The disclosure practice of governance element of integrated reporting in Ghana

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Abstract: Integrated reporting encourages firms to provide information on their environmental, social and governance activities. Studies on this area in developing countries concentrate on the environmental and social aspects of the phenomenon, thus neglecting the governance disclosure element. Given this, the study examined the disclosure practices of the governance element of integrated reporting among Ghanaian listed firms. The content of 410 annual reports of 33 firms was examined based on a checklist of 18 disclosure items. Moving average scores and Wilcoxon signed-rank test were employed to analyse the data. The study found that governance reporting is receiving attention in Ghana, suggesting that the firms have recognised its potentials. The findings imply that the firms employed governance reporting as a strategy to influence public perception and obtain their acceptance. This study provides insights into how firms address the governance aspect of integrated reporting that is neglected in the literature.

Keywords: integrated reporting; environmental accounting; governance reporting; legitimacy theory; Ghanta stock exchange; Ghana.

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1 Introduction

The conceptual framework of the international financial reporting standard (IFRS) recognises that many users use the accounting information of firms. These users consist of shareholders, investors, suppliers, lenders, employees, government, customers and the general public. However, a look at the financial statements reported over the years by the listed firms in Ghana indicates that the needs of the shareholders have overshadowed the needs of other users because the information have mainly been financial (Maama and Mkhize, 2020). This has created a gap between the corporate information provided by the firms and the information needed by stakeholders to assess the financial performance, value and prospects of these firms (Atkins et al., 2015; Baboukardos and Rimmel, 2016; de Villiers et al., 2017).

Due to this imbalance in corporate reporting by the corporate sectors, a new reporting framework emerged called integrated reporting (IR). IR aims to fill this yawning gap in corporate reporting by providing a foundation for firms to effectively explain their value creation to the capital market and the general public who may not be interested in the financial data. IR is a reporting practice that provides information about a firm's financial performance as well as its environmental, social, governance and value creation activities (Burke and Clark, 2016). The concept of integrated reporting has been practised by firms since the 1990s. However, it gained formal recognition in 2013 when a standard framework called the Integrated Reporting Framework was introduced. Because of its popularity, academics and accounting professionals have a keen interest in how firms practice this latest phenomenon in accounting. Authors such as van Zyl (2013), Einwiller et al. (2016) and Helfaya and Moussa (2017) studied the IR practices of firms in South Africa, the USA and the UK, respectively. These studies focused on developed countries which have unique political, economic, social and cultural orientations. Consequently, there has been an upsurge in interest among researchers and practitioners to understand the IR phenomenon in developing countries, particularly as they experience growth and attract more investments.

Concerning Ghana, the corporate reporting practices of companies have concentrated on financial transactions. This is because all the standards (IFRS and IAS) and laws that guide the production of mandatory corporate reports specifically speak to financial matters. These standards and laws specifically mandate the firms to prepare financial statements (Ackah and Lamptey, 2017). It is evident that the corporate reporting practice of firms in Ghana is mainly focused on financial information. Since the inclusion of ESG information in corporate reporting is voluntary in Ghana, the IR practice has been slow and unstandardised. Besides, there is limited evidence on how firms in developing countries practice IR. As a result, studies such as Ackah and Lamptey (2017) and Maama and Mkhize (2020) examined the environmental and social accounting practices of Ghanaian firms. Interestingly, the governance aspect of IR, which has been identified as critical information, is neglected in research.

The governance reporting practices of firms became necessary for many corporate sectors in Ghana when seven commercial banks collapsed in 2018. An investigation by KPMG highlighted several governance lapses among these banks, including inexperienced management members, related party transactions, reporting irregularities, and consistent illegal practices (KPMG, 2018). This created interest in the IR practice of these banks. Unfortunately, few studies on IR in Ghana, such as those conducted by Ackah and Lamptey (2017) and Maama and Mkhize (2020), ignored the governance element of IR, thus leaving a gap in the literature in the Ghanaian context and developing countries in general. Therefore, this study attempts to fill the gap by investigating the disclosure practice of governance element of IR of Ghanaian listed firms.

A major contribution of this study is that firms provide unbalanced governance information because they provide more favourable information and less negative information, suggesting a legitimacy purpose. This finding is unique as previous studies focused on social and environmental disclosures, which inhibits our understanding of the reporting practices of firms. Besides, the previous studies mainly employed mean scores to determine the level of such practices. None of these studies employed a robust statistical analysis to examine whether the disclosure practices changed significantly over time. This study is unique because it used Wilcoxon signed rank test to determine whether the governance disclosure practices of the firms changed significantly over time. Another contribution of this study is that it focuses on an emerging economy (Ghana) in Africa, where governance models are limited. This study is crucial because the government of Ghana and other stakeholders are finding ways of strengthening the corporate governance of firms in Ghana, including disclosure practices.

The rest of this paper is organised as follows: the next section is the literature review; Section 3 is the methodology; Section 4 is the presentations of results; Section 5 discusses the results, and Section 6 is the conclusion of the study.

2 Literature review

2.1 The concept of governance reporting of integrated reporting

The need to include environmental, social and governance (ESG) information about firms in their reporting practice has become the focal point in the accounting literature (Eccles et al., 2015; Faisal et al., 2018; Vitola et al., 2020). This is because, over the years, firms concentrated on reporting only their financial activities to their various stakeholders, which was not seen as sustainable. Investors and other stakeholders demanded that firms include ESG and their value creation activity information in their reports (Atkins and Maroun, 2015). Thus, the International Integrated Reporting Council developed a framework called the integrated reporting framework (IRF) that provided a platform for firms to include their ESG and value creation activities in the corporate reports. The concept of combining financial, ESG and value creation activities of a firm in a single report is called integrated reporting (Baboukardos and Rimmel, 2016; Caglio et al., 2020).

