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Organisational Factors and International Public Sector Accounting Standards as Determinants of Relevance of Financial Reporting in Nigerian Public Sector Institutions

Ogunwale O. O
Ph.D. Student, Department of Accounting,
Babcock University, Ilishan-Remo, Ogun State, Nigeria
Dr. Olaoye, S. A.
Associate Professor,Department of Accounting,
Babcock University, Ilishan-Remo, Ogun State, Nigeria
Owolabi S. A.
Professor,Department of Accounting,
Babcock University, Ilishan-Remo, Ogun State, Nigeria

Abstract:
The relevance of financial reporting in the public sector has significant implication for government accountability and transparency. This study aimed to examine the effect of organisational factors and International Public Sector Accounting Standards (IPSAS) adoption on the relevance of financial reporting of Nigerian public institutions. Data were extracted from the audited financial statements of ninety public institutions for 2017 and 2018. Panel regression analysis was conducted on the data. The findings revealed that IPSAS adoption and organisational characteristics jointly demonstrated significant effect on relevance (Adj R2 = 0.3772, F(4, 175) = 27.54, p < 0.05). IPSAS adoption demonstrated an independent effect on relevance (β = 3.21, p < 0.001). The study concluded that IPSAS adoption significantly impacts the relevance of financial reports to decision makers in the public sector. Strict compliance with IPSAS reporting guidelines by Nigerian public institutions is strongly recommended.

Keywords: *Financial reporting quality, Relevance, IPSAS, Organisational characteristics*

1. Introduction

Financial reporting quality in the public sector has significant implication for government accountability and transparency. Studies have shown that deficient financial reporting in the public sector leads to vulnerability of the reporting system to corrupt practices and unattractiveness of the economy to foreign direct investments and aids. Financial reporting quality has been conceptually appraised by different authors. Mustapha, Ismail, and Ahmad (2017) traced the origin of financial reporting quality to inferences from reports provided to represent the economic activities of an entity. Usually, the reports generated by an entity (accounting information system) is expected to provide information about methods, measurements used and this in turn gives a clear understanding of the quality of the financial reporting system. Consequently, Gerber, Gerber and Merwe (2015) commented that techniques applied in the course of reporting define the quality of such reporting. Hence, financial reporting quality was defined as the extent to which the financial reports of an entity show true and fair view of its financial performance, financial position and in line with regulatory stipulations (Bajra & Simon, 2018; Kusnadi, Leong, Suwardy& Wang, 2016; Martí&Kasperskaya, 2015).

Within the broader conceptualisation of financial reporting quality, relevance represents a fundamental qualitative characteristic ((van Beest*et al*., 2009). The relevance of financial reports involves their usefulness in decision-making. It is the capacity of the financial information to produce differences in the decisions made by those who utilize it (IASB, 2010). In this sense, financial information serves both a confirmatory and predictive function. The confirmatory value is in relation to the information currently provided to stakeholders by the management while the predictive value helps intending investors or other stakeholders to form an impression of the future of the organisation. An item of information is perceived as relevant if it has current and or predictive attribute about the operations of an entity. Relevant information therefore indicates quality information provided in the annual reports of an entity about previous or future economic events that would be useful to capital providers and other stakeholders (Mustapha, Ismail, & Ahmad, 2019). According to Bukenya (2014), financial information is deemed relevant when it can satisfy certain dual objectives. Firstly, it should be able to guide users' in relation to resource allocation. This implies that relevant information must provide tips

about past and future events in order to assist users of financial reports to allocate scarce economic resources. Secondly, it should aid the preparers of financial reports in discharging their stewardship roles appropriately.

Existing literature on quality of reporting have provided several empirical evidences to further strengthen the qualitative features of information as proxy for financial reporting quality (Al-Dmour, Abbod, & Al Qadi, 2018; Okere, Eluyela, & Ajetunmobi, 2017; Owolabi, Okere, & Adeleke, 2020; Tran, Nguyen, & Hoang, 2020; van Beest, Braam, & Boelens, 2009). Particularly, documented evidence in literature suggests that relevance assumes one of the fundamental features of qualitative characteristics (Aifuwa, Embele, & Saidu, 2018; Herath & Albariq, 2017; Mahboub, 2017; Muraina & Dandago, 2020; Owolabi et al., 2020). In addition, Tran et al. (2020) observed that the adoption of public financial management reforms was to enhance quality reporting by ensuring that financial reports provide relevant information for users. In this light, the characteristic of relevance is presumed suitable as a measurement component of financial reporting quality in this study.

