The Juxtaposition of International Public Sector Accounting Standard Financial Reporting Qualities and Financial Performance: A Framework for Financial Autonomy

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Abstract
This study examined the juxtaposition of International Public Sector Accounting Standards (IPSAS), financial reporting qualities, and financial performance within a framework of financial autonomy in Local Government Councils in Ondo State, Nigeria. The study specifically investigated how pre-implementation of IPSAS, IPSAS adoption, zero tolerance to corruption, and challenges associated with IPSAS implementation influence financial reporting quality as a proxy for financial performance and accountability. A census approach was adopted covering all eighteen (18) Local Government Areas in Ondo State, using both primary data (structured questionnaire) and secondary data (annual financial reports) spanning 2012 to 2024. The study employed panel least squares regression alongside fixed and random effects models, while the Hausman test was used to determine the appropriate estimation technique. Findings revealed that pre-implementation of IPSAS and IPSAS adoption have positive and significant effects on financial reporting quality, while challenges associated with IPSAS implementation negatively affect performance. However, zero tolerance to corruption was found to be statistically insignificant. The study concludes that IPSAS implementation significantly enhances financial reporting quality and supports financial autonomy and service delivery, although its effectiveness is constrained by implementation challenges. The study recommends strengthened institutional capacity, improved enforcement mechanisms, and enhanced preparatory frameworks for IPSAS adoption at the local government level.

Keywords: IPSAS, Financial Reporting Quality, Financial Performance, Financial Autonomy

1. Introduction

The International Federation of Accountants (2022) rated International Public Sector Accounting Standard (IPSAS) as a worldwide accrual based accounting standard that creates qualitative and accurate financial information. It enhances transparency, accountability, and comparability in government financial activities, fortifying governance and equally building trust with the populace (Schmidthuber et al., 2020; Ademola et al., 2020). The recent global crises underscore the significance of comprehensive, reliable, and timely government financial reporting, revealing deficiencies in public sector financial reporting practices. Also, the growing corruption that has bedeviled public sector organizations and dearth of good governance in most African countries necessitate that there's a pressing need for governments to better comprehend their fiscal status. The embracing of IPSAS as a panacea to promote good financial management reform, to improve the financial reporting quality for better decision-making, and to hold governments accountable for their performance (Otalor & Eiya, 2022); The local government's role of grassroots development can only be practicable when there is a strong financial system and accountability to back it up.

The Conceptual Framework for General Purpose Financial Reporting is the basis for measuring the financial report quality of an organization in the public sector, these qualities are relevance, faithful representation, understandability, timeliness, comparability, and verifiability (IPSAB, 2016). The three tiers of government were expected to have put both cash and accrual IPSASs in place by the end of 2016, but so many challenges hindered as highlighted by (Atuilik et al., 2016; Ademola et al., 2020). However, many States and local governments have been able to install either partial or full implementation of the Standards into their financial structure, hence, consequent upon the introduction of financial autonomy for Local governments, this study tends to assess the performance of IPSAS in the third-tier government in Ondo State, her financial reporting quality for zero tolerance to corruption and establish a framework for good service delivery.

1.2 Statement of the Problem / Justification

At the creation of the local government in 1976, the mandate for grassroots development was prominent and they were very functional in carrying out these tasks, but as the turn of events changed in Nigeria, corruption set in, an unstable financial system and lack of financial autonomy have almost crippled their activities and rendered the local government to a place of existence without noticeable influence on the society. However, the release of financial autonomy demands the need for strict compliance to IPSAS in providing a way out of corruption, financial jeopardy and good governance for local government, thus the need for this study. Meanwhile, various assessment techniques have been used by different authors in measuring the quality of financial reports under IPSAS, Opanyi (2016) measured the effects of IPSAS on the quality of financial reports in Kenya using descriptive and t-test analysis, Also, Amberchian and Amberchian (2020) in Ukraine carried out a similar study on the assessment of the financial reporting quality of supranational organization using a different approach on score assessment of financial reports as data and analysed with multiple linear regression. Sunday et al. (2023) in Nigeria conduct a study on the extent of IPSAS and financial reporting quality of MDAs in Ondo state using primary data and Simple Linear Regression for analyses. Although sizeable authors engrossed their research on the quality assessment of financial reports, previous authors focused

mainly on federal or state and some of the few authors on Local government were not addressing the issue of measuring the financial reports quality for decision usefulness and better performance. Thus, this study aims at examining the pre and post-changes in the financial reports quality of local government based on the adoption of IPSAS for zero tolerance to corruption, better performance, and good service delivery in conformity with the financial autonomy

1.3 Study Aim and Objectives

The aims and objective of the study is to empirically assess the extent of the implementation of IPSAS and the financial reporting quality for zero tolerance to corruption and service delivery in the Local Government Council in Ondo State. The specific objectives are to:

i. examine the pre-implementation of IPSAS to identify loopholes to corruption and service delivery in the financial reporting quality of the Local Government Council in Ondo State;

ii. evaluate the effect of IPSAS on the loopholes to corruption and service delivery in the financial reporting quality of the Local Government Council in Ondo State;

iii. assess the financial reporting quality of the Financial Statements based on a conceptual framework for zero tolerance to corruption and better performance; and

iv. investigate effect of the challenges associated with implementation of IPSAS for better performance or service delivery on the financial reporting quality of the Local Government Council in Ondo State.

