The Challenges of Providing Quality Financial Reporting in a Fraudulent and Corrupt Environment

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ABSTRACT
The study investigates the challenges of providing quality financial reporting in a fraudulent and corrupt environment through assessment of integrity and credibility of the financial statements as well as disclosure of accounting information. Presence of fraud and its effects on the performance of business organizations are equally appraised. The paper explores challenges of providing quality financial reporting in Nigeria from the perspective of company accountants using structured questionnaire. The sample was randomly drawn from the population of 68 company accountants from bank, insurance, manufacturing and construction industries in Lagos, the analysis of variance (ANOVA) statistical method at 95% confidence level was employed to analyze the data collected. The study indicates that disclosure of accounting information does not preclude existence of fraud from the financial statements. Whereas fraud adversely affects the quality of financial reporting, and consequently makes prospective stakeholders not to accept or buy shares of the reporting company. However, the integrity and credibility of the financial statements preparers enhance on the quality of financial reporting. Thus, it is recommended that in addition to making adequate disclosures of accounting information, integrity and credibility of the financial statements preparers must be insisted upon in order to have a quality financial reporting so as to prevent financial bankruptcy in an average company in Nigeria.

Keywords: Credibility, Integrity, Disclosure of Accounting Information, Quality Financial Reporting, Fraudulent and Corrupt Environment.

INTRODUCTION

Background of the Study

The importance of an effective financial reporting cannot be underestimated, because it provides the financial information that array of stakeholders in business organizations make use of in making daily operative and strategic financial decisions. The investors, creditors, government agencies, management, employees and labour unions are in need of financial reports for various reasons. Unfortunately, financial reporting suffers a setback from fraud and corruption that make the public to cast doubt on the genuity and veracity of its content. According to Hopwood, Leiner and Young (2012), fraud and corruption are perpetrated at an alarming rate everywhere in the world. This phenomenon is creating worries and concerns for accounting and business worlds. Briloff (1986), expressed concern over the credibility crisis that accounting profession is facing from the larger society as a result of fraudulent financial statements that some organizations are parading. Basorun (2003) equally expressed fear that one of the greatest concerns to the accountancy profession, indeed ICAN, is the prevalence of corruption and sharp practices in Nigeria. According to Iyoha (2010), average user of financial reporting assumes that financial statements are free from material misstatement and fraud. However, in a bid to meet expectations of the financial statements users, managers tend to falsify the financial information (Rittenberg & Schwieger, 2005; and Hopwood, Leiner & Young, 2012). Fraud and Corruption have adverse ripple effects on social and cultural values of the society. They harm the economy and stampede progress of the nation (Agbo, 2014). It is against this backdrop that this study is embarked upon to determine the integrity and credibility of financial reporting in Nigerian business environment. The study equally sets to assess the adequacy of disclosures of accounting information in the financial reporting with a view to ascertain whether presence of fraud have impact on quality of financial reporting in Nigeria.

THE PROBLEM OF THE STUDY

Information required for making financial reporting has to be gathered, processed, stored and released accurately in an understandable format for the prospective users. In accordance with Kieso and Weygandt (1989), financial statements that form the foundation of financial reporting must possess some qualitative characteristics such as understandability, relevance, reliability and comparability. Reliability comprises representational faithfulness, substance over form, completeness, neutrality and prudence. It must be true and fair. The main problem facing preparation and issuance of financial reporting is prevalence of fraud and corruption everywhere and Nigeria inclusive. Base on this phenomenon, the problem of the study is represented by the following questions:

1. Does integrity of the financial statements preparers have impact on the quality of financial reporting in the Nigerian business environment?
2. Does credibility of the financial statements preparers have impact on the quality of financial reporting in the Nigerian business environment?
3. Does disclosure of accounting information determine the quality of financial reporting in the Nigerian business environment?
4. Does presence of fraud in financial statements affect the quality of financial reporting in the Nigerian business environment?
5. What are the impacts of fraud and corruption on the quality of financial reporting in the Nigerian business environment?

THE OBJECTIVES OF THE STUDY

Broad objective of this study is to minimize fraudulent financial reporting in the Nigerian business organizations.