Financial reporting in Nigeria had been cash-based for over four decades (Muraina & Dandago, 2020). In the words of Dankwanbo (2010) as cited in Raymond, Bonaventure, Darlington and Raymond (2020), this system of reporting scarcely disclosed the precise operational costs of government in assets as well as liabilities. Besides, prevailing accounting disclosure of current and contingent liabilities such as unpaid overhead costs, guarantees are disregarded and kept in abeyance. Particularly, acquisitions of fixed assets were treated as recurrent expenditures and charged to the income statement at the time of purchase. This reporting system contradicts the objective of public sector financial reporting as opined by Babatunde (2019) that all transactions must be adequately disclosed for stakeholders' use. Similarly, Muraina and Dandago (2020) stated the constraints of the cash based reporting system as being vulnerable to corrupt practices largely due to weak transparency and accountability in the nature of the reporting system. The authors' opinion is further strengthened by Nigeria's successive low-ranking position among West African countries in 2017 and 2018 in the rating from the corruption perception index of Transparency International. While occupying the 148th position out of 180 countries in 2017, it was adjudged second to the worst among 17 West African countries in 2018 (Muraina & Dandago, 2020).

In order to ensure that goals and objectives of reporting including relevance are achieved, several attempts have been made to further enhance the role of financial reporting. These moves have been championed by developed nations by increasingly supporting the sophistication of their accounting practices (Mir & Sutiyono, 2013). Consequently, a move to ensure that this objective is realised has led to the deployment of private sector managerial and accounting tools into the public sector. Private sector techniques have been upheld to be superior and capable of proffering solutions to the weaknesses within the public sector (Grossi & Steccolini, 2015)). The deployment of accounting standards which are based on the IFRS (IPSAS) into the public sector has generated mixed reactions generally.

In spite of the increasing benefits associated with new public financial management initiatives, financial reporting concerns within the public sector are still largely unresolved (Nagendrakumar, 2017). Nevertheless, accounting standards have been observed to be predictors of financial reporting quality (Herath & Albariq, 2017). The decision usefulness of financial reports has been found to extend beyond external stakeholders to managers of public sector institutions (Laswad&Redmayne, 2015). The resource providers including donors, capital providers, tax payers also hold a place among relevant stakeholders. Importantly, the legislative arm of government is likewise considered as part of the primary users of General Purpose Financial Statements (GPFS) (Grossi & Steccolini, 2015).

Studies evaluating the implementation of IPSAS in Liberia and Nigeria found that IPSAS has impacted government reporting at country level. In clear terms, implementation was deemed to be associated with improved quality of accounting information and financial practices found to be in line with global best practice (Salia & Atuilik, 2018). Opanyi (2016) has shown that IPSAS adoption enhanced the information relevance of the financial reports provided by government institutions. Relevance, in this respect, was found to be related to forward-looking information, cash flow information, information relevant to future opportunities, as well as information related to financial structure. These reporting items showed enhancement after the adoption of IPSAS compared with the pre-IPSAS reporting period. Abang'a (2017) evaluating the financial reporting quality of state-owned agencies in Kenya before and following the adoption of IPSAS found that IPSAS adoption was observed to marginally improve financial reporting quality. Similar findings have been reported elsewhere (Chibunu, 2019; Obara&Nangih, 2016).

In spite of the highlighted benefits of IPSAS adoption to the relevance of financial reporting in the public sector, there are no studies which have examined the actual impact of IPSAS on the relevance of financial reporting in the Nigerian public sector space. Previous studies that have examined the relationship have been essentially perception studies which have sought to investigate the potential impact of IPSAS on financial reporting quality. Apart from accounting standards adoption, the role of organisational factors in determining the relevance of financial reports in the Nigerian public sector has equally not been adequately studied. Thus, this study aimed to examine the impact of organisational factors and IPSAS adoption on the relevance of financial reporting among public institutions in Nigeria.

This article is organized as follows: the next section highlights the theoretical framework of the study. Section 3 details the empirical review and presents the research hypotheses. The fourth section presents the methodology of the study. The results are reported in the fifth section while the last section presents the discussion, conclusions and recommendations of the study.

2. Theoretical Framework

This study is underpinned by the institutional theory.

2.1. Institutional Theory

The genesis of institutional theory has been traced to the works of John Meyer and other notable scholars including Brian Rowan and Lynne Zucker (Meyer & Rowan, 1977). Several ideas over the decades have been inferred from this model. These include providing theoretical justifications for pressures that influence individuals within social organisations (Dillard, Rigsby& Goodman 2004; Tuttle & Dillard, 2007). Particularly of note is its use in explaining external influences and pressures on organisations. The theory attempts to explain how organisations adopt innovations (Goddard, Assad, Issa, Malagila, & Mkasiwa, 2016) and how internal and external factors affect organisational practices (Rahman, Yammeesri, & Perera, 2010). According to Yang, Colin, Changyu, and Farley (2017) and Scott (2002), institutional theory projects a clearer understanding of business entities behaviour in relation to economic, social and organisational change within and around their environment. As these organisations react to constraints and shaping from environmental pressures, new practices evolve and are institutionalised(Jones, 2016).

