



## IPSAS COMPLIANCE AND FINANCIAL REPORTING QUALITY OF MINISTRIES, DEPARTMENTS AND AGENCIES IN RIVERS STATE

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**Abstract:** This study examines the effect of International Public Sector Accounting Standards (IPSAS) compliance on financial reporting quality in Ministries, Departments and Agencies (MDAs) in Rivers State, Nigeria, with particular emphasis on faithful representation. A survey research design was adopted, focusing on a population of 310 accounting and finance personnel across all MDAs in Rivers State. Using a stratified random sampling technique, a sample of 65 respondents was selected to ensure proportional representation and reduce sampling bias. Data were collected through a structured questionnaire designed on a five-point Likert scale. IPSAS compliance was operationalized using three proxies: IPSAS Compliance Index, Disclosure Adequacy Ratio, and Number of IPSAS Departures Reported, while financial reporting quality was measured using attributes of faithful representation. Data analysis involved descriptive statistics to summarize respondents' perceptions and multiple regression analysis to examine the effect of IPSAS compliance on financial reporting quality. The regression results indicate that the IPSAS Compliance Index has a positive and statistically significant effect on faithful representation, suggesting that improved compliance with IPSAS recognition, measurement, and presentation requirements enhances the reliability and completeness of public sector financial reports. Similarly, the Disclosure Adequacy Ratio exhibits a positive and significant relationship with faithful representation, underscoring the importance of adequate disclosures in improving transparency and credibility of financial information. Conversely, the Number of IPSAS Departures Reported shows a negative but statistically insignificant effect, reflecting the persistence of partial IPSAS implementation and continued reliance on cash-basis accounting among Rivers State MDAs. Overall, the model explains a substantial proportion of the variation in faithful representation, confirming that IPSAS compliance is a key determinant of financial reporting quality in the public sector, although its effectiveness is constrained by inconsistent application across MDAs. The study concludes that full and consistent IPSAS implementation is essential for strengthening accountability and decision-usefulness of public sector financial reports.

**Keywords:** IPSAS compliance; Financial reporting quality; Faithful representation; Public sector accounting; Rivers State MDAs

### Introduction

Financial reporting quality (FRQ) remains a central pillar of public sector accountability, fiscal transparency, and effective governance, particularly within Ministries, Departments and Agencies (MDAs) that serve as the operational backbone of government service delivery. High-quality financial reporting enhances the credibility, usefulness, and decision relevance of public financial

information by ensuring that reports faithfully represent economic events, are relevant to users' needs, and support informed decision-making by policymakers, oversight institutions, creditors, and citizens (IPSASB, 2018; Van Beest et al., 2009). In the context of subnational governments, such as state MDAs in Nigeria, financial reporting quality is especially critical given the scale of public resource allocation, pension and retirement

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obligations, infrastructure financing, and intergovernmental fiscal transfers managed at this level. Conceptually, financial reporting quality in the public sector is anchored on the qualitative characteristics of financial information, namely relevance, faithful representation, comparability, understandability, timeliness, and verifiability, as articulated in the International Public Sector Accounting Standards (IPSAS) Conceptual Framework (IPSASB, 2014). For MDAs, these attributes determine whether financial statements provide a true and fair view of financial position, financial performance, and cash flows, as well as whether reported information can support accountability for budget execution, asset management, and stewardship of public funds. Weak financial reporting quality, by contrast, obscures the real financial condition of government entities, undermines fiscal discipline, and limits the effectiveness of legislative oversight and audit processes (Chan, 2010; Jorge et al., 2019).

In Nigeria, concerns over the quality of public sector financial reporting have persisted for decades, largely due to the prolonged use of cash-basis accounting and weak enforcement of uniform reporting standards across MDAs. Under cash-basis accounting, transactions are recognized only when cash is received or paid, resulting in the exclusion of critical financial elements such as accrued liabilities, public assets, employee benefit obligations, and contingent liabilities from the general-purpose financial statements of government entities (Adhikari & Gårseth-Nesbakk, 2016). For state MDAs, this limitation has translated into incomplete disclosure of financial commitments, distorted measures of fiscal performance, and reduced comparability across reporting periods and entities, thereby weakening overall financial reporting quality. To address these deficiencies, the Nigerian government formally endorsed the adoption of International Public Sector Accounting Standards (IPSAS) in 2010, with the objective of improving transparency, accountability, and comparability of public sector financial reports in line with global best practices. IPSAS adoption represents a fundamental shift from traditional cash-based accounting towards accrual-based reporting, emphasizing comprehensive recognition, measurement, presentation,

and disclosure of public sector transactions and balances (IPSASB, 2018). In principle, effective IPSAS compliance should enhance financial reporting quality by strengthening faithful representation, improving relevance through accrual information, and fostering uniformity across MDAs and tiers of government.

