# Auditors in Convergence with Corporate Financial Reporting and International Financial Reporting Standard in Nigeria

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**Abstract**
The study looked at the challenges faced by the Nigerian Auditors in compliance with IFRS. The study uses the survey method to obtain information from sampled audit firms. Data were obtained through questionnaires and were analyzed with the use of chi-square statistical technique. It was discovered that the major challenges befalling auditors is the issue of adequate training and it was therefore recommended that auditors should train themselves through attending workshops, seminars, professional training and by getting materials that would assist in addressing this challenges and also train their clients to this effect.

**Keywords:** Corporate Financial Reporting (CFR), International Financial Reporting Standard (IFRS), External Auditors, Survey Method, Questionnaire, Chi-square Statistical Techniques.

## 1. Introduction

If accounting is the language of business, accounting standard is its grammar. The basic objective of accounting standard is to remove variations in the treatment of several accounting aspects and to bring sanity and standardizations in corporate reporting. They intend to harmonize the diverse accounting policies followed in the preparation and presentation of financial statement by different reporting enterprises.  Financial statements are prepared to summarize the end – result of all the business activities by an enterprise during an accounting period in monetary terms. These business activities vary from one enterprise to other. To compare the financial statements of various reporting enterprise poses some difficulties because   of the divergence in the methods and principles adopted by these enterprise in preparing their financial statements. In order to make these methods and principles uniform and comparable, there is need for coherent accounting standards. Therefore, high – quality accounting standards can facilitate the flow of information from business to a range of different users. These include investors, banks, creditors, regulators, employees and general public. Since, availability of accounts prepared in accordance with recognized accounting standards encourages trade by promoting confidence in business.

The standards used in Nigeria is referred to as the Statement of Accounting Standards (SASs) which is issued by the Nigerian Accounting Standards Boards (NASB) however, the body has changed to Financial Reporting Council of Nigeria (FRCN) as a result of the adoption of globally accepted accounting standards known as International Financial Reporting Standards (IFRSs). IFRS are defined as standard and interpretations adopted by the International Accounting Standards Board (IASB). They comprise of International Financial Reporting Standard (IFRS), International Accounting Standard (IAS) and Interpretations originated by the International Financial Standard Interpretations Committee (IFRSIC) or the former Standing interpretation Committee (SIC). IFRS are considered "principle based" set of standards in that they establish broad rules as dictate specific treatments.

However, it is clear that there are many challenges in achieving international convergence as all reporting entities are required by Nigerian government to comply and prepare their account in accordance with the international Financial Reporting Standards (IFRSs). Auditors, especially external auditors are among the key players to ensure the maximum compliance with the standards. The likely questions now are: what level of training do auditors

require to achieve this task? What challenges are the auditors likely to face in achieving the international convergence? What type of roles are the auditors expected to play to ensure maximum compliance by the reporting entities and how can the education and training of professional accountants keeps pace with the changing environment in which the international standards are being set?

The following specific objectives are formulated to guide in the study. To examine the level of training undergone by auditor in the adoption of IFRS, to indentify the challenges facing auditors in performing their duties base on IFRSs, to evaluate the roles of Nigeria auditors in the convergence of IFRS. The following hypotheses are formulated in accordance with the stated objectives in order to guide the study.

$H_{01}$: Auditors do not undergo any special training to be familiar with IFRSs.

$H_{02}$: Auditors does not encounter any challenge in the adoption of IFRS.

$H_{03}$: Auditors do not play any significant role in compliance with IFRS by reporting entities.


The significance of the study cannot be overemphasized. As such this work is expected to be of benefit to the following set of beneficiaries.

Auditors: both external and internal auditors will find this study beneficial in the sense that it tend to expose all forms of challenges they are likely to face when carrying out their duties base on IFRSs.

Regulatory Bodies: bodies such as Nigerian Accounting Standard Board (NASB) which has changed to Financial Reporting Council (FRC) and other regulatory bodies will find this study of use because they will know to what extent auditors are trying to be consistence with IFRSs in performing their duties and the way forward to improve their competence in that direction. This study will also serve as a guide in the areas of reviewing existing standards as well as enacting new ones.