Institutional theory has been employed severally in public sector accounting studies (Abang'a, 2017; Ada & Christiaens, 2018; Adhikari & Gårseth-Nesbakk, 2016; Dabbicco & Mattei, 2020; Grossi, Bergmann, Rauskala, Fuchs, & Kristianstad, 2013; Jones, 2016) and indeed in explaining harmonisation, convergence and adoption of accounting standards (Adhikari & Gårseth-Nesbakk, 2016; Chan, 2016; Fuentes & Borreguero, 2018; Fülbier & Klein, 2015; Gomes, Brusca, Fernandes, & Brusca, 2019; Yang et al., 2017). Within the purview of adoption of international public sector accounting standards (IPSAS), the theory provides an explanation for homogeneity of accounting practice across nations (Tuttle & Dillard, 2007). Over time, these entities will look similar and present a recurring feature of institutional theory which is referred to as isomorphism.

Scholars have described three forms of isomorphic tendencies of institutional theory as displayed through organisational behaviour of entities namely; normative, coercive and mimetic. Normative isomorphism has been associated with professionalism (Normansyah, Kamil, & Idawati, 2015). This has been realised from norms, values, beliefs indirectly gotten from academic or professional influence of other organisations (Goddard et al., 2016; Normansyah et al., 2015; Polzer & Reichard, 2020). Coercive isomorphism occurs when an amount of pressure or rules are imposed on an organisation by other organisations and the society in general. This subjects the organisation to adopt norms and values provided usually by political interventions or resource providers (Adhikari&Gårseth-Nesbakk, 2016; Boolaky, Soobaroyen& Quick, 2018; Goddard et al., 2016; Polzer&Reichard, 2020). Lastly, mimetic isomorphism is concerned with organisations imitating the forms and procedures of practice of other organisations they look up to as models or those they perceive as being successful (Adhikari&Gårseth-Nesbakk, 2016).

While research in the public sector shows a prolific use of a tenet of institutional theory, isomorphism, this study also considers institutional theory as providing a basis for the expected effects of organisational factors and IPSAS adoption on the relevance of financial reporting in Nigerian public institutions. The three variants of isomorphism appear relevant in justifying the adoption of IPSAS and its core objectives of assuring transparency and accountability in the Nigerian public sector. Practically, adopting IPSAS reflects normative, mimetic and normative tendencies of public sector organisations. This also corroborates findings in Goddard *et al*., (2016) that suggested mimetic, coercive and normative tendencies within the structures of US public sector organisations. Within the Nigerian context, public organisations' imitations of procedures, practices, norms from the private sector (for instance, adoption of IFRS-based IPSAS) conveys mimetic isomorphism. This attempt likewise suggests a need to attain legitimacy (normative isomorphism). Lastly, public organisations' conformity to regulations from the state (for instance, the Federal government) or resource provider (For instance, international donor agencies) expresses coercive isomorphism.

3. Empirical Review

3.1. IPSAS Adoption and Relevance of Financial Reporting in the Public Sector

Empirical investigation has provided support for the influence of accounting standards on the relevance of financial information specifically and the impact of IPSAS adoption on the relevance of financial reports has been documented in several studies (Ijeoma&Oghoghomeh, 2014; Balogun, 2016; Gomes, Brusca& Fernandes, 2019). Using a survey research design, Ijeoma&Oghoghomeh (2014) concluded that adopting IPSAS could improve the relevance and quality of information in the Nigerian public sector and in tandem with global best practice. This is in agreement with the findings of Balogun (2016). From a Spanish and Portuguese perspective, Gomes, Brusca& Fernandes (2019), in concurrence with the positive effect of IPSAS on relevance of financial reports, demonstrated the ability of IPSAS in enhancing the quality of information for consolidation purpose as well as the usefulness of these consolidated reports from the viewpoint of professionals and standard- setters. However, due to the qualitative approach of their study, it could not quantitatively measure the content/extent of IPSAS adoption. This limits its real-life implication for the relationship between IPSAS adoption and relevance of consolidated statements in the settings studied.

Furthermore, Barth, Landsman, Lang & Williams (2006) demonstrated that application of international accounting standards (IAS), overall, led to an improvement in financial reporting quality. With particular reference to IPSAS, Opanyi (2016) examined the impact of IPSAS adoption on financial reporting quality in the Kenyan public sector using annual reports of nineteen ministries. The study found that IPSAS enhanced the relevance of the financial information provided by government institutions. Specifically, it was observed that relevance items related to forward-looking information, information on future opportunities, cash flow information and information related to financial structure showed enhancement after the adoption of IPSAS compared with the pre-IPSAS reporting period. However, the improvement in relevance driven by IPSAS adoption was not absolute. It was found that IPSAS adoption did not demonstrate significant effect on reporting items such as fair value information, corporate social responsibility, off-

balance activities, going concern and intangible assets. The lack of significant differences between both reporting periods might have been due to a pervasive under-reporting of items such as corporate social responsibility or the equal level of reporting of elements such as intangible assets across the two reporting periods. The author equally noted that IPSAS adoption was a relatively new occurrence in Kenya at the time of the study and it was still at the cash-basis level of implementation rather than full accrual model. This perhaps made the difference between the pre- and post-IPSAS adoption periods somewhat negligible in some respects.