The preceding definition of IR suggests that firms should provide information on four broad areas of their activity. These areas include financial, social, environmental and governance information. The financial information relates to disclosures about the economic and financial activities of a firm. Social information relates to information concerning firms' relationship with the society or community where they operate. This involves disclosures on how the actions of a firm affect the citizens and the community. The environmental information involves disclosures that relate to the impacts of the activities of a firm on the environment and natural resources. Concerning governance disclosures, it relates to a firm's governance structure and how it supports value creation for all stakeholders (Burke and Clark, 2016).

As explained, the IRF requires firms to provide information relating to their governance. Therefore, firms are supposed to provide integrated reports that answer the question: "How does the governance structure support its ability to create value in the short, medium and long term"? Under this information category, firms must provide insights on matters such as the leadership structure of the firms. This includes skills and diversity, such as gender, race, experience, and competence. Moreover, firms should provide information on whether regulatory requirements affect the design of their governance structure (Maroun, 2018). Besides, information to be provided under the governance category of integrated reports should include attitude and risk mechanisms for handling integrity. Under the governance category, organisations have to provide information on ethical issues and explain the following: whether the culture, values, and ethics of the organisation reflect its use of the various capital; whether the organisation adopts governance practices that exceed the requirements of laws; whether the actions and responsibilities of management promote innovation; and how remuneration and incentives are connected to value creation in the short, medium and long term (Stacchezzini et al., 2019).

Moreover, the framework recommends that the integrated report of a firm provide answers to the following question: "What does an organisation do and what are the circumstances under which it operates"? This suggests that annual reports or integrated reports must provide complete information about the vision and mission of a firm and the essential operational context of a firm. The specific information that must be provided includes a firm's culture, values, ownership and operational structure, ethics, market positioning, competitive landscape, principal activities and markets served, the intensity of competitive rivalry, and the bargaining power of suppliers and customers (Terblanche and De Villiers, 2019). In addition to providing information about the organisation, the external factors that affect the organisation must also be highlighted in the reports (Beretta et al., 2019). Apart from this information, the framework requires organisations to provide information on the legislative and regulatory environment of the country where they operate and the political environment, which may influence an organisation's ability to implement its strategies.

2.2 Theoretical framework

The conduct of this study is founded on legitimacy theory. Legitimacy theory postulates that companies do not operate in a vacuum; hence they need the support of the community they work and that of their various stakeholders (Maama and Mkhize, 2020). To achieve this, they portray themselves as responsible by providing information beyond those legally required. According to legitimacy theory, these sets of voluntary information that firms provide to the community and their stakeholders include environmental, social and governance (ESG) disclosures. By disclosing ESG information, the firms try to shape the perception and behaviour of the community towards them and attain legitimacy (Deegan, 2019). The supporters of ESG information disclosures hold the view that the attainment of legitimacy is the main reason why firms disclose ESG information. There are some studies such as those of Pillay (2019) and Casonato et al. (2019), that suggest that the ESG reporting practices of firms are primarily aimed at obtaining the support of the community. This implies that the Ghanaian firms would be motivated to provide information about their activities, especially those involving governance elements because society and other stakeholders would demand them. This would promote transparency and accountability in the corporate reporting space in Ghana. In addition, because there have been some incidences of corporate failures in Ghana, emphasis has been placed on the corporate governance activities of Ghanaian firms. The media have extensively reported on such practices. This could influence the governance reporting practices of the firms because the media is a source of information, which the society and stakeholders rely on. By this argument, firms would provide information about their governance activities to avoid negative publicity from the media. As a result, this study holds the view that the listed firms in Ghana would disclose governance information to achieve favour, approval and legitimacy from the public.

2.3 Prior studies

There are some studies on firms' IR practices in different countries. Trotman (1979) is one of the earliest researchers who studied the ESG disclosures of firms in Australia. In examining the trend and level of ESG disclosures of Australia's top 100 firms from 1967 to 1977, the author found that the ESG disclosures of the firms increased across time and that it was an approach to enhance the public image and gain public acceptance. This suggests that legitimacy theory anchored the reporting practices of these firms. In another study, Solomon and Maroun (2012) examined the annual reports of ten firms listed on the JSE to evaluate the impact of the introduction of IR on environmental, social and ethical reporting. Solomon and Maroun (2012) demonstrated a substantial increase in the information reported by the sampled companies. In a similar study in South Africa, Van

Zyl (2013) investigated whether the adoption of IR by large private sector firms improved the quality of ESG disclosure. The author showed that the IR practice was still in the embryonic stage, with many firms just developing methodologies to assess their various environmental and social impacts.

In a related study, Ghosh (2015) examined the ESG disclosures of private companies in India. This study found that the attitude of the Indian private sector firms towards ESG communication was in a confused state. Although the business community showed its responsiveness towards the communication of various ESG activities, the level of commitment to such activities was not uniform. Adams et al. (2016) also used content analysis to evaluate the evolution of integrated reporting among four firms from 2009 to 2013. This study produced interesting results in that the authors found a shift towards integrated reporting by the firms. In a similar study, De Villiers and van Staden (2011) examined the nonfinancial information disclosure strategies of various firms. They concluded that firms having issues with their image or facing challenges provide more nonfinancial information to win the confidence or approval of influential stakeholders. Here again, legitimacy theory occupied a significant role in the firms' integrated reporting practice.

In a recent study, Reimsbach et al. (2018) evaluated the IR and assurance sustainability information of professional investors. The results showed that professional investors valued the assurance of voluntary information disclosures. In addition, the evidence showed that assurance information had a positive impact on the professional investors' evaluation of the sustainable performance of firms. This result illustrates the need to provide ESG information that is verifiable and reliable. More recently, Casonato et al. (2019) examined whether the addition of ESG information in corporate reports helped to repair the reputation of Australian firms. Essentially, the authors examined the legitimacy effects of ESG and found asymmetry between the ESG disclosures and the firms' actions. The study concluded that there was a gap between the information disclosed and what was reported in the media, suggesting that the firms used ESG for legitimacy purposes.

