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NIGERIAN ACCOUNTANTS' PERSPECTIVE ON DIFFERENTIAL CORPORATE REPORTING.

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ABSTRACT

The international accounting community responded by significantly raising the standards of ethical and reporting conduct through the Financial Accounting Standards Board (FASB in the USA) and the International Financial Reporting Standards (IFRS) following the wave of financial scandals and the global financial crises that involved accountants and accounting practise. In response, there have been numerous national corporate governance initiatives and pieces of legislation created to advance effective professional accounting practise, particularly in the handling of financial data and associated financial reporting. The Financial Reporting Council (FRC) Act No. 6 of 2011 has this context as its genesis. The Act effectively served as Nigeria's solution to this issue on a worldwide scale, with the objective of offering a comparable institutional governance framework to handle the issues that will likely shape the future of the accounting profession in Nigeria. The Act signalled the end of professional accounting groups' voluntary self-regulation and the start of formal, statutory oversight falling under the purview of the Financial Reporting Council. Through the trichotomy of a regulatory mandate—monitoring professional service areas from the platform of professionalism and legislation, aligning these services with global best practises, and boosting investor confidence—the FRC Act was created to reshape the Nigerian accounting profession and practise. After five years of operation, it is appropriate to evaluate the effectiveness of the programme. The FRC's operating dynamics are already having a big impact on the accounting industry in Nigeria.

***Keywords: "Future of the Accounting Profession," "Financial Reporting Council," "Audit Expectation Gap," Nigeria*.**

INTRODUCTION

In a 2015 study, Klynveld Peat Marwick Goerdeler, an accounting company, found that there is an increasing demand for corporate transparency globally, particularly with regard to sustainability reporting and disclosure. Gould (2011) asserts that in order to provide stakeholders with information about an organization's performance in concrete ways, sustainability reporting is essential. The International Federation of Accountants (IFAC) created a sustainability framework in 2011 to help businesses incorporate sustainability concerns into their operational strategy, operational procedures, and reporting procedures. In order to increase the credibility of sustainability reports, the reporting component of IFAC's sustainability framework entails providing audit and assurance on sustainability performance, including sustainability impacts in financial statements, and using narrative reporting to capture sustainability information that is not included in financial statements. Also, normative pressures influencing sustainability reporting arising from accounting firms (Fernandez-Feijoo *et al.*, 2016) and membership in external governance institutions (Adeniyi, 2016; Weber *et al.*, 2016) have been examined in the literature. Cahaya (2011) looked into the mimetic pressures used by successful industry leaders and foreign affiliated firms.

The failures of companies such as Enron and Parmalat, among others, have prompted questions about the adequacy of traditional financial reports in assessing corporate performance (Calitz *et al.*, 2015). These unpleasant incidences are stirring demands from different governments, stock market regulators, the media, and academia for increased corporate transparency and disclosure in order to assess performance in diverse areas that are potential sources of risk. Companies' transparency and disclosure practises are important determinants of successful corporate governance. According

to Kocmanova *et al.* (2011), the practise of transparency and disclosure in companies highlights the importance of corporate governance in contributing to both corporate prosperity and responsibility. However, Popa *et al.* (2009) note that corporate transparency and disclosures are more useful when sustainability reporting is incorporated alongside them. Sustainability reporting provides information that increases corporate transparency and accountability in economic, environmental, social, and governance terms; it provides information not entirely captured in corporate financial statements such as the statement of financial position, the statement of comprehensive income, and the sNo notatement of cash flows. In the external business environment, there are investors, consumers, local and foreign lenders, stock exchange and industry regulators, accounting firms, external governance institutions, successful industry leaders, and foreign affiliated companies.

