

ADOPTION OF INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS) AND FINANCIAL INFORMATION REPORTING QUALITY IN THE NIGERIAN PUBLIC SECTOR

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Abstract

This study examined the adoption of International Public Sector Accounting Standards (IPSAS) and financial information reporting quality in the Nigerian public sector, with focus on selected ministries, departments, and agencies in Lagos State. A descriptive survey research design was adopted. The population comprised 520 accounting, auditing, finance, treasury, and budget personnel from selected Lagos State public sector institutions. Using the Taro Yamane formula, a sample of 226 respondents was drawn, out of which 210 valid questionnaires were returned and analyzed. Data were collected through a structured questionnaire designed on a four-point Likert scale. Descriptive statistics and simple regression analysis were employed at 0.05 level of significance using SPSS version 25. Findings revealed that IPSAS adoption has a positive and significant effect on the relevance of financial information reports ($R = 0.711$, $R^2 = 0.506$, $p < 0.05$), on faithful representation ($R = 0.693$, $R^2 = 0.480$, $p < 0.05$), and on comparability ($R = 0.728$, $R^2 = 0.530$, $p < 0.05$). The study concluded that IPSAS adoption is a vital reform instrument for strengthening financial information reporting quality in the Nigerian public sector. It was recommended that government should ensure full IPSAS compliance, provide continuous training for accounting personnel, invest in appropriate technology

infrastructure, and strengthen institutional mechanisms for monitoring and enforcing reporting standards.

Keywords: IPSAS adoption, financial information reporting quality, relevance, faithful representation, comparability, Nigerian public sector.

Introduction

Financial reporting constitutes a fundamental pillar of public sector governance, providing critical information on how government resources are generated, allocated, and utilized. In developing economies such as Nigeria, the imperative for high-quality financial reporting has grown considerably, driven by escalating demands for accountability, transparency, and prudent management of public funds. Public sector financial reports are expected to provide reliable and decision-useful information that enables policymakers, auditors, legislators, and citizens to evaluate government performance and assess stewardship of public resources.

The Nigerian public sector has long grappled with significant challenges in financial reporting. Weak disclosure practices, poor accountability systems, absence of comparability in financial statements, and persistent delays in reporting have historically undermined the credibility of public sector financial information. These challenges are not unique to Nigeria; they are pervasive across many sub-Saharan African countries where public financial management systems remain underdeveloped.

In response to these systemic weaknesses, the Nigerian government adopted International Public Sector Accounting Standards (IPSAS) as part of broader public financial management reforms aimed at improving transparency and accountability. IPSAS provides a comprehensive framework for the preparation and presentation of financial statements in the public sector, emphasizing proper recognition, measurement, and disclosure of financial transactions.

Financial reporting quality encompasses multiple dimensions, including relevance, faithful representation, and comparability. These qualitative characteristics determine the extent to which financial reports facilitate informed decision-making. Prior to IPSAS adoption, many Nigerian public sector institutions operated under cash-basis accounting systems that produced financial reports with limited informational value, inadequate disclosure of liabilities, and poor comparability across government entities.

Lagos State presents a particularly instructive case for analysis, given its advanced public financial management infrastructure and active implementation of IPSAS reforms. The state has made measurable strides in transitioning from cash-basis to accrual-basis accounting, providing an empirical context within which the effects of IPSAS adoption on reporting quality can be meaningfully assessed.

Research Questions

This study is guided by the following research questions:

1. What effect does IPSAS adoption have on the relevance of financial information reports in the Nigerian public sector?
2. To what extent does IPSAS adoption influence the faithful representation of financial information reports in the Nigerian public sector?
3. How does IPSAS adoption affect the comparability of financial information reports in the Nigerian public sector?

Literature Review

Concept of IPSAS Adoption

International Public Sector Accounting Standards (IPSAS) adoption refers to the process by which governments formally accept and practically implement internationally recognized accounting standards designed for public sector entities. IPSAS provides a comprehensive framework for the recognition, measurement, presentation, and disclosure of financial transactions in the public sector. The IPSAS Board (2023) holds that IPSAS enhances the quality and credibility of financial reporting by ensuring public sector entities provide complete and useful information to stakeholders.

The adoption of IPSAS is not merely a technical accounting adjustment but represents a comprehensive institutional reform requiring fundamental changes in accounting systems, processes, and human capacity. It involves transitioning from traditional cash-basis accounting to accrual-based frameworks, enabling governments to recognize assets, liabilities, revenues, and expenses more comprehensively (Olayinka & Aminu, 2021; Scannell & Tawiah, 2024). Akinleye and Alaran-Ajewole (2022) noted that IPSAS implementation strengthens accountability mechanisms by promoting standardized reporting practices.

