Journal DOI: 10.36713/epra1013 | SJIF Impact Factor (2024): 8.431 ISSN: 2347-4378
EPRA International Journal of Economics, Business and Management Studies (EBMS)
Volume: 11 | Issue: 8 | August 2024 -Peer-Reviewed Journal

INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARD (IPSAS) ADOPTION AND QUALITY OF FINANCIAL REPORTING OF LOCAL GOVERNMENT COUNCILS IN LAGOS STATE

Sehilat Abike Bolarinwa, Oyebade Ajiboye Samson*
Department of Accounting, Lagos State University, Ojo, Lagos State, Nigeria

Corresponding Author

ABSTRACT

The need to align with international best practice and improve quality of financial reports, comparability of financial report in local governments requires the need for IPSAS adoption. In light of this, the study examined the effect of IPSAS adoption on the quality of financial reporting of local government councils in Lagos state. The population of this study consists of the staff of the office of auditor-general for local governments and the staff of the internal audit department of the 20 local government councils in Lagos State. Two hypotheses were formulated and tested. The study adopted a survey design; the data for this study were obtained from a primary source through administration of questionnaires to153 personnel selected from the office of auditor-general for local government and internal audit department of the of the selected 10 local governments in Lagos State. The study was validated using content validity. The reliability test value was 0.78 using Crouchback Alpha technique. Simple linear regression was adopted to analyse the data gathered. The findings revealed that IPSAS adoption has positive and significant effects on faithful representation of financial reports and level of comparability of financial reports in Lagos state's local government councils. The study concludes that IPSAS adoption improves quality of financial reporting of local governments in Lagos. The study thus recommends among others that office of Auditor-General for local governments in Lagos State should effectively monitor preparers of financial reports in local government councils to ensure their IPSAS compliance.

KEYWORDS: *IPSAS, Quality of Financial Reporting, Faithful Representation, Comparability, Local Government Councils.*

INTRODUCTION

Political office holders all over the world owe it as a sense of responsibility to find out the most appropriate means of enhancing the wealth the nation in the discharge of their constitutional duties and maintained legality. This is due to the fact that most countries sometimes experience ups and down in their economy which may be internally or externally induced. The worldwide economic calamity (2007 global financial challenge; 2008-2009 meltdown of financial market; 2009- 2012 European debt crisis) that negatively affected major world economies in addition to the instability of petroleum price in the world market has put nearly the whole universe in which Nigeria is not excluded on the search for the best possible plans to put an end to this challenge. Additionally, the shortcomings of cash basis accounting system include the differences between income and expenses, which changes actual operating costs and reveals income wrongly and the fact that this type of accounting gives scanty information about the potential assets and liabilities [1]. In the quest for a way out of this crisis, the International Federation of Accountant (IFAC) through "International Public Sector Accounting Standard Board" (IPSASB) came up with "International Public Sector Accounting Standard" (IPSAS) [31].

IPSAS has a lot of benefits which include; enhancing comprehensive reporting, due full disclosure, account harmonization and comparability and enhances transparency. IPSASB also opines that IPSAS promotes accountability, reduces corruption and promotes effective and efficient service delivery to the citizens of countries or institutions that adopted it. It was on this reason that all the nations across the globe are being informed by IFAC and IPSAB to implement global standards which are specifically capable of repositioning their economic operations. As a matter of fact, the motive behind the formation of IPSAS was to give perfect and elaborate financial information that will show significant level of answerability, stewardship, and trustworthiness. These include provision of unambiguous and comprehensive information regarding the financial results of the economic, political and social activities of government to concerned interested parties [26].

Prior to the formation of IPSAS, cash basis of accounting was being employed by the public sector for the preparation of financial reports in Nigeria. Despite the fact that, cash basis of accounting gives helpful reports; it is easy to comprehend

and helps in decision making, this system of accounting fails to give detailed reports as regards the cost of services, earned revenue, account receivables, account payables, long-term assets and liabilities and the likes [47], [31]. Nigerian government in order to ameliorate the above arguments conducted a research work with the objective of standardizing Nigerian public sector accounting system with cash based IPSASs with a intention of identifying the gaps. Consequently, Nigeria established an implementation committee called the Federation Account Allocation Committee (FAAC) to fashion out how IPSAS will be adopted in Nigeria. At last, the Federal, States and Local Government Councils in Nigeria were given a National Circular to begin the adoption of IPSAS cash by 2014 and IPSAS accrual by 2016 [19]. However, Local Government Councils in Lagos State commenced full implementation of IPSAS accrual in 2017.

STATEMENT OF THE PROBLEM

The financial reporting challenges in Nigerian Local Governments and Lagos State Government in particular are the outcome of the cases of wrong practices such as failure to record arrears of operating expenditure, failure to take into cognizance all prepayments and advances in the local governments corruption, fraud, failure to take into consideration accurate cost of all assets and liabilities made by the local governments, neglect of asset management, lack of faithful representation of financial reports, value relevance and transparency among others. Perpetrators of all these malicious acts were able to achieve these by the use of cash-basis of accounting system as against all-inclusive accounting standards like IPSAS. This was because cash-basis system of accounting lacks universal best practices, global relevance as well as comparability of the financial reports thereby paving way for poor financial reporting in local government councils. Considering the arguments of International Public Sector Accounting Standard Board (IPSASB) that IPSAS could address issues pertaining to financial reporting challenges, this study thus intends to fill this gap.