The specific objectives are to:

1. Determine if the quality of financial reporting can significantly be based on integrity of financial statements preparers in the Nigerian business environment.
2. Determine if the quality of financial reporting can significantly be based on credibility of the financial statements preparers in the Nigerian business environment.
3. Determine if the disclosure of accounting information has a significant effect on the quality of financial reporting in the Nigerian business environment.

4. Determine if the presence of fraud in the financial statement has a significant effect on the quality of financial reporting in Nigerian business environment.
5. Assess the impacts of fraud and corruption on the quality of financial reporting in the Nigerian business environment.

HYPOTHESES OF THE STUDY

Ho1: The integrity of financial statements preparers has no significant effect on the quality of financial reporting in the Nigerian business environment.

Ho2: The credibility of financial statement preparers has no significant effect on the quality of financial reporting in the Nigerian business environment.

Ho3: Disclosure of accounting information has no significant effect on the quality of financial reporting in the Nigerian business environment.

Ho4: The presence of fraud in the financial statement has no significant effect on the quality of financial reporting in the Nigerian business environment.

Ho5: Fraud and Corruption have no impact on the quality of financial reporting in the Nigerian business environment.

THE SIGNIFICANCE OF THE STUDY

This study derives its importance from mirroring financial reporting in a manner that exposes the presence of fraud. It contributes significantly to the existing knowledge in the field of auditing and investigation by way of diagnosing financial reporting provided in the Nigerian business environment. Through a diagnostic approach of this study, it is possible to determine financial reporting that possess integrity, credibility and contains adequate disclosures of financial information. The study methodologically provides manner of exposing financial reporting that harbours fraud. Consequently, members of the investing and financing worlds, and Nigerian business organizations in particular stand to be protected from loss of investments by making use of this research work.

LITERATURE REVIEW

Introduction

Financial reporting is a compendium of relevant information that impacts the operations of a business entity. According to Kieso and Weygandt (1989), financial reporting is more encompassing, richer and robust in content than financial statements. International accounting literature provides evidence that financial reporting has economic consequences, just like costs of capital (Leuz and Verrecchia, 2000). Deloitte (2012) stated that the main objective of financial reporting is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making informed decisions concerning provision of resources to the entity. This objective is however defeated by introduction of wrong expression or intentional omission of major events, transactions or information from the financial reports. Kadusic, Bojovic and Zgalj (2011) regarded manipulation, falsification, alteration of accounting records and supporting documentations, which are the basis of financial reporting as fraud. Okobi (2011) averred that a financial reporting that is fraudulently prepared will lead the investing public to lose confidence in such reporting organization. This study investigated further to know exactly what financial reporting fraud is all about. The Association of Certified Fraud Examiners – ACFE (1993) defines financial reporting fraud as an intentional, deliberate misstatement, omission of material facts or accounting data capable of misleading and, when considered along with all other available information, it would cause the user to change or alter his or her judgment or decision.

According to Zimbelman and Albrecht (2012) an hypothesis was developed by Cressey (1919-1987), which attempted to explain the conditions that are generally present in every fraud case, better known as the "fraud triangle", which includes perceived pressure, perceived opportunity and rationalization. Wilks and Zimbelman (2014) declared that fraud triangle has been reviewed to include "capability". Fraud triangle is now renamed to be known as "fraud diamond". In addition to conditions for fraud claimed to be present in the fraud triangle, capability of the fraudster makes fraud possible to take place. The "fraud diamond" has four legs instead of three legs of the fraud triangle. Under consideration for "capacity", money, ideology, coercion and ego (MICE) are emphasized as motivational factors required for manifestation of fraud. This study reviewed the earnings management theory to bolster perception of fraud, and elucidate how fraudulent financial reporting is perpetrated by the management. It is a universal idea that in an environment where fraud and corruption are present, the financial reporting will be intrinsically affected (Wilks and Zimbelman, 2014). Healy & Wahlen (1999) and Brazed, Jones & Zimbelman (2009) explained that earnings management theory is centred on using selective judgmental financial reporting method. Schipper (1999) equally perceived earnings management as a purposive intervention in the external financial reporting process with intent to obtaining some private gains. Bullard and Resnick (1983) declared that earnings management though is within the purview of generally accepted accounting principles (GAAP), there is an abundant opportunity to abuse it, and consequently lead management to creative accounting practices like "Cookie-Jar-Reserves, Big Bath Accounting" or any other form of "window dressing accounting practice". Okoye, Ukenna and Ugwanyi (2009) explained that underpinning motives for creative accounting in Nigeria include: desperation for money, craving for power, seeking for societal recognition and ego trip.
Naser (1993) stated that financial shenanigans are easy to define but more difficult to detect in practice. Financial shenanigans are described as actions or omissions intended to hide or distort the real financial performance or financial condition of an entity. Financial shenanigan include minor deceptions such as failing to clearly segregate operating from non-operating gains and losses to more serious misapplications of GAAP like failing to write off worthless assets, also including fraudulent behaviour, such as recording of fictitious revenues to overstate the actual financial performance.