In addition to investigating the role of organisational factors in financial reporting quality of SAGAs in Kenya, Abang'a (2017) equally studied the financial reporting quality of these agencies before IPSAS was adopted and thereafter. IPSAS adoption was observed to marginally improve financial reporting quality. Also, financial reporting quality was treated as a composite entity rather than focussing on relevance particularly. Similarly, Chibunu (2019) examined the perceived usefulness of IPSAS in Tanzanian Local Government authorities and observed that perceived IPSAS self-efficacy had significant positive relationship with relevance while perceived ease of use of IPSAS was positively associated with relevance. The perceived usefulness of IPSAS was equally associated with higher levels of relevance. In a survey among government accountants and auditors in Rivers state of Nigeria, Obara and Nangih (2016) found that 84.6% of the sample agreed with the view that IPSAS would increase efficiency in decision-making which is essentially an issue of information relevance. Okere*etal*. (2017) have equally reported a moderate correlation between IPSAS adoption and financial reporting quality as measured by a combination of relevance, comparability, faithful representation, transparency and accountability

3.2. Organisational Factors and Relevance of Financial Reporting in the Public Sector

Organisational factors have also been associated with financial reporting quality more broadly without specific differentiation between its relevance and other fundamental or enhancing characteristics. Most studies examining organisational determinants of financial reporting quality whether in the public or private sector have typically treated financial reporting quality as a composite score consisting of different combinations of fundamental and enhancing characteristics. Thus, studies evaluating the effect of organisational characteristics on relevance of financial reporting specifically in the public sector are quite scarce.

Studies from the public sector in different parts of the world have identified the crucial relationship between organisational factors and financial reporting quality (Abang'a, 2017; Rakhman and Wijayana, 2019; Nirwana & Haliah, 2018; Tambingon, Yadiati and Kewo, 2018; (Dewata, Hadi, & Jauhari, 2016). While Abang'a (2017) studied the influence of certain attributes of semi-autonomous government agencies (SAGA) on financial reporting quality in Kenya and reported that age of SAGA, liquidity and total assets significantly predicted financial reporting quality, Rakhman and Wijayana (2019) explored the determinants of financial reporting quality in the Indonesian public sector and found that local governments with high ratio of capital expenditure to total budget, smaller sizes, lower financial independence and with less experienced mayors demonstrated an association with lower financial reporting quality. Consistent with these findings, a study in South Sulawesi Provincial government observed that officials' personal factors, system/administration factors and political factors all predict high financial statement quality (Nirwana& Haliah, 2018).

Illustrative studies from the private sector have helped to consolidate the pattern observed from the limited research conducted in the public sector with regard to financial reporting quality and its organisational determinants. For instance, there have been mixed findings from studies conducted to examine the relationship between organisational size and financial reporting quality. While some studies demonstrated that large organisations have tendencies to report high quality financial information due to various requirements they must adhere to (Uyar, Kilic&Bayyurt, 2013; Waweru&Riri, 2013), others have contrary findings in this regard (Takhtaei&Mousavi, 2012). Still, other studies have suggested that an insignificant relationship exists between organisational size and financial reporting quality (Al-Asiry, 2017; Hosseinzadeh, Kangarlouei&Morteza, 2014; Mahboub, 2017). This also corroborated the findings of Ekwueme and Aniefor (2019) in a Nigerian study who examined factors related to financial reporting quality among listed manufacturing firms. The authors concluded that firm size positively and significantly predicted financial reporting quality. One possible explanation for this finding is that large organisations are likely to have developed internal controls sustainable enough to drive the organisations' activities as opposed to smaller organisations. This will have substantial implication for financial reporting quality considering the nature of reporting from such systems. Also, large organisations are usually capable of subscribing for the services of reputable audit firms and this will equally justify the quality of reporting of such organisation (Olowokure, Tanko, & Nyor, 2015). It is therefore probable for large organisations generally to signal their reporting quality by incurring costs of highly regarded auditors (Ole-Kristian, Wayne, & Dushyantkumar, 2015) for competitive advantage (Aljifri, Alzarouni, Ng, & Tahir, 2014) over other organisations within the same sector. Alternatively, Waweru and Riro (2013) argue that large organisations are subjected to more examinations from various stakeholders in developing economies hence, they tend to report their activities accordingly to reflect more openness (Mahboub, 2017; Waweru & Riro, 2013).

With regard to liquidity, Abang'a (2017) had reported from Kenya that the liquidity of state-owned agencies had a positive influence on financial reporting quality. This is in concordance with the observation of Echobu, Okika and Mailafia, (2017) which indicated that liquidity in addition to factors such as leverage had significant effect on financial reporting quality. Furthermore, Hamidzadeh & Zeinali (2015), in a study of Israeli listed firms, equally reported a positive relationship between financial reporting quality and liquidity while Bardos (2011) confirms a positive impact of liquidity on quality of information. In contrast, Naser, Alkhatib and Karbhari (2002) and Wallace, Naser and Mora (1994) both found negative relationships between liquidity and the extent of financial information disclosure.

