EFFECT OF ADOPTION OF INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS ON QUALITY OF FINANCIAL REPORTS IN THE PUBLIC SECTOR IN NIGERIA

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ABSTRACT

Objective: The adoption of IPSAS aims to enhance the quality and comparability of financial reports in the public sector globally. Despite this objective, implementing IPSAS in Nigeria has faced significant challenges that may impact the quality of financial reports produced by public sector entities. This study therefore examines the effect of adopting IPSAS on the quality of financial reports in the Federal Ministry of Finance in Nigeria. Accountability, transparency, relevance, comparability, and full representation are the variables used.

Methods: The study population comprised accountants, auditors and finance managers in agencies in the Ministry of Finance in Nigeria. Yamane formular was used to arrive at a total number of respondents of 394. The primary data source was used with a structured questionnaire as the instrument of data collection. The data were processed using factor analysis, and the hypotheses were tested using multiple regression.

Results: The findings showed that the accountability of IPSAS significantly affects the quality of financial reporting in the Federal Ministry of Finance. The study found that the transparency of IPSAS significantly affects the quality of financial reporting in the Federal Ministry of Finance. The study found that the relevance of IPSAS does not significantly affect the quality of financial reporting in the Federal Ministry of Finance. The study found that the comparability of IPSAS significantly affects the quality of financial reporting in the Federal Ministry of Finance. The study found that the full representation of IPSAS significantly affects the quality of financial reporting in the Federal Ministry of Finance.

Conclusion: The study recommends that the Federal Ministry of Finance should develop and implement clear accountability frameworks that outline the roles and responsibilities of various personnel in the financial reporting process. This will ensure that everyone understands their accountability in maintaining the quality and integrity of financial reports.

Keywords: IPSAS adoption, quality financial reporting, accounting, transparency.
RESUMO

Objetivo: A adoção da IPSAS visa melhorar a qualidade e a comparabilidade dos relatórios financeiros no setor público a nível mundial. Apesar deste objetivo, a implementação das IPSAS na Nigéria enfrentou desafios significativos que podem afetar a qualidade dos relatórios financeiros produzidos por entidades do setor público. Por conseguinte, este estudo analisa o efeito da adoção das IPSAS na qualidade dos relatórios financeiros do Ministério Federal das Finanças na Nigéria. As variáveis utilizadas são a responsabilização, a transparência, a relevância, a comparabilidade e a representação integral.

Métodos: A população do estudo compreendia contadores, auditores e gerentes financeiros em agências do Ministério das Finanças na Nigéria. A fórmula de Yamane foi usada para chegar a um número total de entrevistados de 394. A fonte de dados principal foi usada com um questionário estruturado como instrumento de coleta de dados. Os dados foram processados por análise fatorial e as hipóteses foram testadas por regressão múltipla.

Resultados: As constatações mostraram que a responsabilização das IPSAS afeta significativamente a qualidade dos relatórios financeiros no Ministério Federal das Finanças. O estudo constatou que a transparência das IPSAS afeta significativamente a qualidade da prestação de informações financeiras no Ministério Federal das Finanças. O estudo constatou que a relevância das IPSAS não afeta significativamente a qualidade dos relatórios financeiros no Ministério Federal das Finanças. O estudo constatou que a comparabilidade das IPSAS afeta significativamente a qualidade dos relatórios financeiros no Ministério Federal das Finanças. O estudo constatou que a plena representação das IPSAS afeta significativamente a qualidade dos relatórios financeiros no Ministério Federal das Finanças.

Conclusão: O estudo recomenda que o Ministério Federal das Finanças desenvolva e implemente quadros claros de prestação de contas que descrevam as funções e responsabilidades de vários funcionários no processo de emissão de relatórios financeiros. Isso garantirá que todos compreendam sua responsabilidade em manter a qualidade e a integridade dos relatórios financeiros.

Palavras-chave: Adoção de IPSAS, relatórios financeiros de qualidade, contabilidade, transparência.

EFECTO DE LA ADOPCIÓN DE NORMAS INTERNACIONALES DE CONTABILIDAD DEL SECTOR PÚBLICO EN LA CALIDAD DE LOS INFORMES FINANCIEROS DEL SECTOR PÚBLICO EN NIGERIA

RESUMEN

Objetivo: La adopción de las IPSAS tiene por objeto mejorar la calidad y comparabilidad de los informes financieros del sector público en todo el mundo. A pesar de este objetivo, la aplicación de las IPSAS en Nigeria ha tropezado con importantes problemas que pueden afectar a la calidad de los informes financieros elaborados por las entidades del sector público. Por consiguiente, en el presente estudio se examina el efecto de la adopción de las IPSAS en la calidad de los informes financieros del Ministerio Federal de Finanzas de Nigeria. Las variables utilizadas son la rendición de cuentas, la transparencia, la pertinencia, la comparabilidad y la plena representación.

Métodos: La población de estudio estaba compuesta por contables, auditores y gestores financieros de organismos del Ministerio de Hacienda de Nigeria. Se utilizó el formula de
Yamane para llegar a un número total de 394 encuestados. La fuente primaria de datos se utilizó con un cuestionario estructurado como instrumento de recolección de datos. Los datos se procesaron mediante análisis factorial y las hipótesis se probaron mediante regresión múltiple.

Resultados: Las conclusiones mostraron que la rendición de cuentas de las IPSAS afecta significativamente a la calidad de la información financiera en el Ministerio Federal de Finanzas. El estudio determinó que la transparencia de las IPSAS afecta significativamente a la calidad de la información financiera en el Ministerio Federal de Finanzas. El estudio determinó que la comparabilidad de las IPSAS afecta significativamente a la calidad de la información financiera en el Ministerio Federal de Finanzas. El estudio determinó que la plena representación de las IPSAS afecta significativamente a la calidad de los informes financieros en el Ministerio Federal de Finanzas.

