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IMPACT OF IPSAS ADOPTION ON THE QUALITY OF FINANCIAL REPORTING (A STUDY OF THE OFFICE OF ACCOUNTANT GENERAL OF THE FEDERATION)

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ABSTRACT

This study examined the impact of international public sector accounting (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 the level of accountability and transparency in the public sector. In conclusion IPSAS adoption has increased level of accountability and value relevance in the public sector. It was recommended that the government at all levels should create a steering committee to monitor the implementation of IPSAS in Nigeria.

Keywords: Impact, IPSAS, Accountability, Transparency, Value Relevance.

INTRODUCTION

Many developing countries, particularly in Sub-Saharan Africa, are characterized by massive corruption, poverty and high level of capacity in the conduct of government business. For instance, Transparency International (2015) ranked Nigeria 136 out of 175 countries on corruption perception index based on their perception of public sector transparency and accountability. Poor budget implementation and lack of accountability in the Nigerian public sector are identified as contributory factors (Ibanuchuka & James, 2014).

Quality financial information plays crucial function in accountability of government to their citizens and how it meets its financial administration responsibilities. In the years past, countries of the world have outlined and established the means and standards for reporting of financial activities in various countries. The encouraging increase in collaboration and increase in international trade has led to the adoption of uniformity of a standard which guides the preparation of financial statement in order to be comparable and understandable by the users of financial statements, such as present and potential investors, employees, lenders, suppliers and other trade creditors, customers, government and their agencies and the public.

Also, the global economic crisis that hit major world economies in addition to the crude oil price fluctuations in the oil international market has put almost the whole world, including Nigeria on the pursuit for the best conceivable approaches to prevail the crisis. This brought about the implementation of International Public Sector Accounting Standards by the

International Federation of Accountant through International Public Sector Accounting Standard Board (Acho, 2014). International Public Sector Accounting Standards formed an important part of public sector reforms and followed a global trend in government accounting in response to calls for greater government financial accountability and transparency which is a fundamental principle of democracy (Gpamyi, 2016). The need for the development of unified accounting standards has been the primary driver of International Public Sector Accounting Standards for public sector financial reporting while the commercial entities across the world are moving toward International Financial Reporting Standards (IFRS), governments are harmonizing with International Public Sector Accounting Standards (IPSAS) as the standards encourages comprehensive reporting, due fund disclosure, account harmonization and comparability and then pave way for transparency and comparability, enhances accountability, reduction of cases of corruption and enhance effective and efficient service delivery to the citizens of countries. IPSAS govern the accounting of public sector entities, with the exception of Government Business Enterprises in Nigeria today, ineffectiveness of accounting policies had continue to hamper the drive for better performance and accountability across public sector of the country. Accountability of public sector in Nigeria had been declining overtime owing to total disregard for efficient financial reporting, negligence and maladministration of regulatory authorities in the country (Akinbuli, 2013). Efficiency of public sector in FCT Nigeria had been eroded by ineffective audit system, with no or little reflection of lapses in audit reports over the years, despite the gravity of misappropriation and mismanagement of public fund, which had hitherto incapacitate most of states in Nigeria.

1.2 Statement of the Problem

Controversies always existed over the suitability of adopting IPSAS in developing countries with (Single and Newberry 2008) and (Chan, Jiang and Lin 2010) arguing that there exist two school of thought in this area. The first school of thought support a single set of global standards as being suitable for application, Barth, (2008), for instance, argues that by adopting a common body of international standard, countries can expect to lower the cost of information processing and auditors of financial report can be expected to become familiar with one common set of international accounting standard than with various local accounting standards.

The second school of thought opposes the use of IPSAS. Barth, Landsman and Hang (2007) and Bartov, Goldberg and Kim (2005) argue that there is no conclusive evidence that IPSAS contributed to improvement in accounting quality. Furthermore, it has been argue that one single set of accounting standard cannot reflect the difference in national business practices arising from difference in institutions and cultures (Armstrong, Barth Jagolinzer, and Riedl, 2007).