In addition, Pillay (2019) examined the level and trend of integrated reporting practices of financial institutions in Kenya and found that the firms were yet to adopt IR fully. Moreover, Doni et al. (2019) investigated the extent and quality of nonfinancial information disclosures by the Development Bank of Singapore. The results showed that the bank provided comprehensive nonfinancial information (NFI) in its annual reports. It is evident from the literature that there is a paucity of empirical investigations into the governance reporting practice of firms. In Ghana, authors such as Ackah and Lamptey (2017) and Maama and Mkhize (2020) examined the social and environmental aspects of integrated reporting among Ghanaian listed firms. Specifically, Maama and Mkhize (2020) documented that the ESG disclosure practice of firms in Ghana was low and that they were still at the learning stage concerning ESG disclosure. Similarly, Ackah and Lamptey (2017) examined the social responsibility reporting among Ghanaian banks and provided evidence that banks disclosed only positive social information.

The preceding discussion indicates that authors have examined the social and environmental aspects of integrated reporting among firms, thus ignoring the governance disclosure element of integrated reporting. Further, previous studies did not participate in a robust statistical analysis to investigate whether the governance disclosure practices have changed significantly over the years. Mainly, the level of disclosure practices of firms was determined by the previous researchers through employing mean scores. This suggests that the findings of the studies on integrated reporting are inconclusive. This motivated the conduct of this study to fill this gap in the literature.

3 Methods and data analysis

The study covered a period of 14 years, which is 2005 to 2018. As of December 31, 2018, 37 firms were listed in Ghana. Four firms were excluded because of the unavailability of annual reports for the study period. As a result, 33 firms were used for data analysis. The firms included in the study are categorised according to the following sectors: financial and other service sector (15), manufacturing sector (13) and mining, oil and gas (5). The Ghana Stock Exchange (GSE) is the primary stock exchange in Ghana. The stock exchange was established in July 1989 under the companies' code of Ghana but started trading in November 1990. The stock exchange is dominated by manufacturing, banking, processing and brewing sectors. The other listed companies fall into the insurance, mining and petroleum sectors. In 2007, the Ghana's ministry of finance and economic planning (MOFEP) announced that all listed firms, banks, and insurance companies must adopt the IFRS. Currently, all firms in Ghana mandatorily adopt the IFRS in the preparation of their financial statements.

3.1 Measurement procedure

A content analysis method was employed to analyse the governance disclosure elements of integrated reporting among listed firms in Ghana. The annual reports of thirty-three firms from 2005 to 2018 (14 years) were used for the study. Consequently, the study targeted 462 annual reports. However, (52) annual reports were missing, which resulted in a panel dataset of 410 firm-year observations. The governance disclosure data were collected based on an evaluation matrix developed (see Appendix A). The disclosure matrix contained governance disclosure items that were developed based on the content element of the IRF.

Following previous studies such as those of Van Zyl (2013), Ackah and Lamptey (2017) and Maama and Mkhize (2020), the scoring of the disclosure level of the governance reporting of the firms was achieved through a five-point Likert scale. The Likert scale ranged from a minimum of 1, representing 'no disclosure', to a maximum of 5, which denotes 'full disclosure'. The difference between the various disclosure levels was based on the degree to which they were consistent with the qualitative features of corporate information prescribed in the guiding tenets of the IRF.

The firms' governance reporting practice was analysed based on the moving average scores for each year to determine whether the disclosure levels change from one year to another. The study further employed Wilcoxon's signed rank (WSR) test to assess whether there were significant changes in the disclosure levels across the years. The probabilities (p-values) were then calculated from the WSR test to determine if the disclosure levels significantly changed from one year to another.

Eleven experts of coders who were accountants and postgraduate accounting students coded the annual reports. Prior to the coding, the authors and the coders coded twenty-two complex annual reports. The authors discussed areas of misunderstandings with the coders and provided clarity on issues that were not clear to the coders. After the coding, each coder recoded two annual reports randomly selected from the works of the other ten coders. Inter-coder reliability rate was subsequently calculated to determine the level of consistency among the coders. The average inter-coder reliability was 87.01%, which was significant at 0.01. This result is significantly above the 80.0% benchmark embraced by many researchers such as Stevens et al. (2014) and De Raadt et al. (2019).

4 Results

This section presents the results of the level and trend of governance information disclosures by the firms from 2005 to 2018. The governance content element relates to disclosures on the management and strategic activities of the firms as well as their business model. Tables 1 and 2 respectively present the mean scores and the WSR test statistics (p and z-values) regarding the level and trend of governance information disclosures of the firms. First, the results show that the disclosure level of statements and policies on sustainability was very weak from 2005 to 2010, evidenced by the mean scores of 1.20 in 2005 and 1.47 in 2010. However, from 2011 to 2018, the disclosure level increased from very weak to a weak level, with the mean scores ranging from 1.60 to 2.13. Nevertheless, the WSR test indicates that the increment for each year was statistically insignificant ($p > 0.05$), except from 2014 to 2015 ($p = 0.025$; $z = 2.236$).

The results presented in Table 1 further show that disclosure items such as skills and diversity of employees; political, legislative and regulatory environment; remuneration and incentives; and competition and market position all received weak disclosure levels throughout from 2005 to 2018. Though the mean scores indicate that there were increments across the years, however, the WSR test shows that the increments were statistically insignificant ($p > 0.05$). The results further show that the listed firms increased disclosure for corporate culture, ethics and values across the years. From 2005 (mean = 1.07) to 2009 (mean = 1.50), the disclosure level on culture, ethics and values was very weak. The disclosure level for these disclosure items increased from a very weak to a weak level in 2010 (mean = 1.67) to 2015 (mean = 2.47). There was a further increment in the levels of disclosure for these items in the year 2016 (mean = 2.60) and 2018 (mean = 3.05). The mean scores provide evidence that the level of disclosure for corporate culture, ethics and values on the part of Ghanaian firms increased to a moderate or average level in 2016 and 2017. The WSR test results show that only the increments from 2016 to 2017 and from 2017 to 2018 were statistically significant ($p < 0.05$), and the other years were statistically insignificant ($p > 0.05$).