From an institutional theory perspective, these constituents of an organization's external environment exert different pressures on the organization's practises (including sustainability reporting). In summary, these pressures can be coercive, normative, or mimetic. Coercive pressures emanate from institutions that have resources that organisations depend on; such resources could be financial or regulatory. Therefore, because such institutions have the authority to withhold resources from business organisations for not complying with certain rules or behaviours, the former is said to have coercive influence over the latter. Research on the influence of coercive pressures on sustainability reporting has identified the following factors: government policies (Joseph, 2011; Cahaya *et al.*, 2015), stock market and industry regulators (Hess, 2014; Ioannou and Serafeim, 2014; Kumar and Devi, 2014), and the size of organisations (De Villiers *et al.*, 2014; Mucciarone *et al.*, 2012).

From an institutional theory perspective, each of the pressures—coercive, normative, and mimetic—can influence the quantity and quality of sustainability information reported by companies. Also, it has been argued that it is better to incorporate the pressures in one study because the influence of one form of pressure rarely leads to the adoption of sustainability reporting (Zhao, 2011). Therefore, this study examines factors, namely: size, regulation, accounting firm, membership of governance bodies, reporting of the most successful, and foreign affiliation, that influence private sector organizations' sustainability reporting. These factors are a mix of coercive, normative, and mimetic pressures and could assist in shedding light on the state of corporate sustainability reporting in Nigeria.

LITERATURE REVIEW

Theoretical framework

A theory that explains why an audit expectation gap exists is known as the role theory. According to the idea of roles, an auditor can be seen of as having a status or holding a position of authority in the social system. Auditors are obligated to abide by the rules established by the organisation because of their "status" as a "profession." "The risk of social action to enforce conformity and punish nonconformity is created by failure to comply to the allotted role or to meet role expectations" (Davidson, 1975). According to Davidson (1975), "The auditor's role is susceptible to the interactions of the normative expectations of society's numerous interest groups" (i.e., "different role senders") who have a direct or indirect relationship to the role position. He made note of the fact that these various groups—such as management, the Securities and Exchange Commission, institutional investors, analysts, auditors, and accountants—might have different expectations of the auditor, and that these expectations might change over time depending on how their own roles are redefined and how other social forces interact. The auditors are consequently put in circumstances with a variety of tasks and demands. Stock brokers, investors, private accountants, and management were utilised as senders of audit reports for the investigation's purposes.

Conceptual Review:

Accounting as a Profession

Williams (1981) claimed that accounting was a "unique profession that does not argue, heal, or counsel; nor does its primary commitment run to those who engage its services." The power of accounting, or accountancy, in comparison to other social sciences and in relation to the dissemination of economic information is to be traced in no small part to its unwavering emphasis on net benefit analysis, which allows users of the information to make informed judgements and decisions. However, this responsibility or task is one that must be neutral and seen to be so because the environment of accountancy (that is, managing, updating, correcting, and reporting) is intended to accommodate for professional (and attitudinal) interactions and the system's consequences that are associated with them. In other words, accounting practise should not cause systemic or organisational inefficiency by distorting the structure of economic information disseminated; it must be free from bias, either deliberate or systematic. Deliberate bias is implicit in circumstances and conditions where management intentionally misstates financial statements or external auditors intentionally look away from egregious distortions in the financial statements of audited companies. On the other hand, systematic bias is imputed when accounting systems develop an inherent tendency to favour one outcome over another over time, either due to cultural or religious beliefs, customs, or a clash of civilizations.

The Expectation Gap Effect on Auditing

Expectation gaps and unsound assumptions have characterised the history of the accounting (and auditing) profession. This approach is founded on theories that "nonzero information, lobbying, and coalition costs" underlie beliefs regarding the impact of the political process on accounting practise (Watts & Zimmerman, 1986). The political process has an impact on and has an impact on audits by raising the expectation gap's ghost. According to the authors, some impacts are brought about by regulation (such as the licencing of professional accounting firms), while others are brought about by the fear of regulation (such as revolutionary or corrective legislation). The self-interest approach that implies politicians' utility maximisation is adopted by economic theories of the political process of regulation. First, there is the discrepancy between auditors' beliefs and actions when they audit financial.