Conclusión: El estudio recomienda que el Ministerio Federal de Finanzas desarrolle e implemente marcos de rendición de cuentas claros que describan las funciones y responsabilidades de varios miembros del personal en el proceso de presentación de informes financieros. Esto garantizará que todos entiendan su responsabilidad en el mantenimiento de la calidad e integridad de los informes financieros.

Palabras clave: adopción de las IPSAS, calidad de los informes financieros, contabilidad, transparencia.

1 INTRODUCTION

The adoption of IPSAS aims to enhance the quality and comparability of financial reports in the public sector globally. Despite these objectives, implementing IPSAS in Nigeria has faced significant challenges that may impact the quality of financial reports produced by public sector entities. Nigeria’s public sector has historically been criticized for lacking transparency, accountability, and reliability in financial reporting. Traditional public sector accounting practices have often led to inconsistencies, lack of comparability, and limited usefulness of financial reports for stakeholders, including policymakers, investors, and the general public. To address these concerns, Nigeria embarked on the adoption of IPSAS to improve financial reporting standards and practices. However, the inconsistent application of IPSAS across different public sector entities leads to varying levels of compliance and quality in financial reporting. Some entities fully adhere to the standards, while others apply them partially or not (Akintoye & Asaolu, 2021). On the other hand, Adebayo and Sulaiman (2019) claimed that many public sector accountants and auditors in Nigeria lack the necessary training and expertise to effectively implement IPSAS. This knowledge gap results in errors and omissions in financial reports, compromising their quality.
Another major issue, according to Okoye and Ezejiofor (2014) is that inadequate infrastructure and technological support hinder the effective adoption of IPSAS. Many public sector entities lack the accounting software and systems to accurately capture and report financial information according to IPSAS requirements. In another vein, Ijeoma and Oghoghomeh (2014) opined that there is significant resistance to change among public sector employees and officials, who may prefer to stick to traditional accounting practices. This resistance undermines efforts to standardize financial reporting practices and improve their quality. To corroborate this view, Ezeagba (2017) argued that weak regulatory frameworks and insufficient oversight mechanisms fail to enforce the consistent application of IPSAS. This regulatory gap results in non-compliance and reduces the public sector's overall quality of financial reporting. Furthermore, prior studies such as Beredugo (2021) focused on IPSAS implementation on financial in South-East Nigeria. Odimmega and Okolocha (2019) examined the adoption of IPSAS in financial reporting in tertiary institutions in the southeast of Nigeria. Abimbola et al. (2020) examined IPSAS adoption on quality financial reporting in the public sector in South-West Nigeria. Oko (2018) investigated IPSAS adoption on quality financial reporting in Ministry of Finance, Calabar. Elugom and Onyeka (2023) study focused on IPSAS adoption on the quality of financial reporting in the office of the Accountant General of the Federation.

In addition, previous empirical studies were carried out in other countries. For example, Opanyi (2016) examines IPSAS adoption on quality financial reporting in public sector in Kenya. Polzer et al. assessed IPSAS adoption on quality financial reporting in emerging economies and low-income countries. Tawiah and Soobaroyen (2022) IPSAS adoption on quality financial reporting in developing countries. Kadhim and Bougatef (2024) and Khatib (2024) posits that non-compliance to international Accounting and Auditing Standards negatively affect the quality and reliability of financial information provided.

The significant importance of Federal Ministry of Finance is responsible for collecting and disbursing government revenue and formulating policies on taxation, tariffs, and fiscal management is, therefore, necessary to examine if the adoption of IPSAS based on accountability, transparency, comparability, relevance, and full representation has resulted to quality financial reporting. The above gaps must be empirically explored to understand IPSAS adoption on quality financial reporting. This
study therefore examines the effect of IPSAS adoption on quality financial reporting in the Federal Ministry of Finance and its agencies. The main objective of this study is to examine the effect of the adoption of IPSAS on the quality of financial reports in the Federal Ministry of Finance in Nigeria.

1.1 RESEARCH HYPOTHESES

In line with the objectives of the study, the following hypotheses have been formulated in null form:

H01: Accountability of IPSAS does not significantly affect the quality of financial reporting in Federal Ministry of Finance.

H02: Transparency of IPSAS does not significantly affect the quality of financial reporting in Federal Ministry of Finance.

H03: Relevance of IPSAS does not significantly affect the quality of financial reporting in Federal Ministry of Finance.

H04: Comparability of IPSAS does not significantly affect the quality of financial reporting in Federal Ministry of Finance.

H05: Full representation of IPSAS does not significantly affect the quality of financial reporting in Federal Ministry of Finance.

2 THEORETICAL FRAMEWORK

This study is explained by the legitimacy and neo-institutional theory. The legitimacy theory by Suchman (1995) suggests that organizations strive to maintain legitimacy by conforming to societal norms and expectations in the eyes of stakeholders. Regarding IPSAS, public sector organizations may adopt these standards to enhance their legitimacy and credibility, especially in the eyes of taxpayers, donors, and international investors. Legitimacy theory posits that organizations aim to maintain legitimacy and acceptance in the eyes of their stakeholders, such as the public, government, investors, and employees, by conforming to social norms, values, and expectations. On the other hand, the Neo institutional theory proposed by DiMaggio and Powell (1983) introduced the concept of institutional isomorphism, describing how organizations within a field become similar over time due to coercive, mimetic, and normative pressures. The theory
gives clear understanding of the complex interplay between institutional factors, organizational behavior, and accounting practices in the public sector.