Additionally, previous studies on IPSAS such as Williams and Hussein [46], [11], [31], [9], [10], [22], [37], [19], [48] had conducted on the likely effects of IPSAS on accountability, challenges in IPSAS adoption, feasibility of transformation and level compliance with focus on Federal and State ministries, Agencies and Parastatals to the neglect of IPSAS adoption and the quality of financial reporting in the local governments. It is in the light of the foregoing thatthis study examined the impact of IPSAS adoption on the quality of financial reporting using Local Government Councilsin Lagos State as a case study.

RESEARCH OBJECTIVES

The main research objective of this study is to examine the effect of IPSAS adoption on the quality of financial reporting of local government councils in Lagos state. In addition, the specific objectives are;

1. To examine whether IPSAS adoption improves faithful representation of financial reports of Local Government Councils in Lagos State.
2. To examine whether IPSAS adoption improves level of comparability of local governments' financial reports in Lagos State.

Research Questions

Based on the research objectives, the following are the research questions for this study:

1. In what way does IPSAS adoption improve faithful representation of financial reports of Local Government Councils in Lagos State?
2. In what way does IPSAS adoption improve the level of comparability of local governments' financial reports in Lagos State?

Research Hypotheses

The following hypotheses were formulated and tested:

Hypothesis One

Ho: IPSAS adoption does not improve faithful representation of financial reports of Local Government Councils in Lagos State.

Hypothesis Two

Ho:IPSAS adoption does not improve the level of comparability of local governments' financial reports in Lagos State.

Scope of the study

The study covers office of auditor-general for local government councils in Lagos State and ten internal audit departments of local government councils in Lagos State.

CONCEPTUAL REVIEW

International Public Sector Accounting Standard (IPSAS) adoption

[8] posit that IPSASs are a set of accounting guidelines given out by the International Public Sector Accounting Standards Board (IPSASB) to be employed by public organizations all over the globe when preparing public sector financial reports. It was also documented in IPSAS Handbook, 2015 that the accrual IPSAS is rooted on International Financial Reporting Standards (IFRS) which are relevant to public organizations. [17] are of the opinion that the accepting IPSAS accrual has some benefits which include revealing the accuracy and fairness of transactions and their conformity with laid down regulations; giving proof of responsibility for how public funds are being managed; releasing vital that will aid check and balances and enhance monitoring of government doings among others.

[33] is of the view that the implementation of IPSAS by government entities would enhance improved service delivery in the government entities and assist government agencies discharge their duties effectively. [34] posits that comparability of Nigerian accounting reports with that of other nations of the world would be achieved through the implementation of IPSAS. Government accounting procedures – notably accrual-based accounting – gather budgetary accounts to encourage openness of off-budget, extra-budget, off-balance sheet, long-term financial rights, comparability, and future cash flows, thus promoting relevance, full disclosure, truthfulness and dependability of the financial situation [14].

Accordingly, [13], [41] opined that accrual basis of accounting is made up of the statement of financial position; the statement of financial performance; the statement of changes in net assets/equity; the cash flow statement; and accounting policies and notes to the financial statements. In the same vein, the cash basis of accounting records revenue when the actual money is been collected, and records expenses when the money is actually being paid without minding the time the transaction.

Transparency

[20] is of the opinion that IPSAS are a compilation of public sector accounting standards issued by the International Public Sector Accounting Standards Board (IPSASB). Fashioned after International Financial Reporting Standards (IFRS), their private sector predecessor, IPSAS aims at promoting transparency in public sector financial reporting at all levels. The conceptual framework of IPSAS resembles that of the IFRS employed by the private organizations to boost transparency in their business activities. [15] documented that excellence financial report helps decision makers to perform their financial responsibilities transparently to display public governance practices, minimise misuse of authority, and defend public properties. [45] asserted that excellence financial report can be observed from the reliability of financial policy indicators issued globally as financial position.

Qualitiesof Financial Reports

According to [22], the characteristics of financial statements include: Relevance, Faithful representation, Comparability Verifiability and Timeliness. Relevance according to them means that the financial accounting information should be such that the users need it and it is expected to affect their decisions. By implication, financial information is capable of making a difference in decisions if it has predictive value or confirmatory value or both. [27] also asserted that IPSAS adoption must be value relevant to users of public sector financial statements such as foreign agencies, taxpayers, members of parliaments, creditors, suppliers, government workers and financial analysts in such a way that the users of those financial statements could make relevant and timely value relevant decisions.

On faithful representation, [43] stated that the implementation of IPSAS will boost full disclosure of financial information which will greatly assist various users of accounting information in decision making. His opinion is that incomplete financial reporting being observed in the public sector will be eradicated by IPSAS adoption and that full representation will promote quality financial reporting in terms of its relevance, content and international competitiveness. Faithful representation as documented by [33] implies that the financial information contained in the financial statements represent faithfully the underlying business operations that took place during a particular accounting period.

On Comparability characteristic, [38] indicated that comparability of financial reports reflects the need for government own establishments to have the same set of financial reports that can be compared to that of other government owned establishments of foreign nations. They opined that comparability of financial reports gives more tasks to government workers who run the activities and operations of government establishments as regards transparency and accountability. [33] submitted that accounting information is similar when accounting standards and concepts are used consistently from one period to another and from one state to another.