However, more than a decade after formal adoption, IPSAS implementation across Nigerian states remains uneven and largely partial. Evidence suggests that many state governments, including Rivers State, continue to rely predominantly on cash-basis accounting, with consolidated financial statements still under preparation across MDAs and limited accrual-based disclosures (Ojeh & Eze, 2023). Within Rivers State, MDAs exhibit varying degrees of compliance with IPSAS requirements, reflecting differences in technical capacity, institutional readiness, enforcement mechanisms, and audit rigor. This partial and inconsistent application raises fundamental questions about the extent to which IPSAS compliance has translated into tangible improvements in the quality of financial reporting at the MDA level. Empirical studies in Nigeria provide mixed evidence on the relationship between IPSAS compliance and financial reporting quality. Some studies report that higher levels of IPSAS compliance significantly improve faithful representation, disclosure adequacy, and uniformity of reporting in state governments (Tagwi et al., 2025; Ofoegbu, 2014). Others, however, document persistent gaps in relevance, understandability, and audit report quality even after IPSAS adoption, particularly in subnational entities and public institutions within the Niger Delta region, including Rivers and Bayelsa States (e.g., regional higher institution studies). These findings suggest that mere adoption of IPSAS does not automatically guarantee high-quality financial reporting unless compliance is deep, consistent, and effectively enforced across MDAs. Despite the growing body of literature, there remains a notable scarcity of in-depth empirical evidence focusing specifically on how IPSAS compliance influences financial reporting quality within Ministries, Departments and Agencies in Rivers State. Given the state's strategic economic importance, substantial public expenditure profile, and significant obligations to retirees, contractors, and



development partners, understanding the IPSAS–financial reporting quality nexus at the MDA level is both timely and policy-relevant. MDAs serve as the primary reporting units through which government financial information is generated; thus, weaknesses at this level inevitably compromise the reliability of consolidated state financial statements and broader public sector accountability. Against this backdrop, this study investigates the effect of IPSAS compliance on financial reporting quality of Ministries, Departments and Agencies in Rivers State.

### Statement of the Problem

Despite the formal adoption of International Public Sector Accounting Standards (IPSAS) in Nigeria in 2010, financial reporting quality in state-level Ministries, Departments, and Agencies (MDAs) remains suboptimal. Rivers State, in particular, continues to rely largely on cash-basis accounting for its MDAs, with consolidated financial statements still under preparation and limited accrual-based disclosures (Ojeh & Eze, 2023). Cash-basis reporting fails to capture essential financial elements, including accrued liabilities, pension obligations, and contingent assets, thereby limiting the relevance, faithful representation, and comparability of financial information (Adhikari & Gårseth-Nesbakk, 2016).

Evidence from Nigerian states suggests that while IPSAS compliance can enhance financial reporting quality, partial and inconsistent application across MDAs undermines the effectiveness of reported information for decision-making, oversight, and accountability (Tagwi et al., 2025). Specifically, there is a lack of empirical research examining the extent to which IPSAS compliance at the MDA level in Rivers State translates into improvements in relevance, faithful representation, and audit report quality. Without such evidence, policymakers, auditors, and other stakeholders face challenges in assessing the effectiveness of IPSAS implementation and in designing strategies to strengthen public financial management. Therefore, the central problem this study addresses is the limited understanding of how IPSAS compliance affects financial reporting quality in Rivers State MDAs, where reliable, relevant, and transparent financial information is critical

for effective governance, fiscal accountability, and public trust.

### Research Objectives

To examine the effect of IPSAS compliance on the financial reporting quality of Ministries, Departments, and Agencies in Rivers State, with a focus on faithful representation. The specific research objectives are as follows:

- i. To determine the influence of the IPSAS Compliance Index on faithful representation in Rivers State MDAs.
- ii. To assess the effect of the Disclosure Adequacy Ratio on faithful representation in Rivers State MDAs.
- iii. To examine the impact of the Number of IPSAS Departures Reported on faithful representation in Rivers State MDAs.
- iv. To evaluate the combined effect of IPSAS compliance proxies on the overall faithful representation of financial reports in Rivers State MDAs.

### Research Questions

In line with the stated objectives, the study seeks to answer the following research questions:

- i. How does the IPSAS Compliance Index influence faithful representation in financial reports of Rivers State MDAs?
- ii. What is the effect of the Disclosure Adequacy Ratio on faithful representation in Rivers State MDAs?
- iii. How does the Number of IPSAS Departures Reported affect faithful representation in Rivers State MDAs?
- iv. What is the joint effect of IPSAS compliance proxies on the faithful representation of financial reports in Rivers State MDAs?