2.1 INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS)

IPSAS are a set of accounting standards issued by the International Public Sector Accounting Standards Board for use by public sector entities around the world in the preparation of financial statements (Modebe et al., 2016). This standard is a replicate of the private sector standard (International Financial Reporting Standards) issued by the International Accounting Standards Board (IASB). IPSASs are issued by IPSASB (International Public Sector Accounting Standards Board), an independent organ of IFAC (International Federation of Accountants). The IPSASB adopts a due process for developing IPSASs that allows for comment by interested parties, including auditors, preparers (including finance ministries), standard setters, and individuals. The following are proxies for IPSAS adoption: Accountability, Transparency, Comparability, Relevance and Full Representation. IPSAS seeks to promote transparency in public sector financial reporting across jurisdictions. The conceptual framework of IPSAS is similar to that of IFRS used in the private sector to enhance transparency of operations.

According to Egolum et al. (2021), accountability can be defined as the obligation to demonstrate that work has been conducted according to agreed rules and standards and the officer reports fairly and accurately on performance results vis-à-vis mandated roles and plans. It means doing things transparently in line with due process and providing feedback. Olola (2019) argued that the factors and forces that militate against accountability in Nigeria include ethnicity and tribalism, corruption, religious dichotomy, and military culture. Transparency makes information on existing conditions, decisions, and actions accessible, visible, and understandable to all market participants (Hassan, 2013). Ti (2015) defined transparency as a situation in which business and financial activities are done openly without secrets so that people can trust that they are fair and honest.

Comparability entails uniformity in the usage of similar accounting policies and procedures from one period to another in and outside an organization (IASB, 2010). Comparability of financial reports reflects the need for public sector entities to have a uniform set of financial statements that is comparable to other public sectors of other
nations (Okoh & Ohwoyibo (2010). Comparability of financial reports places a greater demand for transparency and accountability on public officers who manage the activities and transactions of the public corporations. This may further enhance public-private partnerships. Mhaca (2014) has defined comparability as a quality of accounting information that facilitates the comparisons of one company's financial reporting to another company's financial reporting.

Ijeoma and Oghoghomeh (2014) assert that IPSAS adoption must be value-relevant to users of public sector financial statements such as international agencies, taxpayers, members of parliaments, creditors, suppliers, public sector employees and financial analyst. The essence of preparing financial statements in line with IPSAS is that public entities must present their financial position and financial performance in such a manner that users of those financial statements can make relevant and timely value decisions. Value relevance studies are designed to assess how well particular accounting amounts reflect information that is used by investors in valuing the firm’s equity value (Acho, 2014).

Full representation in the context of IPSAS adoption refers to the comprehensive and accurate portrayal of financial information in public sector financial statements. This includes the complete, transparent, and truthful disclosure of all financial transactions, obligations, assets, and liabilities in a manner that adheres to the principles and guidelines set forth by IPSAS. Full representation ensures that financial reports provide a true and fair view of public sector entities’ financial position and performance, facilitating informed decision-making, accountability, and transparency. Full representation in IPSAS adoption is critical for ensuring that public sector financial statements provide a complete, accurate, and transparent view of financial activities. By adhering to IPSAS guidelines, public sector entities can enhance accountability, improve decision-making, foster transparency, and promote comparability. Addressing the challenges associated with IPSAS implementation is essential for achieving these benefits and advancing the overall quality of financial reporting in the public sector.

Biddle et al. (2009) refer to financial reporting quality as the accuracy and precision to which financial reporting delivers information about the anticipated cash flows to stock investors on the company’s operations. Quality financial reporting involves preparing and presenting financial statements that are accurate, complete, reliable, and relevant. High-quality financial reporting ensures that financial information is
transparent, comparable, and consistent, providing a true and fair view of an organization's financial performance and position. This level of reporting is essential for stakeholders, including investors, creditors, regulators, and management, to make informed decisions.

2.2 EMPIRICAL REVIEW

In recent years, there has been growing interest in the adoption and implementation of IPSAS. With the use and application of IPSAS across developed and developing nations, concerns have been raised about its impact on the quality of reports. Understanding the effect of IPSAS on quality of financial report in the public sector is of paramount importance. This empirical review aims to critically examine existing research studies on the effect of IPSAS in the public sector. By synthesizing empirical evidence from a range of studies, this review seeks to elucidate the effect of IPSAS on accountability, transparency, comparability, relevance and full representation, and highlight areas for future research.

Adedeji (2024) investigated the mediating/moderating role of contingency factors in the relationship between IPSAS adoption and financial reporting quality in the South Western Nigeria. The public service in the six states of the southwestern Nigeria is the focus of the study. A total of 400 respondents are covered in the survey and professional staff like auditors and accountants in the public service form the nucleus of the respondents. A well-structured questionnaire was constructed and administered. The data harvested was analyzed using Structural Equation Modelling. The influence of IPSAS adoption on financial reporting quality is determined by contingency factors in the sample States.

Elugom and Onyeka (2023) examined the impact of IPSAS on accountability in the public sector. The specific objectives are to examine the impact of IPSAS on accountability transparency advancement relevance in the public sector. The researcher used questionnaire as a direct instrument for collecting data from the sampled respondents. Simple tables of the percentages were used in analyzing the data generated. The findings revealed that IPSAS has significantly improved accountability and transparency in the public sector. In conclusion IPSAS adoption has increased level of accountability and value relevance in the public sector.
Okpara et al. (2023) investigated the impact of IPSAS on financial reporting in Edo State, Nigeria. The specific objectives of the study were to investigate the effect of IPSAS on the disclosure of financial information in the public sector in Edo State, examine the impact of IPSAS on transparency and accountability in financial reporting in the public sector in Edo State, and evaluate the influence of IPSAS on the comparability of financial reporting in the public sector in Edo State. The study employed a survey design approach, and questionnaires were administered to 208 chartered accountants working in Ministries and Agencies under the Edo State Government. Descriptive and inferential statistics were used to analyze the data, and Pearson Chi-Square was employed to test the study's hypotheses. The findings revealed that IPSAS has a significant impact on the disclosure of financial information, transparency, and accountability in public sector financial reporting in Edo State. Additionally, it was found that IPSAS has a significant influence on the comparability of financial reports. In conclusion, this study demonstrates that IPSAS substantially impacts public sector financial reporting in Edo State, Nigeria.