Based on the foregoing empirical review, the following hypotheses were developed for the study in the null form:

- H_{01}. Organisational age has no effect on the relevance of financial reporting in the Nigerian public sector
- H_{02}. Organisational size shows no effect on the relevance of financial reporting in the Nigerian public sector
- H_{03}. Liquidity does not significantly affect the relevance of financial reporting in the Nigerian public sector
- H_{04}. Organisational type has no effect on the relevance of financial reporting in the Nigerian public sector
- H_{05}. IPSAS adoption demonstrates no effect on the relevance of financial reporting in the Nigerian public sector

4. Methodology

The study design was *Ex post facto.* This design was found suitable for this study because it helped to provide actual data on organisational factors, level of IPSAS adoption and relevance items from the financial reports of public institutions that have already adopted IPSAS. The design assumed that the variables of interest already exist and were not open to manipulation by the researcher thereby ensuring independent verifiability. The ex post facto design has also been utilized in previous studies (Ada &Christiaens, 2018; Captain &Ogbonna, 2019). The sample population consisted of all government parastatals and agencies in Nigeria which have migrated to the Government Integrated Financial Management Information System (GIFMIS) platform (N = 766) (Office of the Accountant-General of the Federation, 2018).

A purposive sampling of these public organisations' general-purpose financial statements submitted for each year of study was adopted. Only institutions with the complete set of annual reports within the post-IPSAS (2017 and 2018) periods were included in the study. Ninety (90) organisations with annual report data for two years post-IPSAS adoption were selected resulting in 180 observations.

Organisational factors such as age and organisation type were obtained from the corporate information contained in the annual report while other organisational factors such as size and liquidity were derived from the statement of financial position. For relevance as a characteristic of financial reporting quality, nine (9) items from a 25-item index for evaluating financial reporting quality developed by previous researchers (Abang'a, 2017; Opanyi, 2016; van Beest et al., 2009) were used (Appendix I). To measure relevance of financial reporting, the approach by Opanyi (2016) was adopted. The total score under relevance was divided by the total number of its items so as to allocate equal weight to each item. In order to determine the level of IPSAS adoption, an adapted 124-item IPSAS disclosure index (based on IPSAS 1, 2, 3, 14, 24, 33) was utilized (Ernst & Young, 2018). As in previous studies (Glaum, Schmidt, Street & Vogel (2013);Sellami&Gafsi, 2020), the disclosure index was scored in a dichotomous manner. Each item is given a score of 1 if disclosed and a score of 0 if not disclosed. An overall compliance score was calculated for each institution. The score was determined as the ratio of the total number of items disclosed to the maximum number of items on the index (Glaum et al., 2013; Sellami&Gafsi, 2020).

In terms of data analysis, descriptive statistics involved the presentation of means and standard deviation for continuous variables while frequencies and percentages were described for categorical variables. Pearson's Product Moment Correlation was utilized in examining the degree and nature of association between explanatory variables in order to test for multicollinearity. Panel regression modelling was utilised for multivariate analysis showing the inter-relationships between relevance of financial reporting, IPSAS adoption as well as organisational factors.

Given the panel nature of the data, the estimated regression model was pooled ordinary least square model based on the outcome of diagnostic tests. The Hausman test, the Breusch Pagan Lagrange Multiplier (LM) test and test of parameters were conducted to determine the model best suited to the data. Organisation Type (OT), being a categorical variable, was included in all models as three dummy variables representing administrative, economic and social organisation types. All statistical tests were significant at $p < 0.05$. The data was analysed with STATA version 11.

4.1. Measurement of Variables

The independent variables in this study consisted of IPSAS adoption as well as organisational factors which included: organisation age, organisation size, liquidity and organisation type. Organisation age was defined as the number of years for which the public organisation had existed (determined from its establishment act). Organisation size was determined as the natural logarithm of an organisation's total asset while liquidity was calculated as the ratio of current assets to the current liabilities of the organisation. Organisation type was based on the sector category of each public organisation on the Government Integrated Financial Management Information System (GIFMIS). These sectors include the Economic, Social, Administrative, Regional and Law & Justice Sectors. The dependent variable was relevance and its measurement is as shown in appendix I.

