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International public sector accounting standards compliance and financial reporting quality of ministries, departments and agencies in Rivers State

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Abstract

As the demand for transparency and accountability in public financial management has been on the rise, there is a need to have the International Public Sector Accounting Standards (IPSAS) effectively implemented in Government institutions. The implementation of compliance to the IPSAS standard however, has been mixed and affects the quality of financial reporting among the Ministries, Departments and Agencies (MDAs) in Nigeria. The study examines the link between IPSAS compliance and financial reporting quality of MDAs in Rivers State moderated by internal audit quality. This research is based on three theories which are institutional theory, agency theory and stewardship theory. A cross-sectional survey research design was used that was based on the positivist paradigm. The number of employees of the selected five MDAs were 742 and the sample size of the respondents (N) was 254 using Yemane sampling size calculation. Proportionate stratified and simple random sampling techniques were used. Structured questionnaires were used for collecting primary data. Descriptive statistics, Spearman's rank order relationship coefficient and partial relationship analysis was performed on the data at 0.05 level of significance. The results indicate that there is positive and significant relationship between compliance with accrual basis with financial reporting relevance ($\rho = 0.297$ and $p = 0.000$), compliance with accountability with financial reporting relevance ($\rho = 0.431$ and $p = 0.000$) and compliance with comparability with financial reporting relevance ($\rho = 0.520$ and $p = 0.000$). Partial results for the relationships also indicated that the relationship between IPSAS compliance and financial reporting quality is significant without the inclusion of the internal audit quality ($r = 0.663$, $p = 0.000$). The study concludes that compliance with IPSAS effectively significantly contributes to the promotion of financial reporting quality in MDAs in Rivers State. The study suggested the need to improve compliance monitoring, build the capacity of internal audits, and ensure continuous capacity building of the internal audits. The inclusion of the complementary relationship between IPSAS compliance and financial reporting quality moderated by the quality of internal audit has added to the knowledge of the study because of the existing knowledge gap that identified this study.

Keywords: Financial Statements; IPSAS Compliance; Financial Reporting Quality; Internal Audit Quality; Relevance

1. Introduction

International Public Sector Accounting Standards (IPSAS) have gained greater momentum in the adoption around the world in financial reporting for the public sector due to the growing need for transparency, accountability and efficient stewardship of public resources. The IPSAS, developed by the International Public Sector Accounting Standards Board (IPSASB), represents internationally accepted principles which are to be adhered to by governments in outlining and reporting financial information with the aim of enhancing the credibility and comparability of financial information from governments. Following IPSASB (2014), accrual accounting, in general, is more informative in reporting the government's assets, liabilities, revenues, expenses, and contingent obligations, and thus is more likely to aid in decision-making and fiscal sustainability than the cash basis accounting. The IPSAS Handbook was recently updated

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and it again emphasized that four key qualitative characteristics of public sector financial reporting are accrual accounting, faithful representation, the relevance and the comparability.

Nigeria adopted IPSAS as part of the overall public financial management reforms with the hope that it will help improve the quality of financial reporting by the various Ministries, Departments and Agencies (MDAs). However, the effectiveness of implementation is not just related to the formal adoption, but also to the level of compliance with the provisions of the standards. In Ofoegbu's (2014) opinion, moving from cash accounting to accrual accounting constitutes a significant institutional change which can improve transparency and accountability to the public. Likewise, Brusca and Martínez (2016) argue that successful implementation of IPSAS is based more on the regularity and frequency of public entities' adherence to prescribed accounting principles than on the existence of the standards themselves. Duenya et al. (2017), Okere et al. (2018), Abimbola (2020), Adebayo (2022), Alade (2025) and Sabo et al. (2024) also indicate that the adoption of IPSAS is a huge factor to the improvement of financial reporting quality as it leads to better disclosures, accountability and uniformity in financial reporting in the government institutions.

Qualitative characteristics usually serve as a proxy for financial reporting quality in MDAs, and are such as relevance, faithful representation, accountability and comparability. The assessment of IPSAS compliance in the financial reporting relevance of Rivers State MDAs particularly in the context of the accrual basis compliance, accountability compliance and the comparability compliance is of particular interest to this study. Accrual basis compliance is one that allows for full recognition of the economic event, regardless of cash flow; accountability compliance is one that in addition to stewardship, public officials must be held accountable for public resources usage. Comparability compliance helps to ensure consistent accounting treatments across reporting entities, which helps to make inter-agency evaluation and policy assessment easier. One of the most important qualitative characteristics of the IPSASB (2014) is relevance because financial information must have predictive and confirmatory value to be useful for informed decision. This is evident in the findings of Adewara et al. (2024), Adebayo (2022) and Sabo et al. (2024) that the degree of IPSAS compliance is significantly positively related to the relevance and quality of financial reporting in public sector.