John et al. (2023) explored the relationship between IPSAS implementation and financial reporting quality in Cross River State, Nigeria. Survey research design and purposive sampling method were adopted. The population considered in this study was made up of middle and top-level management staff of Cross River State Ministry of Finance, totaling 35. Primary data were collected through administering questionnaires to a sample of 19 respondents who were accountants in the Ministry of Finance. Simple Percentage and Pearson correlation were used as data analysis techniques. The results of the analyses indicated that IPSAS implementation has a significant positive relationship with faithful representation and reliability of financial reports. In conclusion, IPSAS implementation by the public sector in Cross River State, Nigeria would result in faithfulness and reliability of financial reports and enhance a uniform standard of financial reporting by the various government institutions in Nigeria and even with the world at large.

Ojeh and Eze (2023) investigates the impact of IPSAS adoption on financial reporting quality in the Nigerian public sector. The study examines the perceptions and experiences of Nigerian government officials, accountants, auditors, and financial reporting experts regarding the impact of IPSAS adoption on financial reporting quality. Additionally, it analyzes the changes in financial reporting practices and compliance with
IPSAS in the Nigerian public sector following its adoption. The research employs a mixed-method approach, utilizing simple percentages and chi-square analysis for data analysis. The study addresses two hypotheses. Hypothesis 1 posits that adopting IPSAS in Nigeria does not positively and significantly influence the perceived financial reporting quality in the Nigerian public sector. Hypothesis 2 suggests that the level of compliance with IPSAS in the Nigerian public sector is not positively and significantly correlated with the improvement in financial reporting quality. The findings of the research indicate that the adoption of IPSAS in Nigeria indeed has a positive and significant impact on the perceived financial reporting quality in the Nigerian public sector. Furthermore, the study rejected the null Hypothesis 2, demonstrating a positive and significant correlation between the level of compliance with IPSAS and the improvement in financial reporting quality. These findings contribute to the existing body of knowledge by providing empirical evidence on the impact of IPSAS adoption on financial reporting quality in the Nigerian public sector. The research highlights the importance of adopting IPSAS and complying with its standards to enhance financial reporting practices.

Bello et al. (2022) focused on the influence of international public sector accounting standards (IPSAS) on the financial reporting quality of public health institutions in Nigeria. The research design adopted for the study was a survey research design because it effectively gathers primary data using a well-designed instrument that would aid statistical analysis. The population was finite in nature and relatively small; hence, it became imperative to use the entire population of one hundred and fourteen (114) as samples. The questionnaire was designed to gather data on the perceptions of relevant and knowledgeable staff on the influence of international public sector accounting standards (IPSAS) on the financial reporting quality of the selected Federal Health Institutions in Nigeria. The questions were carefully worded and focused on the sets of statements to elicit relevant information regarding the thrust of the study. Analysis of Variance and ordinary least squares were used to inferentially analyze the data obtained, while frequency tables, averages, and standard deviation were utilized to characterize the features of the data. The findings of the study were that the R Square of 93.4% suggests a very strong model which revealed that the total variation in the financial reporting quality of the selected FHI's was attributed to IPSAS, represented by accruals and aggregation and materiality of Financial Statements. The study focused on public health institutions in Nigeria.
Tawiah and Soobaroyen (2022) examine the association between the adoption of International Public Sector Accounting Standards (IPSAS) and the level of government financing in the context of developing countries. We draw upon signaling theory, robust econometric techniques and a sample of 54 developing countries over a 13-year period. Our results show that adopting IPSAS is significantly associated with increased financing from international sources and foreign aid. In contrast, there is no significant association for the case of domestic credit. Our results are more pronounced for developing countries that have adopted accrual-based IPSAS than for those that have adopted cash-based IPSAS. Finally, we find that the association between IPSAS and government financing remains similar regardless of the country’s level of institutional quality. Our evidence implies that there is a benefit of increased debt financing after adopting IPSAS, indicative of the incremental signal international capital providers place on the availability of IPSAS-based public sector financial reports.

Tawiah (2022) use large panel data of 107 developed and developing countries to examine the impact of the International Public Sector Accounting Standards (IPSAS) adoption on governance quality. Our results show that IPSAS has a positive and significant influence on governance quality, suggesting that IPSAS ensure accountability and transparency between the government and its citizens. However, we find that the positive effect of IPSAS is limited to developing countries. The findings provide empirical evidence to policymakers and regulators in pursuing global harmonisation of governmental accounting through adopting IPSAS, especially in developing countries.

Egolum and Ndum (2021) examined the effect of international public sector accounting standards on financial reporting quality of the Anambra State Public Sector. The population of the study consists of all the staff of Anambra State ministry of finance, Awka. The element of the population comprises all the 127 staff of the ministry. Since the population size is not much, the researcher used all the population size for the study. Validation of the instrument was done. The result of their responses was correlated using Cronbach Alpha formula, with a Coefficient Value of 0.82 obtained for internal consistency. Data collected for the study were analyzed by the researcher using frequency counts, mean score and standard deviation. The three hypotheses were tested using Chi-square statistical tool with aid of SPSS version 20.0 at 5% level of significance. The study revealed that the adoption of International public sector accounting standards leads to
accountability; enhance transparency and reduce corruption among public officers in the
state.

Ogiriki et al. (2021) investigate the effect of International Public Sector Accounting Standards (IPSAS) on the quality of financial reporting in federal agencies in Nigeria which is at present the focal point of the global revolution in government accounting in response to calls for greater government financial accountability and transparency. Data were collected through primary and secondary sources. They were analyzed using relevant econometric tests. The results reveal that, the adoption of IPSAS-Accrual is highly beneficial to the Nigeria Public Sector. Adopting IPSAS will increase accountability and transparency in the Nigerian public sector. The adoption of IPSAS has a positive effect on the revenue generation of the government. Based on the result, the study concluded that IPSAS Accrual should be fully implemented because of its impact on governments” operating procedures and reporting practices in the Nigeria Public Sector. There is need for government to provide in-depth training for finance staff and auditors, on the implementation of IPSAS.

