

Effects of implementation of International Public Sector Accounting Standards on Nigeria's financial reporting quality

Effects of
implementation
of IPSAS

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Abstract

Purpose – The purpose of this paper is to examine the effects of the implementation of the International Public Sector Accounting Standards (IPSAS) on Nigeria's financial reporting quality.

Design/methodology/approach – The study employed a survey research design to determine the effects of the implementation of the IPSAS on Nigeria's financial reporting quality. Partial Least Square 3(SmartPLS 3) technique of analysis was applied to achieve the research objective.

Findings – The study found that accountability positively and significantly affects the quality of financial reporting in Nigeria. Specifically, IPSAS has improved the level of accountability, which in turn improved Nigeria's financial reporting quality.

Research limitations – The study only explored two explanatory variables whereas other variables such as transparency, corruption minimization, comparability and faithful representation were not considered in this study. It is, therefore, recommended that further studies could expand the scope to cover some other variables not included in this paper.

Practical implications – IPSAS-Accrual has engendered the Nigerian Government to launch the Asset Tracking and Management Project (ATMProject) in order to easily track its assets for the purpose of accountability. Thus, accountability was discovered in this study to be the most essential factor to enhance the quality of financial reporting using accrual-based IPSAS in Nigeria.

Social implications – Accountability will impact positively on the lives of Nigerians in relation to the application of public funds to impact on the lives of the masses.

Originality/value – The statistical significance of accountability found in this study, using partial least square technique of data analysis, will further enhance financial integrity in the country.

Keywords OAGF, IPSAS, Financial reporting quality, Implementation

Paper type Research paper

Introduction

Several governments across the Globe have taken vital decisions to enhance the management of their public finances in response to the global financial crisis that erupted in the last decade. Various financial management reforms are therefore being implemented in public sector entities globally with a view to improving accountability, transparency and minimization of financial waste through the adoption of accrual-based International Public Sector Accounting Standards (IPSAS) as recommended by the International Federation of Accountants (IFAC). Organizations such as the United Nations, European Commission, Organizations of Economic Cooperation and Development and Northern Alliance Treaty Organizations have contentiously taken a lead in the implementation of IPSAS.

Numerous government entities have also launched IPSAS implementation projects while many other public sector organizations have increasingly declared their intention to implement IPSAS as their accounting framework (Rouvet *et al.*, 2012). IPSAS has numerous



advantages to its adopters. It is also a veritable mechanism for high-quality financial reporting as well as operational performance due to the fact that items such as non-current assets, current assets, employee benefits and payroll are taken into account when preparing and presenting IPSAS-based financial information. With accrual-based IPSAS, the public resources are better utilized and managed especially in terms of improved financial reporting, greater accountability and transparency as well as corruption minimization. In Nigeria, cash-based IPSAS commenced effectively in 2014 while accrual-based IPSAS began in 2016. The phased approach was used in the implementation of accrual-based IPSAS because Nigeria had been preparing and presenting its financial statements using cash basis for over 40 years (James, 2014). Accrual accounting based on international best practice is highly essential for a greater degree of accountability and key decision making, thereby giving rise to good governance and economic development. Under accrual-based IPSAS, general purpose financial statements (GPFS) are prepared and presented based on proper recognition, measurement and adequate disclosure of all material items, transactions and events. So, the implementation of IPSAS in Nigeria has the potential to influence financial reporting quality in terms of accountability and enhanced decision making.

First, in order to ensure and maintain people's trust in government, public funds are expected to be managed in an accountable and transparent manner. Also, there is an established proof that accrual-based IPSAS promotes a clearer financial position among the public sector organizations globally (ACCA, 2017). Through accountability, fraud and corruption could be reduced to the barest minimum. This is due to the fact that IPSAS adoption has been able to contentiously assist governments to gain greater control of their revenues, expenditure, payables and receivables.

Second, through IPSAS, the decision making is improved (Huang, 2013), particularly in areas of CAPEX (capital expenditure) such as purchase/construction of Property, Plant and Equipment, purchase/construction of investment property purchase of intangible assets as well as acquisition of investments. The government decision on the CAPEX is highly essential for economic prosperity.