Good corporate governance requires that firms disclose the financial risks faced by a firm. In examining the extent to which the firms disclosed information on financial risks, the study found that the firms made substantial disclosures in this regard. Table 1 shows that the disclosure level for financial risk was weak from 2005 (mean = 2.04) to 2006 (mean = 2.47) but increased insignificantly ($p>0.05$) in the year 2007 (mean = 2.60) to an average or moderate level. The disclosure level of the financial risks remained at a moderate level from 2007 to 2012 (mean = 3.30). The WSR test results further show that the increment from 2009 to 2010 was statistically significant ($p<0.05$). Moreover, the mean scores of this disclosure item increased slightly from 2005 to 2108, although the increments were statistically insignificant ($p>0.05$) from 2009 to 2012. The mean score of 2013 was 3.53, which further increased to 4.13 in 2018, indicating a strong level of disclosure. In addition, the WSR test results indicate that the increments from 2013 to 2016 were statistically insignificant ($p > 0.05$).

Apart from making disclosures on their financial risks, firms are also expected to identify and make disclosures on social and environmental risks. However, the evidence provided in Table 1 shows that the firms had little or weak disclosures on social and environmental risks from 2005 (mean = 1.07) to 2011 (mean = 1.40). However, there was an increment in the disclosure level for social and environmental risks in 2012 (mean score = 1.67) from a very weak to a weak level. The disclosure level of social and environmental risks, however, remained at a weak level from 2012 (mean score = 1.67) to 2018 (mean score = 2.59), although there were marginal and statistically insignificant ($p>0.05$) increments across the years. The WSR test results show that the only period that observed a statistically significant increment was 2016 to 2017 ($p = 0.025$ and $z = 2.236$).

The results provided in Table 1 further shows that disclosures on risk mitigation plans by the firms were very weak in 2005. However, in 2006, there was an insignificant ($p > 0.05$) increase in the disclosure level of risk mitigation plans from a very weak to a weak level. In the subsequent years up to 2011, there was a marginal increase in the disclosure level regarding risk mitigation plans, although it remained at a weak level. The results of the WSR test reveal that the disclosure levels from 2005 through to 2010 were statistically insignificant, except from 2007 to 2008. In addition, the Wilcoxon sign rank test results show that the disclosure level of this information item increased significantly from 2011 to 2012 ($p = 0.046$; $z = 2.000$). The level of disclosure with regards to risk mitigation plans further increased to a moderate level in 2012 (mean score = 2.67) and remained at a moderate level from 2012 (mean score = 2.67) to 2015 (mean score = 3.27), although there were increments in the mean scores each year. Furthermore, the firms significantly increased their disclosures for risk mitigation plans to a strong level in 2017 and 2018 ($p=0.046$; $z=2.000$).

Moreover, Table 1 reports the extent and level of disclosures with regards to the measurable targets for the financial, social and environmental objectives of the firms. The results indicate that these disclosures were very weak from 2005 (mean = 1.27) to 2007 (mean = 1.47). From a very weak disclosure level in 2007, the disclosure level increased to a weak level from 2008 (mean = 1.67) to 2013 (mean = 2.47). In addition, the disclosure levels regarding these particular disclosure items increased to a moderate level from 2014 (mean = 2.67) to 2018 (mean = 3.33). Although there were increases in the mean scores from 2005 t0 2018, the level of increments was nonetheless statistically insignificant (p-values > 0.05), except from 2011 to 2012 (p-values = 0.046) and 2015 to 2016 (p-values > 0.025).

Furthermore, the study examined whether the firms' presented visions for the future regarding sustainability issues relevant to the firms and society. The level of disclosure for these disclosure items was very weak from 2005 (mean = 1.13) to 2008 (mean = 1.47). This suggests that these disclosure items mainly were not mentioned in the annual reports. However, the disclosure level for these information items increased in 2009 to a weak position. Similarly, from 2010 to 2015, the disclosure level for the firms' vision for the future regarding sustainability challenges relevant to the firms and society remained weak, suggesting that this information was briefly mentioned in the firms' annual reports. Again, the firms increased their disclosures in this regard to a moderate level in 2016 and 2017. Although the disclosure levels increased over the years, the WSR test results reveal that the increments were statistically insignificant ($p>0.05$).

Information provided by firms is supposed to be verified and certified by independent and qualified individuals. Consequently, an assurance or audit report is supposed to be provided in the firms' annual reports. However, the results indicate that the firms did not do this. The mean score from 2005 to 2015 was 1.00, suggesting that the firms disclosed no information on audit or assurance of ESG information. However, from 2016 to 2018, the mean score increased marginally to 1.07 and 1.13, emphasising a weak level of disclosure for this disclosure item. Predictably, there was no significant increment in the disclosure level since all the p-values in Table 2 were more than 0.05 throughout the study period.

The extent to which the firms provided information on their planned investments were also examined. The results show that the firms provided weak disclosures on planned investment from 2005 to 2008. Although the mean scores increased across the years, the Wilcoxon signed-rank test results reveal that they were statistically insignificant. However, the disclosure level for planned investments increased from a weak level in 2008 to a weak level in 2009 (mean = 1.73) and remained at this level until 2013 (mean = 2.27). This indicates the inadequacy of the quantity and quality of the firms' disclosures on information about their planned investments from 2009 to 2013. In addition, the WSR test results presented in Table 2 show that the increment from 2009 to 2010 was statistically significant, $p < 0.05$. In 2014, the disclosure level for planned investments increased to a moderate level, suggesting that the firms provided some information about this disclosure item in their annual reports. However, the disclosure level remained at this level from 2014 to 2017, despite an increment in the mean scores across the years. The WSR test results show that the disclosure increments from 2014 to 2015 and 2015 to 2016 were statistically significant, $p < 0.05$.