The disparity stems from the fact that the audit franchise was never formally negotiated but rather evolved over time in response to the growth of the enterprise and the increasing dispersion of equity ownership. A transactional interpretation of audit is an implicit concession to bounded rationality associated with contractual inconsistency and flaws in internal labour market structures (Williamson, 1975). The joint effects of bounded rationality, on the one hand, and contractual imperfections and incompleteness in the audit market, on the other hand, might have contributed to the notion of an audit expectation gap. In the main, this gap resonates in the following four key areas: reporting, assurance provision, regulation and liability, and audit independence.

The expectation gap was first identified in the auditing literature by Chris D. Liggio (1974), who defined it as "the difference between the levels of expected performance as envisioned by the independent accountant and by the user of financial statements." In 1978, the Cohen Commission on auditors' responsibilities presented the "expectations gap" as the gap between the public's expectations and needs and the expected accomplishments of the auditors. Monroe and Woodliff (1993, 1994) defined the "expectations gap" as the difference between the beliefs of auditors and those of the public concerning the auditors' responsibilities and duties. In 1992, the American Institute of Certified Public Accountants (AICPA) defined the "expectations gap" as "the difference between what the public and financial statement users believe auditors are responsible for and what auditors themselves believe their responsibilities are." Jennings, Kneer, and Reckers (1993) aver that the "expectations gap" represents the difference between public expectations about the responsibilities and duties of the auditing profession and what the profession actually does and provides. Porter (1993) defines the "expectation-performance gap" as the gap between the expectations of society about auditors and the performance of auditors. All these conceptual

discussions centre on one thing: that the "audit expectation gap" is the difference between the actual performance of an auditor and the expectations of the users of audit reports.

Improving Auditing and Financial Reporting Standards
New standards will be required to support upcoming financial reporting and attestation frameworks as a corollary to how financial reporting will look in the future. The financial report of the future will be both quantitative and qualitative in nature, as was described in point 5 above. This means that both financial and non-financial information will be included in the informational content of the financial reporting of the future. As a result, attestation services (also known as audits) will take on a variety of financial and non-financial components in the future. As a result, offering an impartial opinion on publicly available financial and non-financial reports will necessitate a modification to the current attestation system. New auditing standards that are substantively concrete and aimed at enhancing future auditing and financial reporting requirements are also necessary.

The Impact of Accounting on the Present
With each each incident, the accounting industry has historically demonstrated a willingness to learn. For instance, the US SEC established the audit committee as a vital component of corporate governance in the wake of the Great Depression and related market issues of 1929–1939. As stated in the SEC code, one important function of the audit committee was to increase the external auditor's independence. Corporate governance laws and regulations, ranging from the 1933 US SEC regulation to the 2002 Sarbanes-Oxley Act, have undergone significant improvement in an effort to learn from the past and operationalize mistakes ex post.
Such cutting-edge corrective legislation is not excluded from Nigeria. Sadly, many of these corporate governance offences, such financial statement fraud and other corrupt behaviours, are not as well-known. Thus, the NASB Act No. 22 of 2003 (in the mould of the Sarbanes-Oxley Act) and the Asset Management Corporation Act of 2010 (as a regulatory response to the egregious buildup of toxic assets or nonperforming loans by banks) are regulatory measures to improve corporate governance in response to each major crisis. For instance, the NASB Act No. 22 of 2003 was a Nigerian response to the Enron crisis, while the Asset Management Corporation Act of 2010 was in the aftermath of the 2008 financial crisis.
Similarly, regulatory bodies issue rules on a regular basis to guide financial reporting, which has operational and governance implications for the accounting profession. The Financial Reporting Council Act No. 6 of 2011 clearly contains provisions that significantly affect the Nigerian accounting profession in particular and the conduct of business and corporate governance in general. Events over the years affirm the observation of John H. Zebley, Jr., that "accounting in all its phases will continue to be at the forefront in the future provided that members of the profession meet with patience the challenges that arise from it day-to-day and resolve them after careful consideration and with foresight" (1956). Zebley dichotomized the thematic challenges into (a) those arising within the profession and (b) those initiated outside the profession. Although they differed in details, Uche (2002) equally argued that the development of professional accounting in Nigeria is beset by endogenous and exogenous threats.

