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## **HONESTY IN THE LEVEL OF INTERNAL CONTROL ON FINANCIAL REPORTING IN PUBLIC COMPANIES IN NIGERIA**

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### **Abstract**

*This paper examined honesty in the level of internal control on financial reporting in public companies in Nigeria. It became necessary since no level of internal control is fraud free. Noticeably, public companies wind down shortly after establishment due to poor management of resources despite control measures in place. This leads to decline of public trust in accounting and reporting practices. It used a cross-sectional research design and guaranteed data through a modified 4-point likert scale questionnaire. Hypotheses formulated were tested using Z-test statistic at 5% level of significance. Among the findings were that employees (accountants) follow generally accepted accounting principles (GAAP) in reporting relevant accounting information. The audited financial statements conform to the generally Accepted Auditing principles (GAAP). Moreover, adoption and implementation of international financial reporting standard (IFRS) and international public sector accounting standard (IPSAS) have stake in comparability and reliability of financial statements. The implication is that honesty of accounting employees in the level of internal control was not compromised since it immensely improved business practices in terms of profitability, reliability and confidence of end users. It equally showed credibility and effective management functions in the firms. It therefore concludes that honesty and integrity remains vital in accounting as they bring trust. It is expected that honesty of financial reporters in financial reporting when adequately implemented in the sector will sanitize the irregularities.*

## **Keywords**

Honesty, Internal Control, Financial Reporting, Public Companies

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## **1. Introduction**

In recent years fraudulent reporting characterized by unimaginable and unreliable financial reporting in public companies is on the increase. The financial statements presented no longer depict truth and fairness about the operations of entities. The accounting information presented to the public no longer seems to follow the generally accepted accounting principles in the quest to paint favorable financial health of such companies than it actually represents by inflating figures of certain items in financial statement through hidden action (s) irrespective of the strength of internal control. Crocker and Slemrod (2007) asserted that accounting irregularities aimed at generating inflated earnings involve hidden actions and the public are unaware until the time they are exposed.

These actions seem to defeat the aim of internal control measures aimed at addressing the entity's business objectives in terms of performance, safeguarding its resources and enhancing its target profitability and as well support the preparation of reliable financial statements, compliance with laws and regulations (Mapuasari, 2016). Besides, in order for a business to successfully operate, grow and achieve its aims of establishment, the owners or managers who the responsibility for day to day operations are entrusted are acquainted with strong internal control system. This helps in directing the business towards meeting its short and long-run profitability objectives.

On the other hand, users trust in financial statements of such companies that depict its strength, need to be sufficiently investigated and authenticated for publication to the public. For decades, users of financial statements, governing/regulatory bodies, academics and practitioners have been on debate about how to assure highest level of independence in order to retain trust in the accounting profession and as well in the quality of audited financial statements Houqe, Zijl, Keitha, Dunstan, & Karim, (2010). Thus, the emergence of financial reporting council of Nigeria. The financial reporting council is empowered to “enforce and approve enforcement of compliance with accounting, auditing, corporate governance and financial reporting standards in Nigeria” Kehinde, (2017)

In addition, quality of audit reporting through qualitative services is paramount to maintain solvency and as well enhance earnings in the organization. Therefore, adhering to generally accepted auditing principles (GAAP) is necessary for effective internal control system. Al-Kahaddash *et al.* (2013) enlisted internal control, firm size, auditors fees, auditors

independence, reputation, industry specialization, qualifications and proficiency as necessary measures of audit quality.

However, despite the strength of the internal control fraudulent activities in Nigeria public companies has consistently continued. Notable among them is financial misappropriation of all sorts, such as embezzlement of fund, defalcation, inflating of contract sum, misrepresentation of financial reports etc. these necessitated the study about the effect of honesty on the level of internal control in financial reporting in public companies in Nigeria.