Gkouma and Filos (2022) conducted research to determine the effect of IPSAS on financial reporting and public management in Greece. The researchers adopted a desktop research design and found that Greece was relatively underdeveloped with regard to IPSAS, as well as a lack of literature regarding the implementation of IPSAS in the public sector. They predicted that the adoption of IPSAS would cause significant changes in the financial statements of Greece, due to the disparities between IPSAS accounting principles and existing accounting practices. Since IPSAS (Accrual basis) was implemented in 2016, there has been a scarcity of empirical analyses which evaluate the impact of IPSAS on public sector reporting, especially the influence of IPSAS on accountability and transparency, disclosure of financial information, timely financial reporting, and the comparability of financial reports. This research was thus undertaken to address this gap.

Polzer et al. (2021) The aim of the study is to review the extant literature on International Public Sector Accounting Standards (IPSAS) adoption in emerging economies (EEs) and low-income countries (LICs) (“what do we know?”), and to propose an agenda for future research (“what do we need to know?”). An analytical framework that builds on diffusion theory is developed. The authors follow the “PRISMA Flow Diagram to reduce a total of 427 articles from four databases to a final sample of 41
articles. These studies are examined, aided by the analytical framework. The authors find that IPSASs are a relevant issue for EEs/LICs. Overall, existing research is often explorative. The authors discover that the majority of articles rely on secondary data collection. While two-thirds of the studies perform a content analysis of pre-existing material, about one-fifth of the articles each collect primary data through interviews and questionnaires. The findings offer a holistic understanding of where and at what stages IPSAS reforms stand in EEs/LICs, and what factors influence the progression of reforms to the next stage of diffusion. The authors outline a number of avenues for further research after discussing the dominating trends and structuring the literature based on our analytical framework. These stem from looking at the blank spots and an identified need to contextualise IPSAS adoption in EEs/LICs.

Atuilik and Salia (2019), focused on the effects of IPSAS implementation on public funds management in Liberia. A five-point Likert scale questionnaire was utilized to generate data using a survey design. Montserrado County of Liberia commissioned the distribution of questionnaires to accountants, auditors from both private and state owned firms, government departments, and public sector organizations. The descriptive statistics were employed to evaluate the valid questionnaires. An analysis of variance (ANOVA) was conducted to test the hypotheses, with a 5% significance level. According to the research, the implementation of IPSAS results in more transparent and accountable use by government of public funds.

Dabor and Agghreh (2017) reported on the potential benefits and obstacles faced by Nigeria's public sector in adopting IPSAS. The research concentrated on federal ministries in Abuja. The civil servants in Abuja were given a questionnaire that contained one hundred and fifty copies. They used the Z-test statistical method and chi-squared. The analysis of field data was carried out using MS-excel 2016. Adoption of IPSAS will improve the credibility of reports prepared by the Nigerian public sector, as proved by the results. The implementation of IPSAS will enhance the inter-state comparability of financial reports. The research discovered that the implementation of IPSAS is being hindered by a shortage of funds and internal opposition, which are two major obstacles.

Opanyi (2016) focused on effect of adoption of IPSAS on quality of financial reports in meeting the criteria for decision usefulness. The design of this study was a descriptive survey design, and the target population was the 19 ministries of the national government in Kenya. Data was collected using secondary means and was analysed using
The study indicated enhancement in the quality of characteristics of comparability, relevance, timeliness and faithful representation by adoption of IPSAS while the quality of characteristics of understandability declined. The study also showed no significant difference in items pertaining to transparency and accountability, indicating that the goal for government reforms to achieve greater transparency and accountability may not be fully achieved. The study also revealed that adoption of IPSAS is adjudged to have moderate effect on quality of financial reports in public sector in Kenya using a 5 point Likert scale. The study concluded that there exists a statistically significant difference between old accounting standard-based financial reports and IPSAS-based financial reports in meeting the criteria for decision usefulness as revealed by paired-sample t-test.

3 METHODOLOGY

The study adopts a survey research design because it adopted the use of a questionnaire aimed at examining the effect of IPSAS adoption on quality financial reporting in Federal Ministry of Finance, Nigeria. The population of this study is made up of Accounting Personnel (AP), Accounting Academics (AA), and Auditors (AU) from the seventeen (17) Federal Agencies listed on the site of Federal Ministry Finance. The Yamane (1967) formula was used to determine a sample size of 384 respondents. However, a margin of 30% was included to make up for unreturned questionnaire. This study gathered primary data through the use of a self-reporting questionnaire, which was chosen for its efficiency in collecting data from a large number of respondents in a short period. The questionnaire also ensures a high level of data standardization and allows for the gathering of generalized information applicable to any population. The study was structured as a composite measurement tool aimed at comprehensively evaluating the effect of international public sector accounting on quality of financial reporting in Federal Ministry of Finance with variables such as; quality of financial reporting, accountability, relevance, transparency, comparability and full representation. Accountability was assessed using five indicators labelled ACC 1-5, Transparency had five indicators labelled TP 1-5, Relevance equally had five indicators labelled RV1-5, Comparability had also five indicators labelled CP 1-5, and Full representation had five indicators as well labelled FR 1-6.
A multiple regression model was used to predict the best outcome since IPAS was a proxy of select measurable indicators such as; accountability, relevance, transparency, comparability and full representation. This facilitated the statistical analysis and evaluation of the impact (relationship) between the independent variables (IPSAS adoption proxies) and dependent variable (financial reporting). The model can be represented as follows:

\[ QFR_i = \beta_0 + \beta_1 ACC_i + \beta_2 TR_i + \beta_3 RE_i + \beta_4 COM_i + \beta_5 FR_i + \varepsilon_i \]  

(1)

Where:

- QFR – quality financial reporting
- ACC – Accountability
- TR – Transparency
- RE – Relevance
- COM – Comparability
- FR – Full representation
- \( i \) = Cross-sectional indicator.
- \( e \) – error term
- \( \beta \) – Beta coefficient

The primary data collected was coded in order to permit quantitative measurement. The formulated hypotheses were tested in a multiple regression model which were carried out with the aid of Statistical Package for Social Sciences (SPSS) version 25.