Although there have been significant strides in the implementation of IPSAS, there are still some differences in the levels of compliance impacting financial reporting outcomes of public institutions in Nigeria. Thus, the quality of internal audit is an important organizational mechanism that can continuously monitor and evaluate internal control and independently provide assurance to improve the compliance with the accounting standards. Alzeban and Gwilliam (2014) demonstrate that a good internal audit function has a significant impact on improving the governance and financial reporting process, and Duenya et al. (2017) concur that institutional oversight can lead to better results of the implementation of IPSAS. Recent studies, including that of Mustapha (2024) argue that strong internal audit ensures compliance with IPSAS standards and boosts credibility of financial information of public institutions. Therefore, the study of the moderating effects of internal audit quality provides an understanding in the way IPSAS compliance is translated to quality financial reporting in the MDAs in Rivers State.

1.1. Statement of the Problem

Previous studies shows that IPSAS improves transparency, accountability, comparability, and financial reporting quality in public sector entities. For instance, Ofoegbu (2014), Duenya et al. (2017), Atuilik (2019), Adewara et al. (2024), and Sabo et al. (2024) focused mainly on the overall impact of IPSAS implementation or adoption on the quality of financial reporting, paying relatively less attention to the dimensions of IPSAS compliance. Previous research treated IPSAS mainly as adoption or implementation, and did not investigate into the three main dimensions of compliance including accrual basis, accountability basis and comparability basis. In addition, while studies have recognised the value of internal controls, there is a lack of empirical research on the moderating role of internal audit quality that could enhance the relationship between IPSAS compliance and financial reporting quality, especially in sub-national government institutions.

Furthermore, there is dearth of empirical evidence on the specific focus of Ministries, Departments and Agencies in Rivers State in spite of its high economic value and huge public expenditure. This gap makes it difficult to generalize the results of research carried out in other states in Nigeria or at the Federal level. To fill these gaps this study set out to investigate the effect of accrual basis compliance, accountability compliance and comparability compliance on the relevance of financial reporting and the moderating effect of internal audit quality in the MDAs of Rivers State.

2. Literature Review

2.1. Conceptual Framework

2.1.1. IPSAS Compliance

The International Public Sector Accounting Standards Board (IPSASB) use the term 'compliance with IPSAS' to refer to the extent to which the financial information of a public sector entity is prepared, recognised, measured, presented and disclosed in compliance with the requirements of International Public Sector Accounting Standards (IPSAS). Compliance is not merely formal implementation of IPSAS, it is also the faithful application of IPSAS in the day to day accounting process, in financial reporting process and in public financial management systems. IPSASB (2014) states that compliance involves government entities fully applying the recognition, measurement, presentation and disclosure requirements set out in each relevant applicable standard to present a faithful representation of the financial position, financial performance, and cash flows of reporting entities. Therefore, compliance can be used to assess the accounting reform effectiveness in the public sector.

An institutional perspective is one that sees IPSAS compliance promoting harmonisation of government accounting practices across jurisdictions and consistency, transparency and comparability in financial reporting. Brusca and Martínez (2016) consider that the real compliance only comes when there is a real application of the requirements of the IPSAS by the public institutions, and not its mere declaration of compliance. Similarly, Ofoegbu (2014) posits that the use of accrual IPSAS offers better fiscal transparency since it covers all the government assets, liabilities, revenues and obligations comprehensively. Duenya et al. (2017), Okere et al. (2018), Atuilik (2019), Abimbola (2020), Adebayo (2022), Alade (2025) and Sabo et al. (2024) all demonstrate that the high degree of compliance with IPSAS increases the accountability, quality of disclosures, stewardship and confidence of the stakeholders. As a result, IPSAS compliance is now not only considered to be regulatory compliance but a strategic governance tool for enhancing public sector accountability, the quality of financial reporting and evidence-based policy making.