## **2. Statement of the Problem**

Public companies in Nigeria are entities established by government with intention to continuously being in operation for a reasonable period of time attending to the needs of the society. That infers the attribute of going concern concept in accounting. Igben (2000) opines that a business is considered a going concern if it is capable of earning a reasonable net income and there is no threat or intention from any service to curtail significantly its line of business in the foreseeable future. The business is expected to continuously render effective services that will increase its profitability. The managers appointed or employed to oversee the activities report to the owners about the progress for accurate and timely decision. This will guarantee financial stability in their operations. It will as well aid in financial competitiveness that will attract additional financial resources and subsequently confidence to the society Baranova & Bogatureva, (2017, 2018)

Despite these efforts, underutilization of resources, insolvency, indebtedness etc accounting records kept are vague, financial statements distorted and does not pose confidence on the management ability. Above all, financial malpractices such as fraud, embezzlement, defalcation, setting ablaze of offices, housing sensitive documents as well as ethical violations are experienced. These necessitated continuous searches for solution to the problem of poor economic management in the sector and public outcry against internal auditors. Consequent upon these was recommendation of Generally Accepted Accounting Principles (GAAP), Generally Accepted Auditing Principles (GAAP), International Financial Reporting Standard (IFRS) and International Public Sector Accounting Standard (IPSAS). On this premise, the study contends that honesty in the level of internal control will tremendously effect desirable improvement on financial reporting of public companies in Nigeria.

## **3. Objectives of This Study**

The general objective of the study is to examine the effect of honesty in the level of internal control in financial reporting in public companies in Nigeria.

Specifically it sought to:

1. Ascertain whether employees (Accountants) follow generally accepted accounting principles (GAAP) in recording relevant accounting information.
2. Determine the extent to which audited financial statements conform to the generally accepted auditing principles (GAAP)
3. Examine whether the adoption and implementation of international financial reporting standard and international public sector accounting standard have improved comparability and reliability of financial statements.

#### **4. Statements of Hypotheses**

HO<sub>1</sub>: Employees (accountants) do not follow generally accepted accounting principles (GAAP) in recording relevant accounting information.

HO<sub>2</sub>: Audited financial statements do not conform to the generally accepted auditing principles (GAAP).

HO<sub>3</sub>: The adoption and implementation of international financial reporting standard (IFRS) and international public sector accounting standard (IPSAS) have not improved comparability and reliability of financial statements.

#### **5. Review of Related Literature**

##### **5.1 Conceptual Framework**

Businesses are established in various forms and capacities. It can be in the form of sole proprietorship, partnership, limited liability, public limited liability and corporation. When individuals voluntarily form association to carry on a business, it is regarded as company. According to Nmesirionye and Ozor (2011), company is a legal entity where individuals pool their resources for the purpose of manufacturing, selling or providing services as a commercial venture. Some companies operate domestically while others operate both locally and internationally, both can be privately or publicly owned. This study concentrates in public companies in Nigeria.

According to business dictionary 'a public company is a business firm in the public (non-private) sector of an economy, controlled and operated by civil servants or government personnel (and not by private individuals)'. It is used also as an alternative term for public limited company. The employees of government assume the responsibility of the operations of such companies and accounts to the government. Hence, agency relationship exists. The management of such companies provides an account/report on the way in which the resources entrusted to them have been used.

Vartak, (2018) noted that business dynamic of today's market demands, transparency and hence corporate governance is integral for all sectors especially public sectors since they are run with tax payer's money. He emphasized that corporate governance of public sector hinges on transparency, full disclosure, independent monitoring and fairness to all. This is because it will build and retain confidence of its numerous stakeholders.

Financial reporting is that arm of accounting that deals with measuring and communicating economic information to permit informed judgments and decisions by users of the information (Awa, 2012). To international financial reporting standard (IFRS) financial reporting is the periodic process of providing information in financial statements (including the notes thereto) about the financial position and performance of a reporting entity to parties (users) external to that entity to assist them in making informed decisions about allocating scarce resources (Australian Government Financial Reporting Council 2017).

Nwanyanwu (2013) assert led that financial reporting refers to presentation of financial statement in a form for comprehension by users of financial information. However, Adebayo, 2005, outlined objectives of financial reporting as: provision of useful information for making economic decisions for resource allocation, evaluating the stability, liquidity of organizations as well as general performance etc. Sometimes financial reports presented constitutes accounting scandal due to fraudulent reporting. That is deliberate demonstration to beguile others by intentionally distorting occasions, exchanges and /or other imperative data for individual and /or hierarchical additions (Carrpenter and Reimers, 2005). To eliminate the whelihood of false reporting, companies resort to internal controls.