4.2. Model Specification

The model for the study was specified as follows:

$RL_{it} = \beta_0 + \beta_{11}IA_{it} + \beta_{12}OA_{it} + \beta_{13}OS_{it} + \beta_{14}LQ_{it} + u_{11}OTAD_{it} + u_{12}OTSV_{it} + u_{13}OTE_{it} + \varepsilon_i$ .....Model 1

Where

RL = Relevance

IA = IPSAS Adoption

OA = Organisational Age

OS = Organisational Size

LQ = Liquidity

OT = Organisational Sector-Type

ε_i= Error term

β_0 = regression intercept which is constant

$\beta_{11} - \beta_{14}$ = regression coefficients of explanatory variables
$u_{11} - u_{13}$= variance terms for dummy variables

5. Results

5.1. Descriptive Analysis

From the descriptive analysis table, Relevance (RL) scores of institutions were within the range of 1.67 and 3.89 with a mean of 2.75 and a standard deviation of 0.46. Considering the Likert scale of 1 - 5 for this variable, it means that, on the average, the organisations favoured a level of disclosure between limited disclosure and sufficient disclosure of relevant information (see Appendix 1). IPSAS Adoption (IA) had minimum and maximum values of 0.40 and 0.87. The mean and standard deviation on the other hand were reported as 0.70 and 0.09. The mean score of 0.70 indicates a good disclosure level of IPSAS Adoption with particular reference to the standards investigated in this study. This implies that on the average, public sector institutions reported 70% of the relevant IPSAS disclosure items in their financial statements. In addition, the range of values of 0.40 and 0.87 shows the level of disclosure ranging from a below average (40%) to a high level (87%) of disclosure. Organisational Size (OS) as proxied by the natural log of total assets was analysed to have minimum and maximum values of 4.52 and 12.19 while the mean and standard deviation were 8.17 and 1.56 respectively. In actual terms, this shows values of total assets between 91.83 million naira and 196.811 billion naira. This implies that the sample comprised those with small as well as large sizes. Liquidity (LQ) had minimum value of 0 and maximum value of 4,234,920,000 naira indicating that a wide gap exists within the liquidity profile of the institutions. Organisation age (OA) ranged between 6 and 91 years with mean and standard deviation of 32.79 and 15.84 years respectively. Administrative, social and economic organisation types based on GIFMIS categories constituted 12%, 64% and 21% respectively of the entire data set.

	MEAN	STD. DEV	MIN	MAX
RL	2.75	0.46	1.67	3.89
IA	0.70	0.09	0.4	0.87
OS	8.17	1.56	4.52	12.19
LQ	94.86	469.18	0	4234.92
OA	32.79	15.84	6	91
OTAD	0.12	0.33	0	1
OTSV	0.64	0.48	0	1
OTE	0.21	0.41	0	1

Table 1: Descriptive Statistics Showing Mean Scores of Relevance, Organisational Factors and IPSAS Adoption
Source: Researcher's Computation, 2021
Observations: 180

5.2. Correlation Analysis

This section investigates multicollinearity among the independent variables. The analysis was conducted using Pairwise Correlation and estimates of Variance Inflation Factor (VIF). As shown in Table 2, there was no multicollinearity among the independent variables with correlation coefficient values less than 0.8. Similarly, the Variance Inflation Factor also supports the finding that most of the independent variables have no strong correlations with each other with VIF values ranging from 1.12 to 8.45. However, the dummy variable OTSV had a VIF value of 10.94 which is slightly greater than the cut-off value of 10.

	IA	OS	LQ	OA	OTAD	OTSV	OTE	VIF
IA	1.000							1.13
OS	0.25**	1.000						1.21
LQ	0.03	0.26**	1.000					1.12
OA	-0.15*	0.10	-0.13	1.000				1.13
OTAD	-0.10	-0.08	-0.07	-0.05	1.000			5.81
OTSV	-0.08	-0.04	-0.01	0.21*	-0.50**	1.000		10.94
OTE	0.16*	0.15*	0.07	-0.18*	-0.19**	-0.70**	1.000	8.45

Table 2: Result of Correlation Matrix and Variance Inflation Factor (VIF)

Table 2 shows the Pearson pairwise correlation matrix. The independent variables are IPSAS Adoption (IA), Organisation size (OS), Liquidity (LQ), Organisation age (OA) and Organisation type (OT). *p < 0.05, ** < 0.01

5.3. Regression Analysis

The significant Hausman's test ($p < 0.05$) and the non-significant result of the Test parameters ($p = 0.37$) indicated Pooled OLS was the best estimating technique for the model. The result of the heteroskedasticity test carried out ($chi^2_{(1)} = 3.92$, $p = 0.048$) revealed that the model had heteroskedasticity and thus Pooled OLS with Robust standard error was used in estimating the model. Based on the model specification, the Pooled OLS model was estimated as follows:

RL_{it} = 0.25+ 3.21IA_{it} + 0.001OA_{it} + 0.03OS_{it} - 0.00002LQ_{it} + 0.21$OTAD_{it}$ + 1.08e-14$OTSV_{it}$ + 5.61e-17OTE_{it} + ε_i.........................Model 2

