



The impact of COVID-19 on audit fees and audit report lag: Evidence from Malaysian Islamic Banks

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Abstract: *The world is currently dealing with a severe health, economic, and social crisis brought on by the coronavirus disease of 2019 (COVID-19), which has spread quickly. Globally, the COVID-19 epidemic has already had a significant negative impact on the economy and finances. This study investigates the effect of Pandemic COVID-19 on audit fees, audit quality and audit report lag. This study observes the annual reports of 16 Malaysian Islamic from 2016 to 2020. A panel data analysis is used for hypothesis testing. The study found that Islamic banks in Malaysia needed a longer time to issue audit reports during the Covid-19 crisis than before the crisis. However, audit fees and quality are not affected by the Covid-19 crisis. This study is only on data from Licensed Islamic banks in Malaysia. Therefore, this study cannot be generalised to the entire economy of Malaysia. This study is helpful for future researchers in contributing literature to their study and helpful for policymakers to be better prepared to face the risk of future crises.*

Keywords: *Audit fees; Audit report lag; COVID-19; Islamic banks; Malaysian*

1. Introduction

COVID-19, also known as coronavirus, was detected in Wuhan, China, in mid-December 2019. The World Health Organization (WHO) declared the outbreak a pandemic on March 11 2020 (Gong et al., 2022). The virus affects not only health but also the economy of a

country. This pandemic poses a dangerous threat to the global economy. Global socioeconomic instability, delay, and postponement of social, religious, and sports events have been caused by this epidemic. Business practises across various industries and professions must adapt to new government policies and guidelines on COVID-19 protocols (Harjoto & Laksmana, 2022). In addition, there has also been a reduction in business travel and international conferences, with virtual replacements replacing them. Many governments have imposed restrictions on economic activity, which is never expected to happen.

The impact of covid-19 on the economy affects investor confidence in business performance. Measures intended to stop the spread of COVID-19 have significantly affected economic activity and the auditing industry, particularly audit quality. It is because auditing is a process that requires the physical presence of an auditor. The primary task of the auditor in providing audit evidence will be affected by the movement control order. This situation also affected the audit report and contributed to the audit report lag. In addition, audit fees will also be affected as auditors have to use special procedures to obtain audit evidence.

The effect of COVID-19 on audits and auditors has been the subject of several studies. Among them are studies that have been conducted by Albitar et al. (2021); Dakhli and Mtiraoui (2021); Donatella et al. (2021); Jamil (2021); Sultana et al. (2021); Hay et al. (2021); Nguyen and Kend (2021); Hategan et al. (2022); Kend and Nguyen (2022). However, there is a shortage of prior research on the impact of COVID-19 on audit report delays. Most studies focus more on other factors such as financial reporting and disclosure (Donatella et al., 2021; Sultana et al., 2021; Nguyen and Kend, 2021), auditor expectations (Hay et al., 2021), audit evidence (Hategan et al., 2022), audit risk, audit quality and audit procedures (Albitar et al., 2020; Dakhli and Mtiraoui, 2021; Kend and Nguyen, 2022), regulatory compliance (Jamil et al., 2021). In the context of Malaysian Islamic banks, this study investigates how COVID-19 has affected auditor fees, audit quality, and audit report lag. A study by Kaaroud et al. (2020) related to the delay of audit reports on the Islamic banking industry found that banks can provide financial reporting within two months after the end of the financial period.

This study focuses on the accounting sector, mainly independent audit services. Previously, external audit procedures required auditors to visit customers' locations for in-person discussions and inspections. It is challenging for auditors to gather audit evidence during the pandemic since various audits must be completed at specific times or without prior warning due to a periodic deadline to deliver an audit report. Auditors have been obliged to perform remote audits and change their audit methods due to lockdown and travel limitations (Hay et al., 2021; Harjoto & Laksmana, 2022).