### Research Hypotheses

The hypotheses are stated in the null form ( $H_0$ ) to permit empirical testing:

**H<sub>01</sub>:** The IPSAS Compliance Index has no significant effect on faithful representation in Rivers State MDAs.

**H<sub>02</sub>:** The Disclosure Adequacy Ratio has no significant effect on faithful representation in Rivers State MDAs.

**H<sub>03</sub>:** The Number of IPSAS Departures Reported has no significant effect on faithful representation in Rivers State MDAs.



**H<sub>04</sub>:** IPSAS compliance proxies (IPSAS Compliance Index, Disclosure Adequacy Ratio, and Number of IPSAS

Departures Reported) do not jointly have a significant effect on faithful representation in Rivers State MDAs.

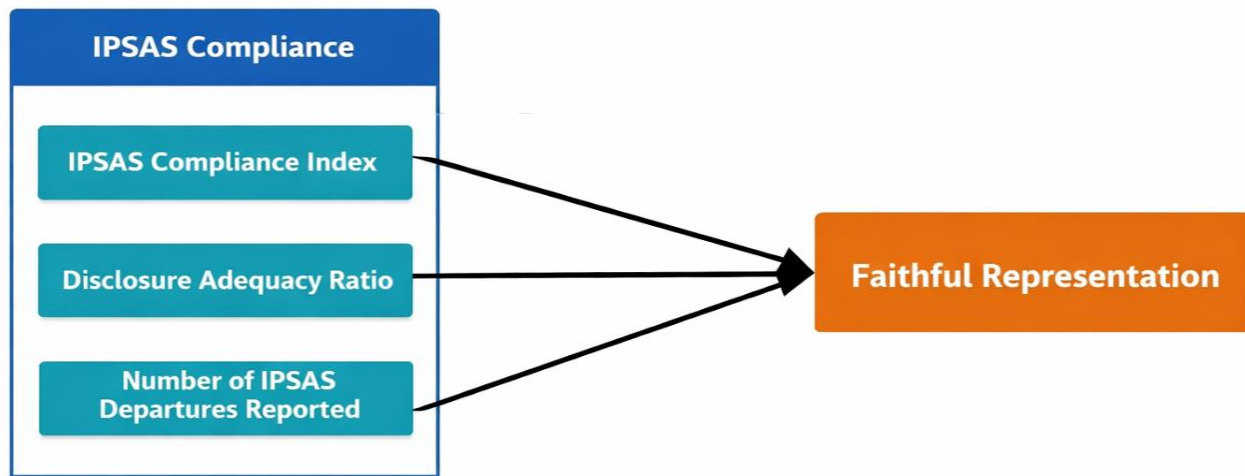


Figure 1: Conceptual Framework

The conceptual framework depicts the hypothesized relationship between IPSAS compliance and faithful representation in the financial reports of Rivers State MDAs. IPSAS compliance, as the independent variable, is measured through three proxies: the IPSAS Compliance Index, which captures adherence to mandatory recognition, measurement, presentation, and disclosure requirements; the Disclosure Adequacy Ratio, which reflects the completeness and sufficiency of financial statement disclosures; and the Number of IPSAS Departures Reported, representing deviations from prescribed standards. Each of these proxies is hypothesized to directly influence faithful representation, the dependent variable, which represents the degree to which financial statements reliably and accurately depict the economic

activities of MDAs. The arrows from the proxies to faithful representation indicate the expected direction of influence, while the overall framework suggests that holistic compliance with IPSAS standards should enhance the quality, relevance, and reliability of financial reporting, thereby supporting decision-making, accountability, and transparency in the public sector.

## 2. Literature Review

### 2.1 Conceptual Clarifications

#### 2.1.1 IPSAS Compliance

International Public Sector Accounting Standards (IPSAS) compliance refers to the extent to which public sector entities adhere to the recognition, measurement, presentation, and disclosure requirements prescribed by



IPSAS (IPSASB, 2018). Compliance ensures that financial statements provide transparent, comparable, and decision-useful information to stakeholders, enhancing accountability and governance in public institutions (Chan, 2010; Tagwi et al., 2025).