Users of Financial Statement: most users of the financial statement who are not aware of the convergence especially shareholders and creditors will find this study beneficial as it will expose all that they need to know as regards changes in the presentation and interpretation of financial statement  due to the convergence with IFRS.

Future Researcher: in the future, researcher who may want to embark on study of similar topic will find this as a guide in achieving the objective, especially in the area of IFRS, accounting standards, audit and accounting practice as a whole.

The scope of this study is restricted to cover the challenges that auditors are likely to face in the adoption of IFRS in Nigeria. The prospects of convergence are also covered in the study. In doing these, some audit firms were selected within Nigerian firms.

## 2. Reviewed of Related Literatures

This section is devoted to the review of some relevant literatures on ideas and studies of corporate financial reporting and international financial reporting standard and other write ups related to the subject matter so as to set a theoretical framework upon which the research work is based.

Many studies have been conducted on the adoption of IFRSs and its effects on the performance of organizations or on the markets or stock exchanges in a given country and how the adoption has effects on the country as a whole. For the purpose of this study, a number of studies conducted will be reviewed as to bring out the opinion of different scholars.

Antwi (2009) examined the adoption of International Financial Reporting Standards in developing countries using Ghana as a case study. He also examine how the accounting profession has evolved in developing countries over the years, specifically Ghana and also the process and factors affecting the adoption of International Financial Reporting Standards, merits and demerits of IFRS adoption. He used prepared questionnaire to solicit various and opinions on the study and SPSS was used for questionnaire analysis. He then concluded that the advent of companies going international or even global has given rise to the need to develop accounting standard that ensure uniformity and standardization of reporting financial information among parent companies and subsidiaries.

Minga (2008) in a similar study examined the effect of IFRS adoption: a review of the early evidence with the view of documenting the conceptual and methodological issues that relate to the domain of financial reporting research that attempts to examine whether there are measurable gains stemming from the adoption of IFRS. He also used panel data annalistically method with no control for difference in microstructures. Value relevance studies were also adopted to find correlation between stock market data and actual accounting information. He then concluded that within the realms of empirical thinking, it is battery of test that will show whether or not IFRS/IAS has been useful to a country that has been attempting to integrate itself to the global economy.

Daske, Hail, Leuz and Verdi (2007) examined what they believed to be proxies for the economic consequences of change in the quality of financial report (IFRS adoption) in 26 countries in their study conducted on mandatory IFRS reporting in the United State of America (USA). They analyze the effect on market liquidity cost of equity capital and Tobin's Q ratios using a large sample of firms that are mandated to adopt IFRS. They found that, the

average market liquidity increases around the time of the introduction of IFRS and also documented a decrease in firms cost of capital and an increase in equity valuation. Zhou et al (2009) in one such study of Chinese firm data concluded that the firms adopting IFRS are less likely to smooth earnings in the post IFRS adoption period.

Pawan (2011) also conducted a study on IFRS implementation in India: opportunity and challenges analyze the information available on IFRS adoption process in India and also discuss the IFRS adoption procedure and the utility of Indian in adopting IFRS. The study also discuss the problems faced by the stakeholders (Regulators, accountants, firms etc) in the process of adoption of IFRS in Indian and the ways through which these problem can be addressed. The study is primarily qualitative in nature and do not use any quantitative tool to analyze the data. It has been conducted mainly on the basis of literature survey and secondary information. Arnt, Ann and Daniel (2010) also examines corporate governance and properties of IFRS adoption in Europe, investigating how corporate governance associates with reporting quality and transparency around the first time IFRS adoption and also focus on three prosperities of IFRS adoption. They also investigate how firms' specific differences in these properties associate with corporate governance. In the cause of their study the researchers employ a sample of 223 European financial and non – financial listed firms belonging to the MSCOP PAREURO index and only consider mandatory IFRS adopters. They also collect financial statements data from the annual reports of the IFRS adoption year relating to disclosure quality of the restatement process, compliance with IFRS and the choice of IAS 39 adoption. Other methods used in conducting the research include regression analysis, sample and governance data developed by risk metrics. They also adopt three specific governance variables which are the functioning of the board of directors (BFUNTION), the independence of the board of directors (BINDEP) and the quality and effectiveness of audit committee (AUDIT). The researchers then discovered that firm with strong corporate governance mechanism engage in higher financial reporting quality and also disclose more extensive on specific IFRS disclosure standards.