INTEGRITY OF THE FINANCIAL STATEMENTS PREPARERS

According to Hopwood, Leiner and Young (2012), integrity is related to incorruptibility, soundness, state in which information remains intact in that nothing is added to, or removed from transaction data as they pass through the system. Institute of Chartered Accountants of England and Wales - ICAEW (2007) described it as a behavioral characteristic of individual that is associated with the following traits:

- Honesty and faithfulness
- Fairness
- Compliance with laws
- Promotion of employer's interests
- Openness and adaptability

- Taking corrective action
- Showing consistency

ICAEW (2007) posited that organizational integrity has five drivers, viz: leadership, strategy, policies, information and culture. Bernardi (1994) declared that the more the preparer is professionally competent, the more that such preparer brings integrity to bear in his or her work, and consequently the higher the quality of his/her jobs including financial reporting provided. Managers with a high level of integrity maintains same pattern of honest behaviour in their works. They can easily be identified and distinguished in a fraud interview (De Paulo, Lindsay, Malone, Muhlenbruck, Charlton & Cooper, 2003). Integrity of financial reporting takes its source from the preparer, and as such it can be regarded as a derivated characteristic. It cannot be seen on the pages of the report. It has to be inferred on the basis of surrounding circumstances (De Paulo, et al, 2003).

CREDIBILITY OF THE FINANCIAL STATEMENTS PREPARERS

Oxford Advanced Learner's Dictionary defines credibility as a quality that somebody or something has that makes people to believe or trust it. The issue of credibility of financial reporting is treated from the point of independence of auditor. The level of independence of auditor in client-auditor relationship determines the credibility of financial reporting. Many literatures offered description of what constitute auditor's independence. For instance, Rittenberg and Schwieger (2005) stated that "auditor must be independent in fact and in appearance" in order to be seen as objective and unbiased in actions and evaluations, and not to be influenced by management. Independence is a state of mind that can be impaired by several potentials threats, such as financial interest of immediate family and indirect financial interests. Other threats to auditor's independence include taking loans from clients and performing other services considered to intervene the primary role of attestation (Beattie, Brandt & Feamley, 1999). U.S. Securities and Exchange Commission – SEC (2001) published a list of requirements for auditor's independence. The SEC auditor independence requirement serves two related, but distinct, public policy goals. The first goal is to foster high quality by minimizing the possibility of fraud. The second goal is to promote investors' confidence in the financial statements of public companies. Credibility of financial reporting is earned through independence of external auditor. Although, integrity feature is more of internal efforts, credibility of financial reporting depends on the external auditor's independence. The two variables are considered eminent in this study, however most literatures asserted that they could only be appraised through other means than financial reporting (Crutchley, Marlin & Beverly, 2007).

DISCLOSURE OF ACCOUNTING INFORMATION

Disclosure of accounting information is another variable that is investigated in the study. It is unanimously agreed in the literatures that disclosure of accounting information financial statements are capable of exposing the presence of misrepresentation in financial reporting (U.S. SEC, 2003; Hiaasen, Barry, Shah & Sallah 2009). Arens and Leobbecke (1980) explained that the inadequate disclosure of fraud can be detected and understood by performing some of the following activities: check for inconsistencies between disclosures and information in the financial statements;

inquire from the management concerning related-party transactions, check for contingent liabilities, long-term contractual obligations; and review company's files and records. Kaminski, Wetzel, and Guan (2004) averred that financial ratios can be used to detect fraudulent financial reporting by making use of disclosed accounting information. According to Beneish (1997), earnings management scheme operated by firm can be assessed through the published financial reporting to determine rationale behind the financial performance declared.