4 RESULTS AND DISCUSSION

4.1 DEMOGRAPHIC STATISTICS

Table 1

Demographic Statistics

<table>
<thead>
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<th>Variable</th>
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<td>228</td>
<td>57.86</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>168</td>
<td>42.14</td>
</tr>
<tr>
<td>Age</td>
<td>18-29</td>
<td>128</td>
<td>32</td>
</tr>
<tr>
<td></td>
<td>30-44</td>
<td>140</td>
<td>35</td>
</tr>
</tbody>
</table>

The study involved 394 respondents whose sex distributions indicated that 228 (57.86%) of them were male while 168 (42.14%) were females. Since the sampling process in this study was purposive, it is plausible to infer that the number of females who specialize in accounts and auditing is less than that of men and, therefore, there are few women who are engaged in the adoption of IPSAS on quality finance in the public sector than that of men. This is, however, not to refute the argument put forth by Tanjeh (2016) that females are less likely to adopt and possibly implement major reforms.

The study also sought to determine if the respondents were old enough to provide valuable responses that pertain to IPSAS adoption and quality financial reporting. The findings showed that majority of the respondents were between the ages of 30 - 44 which represented 35% of the total respondents. 32% were between the ages of 18 - 29, while 28% were between the ages of 45-59. Lastly, 5% were between the age of 60 and above. The findings therefore implies that the respondents were old enough to provide valuable responses that pertain to the IPSAS adoption and quality financial reporting.

Table 1 shows that result of the years of experience of the respondents. From The analysis of the data collected, the result shows that majority of the respondents had spent between 6 – 10 years on the job which represents 40%. 35% were in their first 5 years on the job while. 25% had spent over 10 years on the job. This finding reveals that the respondents have adequate knowledge of the impact of IPSAS. The study also sought to ascertain the specialization of the respondents. This was important to understand if the respondents were involved in accounting and related practices on the job. Based on the findings, 55% of the respondents were accountants, 30% were Finance Managers and...
15% were Internal Auditors. It can therefore be concluded that majority of the respondents are adequately fit to respond to the questionnaire.

The educational status of the respondents was also examined. The finding show that majority of the respondents were graduates, that is 52% had a first degree. 25% had diploma certificate, while 17% had a master’s degree and finally, 5% had Ph.D degree. Most of the respondents 32% (128) are certified members of Association of National Accountants of Nigeria (ANAN), 12% (48) are certified members of the Institute of Chartered Accountant of Nigeria, 41% (164) are certified members of Institute of Chartered Taxation of Nigeria, 11% (94) had no any professional qualification, and 4% (16) were in Association of Chartered Certified Accountants (ACCA). The analysis made in this study revealed that majority of the respondents who are trained accountants belong to one professional body or the other and are well suited to respond to the questionnaire.

Zeghal and Mhedhbi (2006) that education level to be positively related with the adoption and implementation of IPSAS. It is pertinent to understand that the training should be on the specific field of implementation. Though the accountants and auditors in this study were educated, they could be lacking education on the implementation of IPSAS.

4.2 FACTOR ANALYSIS

Factor analysis is a statistical technique used to identify underlying relationships between measured variables. It helps in data reduction by summarizing the information contained in multiple variables into fewer factors, which represent latent constructs that influence the observed data. In this section, the Exploratory Factor Analysis (EFA) was performed to assess the validity of the construct. Principal Component Analysis (PCA) was employed with varimax rotation method to analyze the underlying structure of the inter-relationships among the items into a set of common dimensions. The PCA was carried out for both the dependent variable and independent variables to show which set of items hangs together as a group, or are answered most similar by the participants.

4.3 KAISER-MEYER-OLKIN (KMO) AND BARTLETT’S TEST

The result for the Kaiser-Meyer-Olkin (KMO) and Bartlett’s test. Prior to the extraction of the factors, the KMO and Bartlett’s test was conducted to assess the
suitability of the respondent’s data for factor analysis. KMO measure of sampling adequacy indicates whether the partial correlations among variables are small. Kaiser (1974) recommended accepting values greater than 0.5 as acceptable. From the result, the KMO result indicated that the factor analysis is appropriate with the value of .766. On the other hand, the Bartlett’s test of Sphericity is a test of statistic used to test the null hypothesis that the original correlation matrix is an identity matrix. Bartlett’s test also tests whether the correlation matrix is an identity matrix, which would indicate that the variables are unrelated and thus unsuitable for structure detection. Therefore, the population correlation matrix is an identity matrix and each variable correlates with itself and hence, no correlation with the other variables. The Bartlett’s test of sphericity indicates that the chi-square value is 380.823 at .000 significance level. Hence, the factor analysis is considered an appropriate technique.

4.4 FACTOR EXTRACTION

The factors extractable from the analysis along with their Eigen values, the percentage of variance attributable to each factor, and the cumulative variance of the factor and the previous factors. In other words, it shows the factors before extraction, after extraction and after rotation. Before extraction, the result has identified 31 linear components within the data set. It is observed that the first factor accounts for 37% of the total variance, the second 19.5% and the third 8.3%. Excluding the first 7 components all the other factors are not significant.