Research question

In 2010, the Nigerian Federal Executive Council approved the adoption of IPSAS and International Financial Reporting Standards for the public sector and private sector entities, respectively, so as to strengthen the country's preparation and presentation of its accounting and financial reporting system in accordance with the international best practices (Peter, 2012). The adoption of the global standards is due to a necessity for better recognition, measurement, presentation and disclosure requirements of items, transactions and events in government's financial reports (Ijeoma and Oghoghomeh, 2014).

Besides, the preparation and presentation of financial statements of public sector entities in Nigeria have been hitherto rooted in the traditional cash basis of accounting, characterized by low level of accountability, transparency as well as high exposure to fraud and corruption in the accounting reporting system. However, the need to go from the traditional cash accounting system to the accrual-based system of accounting in the public sector entities has brought about an innovation in the areas of recognition of economic events, recording of all stocks of assets and liabilities in the statement of financial position, improved monitoring of current, long-term and contingent liabilities as well as consolidation of all entities under government control (Joe *et al.*, 2016).

Moreover, the rationale behind this research stems from the need to assess government financial management reforms through the adoption of accrual-based IPSAS on qualitative perceptions of accounting professionals in Nigeria. First, accrual-based IPSAS commenced in 2016 as another veritable measure to reduce corruption, enhance transparency and accountability in the Nigerian Public Sector entities. Nigeria still ranked as the second worst

country among seventeen West African countries evaluated based on the 2018 corruption Perception Index (CPI) of Transparency International (TI). Nigeria was also graded 148 out of the 180 countries assessed by TI in 2017, which implies that it is necessary to empirically re-examine the country's public financial management and other anti-corruption techniques. Second, the budget preparation and implementation without accountable and practical performance evaluation process in the Nigerian public sector could be responsible for the insignificant improvement in the Nigeria's TI ranking.

Therefore, proper application of IPSAS could offer better accuracy of information about government performance (Alshujairi, 2014). This study is poised to evaluate the problems associated with financial reporting quality in order to identify possible ways of improving the understandability, relevance, comparability and faithful representation of its financial reporting for donor agencies' confidence, corruption reduction, accountability and transparency.

The two central research questions for this study are:

- RQ1.* Does the implementation of IPSAS significantly affect accountability for the public sector financial reporting quality in Nigeria?
- RQ2.* Does the implementation of IPSAS significantly affect enhanced decision making for the public sector financial reporting quality in Nigeria?

Literature review

This section will explain the concepts of IPSAS and the quality of financial reporting, as used in this study.

Financial reporting quality

Financial reporting serves as a vital resource for passing financial information to all interested users. High-quality financial reports could have positive and significant effects on organizations' stakeholders and vice versa because it has to do with how public sector entities render stewardship accounts on public funds and other assets entrusted with them to assist providers of public money such as taxpayers, donor agencies, local and foreign investors in vital decision making and other intended purposes. Financial reporting is also concerned with communicating financial information to an entity's stakeholders (Okere *et al.*, 2017) while accounting/financial reporting is equally viewed as a government's financial information systems and financial disclosure procedures (Udeh and Sopekan, 2015). Not only that, financial reporting is a process of formally communicating financial activities of business to its stakeholders (Ahmed *et al.*, 2018).

So, IPSAS was launched by the IFAC to expose government entities to the preparation of high-quality financial reports (Erin *et al.*, 2016). This is a result of the fact that consolidated financial statements are a vital element of financial reporting by governments as they give an account of the consolidated state of its affairs and resources (Khan *et al.*, 2014). In measuring the quality of financial reporting in terms of fundamental characteristics (i.e. relevance and faithful representation) and enhancing qualitative characteristics (i.e. accountability, enhanced decision making, understandability, comparability, verifiability and timeliness) are deemed to be essential elements of financial reporting information, which can enhance useful decision making (Ferdy *et al.*, 2009).

The primary goal of many Nigerian public sector entities such as Pension Transitional Arrangement Directorate, National Bureau of Statistics, National Bio-safety Management Agency, Consumer Protection Council and National Agency for the Control of AIDS among others is to principally provide excellent service delivery to the public instead of profit making focus. On the other hand, some public sector entities such as Federal Inland Revenue Service, Nigerian National Petroleum Corporation, Nigerian Port Authority, Nigeria Customs Service, Nigeria Maritime Administration and Safety Agency, Nigeria Communication Commission,

Central Bank of Nigeria are revenue generating Agencies of Government. The performance of these entities is made known to the interested individuals through general purpose financial reports. General purpose financial reports are designed to present financial information (i.e. financial performance, financial position, changes in net worth and cash flow) and performance information (i.e. service and other operational performance). For such information to be relevant, it must meet the accountability and/or decision-making requirements of its users (Provost, 2016). IPSAS-borne explanatory variables influencing Financial Reporting Quality such as accountability and enhanced decision making are discussed here-under.