2.1.2. Financial Reporting Quality

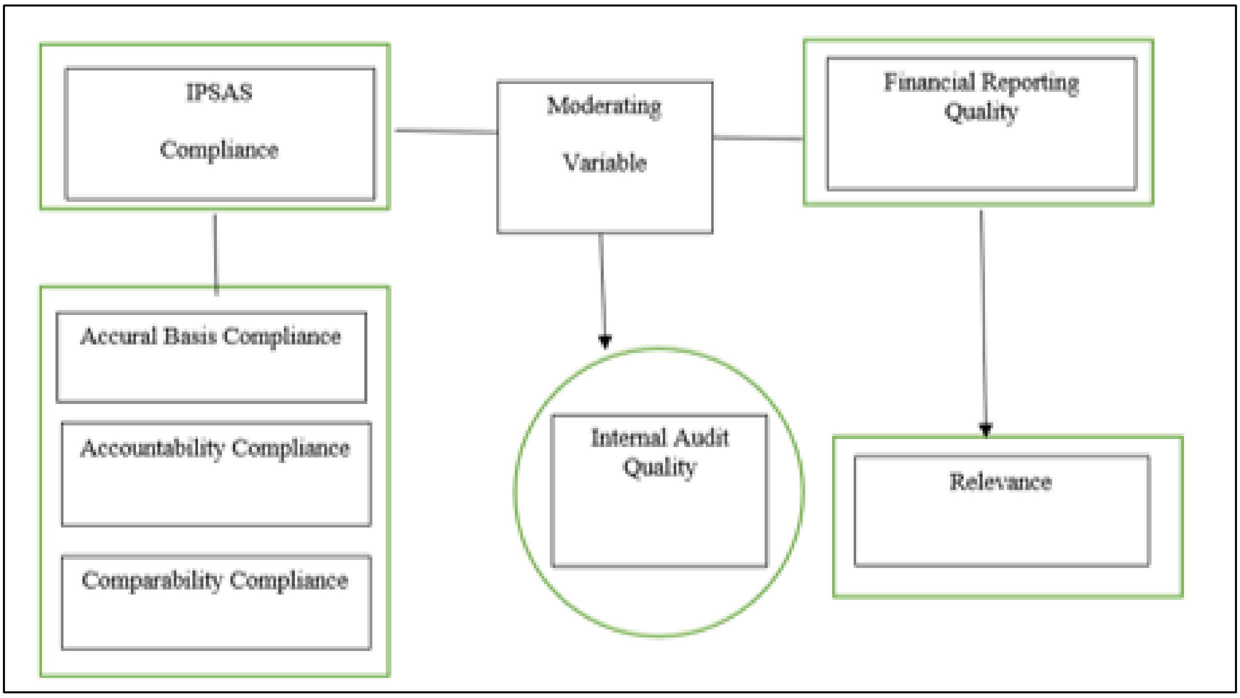
The quality of financial reporting is the extent to which financial statements provide information that is relevant, reliable, complete, understandable, verifiable, timely, and comparable, and that is presented with faithful representation in accordance with the objective of financial statements; which is to provide financial information that is useful to the informed decision making of users of financial reports. In public sector, the focus of financial reporting quality is mainly on the honest report of information that governments, legislators, oversight bodies, development partners and citizens use to judge how well governments are performing in their role as stewards, how well they are spending resources, their financial sustainability and the performance of service delivery. The IPSASB (2014) conceptual framework identifies two fundamental qualitative characteristics of high quality financial information, namely relevance and faithful representation, and enhancing the usefulness of financial information for decision making is understandability, timeliness, verifiability and comparability.

Good financial reporting enables the stakeholders to decide if the public resources obtained, managed and utilized are efficient, with approved budgets and statutory regulations. Ofoegbu (2014) opined that quality financial reporting enhances the transparency by minimizing information asymmetry between the government and citizens. Brusca and Martínez (2016) add that the use of IPSAS to improve the consistency and international comparability of financial reporting also enhances the credibility of government financial statements. Based on the findings of the latest empirical studies, effective implementation of IPSAS has positive impact on the quality of financial reports in the aspects of disclosure, standardized accounting and enhanced accountability as shown by Adewara et al., (2024), Sabo et al., (2024), Adebayo, (2022), Okere et al., (2018) and Atuilik, (2019). In this study financial reporting quality is broken down into one of the qualitative characteristic of relevance which is the content of financial reporting has predictive and confirmatory value to the decision makers and whether it reflects the economic substance of the Ministries, Departments and Agencies of Rivers State.

2.1.3. Internal Audit Quality

Internal audit quality is the degree to which the internal audit function is able to provide effective, objective, independent and professional assurance and consulting services to help improve the governance, risk management, internal control and performance of the organization. Quality internal auditing gives reasonable assurance that public resources are being used effectively, financial transactions are authorized correctly, financial records are accurate, and financial reports are in accordance with relevant laws, regulations and accounting principles. According to the Institute of Internal Auditors (IIA, 2024), the quality of internal audit is based on the competence of internal auditors, independence, internal audit professional ethics, systematic internal audit methodologies, and the extent of internal audit recommendations' implementation leading to the improvement of the organization. Thus, a good internal audit is likely to increase the accountability of management and help stakeholders to have confidence in the financial reporting processes.

In the public sector, internal audit quality is important for compliance with International Public Sector Accounting Standards (IPSAS) because it is ongoing evaluation of the accounting systems, monitoring of the internal controls, assessment of compliance with the regulations and detection of material misstatements before the publication of the financial statements. Alzeban and Gwilliam (2014) concluded that the independence of internal auditors, management support, professional competence and audit execution is a critical factor of the effectiveness of internal auditing. Similarly, Duenya et al. (2017) conclude that good internal audits establish accountability and improve compliance of public financial management reforms. In the recent context, Mustapha (2024) suggests that the internal audit quality impacts the reliability, transparency, and credibility of the public sector's financial statements, as demonstrated by compliance with accounting standards, enhancement of the corporate governance framework, and accountability. Likewise, Eulerich et al. (2022) emphasize the good quality of internal audit function to the effectiveness of the organizational control environment, which helps to minimize financial reporting risks. In this study, the internal audit quality is defined as the effectiveness of the internal audit activities to strengthen the linkage between IPSAS compliance and financial reporting quality in the MADAs of Rivers State through monitoring, assurance and governance processes.



Source: IPSAS Compliance: Accrual Basis Compliance, Accountability Compliance, and Comparability Compliance (Brusca & Martínez, 2016; Ofoegbu, 2014; IPSASB, 2014; Atuilik, 2019; Okere et al., 2018; Alade, 2025; Abimbola, 2020; Duenya et al., 2017; Adebayo, 2022; Sabo et al., 2024). **Financial Reporting Quality:** Relevance (IPSASB, 2014; Adewara et al., 2024; Adebayo, 2022; Sabo et al., 2024). **Moderating Variable:** Internal audit quality (Mustapha, 2024; Duenya et al., 2017; Alzeban & Gwilliam, 2014).

