

INFLUENCE OF ACCOUNTANTS' INDEPENDENCE ON QUALITY OF FINANCIAL REPORTS IN COMMERCIAL BANKS IN SOUTH SUDAN: A DESCRIPTIVE CROSS SECTIONAL STUDY.

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Abstract

Background

This study aims to determine the influence of accountants' independence on quality of financial reports in commercial banks in South Sudan.

Methodology

Descriptive survey design was utilized to conduct the study. The target population in this study was 190 accountants distributed over the head offices of 8 commercial banks that were domiciled in South Sudan. Stratified sampling was employed incorporating each segment of the population sample. The study targeted 129 respondents to participate in the study where questionnaires were used as data collection tools.

Results

Respondents agreed that accountants participated in the development of the processes of the bank (mean = 3.99) and also agreed that accountants had unhindered access to all employees, units and departments in the bank (mean = 3.97). More results indicated that respondents agreed that accountants report to the highest level within the banks (board or management committee) (mean = 3.91).

Conclusion

The study concludes that independence of accountants had a positive and significant effect on quality of financial reports. The accountants in the commercial banks participated in control and development processes in the banks, were provided required access to data and human resources, and reported to the highest level within the banks. Markedly, they determined the scope of internal auditing, performing work, and communicating results.

Recommendations

The commercial banks should continually develop their accounting staff both internally and sponsoring them for educational seminars or workshops. Risks in the banking sector are evolving and the accounting employees need to have high competence in detecting and preventing losses from fraud and other such risks. Moreover, accounting staff should become continually developed in use of IT in accounting and auditing as most functions of the commercial banks are being carried out in an IT environment.

Keywords: *Financial Reports, Independence, Accountants, Commercial, Banks, South Sudan.*

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Introduction

Independence is critical to the auditor's report reliability since, if they are not independent in appearance and facts, their reporting will not be credible and creditors as well as investors will not trust them. The assurance services they provide gain their credibility and value from the basic assumptions of independence in appearance and mind. Moreover, accounting involves entire management process as they increase the reliability of information, issue reasonable opinions, maintains objectivity and therefore requires being independence (IIA, 2010).

Independence exists when accountants are able to act with integrity, objectivity, impartiality and free from conflict of interest. Independence in appearance means how accountants should be viewed by the public and others. Conflict of interest is when a reasonable individual with adequate knowledge of all essential facts, claim that an accountant or any member of the group is incapable of making impartial judgment and exercising objectivity in regard to the conduct of the financial reporting (Zain et al, 2016). Subsequently, accountants need to be independent from those they are supposed to report about to perform their activities without interference. Independence in conjunction

with objectivity improves the accuracy and reliability of accountants' work and gives employers confidence that they can trust their reports and results (Cohen & Sayag, 2010). Accountants' status and position in an organization is essential in maintaining their independence. It helps them work objectively and perform their work independently.

Poor financial reporting has plagued many jurisdictions in the developing world but still, there are few studies focusing on accounting independence and financial reporting in South Sudan. The study by Zeghal and Mhedhbi (2016) focused on developing countries of southern Africa excluding South Sudan. IFRS Foundation (2015) established that many financial institutions in South Sudan, including Commercial Banks, had poor quality financial reporting which put into question the usability of the financial reports (Mabil 2019) of the financial institutions in the hyperinflation economy. The research therefore aimed to investigate the role of accounting independence on the financial reporting quality at Commercial Banks of South Sudan.

Methodology

The study adopted a descriptive survey design. Descriptive design focuses on reporting on the situation as it is in which the focus of the study was. This design was applied in this study to report on the state of accounting independence at the selected commercial banks in South Sudan and how these had influenced quality of financial reports. The study targeted 190 accountants distributed over the head offices of 8 commercial banks that were domiciled in South Sudan. All the accountants including financial accountants, internal auditors and payroll clerks/tellers participated in the study. The study employed a stratified form of sampling incorporating the entire population. This ensured a proportionate sampling of either segmented population and hence, resulting to representativeness among the selected sample. A sample of 129 was selected where 81 responded. Questionnaires were utilized to collect data in this study. The designed questionnaire had six sections. The first section of the questionnaire requested basic information about the respondent and the commercial banks. The next section was dedicated to questions in regard to the independent variables (independence). The last section had questions on quality of financial reports. The questionnaire