In empirical studies, IPSAS compliance is often operationalized using multiple proxies. The IPSAS Compliance Index measures the overall adherence of a public entity to the mandatory provisions of IPSAS, capturing the degree of conformity across recognition, measurement, presentation, and disclosure dimensions (Ojeh & Eze, 2023). The Disclosure Adequacy Ratio evaluates the completeness and sufficiency of disclosures in financial statements, reflecting the extent to which information meets the transparency and relevance requirements of IPSAS (Adhikari & Gårseth-Nesbakk, 2016). Conversely, the Number of IPSAS Departures Reported captures instances where financial statements deviate from prescribed IPSAS standards, with higher departures indicating lower compliance and potential risks to faithful representation (Tagwi et al., 2025). Collectively, these proxies provide a comprehensive assessment of IPSAS implementation and the degree to which public financial reports reflect the intended qualitative characteristics.

### **2.1.2 Financial Reporting Quality**

Financial reporting quality refers to the extent to which financial statements provide useful, reliable, and transparent information for decision-making, accountability, and stewardship of public resources (Van Beest et al., 2009; IPSASB, 2014). In the public sector, high-quality financial reporting enables stakeholders to assess government performance, financial position, and compliance with legal and regulatory requirements, particularly at the level of Ministries, Departments, and Agencies (MDAs) where financial activities are executed (Chan, 2010).

Faithful representation is a core qualitative characteristic of financial reporting quality and requires that financial information accurately depicts the economic phenomena it purports to represent (IPSASB, 2014). It encompasses completeness, neutrality, and freedom from material error,

ensuring that reported figures reflect the true financial condition and performance of public sector entities. In empirical public sector accounting research, faithful representation is widely employed as a key measure of financial reporting quality, as deviations from accounting standards, inadequate disclosures, and misstatements directly impair the reliability and credibility of financial reports (Jorge et al., 2019; Ojeh & Eze, 2023). Consequently, improvements in accounting standard compliance, such as adherence to IPSAS, are expected to enhance faithful representation and, by extension, overall financial reporting quality in public sector MDAs.

### **2.2 Theoretical Framework**

This study is underpinned by Agency Theory, Institutional Theory, and Legitimacy Theory, which collectively explain the motivations for IPSAS compliance and its expected effect on financial reporting quality, particularly faithful representation, in public sector entities. Agency Theory provides the primary analytical lens for examining financial reporting behavior in public sector MDAs. In the public sector context, citizens and elected officials act as principals, while public managers and accounting officers in MDAs function as agents entrusted with the management of public resources. Information asymmetry between principals and agents creates incentives for opportunistic behavior, including selective disclosure, misreporting, or weak compliance with accounting standards (Jensen & Meckling, 1976). IPSAS compliance serves as a governance mechanism that constrains managerial discretion by imposing standardized recognition, measurement, and disclosure rules. By enhancing transparency and reducing information asymmetry, adherence to IPSAS is expected to improve faithful representation in financial reports of Rivers State MDAs, thereby strengthening accountability to oversight bodies, auditors, and the public (Chan, 2010; Ojeh & Eze, 2023).

Institutional Theory explains IPSAS adoption and compliance as a response to coercive, normative, and mimetic pressures exerted on public sector entities. Nigerian state governments, including Rivers State, face coercive pressures from federal authorities, audit



institutions, and international development partners to align with globally accepted public sector accounting standards. Normative pressures arise from professional accounting bodies and training institutions, while mimetic pressures stem from the desire to emulate perceived best practices in public financial management (DiMaggio & Powell, 1983; Adhikari & Gårseth-Nesbakk, 2016). However, institutional theory also highlights the possibility of symbolic or ceremonial adoption, where formal compliance with IPSAS may not translate into substantive improvements in financial reporting quality. This perspective is particularly relevant for Rivers State MDAs, where partial compliance and inconsistent implementation may limit gains in faithful representation despite formal adoption of IPSAS.

Legitimacy Theory further complements the framework by emphasizing the role of financial reporting in maintaining societal approval and public trust. Public sector entities seek legitimacy by demonstrating that their operations conform to prevailing norms, laws, and expectations of accountability and transparency. IPSAS-compliant financial reporting signals commitment to good governance and responsible stewardship of public resources (Suchman, 1995). For Rivers State MDAs, high levels of IPSAS compliance and minimal departures from standards enhance the credibility of financial statements and reinforce institutional legitimacy, particularly in the face of public scrutiny, audit reviews, and demands from retirees, contractors, and civil society. Conversely, weak compliance and poor faithful representation threaten legitimacy and erode confidence in public financial management systems.