The Future of the Accounting Profession
On June 3, 2011, Dr. Goodluck Jonathan, President of the Federal Republic of Nigeria, signed the Financial Reporting Council Act No. 6 of 2011 into law. The Financial Reporting Council now has formal, required oversight as opposed to professional accounting organisations' previous voluntary self-regulation, as was stated earlier. This section makes an effort to assess the Council's authority, particularly as granted by Sections 7 and 8 of the FRC Act. Both authorities are a source of friction because they are both new in the context of Nigeria's regulation of professional organisations. The panorama of economic activity and government has already changed in the twenty-first century due to globalisation. To be sure, the accountant of the future will need a different skill set than the

traditional accountant of today. The future of the world will be largely technology-driven. As such, the accounting profession will be at risk of declining competitiveness due to low levels of accounting education and professional development. Most public sector accountants, particularly in developing countries, are nominally so without corresponding technical depth, professional profundity, or intellectual profundity. Accounting professionals should have a strong background in economics, finance, communication, and information communication technology (ICT), all of which will be defining components of their future work as auditors and accountants. In addition to a good college or university education and a strong understanding of both the theory and practise of business and finance, new entrants into the accounting profession must have demonstrable skills and the capacity to excel in the broad discipline of accounting and finance. With this background, other idiosyncratic skills such as auditing are best learned on the job.

Threats to the accounting profession's future can be isolated from the following sources:

Businesses are increasingly relying on globalisation to take advantage of its larger range of advantages. Accounting practise and the economic landscape have undergone significant changes as a result of globalisation, and accountants have been propelled forward at breakneck pace. Globalization ironically has drawbacks in addition to its many advantages, and these drawbacks essentially pose dangers to the profession. Tachie (2010) highlights three types of accountants whose professional competencies are at risk from globalisation. These are: (a) those working for (or providing outside services to) foreign-owned companies; (b) accountants working for (or providing outside services to) locally-based enterprises that are expanding internationally; and (c) accountants whose knowledge, skills, and abilities limit them to performing only low-value, compliance-oriented tasks. He further identifies two groups of accountants who are most likely to profit from increased globalization. These are (a) accountants who expand their financial accounting knowledge, skills, and abilities so as to master changing local and international accounting standards (IAS); and (b) those who complement their compliance-oriented knowledge, skills, and abilities with the performance-oriented knowledge, skills, and abilities of management accounting. (b) The cold war against the universal acceptance of and efforts towards IFRS as a single set of high-quality standards whose objective is to make the global market more efficient through consistent and comparable financial statements. (c) Generational Gap: The erosion of ethics and the profession's descent into anomie This aspect of accounting history started with trust as a duty in a fiduciary relationship within the audit franchise. Some commentators fear that the emergence of a crackpot sect in the profession borne out of an acquisitive society that joined the profession recently is incapable of subordinating their quest for instant gratification to the public trust. This generation sees commitment to ethics not as a fundamental duty but as a supererogation. They are the generation that has turned "creative accounting" into a profession within the accounting profession. (d) Duplicate Regulation: The struggle for hegemony among "gatekeepers," or those with a watchdog role in the financial reporting framework, such as the Securities and Exchange Commission, the Stock Exchange, the accounting profession, standard setters, the legislature, and, to some extent, academia. They must see the commonality of their goals and demonstrate candour by yielding to the common purpose of ensuring a robust framework for responsible financial reporting instead of engaging in internecine bickering over irrelevant leadership posturing.