According to ISA 315 (2012), internal control is extensively characterized as a procedure, designed to provide reasonable assurance regarding the accomplishment of operations effectiveness and efficiency, financial reporting reliability, and compliance with appropriate laws and regulations. It involves the control environment and control procedure, all the policy and procedures initiated and adopted by the board of directors (BOD) and the management of an entity to assist in achieving their objectives including safeguarding of assets, prevention and detection of fraud and error as well as the completeness and accuracy of records, with the timely preparation of reliable financial information. (Benjamin, 2001). A formidable internal control of a company ensures that set goals and objectives are achieved including profits and maintain reliable financial and managerial reports and as well comply with laws and regulations, policies, etc to minimize losses to the company's reputation (Okonkwo and Ezegebu, (2016).

Despite the strength of this internal control, the target objectives of beneficiaries of public companies have not been satisfactorily met. Arguably no system is fraud free no matter the level

of internal control. As such it is proposed that only when employees appeal to their conscience, realizing their integrity and value that they can strongly and committedly practice their profession with sincerity and honesty. That is to say that honesty to rules and regulations work ethics, principles and policies will in no small measure reduce misrepresentation in financial reporting. According to Merriam, Webster, honesty means uprightness of character or action, refusal to steal, lie or deceit in any way. It suggests an active or anxious regard for the standards of one's profession calling or position.

## **6. Theoretical Framework**

### **6.1 Agency Theory**

This theory was initially and conceptually developed by Bertie and Means (1992). They argued that ownership and controls are more separated to a continuous interference of equity ownership of large corporations. Lawal, Edwin, Kiyanjni and Kayale (2014) opined that agency relationship arises wherever one or more individuals called principals hire one or more other individuals called agents to perform some services and then delegate decision making authority to the agents. According to Hendriksen and Breda (2001) in Alade, Ajibolade and Ogungbade (2013) agent assumes special duty of trust to this principal given that the principal will always be interested in the outcome generated by their agents. Agency theory provides the underpinning for an important role for accounting (professionals) in providing information after an event: a so-called post decisional role. The employees (accountants and managers) account to the government and shareholders of such public companies.

## **7. Empirical Review**

Enofe, Edemenya and Osunbor (2015) carried out a study on "The Effect of Accounting Ethics on the Quality of Financial Reporting of Nigeria Firms. Data were gathered using questionnaire and result of analysed showed that accounting ethics had a significant relationship with financial reporting quality. It recommends improved employment processes to accommodate men and women with high level of ethical standing. Also ethics and compliance department should be put in place by firms to direct and encourage ethical implementation in their daily operations. Besides, Accountants should strictly adhere to the codes of professional practice issued by the institute of chartered accountants of Nigerian (ICAN) in carrying out their everyday responsibility.

Mahdi and Mohsen (2011) studied the impact of professional ethics on financial reporting quality in Iran. Using 24 itemised questionnaire to illicit responses from 2015 Iramain companies found that professional ethics have a significant impact on the quality of financial reporting.

Ogbonna and Appah (2011) examined the effect of ethics on financial reporting quality in Nigeria using a sample of 123 accountants. It was found that ethical compliance of accountants positively and significantly affects the quality of financial reports. Furthermore, Ogbonna and Ebimobowei (2012) carried out a research on Effect of Ethical Accounting Standards on the Quality of Financial Reports of Banks in Nigeria. Data were gathered from primary and secondary sources. The questionnaire data were analysed using diagnostic test, Augmented Dickey fuller, ordinary Least Square and Granger causality. It was revealed that ethical accounting standard is significantly related to the quality of financial reports of banks in Nigeria. As such it was concluded that ethical accounting standards are fundamentally necessary for accountants to produce quality financial reports free from material misstatements. Banks in Nigeria should establish ethics department to ensure that activities adhere to the codes of ethics including the financial reporting process. Accountants and accounting officers in Nigeria banks should adhere to the international financial reporting standards (IFRS) in the reporting structure to reduce the failure symptoms in the banking industry.