Accountability

Accountability in the public sector involves political, administrative, democratic and most importantly financial accountability, which in turn enhance higher responsibility, performance and progress in a country. Lack of transparency in exhibiting budget implementation outcomes brings about the lack of public sector accountability (Alshujairi, 2014). Therefore, accountability is essential for wealth creation and the formation of a free society, which gives citizens the freedom to request for information on how they are well or otherwise, governed. High levels of corruption are caused by low levels of accountability in the public sector financial reporting and management (Okere *et al.*, 2017), because the yearly financial statements that are timely, understandable and open perform a crucial function in the government-to-citizens accountability (Ijeoma and Oghoghomeh, 2014).

Enhanced decision making

Relevant financial information enhances users' decision making because financial reporting information has been generally improved by international accounting standards, which in turn enhances useful decision making. Therefore, provision of information useful for decision making is the basic purpose of financial reporting (Soyinka *et al.*, 2017). Also, investors' decisions could be improved by an entity's high quality of financial reporting (Nwaobia *et al.*, 2016). Hence, financial reporting involves preparation and presentation of standardized financial information for proper planning and useful decisions (Ahmed *et al.*, 2018).

IPSAS

IPSAS emanated from the IPSAS Board to enable public sector entities globally to prepare and present their general purpose financial reports. In other words, IPSAS are standards used to ensure the recognition, measurement, presentation and disclosure of requirements with respect to transactions and events in GPFS (Opanyi, 2016). Also, IPSAS are a set of professionally formed, excellent global accounting standards, which need an accounting basis to be migrated from the cash basis to the accrual basis (Awolaja and Bature, 2018). The Board launched the IPSAS as global standards for preparing and presenting public sector financial statements (Adamu and Ahmed, 2014). Thus, IPSAS comprises cash and accrual basis of accounting (Duenya *et al.*, 2017). So, consolidated accounts of all public entities are required to be prepared by the central government of a country adopting IPSAS (Khan *et al.*, 2014). Meanwhile, IPSAS was launched to enhance the transparency and accountability in public sector entities, which in turn enhance and standardize their financial reporting (Ademola *et al.*, 2017). In 2013, IPSAS comprised 32 standards, which were used for preparing and presenting financial statements (Adejola, 2013) but in 2019, the Global Standards had risen to 42 in number (Deloitte, 2019, see Table AI).

Consequently, the IPSAS enables the financial management environment and the use of reporting information to be better understood for decision-making and accountability purposes. Accrual-based IPSAS, which is concerned with recording the economic substance of transactions as they occur rather when cash paid out, is key to greater accountability and sound decision making.

Implementation of IPSAS: an overview

This part discusses the effects of the implementation of IPSAS on the financial reporting quality in Nigeria and various other developing countries.

Several studies were carried out into the effect of IPSAS in Nigeria. However, most of these studies have a small data basis. The current study tries to remedy this. For example, Gideon and Abiola (2018) investigated the effect of IPSAS on information delivery in Nigeria. Primary data were gathered for the study. The study population comprised 550 staff members of the Federal Ministry of Finance, FCT-Abuja and 249 staff members of Ekiti State Ministry of Economic Planning and Budget, Ado-Ekiti totaling 798, which represented public sector entities in Nigeria. The study findings revealed that financial statements' reliability has positive and significant influence on Post-IPSAS. It was concluded that the adoption of IPSAS improved the quality of information delivery, which then increased the level of accountability and transparency of Nigeria public sector. In addition, Obara and Nangih (2017) investigated the effects of IPSAS adoption on government financial reporting in Nigeria. The study used primary data gathered from accountants and auditors of government ministries, departments and agencies (MDAs) within the Rivers State Civil Service. Findings showed that IPSAS adoption will result in financial transparency/accountability, strengthen internal controls, boosts financial and resource stewardship and enhanced efficiency in decision making and good governance in Nigeria. The authors recommended that the accrual-based IPSAS should be adopted by the public sector in Nigeria instead of cash-based accounting. However, the research work was only conducted in one state and may thus not be generalized to all states in Nigeria.