The gap analysis study undertaken by the Federal Government of Nigeria in attempt to benchmark government accounting in Nigeria with cash IPSAS unveiled that the traditional cash basis of accounting was inadequate as it fails to take into cognizance accurate costs, all assets and liabilities made by the government Dankwanbo, (2010). Again, the cash accounting easilyneglects "asset management, accumulating arrears, future liabilities, pension" etc and contingent liabilities guaranties as no full disclosure is being made in this regard. Non-current asset however, is not being treated as capital expenditure items, instead, written off as revenue

expenses in the years of purchase, the traditional cash basis of accounting also aids poor budget implementation and mismanagement of public fund as well as lack of accountability and transparency (Ibanichuka and Oyadonghan (2014). The accountability challenges in Nigeria and other countries is as a result of the cases of wrong practices such as ghost workers on the pay roll of ministries and extra-ministerial departments, fraud embezzlements and destroying of sensitive office documents, poor budget implementation, and corruption (Onuorah and Appah, 2012). Perpetuation of such financial malpractices and other fraudulent practices were made more possible by the use of cash-basis of accounting system instead of global accounting standards such as IPSAS in the public sectors of Nigeria as the former lacks international best practices and global understandability of the financial statements paving way for the alleged bad governance and accountability and increase in cases of corruption among public officers.

1.3 Objective of the Study

The main objective of this study is to examine the effect of IPSAS adoption on the quality of financial reporting in the Nigerian public sector. The specific objectives include:

1. To evaluate the effect of IPSAS adoption on accountability in the Nigerian public sector.
2. To examine the effect of IPSAS adoption on transparency in the Nigerian public sector.
3. To ascertain the effect of IPSAS adoption on value relevance in the Nigerian public sector.
4. To establish the effect of IPSAS adoption on comparability in the Nigerian public sector.

1.4 Research Questions

The following research questions guided the study:

1. To what extent does IPSAS adoption affect accountability in the Nigerian public sector?
2. To what degree does IPSAS adoption affects transparency in the Nigeria public sector?
3. To what dimension does IPSAS adoption affects value relevance in the Nigeria public sector?
4. To what extent does IPSAS adoption affects comparability in the Nigerian public sector?

1.5 Research Hypotheses

Ho: IPSAS adoption does not have a significant effect on the accountability in the Nigerian public sector.

Ho_2: IPSAS adoption does not have a significant influence on transparency in the Nigerian public sector.

Ho3: IPSAS adoption does not have a significant impact on value relevance in the Nigerian public sector.

Ho: IPSAS adoption does not have a significant effect on comparability in the Nigerian public sector.

1.6 Significance of the Study

Findings from this study will benefit the following groups: regulatory authorities and policy makers, academic community and general public.

Regulatory authorities: The policy makers and the government can use the findings in building and widening the awareness of financial reporting. Further, since the country has adopted the accounting and reporting standard, it will be helpful in identifying the sector's specific factors influencing the reporting quality when monitoring its implementation. The efforts to adopt the new IPSAS as one accepted financial reporting standard across the world is an influential accounting policy. Hence, the findings could be of substantial interest to policy makers in Nigeria and many countries including those that have not yet converged with IPSAS. A better understanding of the impact of IPSAS will enable the accounting standards-setters to promote IPSAS more effectively to the non-adopting countries who are still preparing to adopt IPSAS. Research: The study findings will help scholars to seek more knowledge about the reporting quality in many other sectors. Potential researchers will benefit as some of them may have cause to review this study in the course of their own research.

Academic Community: Also, the study can add to the body of existing knowledge in accounting standard, theory and management. Apart from contributing to the knowledge of accounting standard and corporate performance, it forms a reference material for future research in this area.

General Public: The general public will be abreast with the current issues in accounting standards for reporting information in annual report and financial statement.

The Government: The finding of the study is expected to be of immense significance to the government. Federal Government of Nigeria will appreciate from the findings of the study the need to adopt and swing into full implementation of International Public Sector Accounting Standards as the economic implications of its adoption will be unveiled. The government will be fully aware of the gains of full disclosure requirements of IPSAS adoptions as it affects transparency, comparability, credibility, informative, and comprehensiveness of financial information.