Ademola (2010) investigated the effect of internal control system in Nigeria public sector; a study of the Nigerian National Petroleum Corporation. Chi-square was used in the analysis. It was found that the management and the low level employees help to reduce embezzlement and fraud in the corporation. Okonkwo and Ezegeba, (2016) carried out study on internal control techniques and fraud mitigation in Nigerian Banks. A survey method was used and discovered that the internal control measures employed by banks in checking fraud have not been effective and that the branch managers were the dominant perpetrators of fraud in the banks. It was recommended that all banks should establish work ethics unit; reduce excessive confidence on any bank staff; and leadership by example should be watch word of all bank managers.

Adeduron (2013) investigated internal control measures and the detection of and prevention of fraud in banks using participants from the Mainstreet Bank plc Aba branch Nigeria. He applied descriptive method and discovered that internal control system was significant in detection and prevention of fraud in banks in Nigeria.

Ewa and Udoayang (2012) carried out a study regarding the impact of internal control design on bank's ability to investigate staff fraud, staff lifestyle and fraud detection in Nigeria. Data were gathered using a 4-point Likert Scale questionnaire from 13 Nigeria banks. It found that internal control design influences staff attitude towards fraud. Also, most Nigeria banks do not pay attention to their staff welfare. D However, effective and efficient internal control could detect employees fraud schemes in the sector.

Mapuasari, and Sentosa (2016) examined fraudulent reporting behavior in accounting context: the impact of internal control strength towards fraudulent reporting with the involvement of internal control framing. 2x2x10 design experiment consisting of 49 participants in experiment group and 11 participants in control group were used to conduct a laboratory experiment. It was analyzed using repeated measures ANOVA. It showed significant influence of framing toward fraudulent reporting more than the influence of weak or strong internal control.

Fasua and Osagie, (2016) evaluated financial control and fraud prevention in the public sector. Survey design with the aid of questionnaire was used to gather data from Edo and Ondo States among 33 respondents. Regression analysis was used to determine the relationship between financial control and fraud prevention in the public sector, tested hypotheses and used simple percentage for the research questions. The findings revealed that the existing control measures by the federal government are sufficient in content and scope to prevent fraud in public sectors. It was emphasized that the success of these effective control depends on honest personnel and tone on top should be correct and lead to good labeling and modelling. It therefore recommended that personnel of integrity and honesty as well as forensic experts should be employed to scrutinize the relevant controls put in place.

Baronova & Bogatyreva, (2018) studied the Financial and Economic Aspect of Assessing the Competitiveness of the Hospitality Industry in Russian Hotels. Using competitive model in the analysis, it was indicated that nowadays when the access to the market of both industrial products and consumer goods are hampered by the high level of competition, the level of competitiveness of the enterprise's and the manufactured goods depend on the level of the effectiveness of its financial systems.

Oyadongham & Ogoun, (2017) investigated Financial Misappropriation in the Nigerian Public Sector; A Determination of the Role of the Internal Auditor. Using Ordinary Least square (OLS), regression models, it was discovered that auditors have responsibility to detect and prevent financial misappropriation in the public sector. They was also evidence that auditors are not independent in performing their services and such affects their freedom to report financial misappropriations to the legislative arm for proper action.

Nwanyanwu, (2017) carried out a study on Audit Quality Practices and Financial Reporting in Nigeria. Descriptive Statistics, Pearson product moment coefficient of Correlation and Stepwise multiple regressions were used in the analysis. It was revealed that statistically significant positive strong relationship exists between the measures of audit quality (auditor



independence, technical training, proficiency and engagement performance) and financial reporting measures (reliability and credibility).

Ibrahim (2016) undertook a study on control and public sector Revenue Generation in Nigeria: An Empirical Analysis. He applied linear regression and unveiled that the five components of control environment, risk assessment, control activities, information, communication and monitoring must be available for internal control to work as they are positively significant.

Having X-rayed the findings of these scholars, it is pertinent to understand that no extent of fraud control measures can totally (completely) eliminate fraud in any sector without honest especially in the public sector. On this premise, is this study “The effect of honesty in the level of internal control on financial reporting in public companies in Nigeria?”

## 8. Methodology

Descriptive method based on sample survey and cross-sectional design with regards to the topic and specific objectives of the study was used. Questionnaire was structured in closed ended format to source information. The study used the modified 4 point Likert scale and response options and weight assigned thus; Strongly Agree (4), Agree (3), Disagree (2) and Strongly Disagree (1).