As shown in Table 3, IPSAS Adoption (IA) has a positive and significant effect on relevance of financial reporting (RL) (β = 3.21, *p = 0.00).* The positive value of its coefficient of 3.21 implies that an increase in the adoption of IPSAS by one unit increases the relevance of financial information by 3.21 units; organizational size has insignificant positive effect on RL (β = 0.03, *p = 0.144)*; liquidity (LQ) negatively but insignificantly impacted RL (β = -0.00, *p = 0.668)*; also, organizational age (OA) has insignificant positive effect on RL (β = 0.001, *p = 0.474).* Lastly, the result of the instrumental analysis (Mixed Effects REML modelling) examining the effect of organizational type showed that the nature of the organization has no significant impact on the relevance of its financial reporting ($chi^2_{(6)}$ = 6.74, *p = 0.3454*).Summarily, only IPSAS adoption significantly influenced the relevance quality of financial information of public institutions in Nigeria (H_{05} is rejected) while none of the organizational characteristics measures significantly impacted the relevance quality of financial information (H_{01} – H_{04} accepted).The result of the F-statistics ($F_{(4, 175)}$ = 27.54; p < 0.001) however implies that all the measures of the independent variables (IP, OS, LQ, OA) jointly and significantly impacted relevance even though only IPSAS adoption independently had an effect on it. These independent variables jointly explained 37.7% variation in RL while the remaining changes in RL (62.3%) are influenced by other variables outside the scope of this model.

Variable	Coeff	Std. Err	T-Stat	Prob	Null Hypothesis
Constant	0.25	0.27	0.90	0.369	-
IA	3.21	0.33	9.70	0.000	Reject
OS	0.03	0.02	1.47	0.144	Accept
LQ	-0.00002	0.00005	-0.43	0.668	Accept
OA	0.001	0.002	0.72	0.474	Accept
Adj R^2	0.3772				-
F-Stat	$F_{(4, 175)}$ = 27.54 (0.00)				-
Hausman Test	$chi^2_{(4)}$ = 54.59 (0.000)				-
Testparm Test/LM Test	$F_{(1, 85)}$ = 0.81 (0.37)				-
Heteroskedasticity Test	$chi^2_{(1)}$ = 3.92 (0.048)				-
OTAD	0.21				-
OTSV	1.04e-07				-
OTE	7.49e-09				-
LR test vs. linear regression	$chi^2_{(6)}$ = 6.74 (0.3454)				Accept

Table 3: Regression and Post-Estimation Results Showing Effect of Organisational Factors and IPSAS Adoption on Relevance

Table 3 reports Pooled OLS (with robust standard errors) results of the effect of IPSAS adoption and organisational characteristics on the relevance of financial reporting in public sector institutions in Nigeria. The dependent variable is Relevance (RL). The explanatory variables are IPSAS Adoption (IA), Organisation size (OS), Liquidity (LQ), Organisation age (OA) and Organisation type Administration (OTAD), Organisation type Social (OTSV) and Organisation type Economic (OTE). Note: all the analysis was tested at 5% significance level

6. Discussion

This study aimed to evaluate the effect of organisational factors and IPSAS adoption on relevance of financial reporting in the public sector using secondary data. Previous attempts had been limited to surveys of practitioners' perception of the effects of IPSAS on financial reporting quality as highlighted in the literature review. This study contributes to the literature by providing quantitative data on the actual rather than 'perceived' effect of IPSAS adoption and organisational factors on financial reporting quality in the Nigerian public sector. It equally adds to the growing literature from emerging economies on IPSAS adoption, organisational characteristics and financial reporting quality. The mean value of the relevance score in this study is comparable with 2.85 obtained by Opanyi (2016) but slightly lower than the value of 3.02 observed by Abang'a (2017) both in the Kenyan public sector. This suggests that the relevance of financial reporting in the Nigerian public sector is comparable with that obtained elsewhere in Africa.

Further results of the empirical analysis revealed that IPSAS adoption as well as the measures of organisational factors jointly explained relevance of financial reporting. Specifically, the independent variables jointly explained slightly over 37% of the variation in relevance. IPSAS adoption was found to independently predict relevance of financial reporting while the organisational characteristics measured were not independently associated with relevance. The findings from this study are consistent with the empirical results of Ijeoma and Oghoghomeh (2014) who observed that adoption of IPSAS would enhance the provision of relevant information needed for decision making and also improve quality reporting in Nigeria. This is also in line with the submissions of Gomes, Grusca and Fernandes (2019) on the usefulness of IPSAS. The authors concluded that IPSAS has positive effect on reporting relevant information and has also enhanced the quality of information useful for consolidation purposes. Furthermore, this aligns with the findings of Balogun (2016) who reported that adopting IPSAS was expected to ensure the disclosure of meaningful information for decision makers and also enhance the quality of financial reporting system in the Nigerian public sector.

Additionally, the findings of Opanyi (2016); Chibunu (2019); Obara and Nangih (2016) are all in tandem with the outcome of this study. Opanyi (2016) found that IPSAS enhanced the quality of information provided after its adoption in

the Kenyan public sector. Particularly, relevant items that were related to forward looking information were reported by institutions considered in the study accordingly. Similarly, Chibunu (2019) found, in studying the perceived usefulness of IPSAS among Manyara region accountants and auditors in Tanzania, that IPSAS adoption has positive association with high levels of relevance in financial reporting. In the same vein, Obara and Nangih (2016), in a survey among government accountants and auditors in River state, Nigeria, also concluded that IPSAS adoption was perceived as a means of improving efficiency in decision making as relevant information would be reported.