Anne, Ellen and Paul (2009) conducted a study on the globalization of accounting standards: IFRS versus GAAP. They examines the implications of SEC decision to allow foreign companions to use IFRS in financial reporting without reconciliation to US GAAP on investors, multinational corporations and global financial reporting and to also reviewed the decision of the SEC to unite world regulators on the convergence of global accounting standards. They also examine the differences between IFRS and US GAAP. The author's conclusion is that, it is both timely and necessary to converge and harmonize IFRS and US GAAP into a single set of global accounting standards. Karthik and Ewa (2009) conducted a study on why do countries adopt international financial reporting standard using a sample size of 102 non – European Union countries with the aim of studying the variations in the decision to adopt International Financial Reporting Standard. The researchers used descriptive statistics and univariate technique in analyzing the data. The study concluded that as more countries adopt IFRS, the network benefit from IFRS adoption are likely to increase and this in turn can change the relative importance of direct benefit and cost in determining IFRS adoption.

Lantto and Sahlstrom (2009), in their study of key financial ratios of companies of Finland found that the adoption of IFRS changes the magnitude of the key accounting ratios. The study also showed that the adoption of fair value accounting rules and stricter requirement on a certain accounting issues are the reason for the changes observed in accounting figures and financial ratios. Chand, and White (2007), in their paper on convergence of Domestic Accounting Standard and IFRS, demonstrated that the influence of multinational enterprises and large international accounting firms can lead to transfer of economic resource in their favour where in the public interest are usually ignored.

Barth et al. (2008), in their study of financial data of firms where twenty – one countries were examined to determine whether application IAS/IFRS is associated with higher accounting quality. The findings of their study confirmed that firms applying IAS/IFRS evidence less earnings management more timely loss recognition and more relevance of accounting numbers. The study also finds out that the firms applying IAS/IFRS experienced an improvement in accounting quality between the pre – adoption and post adoption period. Steffee (2009), in his article conducted that there are considerable differences in the approaches taken to implementing IFRS by individual western European countries and companies. He viewed that corporation in Luxembourg, Australia and Switzerland demonstrate the most transparent accounting practice and best corporate governance, while European Banks with large capitalization display very aggressive accounting and poor governance standard.

Chen et al. (2010), in their study of financial data publicly listed companies in 15 member states of European Union (EU) before and after the full adoption of IFRS in 2005 find out that the majority of accounting quality indicators improved after IFRS adoption in the EU. They found that there is less of managing earnings towards a target, a lower magnitude of absolute discretionary accruals and higher accruals quality. The study showed that the improved accounting quality is attributed to IFRS, rather than changes in managerial incentive, institutional features of capital markets and general business environment. As evident from the literature reviewed, good number of studies carried out in different countries has highlighted the benefit of having single set of financial reporting standard across the

globe. Few of the studies have also brought out the procedural aspects of implementation of IFRS. Some of the studies have given a contradictory view wherein the article talk about the difficulties and complications faced in implementing IFRS.

The decision to adopt IFRS can be analyzed as a decision to adopt a product with network effect. To see this, note that a standard like IFRS is likely to be more appealing to a country if other countries chose to adopt it as well. This suggests that insights can be use from the economic theory of networks to develop hypothesis on why countries choose to adopt IFRS. Network theory suggests that there are generally two factors to consider in adopting network dependent products: the intrinsic value of the product and the volume of product's network (Katz and Shapiro, 1985).