Figure 1 Conceptual framework on the Relationship Between International Public Sector Accounting Standards and Financial Reporting Quality of financial reports of ministries, departments and agencies in Rivers State

2.2. Theoretical Framework

2.2.1. Institutional Theory

Institutional theory was originally introduced by Meyer and Rowan (1977), and was elaborated upon by DiMaggio and Powell (1983). The basic theory suggests that the institutions (formal structure, policies and operational procedures) are imposed on an organization as much because of institutional pressures as because of economics. They are regulatory pressures, professional pressures, political pressures, and societal pressures which push organizations to conform to accepted norms and standards in order to achieve legitimacy, credibility and trust from the general public. Meyer and Rowan (1977) argue that organizations become legitimate when they carry structures which are congruent with socially accepted institutional rules and DiMaggio and Powell (1983) see three pressures as the most important sources of pressure toward institutional conformity, coercive, mimetic and normative. Public sector entities thus often need to make an accounting change for institutional legitimation, as well as for efficiency reasons.

Institutional Theory is increasingly becoming one of the most common theories used to account for the adoption and implementation of International Public Sector Accounting Standards (IPSAS) in developed and developing economies. IPSAS has frequently been implemented by governments as a result of international organisations and donor agencies, professional accounting bodies and national regulatory bodies calling for public sector financial report standardisation. Brusca and Martínez (2016) show that the adoption of IPSAS is an institutional change that aims to harmonize systems of governmental accounting with the generally accepted accounting principles in the world. Similarly, Ofoegbu (2014) posits that the switch to accrual based IPSAS was largely based on the international public financial management reforms to improve transparency and accountability in public sector financial management. Recently, Adewara et al. (2024), Adebayo (2022) and Sabo et al. (2024) have also revealed that institutional pressure is a major factor for the level of compliance with IPSAS in the public institutions of Nigeria and that it improves the quality of financial reporting and ultimately the trust of the public in government financial statements.

2.2.2. Agency Theory

Agency theory was first introduced by Jensen and Meckling (1976) to give an account of the contractual relationship between a principal (the delegator) and the agent (the delegator's representative) who is entrusted with the management of resources on behalf of the principal. The theory is based on the assumption that agents can have conflicting interests with principals due to information asymmetry, moral hazard and different goals. This leads to principals establishing monitoring, reporting and governance practices to ensure agents are held accountable in their use of entrusted resources. Jensen and Meckling (1976) argue that a good monitoring system will lower agency costs, as the monitoring system will contain opportunistic behaviour and managers will provide reliable and accurate information on the performance of the organization. Agency Theory has now gained a considerable momentum and over the years, it has become one of the most influential theory of accountability, financial reporting, auditing and corporate governance in the private and public sector of the organisations.

In the public sector, the agent/citizen relationship is with the citizens (through elected governments) and the public officials appointed to manage the public resources. Citizens expect public institutions to make good use of public money and to create clear financial statements which show how they have used money and are held accountable for budget implementation and resource use. The use of accrual-based International Public Sector Accounting Standards (IPSAS) is said to help to lessen information asymmetry by giving a detailed information about the assets, liabilities, revenues and expenditures as well as contingent obligations of the governments (Ofoegbu, 2014). Likewise, the IPSAS accentuates accountability, by setting the principles of standardized reporting, which increases the credibility and comparability of the financial statements of the public sector (Brusca and Martínez, 2016). Atuilik (2019), Adebayo (2022), Adewara et al (2024), Alade (2025) and Sabo et al (2024) findings all show that the transparency, accountability and quality of the financial reporting of government institutions are positively related with the level of compliance with IPSAS. The former is the agency perspective that good reporting systems bring the public officials closer to the citizens, and thus reduce the conflict of interest.

2.3. Empirical Review

Al-Rawi et al. (2026) examined how IPSAS 42 Application in Social benefits, can improve the efficiency of financial reporting and the financial capability sustainability in the Iraqi government institutions. Multiple Regression Analysis and ANOVA were used to determine the effect of financial variables in social benefits and financial reporting quality. The results show that the current and capital expenditure are the two important factors that affect the improvement of social benefit disclosure. The study also revealed that compliance with IPSAS 42 has a positive impact on the transparency of financial statements, thereby, making financial statements a reliable basis for informed financial decision making by government.

Tagwi et al. (2026) examined the effect of the adherence to IPSAS on the usefulness of the financial statements of the Northern Nigeria state governments. Overall, the average compliance score achieved was low with a score of 38% and compliance with standards varied widely, with moderate compliance with IPSAS 1, and 2 and 3, and very low compliance with IPSAS 23, 24, 33 and 39. The regression analysis results indicate that IPSAS is a significant contributor to the relevance of the reporting, and all the IPSAS, namely IPSAS 1, IPSAS 3 and IPSAS 22 have a positive impact on the relevance of the reporting, while the weak and inconsistent implementation of IPSAS 2, IPSAS 24 and IPSAS 33 constrain the relevance of the reporting.