RELATED FRAUD CASES AND THEIR IMPLICATIONS

According to Toffler (2003), Ahmed (2004) and Rittenberg & Schwieger (2005), fraud and corruption are perpetrated everywhere in the world. In the USA alone, the following high profile cases of fraud were reported: ZZZZ Best, Inc in 1987, F & C International, Inc in 1993, Health Management Inc. in 1997, Enron and Health South Corporation in 2001, and WorldCom in 2002. Also Eichenwald (2003) reported a fraud case in Nextcard, Inc., which ended in bankruptcy. In Britain, fraud case of Barclay's Bank was reported by Rittenberg *et al* (2005), the oldest financial institution heritage went out of business. Canada is not left out of the fraud race; Lewyckyj (1999) reported a fraud case which involved Livent, Inc., a Toronto based Film Company that operated cosmetic accounting fraud technique to the fullest. The company went into bankruptcy, and its remaining assets were purchased by SFX Entertainment, Inc. Parmalat fraud case occurred in Italy, and Ahold fraud case took place in Netherlands, Addeco fraud case was recorded in Switzerland. Fraud is an international phenomenon; it is not confined to any particular nation or group of individuals. Agbo (2014) published a long list of fraud cases in the Nigerian public sector (see Table 1 below). Okoye *et al* (2009) equally reported cases of fraud in the Nigerian private sector which include Cadbury, Afribank, Oceanic Bank Plc. and Intercontinental Bank Plc. The common feature of all cases reported is the involvement of fraudulent financial reporting. Liabilities were understated, assets were over valued, fictitious assets were created, accounting methods were misapplied and members of management told lies to cover up the acts. Financial reporting were distorted. Though these companies presented financial data that embellished pervasive accounting fraud, a careful and thorough investigator can sight the inconsistency, misapplication of accounting methods and misrepresentation of facts through analysis of disclosure of accounting information made available. Majority of the companies that involved in fraud scheme have gone out of business, some of their executives have gone to jail and thousands of their employees have lost their jobs. In the Enron fraud case, some people even committed suicide (Brynes, 2002). Of course, most professional accountants that participated in the fraud scheme lost their practicing licenses, and suffered embarrassment from members of the public. The two chief executives of Cadbury Nigeria PLC that got involved in the fraud case in that company were sacked and lost their Institute of Chartered Accountants of Nigerian (ICAN) memberships for life (Nigerian Bar Association, 2007).

Table 1: Selected High Profile Fraud Cases in Nigeria (2007-2010)

	Party	Facts	Amounts involved	Status of case	Remarks
1.	Ayodele Fayose, former governor of Ekiti State.	Arraigned on 51 state counts, entered into plea	N1.2 billion	Granted bail by court since 2007	Now becomes governor of Ekiti State for 2nd time inspite of fraud case he has to answer.
2.	Samiu Turaki, former governor of Jigawa State	Arraigned on 32 state counts. Plea already taken	N36 billion	Granted bail by court since 2007	
3.	Orji Uzor Kalu, former governor of Abia State	Arraigned on 107 state counts. Lost at trial court but went on appeal	N5 billion	Granted bail by court since 2008	
4.	James Ibori, former governor of Delta State	Arraigned on 170 state counts. Lost at trial court but won at appeal court	N9.2 billion	Free and acquitted on all 170 count charges	Sentenced to 13 years imprisonment by the UK court
5.	Lucky Igbinedion, former governor of Edo State	Arraigned on 191 state counts. Entered into plea bargain	N4.3 billion	Convicted	The penalty was too light and liberal
6.	Chimaroke Nnamani, former governor of Enugu State	Arraigned on 105 state counts plea already taken	N5.3 billion	Granted bail by court since 2007.	Case was transferred on the basis of bias against trial judge.
7.	Michael Botmang, former governor of Plateau state.	Arraigned on 31 state counts. Plea already taken	N1.5 billion	Granted bail by court since 2008	Case was stalled due to the suspect's ill health
8.	Roland Iyayi, former Managing Director of FAAN	Arraigned on 11 state counts.	N5.6 billion	Trial is on-going	
9.	Kenny Martins, (Police Equipment Funds)	Arraigned on 28 state counts.	N774 million	Granted bail by court since 2008	The accused was set free by Federal High Court.
10.	Nyeson Wike, former Chief of Staff to Governor of Rivers State.	Arraigned on state counts	N4.670 billion	Granted bail by court since 2008	Court quashed charges but EFCC appealed.
11.	Prof. Babalola Aborishade, former Minister of Aviation	Arraigned on 11 state counts. Plea already taken.	N5.6 billion	Granted bail by court since 2008	Case still in court
12.	Bode George, chieftain of PDP	Arraigned on 68 state counts.	N100 billion	Accused was convicted to 2	Served the term, but he was received back by