Another study was conducted by Duenya *et al.* (2017) on the effect of adopting IPSAS on accountability in public sector financial reporting in Nigeria. Primary data were collected from a sample of 130 from a population of 193 accounting personnel (AP), academics (AA) and auditors (AU) within Benue State. The study concluded that IPSAS adoption in Nigeria will significantly improve accountability in Nigerian public sector financial reporting. Nevertheless, the outcome of this study may not be generalized as the study was performed in 1 state out of the 36 in Nigeria. Hence, there is a need for research which captures the perceptions of all the MDAs of the Federal Republic of Nigeria. This result is similar to that of Ademola *et al.*, (2017) who examined the impact of IPSAS on corruption reduction, transparency and financial accountability of selected local governments of Oyo State, Nigeria. A survey design was used for the data obtained from questionnaires distributed to accountants and internal auditors in the selected local governments of Oyo State, Nigeria. It was concluded that IPSAS adoption will improve the Nigerian economy if fully adopted and implemented.

Okere *et al.* (2017) studied the impact of IPSAS on the reliability, credibility and integrity of financial reporting in the State Government Administration in Nigeria. The study employed a survey research design with a focus on all accounting departments of various ministries in Abeokuta, Ogun State. In total, 40 junior, intermediate, senior and professional accountants, and auditors (internal and external) participated, from a population of 45. The study concluded that the implementation of IPSAS by public sector organizations in Nigeria will have a positive impact on the reliability, credibility, integrity and uniformity of financial reporting among the three tiers of government in Nigeria. This study was, however, conducted in a capital city of one state in Nigeria, and cannot be generalized. Similarly, Alexander and Meshack Aggreh (2017) examined the prospects and challenges of adoptions of IPSAS by the Nigerian public sector. The study used primary data gathered through the distribution of questionnaires to civil servants in Abuja and Benin City. The study concluded that lack of funds and internal resistance are major challenges militating against the adoption of IPSAS in Nigeria.

Nkwagu *et al.* (2016) also examined the implications of IPSAS on the accountability of the Nigeria public sector with an emphasis on its effects on efficient management of public

funds, effective budget implementation and checking of cases of corruption among public officers in the South Eastern states of Nigeria. Their study used a survey design for data obtained from a sample of 314 out of 1,458 accountants and internal auditors in the ministries of finances of south eastern states of Nigeria. It was found that IPSAS adoption improves accountability, aids effective budget implementation and represses possible corruption in the Nigerian public sector. However, the research work was carried out in one out of six geo-political zones in the country. Therefore, the current study uses IPSAS-based financial reports of all MDAs through the research questionnaire respondents from the Office of the Accountant General of the Federation (OAGF), where GPFS are prepared for the country. This is in line with Balogun (2016) who investigated the impact of IPSAS in the Nigerian public sector using the Office of The Accountant General of Ekiti State as a case study. It was concluded that the adoption of IPSAS will improve accountability, transparency, decision making, enhance comparability and international best practices. However, given the small basis of one case generalizing the results may be challenging. Hence, there is the need to carry out the present study, which is concerned with perceptions of accounts professionals from the OAGF where the nation's financial statements are consolidated. It is equally consistent with Udeh and Sopekan (2015) who carried out an investigation on the implications of the adoption of IPSAS on the quality of financial reporting of public sector organizations in Nigeria. Primary data were used with a focus on all Federal MDAs in Nigeria. The data were collected from 152 respondents. The study therefore found and concluded that Nigeria should adopt accrual-based IPSAS as it has the potential to give better financial integrity assurance compared to cash or modified cash-based accounting. The study was conducted prior to the implementation of accrual-based IPSAS in Nigeria. Therefore, this present study will widen its scope to the post accrual-based IPSAS implementation in Nigeria.

The study of Udeh and Sopekan (2015) has the same bearing as that of Erin *et al.* (2016) who investigated IPSAS adoption and quality of financial reporting in the Nigerian public sector. A survey was employed through the distribution of questionnaires to the accounting departments of all ministries under Lagos State as a case study with a sample size of 164 respondents. It was found that IPSAS adoption will contribute significantly to the quality of financial reporting in the Nigerian public sector. However, the study was conducted in one state only, implying that the research outcome could not be generalized. The present study will cover the scope with data that represents all federal ministries, departments and agencies (MDAs) in Nigeria and the data will be analyzed using PLS 3, which is argued to have had many advantages over OLS Regression (Cramer III, 1993).

