	Industry and extraordinary items were significant for 6 of the 8 years studied.
Carslaw and Kaplan	1991	New Zealand (public companies; 1987 and 1988).	Company size, Industry, Income (LOSS), Extraordinary Item, Audit Opinion, Auditor, Company Year - End, Company Ownership Debt Proportion	Audit delay is related: Inversely to the size, Directly to losses.
			Company size Industry, Income (LOSS),	Audit delay is related: Inversely to the size,

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60

1 2 3 4 5 6 7 8 9 10 11 12	Ng and Tai	1994	Hong Kong (listed companies; 1990 and 1991)	Extraordinary Item, Audit Opinion, Auditor, Company Year - End, Company Ownership	Directly to the degree of diversification.
13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28	Hossain and Taylor	1998	Pakistan (103 listed companies; 1993)	Company size Debt-equity ratio Profitability Subsidiaries of multinational companies Audit firm size	Audit delay is related: Inversely to multinational connections (subsidiaries of multinational companies)
29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44	Ahmad and Kamarudin	2003	Malaysia (100 listed companies; 1996-2000)	Company size Industry Sign of income Extraordinary item Audit opinion Auditor Company year-end Debt proportion	Audit delay is related: Positively to: sign of income, audit opinion and debt proportion Negatively with: industry, auditor and company year-end.
45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60	Leventis <i>et</i> <i>al.</i>	2005	Athens (171 listed companies; 2000)	Type of auditor Number of remarks Audit fee per hour Extraordinary items Company size Ownership concentration Profitability Gearing Number of subsidiaries	Audit report lag is related: Positively to: extraordinary items, number of remarks and uncertainty in the audit report. Negatively to: type of auditor, audit fee per hour.

			Industry	
			Uncertainty in the audit report	
			Other auditor	
			Auditor change	

For Review Only

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60

TABLE 1

Table 1: Percentage of companies in sample audited  
by the “Big Four”

YEARS	%	COMPANIES
2002	93	98/105
2003	93	98/105
2004	93	96/103
2005	95	95/100

For Review Only

**TABLE 2****Table 2: Statistics by sectors**

INDUSTRY	YEAR	MEAN	MIN.	MAX.	n
MARKET SERVICES	2002	77.9	30	114	18
	2003	83.3	35	145	18
	2004	80	56	110	18
	2005	83	58	116	17
COMMUNICATIONS	2002	67.8	42	94	10
	2003	74.5	43	135	10
	2004	64.7	48	91	10
	2005	66	46	90	8
CONSTRUCTION	2002	78.8	30	99	7
	2003	84.2	58	93	7
	2004	85.8	56	98	7
	2005	83.4	53	102	7
CONSUMER GOODS	2002	88.7	62	157	20
	2003	95	65	163	21
	2004	92.4	63	150	21
	2005	91.7	60	130	21
ENERGY	2002	73.5	62	93	7
	2003	63.7	51	84	7
	2004	69.7	49	91	7
	2005	68.2	20	90	7
FINANCIAL SERVICES	2002	64.8	16	150	17
	2003	72.7	16	152	17
	2004	74.4	18	140	18

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60

	2005	79.2	25	144	18
	2002	87.7	59	125	22
INVESTMENT GOODS	2003	90.1	58	141	23
INTERMEDIATES	2004	86.4	59	138	21
	2005	86.2	54	132	22

For Review Only

**TABLE 3****Table 3: Statistics by years**

Year	Mean	Min.	Max.	n
2002	78	16	157	101
2003	85	16	163	103
2004	81	18	150	102
2005	82	20	144	100
2002-2005	81.5	16	163	406

For Review Only

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60

**TABLE 4****Table 4: Pool Regression<sup>3</sup>**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	189.9828	13.47461	14.09932	0.0000
<b>Regulatory pressures</b>	<b>-9.316215</b>	<b>2.526595</b>	<b>-3.687261</b>	<b>0.0003</b>
Auditor	-3.101291	4.608709	-0.672920	0.5014
Qualifications	5.100582	3.026218	1.685464	0.0927
<b>Relative size</b>	<b>-104.7075</b>	<b>13.30831</b>	<b>-7.867825</b>	<b>0.0000</b>
Change normative	1.657995	2.490906	0.665619	0.5060
<b>R-squared</b>		<b>0.200333</b>		
<b>Adjusted R-squared</b>		<b>0.190262</b>		
Prob(F-statistic)		0.000000		