1.7 Scope/Limitations of the Study

This study focused on the impact of International Public Sector Accounting Standards adoption on the quality of accounting information and reporting quality in the Nigerian public sector with emphasis on the Office of the Accountant General of the Federation of Nigeria. Meanwhile, effort was made to ensure a genuine and reliable research report that undoubtedly would be generally accepted. However, there are insignificant constraints to the study, such as lack of database management in the area of International Public Sector Accounting Standards as it relates to quality of accounting information and financial reporting. Besides, to be fully represented, this study needs to cover wider areas and larger number of public entities covering whole Nigeria, but due to financial and time constraints, the study was limited to the Office of the Accountant General of the Federation.

REVIEW OF RELATED LITERATURE

The purpose of this review is to examine the already existing literature that will give this study guide. The literature available provided critical analysis and helped to improve the methodology used. This chapter is divided into three broad areas: (i) The conceptual framework which highlights some key elements in the study.

I. The theoretical framework which is concentrated with some theories on IPSAS adoption in the public sector.
II. Empirical literature which deals with past studies on IPSAS adoption in the public sector.

2.1 CONCEPTUAL REVIEW

2.1.1 IPSAS Adoption and Quality of Financial Reporting

The public sector committee of International Federation of Accountants (IFAC) developed IPSAS to guide government entities in the preparation of high quality financial reports, IFAC encouraged public sector entities to adopt accrual basis of accounting for their general purpose financial statement so as to ensure uniformity and comparability of financial reporting across countries (Udeh & Sopekan, 2015).

Crow (2018) asserted that financial information is needed to predict, compare and evaluates a firm's earning ability. It is also required to aid in economic investment and financial decision making. Financial report (financial statement) is a formal record of the financial activities of a business, person or others enterprises or organizations.

Akinbuli (2015) defined financial reporting as the process whereby information relating to an organization, company or associations are communicated or reported to the outside world to enable perspective investors assesses the financial position of such an organization financial reports on management. It deals with most external financial transactions of the organization. Financial reports are source document of accounting. Financial reports comprise of balance sheet (for determining financial position), income statement (describes as statement of comprehensive income), statement of changes in equity (explains the changes of the company's equity) and cash flow statements (reports on a company's cash flow activities particularly its operating, investing and financial activities, among others). These statements are often complex and may include an extensive set of notes to the financial reports and explanation of financial policies. The notes typically describe each item on the balance sheets, income statement.

2.1.2 **IPSAS Adoption and Accountability:** The necessity is because the cash moderated-based accounting does not allow obtaining the necessary information in order to provide better support for planning and managing resources and more generally for the decision-making processes, allowing greater accountability, even between different entities (Christiaens, Vanhee, Rossi & Aversano, 2013).

Thus, the International Public Sector Accounting Standards (IPSAS) have become international benchmarks for evaluating government accounting practices and measuring accountability worldwide (Chan, 2008). Adegite (2010) defined accountability as the obligation to demonstrate that work has been conducted in accordance with 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 the provision of feedback. Accountability can also be defined as obligations to demonstrate, review, and take responsibility for performance, both in the results achieved in the light of agreed expectations, and the means used. In other words, the government is accountable when it conducts its business in an open, transparent and responsive manner (Duenya, Upaa and Tsegba, 2017).

The capacity to achieve full accountability has been and continues to be inadequate, partly because of the design of accountability itself and partly because of the widening range of objectives and associated expectations attached to accountability. For accountability to be achieved in full, including its constructive aspects, then it must be designed with care. The purpose of accountability should go beyond the naming and shaming of officials, or the pursuit of sleaze, to a search for durable improvements in economic management, to reduce the incidence of institutional recidivism. The future of accountability consists in covering the macro aspects of economic and financial sustainability, as well as the micro aspects of service delivery. It should envisage a three-tier structure of accountability; that of official (both political and regular civil employees), that of intra-governmental relationships and that between government and their respective legislatures. Ojiakor (2009) argued that the factors and forces which militate against accountability in Nigeria include ethnicity and tribalism, corruption, religious dichotomy and military culture.

2.1.3 IPSAS Adoption and Transparency

Okolieaboh (2013) opines that IPSAS are set of public sector accounting standards issued by the International Public Sector Accounting Standards Board (IPSASB). The adoption of IPSAS is fashioned after International Financial Reporting Standards (IFRS), their private sector predecessor; 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.

Transparency refers to making 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 in an open way without secrets, so that people can trust that they are fair and honest.