	(ruling political party)	Plea taken and trial concluded		years imprisonment.	PDP members in pomp and pageantry.
13.	Rasheed Ladoja, former governor of Oyo State.	Arraigned for 33 state counts. Plea taken and trial on-going	N6 billion	Granted bail by court since 2008	
14.	Nicholas Ugbade serving senator and others.	Fraud case in the rural electrification project	N5.2 billion	Suspects were remanded in prison custody but later granted bail by court in 2009.	Suspects filed to quash the charges but application upheld.
15.	Dr. Ransome Owan & Others	Case of corruption in Nigeria Electricity Regulatory Commission	N1.5 billion	Granted bail by court since 2009.	Still on-going
16.	Dr (Mrs) Cecilia Ibru, former CEO, Oceanic Bank Plc	Arraigned on 25 state counts, plea taken and case has been decided.	N160.2 billion	Convicted for only 6 months in prison	She served the term but used the period to stay in the hospital.
17.	Francis Atuche, former CEO Bank PHB	Arraigned on 26 count charges. Plea taken	N80 billion	Suspect granted bail by court since 2009, his assets are frozen.	Still on-going.
18.	Adamu Abudullahi, former Governor of Nassarwa State	Arraigned on 149 count charges.	N15 billion	Suspect on court bail	Still on-going
19.	Attahiru Bafarawa, former Governor of Sokoto state	Arraigned on 47 count charges	N15 billion	Suspect on court bail	Still on-going
20.	Francis Okokuro, former Bayelsa State Accountant General	Arraigned on 6 count charges	N2.4 billion	Suspect remanded in prison custody till April 13, 2010	Still on-going.

Source: EFCC Update: Tell Magazine – Agbo (2014).

METHODOLOGY

The population of the study consists of company accountants working in the head offices in Lagos. The sample was randomly drawn from eight companies (two per industry) in banking, insurance, manufacturing and construction industries. The sample size was scientifically determined by adopting the formula used in (Harnett, 1982: 329, and Izedonmi, 2005: 270-273). Sixty-eight (68) company accountants were selected as sample for the study. Opinions of the accountants are considered to be expert opinions. They are perceived to be at the frontline of accounting practice in the industries (Cheung, Mak, Cheung & Kan, 1995). Primary data were collected through a cross-sectional survey of the 68 selected respondents from four different industries, using structured questionnaire. Data about the financial reporting with respect to the issue of integrity, credibility, disclosures of accounting information, incidence of fraud and its impact on the company performance were collected. Secondary data were also collected from the annual financial reports published between 2010 and 2013.

METHOD OF ANALYSIS

The data were analyzed using One-way Analysis of Variance (ANOVA) technique. The chief reason for using ANOVA is to allow for comparison among samples drawn from four different industries and make room for generalization of result at the conclusion of the study (Harnett, 1982). ANOVA is considered appropriate for this study as the conditions for sample selection, independence of sample and homoscedasticity nature of the population are concerned (Emory, 1980). Returned questionnaires together with annual financial reports were analyzed. The questionnaire consisted of thirty-two items, which were grouped into five (5) categories on the basis of operating variables. Possible responses to each item are arranged on Likert Scale of 1-5. Annual financial reports of 8 companies were studied separately to assess the adequacy level of disclosures of accounting information claimed in the returned and completed questionnaire. Calculated and critical F-statistics are compared to determine the acceptability or rejection of the five (5) null hypotheses. When the F-critical value is higher than F-calculated the null hypothesis under consideration is rejected, otherwise when lower it is accepted, and vice versa (Emory, 1980). Excel programme was used with the aid of computer device to present calculated and statistical results for each hypothesis tested.

INTERPRETATION AND DISCUSSION OF RESULTS

Null Hypothesis No.1 (Ho1): The integrity of financial statements preparers has no significant effect on the quality of financial reporting in the Nigerian business environment.