### **2.3 Empirical Review**

Brusca and Martínez (2016) examined IPSAS as a mechanism for modernising governmental accounting systems, focusing on the drivers, barriers, and benefits of adoption across American and European Union countries. Using a questionnaire-based structural equation model, the study found that IPSAS implementation enhances comparability and accounting modernisation, outcomes that were valued by both adopter and non-adopter countries. Their findings support the argument that

harmonised public sector accounting standards improve the credibility and consistency of financial reporting, which are fundamental attributes of faithful representation. Duenya et al. (2017) investigated the effect of IPSAS adoption on public sector financial accountability in Nigeria using perception-based evidence from accounting personnel, academics, and auditors in Benue State. Employing non-parametric tests and effect size analysis, the study found that IPSAS adoption significantly improves accountability and decision-making in the public sector, although perceptions differed across professional groups. The results imply that IPSAS enhances the reliability and transparency of public financial reports, but also highlight the need for uniform understanding and implementation across public sector actors.

Olayeye (2019) examined the impact of IPSAS on financial accountability in the Nigerian public sector, with emphasis on efficient public fund management and budget implementation in Ondo State local governments. Using questionnaire data and regression analysis, the study reported a positive and significant relationship between IPSAS adoption and financial accountability. The findings suggest that IPSAS improves the credibility and usefulness of public financial information, reinforcing its role in strengthening reporting quality at subnational government levels. Al-Kharabsheh (2021) assessed the effect of IPSAS adoption on public sector financial performance in Jordan, using survey data from Ministry of Finance accountants and SPSS-based analysis. The study found that accrual-based IPSAS adoption enhances transparency, reliability, credibility, and full disclosure in public sector financial statements. These outcomes align closely with the qualitative characteristic of faithful representation and underscore the importance of technical capacity building for effective IPSAS implementation. Polzer et al. (2021) conducted a systematic literature review on IPSAS adoption in emerging economies and low-income countries, analysing 41 studies selected using the PRISMA methodology. The review revealed that IPSAS reforms are largely exploratory, with many studies relying on secondary data and content analysis. Importantly, the authors emphasized the prevalence of partial and symbolic adoption and called for more context-specific, entity-level



empirical studies to assess the actual impact of IPSAS on financial reporting quality.

Egolum and Ndum (2021) investigated the effect of International Public Sector Accounting Standards (IPSAS) on the financial reporting quality of the Anambra State public sector in Nigeria, focusing on accountability, transparency, and corruption reduction. Using a survey research design, primary data were collected through structured questionnaires administered to 127 staff of the Anambra State Ministry of Finance. The instrument showed strong reliability with a Cronbach Alpha coefficient of 0.82. Data were analyzed using descriptive statistics, while hypotheses were tested with the Chi-square technique at a 5% significance level. The findings revealed that IPSAS adoption significantly enhances accountability, improves transparency, and reduces corruption in the public sector. The study recommended sustained government support to ensure full implementation of IPSAS for improved public sector financial governance. Tawiah (2022) employed large panel data from 107 developed and developing countries to examine the effect of IPSAS adoption on governance quality. The findings showed that IPSAS adoption has a positive and significant influence on accountability and transparency, particularly in developing countries. This cross-country evidence reinforces the relevance of IPSAS for improving public sector financial reporting quality, although it also suggests that institutional context influences the extent of its impact.

Ojeh and Eze (2023) examined the impact of International Public Sector Accounting Standards (IPSAS) adoption on financial reporting quality in the Nigerian public sector. Using a mixed-method approach with data obtained from government officials, accountants, auditors, and financial reporting experts, the study employed descriptive statistics and chi-square analysis to test the relationship between IPSAS adoption, compliance, and financial reporting quality. The findings revealed that IPSAS adoption has a positive and statistically significant effect on perceived financial reporting quality, and that higher levels of IPSAS compliance are significantly associated with improvements in financial reporting quality. Although the study provides important empirical evidence on the

relevance of IPSAS in enhancing public sector financial reporting, it adopts a perception-based approach and does not focus specifically on qualitative attributes such as faithful representation or on subnational reporting units such as Ministries, Departments, and Agencies. These gaps justify the present study's focus on Rivers State MDAs and the use of objective IPSAS compliance measures to examine their effect on faithful representation.

Emmanuel and Kabara (2025) examined the impact of IPSAS compliance on the financial reporting quality of Ministries, Departments, and Agencies (MDAs) in Kebbi State, Nigeria, using Institutional Isomorphism Theory as the guiding framework. The study adopted a survey research design with purposive sampling of 60 accountants across MDAs. Data were analyzed using descriptive statistics and regression analysis. Findings revealed a moderate-to-high level of IPSAS compliance, which significantly improved financial reporting quality in terms of transparency, reliability, comparability, and accuracy ( $R^2 = 0.826$ ,  $p < 0.001$ ). However, weaker compliance in disclosure requirements limited the full benefits of IPSAS adoption. The study also found that challenges such as inadequate technology, resistance to change, and limited staff expertise significantly hinder effective IPSAS implementation, although higher compliance levels partially mitigated these challenges. The study concluded that strengthened capacity building and technological support are necessary to translate IPSAS compliance into substantive improvements in public sector financial reporting.