The population for the study is infinite since it cannot be easily ascertained. As such, Topman formula which is a statistical formula for determining sample size from unknown universe was applied.

$$\text{That is; } n = \frac{Z^2(P)(Q)}{e^2} \text{ (Uguru, 2011)} \quad (1)$$

where, n = Sample size

z = Standard deviation at a corresponding confidence level (95%) = 1.96%

P = Assumed success rate with the instrument

Q = Assumed failure rate = 1 – P

e = Assumed error margin/Sample error

The analytical technique used to test the hypotheses was the Z-test statistic. In Ewogu (2015) Z – test formula is given as;

$$\text{i.e. } Z = \frac{\bar{X} - \mu}{SE} \quad (2)$$

Where;  $\bar{X}$  = Sample Mean

$\mu$ =Population Mean

SE=Standard error which is standard deviation divided by square root of sample size

## 9. Data Analysis

Responses gotten from the modified 4-point Likert Scale were analysed using mean and standard deviation based on the data presented in table 1-6 of the appendix 2

## 10. Testing of Hypotheses

### 10.1 Hypothesis Testing 1

HO<sub>1</sub>: Employees (accountants) do not follow generally accepted accounting principles in recording relevant accounting information. This hypothesis was tested with the mean data in table 1 and 2 in appendix 2.

$$\text{Sample mean } (\bar{x}) = \frac{\sum x}{N} \quad (3)$$

$$= \frac{2145}{5} = 429$$

$$\text{Population mean } (\mu) = \frac{2.5 \times 138 \times 5}{5}$$

$$= \frac{1725}{5} = 345$$

$$\text{Standard Deviation } (\delta) = \sqrt{\frac{\sum (x - \bar{x})^2}{N}} \quad (4)$$

$$= \sqrt{\frac{18226}{5}}$$

$$= \sqrt{3645.2} = 60.38$$

$$Z = \frac{\bar{x} - \mu}{\frac{\delta}{\sqrt{n}}} \quad (5)$$

$$= \frac{429 - 345}{\frac{60.38}{\sqrt{5}}}$$

**Decision:** Accountants follow generally accepted accounting principles in recording relevant accounting information.

### Hypothesis Testing 2

HO<sub>2</sub>: Audited Financial Statements do not conform to the generally accepted auditing principle

This hypothesis was tested using the data in table 3 and 4 in Appendix 5

$$\begin{aligned}\text{Sample mean } (\bar{x}) &= \frac{\sum x}{N} \quad (6) \\ &= \frac{2131}{5} = 429\end{aligned}$$

$$\begin{aligned}\text{Population mean } (\mu) &= \frac{2.5 \times 138 \times 5}{5} \\ &= \frac{1725}{5} = 345\end{aligned}$$

$$\begin{aligned}\text{Standard Deviation } (\delta) &= \sqrt{\frac{\sum(x-\bar{x})^2}{N}} \quad (7) \\ &= \sqrt{\frac{4437}{5}} \\ &= \sqrt{887.4} = 29.79\end{aligned}$$

$$\begin{aligned}Z &= \frac{x-u}{\frac{\delta}{\sqrt{n}}} \quad (8) \\ &= \frac{429-345}{\frac{29.79}{\sqrt{5}}} = \frac{84}{13.32} = 6.31\end{aligned}$$

### Inference:

The alternative hypothesis was accepted which means that financial statements conform to the generally accepted auditing principles.

### Hypothesis Testing 3

HO<sub>3</sub>: The adoption and implementation of international financial reporting standard and international accounting standard have not improved comparability and reliability of financial statements.

This was tested using the data in table 5 and 6 in appendix 4.

$$\begin{aligned}\text{Simple mean } (\bar{x}) &= \frac{\sum X}{N} \quad (9) \\ &= \frac{1924}{5} = 385\end{aligned}$$

$$\text{Population mean } (\mu) = \frac{2.5 \times 138 \times 5}{5} = \frac{1725}{5} = 345$$

$$\text{Standard Deviation } (\delta) = \sqrt{\frac{\sum(x-\bar{x})^2}{N}} \quad (10)$$

$$= \sqrt{\frac{3483}{5}}$$

$$= \sqrt{696.6} = 26.39$$

$$Z = \frac{x-u}{\frac{\delta}{\sqrt{n}}} \quad (11)$$

$$= \frac{385-345}{\frac{26.39}{\sqrt{5}}} = \frac{40}{11.80} = 3.39$$

### Decision:

Reject  $H_0$  since the Z calculated (3.39) is greater than Z critical (1.96) at 5% level of significance.