Ismaila and Mainoma (2026) studied the impact of the adoption of the IPSAS on the reporting of revenue of PPE in Nasarawa State. The result of the test using the method of Structural Equation Modeling (SEM) indicates that the IPSAS adoption has moderately positive impact on the accuracy and transparency of revenue disclosures particularly on the aspect of climate in improving the recognition of revenue sources and not misreporting revenue.

Adewale (2026) examined effect of IPSAS implementation on financial reporting quality of MDAs in Benue State, Nigeria for the period 2018 - 2020. The study used descriptive survey research design with structured questionnaires that were used to obtain the data from a sample of 170 respondents. Simple linear regression analysis was used to analyze the data. The result showed that IPSAS implementation has a significant impact on Faithful representation of MDAs state of affairs in Benue state. With this in mind, the impact of IPSAS on financial reports' understandability of MDAs in Benue state is very significant.

3. Methodology

This study used cross sectional survey research design because it provided a way of collecting quantitative data from the respondents at a particular point in time to investigate the relationship between compliance with International Public Sector Accounting Standards (IPSAS) and Financial Reporting quality of the Ministries, Departments, and Agencies (MDAs) in Rivers State. It was determined that the design would be adequate as it allowed for the study of natural phenomena while not controlling the variables being studied. It also helped to gather a fairly high number of respondents who gave standardized responses to be analyzed statistically. Creswell and Creswell (2018) state that the cross-sectional survey design is appropriate for studies that involve using quantitative data to identify relationships between variables at a single point in time.

It was based on positivist research philosophy. Positivism is an objective measurement, empirical observation and quantitative testing of hypothesis. In the study the structured questionnaires and statistical analysis used showed its suitability due to the focus of the study on measurable constructs: compliance with the IPSAS, financial reporting quality and quality of internal audit. Saunders et al. (2019) indicated that positivism allows the researchers to collect data systematically and scientifically analyze the data to get objective findings and to minimize researchers' bias.

The population of the study comprised 742 staff of five selected Ministries, Departments and Agencies in Rivers State. They comprised of the Ministry of Finance (150), Ministry of Budget and Economic Planning (147), Office of the Accountant-General (134), Rivers State Universal Basic Education Board (144) and Rivers State Internal Revenue Service (167). The numbers of people in a population were taken from the Human Resource Departments of the respective organizations in 2026. These institutions were selected because they were directly involved in the public financial management, accounting, budgeting, financial reporting and financial revenue administration in the State Government.

The size of the sample was obtained from the size of the sample table of Yemane (1967). Sample size of 260 respondents were determined to be statistically adequate for a population of 742 respondents employees. The study included an addition of 100 questionnaires to take care of invalid and non-responses. Afterwards, proportionate stratified sampling technique was employed to distribute the sample based on proportionate to the participating organizations in terms of their population size. Simple random sampling technique was then used to selected individual respondents in each stratum. The sampling methods led to good representation of each organization and sampling bias was also kept to a minimum with results also being generalizable.

Primary data was gathered by the use of structured questionnaires. The questionnaire consisted of items with closed responses that were rated on a 5-point Likert scale ranging from Strongly Disagree to Strongly Agree. The data collected were quantitative data as it was a numerical response which was analyzed statistically. The instrument was directly administered to the staff of the selected Ministries, Departments and Agencies that have a direct functional responsibility in financial management reporting. The independent variable in this study was IPSAS compliance as operationalized by accrual basis compliance, accountability compliance and comparability compliance which was measured through the categories of measurements adopted by Brusca and Martínez (2016), Ofoegbu (2014), Atuilik (2019), Okere et al. (2018), Abimbola (2020), Adebayo (2022), Alade (2025) and Sabo et al. (2024). Financial reporting quality was the dependent variable in the study based on the definition by IPSASB (2014), Adewara et al (2024), Adebayo (2022) and Sabo et al (2024) in relevance. The moderating variable used was internal audit quality which was measured using indicators adapted from Alzeban and Gwilliam (2014), Duenya et al. (2017), and Mustapha (2024).

The experts evaluated the questionnaire by means of face and content validity, both accounting experts, experts in the public financial management and experts in research methodology. They were asked to make observations and recommendations before the final administration of the instrument. Cronbach's alpha coefficient was used to measure the reliability of the instrument to get the internal consistency of the scales. Hair et al. (2022) indicated that the Cronbach's alpha value of 0.70 or above is acceptable.

The completed questionnaires have been coded and analysed using the SPSS 25 Software. The characteristics of respondents and description of the study variables were summarized using frequencies, percentages, mean and standard deviations. Spearman's Rank Order Relationship Coefficient was adopted in testing the hypotheses on the relationship between IPSAS compliance and financial reporting quality as the data for the hypotheses were ordinal and suitable for non-parametric analysis. Then, partial relationship analysis was carried out to analyze the moderation effect between IPSAS compliance and financial reporting quality with the control of the moderator. All the hypotheses were tested at 0.05 level of significance.

