UNIVERSITY OF THE WITSWATERSRAND

SCHOOL OF ACCOUNTANCY

Masters Research Report

Assessment of the qualitative characteristics: a public sector analysis

Keegan Drew Smith

Student Number: 708592

Supervisors:

Professor Yaeesh Yasseen, Professor Nirupa Padia & Mr Irfaan Omarjee

Ethics clearance number: CACCN/1126

A research report submitted to the faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Commerce.

August 2017

ABSTRACT

This paper's aim is to determine the extent to which the South African public sector entities disclose in the annual report information which fulfils the qualitative characteristics of Generally Recognised Accounting Practices (GRAP). Assessing the qualitative characteristics assists the public sector entities demonstrate stewardship.

The annual reports of the entities included in schedule 3A of the Public Finance Management Act 1999 (PFMA) were thoroughly reviewed and were scored against an index. This research has used a descriptive quantitative research methodology which produced descriptive statistics, these were then used to assess the fulfilment of the qualitative characteristics. As per the research, the researcher identified that the public sector companies do, in fact, fulfil the qualitative characteristics for relevance, reliability, understandability and comparability. The public sector companies did obtain poor results when it came to timeliness. This was due to the extended period from the financial year-end and the date on which the financial results were signed.

The research is limited to the public sector and no research has been performed over entities within the private sector. The reason is that only public sector entities comply with GRAP. The only public entities included in this study were the entities included in schedule 3A from the PFMA.

There has been limited research on the quality of financial reporting in terms of GRAP. There has also been limited research on the fulfilment of the qualitative characteristics in terms of GRAP.

Key words – Accountability, annual reports, GRAP, public sector, qualitative characteristics

DECLARATION

I, Keegan Drew Smith, declare that this research report is my own work, except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Commerce at the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

_____

Keegan Drew Smith

Signed at Johannesburg

On 10 August 2018

ACKNOWLEDGEMENTS

I would like to extend my appreciation to my friends and supervisors Professor Yaeesh Yasseen and Mr Irfaan Omarjee for their continued support and motivation to complete this study.

I would also like to thank Professor Nirupa Padia for her tireless motivation in helping me complete this study.

I would also like to thank and acknowledge the following people for their assistance and support, without which this research would not have been possible:

- Ayesha Vanker for assistance in the statistical analysis
- Lelys Maddock for her outstanding and thorough editing work performed

TABLE OF CONTENTS

ABSTRACT i
DECLARATION ii
ACKNOWLEDGEMENTS iii
DEFINITIONS vi
LIST OF ABBREVIATIONS viii
LIST OF TABLES ix
LIST OF FIGURES x
LIST OF GRAPHS x
CHAPTER 1: INTRODUCTION 1
1.1 Background 1
1.2 Statement of the problem 1
1.3 Purpose 2
1.4 Significance of the study 2
1.5 Research question 3
1.6 Assumptions 3
1.7 Limitations 3
1.8 Structure of the report 4
CHAPTER 2: LITERATURE REVIEW 5
2.1 Frameworks in South Africa 5
2.2 Public sector and the PFMA 7
2.3 IFRS vs GRAP 8
2.4 GRAP financial reporting 10
2.5 Agency theory 12
2.6 Accountability 13
2.7 Qualitative characteristics 16
2.7.1 Relevance 16
2.7.2 Reliability 18
2.7.2.1 Faithful representation 19
2.7.2.2 Substance over form and neutrality 20
2.7.2.3 Completeness 21
2.7.2.4 Prudence 22
2.7.3 Understandability 23
2.7.4 Comparability 24
2.7.5 Constraints on relevant and reliable information 26
2.7.5.1 Timeliness 26

2.7.5.2 Balance between qualitative characteristics....27
2.8 Conclusion....27
CHPATER 3: RESEARCH METHODOLOGY....28
3.1 Research methodology....28
3.1 Overview of method....28
3.2 Research population and sample....30
3.3 Sources collection of data....31
3.4 Data analysis....31
3.5 Validity and reliability....33
CHAPTER 4: DATA ANALYSIS....35
4.1 Introduction....35
4.2.1 Relevance....35
4.2.2 Reliability....38
4.2.2.1 Faithful representation....38
4.2.2.2 Substance over form and neutrality....41
4.2.2.3 Completeness....44
4.2.2.4 Prudence....45
4.2.2.5 Reliability analysis....48
4.2.3 Understandability....49
4.2.4 Comparability....52
4.2.5 Timeliness....56
4.3 Analysis of qualitative characteristics....57
CHAPTER 5- CONCLUSION AND RECOMMENDATIONS....59
BIBLIOGRAPHY....61
ANNEXURE A....69

DEFINITIONS

Cronbach's alpha	"*an estimate of the correlation between two random samples of items from a universe of items like those in the test (Cronbach, 1951).*"
Krippendorff's alpha	"*a reliability coefficient developed to measure the agreement among observers, coders, judges, raters, or measuring instruments drawing distinctions among typically unstructured phenomena or assign computable values to them (Krippendorff, 2007).*"
National public entity	• *a national government business enterprise or* • *a board, commission, company, corporation, fund or other entity (other than a national government business enterprise) which is—* o *established in terms of national legislation;* o *fully or substantially funded either from the National Revenue Fund, or by way of a tax, levy or other money imposed in terms of national legislation and* o *accountable to Parliament (PFMA, 1999).*
State-owned company	*means an enterprise that is registered in terms of this Act as a company, and either—* • *Falls within the meaning of ''state-owned enterprise'' in terms of the*

	Public Finance Management Act, 1999 (Act No. 1 of 1999); or • *Is owned by a municipality, as contemplated in the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), and is otherwise similar to an enterprise referred to in paragraph (a) (Companies Act, 2008)*

LIST OF ABBREVIATIONS

AG- Auditor General

ASB- Accounting Standards Board

CG- Corporate Governance

FV- Fair Value

GRAP- Generally Recognised Accounting Practices

GDP- Gross Domestic Product

HC- Historical Cost

IFRS- International Financial Reporting Standards

IPSAS- International Public sector Accounting Standards

IPSASB- International Public sector Accounting Standards board

IFAC- International Federation of Accountants

ISA- International Standard on Auditing

PFMA- Public Finance Management Act

SOE- State owned entity

UK- United Kingdom

US- United States

LIST OF TABLES

Table	Name of table	Page number
Table 2.1	**Table representing the financial reporting standards for different categories of companies**	**7**
Table 2.2	**Table representing the difficulties in defining accountability**	**14**
Table 3.1	**Scorecard measurement for timeliness**	**30**
Table 4.1	**Table representing the descriptive statistics for relevance**	**38**
Table 4.2	**Table representing the descriptive statistics for faithful representation**	**41**
Table 4.3	**Table representing the descriptive statistics for substance over form and neutrality**	**43**
Table 4.4	**Table representing the descriptive statistics for completeness**	**45**
Table 4.5	**Table representing the descriptive statistics for prudence**	**48**
Table 4.6	**Table representing the descriptive statistics for reliability**	**50**
Table 4.7	**Table representing the descriptive statistics for understandability**	**52**
Table 4.8	**Table representing the descriptive statistics for comparability**	**56**
Table 4.9	**Table representing the descriptive statistics for timeliness**	**58**
Table 4.10	**Table representing the descriptive statistics for the qualitative characteristics**	**59**

LIST OF FIGURES

Figure	Name of figure	Page number
Figure 2.1	Diagram demonstrating the various influences which exist for SOE's	16

LIST OF GRAPHS

Graph	Name of graph	Page number
Graph 4.1.1	Bar chart representing the mean total scores of relevance	38
Graph 4.1.2	Bar chart representing the total scores obtained by the entities for relevance	39
Graph 4.2.1	Bar graph representing the mean total scores of faithful representation	42
Graph 4.2.2	Bar graph representing the total scores obtained by the entities for faithful representation	42
Graph 4.3.1	Bar graph representing the mean total scores for substance over form and neutrality	44
Graph 4.3.2	Bar graph representing the total scores obtained by the entities for substance over form and neutrality	44
Graph 4.4.1	Bar graph representing the mean total scores for completeness	46
Graph 4.4.2	Bar graph representing the total scores obtained by the entities for completeness	46
Graph 4.5.1	Bar graph representing the mean total scores for prudence	48
Graph 4.5.2	Bar graph representing the total scores obtained by the entities for prudence	49

Graph 4.6	**Bar graph representing the mean scores for reliability**	**50**
Graph 4.7.1	**Bar chart representing the mean total scores of understandability**	**53**
Graph 4.7.2	**Bar graph representing the total scores obtained by the entities for understandability**	**53**
Graph 4.8.1	**Bar chart representing the mean total scores of comparability**	**56**
Graph 4.8.2	**Bar graph representing the total scores obtained by the entities for comparability**	**57**
Graph 4.9	**Bar graph representing the total scores obtained by the entities for timeliness**	**58**
Graph 4.10	**Bar graph representing the total scores obtained by the public sector entities for the qualitative characteristics**	**59**

CHAPTER 1: INTRODUCTION

1.1 Background

Organisations have a responsibility to conduct their business in a manner which meets the needs of shareholders without compromising the needs of future generations (Marx & Mohammadali-Haji, 2014). State Owned Entities (SOE) around the world have had an increasing influence on the economy in the last decade (PWC, 2015). SOE's share among the fortune 500 has grown from 9% in 2005 to 23% in 2014 (PWC, 2015).

The public sector in South Africa prepare their financial statements using GRAP (PFMA, 1999). One of the purposes of financial statements in the public sector, in terms of GRAP, is to provide users with enough information to determine whether effective stewardship has been exercised (ASB, 2004).

Effective stewardship in the public sector allows citizens to be aware of the performance of the entity and for the entities within the public sector to provide explanations of the successes and failures faced during the year (Sumit & Rodger, 2004). Effective stewardship has become important in today's society and is valued in the public (Sands, 2004). In order to accomplish this, the preparers of the financial statements should disclose all the information needed in order for the users of the financial statements to determine whether effective stewardship has occurred and resources have been expended appropriately (ASB, 2004).

The objective of financial information is to provide information which is useful. In order to accomplish this, the information provided should fulfil the qualitative characteristics (Koppesschaar et al., 2013).

1.2 Statement of the problem

Within the public sector in Africa, corruption causes a weakening in the accomplishment of the sustainable development in Africa. The World Bank noted that, on average, 2% of the global

Gross Domestic Product (GDP) is eroded because of corruption and bribes (World Bank, 2017). Within South Africa fraud and corruption in the public sector is prevalent, such as, tender fraud, bribery, maladministration, and many other situations which cause taxpayers' money to be wasted (World Bank, 2017). This research has attempted to tackle this problem by assessing whether the public sector provides useful information for users of the financial statements to assess if effective stewardship has or has not been applied. Providing useful information should discourage public sector companies from engaging in corrupt activities.

1.3 Purpose

The purpose of this study is to determine the extent to which the South African public sector entities disclose information in the annual report, fulfil the qualitative characteristics of GRAP (ASB, 2004). This study has drawn inspiration of a study performed by Dimi, Padia, and Maroun (2014), which assessed the quality of the annual reports in South Africa and has also adapted a study performed by Van Beest, Braam, and Boelens (2009). This study, however, is from a public sector perspective in terms of section 3A of the PFMA (National public entities) and is not based on the conceptual framework in IFRS but is rather based on the qualitative characteristics in terms of GRAP (ASB, 2004; IASB, 2013; PFMA, 1999).

1.4 Significance of the study

The Auditor General (AG) of South Africa identified that the amount of irregular expenditure for the public sector increased by 55% for the 2017 financial year from the 2016 financial year (Makwetu, 2017a). Presently, in South Africa, there is a call on the public sector to spend taxpayers' money efficiently and effectively but the public sector continues to waste valuable resources illegally (Business Tech, 2015; PWC, 2015). As a result, this study investigates if the information disclosed in the financial statements appropriately fulfil the qualitative characteristics in order to assess effective stewardship. The focus of most prior research has been on the quality of financial reporting in terms of IFRS (Dimi et al., 2014; Maroun, 2011;

Maroun & van Zijl, 2016). Limited research has been performed on the quality of financial reporting in terms of GRAP.

1.5 Research question

To what extent do public sector entities in South Africa disclose information which fulfils the qualitative characteristics in terms of GRAP?

1.6 Assumptions

An assumption in this study is that the measurement criteria for the qualitative characteristics, which exist in both IFRS and GRAP, are the same for this study. This is due to Van Beest et al. (2009) who assessed the quality of the financial statements based on a scorecard developed to measure the qualitative characteristics in IFRS.

In terms of the PFMA, the annual financial statements must be audited by the Auditor-General (AG) (PFMA, 1999). The AG includes an opinion providing reasonable assurance that the financial statements are free from material misstatement in terms of the ISA's. There is always a risk that the auditor may not identify all the material misstatements in an entity. Therefore, this research assumes that the information included in the financial statements directly coincides with the opinion issued by the AG

1.7 Limitations

The research is limited to the public sector and no research has been performed over entities within the private sector. The reason for this is that only public sector entities comply with GRAP. The only public entities included in this study are the entities included in schedule 3A from the PFMA. The financial statements used in this study were based on the 2016 annual reports which are available to the public.

The ASB has noted that fulfilment of all the qualitative characteristics is often impossible and have said that there can exist constraints on relevant and reliable information (ASB, 2004).

These constraints relate to the timeliness of information, the balance between cost and benefit and the balance between qualitative characteristics (ASB, 2004). For this study, the balance between cost and benefit and the balance between the qualitative characteristics have been scoped out of this research. This is because the measurement of these characteristics is impossible to measure due to the varying nature of all the entities included in this study.

1.8 Structure of the report

This research report is divided into five chapters. Chapter 1 includes a discussion of the background to the need for a measure of accountability and provides the significance and an overview of the research. Chapter 2 discusses the literature on how the qualitative characteristics will be assessed. Chapter 3 discusses the research methodology adopted for this study. Chapter 3 further sets out the procedure for the data collection process and analysis to ensure the research has been carried out appropriately. Chapter 4 discusses the findings of the annual reports analysed. Chapter 5 provides a conclusion and a summary of the results obtained.

CHAPTER 2: LITERATURE REVIEW

This chapter first discusses the relevant frameworks which exist in South Africa; the literature then discusses in detail the PFMA and the public sector. This leads into a discussion about the GRAP financial reporting framework that exists in South Africa. This is followed by a discussion on the agency theory, which leads to a discussion about the measurement of accountability. These measurements of accountability will then lead to the final section of this chapter which will discuss the measurement criteria of the qualitative characteristics.

2.1 Frameworks in South Africa

South Africa has several frameworks in place for the preparation of the financial statements, including IFRS, IFRS for Small and Medium-sized Entities (SME's) and GRAP (Companies Act, 2008). IFRS is developed by the International Accounting Standards Board (IASB) and has the objective of producing standards which are to be used across the world (IFRS, 2017). The notion of using the same reporting framework around the world allows for trust and long-term financial stability in the world economy (IFRS, 2017). IFRS standards have the objective of improving transparency by improving the comparability of financial information (IFRS, 2017).

The framework to be used depends on the type of company and the public interest score of the company. In terms of regulation 26 in the Companies Regulations, 2011 (Companies Regulations) the public interest score should be calculated in order to assist in the determination for the framework to be used in the preparation of the financial statements (Companies Act, 2008).

The Public interest score is calculated as follows;

- *"A number of points equal to the average number of employees of the company during the financial year;*

- *One point for every R1 million (or portion thereof) in third party liability of the company, at the financial year end;*
- *One point for every R1 million (or portion thereof) in turnover during the financial year; and*
- *One point for every individual who, at the end of the financial year, is known by the company-*
    - *In the case of a profit company, to directly or indirectly have a beneficial interest in any of the company's issued securities; or*
    - *In the case of a non-profit company, to be a member of the company, or a member of an association that is a member of the company* (Companies Act, 2008)*."*

Once the type of company and the public interest score have been calculated, the correct financial reporting framework for the entity can be determined in terms of regulation 27 of the Companies Regulation (Companies Act, 2008).

Category of Companies	**Financial Reporting Standard**
State owned companies or non-profit entities which are required to have their financial statements audited	IFRS but in the case of any conflict with any requirements in terms of the Public Finance Management Act, the latter prevails.

Table 2.1: Table representing an extract for the financial reporting standards for different categories of companies (Companies Act, 2008).