Changing Auditing Procedures

Particularly among the big accounting and auditing companies, there is rising dissatisfaction with the nature and culture of compensation for professional accounting services. This is partly because of the shocking evidence implicating accountants in serious violations of corporate governance and dishonest financial reporting, which were believed to have contributed to the failure of Enron, WorldCom, etc. A new incentive system should take the place of the constant focus on bringing in

new clients, broadening the area of consulting services, and cross-selling non-audit services. A alternate incentive system that "rewards an increase in the quality of the auditing process by, for example, giving bonuses to those partners who produce top-quality audits" is what the American Assembly advises the accounting profession implement as an alternative. This new compensation structure could incorporate rewards for generating new business; however, this should be limited to or based on the audit quality.

Empirical Review

There are many empirical studies on the audit expectation gap in industrialised economies. The majority of these studies (Adeyemi et al. 2011, Frank et al. 2001; Innes et al. 1997; Gay et al. 1997; Hojskov, 1998; Porter, 1993; Best et al. 2001; Ahmed et al., 2010) use survey questionnaires to determine the nature of the gap or where the gaps are, the impacts of the gap, and how to reduce the gap. Auditors, attorneys, and judges (Lowe, 1994), shareholders (Beck, 1974), investors (Epstein and Gregor, 1994), chartered accountants, financial directors, investment analysts, bankers, and financial journalists (Humphrey et al., 1993; Porter, 1993), financial directors, and users of corporate financial statements (Benau et al., 1993); clients, investors, staff, management, and accreditors are just a few of the stakeholders. Low (1980) examined the expectation gap in Australia. The extent of auditors' detection and disclosure responsibilities concerning errors, irregularities, and illegal acts as perceived by auditors and non-auditor groups was investigated. It was found that both groups differed significantly in their perceptions of the extent of auditors' detection and disclosure responsibilities and that an expectation gap existed between the two groups. Humphrey et al. (1993) investigated the expectation gap by using a questionnaire survey comprised of a series of mini-cases to survey individuals' perceptions of audit expectation issues. The respondents included chartered accountants in public practice, corporate finance directors, investment analysts, bank lending officers, and financial journalists. The survey revealed a significant difference between auditors and the respondents (represented by some of the main participants in the company financial report process) in their views on the nature of auditing. The results confirmed that an audit expectation gap exists, specifically in areas such as the nature of the audit function and the perceived performance of auditors.

Malaysia has an audit expectation gap, claim Mohamed and Muhamad-Sori (2002). The existence of the gap is caused by a number of underlying issues, including questions about the true scope of the auditor's responsibilities, customer satisfaction with the auditors' services, and the audit firm's lack of independence and objectivity. The audit expectation gap between auditors and the three main users of financial statements—bankers, investors, and stockbrokers—was examined in a more thorough study by Fadzly and Ahmad (2004). The study's main focus was the positive interpretation of the expectation gap, which examined how users and auditors perceived what an auditor's responsibilities were.

CONCLUSION

The study's findings are as follows: business organisations both inside and outside of the sector are impacted when regulatory bodies establish transparency and reporting standards. When one of the "big four" is serving as their financial auditor, business organisations submit more information on sustainability. Corporate organisations who report on sustainability are not committing to enhancing their internal procedures and frameworks, particularly those that deal with sustainability framework and assurance. Hence, it may be concluded that a combination of coercive, normative, and mimetic pressures contributed to the degree of sustainability reporting.

RECOMMENDATIONS

In order to strengthen their support for sustainability reporting, the stock exchange regulator (SEC) and CBN are advised to keep an eye on organisations operating in the business world, such as corporate regulators, independent accounting companies, and investors. Also, business

organisations should promote sustainability reporting, especially the chief executive officer who is in charge of making decisions. Despite the shortcomings of the law, and despite the fact that corporate financial reporting would appear to have significantly improved thanks to the inspection and monitoring activities of the now-defunct Nigerian Accounting Standards Board (NASB), the FRC is expected to restore the lost glory of the accounting profession by effectively implementing the Act's provisions within an improved regulatory framework.

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