Verifiability, according to [24] means that financial reports should be prepared in a way that will enable different knowledgeable and independent observers reach the same conclusion on the financial performance and position of the

reporting entity. This helps assure users that information faithfully represents the economic phenomena it purports to present. Quantified information needs to be a single point estimate to be verifiable [32].

Timeliness means that the financial reports should be made available to users on time to enable them make their economic decisions [37]. [24] opined that the relevancy of financial information will be defeated if it is being delayed. This implies that financial report that is beingoffered to decision-makers in time is capable of influencing their decisions.

However, this study was limited to two qualities i.e. faithful representation and comparability. The motive behind choosing one characteristic each from both the qualitative characteristics and the enhancing qualitative characteristics as variables for this research work was to affirm whether IPSAS adoption has significant impact on both the qualitative as well as the enhancing qualitative qualities of local governments' financial reports in Lagos State.

The Local Government System

The Local Government Council is the third tier of government in Nigeria. It was established, to bring government nearer to the citizens at the grassroots and provide some essential services. The system is fundamental in bringing about national development [5], [19]. [4] was of the opinion that Local Government Councils are strategically fundamental in bringing about national development. [19] documented that local governments are located to bring together and articulate the aspirations of most Nigerian citizens and assist in the progress of rural dwellers by rendering the both monetary as well as human resources support to them to them achieve their goals and live a comfortable life.

According to [19] the Nigerian constitution provides that the sovereignty of the third tier of government rests with both the federal and state governments. The Local Councils rely on revenue from Federal Allocations as well as funds from State Joint Local Government Accounts (SJLGAs) and grants to perform their statutory obligations. As a result, local governments in Lagos State and in Nigeria at large are faced with financial challenge which in most cases serves as an impediment for discharging their legitimate responsibilities effectively [39], [19].

THEORETICAL REVIEW

Institutional Theory

This theory was based on institutional Legitimacy theory. [16] upheld that institutional environment does strongly influence the development of formal structures in an organization more than market pressures. According to these theorists, innovative structures that improve technical efficiency in early-adopting organizations are legitimized in the environment. [29] affirmed thatthe fundamental postulations about institutional theory consist of; organisations conforming to predominant norms, traditions and social influences in their environments which will promote governments that gain support and legitimacy by conforming to social pressures; adoption of structures and management practices that are considered legitimate by other organisations in their fields, regardless of their actual usefulness and organisations responding to pressures from their institutional environments and adopting structures that are socially suitable and fitting. [12] were of the opinion that the public sector may pursue legitimacy from other countries, foreign organisations and groups of interest. [16] thus concluded that the net effect of institutional pressures is to increase the homogeneity of organizational structures in an institutional environment. In this regard, organizations will adopt similar structures as a result of three types of pressures namely, Coercive, Mimetic and Normative pressures.

The theory recognizes the effect of accounting reports on the distribution of incomes, power and wealth and then views accounting reports as social and economic documents. It further assumes that full disclosure of financial information is a device for sustaining, reconstructing and legitimizing political, economical, social and cultural operations of people [44]. This theory is highly significant to this study because IPSASs promote full disclosure of financial information to enable interested users of financial reports take informed decision.

The Commander Theory

Propounded by Louis Goldberg in 1965; it represents an essential strategic platform for financial statement disclosure activities. It is a theoretical foundation and basis whereupon analyses of the possible outcomes of cross-sector transfer of accounting principles as well as rules to the public sector are grounded. The commander theory assumes that owner(s) of resources may well be the directors of those resources, however, in some cases, a separation between ownership and control is essential and must prevail. In such instances, command remains with the director who must direct the affairs of the institution given the power and authority bestowed on the individual while the owner(s) in return, will demand reports and accountability from the director.

In relation to government, the commanders refertohigh ranked government officers in Federal, State and Local government offices. These officers are expected to give periodic reports of the government resources under their care through comprehensive financial statements. In the same vein, sectional leaders and directors who perform their civic responsibilities

based on the instructions of high level officers in their sections must give reports to the appropriate quarters. As a result, governments must carry out due diligence as trustees of national resources and also make available to interested parties well detailed financial reports periodically. The commander theory is highly significant to this study because itpromotes full disclosure of every material financial information to enable stakeholders to make meaningful judgments which IPSASs advocate for. Total conformity with the commander theory requires full disclosure of public sector financial operations. This greatly enhance the presentation of trustworthy and comparable government financial reports

EMPIRICAL REVIEW

[9] qualitatively studied Iraq and the necessity to enhance the government accounting system by means of adopting an accrual accounting based on IPSAS. The study employed a questionnaire to obtain required information. The findings revealed that there was a necessity to enhance the simplicity, excellence of financial report as well as government responsibility to its citizens. [10] documented the connection between the pronouncement of IPSAS implementation and the supposed degrees of fraud in the less developed and advanced nations using the Corruption Perception Index (CPI) gathered by Transparency International to assess perceptions of fraud. Findings showed that the degrees of perceptions of fraud for advanced nations that have pronounced IPSAS implementation are not at variant considerably with the degree of supposed fraud for the advanced nations that have not pronounced their IPSAS implementation while opposite was the findings for less developed nations. This supports the study of [9] that provided proof that less developed nations are seriously affected by fraud. [41] documented the impact of IPSAS on monetary responsibility in the Nigerian government entities. It was discovered that IPSAS has positive and noticeable impact on the efficient management of public funds in the Nigerian Public sector. Findings from only 18 Local Government Councils will not be appropriate to generalize on other Local Governments in Nigeria.