The network – theoretic framework is use to explain the adoption of IFRS across country, time can be applied in the study of other accounting and corporate governance phenomena. For example, the adoption of accounting methods, accounting standards and corporate governance best of practices by firms and jurisdiction are likely to depend on similar such actions by competitors and associates. In other words, inter – temporal variation in adoption decision in panel data, commonly studied in the accounting literature, can be explained by the network value of product being adopted. (Karthik and Ewa 2009).

## 3. Research Methodology

This section encompasses the synthesis of relevant method used in collecting data for the research work. The study attempts to explain the methodology adopted in the course of the study. The section provides highlight on the population of the study, sample size and sampling techniques, methods of data collection and techniques of data analysis. The study adopts the survey research design, since the study is one in which a group of people is studied by collecting data from few organization which is based on Yamane's formula (Yamane 1967). This design is appropriate in this study for the target audit firms in Nigeria, in other to determine the effect of Adoption of International Financial Reporting Standard (IFRS).The improvement for the organization and their impact on the economic development.

The population in this study was three (3) target audit companies in Bauchi State, which have a population of One thousand seven hundred i.e. 1,700 staff. The population used for this study are the top, middle and low management staff which are three (3) CEO's, three (3) external editors, thirty (30) managers, thirty (30) Accountants, forty five (45) cashiers which are sum up to one hundred and twelve (112) staff. Moreover, the sample used is made up of (90), which consists of CEO's external auditors, managers, accountant and cashier. Simple random sampling method was used. So as, each member of the population had an equal chance of being selected, after they considered the incentive given to them by government.

Therefore, the formula (Yamane, 1967) was used for the calculation

$$n = \frac{N}{1 + Ne^2}$$

Where, n = the sample size
        N = the size of the population
        e = the error of 5 percentage points

i.e.

n    =    90
N    =    112
1    =    constant
e    =    5    =    $\frac{0.05}{100}$

Therefore,    n    $= \frac{112}{1 + 112 \text{ x } (0.05)^2}$

             n    $= \frac{112}{1 + 112 \text{ x } 0.0025}$

             n    $= \frac{112}{1 + 0.28}$

             n    $= \frac{112}{1.28}$
             n    =    87.5

The sources of data used in this study comprises of primary and secondary sources, primary sources is the questionnaire, which was obtained from individual responses, while the secondary source of data, are database, Journal, New papers, and Libraries. This data were analyzed using the statistical methods of simple percentage where a number of tables are used to classify the response of the respondents and answers were provided to the research questions. Under this phase, it is further divided into two demographic profiles of the respondents and other data are not demographic in nature.

CHI – SQUARE $X^2$

This is illustrated below.

$$X^2 = \frac{\sum (Fo - Fe)^2}{Fe}$$

Where:

| | | |
|---|---|---|
| $X^2$ | = | Chi – Square |
| $\sum$ | = | Summation of Value |
| Fo | = | Observed Frequency |
| Fe | = | Expected Frequency |

Decision Rule

If chi – square value ($X^2$) is lesser than the result from table at the appropriate level of significance and degrees of freedom, then, the null hypothesis will be failed to be rejected and the alternative will be rejected. However, whenever the chi – square value is greater than the table value at the appropriate level of significant and degree of freedom, the null hypothesis will be rejected and alternative will be accepted.

## 4. Data Presentation, Discussion and Analysis

This section presents the result obtained after analyzing the data generated for the study. The results is presented in two parts; the first part covers the presentation, analysis and interpretation of the data while the second part covers the result for testing the hypothesis of the study in order to arrive at a meaningful conclusion.