2.1.4 IPSAS Adoption and Value Relevance

Ijeoma and Oghoghomeh (2014) asserts that IPSAS adoption must be value relevant to users of public sector financial statement 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 financial position and financial performance in such manner that users of those financial statements could make relevant and timely value relevant 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). He further asserted that "usefulness" is not a well defined concept in accounting research; value relevance studies do not and are not designed to assess the usefulness of accounting numbers. He affirmed that value relevance research provides significance insights into question of interest to standard setters and other academic constituents.

Value relevance is one of the basic attribute of accounting quality. High quality accounting information is a pre-requisite for well functioning economy as a whole and as such should be of importance to investors, companies and accounting standard setters (Kalering, 2005). Value relevance is seen as the ability of financial statement information to capture and summarize information that affects share values (Francis and Schipper, 1999). It is assumed that the function of accounting numbers is to reflect economic income as presented by stock returns and economic values as represented by market price. It is pertinent to mention that financial statement will only be used by investors when evaluating corporate stock if they provide useful information. Value relevance is measured as the statistical association between financial statement information and stock market values or returns. Earnings and book value are commonly used as the basis for firm valuation. However, the reliability of earnings may be affected by the earnings management.

2.1.5 IPSAS Adoption and Comparability

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 sector 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 partnership.

Mhaka (2014) has defined comparability as a quality of accounting information that facilitates the comparisons of financial reporting of one company to the financial reporting of another company. Otunla (2012) on his part defines comparability as the level of standardization of accounting information that allows the financial statements of multiple organizations to be compared to each other. This is a fundamental requirement of financial reporting that is needed by the users of financial statements.

Udeh and Sopekan (2015) asserted that financial statements are more comparable when the same accounting policies and standards are applied across multiple entities within an industry. For example, if a number of oil and gas firms consistently apply the same industry-specific accounting standards to their financial statements, then they should be a high level of comparability within that industry.

2.2 THEORETICAL FRAMEWORK

A theory models the relationship between concepts and helps to put in perspective the subject matter of research that is being conducted. This work is anchored on Agency Theory by Jesen and Meckling (1976).

2.2.1 Agency Theory

The agency theory was promulgated by Jensen and Meckling (1976). The theory is used to provide a coherent explanation or rationale for International Public Sector Accounting Standards adoption in any governance. The agency perspective resonates from the separation of ownership and control in a modern corporation and the fears that the interest of the owners (the principal) and agent (the managers) may not cohere. Accordingly, the theory presumes tension between the principal and the agent, thereby creating the demand for tension diffusion mechanisms. The use of published financial statements is one of such mechanisms. Baiman, (1982) cited in Duenya, Upaa and Tsegba (2017) provided an opinion of the agency

theory from the public sector perspective, arguing that, a government official is elected or appointed to act on behalf of the public as an agent, performing the work of directing and controlling resources on behalf of the public (principal). The agency theory, therefore, calls for strong public accountability between the agent and his principal which can be done through the use of a comprehensive financial statement exemplified by IPSAS.

2.3 EMPIRICAL REVIEW

2.3.1 Effects of IPSAS Adoption on Quality of Accounting Information and Financial Reporting

Udeh and Spokane (2015) examined the adoption of IPSAS and quality of public sector reporting. It observed that IPSAS adoption is expected to improve the level or quality of public sector financial reporting in Nigeria. The study affirms that accrual based IPSAS has the ability to improve financial reporting compared to cash based accounting.

In the same vein, Acho (2014) looks at the challenges of adopting International Public Sector Accounting Standards (IPSAS) by Nigeria. The study which aims at examining the challenges facing Nigeria in the adoption of IPSAS used questionnaires in data collection in a random sampling technique. Five point Likert scale and simple percentage were also used in the analysis of the data collected. Findings of the study unveiled that the adoption of IPSAS would significantly improve accounting financial reporting system in the Nigerian public sector which would in no doubt reduce corruption and other ill practices in the public sector. The study then recommends that all the three tiers of Nigeria Government should join hands together and ensures its full adoption and possible implementation.

