

IFRS Adoption and Audit LAG: Evidence from Turkey

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International Financial Reporting Standards (IFRS) adoption by the European Union is one of the biggest events in the history of financial reporting, making IFRS the most widely accepted financial reporting model in the world. The issue of complexity of IFRS has become a major concern among the preparers of financial statements, directors and auditors. Since IFRS demands detailed disclosures, it requires more effort and time to conduct the audit. 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. This paper empirically examined whether IFRS adoption would affect audit lag. Also in this paper we investigated the factors (company size, sign of income, opinion, auditor size, sector, gearing, auditor change) that may affect the audit lag. In 2008 listed companies in the İstanbul Stock Exchange (ISE) are required to prepare their financial statements compatible with IFRS adopted by the European Union. Companies that listed in the ISE must submit their separate financial statements within 10 weeks and consolidated financial statements within 14 weeks of the financial year-end. The sample comprises 248 companies listed in the ISE during the period 2007 and 2008. The delays are measured as a function of the number of days that elapse from the closure of the accounting period until the date when the audit report is signed. In 2007, for solo financial statement preparers 54% of them reported earlier than the expected 69th day after a company's financial year-end. About 46% of the ISE listed companies reported late. In 2008, for solo financial statement preparers 35% of them reported earlier than the expected 67th day after a company's financial year-end. About 65% of the ISE listed companies reported late. In 2007, for consolidated financial statement preparers 56% of them

reported earlier than the expected 97th day after a company's financial year-end. About 46% of the ISE listed companies reported late. In 2008, for consolidated financial statement preparers 49% of them reported earlier than the expected 95th day after a company's financial year-end. About 51% of the ISE listed companies reported late. According to our preliminary results there is an increase in audit delay after IFRS adoption both for solo and consolidated financial statements.

Keywords: IFRS, Financial Reporting, Audit Lag, Turkey, Timely Reporting.