The findings are essentially consistent with the *a priori* expectation of this study whereby a positive relationship between relevance and IPSAS adoption was expected. However, the positive relationship between organisational size and organisational age were not significant. The relationship between relevance and liquidity was also found to be negative but insignificant. Organisational type represented by administrative, economic and social sectors were found not to demonstrate any relationship with relevance of financial reporting.

The reporting of relevant information as captured in the annual reports of public sector institutions cannot be overemphasised. This category of information usually contains financial and non-financial forward looking information that is beneficial to all stakeholders. While relevant information entails useful financial information needed to achieve expectations and make predictions, evaluate risks and measure opportunities, it likewise includes non-financial information that provides guidance in the overall decision making process of numerous beneficiaries. Particularly, the disclosure of off-balance sheet activities and the financial structure of public institutions would provide relevant information as to the going concern of these public institutions.

In terms of the theoretical implications of our study, the findings are in tandem with the institutional theory that explains how organisations manage pressures in their environment. In essence, practices and procedures such as adoption of international standards are engaged with a view to improving the quality of reporting of organisations so as to ensure that relevant information useful for decision making are presented to stakeholders including regulators and potential donor agencies.

6.1. Conclusion and Recommendations

Overall, financial reports within the Nigerian public sector demonstrated a moderate degree of relevance to potential decision-makers. Based on the results of the multivariate model, IPSAS adoption was found to have significant explanatory power on the relevance of financial reporting of public sector institutions in Nigeria while organisational factors demonstrated no such effect. Thus, it is recommended that public institutions should be mandated by policy makers, supervisory bodies and regulators within the public sector such as the Auditor-General of the Federation, Accountant-General of the Federation and the Financial Reporting Council of Nigeria, to adhere strictly to IPSAS reporting practices in order to enhance the relevance of financial information disclosed to all stakeholders. Within this context, failure of public institutions to satisfactorily comply with IPSAS reporting guidelines should be appropriately sanctioned by regulators in order to serve as both individual and group deterrent from aberrant financial reporting behaviour.

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Appendix

S/N	Question	Measurements	Concept	Existing Literature
RL1	To what extent does the presence of the forward-looking statement of public organisations help in forming expectations and predictions concerning the future of the organisation	1= No forward-looking information 2=Forward-looking information not an apart subsection 3= Apart subsection 4 = Extensive predictions 5 = Extensive predictions useful for making expectation	Predictive value	Opanyi (2016), Abang'a (2017), van Beest*et al*. (2009)
RL2	To what extent does the presence of non-financial information in terms of business opportunities and risks complement the financial information	1= No non-financial information 2= Limited non-financial information, not very useful for forming expectations 3=Sufficient useful non-financial information 4=Relatively much useful non- financial information, helpful for developing expectations 5=Very extensive non-financial information presents additional information which helps developing expectations	Predictive value	Jonas & Blanchet (2000)
RL3	To what extent does the public organisation use fair value in place of historical cost	1=Only Historical cost 2=Most Historical cost 3=Balance fair value and Historical cost 4=Most Fair value 5=Only fair value	Predictive value	IASB, 2010; McDaniel, Martin &Maines, 2002.

S/N	Question	Measurements	Concept	Existing Literature
RL4	To what extent does the annual report of the public organisation contain information on CSR?	1=No information on CSR 2=Limited information on CSR 3=Sufficient information on CSR 4=Very much information on CSR 5=Very extensive information on CSR	Predictive value	Jonas and Blanchet, 2000
RL5	To what extent does the annual report of the public organisation contain an analysis concerning cash flows?	1= No analysis 2=Limited analysis 3=Sufficient analysis 4=Very much analysis 5=Very extensive analysis	Predictive value	Opanyi (2016), Abang'a (2017)
RL6	To what extent are the 'off-balance' activities of the public organisation disclosed?	1= No disclosure 2=Limited disclosure 3=Sufficient disclosure 4=Very much disclosure 5=Very extensive disclosure	Predictive value	Opanyi (2016), Abang'a (2017)
RL7	To what extent does the annual report contain information concerning the public organisation's going concern?	1=No information concerning going concern 2=Limited information concerning going concern 3=Sufficient information concerning going concern 4=Very much information concerning going concern 5=Very extensive information concerning going concern	Predictive value	Opanyi (2016), Abang'a (2017)
RL8	To what extent are the intangible assets disclosed	1 = No disclosure 2=Limited disclosure 3=Sufficient disclosure 4=Very much disclosure 5=Very extensive disclosure	Predictive & Confirmatory value	Opanyi (2016), Abang'a (2017)
RL9	To what extent is the financial structure disclosed?	1 = No disclosure 2=Limited disclosure 3=Sufficient disclosure 4=Very much disclosure 5=Very extensive disclosure	Predictive & Confirmatory value	Opanyi (2016), Abang'a (2017)

Table 4: Items Measuring Relevance
Source: Researcher's Study (2021)