Mhaka (2014) examined IPSAS as a guaranteed way of quality government financial reporting; a comparative analysis of the existing cash accounting and IPSAS based accounting reporting. The study was aimed at examining the cost benefit of IPSAS adoption in Zimbabwe by a way of comparing the existing cash accounting basis with the proposed IPSAS based accounting reporting. The study adopted a well qualitative method of reviewing and analyzing of relevant discourse, publication, and documentary material from some professional accounting organization. Findings show that IPSAS adoption enhances and improves the quality of public sector financial information, assets managements and the level of accountabilities of government reporting, thereby increasing the confidence of both domestic and foreign donor organizations to make financial assistance available for the public sector entities. The study recommended that the Zimbabwe Government should work with the relevant stakeholders to ensure effective and smooth adoption and implementation of the international standards. It further recommends for provision of necessary financial resources for the employment and training of accounting personnel, and procurement of necessary accounting packages.

Udeh (2015) in his study titled "adoption of IPSAS and the quality of public sector financial reporting in Nigeria" found out the adoption of IPSAS would increase the level of reliance on financial reporting of public sector organizations in Nigeria. This study examined the implications of adoption of International Public Sector Accounting Standards (IPSAS) on the quality of financial reporting in the public sector organizations in Nigeria. Primary source of data was employed. Chi-square test and Krustal Wallis test were employed. Finding from the study showed that adoption of IPSAS would increase the level of reliance on the financial

reporting of public sector organizations in Nigeria. It was also concluded that IPSAS have the potential to give a better financial integrity assurance. The study recommended reforms in public financial management and strengthening of legislative capacity to balance the executive power. Therefore, the adoption of IPSAS is expected to influence the operating procedures and reporting practices of public sector organizations in Nigeria.

Trang (2012) carried out a similar study which examined whether or not the Vietnamese government accounting should operate the IPSAS, and describes the extent to which they can be applied within the existing setting. He appraised the usefulness and feasibility of the IPSAS for the Vietnamese government accounting and financial statements and advocates that the movement in the accounting systems from cash to an accrual basis is usually an element of a broader set of their reforms, those changes are increased in delegation, departments are directed to provide a service for citizens rather than follow set rules, and there is better transparency of public sector in terms of reporting and performance measurement.

Opaniyi (2016) investigated the effect of adoption of International Public Sector Accounting Standards on quality of financial reports in meeting the criteria for decision usefulness. The study gathered data through the use of secondary source from 19 ministries of the national government in Kenya. The study employed descriptive statistics and t-test for differences to analyze the study. The finding of the study unveiled that there is enhancement in the quality and characteristics of comparability, relevance, timeliness and faithful representation by adoption of IPSAS while the quality of characteristics of understandability declined. The author also found that that adoption of IPSAS is adjudged to have moderate effect on quality of financial reports in public sector in Kenya.

Okere, Eluyela, Bassey and Ajetunmobi (2017) examined the relationship between International Public Sector Accounting Standard adoption and reliability, credibility and integrity of financial reporting in state government administration in Nigeria. They study used questionnaire to collect data from 40 respondents from Ministry of Finance, Ministry of Economic Planning and Budget, Office of Local Government Auditors in Abeokuta and Local Government Service Commission (LGSC) Abeokuta and analyzed with Pearson moment correlation technique. The study indicated that implementation of IPSAS will improve the reliability, credibility and integrity of financial reporting in State Government administration in Nigeria.

Ijeoma (2014) used survey questionnaire to examine the impact of International Public Sector Accounting Standard (IPSAS) on reliability, credibility and integrity of financial reporting in state government administration in Nigeria for a sample of 95 respondents. Ijeoma's study employed Chi-square test, Kruskal Wallis test and descriptive analysis. He found that implementation of IPSAS improved the reliability, credibility and integrity of financial reporting in State Government administration in Nigeria. He also argued that implementation of IPSAS based standards facilitate efficient internal control and result based financial management in the public sector of Nigeria. Ijeoma also found that implementation of IPSAS enhanced Federal Government's goal to significantly deliver services more effectively and efficiently. He suggested that political office holder, citizens and all stake holders should embrace integrity, transparency and accountability in the management of public funds.

Ijeoma concluded that implementation of IPSAS would pave way for a uniform chart of financial reporting by the three tiers of Government in Nigeria.