The evaluation of the impact of the adoption of IPSAS on the level of accountability and transparency in the public sector of Nigeria was carried out by Ijeoma and Oghoghomeh (2014). It was found that the adoption of IPSAS would improve the level of accountability and transparency in the public sector of Nigeria and it would also increase comparability and international best practices. However, the study was conducted prior to the implementation of cash-based and accrual-based IPSAS in 2014 and 2016, thereby not entirely up to date. The present research is poised to cover the gap by encompassing accrual-based IPSAS post-implementation issues. Ofoegbu (2014) also examined the new public management and accrual accounting basis for transparency and accountability in the Nigerian public sector. The study employed primary data by distributing questionnaires to 112 respondents such as auditors, academics and accountants in the public sector in the south eastern Nigeria. In total, 100 questionnaires were returned. It was concluded that accrual-based IPSAS ensure accountability, transparency and improvement in financial reporting. Again, however, the outcome of the study could not be generalized due to the fact that it was a region-based research conducted before the application of accrual-based IPSAS in 2016.

The study by Adamu and Ahmed (2014) delved into the challenges of first-time adopters of IPSAS in Nigeria, using the commencement period of 2014 as a case study. The study showed that first-time adopters had to follow the requirement of the standard while transitioning to the IPSAS. It was recommended that training should be carried out to familiarize accounting professionals with the application of the new accounting system. This was, however, an exploratory research conducted prior to the commencement of accrual-based IPSAS in Nigeria. This also holds for the study of Christiaens *et al.* (2014) who evaluated the extent to which IPSAS accrual accounting is applied in central/local governments worldwide as well as factors that affect the differing level of their adoption. A population of 81 countries was considered leading to a sample of 59 countries with 48 academics, 33 officials and 19 accounting consultants, making for a total of 100 respondents. The study found and concluded that the transition toward IPSAS requires a long period of implementation because existing local business accounting regulations impede jurisdictions from implementing international standards. The study was, however, conducted when Nigeria had not yet adopted accrual-based IPSAS.

In sum, most studies report positive effects from IPSAS implementation. A contrary finding was reported by Olaoye and Talabi (2018). Their study population consists of 50 members of staff of 10 ministries randomly selected from all accounting departments of various ministries in Ado-Ekiti, Ekiti State, Nigeria. Questionnaire data were analyzed. The authors concluded that the application of IPSAS for financial reporting had no relationship with economic benefits to Nigeria. However, the study covered one state only, and the results can therefore not be generalized to all states of the federation. Babatunde (2017) in the same way examined the factors influencing slow implementation of IPSAS in Nigeria. The study employed a cross-sectional survey design. From a population of 596 accountants and auditors in Lagos State Government a sample was drawn of 232 respondents. Political buy-in of government functionaries was found to be a significant factor responsible for the slow implementation of IPSAS in Nigeria. It was recommended that moral suasion of government functionaries should be employed to achieve benefits of IPSAS implementation. Part of the limitation of the study was that civil servants perspective was only used without considering some other IPSAS implementation institutions such as the Financial Reporting Council of Nigeria (FRC) and the Institute of Chartered Accountants of Nigeria (ICAN). The present study has remedied this.

Studies in other developing countries show similar findings (positive effects of IPSAS implementation) and limitations (small data basis, not generalizable). For example, an investigation was conducted by Alshujairi (2014) on the needs for reforming the government accounting system in Iraq as a developing country through the adoption of an accrual accounting-based IPSAS. Primary data were gathered through use of questionnaire. The study concluded that there is the need to reform the government accounting system through the adoption of an accrual accounting based on IPSAS. A cost benefit analysis was carried out by Mhaka (2014) on the existing cash accounting basis and the proposed IPSAS-based accounting reporting in Zimbabwe using a predominantly review approach. The data were gathered through publications and documentary materials from principal professional accounting bodies and NGOs in the country. The study concluded that IPSAS adoption will enhance the quality of financial reports, domestic and external debt management and donor agencies' confidence. In Zimbabwe, Augusto (2018) also carried out an investigation into the impact of IPSAS on financial reporting quality using a case of Rushinga Rural District Council. The study used questionnaires and interviews with population of 33 respondents and a sample of 28 respondents as primary data source. It was found and concluded that IPSAS adoption will enhance equity reporting in the public sector.