This study investigates how the lockdown affected audit fees and audit report lag during the initial COVID-19 outbreak. Some information about audit procedures during the pandemic may be gleaned from audit fees and audit report lag, particularly regarding audit efforts and the capacity of auditors to finish audits on schedule. This study concentrates on the lockdown during the initial COVID-19 outbreak because it had a more significant impact on audit procedures than following public health restrictions, which occurred after auditors

had learned about, adapted, and adjusted to the new ways to conduct audits. This study contributes to the body of knowledge by showing how a systemic risk factor like COVID-19 affects auditor fees and audit report lag. It helps auditors better understand risk management and pricing methods. Furthermore, during COVID-19, examining the responsiveness of audit fees and audit report lag yielded an intriguing discovery.

COVID-19, which hit the world in 2019, has drastically impacted all sectors. Coupled with the fall in oil prices, which has worsened the situation, all industry sectors are seen to be doing their best to restore and strengthen the economic situation of their businesses. For the banking sector, COVID-19 caused them to face financing losses. For example, Malaysia has deferred financing payments to help people cope with COVID-19. As a result, the banking industry has had to spend prudently and use reserves to remain relevant in the market. However, the banking industry is coping well with the COVID-19 crisis. Overall, in 2021, the net profit of Islamic banks will increase by 50% ("Global Finance Magazine - World's Best Islamic Banks 2022," 2022).

It indicates that the increase of Shariah-compliant products is also increasing. Most consumers are turning to Shariah-compliant products. It increased the demand for financial reporting. Users of financial information need fast and accurate reporting for decision-making. Speed in making financial reporting and audit reports will also reduce information asymmetry due to information risk. At the same time, it will reduce agency theory, which is the conflict between principals and agents. In addition, the risk of Shariah non-compliance inherent in the Islamic banking system further increases the need for financial reporting and on-time audit reporting. The audit report for the Islamic banking sector contains reports on the effectiveness and compliance of Islamic banks to the prescribed Shariah laws. Consumers of financial information rely heavily on such reporting. It shows that on-time financial reporting is crucial in the Islamic banking sector.

2. Literature Review & Hypotheses development

2.1. Contingency Theory

Fred Fiedler introduced contingency theory in 1964. The contingency theory's core argument is that there is no one optimum method for running a business or making choices (Ghofar & Islam, 2016). In other words, a specific form of management could be good in a given situation. Still, a different kind of leadership might be better for the same firm in another scenario. According to the theory, nothing is fixed in stone, and leadership must adjust to various events and situations (Otley, 2016). The theory believes there is no right way to lead in every circumstance. Therefore, determining the leadership style that is appropriate for each circumstance is the key to every contingency theory. The contingency theories encourage flexibility in the management approach to make the best decision for the company (Ghofar & Islam, 2016).

2.2. Impact of COVID-19 on audit report lag

Audit report timeliness is vital to provide reasonable assurance of information on time to the users of financial information. Delays in preparing financial reporting may result in the

information provided not being used by users of financial information to make accurate decisions. Therefore, on-time financial reporting is highly emphasised by the standard setter. One of corporations' most important elements impacting the timeliness of financial reporting is the duration of the yearly audit. Companies are only authorised to provide financial reporting when an independent auditor certifies it and releases the audit report, as required by legislation in some countries ([Raweh et al., 2019](#)). Most researchers believe that companies hide something when late audit reports are released. The information provided was also questioned regarding its authenticity as it was not released promptly. As a result, information risk will increase and jeopardise the user's reliability of financial information on the company's capabilities. Indeed, delays in preparing audit reports affect the decision-making process.

For financial institutions, the Central Bank of Malaysia (BNM) has given three months to publish their annual report after the financial period. Thus, the audit report must also be prepared within the period. Audit report lag means the gap between the end of the company's financial period and the release date of the audit report. [Kaaroud et al. \(2020\)](#) categorised reporting dates into three groups. The first group refers to companies that publish annual reports one month after the financial period ends. The second group is for the company that publishes its annual reports within three months, and the last group is for the company that publishes its annual report after three months of its fiscal period. High-profile accounting cases involving auditors and top management, such as Enron and WorldCom, have affected consumer confidence in financial information. Thus, legislators are becoming more concerned about ensuring company information is on time ([Sultana et al., 2021](#)). Financial reporting on time reflects the quality and enhances user reliability of the financial reports issued ([Ram and Hassan, 2017](#)). In addition, users of financial information do not need to use other methods to obtain resources quickly and accurately in decision-making.