As seen in the table above, state owned companies in terms of regulation 27 of the companies regulation will prepare their financial statements using IFRS, unless there is any conflict with the PFMA (Companies Act, 2008). In terms of the PFMA, public entities included in Schedule

3A of the PFMA must prepare their financial statements using GRAP (PFMA, 1999). For the purpose of this study, GRAP was used in order to assess the fulfilment of the qualitative characteristics for public sector entities (PFMA, 1999). The next section discusses the public sector and the reasoning behind the PFMA.

2.2 Public sector and the PFMA

Public sector entities have been plagued by various problems and are often inefficient about the way an entity is run (Nellis, 1986). These inefficiencies have been blamed on the involvement of government in their operations (Mbo, 2017). Because of the increased competition and globalisation SOE's allow for a country to position itself for the future global economy (PWC, 2015). The use of SOE's has been argued to provide positive social outcomes, improving infrastructure and to create stability in an ailing economy (PWC, 2015). The need to ensure the stability in the public sector is imperative (PWC, 2015).

A manner of obtaining this stability and sustainable development in a developing economy is by using the PFMA (Madue, 2007). The primary objective of the PFMA is to regulate financial management in South Africa (Erasmus, 2008; PFMA, 1999). The purpose of PFMA is ultimately to improve the accountability in the public sector by causing the managers of an entity to take responsibility for performance (Erasmus, 2008; PFMA, 1999). The PFMA does provide management with the ability to use the resources effectively provided to them whilst still holding managers accountable for the expended resources (Madue, 2007; Makwetu, 2017b; PFMA, 1999). This has the aim of improving the quality of financial management (Madue, 2007; Makwetu, 2017b; PFMA, 1999). A way of ensuring responsibility is that all entities included in the PFMA are required to be audited by the AG on an annual basis (PFMA, 1999). This creates the incentive for management to act in the best interests of the company (Erasmus, 2008).

The PFMA has 289 entities included in the Act and the entities are separated according to three different schedules (PFMA, 1999). Schedule 1 includes constitutional entities, schedule 2 includes major public entities and schedule 3 includes other public entities (PFMA, 1999). These other public entities are divided into parts A, B and C (PFMA, 1999). Part A includes national public entities, Part B includes national government business enterprises and Part C includes provincial public entities (PFMA, 1999). The next section will discuss the differences between GRAP and IFRS.

2.3 IFRS vs GRAP

This section discusses the differences and similarities which exist between IFRS and GRAP. This section will discuss the following; The scope of the reporting framework, the objective of the reporting frameworks, the different users of the reporting frameworks and what is the objective of these users. Included in the conceptual framework of IFRS, is a specific regarding capital and capital maintenance (IFRS, 2013). In terms of the framework for the presentation of financial statements, there is no section regarding the capital of the entity (ASB, 2004).

The IASB has the objective of producing IFRS for SME's, which is applicable to small-medium sized entities (IASB, 2007). Entities included in the scope for IFRS for SME's are entities which do not have public accountability, and which publish general-purpose financial statements to a regulatory body or security commission (EY, 2010; IASB, 2007; Van Wyk & Rossouw, 2009). The Accounting Standards Board (ASB) has the responsibility of maintaining the financial reporting frameworks for the public sector in South Africa, known as GRAP (ASB, 2017). This process of maintaining reporting frameworks allows for sufficient corporate governance in the public sector (ASB, 2017). The development of these standards involves a long period of extensive consultations with the ASB's stakeholders to ensure that the standards are based on the best norms and practices in the public sector (ASB, 2017).

The users of financial information in terms of the Conceptual Framework in IFRS are existing and potential investors and other creditors, the main purpose of these users of information is for capital funding (IASB, 2013; Whittington, 2008). In terms of GRAP, the user base includes a much larger population which includes, but is not limited to, government entities, suppliers and creditors and the general public (ASB, 2004). The reasoning behind having such a large user base is that the decisions made by the entity will have a far greater impact than entities in the private sector (ASB, 2004).

The objective of IFRS is to provide information which is useful for the users to make an economic decision about the reporting entity (IFRS, 2013). The objective of GRAP is to provide sufficient information in order to fulfil the requirement of being publicly accountable (ASB, 2004).

The economic decisions taken by users also differs. Where an entity uses IFRS, the economic decisions taken by the users depend on the scope of the entity to generate cash and cash equivalents (IFRS, 2013). Where an entity uses GRAP, the economic decisions of the users depend on whether sustainable service delivery can be provided (ASB, 2004).

In both the reporting frameworks the financial statements are prepared on the going concern assumption. Going concern is the ability of an entity to continue operations in the foreseeable future (ASB, 2004; IFRS, 2013). IFRS assumes that an entity is a going concern if an entity has neither the intention nor the need to cease operations (IFRS, 2013). GRAP, however, argues that the going concern of an entity is only an issue on a rare occasion. Going concern issues only occur in rare occasions as, government will normally resolve any issues with going concern by raising taxes or some other intervention to ensure the continuation of the operations (ASB, 2004).

2.4 GRAP financial reporting

Since the inception of a democratic South Africa and the introduction of our constitution in 1996, South Africa made monumental strides in the achievement of a strong and transparent public sector (South Africa, 1996; Van Wyk, 2007). These strides include the development of the PFMA in 1999 and the introduction of the ASB in 2002 (ASB, 2017; PFMA, 1999; Van Wyk, 2007). Subsequently, the ASB was tasked with the objective of setting standards known as GRAP (South Africa, 1996). The standards have been developed in line with the International Public Sector Accounting Standards (IPSAS) (IPSASB, 2017). The IPSAS are standards specifically developed for the use by public sector entities and are issued by the International Public sector Accounting Standards board (IPSASB) of the International Federation of Accountants (IFAC) (IPSASB, 2017).

Presentation of Generally Recognised Accounting Practice (GRAP 1), entities are required to comply with the applicable standards (ASB, 2010). The purpose of the financial statements is to provide financial information about the financial position and performance and cashflows of the entity (ASB, 2010). This allows for the provision of useful information for users of the information to make the determination if resources have been allocated appropriately (ASB, 2010).

A complete set of financial statements includes the statements of financial position; the statement of financial performance; the statement of changes in net assets; the notes to the financial statements (ASB, 2010). The financial statements should include a comparison of the budgeted information to the actual information when the previously approved budget was made public (ASB, 2010). The ASB does provide guidance on what needs to be presented in the financial statements (ASB, 2010). This includes the following;

The statement of financial position will present both assets and liabilities, as well as the total equity of the company. The equity of the company represents the net assets of the company (ASB, 2010). The assets and the liabilities of the company are disclosed as either current or non-current in the statement of financial position (ASB, 2010). The statement of financial performance includes the revenues and expenses of that entity for that particular year of assessment (ASB, 2010). The statement of changes in net assets is presented to show a reconciliation between the opening and closing balance of equity (ASB, 2010). The statement of cash flows allows the users of the financial statements to identify how the company generates its cashflows and how the entity utilises the cash flows (ASB, 2010). The notes to the financial statements include the basis of the preparation of the financial statements, provide additional information required by standards of GRAP and provide additional information that may be useful to the users of the financial statements (ASB, 2010).

The format of the financial statements indicates that the users of the financial information should make their determination if the resources allocated to them have been adequately expensed, based only on financial information (IASB, 2013). Financial statements do not provide the information necessary for most users to determine whether effective stewardship has been applied as only financial information of past transactions is disclosed (ASB, 2004). Should an entity only report on financial information, the chance for the users to make an adequate determination of effective stewardship is diminished (Bray, 2013).

GRAP 1 states that entities are also required to present information to assist in assessing the performance of the entity and to assess if effective stewardship or accountability has been appropriately applied (ASB, 2010). To overcome this issue, the use of annual reports can be used to provide both the financial information and the non-financial information necessary to ensure effective stewardship has taken place (Botosan, 1997; Padia & Yasseen, 2011; Van Beest et al., 2009; Yuthas, Rogers, & Dillard, 2002).

Two world views in accounting exists: the fair value view and the alternate view (Whittington, 2008). For many years accounting has been created with the main objective of creating accountability at its core (Ravenscroft & Williams, 2009).

The fair value view assumes the following: information is provided with the main objective of being useful, current and future investors are the main users of financial information, the main need of users is to predict future cashflows and the relevance of information exceeds the importance of reliability (Whittington, 2008).

The alternate view assumes the following: present stakeholders are the main users of financial information, reliability is the main objective of financial reporting and there is a focus on past transactions in order to predict future transaction (Whittington, 2008). The alternate view follows an accountability model, it is for this reason that the public sector financial statements are prepared using the alternate model as the users of the financial statements are more interested in reliable information from the past to ensure effective stewardship has been applied (ASB, 2004). With GRAP requiring accountability, the next section will discuss the agency theory.

2.5 Agency theory

Agency is one of the oldest forms of interaction which exists (Ross, 1973). Agency theory can be explained as the relationship between a principal and an agent, in which the agent acts for and on behalf of the principal and has a fiduciary duty to act in the best interest of the stakeholders (Gibson, 2000; Jensen & Meckling, 1976). The concept of accountability in the public sector can be best explained using agency theory. In the public sector the agent, namely the government, will use the resources provided to them from tax revenue to improve the sustainable development of a society for and on behalf of the principal, the citizens of the republic. Another example of this is where the government itself acts as a shareholder, who acts

as the principal. The principle then allows the management of a public sector company to act as the agent and make decisions on behalf of the government.

In a business environment, the agent may not always act in the best interests of the principal and the agent may withhold information only known to the agent or inappropriately use the resources provided (Eisenhardt, 1989). The scenario where the agent has more information than the principal is known as information asymmetry (Blume & Easley, 1984). Information asymmetry involves the process in which a party has access to more or more useful information than other parties do (Blume & Easley, 1984; Healy & Palepu, 2001). In various markets, the managers of entities will often have more information than the various stakeholders: this results in the stakeholders not being able to make an adequate determination for an investment in that company (Healy & Palepu, 2001).

The need to monitor the agent is imperative for the sustainability of a business. In the public sector a way of ensuring that the resources provided to the entity are used responsibly is that people who expend the resources are accountable for the way in which this is done (ASB, 2004).

When there is insufficient disclosure of relevant information, there will often be less scrutiny by the relevant stakeholders and this increases the risk of misuse of resources and, in an effort to reduce the effect of asymmetry information, the entity should make adequate disclosures in the annual reports (Botosan, 2006; Gray, Meek, & Roberts, 1995). From the above it is clear that when adequate disclosure is made in the public sector, the entities will, to the best of their ability, demonstrate accountability. The next section will discuss accountability and how accountability can be measured.

2.6 Accountability

Public accountability is a key aspect of the public to be aware of the performance of the entities in the public sector and is based on the belief that the public have the right to know (GASB,

1987). It is imperative that the government highlights the performance of the entity in a reliable manner (Lodhia & Burritt, 2004). There is a need for accountability, but accountability is often very difficult to define and to measure (GASB, 1987; Patton, 1992; Sinclair, 1995). The reasons for the difficulty in the definition and measurement of accountability can be summarised in the table below

Definition of accountability is broad	Providing information to explain the actions of an entity. There is no specific limit to the amount which needs to be disclosed for an adequate determination of effective stewardship (GASB, 1987).
Financial information is insufficient	Purely with the use of financial information. The users of the financial statements will require additional information to assess whether effective stewardship has been applied (GASB, 1987).
Diverse user groups	The users of public report are of such a diverse nature that the possibility of providing sufficient information to meet the needs of all the users is not feasible (GASB, 1987).
Cost versus benefit analysis	The potential cost of providing information may exceed any benefit the users of the annual reports will receive from that information being provided (GASB, 1987).

Table 2.2: Table representing the difficulties in defining accountability

Public accountability has been in a process of development subject to political interference (Sands, 2004). In the public sector the need for accountability is driven not only by government but also by stakeholders (KPMG, 2012). The most serious issue which arises in a public sector entity is that there is often governmental influence present and, although a taxpayer is the ultimate owner of the SOE, other members of government will often act as the agent for the taxpayer. These other influences can be explained in figure 2.1 (Wong, 2004).

These influences and the existence of sufficient backing from government if a SOE finds itself in financial difficulty, further amplifies the difficulty for effective stewardship to be applied, consistent measure of accountability is needed (Wong, 2004).

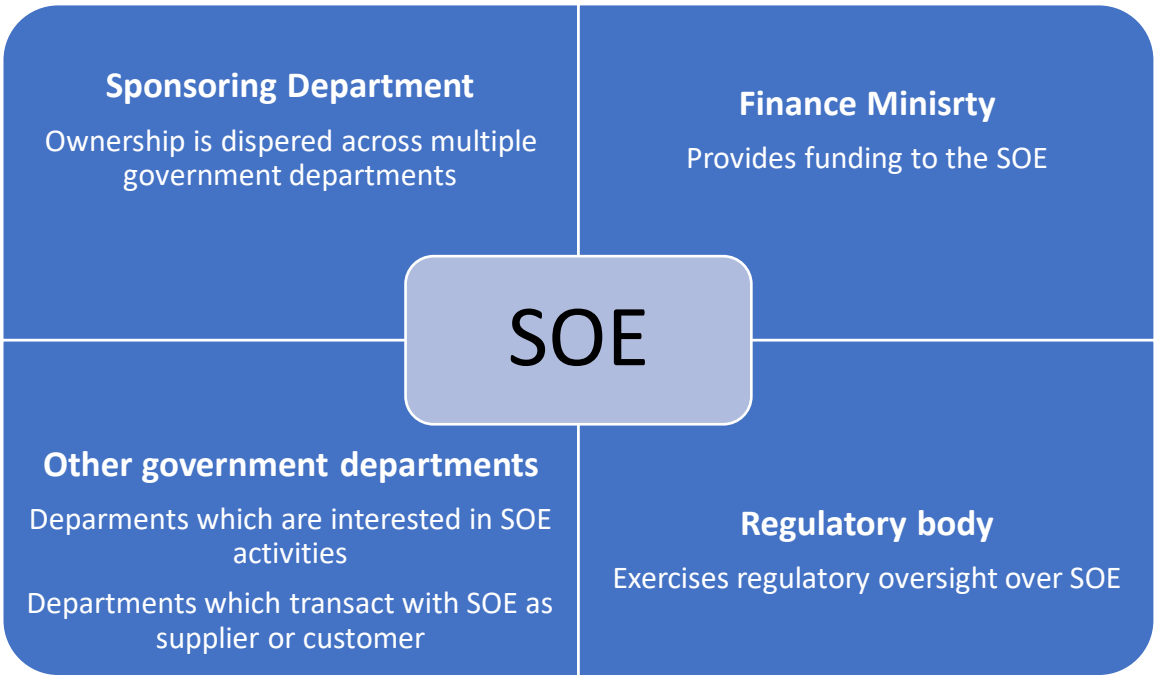


Figure 2.1: Diagram demonstrating the various influences which exist for SOE's (Wong, 2004)

Accountability in the context of financial reporting for the public sector can be explained as providing information to demonstrate to the users of the financial statements that the entity has complied with laws and regulations and has provided the relevant facts about the entity to the public (ASB, 2004). Pendlebury, Jones, and Karbhari (1994) note that audited annual reports

will help to improve the accountability in an organisation. The way in which the public sector can demonstrate to the users of the financial statements that they have expended the resources appropriately and that stewardship has been appropriately applied is by providing useful information to users (ASB, 2004). The following section will discuss what the measurement criteria are for these qualitative characteristics of GRAP.

2.7 Qualitative characteristics

In terms of IFRS, the Conceptual Framework states that the fundamental qualitative characteristics of financial statements are Relevance and Faithful Representation (IASB, 2013). The enhancing qualitative characteristics of financial statements are Comparability, Verifiability, Timeliness and Understandability (IASB, 2013).

Interestingly, GRAP does not specifically distinguish between fundamental and enhancing qualitative characteristics (ASB, 2004). Rather the qualitative characteristics for public entities are given the same level of consideration and additional characteristics are provided in order for the qualitative characteristic to be achieved (ASB, 2004). The qualitative characteristics of GRAP are the following: Understandability, Relevance, Reliability and Comparability (ASB, 2004). GRAP also includes Constraints on relevant and reliable information as a separate qualitative characteristic (ASB, 2004). The next section of the research discusses the qualitative characteristics and the measurement criteria for these qualitative characteristics.

2.7.1 Relevance

Information provided in the financial statements will be relevant if it allows the users of the financial statements to evaluate whether effective stewardship has been applied in the preparation of the financial statements (ASB, 2004). Relevant information can be past, present and forward looking and having past, present and forward looking information can often become inter related (ASB, 2004). That is to say that present information can assist users in

making a determination of future events (ASB, 2004). The predictive value of information is the ability to use past information to determine future earnings or cash flows (IASB, 2013; Van Beest et al., 2009).