2. Conceptual Review

2.1 International Public Sector Accounting Standard

IPSASs are accounting standards issued for public sector organisation at all levels (federal, State, and Local) for high-quality reporting of their operations through the financial statement to the stakeholders or the society at large. According to Brusca and Martinez (2016), IPSAS was developed to broaden the usefulness of financial reporting in public sector organizations by intensifying accountability, transparency, and responsibility and upgrading the comparability of reporting all over the globe. The process of the development, approval, and issuance of the Standard follows the due process that is open to the public, interested parties, preparers, and standard setters to comment (Otunla, 2014; Akinleye & Alaran-Ajewole, 2018; Obineme et al., 2021). This necessitates the authenticity, uniformity and usefulness of the standard globally.

2.1.1 Pre and post implementation of IPSAS

The pre – IPSAS period in the public sector entities have undergone predicament in their financial reporting practices. Nevertheless, the advent of IPSAS have provided a way out of economic rumble to public sector organization including Local government in having standardized bases for preparation of comprehensive financial statement that gives room for adequate disclosure of information for transparency, accountability, effectiveness and efficiency in the quality of financial reporting system. IPSAS has its own challenges as

identified by previous author as resistance to change, apparent complexities, implementation cost, and lack of qualified personnel among others (John, 2011; Nkoyo, 2012; Adebimpe, 2012). However many of these challenges have been overcome with time. The implementation of IPSAS has its attended benefits to the public sector organization as the foundation for preparation of quality financial statement, enhance better service delivery, fight corruption and help in the harmonization of budgets by the three tiers of government (Nongo 2014; Qulasvirta, 2012; Ngama, 2012; John et al, 2016). These benefits are attainable in the local government, if implementation is properly embraced.

2.1.2 Financial Reporting Quality

The survival of any organisation cannot be separated from the efficiency of its financial system communicated through financial reports. It regulates the cash flow, the degree of capital projects, the growth rate of the organization and pertinent information for economic decision making by the stakeholders (Igbekoyi et al, 2024). Therefore, Financial Reporting Quality is the magnitude to which financial statements truly represent the financial position and economic reality of an entity (Tang et al., 2008; Ademola et al., 2019; Awotomilusi et al, 2023). The Institute of Chartered Accountants of Nigeria [ICAN] (2021) identified four main features understandability, relevance, reliability, and comparability; others are completeness, timeliness, neutrality, and faithful representation (IASB, 2008). The inherent compliance of the financial statements to these attributes makes it useful to end users in making an economic decision that affects operational performance and promotes good governance (Akinadewo et al, 2023). Moreover, Ogbebor and Ogbebor (2022) opined that if the quality of financial reporting is improved at all levels, the rate of financial friction and mismanagement will be minimized.

2.1.3 Service delivery

Service delivery is the procedure and device through which public organisations provide indispensable amenities, infrastructural and social services to meet the needs of the citizens economically, efficiently, effectively and accountably. The public sector is the catalyst through which government policies and resources are transformed into tangible services that meets the needs of the public (Akinsanya et al., 2022). The provision of adequate, reasonable and quality basic services such as: education, health care, water, electricity among others which are referred to as public goods are considered as core function of government (Aligbe et al., 2024). The national government set the policy framework, as well as the state and local governments, resources are made available to each level of government for implementation. Challenges of coordination, governance and capacity, rigidity of regulations and laws guiding operations of implementation, lack of adequate national policy and poor accountability are among the problems weakening quality of service delivery (Jones et al, 2014). However, Rogerson and Ahmed (2025) identified some ways of improving service delivery to enhance accountability and maintain transparency as: ceaseless training on accountability and financial system, effective introduction of sanction through the code of conduct bureau and change of acuity on public fund spending. It improves citizen's satisfaction and trust in government

2.1.4 Local government and financial autonomy

Local government units are public sector institutions with administrative structures, aligned with responsibilities and financial backing for self-sustenance and delivery of assigned duties to

the citizens. According to Ohaka et al. (2016) assert that the 1976 reform was intended to fortify the local government system, and provide them with human, material, and financial resources that would empower them to ably complement the activities of states and federal governments in the provision of basic amenities.