Studies on audit report delays have been extensively conducted ([Kaaroud et al., 2020](#)). Various variables were used to evaluate the audit report delay. The authors classified the variables into company-connected and audit-connected such as inflation, financial crisis, security, war and health crisis can also affect audit report delays. Factors like these can affect the organisation's global, national, local, or even. The effect also depends on how a company responds to it, whether it responds immediately, waits or adopts a policy of silence. Most researchers believe that the situation faced during the COVID-19 crisis is similar to the 2008 world financial crisis. But the COVID-19 issue is occurring now, although the anticipated global financial crisis is not ([Donatella et al., 2021](#)).

Audit reporting has been directly impacted by COVID-19. Auditors must evaluate how COVID-19 may affect their clients' businesses. The evaluation report is additional information that needs to be included in the Key Audit Matters (KAM) report. However, depending on the business's decision, auditors can report separately under "Material Uncertainty Related to Going Concerned (MUGC)" in the auditor's report or continue to provide a modified report. Additional reporting and the difficulty of finding audit evidence when COVID-19 affect timely reporting. Due to the likelihood that many businesses may fail or have profit distortions during the COVID-19 epidemic, auditors must employ audit

techniques more effectively (Albitar et al., 2020). Additional audit procedures can also delay audit reporting apart from increasing audit costs.

Numerous studies on the effects of COVID-19 on audits, auditors, accounting, financial reporting, audit reports, and even businesses have been carried out. In general, crises raise a company's possible risks and its possibility of bankruptcy, which may influence demand for auditing services and the audit work, duration, and costs paid. More procedural audits to be carried out will take a long time and will impact the delay of the audit report. Donatella et al. (2021) indicate that annual reports issued in Swedish during the COVID-19 crisis are later than before. The findings of this research are comparable to those of a study on the 2008 global financial crisis done by Chen et al. (2019). They found that late audit reports were issued during the crisis. Delays in preparing audit reports will affect audit quality (Albitar et al., 2020; Donatella et al., 2021; Chen et al., 2019). Sultana et al. (2021) researched how COVID-19 affected Bangladesh's financial reporting. They found that COVID-19 impacted reporting and disclosure practices of companies in Bangladesh. This indicates that COVID-19 has an impact on audit report delays. Considering the above discussion, the following hypothesis is suggested:

H₁: Audit report lag is longer during the COVID-19 crisis than in the non-crisis period

2.3. The impact of COVID-19 on audit fees

The 2008 global financial crisis is an appropriate benchmark associated with COVID-19. It is because the audit risks the auditors face are almost the same. Changes in the structure of the economy have a significant impact on audit methods as well as audit fees. Thus, the auditors' routine procedures are not appropriately performed when COVID-19 and the movement control order are carried out. Changes in the methods of finding audit evidence, risk assessment and company performance will ultimately affect audit fees. Furthermore, throughout the global financial crisis, the time it took to provide audit opinions did not rise (Xu et al., 2013; Hay et al., 2021). Those worldwide financial crisis experiences may have provided insight into what to expect in the early phases of the COVID-19 situation.

Through MIA By-Law (On Professional Ethics, Conduct and Practice), the MIA has set specific criteria for determining audit fees. The fixed audit fee must be agreed upon before making the audit agreement. The audit fee charged must reflect the audit work that has been carried out. Among the criteria used in setting the audit fee are the auditor's skills and knowledge of the audit work, the training requirements required, the time required while conducting the audit work and the urgency of the audit report. During the global financial crisis, audit fees were under pressure. Audit risk was increased, and more audit procedure was frequently necessary, increasing the audit fees. However, most clients facing financial difficulties apply for reduced audit fees. There are mixed findings regarding the effect of audit fees on the financial crisis. Chen et al. (2019) found that audit fees and restatement increased during the global financial crisis of 2008. Thus, audit risk increased during the crisis. The highest risk is associated with a company's non-compliance with a debt contract that could cause a company to go bankrupt (Albitar et al., 2020). The authors argue that the duties of auditors will increase due to the need to use substantive audit procedures to reduce

creditors' concerns. The auditor's commitment would expand during COVID-19 due to the increased demand for assurance and the increasing risk of auditor responsibility (Albitar et al., 2020).