The implementation of both relevance and reliability is often difficult because of the trade-off which exists from implementing historical cost versus the implementation of fair value in the financial statements (Johnson, 2005; Whittington, 2008). For information to be useful to the users of the financial statements, the information should be both relevant and reliable (Johnson, 2005).

The main focus is financial information (Jonas & Blanchet, 2000). Relevance can, therefore, be seen as restricted as there is less focus on non-financial information (Jonas & Blanchet, 2000). To improve the standard and extent of this research, annual reports, which are the primary source of financial as well as non-financial information, will be used (Botosan, 1997; Padia & Yasseen, 2011; Van Beest et al., 2009; Yuthas et al., 2002).

From a public sector perspective, information is relevant if it provides users with the information which shows its current and future revenue exceeds costs for that financial year and whether future taxpayers will be required to cover the costs of services previously provided (ASB, 2004). The first measure of relevance is to determine whether the annual reports contain statements regarding future events (Van Beest et al., 2009). These statements are deemed relevant as the management of an entity are deemed to have more information available to them than the users of the financial statements do (Blume & Easley, 1984; Van Beest et al., 2009). This information is referred to as asymmetric (Blume & Easley, 1984; Van Beest et al., 2009). The use of non-financial information provides predictive nature of future events (Jonas & Blanchet, 2000; Van Beest et al., 2009). The next measure of relevance therefore, involves the disclosure and of any opportunities or risks facing the entity (Jonas & Blanchet, 2000; Van

Beest et al., 2009). The disclosure of these events highlights to the users the prediction of future events, using non-financial information (Jonas & Blanchet, 2000; Van Beest et al., 2009). Another measure of relevance is the use of fair value in the presentation of information in the financial statements (Van Beest et al., 2009). As stated previously, the use of fair value allows for the prediction of future events and is relevant to the users of the annual reports (Whittington, 2008). Relevant information is useful if it provides the users feedback on past transactions (Jonas & Blanchet, 2000). This feedback should provide the users with an expectation on how those transaction will affect the company (Jonas & Blanchet, 2000).

The measurements are the following:

- R1: To what extent does the entity provide forward looking information, to provide reasonable expectations and predictions of the public sector company?
- R2: To what extent does the presence of non-financial information in terms of business opportunities and risks complement the financial information?
- R3: To what extent does the public sector company use fair value instead of historical cost?
- R4: To what extent does the reported results provide feedback to users of the annual report about how various market events and significant transactions affect the public sector company?

2.7.2 Reliability

For information to be useful, it must be reliable. In-order for information to be reliable it should be prepared without material information and bias (ASB, 2004). Information provided may be relevant but it may lack in reliability (ASB, 2004). The following characteristics are required for information to be reliable; faithful representation; neutrality and substance over form; prudence and completeness (ASB, 2004).

2.7.2.1 Faithful representation

For information to be reliable, it should faithfully represent all events and circumstances which the entity would reasonably be expected to represent (ASB, 2004). Faithful representation is normally determined using three characteristics, namely, neutrality, completeness and being free from material error (IASB, 2013; Van Beest et al., 2009). Since the framework for the preparation and presentation of financial statements has a separate qualitative characteristic for neutrality and completeness, these characteristics will be discussed separately (ASB, 2004).

A major element of faithful representation is for the information to be free from bias. The achievement of a set of annual reports to be completely free has previously been argued to be impossible (Van Beest et al., 2009). A logical argument for an accounting estimate adopted by the entity, as well as a clear description and a well-founded explanation is needed to increase the free-from-bias element (Jonas & Blanchet, 2000; Van Beest et al., 2009). This improves the chances of an entity obtaining a set of annual reports which shows little bias and so to accomplish faithful representation in the presentation of the financial statements (Van Beest et al., 2009).

The next measure for faithful representation according to Van Beest et al. (2009) is that the accounting policies or principles adopted by the entity have been grounded in a well thought out manner. The reasoning behind this measurement criterion is that a knowledgeable party would come to the same conclusion for the selection of the accounting policies (Jonas & Blanchet, 2000; Maines & Wahlen, 2006).

The next measure of faithful representation is for the entity to achieve an unqualified audit opinion (Van Beest et al., 2009). Gaeremynck and Willekens (2003) noted that companies which do not obtain an unqualified audit opinion often file for bankruptcy or go into liquidation. The purpose of the audit report, therefore, provides to the users of the annual reports that the

information has been provided faithfully or reliably (Maines & Wahlen, 2006; Van Beest et al., 2009)

To measure faithful representation, the type of audit report issued and the level of corporate governance adhered to for the annual report will also be assessed to determine achievement of the qualitative characteristic (Van Beest et al., 2009). In previous studies it has been noted that when there is poor corporate governance and internal controls are present, the overall quality of financial statements is reduced (Dechow, Sloan, & Sweeney, 1996; McMullen, 1996). The use of corporate governance has been argued to increase the faithful representation of the information (Holland, 1999; Sloan, 2001).

The measurements are the following:

- FR1: To what extent are valid arguments provided to support the decision for certain assumptions and estimates in the annual report?
- FR2: To what extent does the public sector company base its choice for certain accounting principles on valid arguments?
- FR3: Which type of auditors' report is included in the annual report?
- FR4: To what extent does the public sector company provide information on corporate governance?

2.7.2.2 Substance over form and neutrality

Neutrality and substance over form have been combined as the measurement of the characteristics are the same. All information presented in the financial statements must be free from bias; the information should not be presented in a way which may materially affect the way in which a user makes a decision about the entity (ASB, 2004). For information to be presented reliably, it should be presented in a way which demonstrates the substance and

economic reality of the transaction and not just comply with the legal form of the event (ASB, 2004).

For information to be free from bias, it should not be altered in such a way that it can alter the view of a user of the financial statements (IASB, 2013). In order to measure the neutrality as well as the economic rationale of the information, the logical assessments and arguments for the estimates used will be determined and the assessment of positive and negative information provided in the annual report (Jonas & Blanchet, 2000; Van Beest et al., 2009). As discussed previously, the use of the audit report helps to explain faithfully the economic relationship of the entity and to be free from material error and bias (Van Beest et al., 2009).

The measurements are the following:

- S1&N1: To what extent does the public sector company, in the discussion of the annual results, highlight the positive events as well as the negative events?
- S2&N2: Which type of auditor's report is included in the annual report?

2.7.2.3 Completeness

For information presented in the financial statements to be reliable, the information should be complete (ASB, 2004). No information should be omitted as that may cause information to be misleading and unreliable (ASB, 2004).

The measures of completeness is the same as that for faithful representation and includes the achieving an unqualified audit opinion (Van Beest et al., 2009). Gaeremynck and Willekens (2003) noted that companies which do not obtain an unqualified audit opinion often lead to the company filing for bankruptcy or going to into liquidation. The purpose of the audit report, therefore, is to provide to the users of the annual reports information which is complete (Maines & Wahlen, 2006; Van Beest et al., 2009). This is due to the fact that the an auditor provides

reasonable assurance that all information has been presented (Maines & Wahlen, 2006; Van Beest et al., 2009)

To measure completeness, the level of corporate governance adhered to for the annual report will also be assessed to determine achievement of the qualitative characteristic (Van Beest et al., 2009). In previous studies it has been noted that when there is poor corporate governance and internal controls are present, the overall quality of financial statements is reduced (Dechow et al., 1996; McMullen, 1996). The implementation of corporate governance has been argued to increase the completeness (Holland, 1999; Sloan, 2001). This is due to the fact that having corporate governance helps to ensure that the correct processes are followed during the operation of the business(Holland, 1999; Sloan, 2001).

The measurements are the following:

- C1: To what extent does the public sector company provide information on corporate governance?
- C2: Which type of auditor's report is included in the annual report?

2.7.2.4 Prudence

The preparers must prepare financial statements by incorporating uncertainties with regards to the accurate representation of the financial information (ASB, 2004). Prudence can be explained as the caution of estimates in the preparation of specific events or balances in the financial statements (ASB, 2004; Whittington, 2008). Prudence does not allow for the illegitimate and unreasonable misstatement of financial information (ASB, 2004).

The first measure of prudence will be to determine if there is any form of allowance present for any amount due to the entity or payable by the entity: this is because the entity is required to exercise caution for future operations (Maltby, 2000). The previous year's estimation will also

be looked at to determine whether the entity has been sufficiently prudent in their estimations (Maltby, 2000).

The basis for measurement of prudence is to measure items at its historic cost (Maltby, 2000). The reason for this is that it is prudent to disclose an item at an amount which will not exceed its future economic benefits, there is also an inherent risk that the assets of an entity may be materially overstated and the liabilities of the entity will be understated (Maltby, 2000).

The measurements are the following:

- P1: To what extent does the entity have any allowances or provisions present?
- P2: To what extend does the entity prepare financial statements using historical cost and is the entity solvent?

2.7.3 Understandability

In order for information to be understandable, it should be easy to understand and follow, the information should also be classified, characterized, and presented clearly and concisely (ASB, 2004; Van Beest et al., 2009). An assumption with regards to understandability is that users of financial information have a reasonable understanding or knowledge of accounting and the operations of the entity (ASB, 2004).

Jones and Shoemaker (1994) notes accounting information included in an annual report is often difficult to understand. For this reason, it is imperative for companies to make their annual reports as easy to understand as possible (Jones & Shoemaker, 1994). A measurement for the understandability is for information in the annual report to be presented in a manner that is well organised (Jonas & Blanchet, 2000). To accomplish this the information should be easy to locate (Jonas & Blanchet, 2000). The note disclosures that exists for the information in the statement of financial position and the statement of comprehensive income will often provide

information to the users of the financial statements in order to allow for a more understandable experience of the information presented (Beretta & Bozzolan, 2004; Iu & Clowes, 2004)

Qualitative information provided for an explanation to support any other information that has been provided is also necessary in-order for information to be understandable (Van Beest et al., 2009). The language that has been used in the annual report should also be appropriate in a sense that it is easy to understand and the report should incorporate the use of graphs and other explanatory material (Courtis, 1995; Jonas & Blanchet, 2000). Should the language be confusing because of, industry jargon or complex terms, a glossary highlighting the meaning of the language should be provided (Van Beest et al., 2009).

The measurements are the following:

- U1: To what extent is the annual report presented in a well organized manner?
- U2: To what extent are the notes to the financial statements presented in a clear manner?
- U3: To what extent does the presence of graphs and tables enhance the presented information?
- U4: To what extent is the use of language and technical jargon in the annual report easy to follow?
- U5: What is the size of the glossary?

2.7.4 Comparability

For information presented in the financial statements to be comparable, the users of the financial statements should be able to compare the financial information provided between different years and between different entities (ASB, 2004). A key aspect of achieving comparability is consistency, which is the use of the same accounting policy from one period to the next and having the same accounting policy between different entities (IASB, 2013).

Comparability has often been argued as difficult to implement (Barlev & Haddad, 2007). This is mainly due to the lack of consistency among different countries with regards to the implementation of various principles and methods (Barlev & Haddad, 2007). An important scenario to measure comparability is when there is a change in accounting policy or accounting estimates, these changes can be due to changes in the rules and legislation (Van Beest et al., 2009). The effect of this must be shown as how it would affect the previous results of the entity (Van Beest et al., 2009). A way of measuring comparability is by comparing the accounting policy and disclosures of the annual reports of the competitors of the company (Van Beest et al., 2009). When a change in estimates or judgements occurs the entity may elect to disclose the effects of the previous year's results to assist the users of the financial statements to identify the effects these changes have on the financial results (Van Beest et al., 2009).

Consistency refers to using the same accounting practices year on year (IASB, 2013). The purpose of this is to produce financial figures which can be compared with those of previous years of assessments (IASB, 2013).

Consistency not only applies to a single company but companies should be comparable with other companies (IASB, 2013). The comparability of different companies should be based on the general structure of the annual report, the consistency of accounting policies and the general explanations of the general reports(Jonas & Blanchet, 2000). The various ratios calculated by an entity will also be useful when making meaningful comparisons between companies (Van Beest et al., 2009).

The measurements are the following:

- C1: To what extent do the notes to changes in accounting policies explain the implications of the change?

- C2: To what extent do the notes to revisions in accounting estimates and judgements explain the implications of the revision?
- C3: To what extent did the public sector company adjust the previous accounting period's figures for the effect of the implementation of a change in accounting policy or revisions in accounting estimates?
- C4: To what extent does the public sector company provide a comparison of the results of current accounting period with previous accounting periods?
- C5: To what extent is the information in the annual report comparable to information provided by other organizations?
- C6: To what extent does the public sector company present financial index numbers and ratios in the annual report?

2.7.5 Constraints on relevant and reliable information

The constraints for obtaining the qualitative characteristics include timeliness, balance between benefit and cost and the balance between qualitative characteristics (ASB, 2004). As stated in chapter 1 the balance between cost and benefit has been scoped out of this study.

2.7.5.1 Timeliness

Should information be disclosed late, it will lose its relevance as the users will no longer be interested in the financial information presented (ASB, 2004). Information has to be presented on a timely basis in order for it to be relevant and reliable to the users of the financial statements (ASB, 2004). Obaidat (2007) performed a study on what is the most important qualitative characteristics from both an investor's perspective and from an auditor's perspective. The study found that from an investor's perspective timeliness is the most important qualitative characteristic (Obaidat, 2007).

Based on the study performed by Dimi et al. (2014) a lag between the year-end and the issue of the annual reports is acceptable. The earlier the reporting occurs, the more useful the information will be (Dimi et al., 2014).

The measurement used to determine timeliness is a natural logarithm of the number of days from the year-end of the entity and the date on which the financial statements were signed by the auditor [T1] (Van Beest et al., 2009).

2.7.5.2 Balance between qualitative characteristics

The balance between qualitative characteristics requires there to be a balance among the characteristics. The achievement of the qualitative characteristics should, therefore, yield similar results for the all the qualitative characteristics (ASB, 2004). This shows that the public sector companies are, in fact, achieving a balance.

2.8 Conclusion

This chapter showed that there is a need for effective accountability to be demonstrated in the public sector. A way of accomplishing this is by providing decision-useful information. For an entity to provide decision useful information is for an entity to meet the qualitative characteristics. This literature has discussed the measurement criteria for the qualitative characteristics. This research study aims to determine whether the entities included in the PFMA have fulfilled the qualitative characteristics in terms of GRAP.

CHPATER 3: RESEARCH METHODOLOGY

3.1 Research methodology

This research uses a descriptive quantitative research methodology. In research there are three different kinds of research methodologies quantitative, qualitative and mixed methods. Mixed methods incorporate elements of both qualitative and quantitative research methodologies (Creswell, 2013; R. B. Johnson & Onwuegbuzie, 2004; R. B. Johnson, Onwuegbuzie, & Turner, 2007). There is frequently a debate regarding quantitative or qualitative research which is based on the assumptions about reality and whether those assumptions are measurable (Newman & Benz, 1998). A quantitative methodology has the objective of explaining the relationship between different variables which may exist and qualitative research revolves around the development of a theory from interpreting a set of results (Creswell, 2013; Newman & Benz, 1998). A descriptive study has the intention of exploring an existing theory as opposed to developing a new theory: this means that the researcher will gather data from the variables and deduce an outcome (Leedy & Ormrod, 2015; Newman & Benz, 1998).

From the definition provided by Leedy and Ormrod (2015), Creswell (2013) and Newman and Benz (1998), it can be confirmed that this study takes the form of a descriptive quantitative research methodology. The study identifies the characteristics of an existing theory and variables. This existing theory is the measurement of qualitative characteristics and the existence of the qualitative characteristics which exist in financial reporting in order to deduce an outcome which is to determine whether the entities in the public sector fulfil the qualitative characteristics. This study can be described as deductive as the researcher was able to deduce an outcome from the data that has been collected (Creswell, 2013).

3.1 Overview of method

Van Beest et al. (2009) conducted a study which assessed the quality of 231 annual reports in terms of the qualitative characteristics in IFRS of companies listed in the United States (US),

United Kingdom (UK) and the Dutch stock market. The study produced by Van Beest et al. (2009) and Dimi et al. (2014) provided grounding for this study. The study by Van Beest et al. (2009) produced a 21-item index in order to assess the quality of financial reporting in terms of the qualitative characteristics.

For the purpose of this study, the 21-item index used by Van Beest et al. (2009), has been adapted. The annual reports of the entities included were thoroughly reviewed and were scored against the index. See Table 3.1 below for an example of one ranking method used to measure qualitative characteristics and refer to Annexure A for the entire index.