IPSAS Adoption and Relevance of Financial Reports

Relevance refers to the capacity of financial information to influence user decisions by enabling evaluation of past, present, or future events. Under traditional cash-basis accounting systems, financial reports narrowly focused on cash flows, thereby restricting usefulness for long-term planning. IPSAS adoption is expected to enhance relevance by

expanding the scope of financial information disclosed. Ofoegbu and Grace (2021) found that IPSAS adoption improves the informational value of financial reports by ensuring they reflect a more comprehensive picture of government financial activities.

IPSAS Adoption and Faithful Representation

Faithful representation refers to the degree to which financial information accurately reflects the economic substance of transactions and events. For financial information to be faithfully represented, it must be complete, neutral, and free from material error. Prior to IPSAS adoption, public sector accounting in Nigeria was widely criticized for incomplete recognition of liabilities and inadequate disclosure. Iyoha and Oyerinde (2020) observed that traditional systems lacked the capacity to provide a true and fair view of government financial position. IPSAS adoption addresses this gap by providing detailed guidelines for recognition and measurement of financial transactions.

IPSAS Adoption and Comparability

Comparability refers to the quality of financial information that enables users to identify similarities and differences across entities and over time. One of the central objectives of IPSAS adoption is to enhance comparability by providing a uniform set of accounting standards. By standardizing reporting practices, IPSAS reduces variations in accounting methods. Tawiah (2023) argued that IPSAS adoption promotes comparability by establishing a common reporting framework that facilitates cross-country and inter-agency comparisons, while Ezeani and Rotimi (2023) found that IPSAS implementation improved the comparability of financial statements in Nigerian public sector institutions.

Theoretical Framework: Institutional Theory

This study is anchored on Institutional Theory, which explains how organizations adopt structures, rules, and practices in response to external pressures rather than purely internal efficiency needs. According to DiMaggio and Powell (1983) and Scott (2014), organizations are influenced by three main pressures: coercive pressure from regulatory authorities, normative pressure from professional bodies, and mimetic pressure arising from the tendency to imitate successful organizations.

In the context of public sector accounting, Institutional Theory is particularly instructive for explaining IPSAS adoption in Nigeria. The government's decision to adopt IPSAS can be understood as a response to coercive pressures from international organizations, donor agencies, and global governance frameworks that encourage transparency and accountability in public financial management. The theory further explains why IPSAS adoption has proceeded unevenly across different government entities, with some demonstrating greater institutional commitment than others.

Empirical Review

Ademola et al. (2020) carried out an empirical study on the adoption and implementation of IPSAS in the Nigerian public sector. Their findings revealed that IPSAS adoption significantly improved transparency, accountability, and comparability in public sector financial statements. The study recommended that government should intensify training for public sector accountants and ensure full compliance.

Abata (2022) conducted a study on the effects of IPSAS on financial reporting quality at the local government level in Lagos State. The findings showed that IPSAS adoption significantly improved the relevance and reliability of financial reports by enhancing disclosure practices and standardizing reporting procedures. The author recommended continuous staff training, stronger monitoring of compliance, and adequate technological support.

METHODOLOGY

This study adopts the descriptive survey research design, which is appropriate for collecting data on respondents' views and examining relationships between variables. The study is conducted in Lagos State, Nigeria, selected for its well-developed public financial management system and active implementation of IPSAS. Focus is placed on key public sector institutions including the Ministry of Finance, the Treasury Office, the Audit Service Commission, the Internal Revenue Service, and the Ministry of Economic Planning and Budget.

The population consists of 520 accounting, auditing, finance, treasury, and budget personnel directly involved in financial reporting processes. Using the Taro Yamane formula at a 0.05 level of significance, a sample size of 226 respondents was determined. Stratified random sampling was adopted to ensure proportional representation of all subgroups.

Primary data were collected through a structured questionnaire designed on a four-point Likert scale ranging from Strongly Agree (4) to Strongly Disagree (1). Validity was

ensured through face and content validation by experts in accounting and research methodology. Reliability was tested using Cronbach's Alpha, with a threshold of 0.70, as shown in Table 3.1 below.

Table 3.1: Reliability Statistics

Research Question: What effect does IPSAS adoption have on the relevance of financial information reports in the Nigerian public sector

Variable	No. of Items	Cronbach's Alpha
IPSAS Adoption	5	0.81
Relevance	5	0.83
Faithful Representation	5	0.79
Comparability	5	0.85
Overall Reliability	20	0.82

Data collection was carried out through personal administration of questionnaires with the assistance of research aides. Both descriptive and inferential statistics were used in data analysis. Descriptive tools including frequency, percentage, mean, and standard deviation were employed, while simple regression analysis was used to test the hypotheses using SPSS version 25. A significance level of 0.05 and a mean benchmark of 2.50 were applied as decision criteria.