Audit fees rose in numerous countries, including Australia, China, Sweden and the United States (Chen et al., 2019; Hay et al., 2021). But, according to Groff et al. (2017), the global financial crisis reduced audit fees in Slovenia and several US institutions (Hay et al., 2021). In addition to audit fees rising during the global financial crisis, Hill et al. (1994) found those audit fees also rose in the mid -80s during the loan and saving crisis (Hay et al., 2021). Recently, a study on the impact of COVID-19 on audit fees is done by Albitar et al. (2020). The authors used desk analysis and agreed that audit fees increased due to social distancing during COVID-19. During this pandemic, the auditor would have to put in more effort and work longer hours due to the increased demand for assurance and the higher risk of auditor lawsuits. Lowballing is not detrimental to audit quality; instead, it is a reasonable and competitive reaction to the expectation of the incumbency's technical advantages. Early price reductions are sunk costs so that they won't affect auditor independence or audit quality later (Albitar et al., 2020). When COVID-19 was widespread, movement control order and working from home appeared to have raised hours and auditor works. But clients should start requesting lower audit charges immediately (Chen et al., 2019). In this situation, the auditor could restrict their exertion to reduce the risk of loss of a client. Consequently, auditors can experience client pressure to lower audit fees. During the COVID-19 outbreak, this expected drop in audit fees substantially influenced audit quality. Considering the above discussion, the following hypothesis is suggested:

H₂: Audit fees are increased during the COVID-19 crisis than in the non-crisis period

2.4. Audit fees and audit report lag

Studies on audit report lag and audit fees have been done extensively since a long time ago. Firm characteristics, corporate governance mechanism, audit quality, financial experience and gender are the determinants. This study identifies the impact of COVID-19 on the relationship between audit fees and audit report lag. According to Zhou et al. (2022), audit fees are an external cost that relies on audit efforts and the likelihood of litigation claims. The authors believe that client attributes, engagement attributes and auditor attributes are the three factors determining audit fees. Kang et al. (2020); Lai (2019) found that more complex audit processes and efforts increase audit fees. Auditors may spend more time preparing an audit report for a complex audit process. More auditors are needed and will increase the audit fee.

MIA By-Laws (On Professional Ethics, Conducts and Practices) contain guidelines for professional accountants in Malaysia. The guidelines issued by the Malaysian Institute of Accountants also contain guidelines on audit fees. According to the guidelines, audit fees should fairly represent the value of the audit process performed for the client. Four criteria reflect the audit fees—the first criterion is the knowledge and skill required to perform the audit work. Second, the experience and level of training required. The third is the time taken to complete the audit process; the last criterion is the task's level of responsibility and

importance. Based on the criteria and requirements of the guidelines, it clearly shows that audit report lag also affects audit fees.

A previous study by [Baatwah et al. \(2022\)](#) found a negative relationship between audit fees and audit report lag. In other words, high audit fees reduce audit report lag. Audit report lag can be reduced by hiring an experienced auditor. The involvement of experienced auditors will increase the audit fee. The authors indicate that unique requirements in the audit report, such as Key Audit Matters (KAM), increase the auditor's effort. The requirement pressures the auditor to reduce the audit report lag and increase audit fees. This study examined the effect of the Global Financial Crisis (GFC) 2008 on audit fees and audit report lag. Another factor affecting audit fees and report lag are busy seasons ([Zhou et al., 2022](#)). [Alexeyeva & Svanström \(2015\)](#) found that audit fees increased during the GFC because auditors increased travel costs. The audit fee was increased to reduce the audit report lag. The situation of the 2008 GFC is different from the COVID-19 crisis because of the movement control order that was implemented. Costs such as travelling expenses are not involved during the COVID-19 crisis. But auditors are faced with other challenges in carrying out audit work.