Timeliness		
T1	How many days did it take for the auditor to sign the auditors' report after book year-end?	Natural logarithm of amount of days 1 = 1-1.99 2 = 2-2.99 3 = 3-3.99 4 = 4-4.99 5 = 5-5.99

Table 3.1- Scorecard measurement for timeliness

All 21 of the measurement criteria developed by Van Beest et al. (2009) were used in this research. Two additional measurement criteria for prudence were introduced since the qualitative characteristics in terms of IFRS, do not include prudence. The first measurement criterion for prudence is what extent to an entity utilised historic cost in its financial statements and to what extent the entity disclosed allowances or provisions. Where qualitative characteristics have the same measurement criteria, the measurement was performed again in order to assess the fulfilment of the qualitative characteristics.

The approach adopted by this study has been employed by other researchers in accounting research, for example, by Padia and Yasseen (2011), Santema and Van de Rijt (2001) and Morungwa (2015). The purpose of these studies was to assess the strategy disclosures of the annual reports by assessing the fulfilment against a developed scorecard (Morungwa, 2015; Padia & Yasseen, 2011; Santema & Van de Rijt, 2001). The use of this methodology in this research is appropriate as it has been accepted in other published studies.

3.2 Research population and sample

The selection of the population is based on what is going to provide the most useful information, therefore, the selection of the sample should be based on a matter of judgement (Saunders, Lewis, & Thornhill, 2009). One of the most popular methods for sampling involves random or probabilistic samples. This technique ensures that all members have an equal chance of being selected in the sample. The problem which arises is that the sample selected may not always be representative of the entire population. Another method of sampling is purposive, in which the sampling is done on a non-probability basis and purposive sampling is often fundamental to the quality of the data which has been gathered (Leedy & Ormrod, 2015; Tongco, 2007). Due to the above concerns and to ensure the best possible representation of the population, the researcher elected to use a purposive sampling technique for this research.

The population for this study involved a purposive sampling technique of 154 public sector entities listed in schedule 3A of the PFMA. The entire schedule has been included in this study to ensure that there is no generalisation of the information. The total number of public sector entities which exist in South Africa in terms of the PFMA is 283. The public entities listed on the PFMA are listed as schedule 1, 2, 3A, 3B, 3C and 3D. Schedule 1 is the Constitutional institutions, schedule 2 is the major public entities, Schedule 3A is the National Public entities, schedule 3B is the national government business enterprise, schedule 3C is the provincial public entities and schedule 3D is the provincial government business enterprises. (PFMA, 1999)

Within the schedules in the PFMA, schedule 1 and 2 prepare the financial reports using IFRS, however, this study is based on GRAP, so a study on schedule 1 and 2 is not possible and this study is based on schedule 3A of the PFMA (PFMA, 1999). Of the total 154 public sector entities included in the PFMA, the researcher was only able to obtain a total of 137 public sector entities included in the PFMA.

3.3 Sources collection of data

The annual report is a trustworthy method in order for management to communicate information regarding the performance of the entity and is the primary source of financial, as well as non-financial information (Botosan, 1997; Padia & Yasseen, 2011; Yuthas et al., 2002). The annual report is the most common form of communication which exists for a public entity to explain the use of the tax revenue (GRI, 2004). The primary source of data from the annual reports of the 137 public sector entities included in the PFMA. The source for the research was obtained from the publicly available annual reports published by the respective public entities' websites. The researcher, at the time of this study, was unable to locate the other 17 annual reports for public sector entities in schedule 3A of the PFMA.

For this study, the research was conducted by reviewing extensively the annual reports of the public entities confined to schedule 3A of the PFMA for the 2016-year of assessment. When the researcher could not locate the required information, the researcher reviewed the annual reports again to locate it. For this study only the 2016 annual reports were used. Once the data had been collected by the researcher, the data was stored, using an Excel spread sheet

3.4 Data analysis

Using the index in Annexure A, the measurement for each qualitative characteristic was ranked from 1 to 5, with 1 being the poorest fulfilment of the principle and 5 being the highest fulfilment of the principle of the qualitative characteristic (Van Beest et al., 2009). Each

measurement criterion for each qualitative characteristic was provided with equal weighting. The purpose of this is to ensure that subjective judgements are kept at a minimum and GRAP specifically requires that there should be a balance between the qualitative characteristics in an entity. To ensure that uniform scoring occurs during the data analysis process, the same rating measurement for each criterion was applied to each annual report.

Descriptive statistics provide a simple summary of the sample and describe what the data shows (Leedy & Ormrod, 2015). With inferential statistics, the researcher tries to infer a conclusion which extends beyond what the data represents (Leedy & Ormrod, 2015). The use of inferential statistics was inappropriate for this research study as the researcher only presents the results of the qualitative characteristics and does not infer any conclusion from the data presented.

The data from this research study was analysed using a descriptive analysis technique (Leedy & Ormrod, 2015).. The results have been summarised and presented using descriptive analysis. The descriptive analysis indicates to what extent the public sector entities fulfil the qualitative characteristics. The data analysis produced the mean, standard deviation, minimum, maximum and mode of the scores by each of the public entities (Creswell, 2013). The mean represents the sum of the scores divided by the total number of scores (Leedy & Ormrod, 2015). Standard deviation represents the variability in the scores obtained (Leedy & Ormrod, 2015). The mode represents the most common score obtained by the companies (Leedy & Ormrod, 2015).

Once the mean scores for each measurement criterion have been calculated the mean score for each qualitative characteristic was calculated. The mean scores produced demonstrated to what extent the companies fulfilled the qualitative characteristics. The standard deviation, minimum, maximum and mode helped to compare how all the companies did in relation to each other.

With regards to the qualitative characteristic of reliability, the additional characteristics required in order to achieve reliability namely, faithful representation, substance over form,

neutrality, completeness, prudence and understandability, were each provided with an equal weighting. The total score for the fulfilment of the qualitative characteristics was calculated by determining the mean score. The analysis was performed using the 21-item index adapted by Van Beest et al. (2009) and the two other measurement criteria which has been introduced in this study for prudence.

3.5 Validity and reliability

For a study to be valid it should answer the questions and meet objectives that the study aims to achieve, and reliability is about consistency and whether or not another researcher could obtain the research and reperform the study (White, 2003). This study has been completed using audited annual reports and so in terms of the International Standards on Auditing (ISA) would have issued an opinion on the fair representation of the information contained in the annual reports. This creates value as it shows the users of the financial statements that there is reasonable assurance that the information presented is free from material error. The information in the annual reports can, therefore, be relied on and a valid source of evidence in-order for the study to be performed. The study performed is a replication of a study performed by Van Beest et al. (2009). The research instrument was tested for internal validity by using the Krippendorff's alpha and the Cronbach's alpha (Cronbach, 1951; Krippendorff, 2007). This study adapts from the instrument used by Van Beest et al. (2009) and the measurement of this research can, therefore, be seen as valid and reliable.

For the determination of the fulfilment of the qualitative characteristics, there was a level of judgement or subjectivity. Subjectivity or judgement has in itself not caused a threat to the validity and reliability of this study (Unerman, 2000). This is since a sample of the annual reports were analysed by two separate researchers and the same results were obtained by each researcher, so the researcher's judgement and subjectivity have been relied upon in order to deliver reliable results.

CHAPTER 4: DATA ANALYSIS

4.1 Introduction

The purpose of this study is to assess the fulfilment of the qualitative characteristics for entities included in schedule 3A of the PFMA. This chapter provides an in depth analysis of the results obtained for each qualitative characteristic in terms of GRAP. Firstly, this chapter discusses the descriptive statistics for each qualitative characteristic measured in terms of GRAP. These qualitative characteristics include relevance, reliability, understandability, comparability and timeliness. Relevance includes other characteristics, which included, faithful representation, substance over form, neutrality, completeness and prudence.

4.2.1 Relevance

Information is relevant if it allows the users of the financial statements to evaluate if effective stewardship has been applied (ASB, 2004). Relevant information often has a predictive value, which is using past information to determine future earnings (IASB, 2013; Van Beest et al., 2009). Should relevance not exist, the ability of the users of the annual reports to make a prediction about future events becomes improbable. The inability to predict future consequences of the company results in an ineffective demonstration of accountability. Relevance has four different measures to determine its characteristic. These measures included:

- R1: To what extent does the entity provide forward looking information in order to provide reasonable expectations and predictions of the public sector company?
- R2: To what extent does the presence of non-financial information in terms of business opportunities and risks complement the financial information?
- R3: To what extent does the public sector company use fair value instead of historical cost?

- R4: To what extent do the reported results provide feedback to users of the annual report concerning how various market events and significant transactions have affected the public-sector company?

R1 obtained a mean score of 2.55 per table 4.1 and graph 4.1.1, with more than 50% of public sector companies obtaining a score of 3 per graph 4.1.2. This score was expected since the financial reporting framework follows an alternate model and the focus on forward looking events is far less than focusing on past information which is reliable.

R2 obtained a mean score of 3.55 per table 4.1 and graph 4.1.1, with most public sector companies obtaining a score of 3 and 4 per graph 4.1.2. As stated in the literature review, the presence of non-financial information which coincides with the financial information is imperative for effective stewardship to be demonstrated (ASB, 2010; Botosan, 1997; Padia & Yasseen, 2011; Van Beest et al., 2009; Yuthas et al., 2002). Obtaining these scores does, in fact, indicate that useful non-financial information is needed for users to make an adequate determination about whether adequate stewardship is present in the annual reports.

R3 obtained a mean score of 2.04 per table 4.1 and graph 4.1.1, with most companies obtaining a score of 2 per graph 4.1.2. This indicates that most public sector companies use mainly historical cost to prepare their financial statements. This would be expected due to the alternate model for the preparation of the financial statements, which favours information to be reliable over relevant (Whittington, 2008). A way of ensuring reliability is to prepare the financial statements using historical cost (Whittington, 2008).

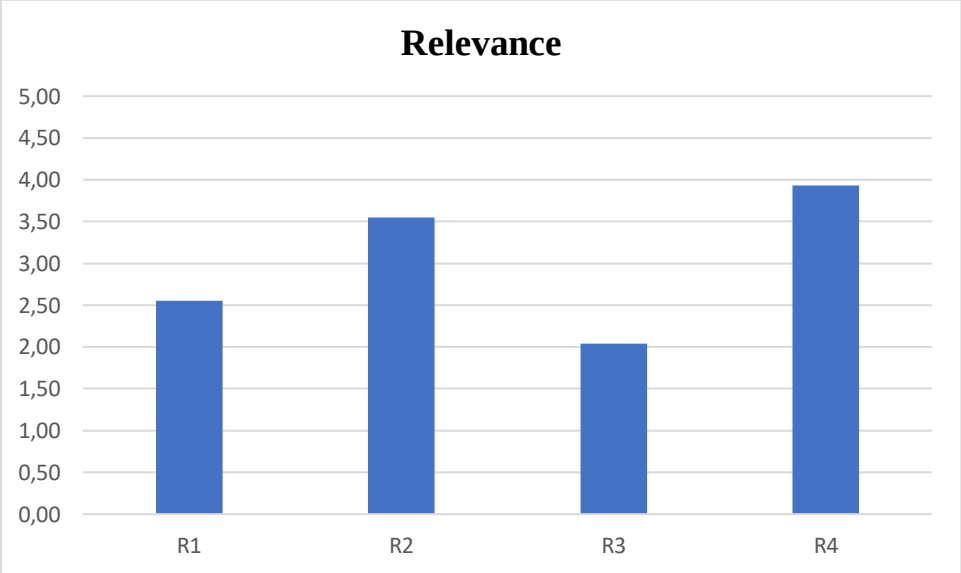
R4 obtained a mean score of 3.93 per table 4.1 and graph 4.1.1, with most companies obtaining a score of 4 per graph 4.1.2. This is the highest score obtained by the public sector in this study. This measurement was for feedback on various events. This indicates that the public sector

companies are showing effective stewardship by disclosing what has occurred in the operation during the year.

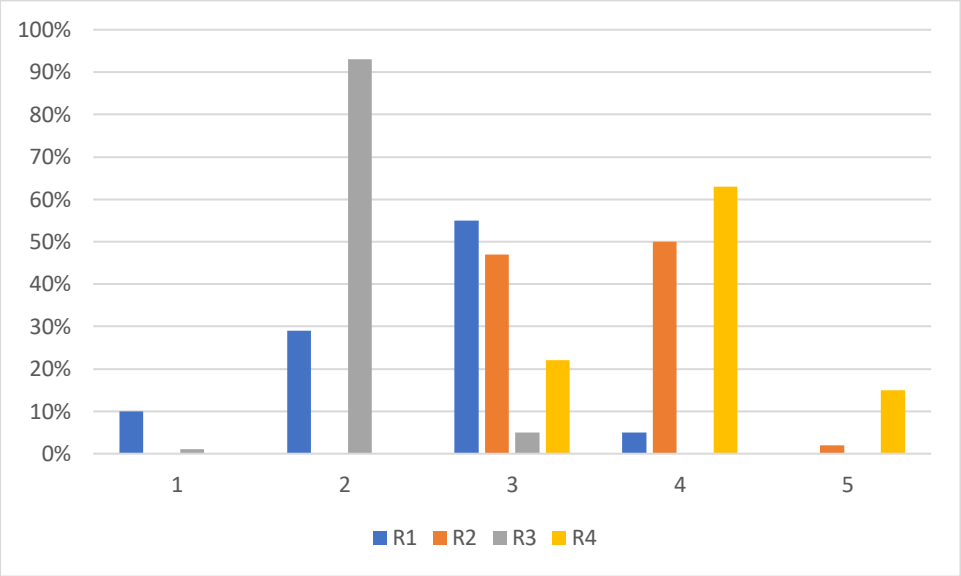
The total score obtained for relevance was 3.02 per table 4.1 and graph 4.1.1. The purpose of relevance is to provide a predictive value of future events (ASB, 2004). This predictive value is enhanced by the use of past events and transactions to predict future events (ASB, 2004). Based on the above discussion, the public sector companies present information on past events as opposed to presenting forward looking information. It is up to the user of the financial statements to use past information to predict future information. This total score is in line with the literature in which the alternate model uses past information to forecast the future (Whittington, 2008).

Qualitative characteristic	Mean	Standard deviation	Median	Mode	Minimum	Maximum
Relevance						
R1	2,55	0,75	3	3	1	4
R2	3,55	0,54	4	4	3	5
R3	2,04	0,25	2	2	1	3
R4	3,93	0,61	4	4	3	5

Table 4.1: Table representing the descriptive statistics for relevance



Graph 4.1.1: Bar chart representing the mean total scores of relevance



Graph 4.1.2: Bar chart representing the total scores obtained by the entities for relevance

4.2.2 Reliability

Reliability is made up of several other qualitative characteristics: these characteristics include faithful representation; substance over form; neutrality; completeness and prudence. These characteristics are discussed below.

4.2.2.1 Faithful representation

For information to be presented reliably it should present faithfully all events and circumstances which existed during the financial year (ASB, 2004). Faithful representation has four different measures to determine the fulfilment of this qualitative characteristic. These measures include:

- FR1: To what extent are valid arguments provided to support the decision for certain assumptions and estimates in the annual report?
- FR2: To what extent does the public sector company base its choice for certain accounting principles on valid arguments?
- FR3: Which type of auditor's report is included in the annual report?

- FR4: To what extent does the public sector company provide information on corporate governance?

FR1 had a mean score of 2.5 per table 4.2 and graph 4.2.1, with most public sector companies obtaining a score of between 2 and 3 per graph 4.2.2. This indicates poor performance on the part of the public sector to demonstrate to the users their arguments for the estimates in the financial statements. This could also indicate an unwillingness of the public sector to explain to the users of the financial statements why an estimate has been used.

FR2 had a mean score of 4.09 per table 4.2 and graph 4.2.1, with over 90% of the entities included in this study obtaining a score of 4 per graph 4.2.2. This is the highest score for faithful representation. Obtaining a high score would be expected since GRAP specifically requires an entity to disclose the reasoning for the accounting policies in their notes (ASB, 2010). Therefore, this indicates that the entities in this study are attempting to fulfil their mandate and to comply with GRAP.

FR3 obtained a mean score of 4.24 per table 4.2 and graph 4.2.1, with most of the public sector companies obtaining between 4 and 5 per graph 4.2.2. This indicates that the majority of the entities obtained an unqualified opinion. However, there has been identified weaknesses in the internal control systems. This could indicate the reasoning for the high levels of fraud and corruption is seen in the public sector and what could be because of the weaknesses in most of the entities included in this study.