2.3.2 Effects of IPSAS Adoption on Accountability and Transparency

Babatunde (2013) studied the "impact of adoption of accrual based budgeting on transparency and accountability in the Nigerian public sector". The study adopted survey design where questionnaires were used on a sample of 376 respondents and both descriptive and inferential statistics were used in analyzing the data while data testing was performed using Karl Pearson coefficient of correlation. Findings of this studies showed that transparency and accountability have reasonable impact on economic development/growth in the Nigerian public sector, just like there is significant impact of accrual budgeting on transparency and accountability.

Duenya, Upaa and Tsegba (2017) established the effect of adopting International Public Sector Accounting Standards on accountability in public sector financial reporting in Nigeria. The study sampled of 130 respondents consisting of accounting personnel, academics and auditors. They employed Chi-square and Kruskal Wallis H-test, Mann-Whitney U test and Cohen effect. The finding from the study revealed that significant differences existed between accounting personnel, academics and auditor on the effect of International Public Sector Accounting Standards adoption on Nigeria's public sector financial accountability.

Abimbola, Kolawole and Olufunke (2017) assessed the impact of International Public Sector Accounting Standards on the financial accountability of selected local governments of Oyo State, Nigeria. Data was gathered with the use of five point Likert-scale questionnaires administered to sample of 105 Accountants and Internal Auditors in the selected local governments of Oyo State Nigeria. They analyze the study with the use of descriptive statistics. The result of chi-square showed that adoption of International Public Sector Accounting Standards increases the level of accountability, transparency and reduces corruption in the selected local governments.

Ijeoma and Oghoghomeh (2014) examined the expectations, benefits and challenges of adoption of International Public Sector Accounting Standards (IPSAS) in Nigeria. The study employed primary data and adopted the Chi-square test, Kruskal Wallis test and descriptive analysis. The findings of the study reveal that adoption of IPSAS is expected to increase the level of accountability and transparency in public sector of Nigeria. It was found that the adoption of IPSAS will enhance comparability and international best practices. Also, it was shown that adoption of IPSAS based standards will enable the provision of more meaningful information for decision makers and improve the quality of financial reporting system in Nigeria.

Balogun (2016) established the impacts of International Public Sector Accounting Standards in the Nigerian public sector (case study of the Office of the Accountant General of Ekiti State). Questionnaire was adopted to gathered information from respondents of 45 staffs of the Office of the Accountant General of Ekiti State. The Chi-square test was employed to test the hypotheses of the study. The study found that adoption of International Public Sector Accounting Standards is expected to increase the level of accountability and transparency in public sector of Nigeria. The study also revealed that the adoption of IPSAS will enhance

comparability and international best practices and that adoption of IPSAS based standards will provide more meaningful information for decision makers and improve the quality of the financial reporting system in Nigeria.

Akinleye and Alaran-Ajewole (2018) investigated the effect of International Public Sector Accounting Standards on information delivery in Nigeria. They employed questionnaire to generate information from two hundred and sixty-six (266) respondents from the Federal Ministry of Finance, FCT-Abuja and Ekiti State Ministry of Economic Planning and Budget, Ado-Ekiti. The study employed Ordinary Least Square Regression to test the hypotheses and found that that adoption of International Public Sector Accounting Standards increased the quality of information delivery thus enhanced level of accountability and transparency of Nigeria public sector.

2.3.3 Effects of IPSAS Adoption on Value Relevance

Christiaens et al (2013) examined the extent to which European governments adopt IPSAS accrual accounting and how the differing levels of adoption can be explained through the medium of a survey on related experts. They show that there is no uniform method to the adoption process of IPSAS and accrual accounting as well as some government still use cash based accounting with a smaller fraction applying IPSAS. The majority of local and central governments apply accrual accounting disregarding IPSAS which can be explained by the need for transparency and efficiency. The study disclosed that the main argument for the usage of IPSAS is the fact that it offers uniqueness and specific know-how and argues that the success of IPSAS strongly depends on setting out its strengths and emphasizing the necessary settings to be met.

Muhibudeen (2015) examined the effect of International Public Sector Accounting Standard on the value relevance of accounting information of public sectors in Nigeria. The study employed the use of descriptive statistics and ordinary least square analysis. The result revealed that IPSAS had a positive effect on value relevance of public sector accounting information.