The study further examined the disclosure level of the firms with regards to their primary brands, products or services. The results show that from 2005 to 2006, the firms provided very weak disclosures on this item. Still, their disclosure increased in 2007 to a weak level, suggesting that the firms provided some information about their primary brands, products or services. The disclosure level for this item remained weak from 2007 to 2012 (mean = 2.47) but increased to a moderate level from 2013 (mean = 2.67) to 2018 (mean = 3.13). This implies that the firms provided a satisfactory amount of information with regards to this disclosure item in their annual reports from 2013 to 2018. Although there were increments in the mean scores from 2005 to 2018, the WSR test results demonstrate that these were statistically insignificant, except from 2016 to 2017 ($p < 0.05$).

Firms are supposed to disclose not only information about their primary brands, products or services but also about the markets served by them. As a result, the disclosures on the markets served by the firms were examined. The results show that the disclosure level on the markets served by the firms from 2005 (mean = 1.20) to 2007 (mean = 1.47) was very weak. However, the disclosure level on this disclosure item increased significantly ($p < 0.05$) in 2008 and remained at a weak level from 2009 (mean = 1.80) to 2013 (mean = 2.33). In 2014, the level of disclosure for the markets served by the listed firms increased to a moderate level and remained at this level up until 2018 (mean = 3.25). This suggests that from 2014 to 2018, the listed firms made disclosures about this item to some extent. In addition, the WSR test results show that the increments in the disclosures regarding this information item from 2013 to 2014 and from 2015 to 2016 were statistically significant ($p < 0.05$).

Furthermore, the study examined the disclosure level of the firms' governance structure, that according to the results, increased substantially from 2005 to 2018. Table 1 further shows that the firms' level of disclosure was weak from 2005 (mean = 1.93) to 2008 (mean = 2.47). However, there were increments in the disclosure levels across the years, evidenced by the increase in the mean scores from 2005 to 2008. The increment levels across years were not statistically significant except from 2008 to 2009 ($p = 0.025$). The disclosure level for the governance structure of the listed firms also increased to a moderate level in 2009 (mean score = 2.73). The results presented in Table 2 further show that the increment level from 2009 to 2010 was statistically significant, $p = 0.046$. The firms maintained this disclosure level at a moderate level from 2010 to 2013. The WSR test results reveal that from 2013 to 2014, the disclosure increments were statistically insignificant, $p > 0.05$. Besides, the firms increased their disclosures on their governance structure from a moderate to a strong level in 2014 (mean = 3.53). In 2015, 2016, 2017 and 2018, the disclosure level for the governance structure of the firms remained at a strong level, indicating that the firms provided satisfactory information about their governance structure from 2014 (mean = 3.53) to 2018 (mean = 4.16). It can be observed that the mean scores increased each year from 2010 through to 2018; however, these increments were statistically insignificant ($p > 0.05$).

Concerning disclosures about the firms' identification and engagement with stakeholders, the results presented in Table 1 show that the firms made very weak disclosures from the year 2005 (mean = 1.07) to 2009 (mean = 1.47). Although the mean scores increased each year, the WSR test results presented in Table 2 show that the increments were statistically insignificant. In 2010, the disclosure level of the identification and engagement with stakeholders increased to a weak position, suggesting that the firms made disclosures for this information item to a lesser extent. The firms maintained this level of disclosure from 2010 through to 2018, although the mean scores increased across the years. However, the WSR test results show that these disclosure increments were statistically insignificant, except from 2016 to 2017 ($p = 0.046$ and $z = 2.000$). This result is surprising because if these firms are unable to identify and engage with their key stakeholders, it would be difficult to identify their information needs, especially since the key principle of integrated reporting is that an organisation must identify its key stakeholders, understand their information needs and then provide such information (Brusca et al., 2018; Pistoni et al., 2018). The point is that stakeholders provide important insights about, for example, financial and ESG issues that are essential to them. These insights can help firms or organisations to understand stakeholders' understanding of the value creation activities and to identify issues and trends that are increasing in significance but have not yet come to the attention of the firms.

Table 1 Governance disclosure by listed firms in Ghana

	2005	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*	*2015*	*2016*	*2017*	*2018*
Statement and policy on sustainability	1.20	1.27	1.27	1.27	1.33	1.47	1.60	1.60	1.67	2.00	2.07	2.13	2.13	2.13
Skills and diversity of employees	1.13	1.13	1.27	1.33	1.40	1.47	1.73	1.87	2.00	2.07	2.07	2.20	2.33	2.48
Political, legislative and regulatory environment	1.00	1.00	1.00	1.00	1.13	1.27	1.40	1.40	1.58	1.73	1.82	2.00	2.07	2.07
Remuneration and incentives	1.00	1.00	1.00	1.00	1.07	1.07	1.07	1.13	1.27	1.40	1.40	1.67	1.87	1.87
Competition and market position	1.07	1.13	1.27	1.40	1.40	1.54	1.63	1.76	1.87	2.00	2.07	2.07	2.40	2.40
Culture, ethics and values	1.07	1.07	1.20	1.33	1.50	1.67	1.80	1.93	2.07	2.40	2.47	2.60	2.93	3.05
Financial risk disclosure	2.40	2.47	2.60	2.67	2.93	3.07	3.20	3.33	3.53	3.73	3.93	4.13	4.13	4.13
Social and environmental risks identified	1.07	1.07	1.07	1.13	1.27	1.40	1.40	1.67	1.87	1.87	2.00	2.33	2.40	2.59
Risk mitigation plans	1.73	1.77	1.80	1.93	1.93	2.20	2.37	2.67	2.90	3.13	3.27	3.60	3.73	3.84
Disclosure of measurable targets	1.27	1.40	1.47	1.67	1.73	1.87	2.13	2.33	2.47	2.67	3.00	3.13	3.20	3.33
Provision of consolidated visions	1.13	1.20	1.27	1.47	1.53	1.67	1.80	2.00	2.07	2.27	2.40	2.60	2.67	2.93
Audit report on environmental and social information	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.07	1.13	1.13
Information on planned investment	1.27	1.33	1.40	1.47	1.73	1.87	2.00	2.07	2.27	2.53	2.80	2.93	3.07	3.20
Primary brand, products or service	1.27	1.47	1.60	1.80	1.93	2.13	2.33	2.47	2.67	2.73	2.73	3.07	3.07	3.13
Information on markets served	1.20	1.27	1.47	1.80	1.80	1.87	1.87	2.00	2.33	2.53	2.80	3.00	3.07	3.25
Governance structure of the firm	1.93	2.13	2.13	2.47	2.73	2.93	3.13	3.27	3.40	3.53	3.80	3.80	4.07	4.16
Identification and engagement with stakeholders	1.07	1.20	1.20	1.27	1.47	1.53	1.67	1.67	1.80	1.87	1.93	2.20	2.40	2.60
Award and recognitions	1.60	2.20	2.40	2.60	2.80	2.93	3.13	3.33	3.73	3.73	3.80	3.80	4.00	4.07