[14] studied the extent to which IPSAS accrual accounting is adopted by European governments and how the various rates of implementation can be clarified by means of a report on relevant experts. The results showed that there was no systematic solution to IPSAS implementation and accrual accounting procedures. [37] evaluated the assessment of IPSAS on public sector financial reporting in Nigeria with emphasis on ministry of finance, Calabar and a sample size of 40, using SPSS 20 edition for data processing. The study showed that the implementation of IPSAS by public sector agencies brought about an increase in governance, wealth control and financial reporting disclosure of public bodies. However the research results in one ministry will not be enough to shape an opinion on financial reporting of public institutions of Nigeria. [11] analyzed, with a sample size of 45 respondents, the effect of IPSAS on the Nigerian Public Sector facts from the Ekiti State Office of the Accountant General. The mathematical method used was the Chi-square test used to evaluate the gathered results. The study results showed that the implementation of IPSAS is supposed to improve Nigeria's level of public sector integrity and openness. The results cannot however be used to generalize the Nigerian public sector.

[19] investigated the level of conformity with IPSAS in the third tier of government in Benue State. Information from accountants was employed in the Local Government Councils using Principal Component Analysis (PCA) for data analysis. The findings of the research work showed that there was significant correlation between conformity with IPSAS and decision making. However the research work failed to collect data from non- accountants working in the account department of the local governments in Benue State. [42] examined the impact of the implementation of IPSAS on the worth of accounting statements for the purpose of decision making in 19 Federal ministries in Kenya. The findings revealed that IPSAS implementation has unassuming impact on the value of accounting reports in Kenya.

[46] assessed the influence of IPSAS implementation on clearness and responsibility in the administration of government resources in Montserrado County of Liberia using questionnaire for data collection. Results of the study showed that IPSAS implementation improves the level of responsibility and clearness in managing public money. [48] examined the degree of application of IPSAS by the government of Jordan. The results of the study indicated that there was a challenge in the application of IPSAS the government of Jordan. Based on the empirical review, it can be deduced that a gap exists on the impact of IPSAS adoption on the quality of financial reporting of Local Government Councils in Lagos State taking into consideration variables such as faithful representation, transparency as well as comparability of financial reports. As such, this calls for more studies in this area.

RESEARCH METHODS

The study employed survey research design. The population of the study is made up of the members of staff of the office of auditor-general for local governments in Lagos State and the staff of the internal audit department of the 20 local government councils in Lagos State with staff strength of 166 and 131 respectively making a total of 297.

Journal DOI: 10.36713/epra1013 | SJIF Impact Factor (2024): 8.431 ISSN: 2347-4378
EPRA International Journal of Economics, Business and Management Studies (EBMS)
Volume: 11 | Issue: 8 | August 2024 -Peer-Reviewed Journal

Sampling Technique
Purposive sampling technique was adopted for this study. Staff of audit departments of ten (10) local governments was purposefully selected for this study in addition to the personnel in the office of the Auditor-General for local governments using the three senatorial districts in Lagos state as basis for selection as follows:

Lagos West Senatorial District
1. Badagry Local Government
2. Ojo Local Government
3. Amuwo-Odofin Local Government
4. Alimosho Local Government
5. Ajeromi- Ifelodun Local Government
6. Agege Local Government

Lagos Central Senatorial District
1. Apapa Local Government
2. Surulere Local Government

Lagos East Senatorial District
1. Shomolu Local Government
2. Kosofe Local Government

Six local governments were selected from Lagos West Senatorial District because it has the highest number of local governments (i.e.10) while Lagos Central and Lagos East Senatorial Districts have five (5) local governments each.

Sample Size
In selecting sample size, simple random sampling technique was adopted to select 120 respondents from the office of the Auditor-General for local governments in Lagos state while 5 respondents were chosen from the audit department of each of the 10 selected governments local governments using the same method. Consequently, the sample size for this study is 170 respondents.

Data for this study were from primary source only. Questionnaires were administered to the respondents to generate data for this study. The questionnaire was used because it gives a high level of data consistency and adoption of comprehensive information amongst any population. The questionnaire was ranked using a five-point Likert scale. Simple linear regression was used to analyze the data generated.

Validity and Reliability Tests
The study was validated using content validity. The researcher presented the questionnaire to an expert in financial reporting of local governments to validate the questionnaire. Also, reliability test was conducted using Cronbach alpha technique which arrived at 0.78.