was structured with only closed questions. Five-point Likert scale questions were used to assess the accounting ethics and quality of financial reports at the commercial banks. The questionnaire was pilot-tested before the final drafting. This was done to ensure the questionnaire's reliability to obtain the required information (Babbie, 2011). The pilot study involved ten employees from commercial banks who did not participate in the final study. The questionnaires were delivered to each bank in South Sudan, before administration to the accountant respondents. Date and time for collecting filled questionnaires was decided upon with the research respondents at the time of questionnaire administration. A follow-up was done via personal visits, telephone calls or e-mail as was perceived necessary for ensuring that the respondents left with the questionnaires filled them appropriately and timely. Filled questionnaires were then collected from the respondents by the researcher physically. Data analysis started with the inspection of the collected questionnaires to ensure that they were well and comprehensively filled. Statistical Package for Social Sciences (SPSS) was utilized in data analysis. Inferential and descriptive data analysis techniques were considered in the analysis. As such, the utilization of the descriptive statistics encompassed mean scores, percentages, and distribution frequencies. These were utilized to facilitate a description of various collected data. Inferential statistics to be utilized entailed a regression analysis, which assisted in determining the effects of ethics in accounting regarding the financial reports' quality. The model of the regression was as illustrated below;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where,

Y = Quality of financial reports

β_0 = Constant

β_1 = Regression coefficients relating to the accounting ethics

X₁ = Competence

X₂ = Independence

X₃ = Objectivity

X₄ = Integrity

ε = Error term

Target population and Sample Size

A sample of 129 was selected where 81 responded.

Sample size and selection for the study

Category of respondents	Population (N)	Sample size (S)
Financial Accountants	50	32
Tellers	40	12
Internal auditors	09	07
Financial and Accounting roles	30	30
TOTAL	129	81

Results

Characteristics of Respondents.

The study investigated the background information of the respondents comprising of the respondents' age, gender,

marital status, and highest level of education, role in the organization and work experience in the bank. On age of the respondents, 13.6 % of the respondents were aged 20-25 whereas 48.1 % of the respondents were of the age 26-35 years, while 32.1 % were aged between 36 – 40 years. Those who were aged above 50 were just 6.2 %. Results regarding highest education qualifications of the respondents indicated that 86.4 % had university education while 10 percent had college level of education. Those who had attained secondary level of education and their highest level were 4 percent.

Regarding the role played by the respondents in the commercial banks, 39.5 percent of the respondents indicated that they were financial accountants, 14.8 percent were tellers, and 8.6 percent were internal auditors and 37.0 percent indicated to be playing other financial and accounting roles in the commercial banks. Regarding the number of years that the respondents had been working in the commercial banks, findings show that 48% of the respondents had been employees in the banks for 5 – 9 years, 33% had below 5 years of experience, and 9.9 % had 10 – 14 years of experience while 8.6 percent had 15 years of experience and above.

TABLE 1: SHOWING THE GENDER OF THE RESPONDENTS

GENDER	FREQUENCY	PERCENTAGE (%)
Male	74	91.3
Female	7	8.6
Total	81	100

Source: Primary Data 2022

Findings indicate that majority (91.3 %) of the respondents were male while 8.6 % were female.

TABLE 2: SHOWING THE AGE DISTRIBUTION OF THE RESPONDENTS

AGE (IN YEARS)	FREQUENCY	PERCENTAGE (%)
20-25	11	13.6
26-35	39	48.1
36-49	26	32.1
Above 50	5	6.2
TOTAL	81	100

Source: Primary Data 2022

On age of the respondents, 13.6 % of the respondents were aged 20-25 whereas 48.1 % of the respondents were of the age 26-35 years, while 32.1 % were aged between 36 – 40 years. Those who were aged above 50 were just 6.2 %.