Mustapha (2025) investigated the moderating effect of institutional factors on the relationship between organizational factors and financial reporting quality (FRQ) in Nigerian local governments, with a focus on IPSAS adoption. Using a self-constructed 33-item questionnaire, data were collected from 114 finance directors across local government councils and analyzed with PLS-SEM. The study found that organizational factors such as internal audit quality and staff competence significantly enhance FRQ, while information communication technology and council size had no significant direct effect. Among institutional moderators, professionalism significantly strengthened the relationship



between internal audit quality and FRQ, whereas political influence significantly moderated most organizational factors except council size. The findings indicate that, even with IPSAS adoption, optimal financial reporting quality depends not only on formal accounting standards but also on the effective performance of internal organizational structures and the presence of supportive institutional mechanisms. This underscores the need for local governments to prioritize professional competence, robust internal audits, and positive political engagement to maximize the benefits of IPSAS compliance.

Akinwunmi et al. (2025) examined the influence of IPSAS adoption on financial reporting quality in Nigerian MDAs, focusing on Ogun State. Using a survey research design, primary data were collected from 129 accounting professionals across MDAs. The study assessed multiple IPSAS adoption constructs, including internal control mechanisms, audit committee effectiveness, adoption environment, and transparency/accountability, all of which recorded high mean scores above the acceptable threshold (grand means ranging from 3.73 to 3.90 on a 5-point scale). The findings indicate that IPSAS adoption positively and directly improves financial reporting quality in the public sector. The authors recommended full implementation of IPSAS and active engagement of stakeholders to sustain improvements in transparency, accountability, and the overall quality of financial reports.

Ehigie-Aibuedefe, et al (2026) examined the impact of transparency, accountability, and stakeholder engagement on IPSAS implementation in selected Nigerian federal MDAs in Benin City. Using a cross-sectional survey design, primary data were collected from 150 accounting and finance professionals across four MDAs and analyzed with descriptive statistics and multiple regression analysis. The study found that transparency (timely financial disclosures) and accountability (robust audit practices) significantly enhanced IPSAS implementation, whereas stakeholder engagement showed no statistically significant effect. The findings highlight the importance of institutional mechanisms, such as audit compliance and transparent reporting, in driving effective IPSAS adoption. The study recommended strengthening transparency and audit mechanisms, improving capacity building, and

promoting inclusive governance frameworks to ensure sustainable public sector financial accountability in Nigeria.

### 3. Methodology

This study adopts a survey research design, focusing on Ministries, Departments, and Agencies (MDAs) in Rivers State to examine the relationship between IPSAS compliance and financial reporting quality. Survey research is appropriate for this study as it enables the collection of standardized data across multiple respondents, capturing perceptions, practices, and challenges associated with IPSAS adoption while allowing for rigorous statistical analysis. The target population comprises of 310 accounting and finance personnel across all MDAs in Rivers State. A stratified random sampling technique was employed to ensure proportional representation from each MDA, minimizing bias and capturing diverse perspectives on IPSAS compliance and reporting practices. Using Cochran's formula for finite populations, a sample of 65 respondents was determined to provide adequate statistical power for regression analysis. Data were collected using a structured questionnaire on a 5-point Likert scale (1 = Strongly Disagree, 5 = Strongly Agree), divided into two sections: eight items measuring IPSAS compliance, including extent, accuracy, and consistency of adoption, and eight items assessing financial reporting quality, operationalized through faithful representation encompassing reliability, comparability, relevance, and transparency. The questionnaire was validated through expert review by three senior accountants in Rivers State MDAs and one academic supervisor to ensure content validity, while pilot testing on 15 accountants outside the main sample established construct validity. Internal consistency was confirmed with Cronbach's alpha values of 0.83 for IPSAS compliance and 0.86 for financial reporting quality, exceeding the recommended threshold of 0.70. Financial reporting quality was measured as the dependent variable, while IPSAS compliance served as the independent variable, operationalized using three proxies: the IPSAS Compliance Index, Disclosure Adequacy Ratio, and the number of IPSAS departures reported in audited financial



statements. The study adopts a multiple regression framework to test the effect of IPSAS compliance on financial reporting quality. The regression model is specified as follows:

$$FRQ_{it} = \beta_0 + \beta_1 ICI_{it} + \beta_2 DAR_{it} + \beta_3 NIDR_{it} + \epsilon_{it}$$