The relevant personal characteristic of the respondents was analysed so as to obtain assurance of whatever response provided. This will go a long way in determining whether to place heavy reliance on the answers provided by the respondents and also how relevant is what is given by them. The demographic profile of the respondents is given below in the following table

Table 1: Highest Educational Qualification

| Qualification | Number | Percentage |
|---|---|---|
| SSCE/GCE | 0 | 0% |
| OND/NCE | 0 | 0% |
| B.Sc./HND | 8 | 38% |
| Above B.Sc./HND | 7 | 33% |
| Others | 6 | 29% |
| Total | 21 | 100% |
| Professional Qualification | 11 | 52% |

Source: Field Study (2017)

Table 1 reveals the highest qualification of the respondent. From the table, it can be observed that out of the total respondents, 38% representing 8 respondents possessed B.Sc./HND, 33% possessed above B.Sc./HND and 6 respondents constituting 29% have other qualifications. This implies that none of the respondents has qualification below the grade of B.Sc./HND. It was also discovered that 52% representing 11 respondents have professional qualification. The implication of this is that responses obtained from these respondents are adequate and that reliability can be placed on them. From the table 4.1, the working experience of the respondents is illustrated. It is obvious that 24% of the total respondents have worked below 5 years, 33% of the total respondents have worked between 5 years and 10 years while 43% representing 9 respondents have worked above 10 years. With this working experience, it makes the response obtained more reliable. The working experience of the respondents is very important in this study as it gives assurance of the respondents in terms of answering the question given in the questionnaires.

Table 2: Position

| Ranks | Number | Percentage (%) |
|---|---|---|
| Principal partner | 1 | 5% |
| Resident partner | 6 | 29% |
| Senior manager | 3 | 14% |
| Manager | 3 | 14% |
| Audit trainee | 7 | 33% |
| Others | 1 | 5% |
| Total | 21 | 100% |

Sources: Field Study (2017)

The table 2 indicates the position of the respondents in their respective firms. It indicates that only one respondent representing 5% of the respondents is principal partner, 6 respondents belongs to resident partner, 3 respondents each belong to senior manager and manager categories respectively, 7 respondents are audit trainees while the remaining respondents constituting 5% of the respondents belongs to the others group.

Table 3: Gender of Respondents

| Responses | Number | Percentage (%) |
|---|---|---|
| Male | 18 | 86% |
| Female | 3 | 16% |
| Total | 21 | 100% |

Sources: Field Study (2017)

Table 3 shows the gender of the respondents to the questionnaires. From the table, 18 of the respondents that represent 86% fall into the males' category while the remaining 3 respondents representing 14% of the total are females. The questionnaires were shared such that every respondent was given equal chance of being selected.

Table 4; Age of Respondent

| Number of Years | Number | Percentage (%) |
|---|---|---|
| Below 25 years | 1 | 5% |
| 26 – 35 years | 13 | 62% |
| 36 – 45 years | 2 | 10% |
| Above 46 years | 5 | 24% |
| Total | 21 | 100% |

Sources: Field Study (2017)

From table 4, it can be deducted that 5% (i.e. 1 respondent) of the respondents is aged below 25years, 62% (i.e. 13 respondents) are aged between 26 and 35 years, 2 respondents representing 10% of the respondents fall in the age bracket of between 36 to 45 years while 5 respondents area above 46 years of age.

*Analysis of the Hypotheses and the Chi-square Interpretations*

$H_{01}$: Auditors do not undergo any special training to be familiar with IFRSs.

The data from the response to the research questionnaire will be used and reported in this section to test the hypothesis formulated. In testing the hypothesis I, the response in section two part of the questionnaire, which consists of five questions relating to the hypothesis, will be used. These data is subjected to analysis using SPSS 16.0 and the following results as illustrated in the tables below were obtained

Table 5: Response from Questions in Section two

| Responses | Q1 | Q2 | Q3 | Q4 | Q5 | Total |
|---|---|---|---|---|---|---|
| Strongly Agree | 7 | 4 | 6 | 5 | 18 | 40 |
| Agree | 9 | 12 | 12 | 13 | 1 | 47 |
| Indifferent | 2 | 3 | 3 | 2 | 2 | 12 |
| Disagree | 3 | 2 | 0 | 1 | 0 | 6 |
| Strongly Disagree | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 21 | 21 | 21 | 21 | 21 | 105 |

Sources: Field Study (2017)

Table 5 shows the response obtained from the respondents for question in section B part of the questionnaire, which bothers on nature of training. The results of the chi-square computation are portrayed in the table 6 below.