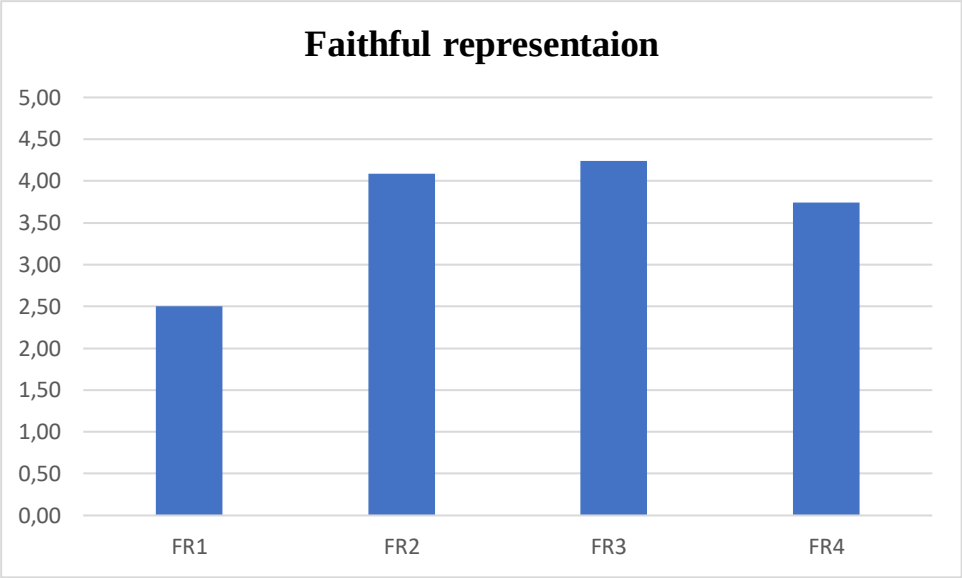
FR4 obtained a mean score of 3.74 per table 4.2 and graph 4.2.1, with 50% of the public sector companies obtaining a score of 4 per graph 4.2.2. This indicates that most public sector companies in this study do care about corporate governance and often pay extra attention on their disclosure for corporate governance. This could also indicate that entities are trying to "boiler plate" the requirements of corporate governance in order to satisfy the requirements of

the King Report of Governance of SA 2009 (the King Code) and show the public that they are demonstrating that they have effective stewardship.

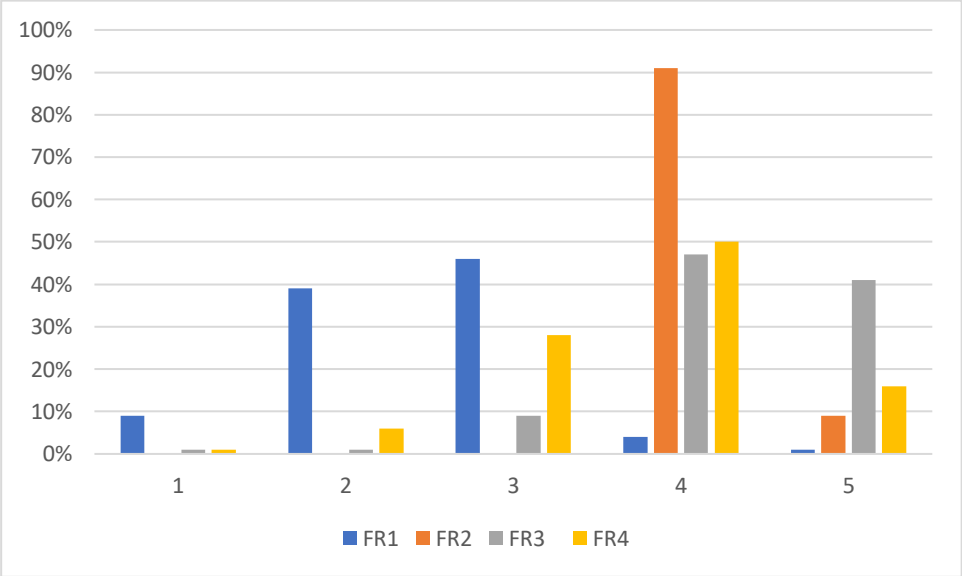
The total score from faithful representation was 3.64. For information to be faithfully presented all events and transactions that occurred during the year (ASB, 2004). Should be included based on the discussion under 4.2.2.1, public sector companies do not provide adequate explanation of various estimates included in their annual reports. The public sector companies do, however, provide information in line with the other measurement criteria. These measurement criteria include the explanation of the accounting principles and the audit report obtained.

Qualitative characteristic	Mean	Standard deviation	Median	Mode	Minimum	Maximum
Faithful representation						
FR1	2,5	0,78	3	3	1	5
FR2	4,09	0,28	4	4	4	5
FR3	4,24	0,8	4	4	1	5
FR4	3,74	0,82	4	4	1	5
Faithful representation total score	3,64	0,67	3,75	3,75	1,75	5

Table 4.2: Table representing the descriptive statistics for faithful representation



Graph 4.2.1 Bar graph representing the mean total scores of faithful representation



Graph 4.2.2: Bar graph representing the total scores obtained by the entities for faithful representation

4.2.2.2 Substance over form and neutrality

Substance over form refers to information being presented in a way which demonstrates the substance and economic reality of the transaction and does not just comply with the legal form of the event (ASB, 2004). Neutrality refers to information presented in the financial statements being free from bias, that the information presented should not be presented in a way which may materially affect the way in which a user makes a decision about the entity (ASB, 2004).

Substance over form and neutrality has two measurements for the fulfilment of the qualitative characteristics. These measures include:

- S1&N1: To what extent does the public sector company, in the discussion of the annual results, highlight the positive events as well as the negative events?
- S2&N2: Which type of auditor's report is included in the annual report?

S1 & N2 obtained a mean score of 3.45 per table 4.3 and graph 4.3.1, with majority of the public sector companies obtaining a score of between 3 and 4 per graph 4.3.2. This indicates that entities do disclose negative events, but the impact of those negative events is not mentioned in the annual reports. This could further indicate an attempt on the part of the entities to hide or down play the effects of some of the events during the year.

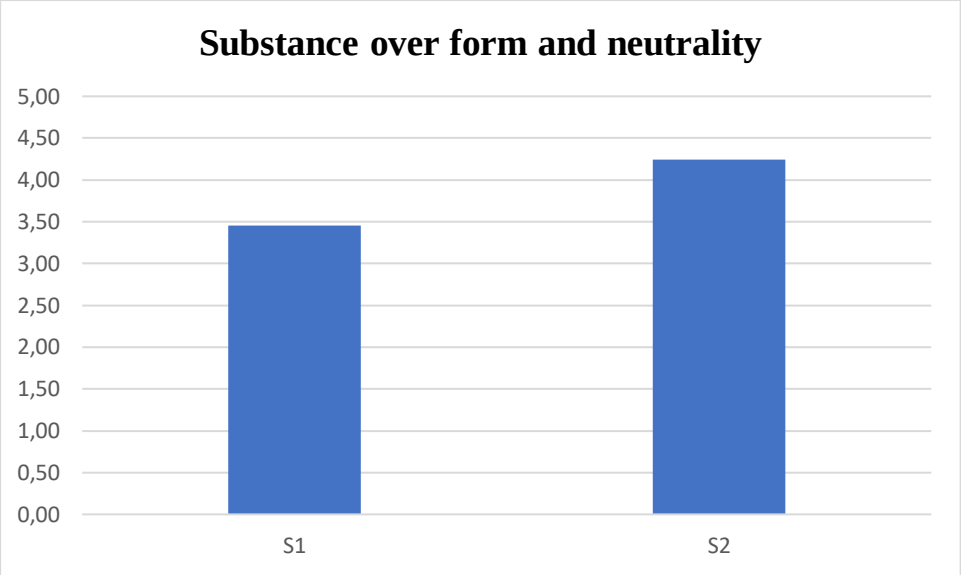
S2 & N2 obtained a mean score of 4.24 per table 4.3 and graph 4.3.1, with most of the public sector companies obtaining a score of between 4 and 5 per graph 4.3.2. This indicates that the majority of the entities obtained an unqualified opinion. (Please see the above discussion under 4.2.2.1 faithful representation for the full explanation.)

Substance over form and neutrality obtained a mean score of 3.85. Substance over form and neutrality must show the substance of the transaction and be free from bias (ASB, 2004). The fact that the public sector companies are disclosing the positive and negative events and are achieving mostly and unqualified audit opinion does show commitment on the part of the public sector companies to explain various economic rationale and to be free from bias (Jonas & Blanchet, 2000; Van Beest et al., 2009).

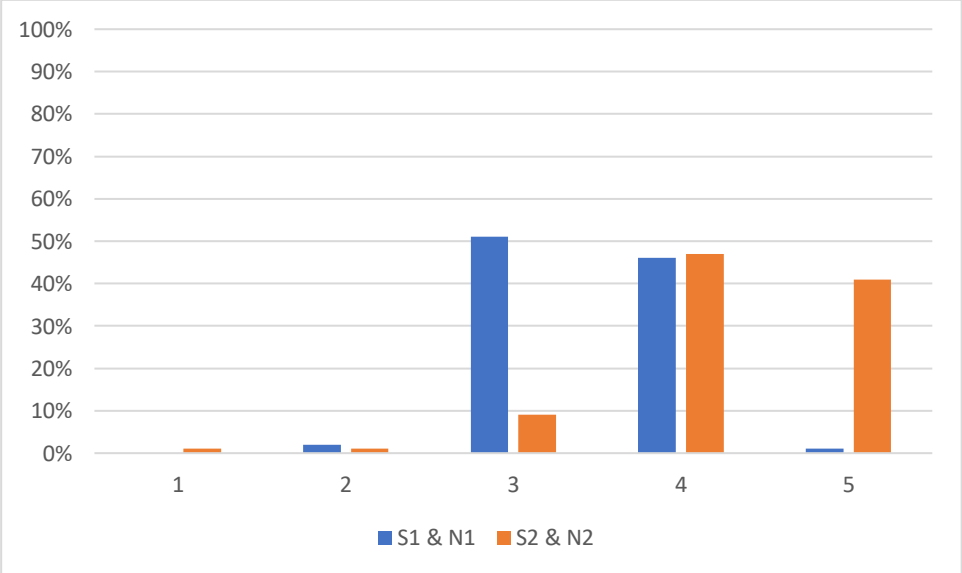
Qualitative characteristic	Mean	Standard deviation	Median	Mode	Minimum	Maximum
Substance over form and Neutrality						
S1 & N1	3,45	0,56	3	3	2	5
S2 & N2	4,24	0,8	4	4	1	5

Substance over form and Neutrality total score	3,85	0,68	3,5	3,5	1,5	5

Table 4.3: Table representing the descriptive statistics for substance over form and neutrality



Graph 4.3.1: Bar graph representing the mean total scores for substance over form and neutrality



Graph 4.3.2: Bar graph representing the total scores obtained by the entities for substance over form and neutrality

4.2.2.3 Completeness

Completeness uses two different measurements for the fulfilment of the qualitative characteristics. These measurements include:

- C1: To what extent does the public sector company provide information on corporate governance?
- C2: Which type of auditor's report is included in the annual report?

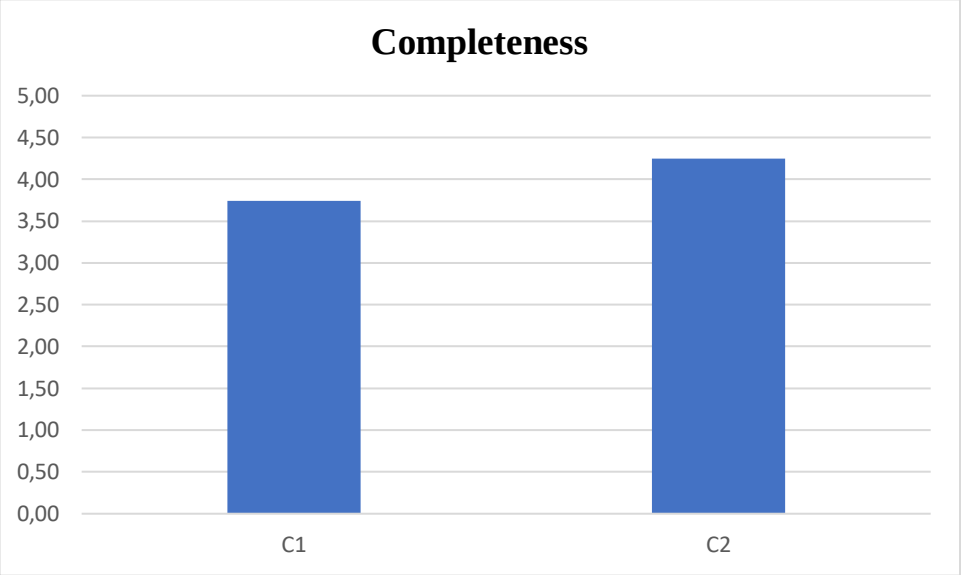
C1 obtained a mean score of 3.74 per table 4.4 and graph 4.4.1, with 50% of the public sector companies obtaining a score of 4 per graph 4.4.2. (See the above discussion under 4.2.2.1.)

C2 obtained a mean score of 4.24 per table 4.4 and graph 4.4.1, with most of the public sector companies obtaining a score of between 4 and 5 per graph 4.4.2. This indicates that the majority of the entities obtained an unqualified opinion. (See the above discussion under 4.2.2.1.)

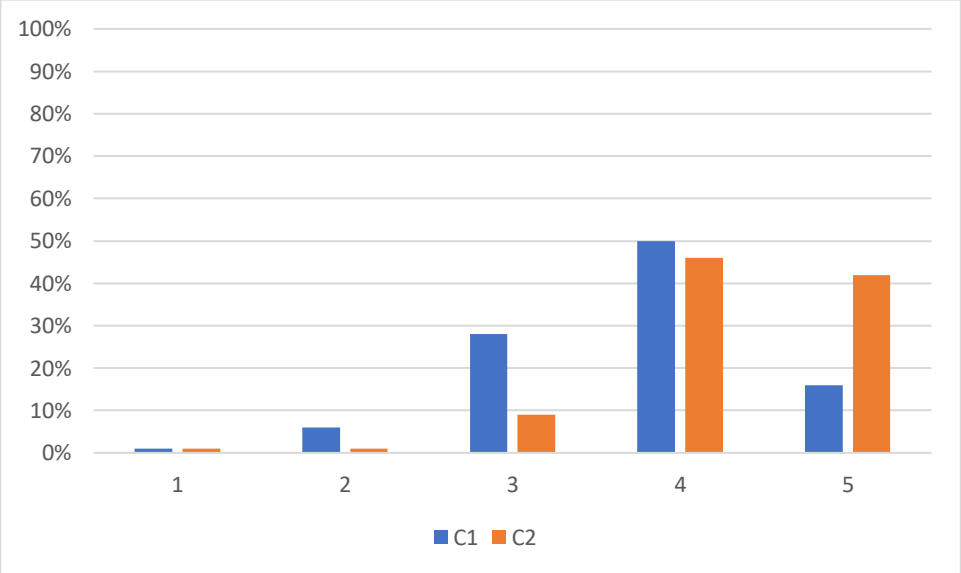
Completeness obtained a total mean score of 4 per table 4.4. Completeness requires that all information should be present (ASB, 2004). The fact that the public sector companies often have unqualified audit reports and have the presence of good corporate governance indicates that the information is, in fact, complete. Since the auditors often provide an unqualified opinion indicates that the information is complete (Maines & Wahlen, 2006). The fact that good corporate governance is in place shows that the correct processes are in place for information to be complete (Holland, 1999; Sloan, 2001).

Qualitative characteristic	Mean	Standard deviation	Median	Mode	Minimum	Maximum
Completeness						
C1	3,74	0,82	4	4	1	5
C2	4,25	0,80	4	4	1	5
Completeness total score	4,00	0,81	4	4	1	5

Table 4.4: Table representing the descriptive statistics for completeness



Graph 4.4.1: Bar graph representing the mean total scores for completeness



Graph 4.4.2: Bar graph representing the total scores obtained by the entities for completeness

4.2.2.4 Prudence

Prudence can be explained as the caution of estimates in the preparation of specific events or balances in the financial statements (ASB, 2004; Whittington, 2008). Prudence has two

different measurements for the fulfilment of the qualitative characteristic. These measurements include:

- P1: To what extent does the public sector company have any allowances or provisions present?
- P2: To what extent does the public sector company prepare financial statements using historical cost and is the entity solvent?