Model Specification
The basis for this model definition was hinged on the theoretical context that seeks to clarify the relationship between the implementation of IPSAS and the standard of financial reporting in Lagos State Local Government Councils. This was achieved from both the Institutional Theory and the Commander Theory.
The model can be represented as follows:

QFR= f (IPSAS Adoption) …… (i)
Where: IPSAS = International Public Sector Accounting Standards,
QFR = Quality of Financial Reporting.
QFR is proxy with Faithful Representation, (FRP), and Comparability (COM)

Assuming a linear relationship, equation (i) can be rewritten as:
$FRP = \beta 0 + \beta 1 IPSAS_i + \varepsilon$ …….. (ii)
$COM = \beta 0 + \beta 1 IPSAS_i + \varepsilon$ …….. (iii)

Where:
B0= Constant term
FRP = Faithful Representation

Journal DOI: 10.36713/epra1013 | SJIF Impact Factor (2024): 8.431 ISSN: 2347-4378
EPRA International Journal of Economics, Business and Management Studies (EBMS)
Volume: 11 | Issue: 8 | August 2024 -Peer-Reviewed Journal

COM = Comparability
℮ = error term

DATA ANALYSIS AND RESULTS

The study administered 170 questionnaires of which 153 were collected and used as valid questions, accounting for 90% of the response rate

Table 1: IPSAS adoption and faithful representation of financial reports of local governments in Lagos state.

S/N	QUESTION	SA(5)	A(4)	U(3)	D(2)	SD(1)	100%
1	IPSAS adoption ensures full disclosure of budget components.	70(45.8)	63(41.2)	6(3.9)	9(5.9)	5(3.3)	153(100)
2	IPSASs take into consideration all prepayments and advances in the local governments.	27(17.6)	65(42.5)	33(21.6)	21(13.7)	7(4.6)	153(100)
3	IPSAS adoption records arrears of operating expenses.	36(23.5)	76(49.7)	20(13.1)	13(8.5)	8(5.2)	153(100)
4	International Public Sector Accounting Standards disclose all material facts and figures about every authorization in the local governments.	33(21.6)	24(15.7)	30(19.6)	29(19)	37(24.2)	153(100)

Source: Field work, 2020

Table 1 above relates to IPSAS adoption and faithful representation of financial reports. The table shows that 45.8% of the respondents strongly agreed to the statement that IPSAS adoption ensures full disclosure of budget components in local governments. 41.2% agree, 3.9% are undecided, 5.9% disagree while remaining 3.3% strongly disagree .This shows that majority of the respondents are in agreement that IPSAS adoption ensures full disclosure of budget components in Lagos state's local governments. It can be deduced therefore that IPSAS adoption improves full disclosure of budget components of local governments in Lagos State.

Furthermore, the table reveals that 17.6% strongly agree that IPSAS adoption takes into consideration all prepayments and advances in the local governments. 42.5% agree, 21.6% are undecided, 13.7% disagree while remaining 4.6% strongly disagree. This explains that majority of the respondents declare that IPSAS adoption takes into consideration all prepayments and advances of the local governments in Lagos State.

In addition, question 3 shows that 23.5% strongly agree that IPSAS adoption records arrears of operating expenses of local governments.49.7% agree, 18.9% are undecided, and 8.5% disagree while remaining 5.2% strongly disagree. This demonstrates that majority of the respondents are of the opinion that IPSAS adoption takes arrears of operating expenses of Lagos state's local governments into consideration.

Finally in table 1 above, it is revealed that 21.6% strongly agree that International Public Sector Accounting Standards disclose all material facts and figures about every authorization in local governments, 15.7% agree, 19.6% are undecided, 19% disagree while remaining 24.5% strongly disagree.

Table 2: IPSAS adoption and comparability of local government's financial reports in Lagos state

S/N	QUESTION	SA(5)	A(4)	U(3)	D(2)	SD(1)	100%
5	IPSAS adoption enhances comparability of financial information among local governments	28(18.3)	70(45.8)	18(11.8)	16(10.5)	21(13.7)	153(100)
6	International Public Sector Accounting	33(21.6)	66(43.1)	17(11.1)	23(15)	14(9.2)	153(100)

Journal DOI: 10.36713/epra1013 | SJIF Impact Factor (2024): 8.431 ISSN: 2347-4378
EPRA International Journal of Economics, Business and Management Studies (EBMS)
Volume: 11 | Issue: 8 | August 2024 -Peer-Reviewed Journal

	Standards disclose level of financial performance in the local governments.						
7	Financial reports prepared in line with the International Public Sector Accounting Standards enhance quality of financial information	25(16.3)	73(47.7)	18(11.8)	20(13.1)	17(11.1)	153(100)
8	IPSAS adoption leads to consistency with international best practice	34(22.2)	76(49.7)	12(7.8)	13(8.5)	18(11.8)	153(100)

Source: Field work, 2020

Table 2 above relates to IPSAS adoption and comparability of financial reports. The table shows that 18.3% of the respondents strongly agree to the statement that IPSAS adoption enhances comparability of financial information among local governments, 45.8% agree, 11.8% are undecided, 10.9% disagree while the remaining 13.7% strongly disagree. This implies that majority of the respondents are confident that IPSAS adoption enhances comparability of financial reports among local governments.

Also, the table reveals that 21.6% strongly agree that IPSAS disclose level of financial performance in the local governments, 43.1% agree, 11.1% are undecided, 15% disagree while remaining 9.2% strongly disagree. This shows that majority of the respondents assert that International Public Sector Accounting Standards disclose level of financial performance in Lagos state's local governments.

