

## THE EFFECT OF AUDIT-RELATED CHARACTERISTICS ON AUDIT OPINION

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### ABSTRACT

Independent audit opinions are critically important for various stakeholders and users of financial statements. Viewed through agency theory, this study investigates the effects of audit-related characteristics on the audit opinions of non-financial listed entities in Sri Lanka. Data were collected from fifty (50) non-financial quoted companies listed on the Colombo Stock Exchange for eight (08) years (2015-2022). Audit opinion was the dependent variable and operationalized as a dichotomous variable. The independent variables were audit report lag, audit fees, audit committee independence, audit quality, and previous year's audit opinion. A logistic panel data regression technique was used to analyze the data. The results show that audit report lag significantly and negatively affects audit opinion, whereas the other independent variables have a non-significant effect on audit opinion. An additional regression analysis is performed for the pre-crisis and crisis periods. The present study provides valuable insight into audit characteristics and opinions before and during the pandemic and crisis in Sri Lanka.

**Keywords:** Agency theory, audit opinion, audit quality, audit report lag, logistic regression