P1 obtained a mean score of 3.17 per table 4.5 and graph 4.5.1, with most of the public sector companies obtaining a score of 4 per graph 4.5.2, and the rest of the public sector companies obtaining a relatively even spread of scores between 1 and 3. This indicates that entities do create allowances and provisions and are cautious in the way in which they prepare their annual reports. The fact that no entity disclosed how accurate their measurements were in the past indicates that they are merely creating the provisions without comprehensive knowledge of what the expected outcome can be.

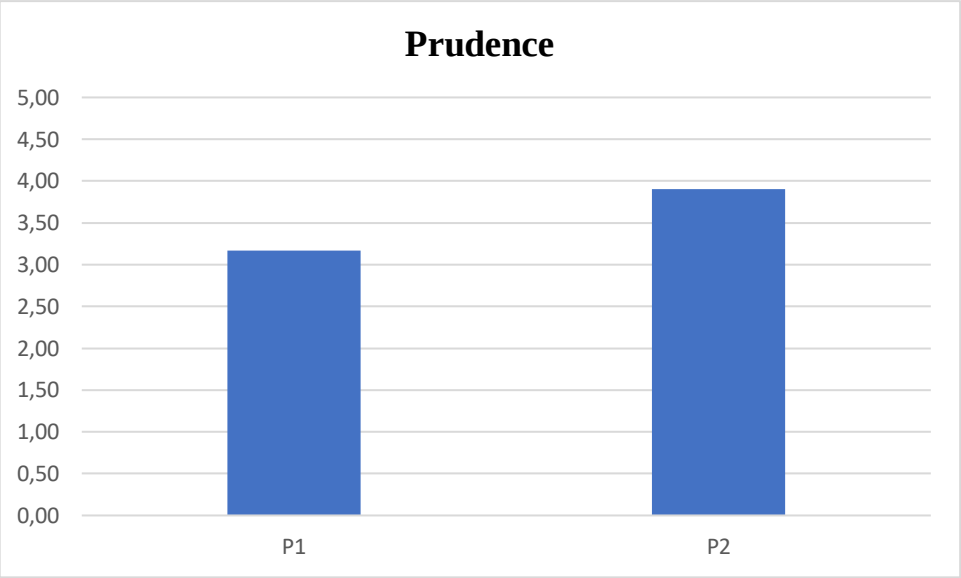
P2 obtained a mean score of 3.91 per table 4.5 and graph 4.5.1, with almost all public sector companies obtaining a score of 4 per graph 4.5.2. This indicates that most public sector companies prepare their financial statements using historical cost. This falls in line with the literature which stated that GRAP follows the alternate model in which past information that is disclosed using historical cost is seen as being more reliable than information disclosed at fair value (Whittington, 2008).

Prudence obtained a mean score of 3.54 per table 4.5. For information to be prudent it should be cautious in the estimates it uses in the preparation of the financial statements (ASB, 2004). Based on the literature, the public sector companies are cautious in the operations and do provide for future provisions. The high use of historic cost also falls in line with prior literature as the public sector companies follow the alternate model and the use of historic cost shows,

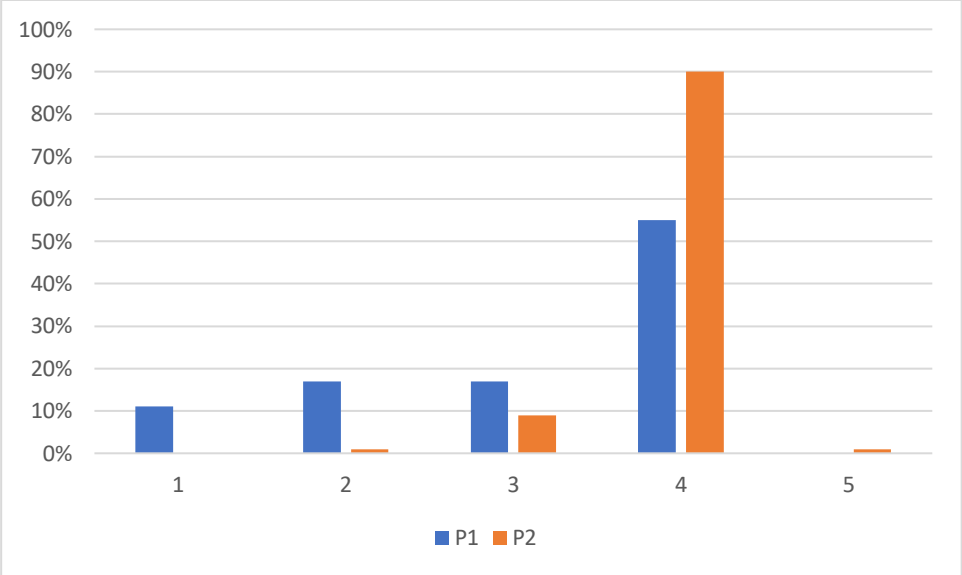
although cautiously, what the future economic benefits may be (Maltby, 2000; Whittington, 2008).

Qualitative characteristic	Mean	Standard deviation	Median	Mode	Minimum	Maximum
Prudence						
P1	3,17	1,07	4	4	1	4
P2	3,91	0,34	4	4	2	5
Prudence total score	3,54	0,70	4	4	1,5	4,5

Table 4.5: Table representing the descriptive statistics for prudence



Graph 4.5.1: Bar graph representing the mean total scores for prudence



Graph 4.5.2: Bar graph representing the total scores obtained by the entities for prudence

4.2.2.5 Reliability analysis

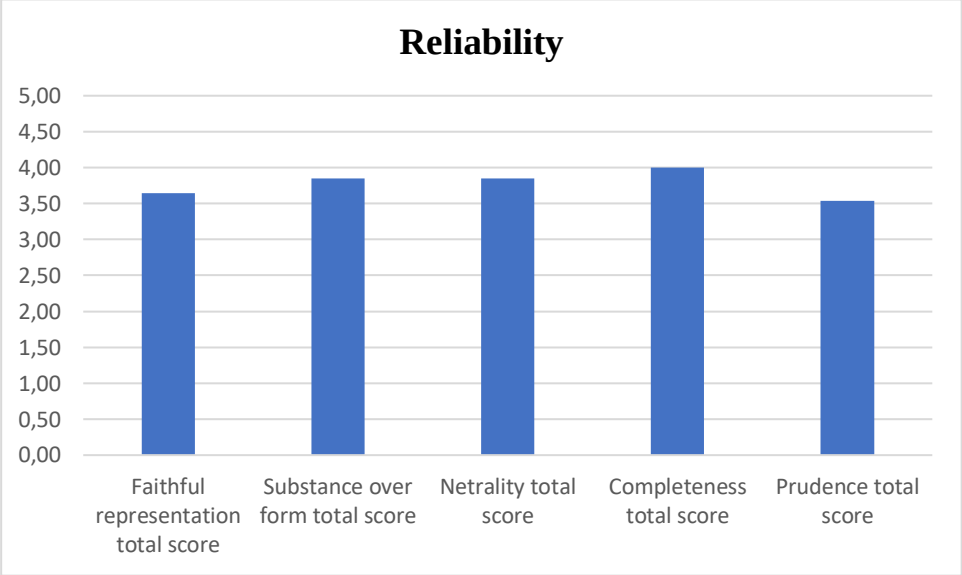
As mentioned previously, for information to be reliable it should meet the following qualitative characteristics; faithful representation, substance over form, neutrality, completeness, prudence and reliability.

The total mean score for reliability is 3.77 per table 4.6. Not achieving reliability may result in the information presented in the financial statements containing material errors and being faithfully presented (Johnson, 2005). As can be seen in table 4.6 and graph 4.6.1, the scores obtained for the qualitative characteristics which make up relevance are relatively even. This indicates that the public sector companies are achieving a balance between the qualitative characteristics in terms of GRAP. Obtaining relatively even scores indicates that the information is reasonably free from material errors.

Qualitative characteristic	Mean	Standard deviation	Median	Mode	Minimum	Maximum
Reliability						
Faithful representation	3,64	0,67	3,75	3,75	1,75	5

Substance over form	3,85	0,68	3,5	3,5	1,5	5
Neutrality	3,85	0,68	3,5	3,5	1,5	5
Completeness	4,00	0,81	4	4	1	5
Prudence	3,54	0,70	4	4	1,5	4,5
Reliability total score	3,77	0,71	3,75	3,75	1,45	4,9

Table 4.6: Table representing the descriptive statistics for reliability



Graph 4.6 Bar graph representing the mean scores for reliability

4.2.3 Understandability

In order for information to be understandable it should be easy to understand and follow, the information should be classified, characterized, and presented clearly and concisely (ASB, 2004; Van Beest et al., 2009). Understandability has five different measurements for the fulfilment of this qualitative characteristic. These measurements include:

- U1: To what extent is the annual report presented in a well organized manner?
- U2: To what extent are the notes to the financial statements presented in a clear manner?
- U3: To what extent does the presence of graphs and tables explain the presented information?
- U4: To what extent is the use of language and technical jargon in the annual report easy to follow?

- U5: What is the size of the glossary?

U1 obtained a mean score of 3.4 per table 4.7 and graph 4.7.1, with most public sector companies obtaining a score of between 3 and 4 per graph 4.7.2. This shows that the information provided is to an extent presented in a well organised way. A more rigid structure of the reports could be provided and a summary at the end of each subsection could have been included in the annual reports.

U2 obtained a mean score of 3.53 per table 4.7 and graph 4.7.1, with most public sector companies obtaining a score of between 3 and 4 per graph 4.7.2. This shows that the public sector companies are providing sufficient explanation for the note disclosure. Public sector companies are, however, providing little explanation for the more difficult areas of understanding in their note disclosure. This indicates that the public sector companies may be preparing the note disclosure's purely as a means of fulfilling the requirements in terms of GRAP.

U3 obtained a mean score of 4.93 per table 4.7 and graph 4.7.1, public sector companies obtained a score of 5 per graph 4.7.2. This indicates that the preparers of the annual reports understand that the users of the annual reports do not necessarily want to read through pages of information. They realise that presenting graphs and tables of information is far easier for users to understand.

U4 obtained a mean score of 2.89 per table 4.7 and graph 4.7.1, with most public sector companies obtaining a score of 3 per graph 4.7.2. This shows that in the various annual reports there is a certain degree of industry jargon. This then further indicates that when there is industry jargon the entities do explain the text.

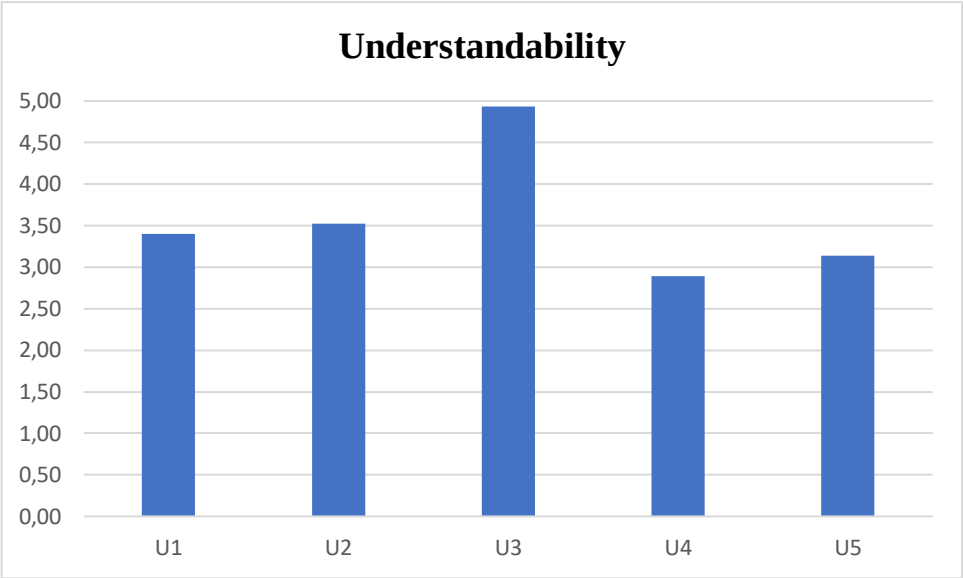
U5 obtained a mean score of 3.14 per table 4.7 and graph 4.7.1, with most public sector companies obtaining a score relatively spread across all the scores per graph 4.7.2. This

indicates that the public sector companies are not consistent in the presentation and length of the glossary provided. Most public sector companies do, however, provide a glossary which does help in the achievement of understandability.

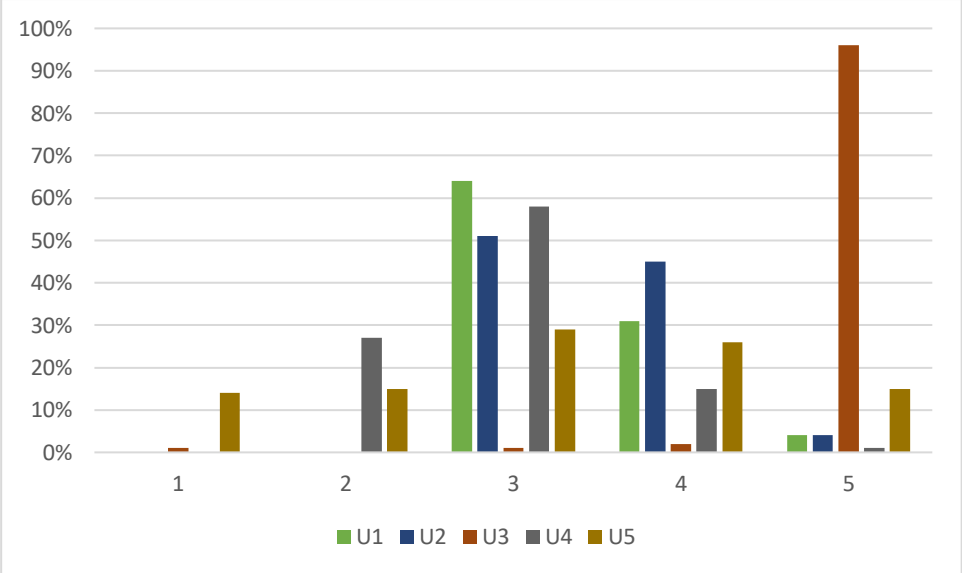
The total mean score obtained for understandability is 3.59. Based on the above discussion, the public sector entities do make their annual reports understandable by organising them in a well organised manner and using visual aids to assist the users to make an adequate determination of effective stewardship. This finding is in line with Dimi et al. (2014). One of the issues that has been identified in this study is that when industry jargon does exist, the public sector companies do explain this jargon, however, the public sector companies should have a more thorough explanation of industry jargon.

Qualitative characteristic	Mean	Standard deviation	Median	Mode	Minimum	Maximum
Understandability						
U1	3,4	0,57	3	3	3	5
U2	3.53	0.57	3	3	3	5
U3	4,93	0,41	5	5	1	5
U4	2,89	0,66	3	3	2	5
U5	3,14	1,26	3	3	1	5
Understandability total score	3,59	0,72	3,5	3,5	1,75	5

Table 4.7: Table representing the descriptive statistics for understandability



Graph 4.7.1 Bar chart representing the mean total scores of understandability



Graph 4.7.2: Bar graph representing the total scores obtained by the entities for understandability

4.2.4 Comparability

For information presented in the financial statements to be comparable, the users should be able to compare the financial information provided between different years and between different entities (ASB, 2004). Not achieving comparability implies that there is no uniformity between different companies (Barlev & Haddad, 2007). Users of the annual reports will, therefore, not

be able to determine if effective stewardship has been applied in relation to the other companies. Comparability has six different measures. These measures include:

- C1: To what extent do the notes to changes in accounting policies explain the implications of the change?
- C2: To what extent do the notes to revisions in accounting estimates and judgements explain the implications of the revision?
- C3: To what extent do the public sector companies adjust previous accounting periods figures for the effect of the implementation of a change in accounting policy or revisions in accounting estimates?
- C4: To what extent does the public sector companies provide a comparison of the results of the current accounting period with previous accounting periods?
- C5: To what extent is the information in the annual report comparable to information provided by other organizations?
- C6: To what extent does the public sector company present financial index numbers and ratios in the annual report?

C1 obtained a mean score of 4.98 per table 4.8 and graph 4.8.1, where most public sector companies obtained a score of 5 per graph 4.8.2. This shows that the majority of public sector companies have not changed their accounting policies. If they had, they would have provided a comprehensive explanation for the changes.

C2 obtained a mean score of 3.17 per table 4.8 and graph 4.8.1, with most public sector companies obtaining a score of between 3 and 4 per graph 4.8.2. This indicates that there were no revisions in the estimates or judgements that existed at the public sector companies. This further indicates that when there is a change in the estimates or judgements, the public sector companies provide clear notes with implications of the change. This shows effective

stewardship on the part of the public sector companies as it allows the users to see what the effects of the are changes and to make an adequate determination about whether the change was in the best interest of the company.