Furthermore, the table reveals that 16.3% strongly agree that financial reports prepared in line with IPSAS enhance quality of financial information, 47.7% agree, 11.8% are undecided, 13.1% disagree while remaining 11.1% strongly disagree. This shows that majority of the respondents are affirmative that financial reports prepared in line with the International Public Sector Accounting Standards enhance quality of financial information of Lagos state's local governments. The implication of this is that financial reports prepared in line with International Public Sector Accounting Standards promote quality of financial information of Lagos state's local governments.

Likewise, table 2 reveals that 22.2% strongly agree that IPSAS adoption will lead to consistency with international best practice, 49.7% agree, 7.8% are undecided, 8.5% disagreed while remaining 11.8% strongly disagree. This implies that majority of the respondents affirm that IPSAS adoption will lead to consistency with international best practice.

Hypothesis Testing and Discussion

Hypothesis One

Ho: IPSAS adoption does not improve faithful representation of financial reports of Local Government Councils in Lagos State.

Journal DOI: 10.36713/epra1013 | SJIF Impact Factor (2024): 8.431 ISSN: 2347-4378
EPRA International Journal of Economics, Business and Management Studies (EBMS)
Volume: 11 | Issue: 8 | August 2024 -Peer-Reviewed Journal

Table 4
IPSAS Adoption and Faithful Representation of financial reports of local governments in Lagos state

Variable	Unstandardized Coefficient	Std Error	T-Statistic	P-Value
Constant	2.311	.233	9.935	.000
IPSAS Adoption	.364	.064	5.703	.000
R	.42[a]			
R-Square	.177			
Adj R-Square	.171			
F-Statistic	32.52			0.000

Dependent Variable: Faithful Representation, at 5% level of significance

Table 4 reveals an adjusted R^2 of about 0.171 which implies that 17.1%, of change in faithful representation of financial reports is explained by IPSAS adoption. Also, the f-statistic is used to test the individual significance of the estimated parameters. The model is statistically significant given the F-value computed as 32.52 and has a p-value of 0.000 which is less than 5% level of significance.

Furthermore, from the regression analysis in table 4 above, it shows that IPSAS adoption has a coefficient of 0.364 and a p- value of 0.000 which is positive and significant. Therefore, the null hypothesis was rejected. This indicates that IPSAS adoption improves faithful representation of financial reports of local governments Lagos state. The implication of this is that adoption of IPSAS by local government councils in Lagos State helps their financial reports to reflect faithfully the financial transactions that occurred during the reporting period.

Hypothesis Two
Ho: Adoption of IPSAS does not improve the level of comparability of local governments' financial reports in Lagos State.

Table 5: IPSAS adoption and comparability of local governments' financial reports in Lagos state

Variable	Unstandardized Coefficient	Std Error	T-Statistic	P-Value
Constant	2.131	.241	8.831	.000
IPSAS Adoption	.389	.066	5.886	.000
R	.43[a]			
R-Square	.187			
Adj R-Square	.181			
F-Statistic	34.65			0.000

Dependent Variable: Comparability, at 5% level of significance

Table 5 above discloses the adjusted R^2 in relation to comparability to be 0.181 which means that IPSAS adoption is able to account for 18.1% variation in comparability of financial reports in the local governments. Furthermore, the f-statistic reveals a value of 34.65 and a P-value of 0.000 which is less than 5% level of significance. Therefore the model is statistically significant.

The table also reveals a coefficient of 0.389 and a p- value of .000 which is positive and significant. As a result, the null hypothesis is rejected. This indicates that IPSAS adoption improves the level of comparability of local government financial reports in Lagos state. By implication, the adoption of IPSAS in the local governments has a significant and positive effect on the level of comparability of financial reports of local governments in Lagos State.

DISCUSSION OF FINDINGS

From the tested hypotheses, the following findings were revealed:
Hypothesis one indicates that IPSAS adoption has positive and significant effect on the faithful representation of financial reports of local governments in Lagos State. Accordingly, adoption of IPSAS by local government councils in Lagos state has helped their financial reports to reflect truly the financial operations that occurred in a particular accounting period. It

has also improved transparency of financial reports of local governments in Lagos State. The findings confirmed the studies of [31], [46] and [41].

As regards hypothesis two, finding has it that IPSAS adoption has apositive and significant effect on the level of comparability of local governments' financial reports in Lagos State. This implies that the adoption of IPSAS in the local governments has helps to enhance the level of comparability of financial reports of the local governments in Lagos state. With the adoption of IPSAS, local governments in Lagos state now prepare financial reports that are in line with international best practice thus improving comparability and consistency of financial reports. This finding is in conformity with others works by [42] and [11].

Conclusion

This study was carried out to examined International public sector accounting standards' adoption and quality of financial reporting in selected Local Governments in Lagos state. The study used a sample of 153 staff from the office of Auditor-General for local government and the internal auditors of 10 local governments. Considering the finding from table 5 above, IPSAS adoption improves faithful representation of financial reports of Local Government Councils in Lagos State. As a result, the first objective of this study was achieved.

Other evidence from table 5 indicates that adoption of IPSAS by local government councils in Lagos State helps to enhance comparability of financial reporting of the local governments in Nigeria. With this result, the second hypothesis was achieved. The study therefore concludes that IPSAS adoption improves the quality of financial reporting of local government councils in Lagos state.