TABLE 3: SHOWING THE RESPONDENTS' MARITAL STATUS

MARITAL STATUS	FREQUENCY	PERCENTAGE (%)
MARRIED	54	66.6
SINGLE	14	17.3
SEPARATED	5	6.2
DIVORCED	5	6.2
OTHERS (WIDOWED)	3	3.7
TOTAL	81	100

Source: Primary Data 2022

Of the 81 respondents interviewed, the majority 66.6% were married while the rest were single, which include those that never married 17.3%, those who had separated 6.2%, those who divorced 6.2 and the widowed 3.7%.

TABLE 4: SHOWING THE HIGHEST LEVEL OF EDUCATION ATTAINED BY RESPONDENTS

EDUCATION COMPLETED	FREQUENCY	PERCENTAGE (%)
UNIVERSITY LEVEL	70	86.4
COLLEGE LEVEL	8	9.9%
SECONDARY LEVEL	3	3.7%
TOTAL	81	100

Source: Primary Data 2022

Results regarding highest education qualifications of the respondents indicated that 86.4 % had university education while 10 percent had college level of education. Those who had attained secondary level of education and their highest level were 4 percent.

TABLE 5: SHOWING THE ROLE PLAYED BY RESPONDENTS IN THE COMMERCIAL BANKS

ROLE	FREQUENCY	PERCENTAGE (%)
FINANCIAL ACCOUNTANTS	32	39.5
TELLERS	12	14.8
INTERNAL AUDITORS	7	8.6
FINANCIAL AND ACCOUNTING ROLES	30	37.0
TOTAL	81	100

Source: Primary Data 2022

Regarding the role played by the respondents in the commercial banks, 39.5 percent of the respondents indicated that they were financial accountants, 14.8 percent were tellers, and 8.6 percent were internal auditors and 37.0 percent indicated to be playing other financial and accounting roles in the commercial banks.

TABLE 6: SHOWING THE NUMBER OF YEARS THAT THE RESPONDENTS HAD BEEN WORKING IN THE COMMERCIAL BANK

LENGTH OF PERIOD WORKED	FREQUENCY	PERCENTAGE (%)
BELOW 5 YEARS	27	33
5-9 YEARS	39	48
10-14 YEARS	8	9.9
15 YEARS AND ABOVE	7	8.6
TOTAL	81	100

Source: Primary Data 2022

Regarding the number of years that the respondents had been working in the commercial banks, findings show that 48% of the respondents had been employees in the banks for 5 – 9 years, 33% had below 5 years of experience, and 9.9 % had 10 – 14 years of experience while 8.6 percent had 15 years of experience and above.

Independence of Accountants.

From the findings as shown in Table 7, respondents agreed that accountants participated in the development of the processes of the bank (mean = 3.99) and also agreed that accountants had unhindered access to all employees, units and departments in the bank (mean = 3.97). More results indicated that respondents agreed that accountants report to the highest level within the banks (board or management committee) (mean = 3.91).

Table 7, results also show that respondents agreed that the accounting activity is free from meddling in establishing the scope of performing work, internal auditing and communicating results (mean = 3.79) and agreed that accountants in the banks had investigative independence that protected their ability to implement the strategies in

whatever manner they considered necessary (mean = 3.78.) Moreover, the results indicate that respondents agreed that the comments and opinions expressed in financial reports were objective and unbiased (mean = 3.68). Additionally, study results revealed that respondents agreed that accountants in the banks had programming independence that protected their ability to select appropriate strategies (mean = 3.54). These results indicated that independence of accountants in the commercial banks in South Sudan was high. This was indicated by respondents agreeing that accountants reported to the highest level within the bank, worked without interference and had unbiased opinions and comments. This concurs with findings by Zain et al. (2016) that independence exists when accountants are able to act with undue influence, impartiality and free from conflict of interest. Independence in appearance means how accountants should be viewed by the public and others. Conflict of interest is when a reasonable individual with adequate knowledge of all essential facts, claim that an accountant or any member of the group is incapable of making impartial judgment and exercising objectivity in regard to the conduct of the financial reporting