C3 obtained a mean score of 2.23 per table 4.8 and graph 4.8.1, with most public sector companies obtaining a score of between 1 and 3 per graph 4.8.2. This shows that when there was a change in the accounting policy, most public sector companies did not provide sufficient adjustment for the changes. This shows that when changes are made, most entities only show a one-year adjustment as opposed to showing a more comprehensive adjustment for these changes.

C4 obtained a mean score of 2.2 per table 4.8 and graph 4.8.1, with most public sector companies obtaining a score of 2 per graph 4.8.2. This shows that most public sector companies are only showing the previous year's financial results. GRAP 1 specifically states that, at a minimum, only the previous financial years financial results be disclosed (ASB, 2010). This indicates that the entities included in this study are doing the bare minimum to demonstrate their stewardship.

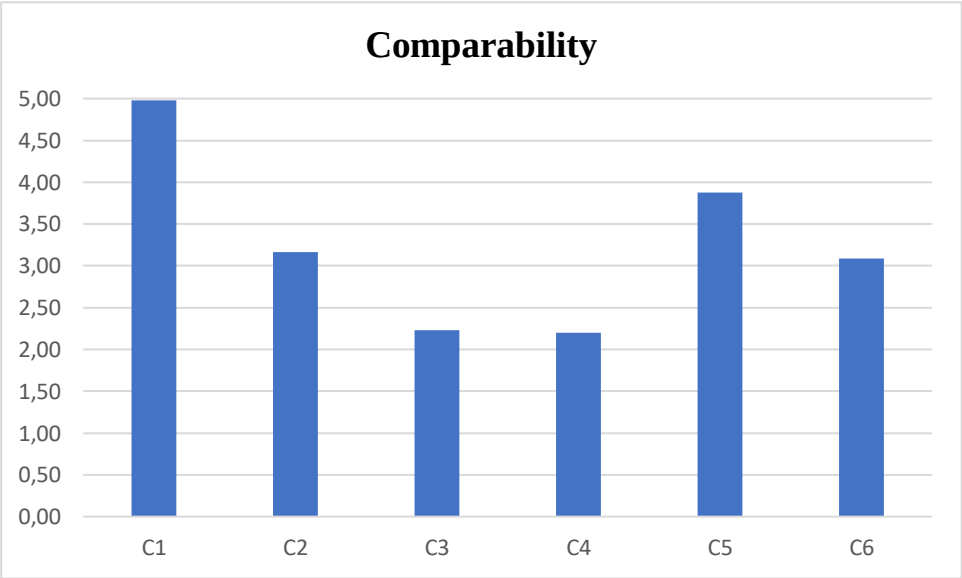
C5 obtained a mean score of 3.88 per table 4.8 and graph 4.8.1, with most public sector companies obtaining a score of 4 per graph 4.8.2. This indicates that most entities prepare their annual reports in a similar manner to other entities included in this study. This shows a high level of comparability between the different public sector companies.

C6 obtained a mean score of 3.09 per table 4.8 and graph 4.8.1, most public sector companies obtained a score that was evenly spread between the different scores with most public sector companies obtaining a score of 3 per graph 4.8.2. This shows that public sector companies do disclose some ratios, but most public sector companies don't disclose sufficient ratios for entities to be comparable with each other.

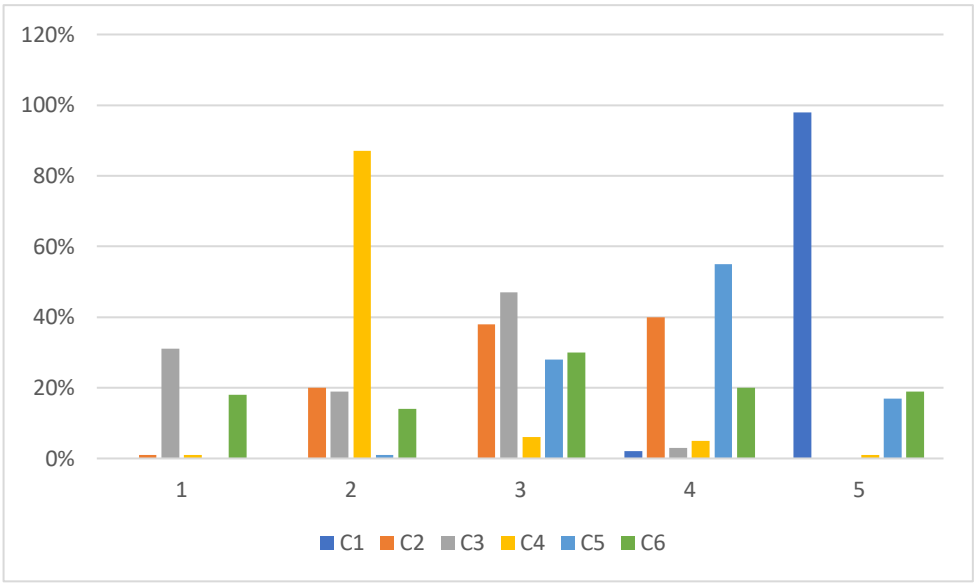
Comparability achieved a mean total score of 3.26 per table 4.8: Comparability requires information across different years and other entities (ASB, 2004). Based on the above scores, the public sector companies are comparable between different companies by presenting the information in a similar way to other entities and providing ratios to make the companies comparable. An area that the public sector companies neglect is disclosing more than one year for a comparison. These results are similar to the results obtained by Dimi et al. (2014).

Qualitative characteristic	Mean	Standard deviation	Median	Mode	Minimum	Maximum
Comparability						
C1	4,98	0,15	5	5	4	5
C2	3,17	0,8	3	4	1	4
C3	2,23	0,92	3	3	1	4
C4	2,2	0,6	2	2	1	5
C5	3,88	0,68	4	4	2	5
C6	3,09	1,34	3	3	1	5
Comparability total score	3,26	0,75	3,33	3,5	1,67	4,67

Table 4.8: Table representing the descriptive statistics for comparability



Graph 4.8.1 Bar chart representing the mean total scores of comparability



Graph 4.8.2: Bar graph representing the total scores obtained by the entities for comparability

4.2.5 Timeliness

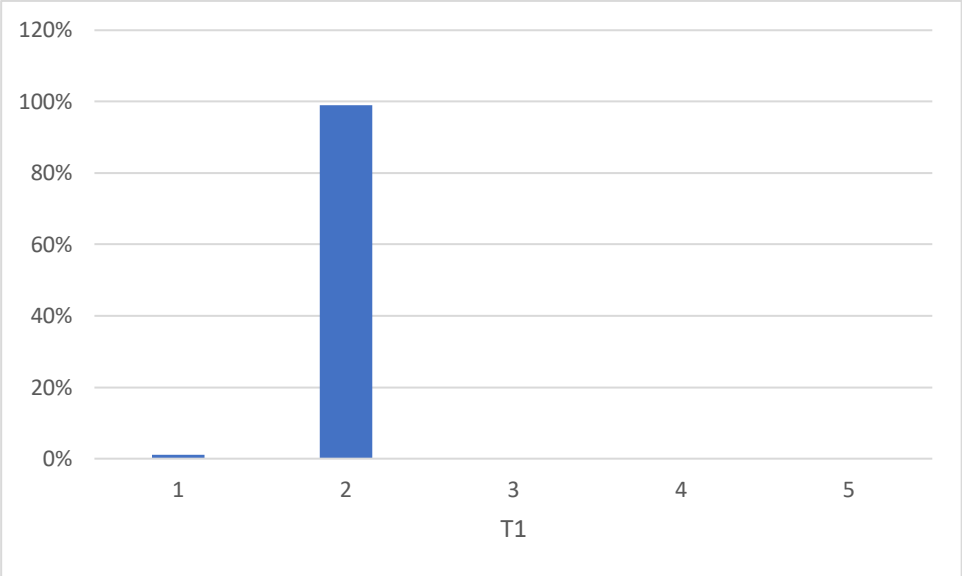
Should information not be disclosed in a timely manner, that information will lose its relevance for the users of the financial statements to make decisions (ASB, 2004). Timeliness only has one measurement for the fulfilment of the qualitative characteristics. This measurement is:

- T1: How many days did it take for the auditor to sign the auditor's report after book year-end?

T1 obtained a mean score of 1.99 per table 4.9, with 99% of the public sector companies included in this study obtaining a score of 2 per graph 4.9. This indicates that most public sector companies took over 100 days from the year-end until the date on which the audit report was signed. This is an excessive amount of time for an audit report to be signed. This indicates that the information presented has taken too long to be presented to the users of the financial statements in order for them to make informed decisions about the company. This will then cause the information to lose its usefulness. This is not in line with the studies performed by both Dimi et al. (2014) and Van Beest et al. (2009), which obtained a far higher score for timeliness.

Qualitative characteristic	Mean	Standard deviation	Median	Mode	Minimum	Maximum
Timeliness						
T1	1,99	1,99	1,99	1,99	1,99	1,98

Table 4.9: Table representing the descriptive statistics for timeliness



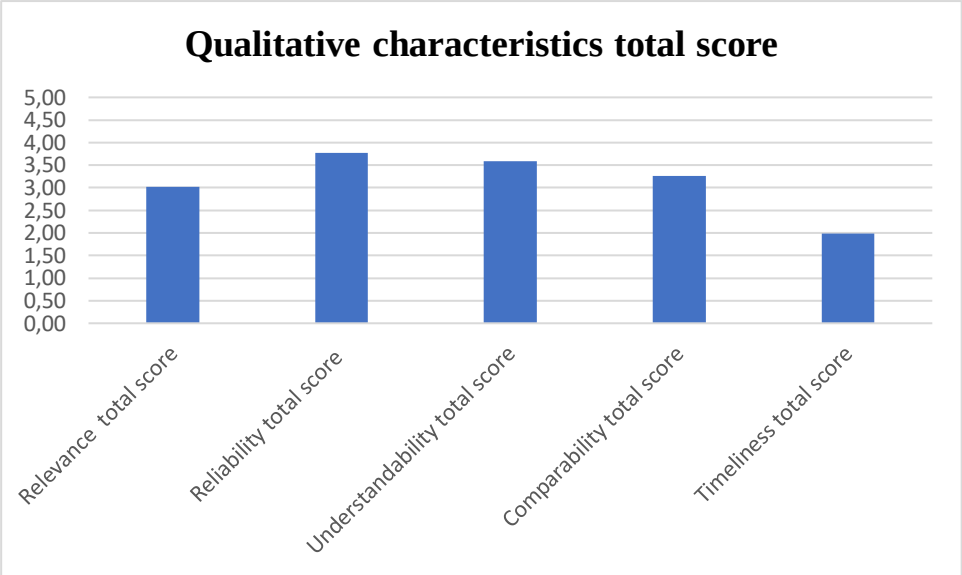
Graph 4.9: Bar graph representing the total scores obtained by the entities for timeliness

4.3 Analysis of qualitative characteristics

The total final mean score for the qualitative characteristics amounts to 3.12 per table 4.10. This shows that public sector companies meet the qualitative characteristics. The score obtained is however, relatively low and the public sector companies should aim at improving the overall score. As can be seen in graph 4.10, public sector companies obtained a relatively even set of results for relevance, reliability, understandability and comparability. This satisfies the criteria in terms of GRAP which require there be a balance of characteristics (ASB, 2004). The main issue identified is the achievement of timeliness. A low score for timeliness results in the information losing its usefulness. For the public sector companies to improve the overall score obtained this information must be improved. These results are similar to the results obtained by both Dimi et al. (2014) and Van Beest et al. (2009). The only area in which there is a serious weakness for the public sector companies is the timeliness of the information presented.

Qualitative characteristic total score	Mean	Standard deviation	Median	Mode	Minimum	Maximum
Relevance	3,02	0,54	3,25	3,25	2	4,25
Reliability	3,77	0,71	3,75	3,75	1,45	4,9
Understandability	3,59	0,72	3,5	3,5	1,75	5
Comparability	3,26	0,75	3,33	3,5	1,67	4,67
Timeliness	1,99	0,12	2	2	1	2
Total score	3,12	0,57	3,17	3,2	1,574	4,164

Table 4.10.1Table representing the descriptive statistics for the qualitative characteristics



Graph 4.10 Bar graph representing the total scores obtained by the public sector entities for the qualitative characteristics

CHAPTER 5- CONCLUSION AND RECOMMENDATIONS

The purpose of this study is to determine to what extent public sector companies fulfil the qualitative characteristics. This study has used an adapted version of a 21 item index developed by Van Beest et al. (2009). This index has been adapted in order for it to be applicable to the GRAP reporting framework. In terms of GRAP, the preparers are specifically required to present useful information, in order for the company to demonstrate effective stewardship. For information to be useful and to demonstrate accountability, the public sector company must follow the qualitative characteristics.

In order to assess the qualitative characteristics, the researcher looked at companies included in schedule 3A of the PFMA. Schedule 3A contains 154 companies that were to be included in this research. During the data collection process, the researcher was only able to acquire 137 annual reports for entities included in schedule 3A of the PFMA. The reasons for these annual reports not being included is that the annual reports were not available, or the annual reports were not complete. The first conclusion which can be drawn from this study is that the 16 companies which did not have annual reports are not demonstrating effective stewardship if they don't present annual reports to the public.

As per the research, the researcher identified that the public sector companies do, in fact, fulfil the qualitative characteristics of relevance, reliability, understandability and comparability. This is seen in the relatively even score of between 3 and 3.6 obtained for the qualitative characteristics. This shows a relatively average score and does indicate that the public sector companies can improve the scores to show effective stewardship. One of the areas which can be improved is for companies to provide adequate feedback for the assumptions and estimates used in the preparation of the annual reports and to provide explanations for the various decisions and changes which occurred during the year. The public sector companies did, however, obtain poor results when it came to timeliness. This was due to the extended period

from the financial year-end and the date on which the financial results were signed. For information to be useful it must be presented in time, and this has not occurred. As a recommendation, the public sector companies and the AG should aspire to provide the audited annual reports to the public in a timely manner.

Areas of future research are possibly to identify trends in the qualitative characteristics for several years of the public sector companies included in this study. The qualitative characteristics of public sector companies in other countries could be compared to the public sector companies in South Africa. Research can also aim to identify other measures of accountability: measures can be tested for possible correlations existing between the qualitative characteristics and these other measures of accountability. Another proposed measure of accountability would be for further research beyond the annual report for various events which occurred. This information will then be compared to the information included in the annual reports.

BIBLIOGRAPHY

- Accounting Standards Board (ASB). (2004). Framework for the preparation and presentation of financial statements.
- Accounting Standards Board (ASB). (2010). Presentation of financial statements (GRAP 1).
- Accounting Standards Board (ASB). (2017). Welcome to The Accounting Standards Board. Retrieved from http://www.asb.co.za/
- Barlev, B., & Haddad, J. R. (2007). Harmonization, comparability, and fair value accounting. *Journal of Accounting, Auditing & Finance*, *22*(3), 493-509.
- Beretta, S., & Bozzolan, S. (2004). A framework for the analysis of firm risk communication. *The International Journal of Accounting*, *39*(3), 265-288.
- Black, J. (2008). Constructing and contesting legitimacy and accountability in polycentric regulatory regimes. *Regulation & Governance*, *2*(2), 137-164.
- Blume, L. E., & Easley, D. (1984). On the Game Theoretic Foundations of Market Equilibrium with Asymmetric Information.
- Botosan, C. A. (1997). Disclosure level and the cost of equity capital. *Accounting review*, 323-349.
- Botosan, C. A. (2006). Disclosure and the cost of capital: what do we know? *Accounting and Business Research*, *36*(sup1), 31-40.
- Bray, M. (2013). *The Business Case for Integrated Reporting*. KPMG in Australia.
- Business Tech (Producer). (2015). This is how much of your money the government is wasting. Retrieved from https://businesstech.co.za/news/government/97575/this-is-how-much-of-your-money-the-government-is-wasting/
- Companies Act, No. 71 of 2008. South Africa

- Courtis, J. K. (1995). Readability of annual reports: Western versus Asian evidence. *Accounting, Auditing & Accountability Journal, 8*(2), 4-17.
- Creswell, J. W. (2013). Research design: Qualitative, quantitative, and mixed methods approaches. *Sage publications*.
- Cronbach, L. J. (1951). Coefficient alpha and the internal structure of tests. *psychometrika, 16*(3), 297-334.
- Dechow, P. M., Sloan, R. G., & Sweeney, A. P. (1996). Causes and consequences of earnings manipulation: An analysis of firms subject to enforcement actions by the SEC. *Contemporary Accounting Research, 13*(1), 1-36.
- Dimi, L. O., Padia, N., & Maroun, W. (2014). The usefulness of South African annual reports as at December 2010. *Journal of Economic and Financial Sciences, 7*(1), 35-52.
- Eisenhardt, K. M. (1989). Agency theory: An assessment and review. *Academy of management review, 14*(1), 57-74.
- Erasmus, L. (2008). Financial performance in terms of the PFMA-what does it mean? *Southern African Journal of Accountability and Auditing Research, 8*(1), 57-66.
- EY. (2010). IFRS for small and medium-sized entities: A comparison with IFRS — the basics.
- Gaeremynck, A., & Willekens, M. (2003). The endogenous relationship between audit-report type and business termination: Evidence on private firms in a non-litigious environment. *Accounting and Business Research, 33*(1), 65-79.
- Gibson, K. (2000). The moral basis of stakeholder theory. *Journal of Business Ethics, 26*(3), 245-257.
- Global Reporting Initiative (GRI). (2004). Public Agency Sustainability Reporting: A GRI Resource Document In Support of the Public Agency Sector Supplement Project.