2.3.4 Effects of IPSAS Adoption on Comparability

If a public sector adopts IPSAS, the institution will be able to present its financial statement on a single set of high quality and global standards. Adoption of IPSAS will result in quality, transplant and comparable financial statement that are based on modern accounting principles and concepts that are being applied in the global markets. Comparison is made easier with foreign competitor if company/government parastatals present its financial statement according to IPSAS. The adoption of IPSAS will improve cross border investment by enhancing comparability of financial statements prepared anywhere in the world.

Adebayo (2013) examined the impact of IPSAS adoption on comparability of financial statement across the globe. The data collected were analyzed using OLS. The findings of the study showed that IPSAS adoption had a significant effect on financial comparability across the globe.

2.4 RESEARCH GAP

In the view of scholars' findings regarding the effect of adoption of IPSAS, Mhaka, (2014), Ofoegbu, (2014), Ijeoma and Oghoghomeh (2014), Christain et al (2013); Okoro and Oyeleye, (2012): Udeh (2015). They are based on transparency, accountability and efficiency of government financial reporting on resources committed into the hand of government officials by the tax payers. Yet cases of indisposed inefficiency and bureaucracy have also manned the post adoption era of IPSAS in the public sector reporting. Even cases of mismanagement, budget padding, corrupt practices is been reported in the Nigerian public sector which IPSAS adoption and the review ordinarily opt to have detected or prevented. This study seeks to fill a gap by examining the effect of IPSAS on the Nigerian public sector, thereby including the post adoption era. Moreover, to bridge this gap observed from the literature, we therefore establish this study in furtherance of theirs to bring out those relevant factors that should be considered by public servants in making decisions.

However, from our best of knowledge, no study had been done on the Office of the Accountant General of the federation. This is another modest contribution to bridge the research gap in the area of IPSAS adoption in the public sector. This is to narrow their gap as well as contribute to the existing literature.

3.1 Research Design

The study adopted survey method as the design of the study. This method was considered appropriate because it enable the researcher to elicit responses from respondent through the use of questionnaire instrument to assess the data collected.

3.2 Area of Study

The area of study is the Office of the Accountant General of the Federation, Abuja.

3.3 population of the study

The population is the office of the Accountant General of the Federation, Abuja.

3.4 Sample Size and Sampling Technique

Of a total population of three hundred and fifty (350), a sample size of one hundred and ninety (190) people was selected for this study. The sample size was derived using the Yaro Yamani formula. Applying the Yaro Yamani formula,

n = sample size
N = population
e = error limit
Therefore, $n=350/1 +350 (0.05)^2$
n =350/1.875
n = 186.66

Based on the above calculation, the sample size of 190 with error limit of 5% was considered appropriate for this study. Out of 190 sample size, 164 people responded to the questionnaire which represent 86%response rate while 14%represent the rejection rate.

3.5 Sources of Data

The study adopted personal interview and questionnaire methods as the major techniques for primary data collection.

3.6 Model Specification and Operationalization of Variables

The study adopted a multiple regression of ordinary least square method to investigate the impact of the adoption of international public sector Accounting standard on financial performance in the Nigeria public sector. Regression analysis is a constructive statistical technique that can be used to analyze the association between a set of independent variables and single dependent variables (Lind et al 2008). This was used to examine changes in the independent variables involved changes in the dependent variables. This study adopted a model used by Erin Olayinka, Okoye and Olaoye (2016) with modification to suit this study. The model can be represented as follows:

IPSAS Adoption=F(QFP) ...(i)

Where:

IPSAS = International Public Sector Accounting Standard

QPF =Quality of Financial Performance

Assuming a linear relationship, we can rewrite equation (i) in an explicit form as:

QFP Bo+B Acc+B_2TRANS+B3VR+B4Comp+ ...(ii)

Where

Bo = Constant (intercept)

ACC = Accountability

VR = Value Relevance

TRANS = Transparency

Comp = Comparability

μ= Error Term.

CP = Cost of Preparation

CI = Cost of Information

μ = Error Term.