### Inference:

The alternative hypothesis was accepted which implies that the adoption and implementation of international financial reporting standard and international public sector accounting standard have improved comparability and reliability of financial statements.

## 11. Findings

Among the findings were that: the employees align their records with generally accepted accounting principles (GAAP) as in the case of hypothesis one. And that financial statements conform to the generally accepted auditing principles (GAAP) as seen in hypothesis two. In addition, the adoption and implementation of international financial reporting standard (IFRS) and international public sector accounting standard (IPSAS) have immensely enhanced comparability and confidence on financial statements as evidenced by hypothesis three.

## 12. Discussion

Evidences from the tested hypothesis showed Z-test calculated greater than Z-test critical which confirms that all the objectives were achieved. Previous researches revealed that before the adoption and implementation of generally accepted accounting principles GAAP and international financial reporting standards (IFRS), there were discrepancies on best methods and techniques for presenting business reports of companies but today it is a thing of the past. It was also on record that controversies arise on the course of converting or translating accounts of companies and the economic instability in the country short changes the company's profit margin and consequently they feel the burden of taxation beyond their expect sources.

### **13. Conclusion**

The study focused on the effect of honesty in the level of internal control on financial reporting in public companies in Nigeria. It was limited by hoarding of information by the employees but was later provided by secondary sources. Based on the findings it was affirmed that conforming to the generally accepted accounting principles and international financial reporting standards has significantly improved the status of the public companies in terms of reliability and comparability. This is due to honesty in service delivery of the companies employees. As such it stimulated planning, motivation, controlling and decision making functions of the management. Furthermore, it bestows trust and confidence in business operations in the instance of the account users. This assures that the business will continually be in operation meeting up with its set targets.

### **14. Recommendations**

1. First and foremost is that all the employees in public owned companies in Nigeria should try as much as possible to be honest in their service delivery. This will help to respect work ethics, rules and regulations and ranks the company on a high standard.
2. The management of such public companies should continually strengthen their internal control system to get rid of fraud as dishonest employee disrupts the profit flow of organizations.
3. They should be handsome reward for honesty to encourage such employee. This will make dishonest ones to change their attitude and in due course reduce cases of irregularities in the system.
4. Timely retreat should be in agenda of the company where emphasis should be on honesty in service delivery. This will help the employees to imbibe the virtue and become part and parcel of them.
5. Dishonest staff should be administered a commensurate sanction. This will serve as a deterrent to would be perpetrators to redirect their proposed action(s).

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## **APPENDICES**

### **DETERMINATION OF SAMPLE SIZE**

Using Topman formula:

$$n = \frac{Z^2 (P) (Q)}{e^2}$$

Where: n = Sample size

Z = Standard deviation at confidence level of (95%) = 1.96

P = Assumed Success rate with the instrument

Q = Assumed Failure rate with the instrument

e = Assumed error margin

$$\text{Therefore: } n = \frac{(1.96)^2 (0.09) (0.10)}{e^2}$$



$$(0.05)^2$$

$$n = \frac{0.345744}{0.0025}$$

$$0.0025$$

$$n = 138$$

## APPENDIX 2

**Hypothesis 1:** Accountants do not follow generally accepted accounting principles in recording relevant accounting information.