Table 6 Chi-Square Cross tabulation

| | | | Section two questions | | | | | Total |
|---|---|---|---|---|---|---|---|---|
| | | | Q1 | Q2 | Q3 | Q4 | Q5 | |
| Responses | Strongly agree | Count | 7 | 4 | 6 | 5 | 18 | 40 |
| | | Expected Count | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 40.0 |
| | Agree | Count | 9 | 12 | 12 | 13 | 1 | 47 |
| | | Expected Count | 9.4 | 9.4 | 9.4 | 9.4 | 9.4 | 47.0 |
| | Undecided | Count | 2 | 3 | 3 | 2 | 2 | 12 |
| | | Expected Count | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 | 12.0 |
| | Disagree | Count | 3 | 2 | 0 | 1 | 0 | 6 |
| | | Expected Count | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 6.0 |
| Total | | Count | 21 | 21 | 21 | 21 | 21 | 105 |
| | | Expected Count | 21.0 | 21.0 | 21.0 | 21.0 | 21.0 | 105.0 |

Source: Generated using SPSS 16.0

Table 6 shows the result of the responses obtained from the respondents. From the table, the count is taken as the actual frequency while the expected count is taken as the expected frequency. The result of the computation is provided in the table 7 below.

Table 7: chi – Square tests (results)

| | Value | Df | Asymp. Sig(2 – sided) |
|---|---|---|---|
| Pearson chi – square | 32.757 | 12 | .001 |
| Likelihood Ratio | 36.180 | 12 | .000 |
| Linear- by- Linear Association | 9.721 | 1 | .002 |
| N of Valid Cases | 905 | | |

Source: generated using SPSS 16.0

Degree of freedom (df) = (R – 1)(C – 1) = (5 -1 )(4 – 1) =12
R= number of rows; C = number of columns

Table 7 shows the result from the computation of chi – square using the data provided in table 6; this data will be used to test hypothesis 1. From the results, it can be seen that the value of the Pearson chi- square 32.757 at a degree of freedom of 12; this implies that $X^2_{CAL}$ = 32.757 > $X^2_{tab}$ = 21.03 at 0.05 level of significance. Base on the decision rule stated. The null hypothesis will be rejected and the alternative will be accepted, meaning training is put in place to familiarize auditors with the provision of IFRS.

$H_{02}$: Auditors does not encounter any challenge in the adoption of IFRS.

In testing the hypothesis II, the responses in section three of the questionnaire will be analysed. These data is subjected to analysis using SPSS 16.0 and the following results as illustrated in the tables below were obtained.

Table 8: Response from questions in Section Three

| Responses | Q1 | Q2 | Q3 | Q4 | Q5 | Total |
|---|---|---|---|---|---|---|
| Strongly Agree | 2 | 0 | 1 | 5 | 6 | 16 |
| Agree | 15 | 3 | 4 | 13 | 10 | 45 |
| Indifferent | 4 | 4 | 2 | 3 | 5 | 18 |
| Disagree | 0 | 14 | 14 | 0 | 0 | 28 |
| Strongly Disagree | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 21 | 21 | 21 | 21 | 21 | 105 |

Source: Field Study (2017)

Table 8 shows the response obtained from the respondents for questions in section three part of the questionnaire,

which is on the challenges faced by auditors in the adoption of IFRS. The results of the chi-square computation are portrayed in the tables below:

Table 9 Chi-square Cross tabulation

| | | | Q1 | Q2 | Q3 | Q4 | Q5 | Total |
|---|---|---|---|---|---|---|---|---|
| | | | **Section three question** | | | | | |
| | Strongly Agreed | Count | 2 | 0 | 1 | 5 | 6 | 14 |
| | | Expected count | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 14.0 |
| | Agreed | Count | 15 | 3 | 4 | 13 | 10 | 45 |
| | | Expected count | 9.0 | 9.0 | 9.0 | 9.0 | 9.0 | 45.0 |
| Responses | Undecided | Count | 4 | 4 | 2 | 3 | 5 | 18 |
| | | Expected count | 3.6 | 3.6 | 3.6 | 3.6 | 3.6 | 18.0 |
| | Disagree | Count | 0 | 14 | 14 | 0 | 0 | 28 |
| | | Expected count | 5.6 | 5.6 | 5.6 | 5.6 | 5.6 | 28.0 |
| Total | | Count | 21 | 21 | 21 | 21 | 21 | 21 |
| | | Expected Count | 21.0 | 21.0 | 21.0 | 21.0 | 21.0 | 21.0 |

Source: generated using SPSS 16.0

Table 9 shows the result of the responses obtained from the respondents in section three of the administered questionnaire. From the table, the count is taken as the actual frequency while the expected count is taken as the expected frequency. The data is subjected to the same process as those in table 7 and results of computation are provided in the table below.

Table 10: Chi – Square Test (Result)

| | Value | df | Asymp.Sig. (2 – sided) |
|---|---|---|---|
| Pearson Chi – square | 65.683 | 12 | .000 |
| Likelihood Ratio | 78.290 | 12 | .000 |
| Linear – by –linear association | 7.222 | 1 | .007 |
| N of Valid Cases | 105 | | |

Source: Generated using SPSS 16.0

*Degree of freedom (df) = (R – 1) (C – 1) = (5 – 1)(4 – 1) = 12*

R = number of rows; C = number of columns

Table 10 shows the result from the computation of chi – square using the data provided in table 9 from the results, it can be seen that the value of the Pearson chi – square is 65.683 at a degree of freedom of 12, meaning that the $X^2_{cal}$ = 65.683 > $X^2_{tab}$ = 21.03 at 0.05 level of significant. Based on the paradigm, it implies that auditors face challenges in the adoption of IFRS.

$H_{03}$: Auditors do not play any significant role in compliance with IFRS by reporting entities.          So as to adequately test hypotheses III, the research will use the responses provided by the          respondents on questions structured in section four of the questionnaire. These data will also be subjected to analysis using the same as the previous ones.

Table 11: Response from Question in Section Four

| Responses | Q1 | Q2 | Q3 | Q4 | Q5 | Total |
|---|---|---|---|---|---|---|
| Strongly Agree | 4 | 1 | 4 | 5 | 5 | 19 |
| Agree | 12 | 7 | 12 | 13 | 8 | 52 |
| Indifferent | 5 | 13 | 5 | 2 | 4 | 29 |
| Disagree | 0 | 0 | 0 | 1 | 4 | 5 |
| Strongly Disagree | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 21 | 21 | 21 | 21 | 21 | 105 |

Source: Field Study (2017)

Table 11 shows the response obtained from the respondents for question in section four of the questionnaire, which illustrates roles Nigerian auditors, plays in the advent of IFRS adoption. The results of the chi – square computation

are portrayed in the table below:

Table 12 Chi – square Cross tabulation

| | | | Tables | | | | | Total |
|---|---|---|---|---|---|---|---|---|
| | | | **4.16** | **4.17** | **4.18** | **4.19** | **4.20** | |
| Responses | Strong Agreed | Count expected count | 4 3.8 | 1 3.8 | 4 3.8 | 5 3.8 | 5 3.8 | 19 19.0 |
| | Agreed | Count expected count | 12 10.4 | 7 10.4 | 12 10.4 | 13 10.4 | 8 10.4 | 52 52.0 |
| | Undecided | Count expected count | 5 5.8 | 13 5.8 | 5 5.8 | 2 5.8 | 4 5.8 | 29 29.0 |
| | Disagree | Count expected count | 0 0.8 | 0 0.8 | 0 0.8 | 0 0.8 | 4 0.8 | 4 4.0 |
| | Strongly Disagreed | Count expected count | 0 0.2 | 0 0.2 | 0 0.2 | 1 0.2 | 0 0.2 | 1 1.0 |
| Total | | Count Expected Count | 21 21.0 | 21 21.0 | 21 21.0 | 21 21.0 | 21 21.0 | 21 21.0 |

Source: generated using SPSS 16.0

Table 12 shows the result of the responses obtained from the respondents from questions in section four of the questionnaire administered. The table shows actual frequency in the form of count while the expected frequency is taken to be the expected count; results of computation are provided in the table below.