Table 7: Independence of Accountants

Statement	Mean	Std.Dev.
Accountants in this bank have programming independence that protects their ability to select appropriate strategies	3.54	1.025
Accountants in this bank have investigative independence that protects their ability to implement the strategies in whatever manner they consider necessary	3.78	987
Accountants report to the uppermost management level within the bank (board or management committee)	3.91	1.330
Accountants have unhindered access to all employees, units and departments in the bank	3.97	4.751
Accountants contribute in the advancement of the procedures of the bank	3.99	955
The comments and opinions expressed in financial reports are objective and unbiased	3.68	1.220
The accounting activity is free from meddling in establishing the scope of performing work, internal auditing and communicating results	3.79	1.148

Source: Field Data (2022)

Table 8: Significance of Independent Variables

	Unstandardized Coefficients		Standardized Coefficients t	Sig.
	B	Std. Error	Beta	
(Constant)	1.439	402		3.581 .001
Competence	456	079	606	5.773 .000
Independence	213	072	245	2.958 .004
Objectivity	253	069	332	3.648 .001
Integrity	244	067	343	3.664 .000

The study results also indicated that independence of accountants had a positive and significant influence on quality of financial reports ($\beta = 0.213$; $p < 0.05$). These results imply that strong independence of accountants is related to high quality of financial reports. These findings support the agency theory by Meckling and Jensen (1976). This theory indicates that when the auditors and accountants are independent, they are able to provide an accurate account of transactions by the firm to the third parties interested in financial reporting from the firm. Moreover, the findings support the assertion by Adams (2014) that to reduce possibility of self-interest and opportunism by management, there needs to be independent auditors and financial reporters. The study findings also support the findings by Al-Matari et al. (2014) that independence of accounting team significantly and positively influences quality of financial reports. This implied that as accounting team becomes more independent from the influences of management, the efficiency of the output of accounting department improve.

Discussion

From the findings as shown in Table 7, respondents agreed that accountants participated in the development of the

processes of the bank (mean = 3.99) and also agreed that accountants had unhindered access to all employees, units and departments in the bank (mean = 3.97). More results indicated that respondents agreed that accountants report to the highest level within the banks (board or management committee) (mean = 3.91).

Table 7, results also show that respondents agreed that the accounting activity is free from meddling in establishing the scope of performing work, internal auditing and communicating results (mean = 3.79) and agreed that accountants in the banks had investigative independence that protected their ability to implement the strategies in whatever manner they considered necessary (mean = 3.78.) Moreover, the results indicate that respondents agreed that the comments and opinions expressed in financial reports were objective and unbiased (mean = 3.68). Additionally, study results revealed that respondents agreed that accountants in the banks had programming independence that protected their ability to select appropriate strategies (mean = 3.54). These results indicated that independence of accountants in the commercial banks in South Sudan was high. This was indicated by respondents agreeing that accountants reported to the highest level within the bank, worked without interference and had unbiased opinions and comments. This concurs with findings by Zain et al. (2016)

that independence exists when accountants are able to act with undue influence, impartiality and free from conflict of interest. Independence in appearance means how accountants should be viewed by the public and others. Conflict of interest is when a reasonable individual with adequate knowledge of all essential facts, claim that an accountant or any member of the group is incapable of making impartial judgment and exercising objectivity in regard to the conduct of the financial reporting.

Conclusion

The study concludes that independence of accountants had a positive and significant effect on quality of financial reports. The accountants in the commercial banks participated in control and development processes in the banks, were provided required access to data and human resources, and reported to the highest level within the banks. Markedly, they determined the scope of internal auditing, performing work, and communicating results. Additionally, the comments and opinions expressed in financial reports by accountants were objective and unbiased thus indicating high levels of independence.

Recommendation

The commercial banks should continually develop their accounting staff both internally and sponsoring them for educational seminars or workshops. Risks in the banking sector are evolving and the accounting employees need to have high competence in detecting and preventing losses from fraud and other such risks. Moreover, accounting staff should become continually developed in use of IT in accounting and auditing as most functions of the commercial banks are being carried out in an IT environment.

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Author Biography

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