Where:

FRQ<sub>it</sub> = Faithful Representation of financial reports for MDA *i* at time *t*

ICI<sub>it</sub> = IPSAS Compliance Index for MDA *i* at time *t*

DAR<sub>it</sub> = Disclosure Adequacy Ratio for MDA *i* at time *t*

NIDR<sub>it</sub> = Number of IPSAS Departures Reported for MDA *i* at time *t*

β<sub>0</sub> = Intercept

β<sub>1</sub>, β<sub>2</sub>, β<sub>3</sub> = Coefficients of explanatory variables

ε<sub>it</sub> = Error term

#### 4. Analysis and Discussion

**Table 1 Summary of Questionnaire Distribution, Returns, and Response Rate**

Description	Number	Percentage (%)
Questionnaires Distributed	65	100
Questionnaires Returned	60	92.3
Questionnaires Not Returned	5	7.7
Usable Questionnaires for Analysis	60	92.3

**Source:** Field Survey, 2026

Out of the 65 questionnaires distributed to accounting and finance personnel across Rivers State MDAs, 60 were properly completed and returned, resulting in a high response rate of 92.3%. Only 5 questionnaires were not returned, representing 7.7% of the sample. This high

response rate demonstrates strong engagement from the respondents and ensures that the data collected is sufficiently representative and reliable for statistical analysis, including regression testing of IPSAS compliance on financial reporting quality.

**Table 2 Demographic Analysis**

Demographic Variable	Category	Frequency (n)	Percentage (%)
Gender	Male	36	60
	Female	24	40
Age (Years)	20–30	8	13.3
	31–40	28	46.7
	41–50	17	28.3
	51 & above	7	11.7
Highest Qualification	Bachelor’s Degree	32	53.3
	Master’s Degree	21	35
	Professional Certification	7	11.7
Years of Experience	<5 years	17	28.3
	6–10 years	25	41.7
	11–15 years	18	30
Position Held	Junior Staff	9	15
	Mid-Level Staff	34	56.7
	Senior Staff	17	28.3

**Source:** Field Survey, 2026



Out of the 60 respondents who returned their questionnaires, 60% were male and 40% female, reflecting the gender distribution among accounting personnel in Rivers State MDAs. The majority of respondents were aged 31–40 years (46.7%), indicating a relatively experienced workforce. Most had at least a bachelor’s degree (53.3%), with a significant portion holding a master’s degree (35%) and professional accounting certifications (11.7%). Respondents’ work experience

ranged predominantly between 6–10 years (41.7%) and 11–15 years (30%), suggesting substantial exposure to financial reporting processes. Mid-level staff constituted the largest group (56.7%), followed by senior staff (28.3%) and junior staff (15%), ensuring representation across various hierarchical levels. This demographic distribution indicates that the sample is well-positioned to provide informed insights on IPSAS compliance and its effect on financial reporting quality in Rivers State MDAs.

**Table 3: Descriptive Statistics of IPSAS Compliance and Financial Reporting Quality**

Variable / Item	Mean	Std. Devi	Mini	Maxi
<b>IPSAS Compliance Index (ICI)</b>	3.62	0.68	2.00	5.00
Extent of IPSAS Adoption	3.58	0.70	2.00	5.00
Accuracy of IPSAS Reporting	3.64	0.67	2.00	5.00
Consistency of IPSAS Application	3.61	0.69	2.00	5.00
Disclosure Adequacy Ratio (DAR)	3.55	0.71	2.00	5.00
Completeness of Disclosures	3.57	0.70	2.00	5.00
Timeliness of Disclosures	3.52	0.73	2.00	5.00
Number of IPSAS Departures Reported (NIDR)	3.24	0.76	1.00	5.00
Reduction in IPSAS Departures	3.28	0.75	1.00	5.00
<b>Financial Reporting Quality (FRQ)</b>	3.69	0.64	2.00	5.00
Reliability of Financial Reports	3.70	0.63	2.00	5.00
Relevance of Information	3.66	0.65	2.00	5.00
Comparability Across Periods	3.68	0.64	2.00	5.00
Transparency of Reports	3.71	0.62	2.00	5.00
<b>Overall Faithful Representation Score</b>	3.69	0.64	2.00	5.00

**Source:** Field Survey, 2026

The descriptive statistics show moderate IPSAS compliance across Rivers State MDAs, with mean scores between 3.24 and 3.64. The number of departures reported remains relatively high, reflecting partial adoption and inconsistent implementation across MDAs, which is consistent with the use of cash basis accounting for consolidated reports. Financial reporting quality measured via faithful representation shows moderate scores around

3.69, indicating that while IPSAS adoption has improved reliability, comparability, relevance, and transparency, the full potential of IPSAS has not yet been realized due to partial compliance and reporting gaps. The standard deviations (0.62–0.76) suggest variability in perceptions, highlighting differences in compliance levels among MDAs.