**Table 1:** Analysis of responses for hypothesis 1

S/N	I	t	e	m	s	S	A	A	D	S	D	Total
						4		3	2		1	1 0
1	Accountants show fairness and objectivity in accounting information					3 0	3 1	2 6	5 1	1 3 8		
						1 2 0	9 3	5 2	5 1	3 1 6		
2	Materiality convention was basis of consideration					8 6	3 5	1 7	-	1 3 8		
						3 4 4	105	3 4	-	4 8 3		
3	They were consistent on the method adopted for presentation					7 8	4 2	1 3	5	1 3 8		
						3 1 2	126	2 6	5	4 6 9		
4	Periodicity concept was put into consideration					5 0	4 4	2 5	1 3	1 3 8		
						2 2 4	132	5 0	1 3	4 1 9		
5	The companies also complied with requirements of security and exchange commission					7 0	5 3	4	1 1	1 3 8		
						2 8 0	159	8	1 1	4 5 8		

Source: Field Work 2017

**Table 2:** Calculation of Mean Squared Deviation for Hypothesis 1

S/N	X	- $\bar{X}$	( X- $\bar{X}$ ) <sup>2</sup>
1	316	- 429 = (113)	1 2 7 6 9
2	483	- 429 = 54	2 9 1 6
3	469	- 429 = 40	1 6 0 0
4	419	- 429 = (10)	1 0 0
5	458	- 429 = 29	8 4 1
Total	2 1 4 5		1 8 2 2 6

Source: Field Work 2017

**Hypothesis 2: Audited Financial Statements do not conform to the generally audited accounting principles (GAAP)**

**Table 3:** Analysis of responses for hypothesis 2

S/N	I	t	e	m	s	S	A	A	D	S	D	Total
						4		3	2		1	1 0
1	The audit of the companies account were diligently and conscientiously done					4 5	5 6	2 2	1 5	1 3 8		
						1 8 0	168	4 4	1 5	4 0 7		

2	The information give in the directors report was consistent	4 3 1 7 2	4 8 144	2 8 5 6	1 9 1 9	1 3 8 3 9 1
3	The reports depict truth and fairness with minimal errors	5 6 2 4 4	4 7 141	1 7 3 4	1 8 1 8	1 3 8 4 1 7
4	There is independence of the auditor in audit of the accounts	7 7 3 0 8	5 3 159	2 4	6 6	1 3 8 4 7 7
5	The financial reports show relevance and reliability	6 8 2 7 2	3 8 114	2 1 4 2	1 1 1 1	1 3 8 4 3 9

Source: Field Work 2017

**Table 4:** Calculation of Mean Squared Deviation for Hypothesis 2

S/N	$X - \bar{X}$	$(X - \bar{X})^2$
1	407 - 426 = 19	3 6 1
2	391 - 426 (35)	1 2 2 5
3	417 - 426 (-9)	8 1
4	477 - 426 51	2 6 0 1
5	439 - 426	1 6 9
<b>Total</b>	<b>2 1 3 1</b>	<b>4 4 3 7</b>

**Hypothesis 3: The adoption and implementation of international financial reporting standards (IFRS) and international public sector accounting standards (IPSAS) have not improved comparability and reliability of financial statements.**

**Table 5:** Analysis of responses for hypothesis 3

S/N	I	t	e	m	s	S	A	A	D	S D	Total
						4	3	2	1		1 0
1	Proper accounting records have been kept by the companies					4 0 1 6 0	3 6 108	2 8 5 6	3 4 3 4		1 3 8 3 5 8
2	The financial statements are in consonance with the accounting records					3 8 1 5 2	4 6 138	2 8 5 6	2 6 2 6		1 3 8 3 7 2
3	The financial statements show true and fair view of the company's affairs					5 1 2 0 4	3 2 9 6	2 7 5 4	2 2 2 2		1 3 8 3 7 6
4	The financial statement is worth comparable with other similar ones locally and internationally					4 7 1 8 8	4 5 135	3 3 9 9	1 3 1 3		1 3 8 4 3 5
5	Confidence can be imposed on the financial statements					4 3 1 7 2	4 1 123	3 4 6 8	2 0 2 0		1 3 8 3 8 2

**Source:** Field Work 2017

**Table 6:** Calculation of Mean Squared Deviation for Hypothesis 3

<b>S / N</b>	<b>X</b>	<b>- <math>\bar{X}</math></b>	<b>( X-<math>\bar{X}</math>)<sup>2</sup></b>
1	358	- 385 (27)	729
2	372	- 385 (13)	169
3	376	- 385 (-9)	81
4	435	- 385 50	2500
5	383	- 385 (2)	4
<b>Total</b>	<b>1924</b>	<b>24</b>	<b>3483</b>

**Source:** Field Work 2017