4.5 ROTATED COMPONENT MATRIX

The outcome of the factor analysis for the variables. At inception 31 items in 6 dimensions were subjected to PCA using SPSS version 23. In a repeat procedure the factor loading of the items ranged from 0.563 to 0.960 with 8 items being removed for various reasons such as having low commonalities value, loading less than 0.50 and cross-loading. Removing these items increased the total variance explained from 37% to 64%. Inspection of the correlation matrix revealed the presence of many coefficients of 0.30 and above. The rotated component also known as the rotated factor matrix is an orthogonal rotation based on eigenvalues. The analysis resulted in 6 components, with
most of the items loading on component one and the other components remaining unexplained. In a repeat procedure, the rotation was based on six factors and it resulted in six component structure as displayed in table 4.3. Component one was explained by the highest number of items with 13 items loading on it. The item with the greatest factor loading on component one are TR1, RE1, RE2, COM1, COM2, COM3, COM4, FR2, FR3, QFR1, QFR2, QFR3, QFR4. The remaining components loaded one (see appendix 7).

4.6 RELIABILITY RESULT

The table below shows the reliability of the questionnaire. The reliability coefficient (Cronbach alpha) was used to test the reliability of the research instrument. According to Zikmund, Babin, Carr, and Griffin (2010) Cronbach Alpha value of 0.7 or above, for all the constructs, was considered adequate for this study.

Table 2

Reliability Test

<table>
<thead>
<tr>
<th>Variables</th>
<th>Cronbach’s Alpha</th>
<th>Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accountability</td>
<td>.860</td>
<td>3</td>
</tr>
<tr>
<td>Transparency</td>
<td>.798</td>
<td>4</td>
</tr>
<tr>
<td>Relevance</td>
<td>.735</td>
<td>3</td>
</tr>
<tr>
<td>Comparability</td>
<td>.965</td>
<td>4</td>
</tr>
<tr>
<td>Full representation</td>
<td>.808</td>
<td>3</td>
</tr>
<tr>
<td>Quality financial reporting</td>
<td>.875</td>
<td>6</td>
</tr>
</tbody>
</table>

Source: SPSS output (2024)

From the table above, since the alpha coefficients were all greater than .7, we can therefore conclude that the instruments had an acceptable reliability coefficient and were appropriate for the study.

Table 3

Multiple Regression

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coefficient</th>
<th>t-statistics</th>
<th>Probability</th>
<th>R²</th>
<th>Adj R²</th>
<th>F-statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accountability</td>
<td>.083</td>
<td>3.992</td>
<td>.000</td>
<td>64.6%</td>
<td>64.2%</td>
<td>143.978</td>
</tr>
<tr>
<td>Transparency</td>
<td>.024</td>
<td>.734</td>
<td>.003</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comparability</td>
<td>.099</td>
<td>1.650</td>
<td>.100</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relevance</td>
<td>.375</td>
<td>8.704</td>
<td>.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full</td>
<td>.181</td>
<td>3.217</td>
<td>.001</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: SPSS Output (2024)
The first hypothesis which states that the null hypothesis which states that accountability of IPSAS does not significantly affect the quality of financial reporting in Federal Ministry of Finance is rejected at 5% significance level. Therefore, the study accepts the null hypothesis thus, accountability of IPSAS significantly affect the quality of financial reporting in Federal Ministry of Finance. Implying that the accountability of IPSAS has positively increased quality of financial reporting of Federal Ministry of Finance by 8.3%. IPSAS has a profound impact on the quality of financial reporting in the public sector, primarily through enhancing accountability. Accountability in the context of IPSAS refers to the obligation of public sector entities to explain their financial activities, decisions, and outcomes transparently and accurately to stakeholders, including citizens, policymakers, and international bodies. IPSAS provides a clear, standardized framework for public sector accounting, which significantly enhances the transparency of financial statements. Transparency ensures that all financial information is presented in a manner that stakeholders can easily understand and verify. IPSAS adoption enhances accountability mechanisms by providing clear guidelines for financial reporting and auditing. This clarity helps in holding public officials accountable for their financial decisions and actions. The adoption of IPSAS significantly enhances the accountability and quality of financial reporting in the public sector. By improving transparency, reliability, and comparability of financial data, IPSAS fosters better decision-making, strengthens public trust, and enhances audit quality and oversight. These improvements collectively lead to more accountable and effective public financial management, ultimately benefiting the public and enhancing the credibility of public sector entities.

Table 3 shows that transparency of IPSAS significantly affect the quality of financial reporting in Federal Ministry of Finance is accepted. The findings suggest that IPSAS provide a consistent framework for accounting and financial reporting across public sector entities, ensuring that financial statements are prepared using a common set of standards. This uniformity enhances transparency by making it easier to compare financial reports of different entities, both within and across countries. Chan (2003) argued that IPSAS encourage the adoption of accrual-based accounting, which provides a more comprehensive view of a government’s financial position and performance than cash-based accounting. Accrual-based reporting increases transparency by recognizing all financial transactions when they occur, not just when cash changes hands, thus presenting a complete picture of financial activities and obligations. Pina et al. (2009)
argued that IPSAS include detailed requirements for the disclosure of financial information, such as notes to the financial statements, which provide additional context and explanations for the figures reported. These detailed disclosures improve transparency by providing stakeholders with a clearer understanding of the financial data, underlying assumptions, and potential risks. Jorge and Brusca (2011) also noted that by adhering to internationally recognized standards, IPSAS improve the reliability of financial reports. The standards ensure that financial information is accurate, complete, and free from material misstatement. Reliable financial reports enhance stakeholders’ trust in the information presented, facilitating better decision-making and governance. According to Brusca and Martinez (2016), IPSAS promote consistency in financial reporting by providing standardized procedures and guidelines for recognizing, measuring, and presenting financial information. Consistent financial reporting allows for better trend analysis and comparisons over time, helping stakeholders to assess the financial health and performance of public sector entities.