Recommendations

Based on the above conclusion, this study recommends that;

- Local government councils in Lagos State should give continual adoption of IPSAS a top priority.
- Auditors in the office of Auditor-General for local government in the state that need the knowledge of IPSAS to conduct their audit assignments be given periodic training on IPSAS application.
- Furthermore, local government councils in Lagos state should periodically mobilize funds to provide adequate training and re-training of staff in audit and account and finance departments on IPSAS to further improve the quality of financial reports of Local Government Councils in Lagos State.
- Additionally, office of Auditor-General for local governments in Lagos state should implement necessary measures to make sure that the preparers of financial reports in local government councils comply with IPSAS when preparing financial reports.

Contributions to Knowledge

Considering IPSAS adoption and quality of financial reporting of local government councils in Lagos State, this study has contributed to the body of knowledge by providing evidence that IPSAS adoption significant effect on faithful representation of financial reports of local government councils in Lagos State. It has further provided evidences that IPSAS adoption has positive and significant effect on the level of comparability of local governments' financial reports in Lagos State.

REFERENCES

1. *Abdalla, E. &Amal, A. W. (2018). Feasibility of transformation to accrual basis of accounting in the public sector: Kingdom Of Bahrain Context.Academy of Accounting and Financial Studies Journal, 22(6)*
2. *Adaramola, F.O (2015). General purpose financial statements of the Eighteen (18) local governments of Ondo-state, Nigeria. Report of the Auditor-general for local government, 2015, 1-195.*
3. *Adegite, E. O. (2010). Accounting, Accountability and National Development. Nigerian Accountant, 43(1): 56-64.*
4. *Agba, M.S., Ogwu, S. O. & Chukwurah, D.C. (2013). An Empirical Assessment of Service Delivery Mechanism in Idah Local Government area of Kogi State, Nigeria (2003-2010). Mediterranean Journal of Social Sciences, 4(2), 621-635*
5. *Agba, M.S., Ocheni S., Nnamani, D.O. (2014). Local Government Finance in Nigeria: Challenges and Prognosis for Action in a Democratic Era (1999-2013)*
6. *Ajeagbu, C. (2015). Workshop on the practical implementation of International Public Sector*
7. *Akinbuli, S.F (2013). As assessment of accountability in the public sector in Nigeria. Arabian Journal of Business and Management Review, 1(3), 1-11.*
8. *Akinleye, G. T. and Alaran-Ajewole, A. P. (2018). Effect of International Public Sector Accounting Standards on Information Delivery and Quality in Nigeria.Research Journal of Finance and Accounting, 9(6), 147-163.*
9. *Alshujairi, M. H. (2014). Government accounting system reform and the adoption of IPSAS in Iraq. Research Journal of Finance and Accounting, 5 (24), 1- 20.*