The pandemic's effects on audit work have not resulted in new auditing standards. Still, for various reasons, audit efforts and costs are anticipated to be higher in areas with more significant public health restrictions. First, client businesses may probably have delays in compiling their financial statements and other difficulties that might impair the quality of their financial reporting. A longer lockdown might impact the client's internal control environment, raising audit risk and necessitating extra audit work from auditors. Lockdown, for instance, can result in improper duty separation since certain restrictions must be ignored during the stay-at-home order ([Kend & Nguyen, 2022](#)). Second, audit companies must educate personnel and modify their processes to include remote audit techniques. Due to travel limitations and lockout, on-site inspections have become less common. However, auditors still need to devote more time to alternate methods, such as doing more pre-audit analysis to be ready for remote audits ([Castka et al., 2020](#)). To reduce audit risk, auditors may also need extra tests while conducting remote audits ([Hossain, 2021](#)). Third, there is a higher audit risk because on-site testing, such as evaluating the efficiency of internal control systems and going concern assessments, is more complicated and takes longer to complete. So, we anticipate that a lengthier lockdown during the COVID-19 epidemic will result in higher audit fees. Based on the above, the following hypothesis is suggested:

H₃: There is a negative relationship between audit fees and audit report lag

H₄: The negative between audit fees and audit report delay increases significantly during the COVID-19 crisis than during the non-crisis period.

3. Method

3.1. Sample and data collection

The population of this study was fifty-five licensed financial institutions listed at Bank Negara Malaysia. Of the fifty-five licensed financial institutions, twenty-six are commercial banks; sixty are Islamic banks; eleven are investment banks, and two are other financial

institutions. This research used non-probability sampling that involves non-random sample selection based on convenience criteria. Data from 16 Islamic banking institutions in Malaysia will be evaluated to ensure that the objectives of this study are achieved. The sample comprises 155 observations of annual reports of Malaysian Islamic banks from 2011 to 2020. Islamic banks were chosen as a study sample because previous studies have found that this sector has a shorter audit delay period than other sectors (Kaaroud et al., 2020). Apart from that, the compliance rate of this sector is high because this sector has two systems of rules, namely common law and Shariah law. Shariah governance, in addition to the existing corporate governance, has increased the compliance rate of this sector.

Data for the financial period from 2011 to 2019 will be used to examine the consequences before the covid-19 crisis. The data for the financial period ending 2020 will be used to examine the consequences of the covid-19 crisis. All data are taken from the annual statements of all banks involved. The sixteen Islamic banking institutions licensed under BNM consist of eleven local and five foreign banks. Conventional banks and licensed Islamic takaful companies were excluded from the study due to slightly different governance from Islamic banking. The panel data analysis provides the basis of the regression analysis.

3.2. Variable measurement

Past studies on audit delays have used the period from the closing date of company accounts to the date of the audit report (Bhuiyan and D'Costa, 2020; Kaaroud et al., 2020; Zulfikar et al., 2020; Abdillah et al., 2019; Agyei-Mensah, 2018). This study will use the exact measurement to assess audit delays before and after the emergence of COVID-19. Data on audit fees will be taken from the financial reports of Islamic banking institutions. Audit fees will be measured by the total audit fees for the year (Chen et al., 2019; Chen et al., 2018; Bozec and Dia, 2017). The types of auditing firms measured audit quality. Table 1 summarises the measurement of the variables for this study.

Table 1. Variables Measurement

Variables	Measurement	Authors
Audit report lag (ARL)	The days from account closure to the audit report date (days).	Harianja & Sinaga (2022); Aldoseri et al., (2021); Bhuiyan and D'Costa (2020); Kaaroud et al. (2020); Zulfikar et al. (2020); Abdillah et al. (2019); Agyei-Mensah (2018).
Audit Fees (AF)	Total audit fees for the year (RM)	Harjoto & Laksmana (2022); Hay et al., (2021); Albitar et al. (2020); Li et al. (2020); Chen et al. (2019).