The study suggested for further research need to make use of numerous research case studies instead of focusing on one case study. The current study has sought to incorporate

many research case studies. The study of Javed and Zhuquan (2018) revealed the current accounting reforms in Pakistan's public sector that are implemented through the Financial Reporting and Auditing and the compliance of the Federal GOP's financial reports with cash basis IPSAS. The study adopted a case study approach using secondary data for the period of 2009–2016. It was concluded that the PIFRA reforms are tailored toward transformation to full accrual accounting system.

In Kenya, Abang'a (2017) examined the quality of financial reporting before and after the adoption of accrual-based IPSAS among semiautonomous government agencies (SAGAs) covering the period 2011–2015. The variables used in the study comprised size of SAGAs, leverage, liquidity, audit committee size, profitability, and age of SAGAs. It was concluded that financial reporting quality improved after the adoption of IPSAS. The study recommended for further research to include other characteristics that may affect quality financial reporting could be considered. The current study is poised to cover the environmental and variable gaps identified. In that same developing economy, Opanyi (2016) examined the effect of the adoption of IPSAS on the quality of financial reporting in the public sector in Kenya. The study employed survey research design and showed that the adoption of IPSAS has a moderate effect on the quality of financial reports in the public sector in Kenya. The study was, however, limited to one financial year. A similar report was obtained from Monari (2015) who investigated the effect of the adoption of IPSAS on financial reporting in the public sector in Kenya. Opanyi found and concluded that IPSAS adoption gave rise to improved accountability, asset management, transparency as well enhanced decision making on financial reporting in public institutions. The study also suggested that other attributes of financial reporting should be included in future research, such as economic environment, the main capital sources and capital market maturity.

Next to positive effects, there are also some studies that report shortcomings. Two examples are discussed here to conclude this overview from the literature. Aleksandra and Katarzyna (2017) examined the possibilities of implementing IPSAS standards in the accounting system of public finance sector entities in Poland. Their study used foreign and domestic literature as well as extant legislation. The study concluded that there were opportunities of implementing IPSAS into Polish public sector entities accounting systems. It was recommended that the IPSAS should be formally translated into Polish. This is in line with Ziad (2015) who investigated the extent of applying IPSAS by the Jordanian public sector. The study concluded that there is a problem with the application of IPSAS in the Jordanian public sector because they were being applied weakly and incorrectly.

Methodology

This study examines the effect of the implementation of IPSAS on financial reporting quality in the Nigerian public sector. The data were obtained through the distribution of a questionnaire, consisting of eight questions which were categorized into three variables (see Table AII). Accountability is measured through three questions asking about effects of IPSAS on enhanced budget planning and implementation, reduced public debts and the fair position of Nigerian government assets. Enhanced decision making is also measured by three questions centering on the effects of IPSAS implementation on proper legislative decisions on resource allocations, citizens' assessment of resource utilization and proper public sector financial management in Nigeria. The quality of financial reporting is measured through two questions concerning the federal audit value addition to financial reporting and the effect of weak internal control on IPSAS-based financial reporting. Respondents replied using a Likert scale to indicate their level of agreement (five-point scale).

The population of the study consists of the accounts professionals from the FRC of Nigeria, the ICAN as well as the OAGF where the financial statements of all the MDAs of the Federal Government are consolidated. In total, 12 questionnaires were distributed to

accounts professionals in FRC and 8 were retrieved. In total, 30 questionnaires were distributed to ICAN staff and 25 were retrieved while 50 questionnaires were distributed and 42 were retrieved from OAGF staff members. The total well-filled questionnaires retrieved from our respondents were 75 out of the 92 questionnaires distributed. The response rate is thus 82 percent, composing of FRC (9 percent), ICAN (27 percent) and OAGF (46 percent). The source data are justified based on the availability and reliability of data because the staff of the OAGF are those mainly responsible for the preparation and presentation of the consolidated financial statements on behalf of the Federal Government of Nigeria while the perception from ICAN and FRC is also key because they are part of IPSAS implementing Institutions in Nigeria.

Statistical Package for Social Sciences was used for descriptive statistics while partial least square (PLS 3) was employed in getting Measurement Model, Structural model, Direct Path Coefficient as well as Effect Size of the study model.