Table 2 provides analysis of test in respect of integrity of the financial reporting in Nigeria. Six (6) different indicators were measured under the test of integrity of the financial reporting. Mean of the responses in each industry tested is given as follows: 2.0991, 2.0769, 1.4286 and 1.4615 for banking, insurance, manufacturing and construction respectively. Through ANOVA, F-statistics calculated is 2.856453 as against the F-critical of 2.802355, since F-calculated is greater than F-critical, the alternative hypothesis should be accepted. This indicates that the integrity of preparers can affect the quality of financial. However, the result is not consistent with the remarks made by Johnson (1982) in which the auditor undertaking accounts of Flight Transportation Corporation said that "we are not the guardians of the world. It's the con artists who should be punished. Besides, if we go into every client's office with our eyes wide open, saying, there is a crime in here somewhere, nobody is going to hire us". Integrity is not something that you can limit to financial reporting. You need to search for more information and clues to affirm integrity of financial reporting. Norris (1995) asserted that fraud can occur in a company even when auditor checks every item on financial reports. Integrity is personal, doing the right thing in the face of problem is difficult. Integrity of financial reporting largely depends on the preparer's level of honesty and strength of moral values. See Table 2 below:

Table 2: Analysis of Variance (ANOVA) for Integrity of financial Statement Preparers

Anova: Single Factor

SUMMARY

Groups	Count	Sum	Average	Variance
Column 1	11	23	2.090909	0.690909
Column 2	13	27	2.076923	0.910256
Column 3	14	20	1.428571	0.417582
Column 4	13	19	1.461538	0.435897

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	5.194766	3	1.731589	2.856453	0.04698	2.802355
Within Groups	28.49151	47	0.606202			
Total	33.68627	50				

Source: Field Survey, 2014

Null Hypothesis No. 2 (Ho2): The credibility of financial statements preparers has no significant effect on the quality of financial reporting in the Nigerian business environment.

From ANOVA result in table 3, the analysis indicates that the alternative hypothesis No. 2 should be accepted since F-statistics calculated (5.740998) is greater than the F-critical of (2.802355) at 5% level of significance. The result indicates that credibility of financial statements can affect the quality of financial reporting. In that wise, the result obtained for hypothesis 2 (Ho2) supports the idea that the higher the independence of the auditor, the higher the credibility and quality of the financial reporting. Unlike integrity which is based on attitude of the preparer, credibility is on pedestal of the external auditor. The result also is in line with the Sarbanes-Oxley Act of 2002 which was variously insinuated that credibility of financial reporting is better determined by the independence of the auditor. See Table 3 below:

Table 3: Analysis of Variance (ANOVA) for Credibility of Financial Reporting

Anova: Single Factor

SUMMARY

Groups	Count	Sum	Average	Variance
Column 1	11	17	1.545455	0.272727
Column 2	13	20	1.538462	0.269231
Column 3	14	28	2	0.923077
Column 4	13	33	2.538462	0.435897

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	8.497463	3	2.832488	5.740998	0.001973	2.802355
Within Groups	23.18881	47	0.493379			
Total	31.68627	50				

Source: Field Survey, 2014

Null Hypothesis No. 3 (Ho3): Disclosure of accounting information has no significant effect on the quality of financial reporting in the Nigerian business environment.

Table 4 shows ANOVA result obtained in testing null hypothesis No. 3. The result obtained in testing this hypothesis agreed with Price-Waterhouse Coopers (1999) which studied financial statements of fifty three (53) different companies, and discovered that the financial health of these companies were significantly determined through the study of financial reports. Lambert, Leuz and Verrecchia (2006), Price Waterhouse Coopers (1999) and AICPA (1994) asserted that financial statements manifest information to judge fairness, and truthfulness of company performance. The result indicates that adequate disclosures of accounting information could be determined through the financial statements in Nigeria as F-calculated obtained is 0.7980 while the F-critical is 2.8021 at 5% level of significance. Mean of results obtained among eight (8) companies involved in four different industries, namely; banking, insurance, manufacturing and construction are: 1.9090, 1.9230, 2.2143, and 2.4615 respectively. The variances recorded are: 1.490909, 1.076923, 0.950549 and 0.935897 accordingly. Since F-calculated is lesser than F-critical, then the null hypothesis is rejected. The result indicates that adequate disclosures of accounting information is not significantly related to the quality financial reporting. It means that disclosure of accounting information in the financial statements could portray fairness, truthfulness, compliance with relevant standards and laws but the quality of the financial reporting may not be impacted. Find table 4 below as follows:

Table 4: Analysis of Variance (ANOVA) for Disclosure of Accounting Information in Financial Reporting

Anova: Single Factor

SUMMARY

Groups	Count	Sum	Average	Variance
Column 1	11	21	1.909091	1.490909
Column 2	13	25	1.923077	1.076923
Column 3	14	31	2.214286	0.950549
Column 4	13	32	2.461538	0.935897

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	2.619136	3	0.873045	0.797998	0.501211	2.802355
Within Groups	51.42008	47	1.094044			
Total	54.03922	50				

Source: Field Survey, 2014

Null Hypothesis No. 4 (Ho4): The presence of fraud in the financial statements has no significant effect on the quality of financial Reporting in the Nigerian business environment.

Table 5 presents the result of ANOVA test performed in respect of hypothesis No. 4. Numerous literatures on the subject matter support the result obtained. Few among these literatures are: Agbo (2014) which was written on actual cases of fraud in Nigeria, Wells (2007), Bell and Carcello (2000) which discussed how to identify fraud in the financial statements. Pertaining to indicators required to sight the presence of fraud in the financial reporting, Beasley, Carcello, Hermanson, and Lapides (2000) is in agreement with the hypothesis No. 4. The result indicated presence of fraud in the financial reporting provided in the Nigerian business organizations as the analysis obtained gave F-calculated to be 0.090853 while the F-critical is 2.802355 at 5% level of significance. Means of the result on tested indicators among the four industries, namely; banking, insurance, manufacturing and construction are 1.363636, 1.461528, 1.428571, and 1.384615 respectively. On this premise the null hypothesis No. 4 is rejected. The alternative hypothesis is accepted, there is an indication that fraud is likely to be present in the financial reporting provided by the Nigerian business organizations. See Table 5 below:

Table 5: Analysis of Variance (ANOVA) for Presence of Fraud in Financial Reporting

Anova: Single Factor

SUMMARY

Groups	Count	Sum	Average	Variance
Column 1	11	15	1.363636	0.254545
Column 2	13	19	1.461538	0.269231
Column 3	14	20	1.428571	0.263736
Column 4	13	18	1.384615	0.25641

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	0.071223	3	0.023741	0.090853	0.964726	2.802355
Within Groups	12.28172	47	0.261313			
Total	12.35294	50				

Source: Field Survey, 2014

Null Hypothesis No. 5 (Ho5): Fraud and Corruption have no Impact on the Quality of Financial Reporting in the Nigerian Business Environment.

Table 6 reports ANOVA analysis result for 8 companies drawn from 4 different industries testing null hypothesis No. 5. The result reveals that fraud is likely to affect the quality of financial reporting adversely as F-calculated is 0.397249 while F-critical is 2.802355. The mean obtained from tested indicators of fraud effect on the quality of financial reporting among sampled companies within banking, insurance, manufacturing and construction industries are 2.00, 1.8462, 2.0714 and 2.1538 respectively. The null hypothesis No. 5 is rejected as F-critical is greater than F-calculated. The finding in this regard supports the work of Ahmed (2004) in which it was concluded that financial reporting of a company showing inconsistency and misrepresentation would affect acceptability and marketability of such reports among the sophisticated investors. Apriori established that whenever fraud is noted in the financial reporting, the reporting organization is likely to be suspected of hiding material facts and consequently such organization finds it difficult to trade its financial securities in the market. Find Table 6 below:

Table 6: Analysis of Variance (ANOVA) for Impact of Fraud on Financial Reporting

Anova: Single Factor

SUMMARY

Groups	Count	Sum	Average	Variance
Column 1	11	22	2	0.4
Column 2	13	24	1.846154	0.641026
Column 3	14	29	2.071429	0.532967
Column 4	13	28	2.153846	0.641026

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	0.667205	3	0.222402	0.397249	0.755578	2.802355
Within Groups	26.31319	47	0.559855			
Total	26.98039	50				