4. Analysis and result

4.1. Descriptive statistics

This analysis is focused explicitly on licensed Malaysian Islamic banks. The sample size is 16 licenced Malaysian Islamic banks, and the sample period is ten years, from 2011 to 2020. The data is divided into data before the COVID-19 crisis and 2020 data, which is data after

the COVID-19 crisis. IBM SPSS Statistics 22 has been used to analyse the data. The sample's descriptive statistics are shown in Table 2.

Table 2. Descriptive Statistics

Variable	Obs	Mean	SD	Min.	Max
2011-2019 (before COVID-19 crisis)					
ARL	139	72.56	28.550	24	175
Audit Fees	139	495,848.92	617,926.44	65,000	6,606,000
2020 (COVID-19 crisis)					
ARL	16	78.31	26.343	42	137
Audit Fees	16	487,437.50	272,055.62	130,000	1,034,000

The total number of observations is 155, including a hundred and thirty-nine observations from 2011 to 2019 and 16 observations for 2020. Based on table 2, the audit report lag before the crisis is shorter. Before the crisis, only a minimum of 24 days was required to issue an audit report. However, at least 42 days are required to issue an audit report after a crisis occurs. The average day of the audit report lag also shows that the average day after the crisis is higher than before. Relative to the prior study by [Kaaroud et al. \(2020\)](#), the audit report lag in this study is longer. The authors found that the minimum days of audit report lag is seven days.

As shown by the min and max values, Malaysian Islamic banks need at least 24 days and a maximum of 175 days to publish their audit report to users. Audit fees for 2011 to 2019 have a mean value of 495,848.92. It indicates that, on average, Licensed Malaysian Islamic banks pay RM495,848.90 for audit fees. A minimum of RM 65,000 in audit fees were paid, and RM 6,606,000 is the maximum audit fee paid by Malaysian Islamic banks for 2011-2019.

The mean, standard deviation, and minimum and maximum values for 2020 are also shown in table 2. After the COVID-19 crisis, Islamic banks in Malaysia needed a minimum of 42 days to publish the audit report to users. One hundred thirty-seven days is the maximum time for Malaysian Islamic banks to publish their audit report. On average, in 2020, Malaysian Islamic banks needed 78 days to publish their audit report. At a minimum of RM 130,000 and a maximum of RM 1,034,000, audit fees were paid after the COVID-19 crisis. On the other hand, a minimum of RM 65,000 in audit fees were paid, and RM 6,606,000 is the maximum audit fee paid by Malaysian Islamic banks for 2011-2019. It indicates that audit fees were increased during the crisis. The same result was found by [Gong et al. \(2022\)](#) and [Harjoto & Laksmana \(2022\)](#).

4.2. Correlation analysis

The following analysis is correlation analysis. This analysis tests the strength and direction between variables. The result of the correlation analysis is shown in table 3. The result shows that there is no significantly high correlation problem between the variables. The value of correlation analysis is below the threshold value of 7 or 10 ([Stockemer, 2018](#)). The relationship between audit report lag and audit fees before the crisis is a weak negative

relationship. The relationship between audit report lag and audit fees after the crisis is moderately negative.

Table 3. Correlation Matrix

2011-2019 (before COVID-19 crisis)		
	ARL	Audit Fees
ARL	1	-0.04
Audit Fees	-0.04	1
2020 (after COVID-19 crisis)		
	ARL	Audit Fees
ARL	1	-0.397
Audit Fees	-0.397	1

4.3. Regression analysis

Regression analysis is utilised to test the hypothesis. This study used panel data analysis. Table 4 reports the association between audit fees and audit report lag before and after COVID-19.