Uni-dimensionality, reliability convergent validity and discriminant validity were used to determine the outer model of the study in terms of reliability and construct validity. In this study, confirmatory factor analysis was employed for the dependent and explanatory variables while composite reliability and average variance extracted (AVE) were used to assess the internal consistency, which is in line with previous studies such as Höck and Ringle (2006), Daskalakis and Mantas (2008) and Henseler *et al.* (2012). Table I shows that the required minimum estimation for composite reliability (0.60) and AVE (0.50) were obtained. Hence, the model is adequately fit for the analysis.

Path coefficient and effect size were used to determine the goodness-of-fit of the study, which is consistent with prior studies such as Cohen (1988). Table II shows that the construct (accountability) row and column 0.833 is greater than 0.733 and 0.323 of the same row and column with it. The enhanced decision-making row and column value (0.733) is higher than 0.231. It could therefore be said that discriminant validity for all constructs in the analysis has been attained.

Results

Demographic characteristics of the respondents reveal that they are mainly 25–40 years of age. This is unsurprising because the age bracket contentiously constitutes the most active population density in Nigeria. Table III shows that most respondents have 10–19 years of work experience.

Construct	Items	Loadings	AVE	CR
Accountability	ACC1	0.759	0.695	0.872
	ACC2	0.831		
	ACC3	0.903		
Enhanced decision making	ENH1	0.607	0.537	0.767
	ENH2	0.954		
	ENH3	0.578		
Quality financial reporting	QFR1	0.662	0.443	0.614
	QFR2	0.669		

Table I.
Construct reliability
and validity

Variable	Accountability	Enhanced decision	Quality financial reporting
Accountability	0.833		
Enhanced decision	0.738	0.733	
Quality financial reporting	0.323	0.231	0.666

Table II.
Fornell–Larcker
criterion

Table III.
Descriptive statistics

Characteristics	Frequency	Percentage	Cumulative percentage
<i>Gender</i>			
Male	55	73.3	
Female	20	26.7	100
<i>Age</i>			
Below 25	11	14.7	
25–40 yrs	36	48	
41–60 yrs	28	37.3	100
<i>Educational qualification</i>			
WASC/GCE	1	1.3	
OND/HND	21	28	
BSc/BA	38	50.7	
MBA/MA/MSc	10	13.3	
PhD	5	6.7	100
<i>Professional qualification</i>			
NONE	12	16	
ICAN	36	48	
ACCA	9	12	
CPA	6	8	
ANAN	9	12	
Others	3	4	100
<i>Work experience</i>			
None	1	1.33	
1–9 yrs	34	45.33	
10–19yrs	27	36	
20–29 yrs	9	12	
Above 30 yrs	4	5.33	100

Table IV shows the main findings. Accountability has a positive and significant effect on the quality of financial reporting (p -value of 0.076) while enhanced decision making has an insignificant effect (p -value of 0.948). The effect sizes are also shown in the table. The benchmark for describing a weak, moderate and strong coefficient of determination is 0.02, 0.15 and 0.35, respectively. This study obtained effect sizes of 0.057 and 0.000, respectively, which seem to be moderate and weak, respectively. Therefore, a rise in accountability level will result in a greater rise of the quality of financial reporting, while a decrease in decision making will not lead to a decrease in the quality of financial reporting. In a nutshell, accountability proved to be the most significant independent variable affecting the financial reporting quality in the Nigerian public sector.

Conclusion

Generally, this study concluded that accountability positively and significantly affects the quality of financial reporting in Nigeria. Specifically, IPSAS has improved the level of accountability through budget planning and implementation, which in turn enhanced financial reporting. Through IPSAS implementation, the fair position of government assets

Table IV.
Direct path coefficient

Hypotheses	Original sample (O)	Sample mean (M)	SD	t -stat.	p -value	F^2	Effect size
ACC → QFR	0.334	0.281	0.188	1.78	0.076	0.057	Moderate
EHN → QFR	−0.015	0.082	0.229	0.066	0.948	0.000	Weak

(both tangible and intangible) has been somewhat revealed. From the foregoing, the accountability variable was discovered to be the most essential factor that can enhance quality financial reporting using accrual-based IPSAS in Nigeria.