Source: Field Survey, 2014

CONCLUSION

According to Agbo (2014), fraud is prevalent and widely spread in the Nigerian public sector. This study equally adds to the assertion that fraud and corruption are also present in the Nigerian business private sector in form of fraudulent financial reporting. The study concludes that disclosure of accounting information does not preclude existence of fraud from the financial statements. Thus, adequate disclosure of accounting information does not significantly relate to the quality of financial reporting. While integrity and credibility of the financial statements preparers can affect the quality of the financial reporting in Nigerian business environment. The study concludes that presence of fraud in the financial reporting is likely to affect quality of the report adversely, and it may consequently make prospective investors not to accept, or buy shares of such reporting company. It is likely that company that issues fraudulent financial reporting will suffer non-availability of capital to run its business and eventually go bankrupt.

RECOMMENDATIONS

The users of financial reporting should not take the report on their face value as these reports are not likely to provide all information required to make sound economic decisions. Besides, these financial reporting should be treated with skepticism, and subject it to fraud tests. Additional information should be gathered from other documents and files, and inquiries should be made from the management to determine the quality of the financial reporting before taking a strategic economic decision.

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APPENDIX A
Questionnaire on data collection

	Integrity (6 Indicators) Ho1	5 SA	4 A	3 U	2 D	1 SD
1	Compromising of figures in the financial reporting will not change quality of such report.					
2	Changing of information in the financial reporting without basis will not affect quality of the report.					
3	A quality financial reporting should be prepared on GAAP basis as at when profitable for the organization					
4	Financial reporting does not need to be in compliance with the organization's accounting policy.					
5	Data inputted in the financial reporting should be selected on preference basis to make it a quality report.					
6	The contents of the quality financial reporting do not require control.					
	Credibility (8 Indicators) Ho2					
7	Quality financial reporting does not need to be prepared under supervision of qualified accountant.					
8	Preparation of quality financial reporting does not require special training.					
9	Character of the preparer of financial reporting has no reflection on the credibility of the report.					
10	Quality financial reporting is not time bound.					
11	Misappropriation of funds has no bearing on the credibility of financial reporting.					
12	Misrepresentation of financial facts does not affect quality of financial reporting adversely.					
13	Financial reporting of an organization does not need to comply with the industry practice to make it a quality report.					
14	Quality financial reporting does not require consistent application of GAAP					
	Disclosures of Accounting Information (8 Indicators) – Ho3					
15	Disclosure of accounting information in the financial reporting should be based on costs and not benefits.					
16	Quantity of information disclosed in the financial reporting should be preferred over the quality of information.					
17	Amounts shown in the financial statements do not require further explanation in the financial reporting.					
18	Disclosure of accounting information in the financial reporting should be on technical basis and not simplicity.					
19	Quality financial reporting does not need to disclose information on the business environment					
20	Concealment of related party transactions from financial reporting is not considered as an inadequate disclosure of accounting information					
21	Political contributions should not be disclosed in a quality financial reporting					

22	Quality financial reporting should not disclose events that did not exist at the balance sheet date even when such events arise before issuance of financial statements.					
	Presence of Fraud in Financial Report (5 Indicators) – $H_0$4					
23	For the purpose of benefitting a group of stakeholders, overstating value of assets in the financial reporting should be considered as an acceptable practice.					
24	It is a normal practice to under declare liabilities in the financial reporting with an intention of protecting actual financial image of the organization					
25	Lack of capital to continue business has no significant effect on quality financial reporting					
26	Financial information having no audit trail (manual or electronic) should be treated as a normal transaction in the financial reporting					
27	Declaration of rising earnings over a period of time the turnover is falling should be considered as a normal phenomenon in the financial reporting					
	Impact of Fraud on Financial Reporting (5 Indicators) – $H_0$5					
28	Numerous unsuccessful business acquisitions would not affect the quality of financial reporting					
29	Consistent falling of share price in market over a period of time shown in financial reporting is not a sign of financial mismanagement					
30	Wrongful classification of expenditure on assets into operating expenses would not lead to lowering of income tax shown in the financial reporting.					
31	A company declaring huge profits consistently over a long period of time in its financial reporting and never pay dividend should not be suspected of financial manipulation					
32	Default of loan payments over a long duration, and consistent declaration of huge profits in the financial reporting issued during the same period is not an indication of financial malpractice.					

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