Table 4. Regression Analysis before and during COVID-19

	Coef	R²	t-value	p-value	VIF
2011-2019 (before COVID-19 crisis)					
ARL ~ Audit Fees	-0.040	0.02	-.0474	.636	1.000
2020 (after COVID-19 crisis)					
ARL ~ Audit Fees	-.397	.158	-1.619	.128	1.000

Table 4 shows the correlation coefficient for data before COVID-19 is 4%, while for the data of COVID-19 is 40%. It means that the correlation for the 2020 data has a moderate correlation coefficient compared to the data before COVID-19. Next is the R² value. The R² value measures the extent of the contribution of a study. The R² value tests the extent of the impact and contribution of a study (Stockemer, 2018). Based on the value of R², only 2% of the audit report lag is explained by audit fees during the period before COVID-19 and 16% during COVID-19. The value of R² is small because it is affected by the number of variables. The more variables included, the higher the value of R². The findings from data before the COVID-19 crisis and after the COVID-19 crisis show that audit fees have an insignificant negative relationship with audit report lag.

Hypothesis 1 predicts that audit report lag is longer during the COVID-19 crisis than in the non-crisis period is accepted. Table 2 shows that, on average, before the COVID-19 crisis, Islamic banks in Malaysia needed only 72 days to issue an audit report. In contrast, 78 days are required after the crisis. The mean value in table 2 also shows the increase in the minimum number of days to issue an audit report. Before the crisis, only 24 days were needed, but after the crisis, at least 42 days were needed.

Hypothesis 2 is also accepted. Table 2 shows the minimum value of audit fees before the crisis was RM 65,000. At the same time, the minimum value of audit fees after the crisis is RM130,000. Although, on average, audit fees after the crisis are higher than before the

crisis, however, the difference is not significant. Hypothesis 3 predicts the negative relationship between audit fees and audit report lag. Table 4 shows the negative relationship between audit fees and audit report lag before and after the crisis, but the analysis is insignificant. Thus, hypothesis 3 is rejected. Hypothesis 4 predicts the negative association between audit fees and audit report delay increases significantly during the COVID-19 crisis than during the non-crisis period. The results show that hypothesis 3 is rejected. Although the data shows an increased negative relationship, the analysis is insignificant.

5. Discussion and Conclusion

This study examines the effect of the COVID-19 crisis on audit fees on audit report lag of licensed Islamic banks in Malaysia. Additionally, this research seeks to determine if COVID-19 makes things worse. The sample period was ten years, starting from 2011 to 2020. The data is divided into two; data before the COVID-19 crisis and data after the crisis. The annual report from 2011 to 2019 is classified as data from the COVID-19 crisis. Whereas the annual report for 2020 is classified as data after the crisis. This study focuses on Islamic banks in Malaysia because of the high value of Islamic banks' compliance.

The results of the study found that COVID-19 has an impact on audit report delays. Islamic banks in Malaysia need a more extended period to issue audit reports during COVID-19 than before. It shows that the impact of COVID-19 is the same as other crises before, for example, the global financial crisis. Changes in audit methods when COVID-19 became a delay factor. However, most Islamic banks still comply with Bank Negara Malaysia's requirement to prepare an audit report within three months after the end of an accounting period. This study also found that audit fees increased during the COVID crisis. Different audit methods contribute to the increase in audit fees. This unexpected crisis and movement control orders affect the increase in audit fees. Although the travelling cost can be reduced, the new costs increase the audit fees.

This study also tested the negative relationship between audit fees and audit report lag. The negative relationship is shown before and after the crisis but is insignificant. Although not significant, this study also found that the negative relationship increased after the crisis. This study is helpful for future researchers in contributing literature to their study. In addition, this study is helpful for policymakers to be better prepared to face the risk of future crises. Policymakers can be prepared with rules and guidelines to face the crisis. Mainly to Bank Negara Malaysia and the Malaysian Institute of Accountants. This research recommends that auditors and client companies meet the pandemic issues by swiftly adjusting to the changing financial reporting and audit environment as the COVID-19 epidemic continues to impact businesses and audit firms.

This study should this study also have unavoidable limitations. This study only uses data from Islamic banks in Malaysia as a study sample. Future studies can use other types of businesses. This study also only takes into account the situation in Malaysia. Future studies can expand the study to be more global. In addition, the measurements used in this study can be changed to other measurements. Other methods can also be used to collect data. This

study only uses internet data, websites and annual reports only. Finally, future studies can use other data collection methods, such as interviews and questionnaires.

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