Results And Discussion

Research Question One: IPSAS Adoption and Relevance of Financial Reports (H01)

H01: IPSAS adoption has no significant effect on the relevance of financial information reports in the Lagos State public sector.

Table 4.1: IPSAS Adoption and Relevance of Financial Information Reports

Research Question: What effect does IPSAS adoption have on the relevance of financial information reports in the Nigerian public sector

S/N	Item	SA	A	D	SD	Mean	Decision
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S/N	Item	SA	A	D	SD	Mean	Decision
1	IPSAS adoption improves the usefulness of financial reports for decision making	102	74	20	14	3.26	Accepted
2	IPSAS adoption enhances the predictive value of financial information	95	80	22	13	3.22	Accepted
3	IPSAS adoption improves the quality of disclosed financial information	88	87	21	14	3.19	Accepted
4	IPSAS-based reports are more relevant than traditional public sector reports	91	83	23	13	3.20	Accepted
5	IPSAS adoption enhances users' confidence in public financial information	98	79	19	14	3.24	Accepted
	Grand Mean					3.22	Accepted

Table 4.1 shows that all items recorded mean scores above the benchmark of 2.50, with a grand mean of 3.22, indicating that respondents agreed that IPSAS adoption positively affects the relevance of financial information reports.

Table 4.2: Regression Analysis for Hypothesis One (H01)

Research Question: What effect does IPSAS adoption have on the relevance of financial information reports in the Nigerian public sector

Model	R	R Square	Adjusted R ²	Std. Error
1	0.711	0.506	0.501	0.421

Research Question: What effect does IPSAS adoption have on the relevance of financial information reports in the Nigerian public sector

ANOVA	Sum of Squares	Df	Mean Square	F	Sig.
Regression	18.624	1	18.624	104.96	0.000
Residual	18.975	208	0.091		
Total	37.599	209			

Research Question: What effect does IPSAS adoption have on the relevance of financial information reports in the Nigerian public sector

Variable	B	Std. Error	Beta	t	Sig.
Constant	1.214	0.167	—	7.27	0.000
IPSAS Adoption	0.648	0.063	0.711	10.25	0.000

Since the p-value (0.000) is less than 0.05, the null hypothesis is rejected. IPSAS adoption has a significant positive effect on the relevance of financial information reports ($R = 0.711$, $R^2 = 0.506$). This finding is consistent with prior literature suggesting that IPSAS implementation enhances the informational value of public sector financial reports by expanding the scope of recognized transactions and obligations (Ofoegbu & Grace, 2021). The transition from cash-basis to accrual-basis accounting under IPSAS ensures that financial statements capture a more complete picture of government activities. The strong R^2 value indicates that IPSAS adoption explains approximately 50.6% of the variation in the relevance of financial information reports.

Research Question Two: IPSAS Adoption and Faithful Representation (H02)

H02: IPSAS adoption has no significant effect on the faithful representation of financial information reports in the Lagos State public sector.

Table 4.3: IPSAS Adoption and Faithful Representation of Financial Information Reports

Research Question: To what extent does IPSAS adoption influence the faithful

representation of financial information reports in the Nigerian public sector

S/N	Item	SA	A	D	SD	Mean	Decision
1	IPSAS adoption improves the accuracy of financial reports	97	81	18	14	3.24	Accepted
2	IPSAS enhances the completeness of financial disclosures	93	85	19	13	3.23	Accepted
3	IPSAS reduces material errors in public sector financial statements	90	82	24	14	3.18	Accepted
4	IPSAS improves the neutrality of reported financial information	89	86	21	14	3.19	Accepted
5	IPSAS adoption enhances the reliability of public sector reports	96	79	22	13	3.22	Accepted
	Grand Mean					3.21	Accepted

Table 4.3 reveals that all items had mean scores above 2.50, with a grand mean of 3.21, implying that IPSAS adoption has positively influenced the faithful representation of financial information reports.

Table 4.4: Regression Analysis for Hypothesis Two (H02)

Research Question: To what extent does IPSAS adoption influence the faithful representation of financial information reports in the Nigerian public sector

Model	R	R Square	Adjusted R ²	Std. Error
1	0.693	0.480	0.475	0.438

Research Question: To what extent does IPSAS adoption influence the faithful representation of financial information reports in the Nigerian public sector

ANOVA	Sum of Squares	df	Mean Square	F	Sig.
Regression	17.891	1	17.891	93.22	0.000
Residual	19.708	208	0.095		
Total	37.599	209			

Research Question: To what extent does IPSAS adoption influence the faithful representation of financial information reports in the Nigerian public sector

Variable	B	Std. Error	Beta	t	Sig.
Constant	1.308	0.174	—	7.52	0.000
IPSAS Adoption	0.617	0.064	0.693	9.66	0.000

Since the p-value (0.000) is less than 0.05, the null hypothesis is rejected. IPSAS adoption has a significant positive effect on faithful representation ($R = 0.693$, $R^2 = 0.480$). By introducing accrual-based recognition principles and comprehensive disclosure requirements, IPSAS addresses the longstanding limitation of inadequate financial representation observed by Iyoha and Oyerinde (2020). The finding implies that faithful representation a cornerstone of quality financial information is substantially enhanced when public sector institutions commit to full IPSAS compliance.