Table 2 Wilcoxon signed-rank test statistics

	2005–2006	*2006–2007*	*2007–2008*	*2008–2009*	*2009–2010*	*2010–2011*	*2011–2012*	*2012–2013*	*2013–2014*	*2014–2015*	*2015–2016*	*2016–2017*	*2017–2018*	*2005–2018*
	2-tailed Asymptotic Significance (Z value)													
Statement and policy on sustainability	0.317 (1.000c)	0.317 (1.000c)	1.000 (.000b)	1.000 (.000b)	0.317 (1.000c)	0.157 (1.414c)	0.157 (1.414c)	1.000 (.000b)	0.317 (1.000c)	0.025 (2.236c)	0.317 (1.000c)	0.317 (1.000c)	1.000 (0.000b)	0.025 (2.236c)
Skills and diversity of employees	0.317 (1.000c)	0.317 (1.000c)	0.157 (1.414c)	0.083 (1.732c)	0.317 (1.000c)	0.083 (1.732c)	0.157 (1.414c)	0.317 (1.000c)	0.083 (1.732c)	0.317 (1.000c)	0.083 (1.732c)	0.157 (1.414c)	0.157 (1.414c)	0.004 (2.850d)
Political, legislative and regulatory environment	0.317 (1.000c)	1.000 (.000b)	0.157 (1.414c)	0.157 (1.414c)	0.317 (1.000c)	0.317 (1.000c)	0.157 (1.414c)	0.157 (1.414c)	0.157 (1.414c)	0.157 (1.414c)	0.046 (2.000c)	0.046 (2.000c)	0.025 (2.236c)	0.004 (2.850c)
Information on remuneration and incentives	0.157 (1.414c)	0.083 (1.732c)	1.000 (.000b)	0.317 (1.000c)	0.157 (1.414c)	0.083 (1.732c)	0.083 (1.732c)	0.157 (1.414c)	0.157 (1.414c)	0.157 (1.414c)	.083 (1.732c)	1.000 (.000b)	0.180 (1.342c)	0.025 (2.236c)
Culture, ethics and values	0.317 (1.000c)	1.000 (.000b)	0.157 (1.414c)	0.157 (1.414c)	0.317 (1.000c)	0.317 (1.000c)	0.157 (1.414c)	.046 (2.000c)	0.157 (1.414c)	0.157 (1.414c)	0.083 (1.732c)	0.046 (2.000c)	0.025 (2.236c)	0.004 (2.850c)
Financial risk disclosure	.083 (1.732c)	0.317 (1.000c)	0.157 (1.414c)	0.317 (1.000c)	.046 (2.000c)	0.157 (1.414c)	0.157 (1.414c)	0.157 (1.414c)	.083 (1.732c)	.083 (1.732c)	.083 (1.732c)	0.317 (1.000c)	1.000 (.000b)	0.004 (2.850c)
Disclosure of measurable targets	0.157 (1.414c)	0.157 (1.414c)	0.317 (1.000c)	0.083 (1.732c)	0.317 (1.000c)	0.157 (1.414c)	0.046 (2.000c)	0.083 (1.732c)	0.157 (1.414c)	0.083 (1.732c)	0.025 (2.236c)	0.157 (1.414c)	0.317 (1.000c)	0.046 (2.000c)
Provision of consolidated visions	0.317 (1.000c)	0.317 (1.000c)	0.317 (1.000c)	0.083 (1.732c)	0.317 (1.000c)	0.157 (1.414c)	0.157 (1.414c)	0.083 (1.732c)	0.317 (1.000c)	0.083 (1.732c)	0.157 (1.414c)	0.083 (1.732c)	0.317 (1.000c)	0.025 (2.236c)
Audit report on environmental and social information	1.000 (0.000b)	1.000 (0.000b)	1.000 (0.000b)	1.000 (0.000b)	1.000 (0.000b)	1.000 (0.000b)	1.000 (0.000b)	1.000 (0.000b)	1.000 (0.000b)	1.000 (0.000b)	1.000 (0.000b)	0.317 (1.000c)	0.317 (1.000c)	0.046 (2.000c)

Note: b = The sum of negative ranks equals the sum of positive ranks, c = Based on positive ranks, and d = Based on negative ranks, the z – values are in parenthesis, z-value > 2.00 and p-value < 0.05 = significant change from previous year.

Table 2 Wilcoxon signed-rank test statistics (continued)