4. Analysis and Results

4.1. Results and Analyzes

Table 1 Questionnaire Distribution and Number Retrieval

S/No	Descriptions	Frequency	Percent
1	Questionnaires Distributed	360	100.0
2	Questionnaires Retrieved	323	89.7
3	Valid Questionnaires	310	86.1

Source: Field Survey, 2026

The findings from the administration of the questionnaire revealed a high rate of return, indicating good participation of the selected Ministries, Departments and Agencies (MDAs) of Rivers State. Table 4.1 shows that all the 360 questionnaires were distributed to the respondents which represents 100.0% of the desired population. Of this number, 323 questionnaires (89.7% retrieval rate) were retrieved. Of these questionnaires, 310 questionnaires had been properly completed and suitable for the analysis and the valid questionnaires' response rate was 86.1%.

Table 2 Demographic Results

		Frequency	Percent	Valid Percent	Cumulative Percent
Gender	Female	109	35.2	35.2	35.2
	Male	201	64.8	64.8	100.0
	Total	310	100.0	100.0	
Age	20-35	36	11.6	11.6	11.6
	36-50	228	73.5	73.5	85.2
	51 and above	46	14.8	14.8	100.0
	Total	310	100.0	100.0	
Marital Status	Married	259	83.5	83.5	83.5
	Separated	9	2.9	2.9	86.5
	Single	42	13.5	13.5	100.0
	Total	**310**	**100.0**	**100.0**	
Educational Attainment	HND/Bachelor	178	57.4	57.4	57.4
	Master and above	71	22.9	22.9	80.3
	WAEC/OND	61	19.7	19.7	100.0
	Total	**310**	**100.0**	**100.0**	

Source: SPSS 28.0 Output

The high percentage of valid response means that the respondents were willing to be in the study and that they gave sufficient responses which can be used for statistical analysis. The response rate was higher than the minimum benchmark suggested by Hair et al. (2022), thus minimizing the risk of non-response bias and maximizing that the findings would be more representative and reliable.

Based on the demographic characteristics presented in the table 4.2 it is found that the respondents had sufficient demographic characteristics that are considered to assess the relationship between International Public Sector Accounting Standard (IPSAS) compliance and financial reporting quality. With regard to gender distribution, 201 (64.8%) of the respondents were male and 109 (35.2%) were female. This implied that males were more than females when it came to financial management activities in the selected MDAs. When broken down on age distribution, majority of the respondents (228 or 73.5%) were in the age group 36 to 50 years with 46 respondents age 51 years and above (14.8%) and only 36 respondents (11.6%) in age group 20-35 years. This age distribution shows that most of the respondents were public sector employees who had sufficient experience and exposure to the financial reporting practices of government and implementation of IPSAS.

The marital status profile also showed that majority 259 (83.5%) were married, 42 (13.5%) Single and 9 (2.9%) were Separated. The high proportion of married people is indicative of the mature workforce that is characteristic of government establishments. The level of education was also found that the respondents possessed educational background for giving informative responses. Of which 178 Respondents (57.4%) had Higher National Diploma (HND) and 71 Respondents (22.9%) had Master and above while 61 Respondents (19.7%) had WAEC / Ordinary National Diploma (OND) qualifications. The relatively high percentage of tertiary education accountants shows that the respondents were able to understand the accounting standard, financial reporting requirement and the content of the research instrument.

Table 3 Spearman Correlation Results

Correlations						
			Relevance	**Accrual Basis Compliance**	**Accountability Compliance**	**Comparability Compliance**
Spearman's rho	Relevance	Correlation Coefficient	1.000	0.297**	0.431**	0.520**
		Sig. (2-tailed)	0.	0.000	0.000	0.000
		N	310	310	310	310
	Accrual Basis Compliance	Correlation Coefficient	0.297**	1.000	0.493**	0.354**
		Sig. (2-tailed)	0.000	0.	0.000	0.000
		N	310	310	310	310
	Accountability Compliance	Correlation Coefficient	0.431**	0.493**	1.000	0.514**
		Sig. (2-tailed)	0.000	0.000	0.	0.000
		N	310	310	310	310
	Comparability Compliance	Correlation Coefficient	0.520**	0.354**	0.514**	1.000
		Sig. (2-tailed)	0.000	0.000	0.000	0.
		N	310	310	310	310
**. Correlation is significant at the 0.01 level (2-tailed).						

Source: SPSS Output 25

Table 4.3 shows the Spearman Rank Relationship results which suggest that all the dimensions of IPSAS compliance were positively and significantly correlated with financial reporting relevance. The compliance of accrual basis showed a positive relationship coefficient with relevance (0.297) at 0.000 significance level, showing there is weak positive relationship between the two variables. There is a slightly higher positive relationship between Relevance with a relationship coefficient of 0.431 and possibility value of 0.000 with accountability compliance. The obtained result shows that there is a statistically significant and moderate relationship, meaning that the increase in compliance with accountability was related positively to the increase in the relevance of financial reports. The best relationship with the relevance was that of the comparability with a relationship coefficient of 0.520 at the significance level of 0.000. Study result indicated that the greater the extent to which the comparability requirement is complied with the more relevant the financial reporting.