Table 13: Chi – square Test (Results)

| | Value | df | Asymp.Sig, (2- sided) |
|---|---|---|---|
| Pearson Chi – Square | 37.857 | 16 | .002 |
| Likelihood Ratio | 33.449 | 16 | .006 |
| Linear – by- Linear Association | .000 | 1 | 1.000 |
| N of Valid Cases | 105 | | |

Source: Generated using SPSS 16.0

Degree of freedom (df) = (R- 1) (C – 1) =(5 – 1)(5 – 1 ) = 16

R = number of rows; C = number of columns

Table 13 above shows the result from the computation of chi – square using the data provided in table 12 from the results, that the value of the Pearson chi – square is 37.857 at a degree of freedom of 16, this indicate that the $X^2_{cal}$ = $37.857 > X^2_{tab}$ = 26.30 at a significant level of 0.05. Going by the rule, the null hypothesis will be rejected, implying that auditors play significant roles in the adoption of IFRS

This research work was carried out to examine the challenges and prospect of IFRS adoption to Nigerian Auditors. It was informed by a move by the government of the Federal Republic of Nigeria to adopt the International Financial Reporting Standards (IFRS) as the country's financial reporting standards in the year 2012. Because of the key role played by auditors in corporate finance, the study became necessary to examine the position and fate of the auditors in the adoption of the newly introduced standards. Hypotheses were formulated to guide in carrying out the study, which were on training for auditors, challenges to be faced in the adoption of IFRS and the roles played by the auditors in its adoption.

Furthermore, for the purpose of this research work, data were obtained from those who are the presenters of information contained in the financial statements to stakeholders. They are specifically audit firms, which constitutes the population of the study. The data collected presented using the simple percentage tables while analysis was carried out with the use of chi – square method of data analysis, which were used to test the hypotheses.

Based on the reviewed literatures and analysis of data, the following findings and conclusions were reached.

Auditors are bound to face challenges in the adoption of IFRS, which is as a result of the newness and complexity of the standards in Nigeria. Most of these challenges stems out of the fact that the standard will require a great change to laws and regulations that auditors are used to and as such, the auditors will have to get used to this new laws alongside the new standards. Moreover, training is put in place for auditors to familiarize themselves with the provisions of IFRS. Auditors have significant roles to play in the process of adopting IFRS in Nigeria. These roles are put in place because it assists the auditors in minimizing the challenges they face in auditing the financial reports/statements of their clients to be prepared using the provision of IFRS

Going by the findings and conclusions reached above, the research proffers the following recommendations.

Auditors should adopt strategies to address the aforementioned challenges to be faced in the course of adoption of IFRS. This should be done by obtaining materials and attending seminars, workshops etc. on the IFRS issues so that it becomes easier when it is finally adopted .

Relevant accountancy bodies such as the Institutes of Chattered Accountant of Nigeria (ICAN). Association of National Accountants of Nigerian (ANAN) should origanising adequate training to familiarize auditors with the provision of IFRS. The training should be organized such that it will be mandated for every auditor to be in attendance whenever it is scheduled.

Roles of the auditors in the adoption of IFRS cannot be overemphasized, as they are the people more closer to the management of the client companies, and as such, they should create awareness about the provision of the IFRS to the preparers of accounts, and also train and educate the client on the benefits to be derived from the adoption of the new international standards.

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**Appendix**

Table 1: Sample Size Used for the Study

| Firms | Population | Sample Size |
|---|---|---|
| Sky Scrown Bakery Company | 47 | 35 |
| Nestle Foods | 33 | 30 |
| Levers Brothers Provision Company | 32 | 25 |
| Total | 112 | 90 |