10. *Atuilik, W. A. (2013). The relationship between the adoption of International Public Sector Accounting Standards (IPSAS) by governments and perceived levels of corruption. Doctorate dissertation, Capella University, USA.*
11. *Balogun, E. O. (2017). The Impacts of International Public Sector Accounting Standards in the Nigerian Public Sector. International Journal of Advanced Academic Research, 2(7), 15-33.*
12. *Bellanca, S. and Vandernoot, J. (2013). Analysis of Belgian Public Accounting and Its Compliance with International Public Sector Accounting Standards (IPSAS) 1, 6, and 22. International Journal of Business and Management, 8 (9) 122-133*
13. *Benito, B., Brusca, I. and Montesinos, V. (2007). The harmonization of government financial information systems: The role of the IPSASs. International Review of Administrative Sciences. 73(2): 293 – 317.*
14. *Christiaens, J., Vanhee, C., Rossi, F. M. &Aversano, N. (2013). The Effect of IPSAS on Reforming Governmental Financial Reporting: An International Comparison. International Review of Administrative Sciences. 76, 537-554.*
15. *Cicatiello, L., De Simone, E., & Gaeta, G. L. (2017). Political determinants of fiscal transparency: A panel data empirical investigation. Economics of Governance, 18(4), 315-336.*
16. *DiMaggio, P. J., and Powell, W. (1983). The iron cage revisited: Institutional and isomorphism and collective rationality in organizational fields. American Sociological Review, 48: 147-160*
17. *Duenya, M. I., Upaa, J. U., and Tsegba, I. N. (2017). Impact of International Public Sector Accounting Standards Adoption on Accountability in Public Sector Financial Reporting in Nigeria. Archives of Business Research, 5(10), 41-56*
18. *Egwaikhide, F. O. (2004). "Intergovernmental Fiscal Relations in Nigeria". In Egwaikhide, F. O.(eds.). Intergovernmental Relations in Nigeria, Ibadan: Programme on Ethnic and Federal Market Studies, JCMS 2010 48(2), 243-264*
19. *Ephraim, A. K. and Ojile, A. C. (2019). An Assessment of IPSAS Compliance in Local Government System in Benue State. Multidisciplinary International Journal.*
20. *Erin, O., Okoye, L.U., Modebe, N. J., Ogundele, O. (2016). International Public Sector Accounting Standards Adoption and Quality of Financial Reporting in the Nigerian Public Sector. ESUT Journal of Accountancy, 7(2).*
21. *Federation Account Allocation Committee (2013). Federation Account Allocation committee, Sub-Committee on the Roadmap for the Adoption of IPSAS, Federal Republic of Nigeria, National Chart of Accounts (NCOA) Users' Manual.*
22. *Gideon, T.A., and Abiola, P.A., (2018). Effects of International Public Sector Accounting Standards on Information Delivery and Quality in Nigeria.Research Journal on Finance and Accounting, 9(6).*
23. *Hyndman, N., & Connoly, C. (2011). Accrual accounting in the public sector: A road not always taken. Management Accounting Research, 22 (1), 36-45.*
24. *Idekwulim, C. (2014). Teach Yourself IFRS. Piccas Global Concept, Lagos, 6-8.*
25. *IFAC (2015). International Public Sector Accounting Standards (IPSAS) Board, Handbook of International Public Sector Accounting Pronouncements, New York.*
26. *IFAC (2012). Public Sector Financial Management Transparency and Accountability: The Use of International Public Sector Accounting Standards. IFAC policy position 4, 1-6.*
27. *Ijeoma, N. & Oghoghomeh, T. (2014). Adoption of international public sector accounting standards in Nigeria: Expectations, benefits and challenges. Journal of Investment and Management, 3(1), 21-29.*
28. *Jenson, M. C. and Meckling, W. H. (1976). Theory of the firm; managerial behavior, agency cost, and ownership structure, Journal of Financial Economics, 3; 305-360.*
29. *Jim, M. (2013). Implications of International Public Sector Accounting Standards (IPSASs) on County Financial Management Reporting. Strathmore University.*
30. *Lenz, G. (2012). Follow the Leader: How Voters Respond to Politicians Performance and Policies. Chicago.*
31. *Nkwagu, L. C., Uguru, L. C. and Nkwede, F. E. (2016). Implications of International Public Sector Accounting Standards on Financial Accountability in the Nigerian Public Sector: A Study of South Eastern States. IOSR Journal of Business and Management, 18(7), 105-118*
32. *Nweze, A. U. (2013). Using IPSAS to drive public sector accounting. ICAN Journal.*
33. *Nyor, T. (2013), Financial Reporting Quality of Nigeria Firms: Users' Perception. International Journal of Business and social science, 4(13).*
34. *Ohaka, J., Dagogo, D.W. & Banyie J.L. (2016), International Public Sector Accounting Standards (IPSAS) and Local Government Financial Management in Nigeria.Journal of Accounting and Management 4(9).*
35. *Ojiakor, N. (2009). Nigerian Socio-political Development: Issues and Problems, Enugu: John Jacobs Classic Publishers.*
36. *Okere, W., Eluyela, D., Bassey, I. and Ajetunmobi, O. (2017). Public sector accounting standards and quality of financial reporting: A case of Ogun state government administration in Nigeria. Business and Management Research Journal 7(7).*
37. *Oko, (2018). An assessment of the impact of international public sector accounting standards (ipsas) on public sector financial reporting in Nigeria. A study of the Ministry of finance Calabar. International Journal of Research in Business, Economics and Management2(6).*
38. *Okoh, L. & Ohwoyibo, O. (2010). Public accountability: vehicle for socio-economic development of Nigeria. International Journal of Investment and Finance, 3(2), 145-149.*
39. *Okoli, F.C. (1999): Theory and Practice of Local Government: A Nigeria Perspective Enugu: John Jacob's classic Publishers*
40. *Okolieaboh, S. (2013). IPSAS: An African odyssey. Public Finance International.http://www.publicfinanceinternational.org/opinionipsas-african-odyssey.*
41. *Olola, O.A. (2019). Effects of International Public Sector Accounting Standards on Financial Accountability in Nigeria Public Sector.European Journal of Accounting, Auditing and Finance Research 7(3).*

42. *Opaniyi, R. O. (2016). The Effect of Adoption of International Public Sector Accounting Standards on Quality of Financial Reports in Public Sector in Kenya.European Scientific Journal, 12(28), 161-187.*
43. *Ozugbo, M.J (2009) "Financial Reporting for Good Governance in Public Sector Entities"; in Nedaw, D (Ed.) Public Sector Accounting; Bahir Dar; Nakura Publications Ltd*
44. *Van Der Laan, S. (2009). The Role of Theory in Explaining Motivation for Corporate Social Disclosures: Voluntary Disclosures vs. Solicited" Disclosures, Australasian Accounting, Business and Finance Journal.*
45. *Wang, R. F., Irwin, T. C., & Murara, L. K. (2015). Trends in fiscal transparency: Evidence from a new database of the coverage of fiscal reporting [IMF Working Papers, WP/15/188]. International Monetary Fund.*
46. *Williams, A. A. and Hussein, S. (2019). Impact of IPSAS adoption on transparency and accountability in managing public funds in developing countries: Evidence from Liberia. Journal of Accounting and Taxation. 11(6), 99-110.*
47. *Zakiah S (2007). Cash-Based Accounting System and Government Financial Reporting. A Ph.D Seminar paper presented to the Faculty of Business and Accountancy; University of Malaya, Kuala Lumpar*
48. *Ziad A., (2015). The extent of applying the International Public Sector Accounting Standards by the Jordanian Public Sector. The European Proceedings of Social & Behavioural Sciences ISSN: 2357-1330.*