- Government Accounting Standards Board (GASB). (1987). Concepts Statement No. 1 of the Governmental Accounting Standards Board.
- Gray, S. J., Meek, G. K., & Roberts, C. B. (1995). International capital market pressures and voluntary annual report disclosures by US and UK multinationals. *Journal of International Financial Management & Accounting, 6*(1), 43-68.
- Greco, G., Sciulli, N., & D'Onza, G. (2015). The influence of stakeholder engagement on sustainability reporting: evidence from Italian local councils. *Public Management Review, 17*(4), 465-488.
- Healy, P. M., & Palepu, K. G. (2001). Information asymmetry, corporate disclosure, and the capital markets: A review of the empirical disclosure literature. *Journal of accounting and economics, 31*(1), 405-440.
- Holland, J. (1999). Financial reporting, private disclosure and the corporate governance role of financial institutions. *Journal of Management and Governance, 3*(2), 161-187.
- IFRS. (2017). IFRS- About us Retrieved from http://www.ifrs.org/about-us/who-we-are/
- International Accounting Standards Board (IASB). (2007). Exposure draft on the proposed IFRS for small and medium-sized entities.
- International Accounting Standards Board (IASB). (2013). The Conceptual Framework For Financial Reporting 2010.
- International Public-Sector Accounting Standards board (IPSASB). (2017). About IPSASB. Retrieved from https://www.ipsasb.org/about-ipsasb
- Iu, J. W., & Clowes, C. (2004). *Evaluating a measure of content quality for accounting narratives (with an empirical application to narratives from Australia, Hong Kong, and the United States).* Paper presented at the Fourth Asia Pacific Interdisciplinary Research in Accounting Conference APIRA 2004 Proceedings.

- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of financial economics, 3*(4), 305-360.
- Johnson, L. T. (2005). Relevance and reliability. *The FASB report, 2*.
- Johnson, R. B., & Onwuegbuzie, A. J. (2004). Mixed methods research: A research paradigm whose time has come. *Educational researcher, 33*(7), 14-26.
- Johnson, R. B., Onwuegbuzie, A. J., & Turner, L. A. (2007). Toward a definition of mixed methods research. *Journal of mixed methods research, 1*(2), 112-133.
- Jonas, G. J., & Blanchet, J. (2000). Assessing quality of financial reporting. *Accounting Horizons, 14*(3), 353-363.
- Jones, M. J., & Shoemaker, P. A. (1994). Accounting narratives: A review of empirical studies of content and readability. *Journal of Accounting Literature, 13*, 142.
- Koppesschaar, J. R., Sturdy, J., Toit du, E., Deysel, D. J., Rossouw, J., Wyk van, H. A., . . . Merwe van der, C. M. (2013). *Descriptive Accounting- IFRS Focus* (Vol. 18).
- KPMG. (2012). *Integrated Reporting issue 2: Performance insight through better business reporting.*
- Krippendorff, K. (2007). Computing Krippendorff's alpha reliability. *Departmental papers (ASC)*, 43.
- Leedy, P. D., & Ormrod, J. E. (2015). *Practical Research- Planning and DEsign*: Pearson.
- Lodhia, S. K., & Burritt, R. L. (2004). Public sector accountability failure in an emerging economy: The case of the National Bank of Fiji. *International Journal of Public Sector Management, 17*(4), 345-359.
- Madue, S. (2007). Public Finance Management Act, 1 of 1999-a compliance strategy. *Politeia, 26*(3), 306-318.

- Maines, L. A., & Wahlen, J. M. (2006). The nature of accounting information reliability: Inferences from archival and experimental research. *Accounting Horizons, 20*(4), 399-425.
- Makwetu, K. T. (2017a). 2017 PFMA Media Release [Press release]. Retrieved from https://www.agsa.co.za/Portals/0/PFMA/201617/Media%20Releases/2017%20PFMA%20Media%20Release%20FINALISED.pdf
- Makwetu, K. T. (2017b). In Brief- The Auditor-General of Soith Africa. In A. G. S. Africa (Ed.).
- Maltby, J. (2000). The origins of Prudence in Accounting.
- Maroun, W. (2011). IFRS 11: accounting for joint arrangements: accounting. *Without Prejudice, 11*(7), 38-40.
- Maroun, W., & van Zijl, W. (2016). Isomorphism and resistance in implementing IFRS 10 and IFRS 12. *The British Accounting Review, 48*(2), 220-239.
- Marx, B., & Mohammadali-Haji, A. (2014). Emerging Trends in Reporting: An Analysis of Integrated Reporting Practices by South African Top 40 Listed Companies. *Journal of Economic and Financial Sciences*, 231-250.
- Mbo, M. (2017). *Drivers of organisational performance: a state owned enterprise perspective*. Stellenbosch: Stellenbosch University,
- McMullen, D. A. (1996). Audit committee performance: An investigation of the consequences associated with audit committees. *Auditing*, *15*(1), 87.
- Morungwa, L. P. (2015). A comparative study on strategy disclosure between emerging markets and developed markets.
- Murphy, T., O'Connel, V., & O hOgartaigh, C. (2013). Discourses surrounding the evolution of the IASB/FASB Conceptual Framework: What they reveal about the "living law" of accounting. *Accounting, Organization and Society, 38(1)*, 72-91.

- Nellis, J. R. (1986). Public Enterprises in Sub-Saharan Africa.
- Newman, I., & Benz, C. R. (1998). *Qualitative-quantitative research methodology: Exploring the interactive continuum*: SIU Press.
- Obaidat, A. N. (2007). Accounting information qualitative characteristics gap: Evidence from Jordan. *International Management Review, 3*(2), 26.
- Padia, N., & Yasseen, Y. (2011). An examination of strategy disclosure in the annual reports of South African listed companies. *South African Journal of Business Management, 42*(3), 27-35.
- Patton, J. M. (1992). Accountability and governmental financial reporting. *Financial Accountability & Management, 8*(3), 165-180.
- Pendlebury, M., Jones, R., & Karbhari, Y. (1994). Developments in the accountability and financial reporting practices of executive agencies. *Financial Accountability & Management, 10*(1), 33-46.
- PFMA. (1999). Public Finance Management Act no. 1 of 1999.
- PWC. (2015). State-Owned Enterprises Catalysts for public value creation?
- Ravenscroft, S., & Williams, P. F. (2009). Making imaginary worlds real: The case of expensing employee stock options. *Accounting, Organization and Society, 34 (6-7),* 770-786.
- Ross, S. A. (1973). The economic theory of agency: The principal's problem. *The American Economic Review, 63*(2), 134-139.
- Sands, V. J. (2004). Regulatory independence, public accountability and the Victorian prison system. *Australian Journal of Public Administration, 63*(4), 50-58.
- Santema, S., & Van de Rijt, J. (2001). Strategy disclosure in Dutch annual reports. *European Management Journal, 19*(1), 101-108.

- Saunders, M., Lewis, P., & Thornhill, A. (2009). *Research methods for business students*. Harlow: Pearson.
- Sikka, P., Willmott, H., & Lowe, T. (1989). Guardians of Knowledge and Public Interest: Evidence and Issues of Accountability in the UK Accountancy Profession. *Accounting, Auditing & Accountability Journal, 2*(2).
- Sinclair, A. (1995). The chameleon of accountability: Forms and discourses. *Accounting, organizations and society, 20*(2-3), 219-237.
- Sloan, R. G. (2001). Financial accounting and corporate governance: a discussion. *Journal of accounting and economics, 32*(1), 335-347.
- South Africa. (1996). The Constitution of the Republic of South Africa, Act 108 of 1996.
- Sumit, L., K., & Rodger, L., B. (2004). Public sector accountability failure in an emerging economy- The case of the National Bank of Fiji. *The International Journal of Public Sector Management, Vol 17*(No. 4), 345- 359.
- Tongco, M. D. C. (2007). Purposive sampling as a tool for informant selection. *Ethnobotany Research and Applications, 5*, 147-158.
- Unerman, J. (2000). Methodological issues-Reflections on quantification in corporate social reporting content analysis. *Accounting, Auditing & Accountability Journal, 13*(5), 667-681.
- Van Beest, F., Braam, G., & Boelens, S. (2009). Quality of Financial Reporting: measuring qualitative characteristics.
- Van Wyk, H. (2007). Is the transformation of public sector financial reporting in South Africa's provincial governments on track? *Meditari: Research Journal of the School of Accounting Sciences, 15*(2), 65-75.

- Van Wyk, H., & Rossouw, J. (2009). IFRS for SMEs in South Africa: a giant leap for accounting, but too big for smaller entities in general. *Meditari Accountancy Research, 17*(1), 99-116.
- White, B. (2003). *Dissertation skills: for business and management students*. London: Continuum.
- Whittington, G. (2008). Fair Value and the IASB/FASB Conceptual Framework Project: An Alternative View. *Abacus, 44 (2)*, 139-168.
- Wong, S. C. (2004). Improving corporate governance in SOEs: An integrated approach.
- World Bank. (2017). Combating corruption. Retrieved from http://www.worldbank.org/en/topic/governance/brief/anti-corruption
- Yuthas, K., Rogers, R., & Dillard, J. F. (2002). Communicative action and corporate annual reports. *Journal of Business Ethics*, *41*(1), 141-157.

ANNEXURE A

Qualitative characteristic	**Method of scoring**	**Ranking system**
Relevance		
R1	To what extent does the entity provide forward looking information, in order to provide reasonable expectations and predictions of the company?	1= No forward-looking information 2= Forward looking information but no separate subsection 3= Separate subsection dealing with forward looking information 4= Extensive predictions 5= Extensive predictions useful for making expectations
R2	To what extent does the presence of non-financial information in terms of business opportunities and risks complement the financial information?	1 = No non-financial information 2 = Little non-financial information, not useful for forming expectations 3 = Useful non-financial information 4 = Useful non-financial information, helpful for developing expectations 5 = Non-financial information presents additional information which helps developing expectations
R3	To what extent does the company use fair value instead of historical cost?	1 = Only HC 2 = Most HC 3 = Balance FV/HC 4 = Most FV 5 = Only FV

R4	To what extent do the reported results provide feedback to users of the annual report about how various market events and significant transactions affected the company?	1 = No feedback 2 = Little feedback on the past 3 = Feedback is present 4 = Feedback helps understanding how events and transactions influenced the company 5 = Comprehensive feedback
Reliability		
Faithful representation		
FR1	To what extent are valid arguments provided to support the decision for certain assumptions and estimates in the annual report?	1 = Only described estimations 2 = General explanation 3 = Specific explanation of estimations 4 = Specific explanation, formulas explained etc. 5 = Comprehensive argumentation
FR2	To what extent does the company base its choice of certain accounting principles on valid arguments?	1 = Changes not explained 2 = Minimum explanation 3 = Explained why 4 = Explained why and consequences 5 = No changes or comprehensive explanation
FR3	Which type of auditor's report is included in the annual report?	1 = Adverse opinion 2 = Disclaimer of opinion 3 = Qualified opinion 4 = Unqualified opinion: Financial figures 5 = Unqualified opinion:

		Financial figures + internal control
FR4	To what extent does the company provide information on corporate governance?	1 = No description CG 2 = Information on CG limited, not in apart subsection 3 = Apart subsection 4 = Extra attention paid to information concerning CG 5 = Comprehensive description of CG
Substance over Form & Neutrality		
S1	To what extent does the company, in the discussion of the annual results, highlight the positive events as well as the negative events?	1 = Negative events only mentioned in footnotes 2 = Emphasis on positive events 3 = Emphasis on positive events but negative events are mentioned; no negative events occurred 4 = Balance positive/negative events 5 = Impact of positive/negative events is also explained
S2	Which type of auditor's report is included in the annual report?	1 = Adverse opinion 2 = Disclaimer of opinion 3 = Qualified opinion 4 = Unqualified opinion: Financial figures 5 = Unqualified opinion: Financial figures + internal control

Completeness		
C1	To what extent does the company provide information on corporate governance?	1 = No description CG 2 = Information on CG limited, not in apart subsection 3 = Apart subsection 4 = Extra attention paid to information concerning CG 5 = Comprehensive description of CG
C2	Which type of auditor's report is included in the annual report?	1 = Adverse opinion 2 = Disclaimer of opinion 3 = Qualified opinion 4 = Unqualified opinion: Financial figures 5 = Unqualified opinion: Financial figures + internal control
Prudence		
P1	To what extent did the entity have any allowances or provisions present?	1= No allowances at all 2= Only one allowance or Provision has been provided for. 3= Both allowance and a provision has been provided 4= More than one allowance or provision has been disclosed 5= More than one allowance and provision has been disclosed and the previous allowances and provisions have been accurate
P2	To what extent does the entity prepare financial statements using historical cost and is the entity solvent?	1= Only FV 2= Mostly FV 3= Balanced between FV and HC

		4= Mostly HC and is solvent 5= Only HC and is solvent
Understandability		
U1	To what extent is the annual report presented in a well organized manner?	Judgement based on: - complete table of contents - headings - order of components - summary/ conclusion at the end of each subsection
U2	To what extent are the notes to the financial statements presented in a clear manner?	1 = No explanation 2 = Very short description, difficult to understand 3 = Explanation that describes what happens 4 = Terms are explained (which assumptions etc.) 5 = Everything that might be difficult to understand is explained
U3	To what extent does the presence of graphs and tables clarify the presented information?	1 = no graphs 2 = 1-2 graphs 3 = 3-5 graphs 4 = 6-10 graphs 5 = > 10 graphs
U4	To what extent is the use of language and technical jargon in the annual report easy to follow?	1 = Much jargon (industry), not explained 2 = Much jargon, minimal explanation 3 = Jargon is explained in text/ glossary 4 = Not much jargon, or well explained

		5 = No jargon, or extraordinary explanation
U5	What is the size of the glossary?	1 = No glossary 2 = Less than 1 page 3 = Approximately one page 4 = 1-2 pages 5 = > 2 pages
Comparability		
C1	To what extent do the notes to changes in accounting policies explain the implications of the change?	1 = Changes not explained 2 = Minimum explanation 3 = Explained why 4 = Explained why + consequences 5 = No changes or comprehensive explanation
C2	To what extent do the notes to revisions in accounting estimates and judgements explain the implications of the revision?	1 = Revision without notes 2 = Revision with few notes 3 = No revision/ clear notes 4 = Clear notes + implications (past) 5 = Comprehensive notes
C3	To what extent did the company adjust previous accounting period's figures, for the effect of the implementation of a change in accounting policy or revisions in accounting estimates?	1 = No adjustments 2 = Described adjustments 3 = Actual adjustments (one year) 4 = 2 years 5 = > 2 years + notes
C4	To what extent does the company provide a comparison of the results of current accounting period	1 = No comparison 2 = Only with previous year 3 = With 5 years 4 = 5 years + description of

	with previous accounting periods?	implications 5 = 10 years + description of implications
C5	To what extent is the information in the annual report comparable to information provided by other organizations?	Judgement based on: - accounting policies - structure - explanation of events
C6	To what extent does the company present financial index numbers and ratios in the annual report?	1 = No ratios 2 = 1-2 ratios 3 = 3-5 ratios 4 = 6-10 ratios 5 = > 10 ratios
Timeliness		
T1	How many days did it take for the auditor to sign the auditors' report after book year-end?	Natural logarithm of amount of days 1 = 1-1.99 2 = 2-2.99 3 = 3-3.99 4 = 4-4.99 5 = 5-5.99