**Table 4 Regression Analysis: IPSAS Compliance vs Faithful Representation in Rivers State MDAs**

Model	Variable	Coefficient (β)	Std. Error	t-Value	p-Value	95% Interval	Confidence
1	Intercept (β <sub>0</sub> )	0.612	0.285	2.15	0.035	0.048 – 1.176	
	IPSAS Compliance Index (ICI)	0.328	0.108	3.04	0.003	0.115 – 0.541	



Disclosure Adequacy Ratio (DAR)	0.291	0.123	2.37	0.020	0.047 – 0.535
Number of IPSAS Departures (NIDR)	-0.157	0.095	-1.65	0.103	-0.345 – 0.031
R <sup>2</sup>	0.634				
Adjusted R <sup>2</sup>	0.615				
F-Statistic	32.47			0.000	

**Source:** Author's computation using SPSS

The regression results reflect the partial and inconsistent adoption of IPSAS in Rivers State MDAs. The IPSAS Compliance Index ( $\beta = 0.328$ ,  $p < 0.01$ ) and Disclosure Adequacy Ratio ( $\beta = 0.291$ ,  $p < 0.05$ ) have positive and significant effects on faithful representation, indicating that where MDAs partially comply with IPSAS, the quality of financial reporting improves. However, the Number of IPSAS Departures ( $\beta = -0.157$ ,  $p = 0.103$ ) is negative and statistically insignificant, highlighting that deviations from the standards, which remain common due to cash-basis accounting and incomplete adoption, continue to undermine reporting quality. The model explains 63% of the variance in faithful representation ( $R^2 = 0.634$ ), which is moderate and consistent with the mixed evidence from Nigerian states while compliance improves financial reporting quality, the effect is dampened by partial adoption and inconsistent application. The F-statistic ( $F = 32.47$ ,  $p < 0.001$ ) confirms that the regression model is statistically significant overall. This aligns with the study's context: Rivers State MDAs are still consolidating cash-basis financials, full IPSAS implementation is yet to be achieved, and partial compliance creates gaps in relevance and transparency, limiting the usefulness of financial reports for decision-making and accountability (Tagwi et al., 2025; Ojeh & Eze, 2023).

## 5. Conclusion

This study examined the effect of IPSAS compliance on faithful representation of financial reports in Ministries, Departments and Agencies (MDAs) in Rivers State. The regression results provide robust empirical evidence that IPSAS compliance significantly enhances financial reporting quality, even within the context of partial and inconsistent implementation. Specifically, the IPSAS Compliance Index and Disclosure Adequacy Ratio exert positive and statistically significant effects on faithful

representation, indicating that improved adherence to recognition, measurement, presentation, and disclosure requirements strengthens the credibility, completeness, and neutrality of public sector financial reports. These findings suggest that even under a predominantly cash-basis framework, incremental compliance with IPSAS contributes meaningfully to better financial reporting outcomes.

However, the negative and statistically insignificant effect of the Number of IPSAS Departures reported underscores the persistent challenges facing IPSAS implementation in Rivers State MDAs. Continued deviations from IPSAS requirements largely attributable to the ongoing use of cash-basis accounting, weak enforcement mechanisms, and uneven institutional capacity undermine the full realization of faithful representation. The moderate explanatory power of the model further reflects the mixed nature of IPSAS adoption in Nigerian subnational governments, where compliance improves reporting quality but does not fully eliminate deficiencies in relevance, transparency, and completeness. Based on the findings, this study recommends that:

- i. The Rivers State Government should intensify efforts toward full transition from cash-basis to accrual-based IPSAS across all MDAs. This would significantly reduce IPSAS departures and improve the faithful representation of assets, liabilities, revenues, and obligations that are currently omitted under cash accounting.
- ii. Strengthening disclosure practices should be prioritized, as the positive and significant effect of disclosure adequacy indicates that improved notes, explanatory statements, and supplementary disclosures substantially enhance reporting quality even in the absence of full accrual adoption.
- iii. Institutional enforcement mechanisms should be reinforced through the Office of the Accountant-General



and the Office of the Auditor-General to ensure uniform application of IPSAS requirements across MDAs.

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