Table 4.4 Partial Correlation Result

Correlations					
Control Variables			**Financial Reporting Quality**	**IPSAS Compliance**	**Internal Audit Quality**
-none-[a]	Financial Reporting Quality	Correlation	1.000	0.755	0.548
		Significance (2-tailed)	0.	0.000	0.000
		df	0	308	308
	IPSAS Compliance	Correlation	0.755	1.000	0.504
		Significance (2-tailed)	0.000	0.	0.000
		df	308	0	308
	Internal Audit Quality	Correlation	0.548	0.504	1.000
		Significance (2-tailed)	0.000	0.000	0.
		df	308	308	0
Internal Audit Quality	Financial Reporting Quality	Correlation	1.000	0.663	
		Significance (2-tailed)	0.	0.000	
		df	0	307	
	IPSAS Compliance	Correlation	0.663	1.000	
		Significance (2-tailed)	0.000	0.	
		df	307	0	
a. Cells contain zero-order (Pearson) correlations.					

Source: SPSS Output 25

Using partial relationship analysis (Table 4.4), the moderation effect of internal audit quality on the relationship between financial reporting quality and IPSAS compliance were seen. Based on the zero order relationship result, it was found that there was strong and positive relationship between IPSAS compliance with financial reporting quality as indicated by the coefficient of relationship value of 0.755 at significance level of 0.000. IPSAS compliance was also found positively related to internal audit quality ($r = 0.548$, $p = 0.000$) and financial reporting quality was related positively with internal audit quality ($r = 0.504$, $p = 0.000$). After the control of the relationship of internal audit quality, the relationship between IPSAS compliance and financial reporting quality becomes 0.663 and still statistically significant ($p=0.000$). The results showed that the relationship coefficient after adding the control variable was decreased, which means that internal audit quality played a moderating role in the relationship. The direct relationship between the variables was also revealed to be significant, but the results showed a decrease which means that the quality of internal audit has been able to affect the direct relationship by strengthening the compliance with accounting standards, effectiveness of internal control and credibility of financial reporting.

5. Discussion of Findings

Spearman Rank Relationship showed that, compliance with accrual basis was significantly and positively related to relevance of financial reporting (ρ = 0.297, p = 0.000). The positive coefficient indicates that there was an increase in the relevance of financial reports produced by MDAs in Rivers State when there was increase in the compliance with the accrual-based IPSAS requirement. The coefficient indicates that there is a weak positive relationship between the variables, and the probability value (0.000) is less than the 0.05 significance level, suggesting that the relationship is statistically significant. The finding suggests an accrual basis of accounting for assets, liabilities, revenues and expenses will render information more valuable for planning, decision making and accountability. The result confirms the result of Ofoegbu (2014) which revealed that IPSAS implementation using accrual basis resulted in increase in transparency and enhance public sector financial reporting in Nigeria. In a similar way, Brusca and Martínez (2016) noted that the use of the accrual accounting principles increases the credibility and usefulness of government financial statements. The result further corroborates that of Adebayo (2022) and Adewara et al. (2024) which stated that compliance with the accrual accounting requirements is a significant factor in the enhancement of financial reporting quality in public institutions in Nigeria. From the angle of Institutional Theory, it can be said that the finding is evidence of the effect of regulatory pressures oriented towards conformity with the accrual accounting rules, it means that public institutions tend to be encouraged to make better report. Likewise, Agency Theory suggests that accrual basis compliance can reduce information asymmetry between government officials and citizens, as it provides more extensive financial information and Stewardship Theory suggests that public officers who comply with accrual basis accounting standards do so to fulfill their stewardship role, and will report more relevant financial information.

The analysis also revealed that there was a moderate level of positive and statistically significant relationship between accountability with financial reporting relevance (ρ = 0.431, p = 0.000). The coefficient shows that the higher the compliance with the accountability requirement of IPSAS the higher the relevance of financial reports in the sampled MDAs. The relationship was significant as the probability value was significant at 0.05 level. This discovery suggests that increasing accountability in financial management can help public institutions generate information more helpful to assess stewardship, monitor the use of resources, and inform evidence-based government decision-making. The findings are supported by the empirical evidence of Duenya et al. (2017) that showed that IPSAS has significant impact on accountability of Nigerian public sector organisations. Likewise, Atuilik (2019) reported that implementation of IPSAS resulted in improved accountability leading to improved public confidence in government's financial reporting. Most recently, Sabo et al (2024) and Alade (2025) showed that financial statements rendered by public institutions can be enhanced by compliance with accountability to enhance their quality and credibility. It is aligned with the Accountability dimension of Agency Theory that aims at mitigating Agency problems between public servants and citizens. It also advocates for the Institutional Theory that assumes that public institutions are enforced to adopt accountable financial reporting system due to statutory requirements and the Stewardship Theory which assumes that those public officials who hold public funds are likely to offer better quality financial reporting system.