Limitations of the study and suggestion for further research

This study focused on the effects of the implementation of IPSAS on the Nigerian financial reporting quality. First, this paper covers only public sector entities in Nigeria while some other countries especially in Sub-Sahara Africa could also be considered for comparative purpose. Therefore, future studies could carry out an investigation into the effect of IPSAS in other countries not covered by this research work so as to enable public affairs analysts, policy makers and managers in the public sectors to gain knowledge about factors influencing implementation of IPSAS in developing economies, such as those in Sub-Saharan Africa. Second, the study only examined two variables, whereas there are numerous other variables (factors) affecting the implementation of IPSAS in the Nigerian public sector, such as transparency and corruption minimization. These variables are deemed relevant, as compliance with governance and transparency requirements demand full disclosure of public sector financial transactions, to bring about transparent and accountable governance (Williams and Hussein, 2019).

A third limitation is that this study is qualitative in nature whereas there could be some other quantitative factors affecting the implementation of IPSAS in Nigeria, which may be examined through the use of secondary data from the GPFS of governments. Only qualitative data may not be sufficient enough to make categorical conclusions about the effect of implementation of IPSAS on Nigeria's financial reporting quality. Future studies could look into the use of a mixed method research approach.

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S.N.	Description
IPSAS 1	Presentation of financial statements
IPSAS 2	Cash flow statements
IPSAS 3	Accounting policies, changes in accounting estimates and errors
IPSAS 4	The effects of changes in foreign exchange rates
IPSAS 5	Borrowing costs
IPSAS 6	Consolidated and separate financial statements – superseded by IPSAS 34-38
IPSAS 7	Investments in associates – superseded by IPSAS 34-38
IPSAS 8	Interests in joint ventures – superseded by IPSAS 34-38
IPSAS 9	Revenue from exchange transactions
IPSAS 10	Financial reporting in hyperinflationary economies
IPSAS 11	Construction contracts
IPSAS 12	Inventories
IPSAS 13	Leases
IPSAS 14	Events after the reporting date
IPSAS 15	Financial Instruments: disclosure and presentation – superseded by IPSAS 28 and IPSAS 30
IPSAS 16	Investment property
IPSAS 17	Property, plant and equipment
IPSAS 18	Segment reporting
IPSAS 19	Provisions, contingent liabilities and contingent assets
IPSAS 20	Related party disclosures
IPSAS 21	Impairment of non-cash-generating assets
IPSAS 22	Disclosure of financial information about the general government sector
IPSAS 23	Revenue from non-exchange transactions (taxes and transfers)
IPSAS 24	Presentation of budget information in financial statements
IPSAS 25	Employee benefits – superseded by IPSAS 39
IPSAS 26	Impairment of cash-generating assets
IPSAS 27	Agriculture
IPSAS 28	Financial instruments: presentation
IPSAS 29	Financial instruments: recognition and measurement
IPSAS 30	Financial instruments: disclosures
IPSAS 31	Intangible assets
IPSAS 32	Service concession arrangements: grantor
IPSAS 33	First-time adoption of accrual basis IPSASs
IPSAS 34	Separate financial statements
IPSAS 35	Consolidated financial statements
IPSAS 36	Investments in associates and joint ventures
IPSAS 37	Joint arrangements
IPSAS 38	Disclosure of interests in other entities
IPSAS 39	Employee benefits
IPSAS 40	Public sector combinations
IPSAS 41	Financial instruments
IPSAS 42	Social benefits

Table AI.
International Public
Sector Accounting
Standards (IPSAS)
2019

Table AII.
Scale: strongly agree (5), agree (4), fairly agree (3), disagree (2), strongly disagree (1)

Appendix 2

S.N.	Variable responses	5	4	3	2
<i>Enhanced decision making</i>					
1	Do you think the implementation of IPSAS has provided the Legislative Arm of Government the bases for their decision on the allocation of resources?				
2	Do you think the implementation of IPSAS has enabled the citizens and other stakeholders to assess how well their resources have been utilized?				
3	Do you think the implementation of IPSAS has provided the basis for efficient and effective public sector financial management in Nigeria?				
<i>Accountability</i>					
1	Do you think IPSAS-based financial reporting of the Federal Government has enhanced the country's budget planning and implementation?				
2	Do you think IPSAS-based financial reporting of the Federal Government has reduced the country's level of public debts?				
3	Do you think IPSAS-based financial reporting of the Federal Government has revealed fair position of government assets (tangible and intangible assets)?				
<i>Quality of financial reporting</i>					
1	Do you think Auditor General's report adds value to IPSAS-based financial reports prepared by the OAGF?				
2	Do you think weak internal controls reduce the quality of the IPSAS-based financial reports prepared and presented by the OAGF?				

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