4.0 Data Presentation and Interpretation

The test result are presented and interpreted in this section. The descriptive statistics are presented in table 4.1

4.1 Descriptive Statistics

Table 4.1: responses on key issues relating to IPSAS adoption and quality of financial reporting in the Nigerian Public Sector with reference to the office of AGF

S/N	Variable responses (%) by prepares /auditors of financial statement (accountants)	SA%	A %	FA %	D %	SD %
1	Do you think IPSAS adoption will improve accountability of financial reporting in the Nigerian public sector?	117 71%	46 28%	1 1%	0 0	0 0

2	Is IPSAS adoption necessary for financial reporting transparency in the Nigerian public sector?	81 49%	81 49%	2 2%	0 0	0 0
3	Do you think IPSAS adoption will communicate value relevance to beneficiaries of financial reporting in the Nigerian public sector?	73 45%	87 53%	4 2%	0 0	0 0
4	Do you think IPSAS adoption will enhance comparability of financial information among public entities in Nigerian public sector?	66 40%	96 56%	5 3%	1 1%	0 0
5	Do you think IPSAS adoption will engender overall full representation of financial reporting in the Nigerian public sector?	73 46%	80 49%	9 5%	0 0	0 0
6	Do you think the introduction of IPSAS will improve the overall quality financial reporting in the Nigerian public sector?	93 56.5%	70 42.5%	1 1%	0 0	0 0

Source: Field Survey, 2019.

Table 4.2 Result of Regression Analysis

The regression estimates are presented in the tables below. Table 4.2: model summary

Mode!	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.818[a]	.768	..650	.51132
A. Department Variable: IPSAS Adoption				
B. Predictors: Quality of financial reporting (accountability, Transparency, Value Relevance and Comparability				

Source: SPSS 20 Output from Data, 2019

Table 4.3: ANOVA[a]

Model	Sum of squares	df	Mean square	F –test	Sig.
Regression 1 Residual Total	2,169 40.221 42.390	5 158 163	.434 .255.	1.704	.001″

Source: SPSS 20 Output from field Data, 2019

Table 4.4 Coefficients[3]

Model	Unstandardized coefficients		Standardized coefficients	t-test statistics	Sig.
	B	Std. Error	Beta		
(constant)	4.578	.660		6.938	,000
P1(Accountability)	.090	.089	.083	1.917	,001
P2(Transparency)	.149	.079	.154	2.879	.002
P3(value relevance)	.143	.076	.152	1.998	.001
P4(comparability)	.113	.071	.127	2.587	.004
PS(Full Representation)	.027	.068	.032	1.904	.003

Source: SPSS 20 Output from field Data, 2019. Significant at 5% level

5.0 Discussion of Findings, Conclusion and Recommendations

Table 4.1 presents the descriptive statistics of respondents on IPSAS adoption and quality of financial reporting in the Nigerian public sector. 71% of respondents believe that IPSAS adoption will improve accountability in financial reporting while 98% agreed and strongly agreed that IPSAS adoption will enhance financial reporting transparency. Combination of strongly agreed and agreed respondents which represent 98% believe that IPSAS adoption will deliver value relevance to users of financial information in the Nigerian public sector. Finally, 99% respondents consider IPSAS adoption to improve the quality of financial reporting in the Nigerian public sector.

From table 4.2, the adjusted R2(0.65 or 65%) shows that the explanatory variables significantly explain variations in the dependent variable. The F-test (1.704) presented table 4.3 shows that the exogenous variables jointly explain variations in the dependent variations to a significant degree. Table 4.4 reveals that the t-values for all the explanatory variables are statistically significant at 0.05.

5.1 Conclusion

The paper concludes that IPSAS adoption can significantly improve the quality of financial reporting in the Nigerian public sector and thereby enhance public confidence in public sector financial reports. It is expected that this positive outcome will impact favourably on the country's image thereby enhancing the inflow of foreign direct investment into the domestic economy.

5.2 Recommendations

This paper recommends that;

Regulatory authorities should adopt adequate measures to ensure compliance by those saddled with the responsibility of preparing public sector financial statements. Also, measures should be taken to enhance the disclosure of relevant financial information that will help users take useful economic decisions.

Federal government should pay more attention towards implementing IPSAS adoption. Efforts to ensure strong, effective and independent public service should be harnessed by the government.

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