The result shows that the null hypothesis which states that relevance of IPSAS does not significantly affect the quality of financial reporting in Federal Ministry of Finance is accepted because the p-values is above 5% significant level. Hence, the study does not have enough reason to reject the hypothesis. According to Chan (2006), the successful adoption of IPSAS requires strong institutional frameworks and adequate capacity building within public sector entities. In many developing countries, including Nigeria, these prerequisites are often lacking. Studies suggest that without proper institutional support and training, the benefits of IPSAS adoption may not be fully realized. Aggestam-Pontoppidan and Andernack (2016) argued that implementing IPSAS can be complex and resource-intensive. Public sector entities, especially in developing countries, may face significant challenges related to the complexity of the standards, the need for substantial financial resources, and the requirement for skilled personnel. The adoption of IPSAS is often driven by external pressures rather than genuine political will or commitment to reform. Without strong enforcement mechanisms and political backing, the implementation of IPSAS may be superficial, leading to insignificant changes in financial reporting quality (Brusca & Martinez, 2016).

Findings shows that comparability of IPSAS significantly affect the quality of financial reporting in Federal Ministry of Finance was accepted. Christiaens et al. (2010) argued that by adopting IPSAS, public sector entities ensure that their financial statements
are comparable across different jurisdictions and time periods. This comparability is crucial for stakeholders to assess the performance and financial health of public entities accurately. This comparability is crucial for ensuring transparency, accountability, and informed decision-making by stakeholders. Here, we explore the significant effect of IPSAS adoption on the comparability of financial reporting and its implications for financial reporting quality. IPSAS provides a comprehensive set of accounting standards that public sector entities are required to follow. This standardization reduces variations in accounting practices, leading to more consistent and comparable financial statements. The International Federation of Accountants (IFA) (2018) posits that by adopting IPSAS, public sector entities from different countries can produce financial statements that are comparable, facilitating cross-border analysis and comparisons. This is particularly important for international organizations, investors, and donor agencies that engage with multiple countries. Comparable financial statements enhance the transparency of public sector financial information. Stakeholders can better assess the financial performance and position of entities when they can compare financial data consistently across different periods and entities. Cavanagh et al. (2016) explained that the credibility of financial statements is bolstered when users perceive them as reliable and comparable. This trust is crucial for maintaining public confidence in governmental financial management and for attracting external funding and investment. Jones and Caruana (2015) posits that comparable financial statements facilitate benchmarking and performance evaluation. Public sector entities can compare their financial performance with peers and best practices, identifying areas for improvement and adopting more efficient practices.

The result shows that full representation of IPSAS significantly affect the quality of financial reporting in Federal Ministry of Finance is accepted. The full representation of IPSAS adoption refers to the thorough and comprehensive implementation of these standards across all aspects of financial reporting within public sector entities. The full representation of IPSAS adoption significantly enhances the quality of financial reporting in the public sector. By promoting transparency, accountability, comparability, consistency, and reliability, IPSAS provides a robust framework that supports better financial management and decision-making. Furthermore, the adoption of IPSAS increases the confidence of investors, donors, and other stakeholders in the financial integrity of public sector entities. The widespread and thorough implementation of IPSAS
is therefore crucial for modernizing public sector accounting and ensuring the efficient use of public resources.

5 CONCLUSION

This study examined the effect of the adoption of IPSAS on quality of financial report in Federal Ministry Finance in Nigeria. The specific objectives of the study were to examine the effect of Accountability, Transparency, Comparability, Relevance and Full Representation on the quality of financial report in Federal Ministry of Finance, Nigeria. The data were subjected to cleansing beginning with facto analysis using KMO and Bartlett’s test, communalities extraction method, factor extraction, scree plot, rotated component matrix and reliability test. Based on the outcome, eight questions from the thirty one questions were dropped. The hypotheses was tested using multiple regression analysis. Based on the analysis, the study found the following: the study found that accountability of IPSAS significantly affect the quality of financial reporting in Federal Ministry of Finance. Implying that the accountability of IPSAS has positively increases quality of financial reporting of Federal Ministry of Finance. The study found that transparency of IPSAS significantly affect the quality of financial reporting in Federal Ministry of Finance. Implying that an increase in transparency increases quality of financial reporting of Federal Ministry of Finance. The study found that relevance of IPSAS does not significantly affect the quality of financial reporting in Federal Ministry of Finance. The study found that comparability of IPSAS significantly affect the quality of financial reporting in Federal Ministry of Finance. the findings implies that an increase in comparability of IPSAS increases quality of financial reporting in Federal Ministry of Finance. The study found that full representation of IPSAS significantly affect the quality of financial reporting in Federal Ministry of Finance. Implying that an increase in full representation of IPSAS increases quality of financial reporting of Federal Ministry of Finance. The recommendations of this study are made based on variety of people/organizations that are involved in the adoption and implementation of IPSAS towards enhancing quality of financial report in public the sector. Therefore, Government should ensure as much as possible that:

i. The Federal Ministry of Finance should develop and implement clear accountability frameworks that outline the roles and responsibilities of various
personnel in the financial reporting process. This will ensure that everyone understands their accountability in maintaining the quality and integrity of financial reports.

ii. The Federal Ministry of Finance should increase efforts to promote transparency in financial reporting by making financial statements and related reports publicly accessible. This will not only foster greater public trust but also encourage adherence to high standards of financial reporting.

iii. The Federal Ministry of Finance and its agencies should conduct a thorough review of the current IPSAS implementation process to identify specific areas where the standards may not align well with the ministry's unique financial reporting needs. Tailor the implementation of IPSAS to ensure it addresses these needs effectively.

iv. The Federal Ministry should establish a monitoring framework to regularly assess the implementation of IPSAS and its impact on financial reporting. Publish reports on the progress and outcomes of IPSAS adoption, highlighting improvements in comparability and overall quality.

v. Invest in modern financial management systems and technology that support full IPSAS compliance. These systems should facilitate accurate, efficient, and IPSAS-compliant financial reporting, reducing the risk of errors and inconsistencies.

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