The highest relationship of the variables was found between comparability compliance and financial reporting relevance with the value of +0.520 and probability value of 0.000. The coefficient showed a moderate positive association which means that there was a significant impact of good compliance with IPSAS comparability requirement on the relevance of financial reporting of the selected MDAs. The p value is <0.05 which indicates that the relationship is statistically significant. The finding suggests that the application of the standardisation of accounting treatments and the uniformity of financial reporting benefits users' ability to compare financial data across government entities and reporting periods, and makes financial information more useful. This result is consistent with the one obtained by Brusca and Martínez (2016) "one of the main benefits of IPSAS adoption is increased comparability of the governments' financial statements". Similarly, Okere et al. (2018) have shown that the standardisation of public sector accounting practices have a significant effect on the quality of financial reporting in Nigeria. The findings revealed by Adewara et al. (2024) and Sabo et al. (2024) also indicated a positive link between compliance with IPSAS comparability requirements and transparency and decision usefulness in the public sector in Nigeria. This is backed up by Institutional Theory which emphasize the importance of conforming to the accounting standards accepted internationally in order to achieve consistency and legitimacy. It also aligns with Agency Theory because the reduction of information asymmetry due to similar reporting and with Stewardship Theory because standardized reporting is a sign of good stewardship and objective measurement of government performance.

The result of the partial relationship analysis as a test of the moderating variable of internal audit quality showed that after the moderating variable, the study variables were still positive and statistically significant with a relationship coefficient of 0.663 and probability value of 0.000. The relationship coefficient was weaker than when the internal audit was not present, but it should be noted that the relationship was statistically significant, indicating that the internal audit made the relationship between IPSAS compliance and financial reporting quality better. The finding suggests that internal audit functions play a significant role in improving compliance with accounting standards as it keeps assessing and monitoring the internal controls, identifies any deficits in compliance and makes sure the requirements of IPSAS are being complied with. This is comparable to the result of Alzeban and Gwilliam (2014) which indicated that the effectiveness of internal audit has a positive effect on governance and financial reporting reliability. Similarly, Mustapha (2024) discovered that the quality of internal audit is one of the factors contributing to improving financial reporting in the public sector to ensure compliance with regulations and enhance the internal control system. The finding also corroborates the findings of Duenya et al., (2017) which indicated that effective internal oversight mechanism helps in improving accountability and implementation of public financial management reforms. Based on Institutional Theory, internal audit quality can enhance the institutional compliance to the accounting regulations. Agency Theory suggests that independent internal audit is a monitoring device which can help reduce agency problems, while the Stewardship Theory suggests that competent internal auditors improve the ethical stewardship of public officials through transparency, accountability and quality financial reporting. Overall, the findings indicate that there is a strong relationship between IPSAS compliance and internal audit system effectiveness in achieving improvement of the relevance of financial reporting in MDAs in Rivers State.

6. Conclusion

The study found that there was a significant improvement in the financial reporting quality of the MDAs in Rivers state as a result of adoption of International Public Sector Accounting Standards (IPSAS). In particular, accrual basis compliance, accountability compliance and comparability compliance all showed positive and statistically significant association with 'relevance of financial reporting'. Comparability compliance had the highest, underscoring its significance to provide consistent and useful financial information. The study also revealed that the quality of internal audit has a significant effect in strengthening the relationship between IPSAS compliance and financial reporting quality as indicated by strengthening the relationship between IPSAS compliance and strengthening of internal control systems, enhancing transparency, accounting and credibility of public sector financial statements.

6.1. Limitations of the Study

The study result has some limitations that must be considered when interpreting the results. First, the study used a cross-sectional design with survey method to collect the perception of the respondents in which, it couldn't explain the changes that occurred in IPSAS compliance and financial reporting quality overtime. Secondly, only primary data was used which was collected by using structured questionnaires and no attempts were made to eliminate the influence of respondents' personal opinion, response bias and social desirability bias, despite efforts to maintain confidentiality and anonymity. Third, the study focused on selected MDAs in Rivers State and the results may not be easily replicable in other public sector institutions in Nigeria as there may be variations in institutional structures and governance, as well as implementation capabilities. Lastly, the study only analyzed three dimensions of IPSAS compliance and one dimension of financial reporting quality, indicating that future studies should include more indicators of IPSAS compliance and financial reporting quality for a more comprehensive empirical analysis.

6.2. Recommendations

A comprehensive IPSAS monitoring system should be implemented in Rivers State Government, emphasizing accrual accounting basis, for all the Ministries, Departments and Agencies. The adoption of accrual accounting principles is uniform with regard to improving the usefulness of financial information for decision making.

There is need for Rivers State Government to strengthen compliance of accountability and establishment of a more effective financial governance system that will facilitate transparency, accountability and timely reporting of the funds of the public institutions. This should involve effective adherence to statutory reporting time lines, periodic financial compliance audit, regular management accountability audit, and increased penalties on non-compliance with agreed upon accounting standards and financial regulations.

Rivers State Government should establish and implement a uniform financial reporting template, accounting policies and a centralized reporting guidelines to make the reporting of Ministries, Departments and Agencies comparable. Reporting entity must have the same accounting classification, the same disclosure format and the same accounting recognition principles and the same reporting schedule as IPSAS.

To improve on the internal audit functions, the Rivers State Government should pay attention to the enhancement of the independence of the internal auditor, professional competence and the institutional authority of the internal audit system in the various Ministries Departments and Agencies. Ongoing professional development opportunities for the internal audit units in implementing IPSAS, risk-based auditing, evaluation of internal control and financial reporting assurance should be provided.

Compliance with ethical standards

Disclosure of conflict of interest

No conflict of interest to be disclosed.

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