	2005–2006	*2006–2007*	*2007–2008*	*2008–2009*	*2009–2010*	*2010–2011*	*2011–2012*	*2012–2013*	*2013–2014*	*2014–2015*	*2015–2016*	*2016–2017*	*2017–2018*	*2005–2018*
	2-tailed Asymptotic Significance (Z value)													
Information on planned investment	0.317 (1.000c)	0.317 (1.000c)	0.317 (1.000c)	0.317 (1.000c)	0.046 (2.000c)	0.317 (1.000c)	0.157 (1.414c)	0.317 (1.000c)	0.083 (1.732c)	0.046 (2.000c)	0.046 (2.000c)	0.157 (1.414c)	0.157 (1.414c)	0.004 (2.850d)
Primary brand, products or service	0.317 (1.000c)	0.083 (1.732c)	0.157 (1.414c)	0.083 (1.732c)	0.317 (1.000c)	0.083 (1.732c)	0.083 (1.732c)	0.157 (1.414c)	0.083 (1.732c)	0.317 (1.000c)	1.000 (.000b)	0.025 (2.236c)	1.000 (.000b)	0.004 (2.850c)
Information on markets served	0.317 (1.000c)	0.317 (1.000c)	0.083 (1.732c)	0.025 (2.236c)	1.000 (.000b)	0.317 (1.000c)	1.000 (.000b)	0.157 (1.414c)	0.025 (2.236c)	0.083 (1.732c)	0.046 (2.000c)	0.083 (1.732c)	0.317 (1.000c)	0.004 (2.850c)
Governance structure of the firm	0.157 (1.414c)	0.083 (1.732c)	1.000 (.000b)	0.025 (2.236c)	0.046 (2.000c)	0.083 (1.732c)	0.083 (1.732c)	0.157 (1.414c)	0.157 (1.414c)	0.157 (1.414c)	0.046 (2.000c)	1.000 (.000b)	0.180 (1.342c)	0.025 (2.236c)
Identification and Engagement with stakeholders	0.317 (1.000c)	0.157 (1.414c)	1.000 (.000b)	0.317 (1.000c)	.083 (1.732c)	0.317 (1.000c)	0.157 (1.414c)	1.000 (0.000b)	0.157 (1.414c)	0.317 (1.000c)	0.317 (1.000cv	0.046 (2.000c)	0.083 (1.732c)	0.004 (2.850c)
Social & environmental risks identified	0.317 (1.000c)	1.000 (.000b)	1.000 (.000b)	0.317 (1.000c)	0.157 (1.414c)	0.157 (1.414c)	1.000 (.000b)	0.102 (1.633c)	0.083 (1.732c)	1.000 (.000b)	0.157 (1.414c)	.025 (2.236c)	0.317 (1.000c)	0.025 (2.236c)
Risk mitigation plans	1.000 (.000b)	0.157 (1.414c)	0.025 (2.236c)	0.157 (1.414c)	0.083 (1.732c)	0.317 (1.000c)	0.046 (2.000c)	0.083 (1.732c)	0.157 (1.414c)	0.157 (1.414c)	1.000 (.000b)	0.046 (2.000c)	0.083 (1.732c)	0.004 (2.850c)
Award and recognitions	0.059 (1.890c)	0.024 (2.251c)	0.083 (1.732c)	0.083 (1.732c)	0.083 (1.732c)	0.157 (1.414c)	0.083 (1.732c)	0.083 (1.732c)	0.034 (2.121c)	1.000 (.000b)	1.000 (.000b)	0.004 (2.850d)	0.004 (2.850c)	0.004 (2.850c)

Note: b = The sum of negative ranks equals the sum of positive ranks, c = Based on positive ranks, and d = Based on negative ranks, the z – values are in parenthesis, z-value > 2.00 and p-value < 0.05 = significant change from previous year.

The results further show that the listed firms provided adequate information regarding disclosures on awards and recognition. In the years 2005, 206 and 2007, the disclosure levels of the firms were weak, indicating that the firms made some disclosures for this response item, although to a lesser extent. The WSR test results further show that the disclosure increment from 2006 to 2007 was statistically significant, $p = 0.024$. Furthermore, the firms' disclosure for awards and recognitions increased to a moderate level in 2008 (mean = 2.60) and remained at this level from 2009 to 2012. As shown in Table 2, the WSR test results reveal that, while there were improvements in the disclosures each year, the disclosure increments were statistically insignificant. However, in 2013, the firms increased the disclosures on this item to a strong level, suggesting that they provided an adequate amount of information on this information item. Moreover, the WSR test results indicate that the disclosure increments from 2013 to 2014 were statistically significant, $p = 0.034$. Furthermore, the firms maintained a strong disclosure level for this item from 2014 to 2018. Although there were improvements in the disclosures each year, the WSR test results reveal that, apart from 2017 to 2018 ($p = 0.004$), the disclosure increments were statistically insignificant ($p > 0.05$) from 2014 to 2018. An interesting finding from the WSR test results is that the levels of disclosure of all the information items increased significantly ($p < 0.05$) from 2005 to 2018. This suggests that the firms made substantial improvements in their governance disclosure levels over the fourteen years.

5 Discussion of results

The results provided interesting insights into the governance reporting practice by firms in Ghana. First, the results showed an increasing interest in the governance reporting of firms in Ghana in all the disclosure items, suggesting the firms might have recognised its potential. This could be attributed to the frameworks that were provided by Global Reporting Initiative and the International Integrated Reporting Council to guide firms in their sustainability and integrated reporting practice. Before 2013, there were no guidelines on how to include nonfinancial information in firms' annual reports. Therefore, Ghanaian firms may have found it difficult to adopt such practices. In addition, the popularity of IR practices increased after the introduction of the frameworks in the year 2013. This suggests that the majority of the firms became aware of such practices after the frameworks were developed. However, the general trend in the disclosure practice of the firms was that they disclosed more favourable information such as governance structure, award and recognitions and skills and diversity of employees, which suggests that the firms tried to legitimise their activities in the form of enhanced disclosure of good or positive governance information. This appears problematic since a balanced corporate report should comprise both positive and negative information (Deegan, 2019; Pillay, 2019). The result of this study confirms the findings of De Villiers and van Staden (2011) and Pillay (2019), who found similar results in Kenya and South Africa, respectively.

Based on the evidence, it appeared that the firms' governance disclosure practice was a strategy to enhance their public image. This finding is in accordance with the view that companies consider it necessary to counter adverse information with more favourable news on their governance activities. These findings demonstrate that the firms were aware of the necessity to legitimise their operations by providing good and positive information about themselves. Affirming the findings of earlier studies such as those of Trotman (1979), Casonato et al. (2019) and Pillay (2019), the findings demonstrate that the firms were reluctant to disclose adverse governance information about their operations in their annual reports. The theoretical conclusion here is that legitimacy theory explains the governance reporting practices of the listed firms in Ghana.