4.3 Research Question Three: IPSAS Adoption and Comparability (H03)

H03: IPSAS adoption has no significant effect on the comparability of financial information reports in the Lagos State public sector.

Table 4.5: IPSAS Adoption and Comparability of Financial Information Reports

Research Question: How does IPSAS adoption affect the comparability of financial information reports in the Nigerian public sector

S/N	Item	SA	A	D	SD	Mean	Decision
1	IPSAS adoption improves consistency in public sector reporting	101	76	19	14	3.26	Accepted
2	IPSAS makes it easier to compare reports across ministries and agencies	94	84	19	13	3.23	Accepted
3	IPSAS improves standardization of financial reporting formats	97	80	20	13	3.24	Accepted
4	IPSAS enhances comparability of financial reports over time	92	86	18	14	3.22	Accepted
5	IPSAS adoption reduces inconsistencies in accounting practices	95	82	20	13	3.23	Accepted
	Grand Mean					3.24	Accepted

Table 4.5 indicates that all items recorded mean scores above 2.50, with a grand mean of 3.24, suggesting that IPSAS adoption has significantly improved the comparability of financial information reports.

Table 4.6: Regression Analysis for Hypothesis Three (H03)

Research Question: How does IPSAS adoption affect the comparability of financial information reports in the Nigerian public sector

Model	R	R Square	Adjusted R ²	Std. Error
1	0.728	0.530	0.526	0.409

Research Question: How does IPSAS adoption affect the comparability of financial information reports in the Nigerian public sector

ANOVA	Sum of Squares	df	Mean Square	F	Sig.
Regression	19.734	1	19.734	117.95	0.000
Residual	17.865	208	0.086		
Total	37.599	209			

Research Question: How does IPSAS adoption affect the comparability of financial information reports in the Nigerian public sector

Variable	B	Std. Error	Beta	t	Sig.
Constant	1.176	0.159	—	7.40	0.000
IPSAS Adoption	0.672	0.062	0.728	10.86	0.000

Since the p-value (0.000) is less than 0.05, the null hypothesis is rejected. IPSAS adoption has a significant positive effect on comparability ($R = 0.728$, $R^2 = 0.530$). This finding records the strongest R^2 value among the three hypotheses, indicating that IPSAS adoption explains about 53% of the variation in comparability. This outcome reflects the fundamental purpose of IPSAS to harmonize accounting practices across government entities and provide a uniform reporting framework, corroborating Ezeani and Rotimi (2023) and Tawiah (2023).

Recommendations

Based on the findings, the following recommendations are advanced:

1. The Lagos State government should strengthen full IPSAS implementation and enforcement across all ministries, departments, and agencies, with clear compliance timelines, periodic audits, and sanctions on non-compliant institutions.
2. Regular and comprehensive training and retraining programmes should be institutionalized for accountants, auditors, treasury officers, finance personnel, and budget officers, given the higher technical demands of accrual-based accounting.
3. Government should invest in adequate accounting software, information technology infrastructure, and automated reporting systems to facilitate effective preparation and presentation of IPSAS-based financial statements.

4. A robust institutional framework for monitoring and evaluating IPSAS implementation should be established, including independent review mechanisms, performance benchmarks, and accessible repositories of financial information.
5. The Federal Government of Nigeria should accelerate the extension of IPSAS adoption to all tiers of government, including local government councils, to facilitate national comparability of public sector financial information.

CONCLUSION

This study has demonstrated that the adoption of International Public Sector Accounting Standards (IPSAS) has significantly improved financial information reporting quality in the Lagos State public sector. Evidence gathered from 210 public sector accounting and finance personnel across key government institutions consistently affirms that IPSAS adoption positively influences all three dimensions of financial information reporting quality examined: relevance, faithful representation, and comparability.

The regression results, with R^2 values ranging from 0.480 to 0.530 across the three dimensions, underscore the substantial explanatory power of IPSAS adoption in accounting for improvements in financial information reporting quality. The study further affirms that IPSAS adoption has strengthened transparency and accountability in public financial reporting within Lagos State. Sustaining these improvements requires unwavering institutional commitment, continuous capacity building, and robust enforcement of IPSAS compliance standards

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