Moreover, the results showed that the firms included some governance information in the annual reports, albeit unsatisfactorily. However, the study observed that the governance reporting of the firms was not balanced as it did not fairly represent the interest of all stakeholders. In the context of Ghanaian corporate reporting, the Companies Act of 1963 of Ghana and accounting standards essentially compel companies to focus on the interests of investors and stakeholders who have direct financial interests in companies. Notwithstanding, nearly all institutions have stakeholders who, even though they may not be active members, have a direct or indirect and equal interest in a firm. As Thomson (2014) remarked, the management of companies must use their freedom of choice to make voluntary disclosures to meet the stakeholders' requirements. Given these points, voluntary disclosures must balance a genuine need for relevant information to act justly with stakeholders and a correspondingly legitimate need for keeping information to preserve secrecy for the growth and continued existence of a company or an organisation. The evidence showed that the firms' governance reporting practice was similar to their social, environmental and green reporting practice, as reported by Ackah and Lamptey (2017) and Maama and Mkhize (2020).

Moreover, a disturbing observation from the evidence was that despite the many years since its introduction, the governance element of integrated reporting has no unifying disclosure structure, hence a chaotic disclosure practice. However, this result is not different from those of Van Zyl (2013), Ghosh (2015) and Casonato et al. (2019), who disclosed that the governance reporting practices of firms in South Africa, India and Australia were in confused states. This shows that integrated reporting has endured a lack of acceptance in Ghana like other countries such as South Africa, India and Australia, and little agreement exists regarding its structure and reporting framework despite the release of the Integrated Reporting Framework and Sustainability Reporting Guidelines in 2013. It indicates that both the Institute of Chartered Accountants of Ghana and the Securities and Exchange Commission of Ghana are reluctant to mandating or encouraging their members to adopt integrated reporting practices.

As discussed previously, governance reporting should offer insights into the quality and nature of the relationship between a firm and its key stakeholders. This information includes how and to what extent a firm understands, considers and responds to the legitimate needs and interests of its stakeholders. This is necessary, given that the guiding principles of the IRF reflect the significance of a firm's relationship with its key stakeholders because value is not created by or within an organisation alone but created through a relationship with others. However, it must be emphasised that this does not suggest that firms should satisfy all the information needs of the various stakeholders, especially as they have unlimited and conflicting information needs.

The mixed evidence presented above indicates that the legitimacy theoretical viewpoint explains the governance disclosure practices of firms in Ghana. This is because the majority of the information that received the highest disclosure scores were those that would put them in positive light. The firms used their governance information to obtain the approval and legitimacy of their stakeholders by providing positive and favourable information such as awards and recognitions, risk mitigation plans, consolidated visions, planned investment, and governance structure. By disclosing such information, the firms tried to shape the perception and behaviour of the community towards them and attain legitimacy. This finding confirms the view of Deegan (2019) that the attainment of legitimacy is the main reason firms disclose voluntary information. This finding confirms those of Pillay (2018) and Casonato et al. (2019), who explained that firms provide voluntary information to obtain stakeholders' support. The weight of the evidence suggests that the legitimacy theory has a substantial influence on the governance disclosure practices of the firms.

6 Conclusions

The study used a content analysis method to investigate the disclosure practice of the governance element of integrated reporting among firms listed on the Ghana Stock Exchange. The results showed an increasing interest in the governance reporting of firms in Ghana in all the disclosure items. Generally, the evidence indicates that the governance reporting is receiving attention in corporate sectors in Ghana, suggesting that the firms may have recognised its potential. However, the general trend was that the firms disclosed more positive information, which suggests that they tried to legitimise their activities through disclosing positive governance information. Moreover, there was a significant increment in the firms' governance disclosure level over the fourteen years (from 2005 to 2018), although yearly increments were statistically insignificant. From the evidence, we conclude that the firms' governance reporting practice is a strategy to enhance their public image. These findings suggest that the firms recognise the need to legitimise their existence in the form of enhanced disclosure of good or positive governance information.

Furthermore, the study concludes that the governance reporting of the firms is not balanced as it does not fairly represent the interest of all stakeholders. A disturbing observation from the evidence is that despite the many years since the introduction of IR, the governance element has no unifying disclosure structure, hence a chaotic disclosure practice. Based on the weight of the evidence, we conclude that legitimacy theory has substantial influences on the firms' disclosure practices.

The study has some implications for practice, policy and research. First, the study could encourage the management of the firms to provide comprehensive governance information about their activities, which should be beyond information about their governance structure. Both the Institute of Chartered Accountants of Ghana and the Securities and Exchange Commission of Ghana could mandate or encourage their members to adopt integrated reporting. The findings of this study can guide the management of the firms regarding the set of governance information to include in their reports. This study also provides information about the governance activities of firms in Ghana, which can serve as a foundation for further investigations into their value relevance.

The findings of the study have some limitations, which should be seen as opportunities for further studies. First, the study could not empirically establish the factors that influence the integrated reporting practice of firms in Ghana. As such, we suggest further research into the factors that influence the integrated reporting practice of firms in Ghana. The study further indicates that further research can be conducted to investigate the impact of governance disclosures of IR on the performance of firms in the Ghanaian context.

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Appendix

Table A1 Evaluation matrix

Scale 1	*No disclosure, this topic is not mentioned in the report*					
Scale 2	*The topic is only mentioned briefly*					
Scale 3	*Average of disclosure to some extent*					
Scale 4	*A satisfactory disclosure*					
Scale 5	*Full disclosure is made*					
		1	*2*	*3*	*4*	*5*
Statement and policy on sustainability						
Skills and diversity of employees						
Political, legislative and regulatory environment						
Remuneration and incentives						
Competition and market position						
Culture, ethics and values						
Financial risk disclosure						
Social and environmental risks identified						
Risk mitigation plans						
Disclosure of measurable targets						
Provision of consolidated visions						
Audit report on environmental and social information						
Information on planned investment						
Primary brand, products or service						
Information on markets served						
Governance structure of the firm						
Identification and engagement with stakeholders						
Award and recognitions						