However for some decades the story have been different in the local governments, a lot of challenges such as: lack of the autonomy to effectively manage their financial resources, the State Joint Local Government Account (SJLGA) has significantly weakened the financial autonomy of local governments councils in Nigeria restraining their ability to generate revenue and make financial decisions independently (Aluya, 2025). As pointed out by Adeyemi (2020) that State interference has hindered practical enactment of autonomy despite constitutional provisions. This was corroborated by Lamidi (2025) that their autonomy has been severely undermined by State government control over finance, administration and elections. Lack of qualified and inadequate personnel to manage the books of account and corruption among others have been witnessed in the management of the financial system in the local government that has almost jeopardized the creation of the third tier of government. A test carried out by Afro barometer survey (2023) in Asiegba (2025) revealed low level of public trust in local government council, while 41.9 % of the populace has no trust, 36.6% a little trust, 16.6% somewhat trust, 6.5%. Hence, the need for adequate financial structure in the local government that will sustain the new autonomy granted.

The re- advent of local government autonomy is dated back to July, 2024 when the Supreme Court ruling granted financial independence, but implementation is stalled with state government still controlling funds. According to Ogunleye and Bassey (2023), many State government continue to interfere in Local government affairs by controlling recruitment and staff development and determining which projects are implemented. Moreover, the 1999 constitution still gives States government considerable control over local government structures and operations, creating a legal contradiction between granted autonomy and State oversight. This remains a considerable factor to the implementation of local government autonomy.

2.1.5 Zero tolerance to corruption

Corruption increases inequality and undermines the very foundation of democratic government and financial system, the evil effect of corruption calls for the need for zero – tolerance in government. It is a strict policy put in place to eliminate corruption by exacting severe punishment on violators. It is all about understanding the systemic drivers of corruption and instigating feasible actions to remove or reduce it. (Khan, 2023). The advocate of zero – tolerance is that corruption is unacceptable and all those who are responsible should be made accountable. Strand (2020) identified basic principles to follow and put in place while initiating zero – tolerance like; identification of corruption incidence; assessment of the scale and type of corruption; type of investigation; risk management plan; staff development; mechanism to minimized corruption. The practicality of these principles, especially risk management plan and staff development will help in curbing corruption in local government.

2.2 Theoretical framework

2.2.1 Decentralization Theory

This theory was propounded by Bird (1995) and Smoke (1994), the theory illustrates the transfer of authority and responsibility for public functions from the central government to the subordinates. Nigeria operates political and fiscal federalism; it is common that both developed and developing economies that operate the federal system of governments tend to decentralize some aspect of their public finance. It is supposed that decentralization would assist the local governments to be more competent in the management of their own affairs. This is the concept behind the 1976 local government reform, in decentralizing some significant functions of the state government at local levels in order to harness local resources for refined development.

2.2.2 Public interest Theory

Under this theory rules are made as a respond to the demand by the public to correct inefficiency and lack of equitability as caused by the players in the industry. The theory was established in the case of Mumbai Kamgar Sabha vs Abdul Thai in 1976 where the Supreme Court allowed a Trade Union to file a petition on behalf of the Mill workers who were denied of their fundamental right to life and livelihood. It is an important tool for protecting the right of citizens and promoting social justice. It claims that government regulations act to protect and benefit the public. The interest of the public on local government autonomy must be protected in ensuring that financial, administrative and political autonomy is fully implemented in the local government for effective governance and performance.

2.2.3 Agency theory

This theory was propounded by Jensen and Meckling (1976), it is all about management of the relationship between the Principal and the Agent. The public sector can be regarded as the agent while IPSAS is just a tool in the hand of government (Federal, State and Local government) that helps in managing the resources of the public. The theory talks about misalignment of interest between the principal and the agent which is capable of leading to distortion of purpose. The interest of the public must be protected by the government in ensuring that resources of the nation are judiciously used for the interest of the public. Also the theory expatiated on information asymmetry between the principal and the agent by getting information for effectiveness and not against the principal by the agent. IPSAS rules must be rightly applied by the government to promote accountability, transparency, curb corruption and promote service delivery to the public by the government.

2.3 Empirical review

Ademola et al. (2020) evaluated the relationship between IPSAS adoption and financial reporting quality in South West, Nigeria using credibility and comparability variables of IPSAS to test the financial reporting quality. Result revealed that IPSAS has positive effect on the financial reporting quality of the MDA's in South West, Nigeria. However, limited variables were used and the study was not particular about Local government which has its own peculiarity. Amberchian and Amberchian (2020) assessed IPSAS–based financial reports of Intergovernmental organisations. Mainly, these studies were limited to the challenges in the federal, States and worldwide but not extended to the third–tier of government. Ndalu et al (2021) investigated IPSAS adoption in Nigeria. The journey thus far and discovered that all attempts to completely introduce IPSAS in the Nigerian public sector failed due to a number of clear obstacles which were addressed in the studies and thereby recommended full

implementation of IPSAS at all levels of government. Benedago (2021) worked on IPSAS Implementation, Financial Reporting Issues, and Challenges in South–East Nigeria. The study identified the challenges of IPSAS implementation in the Nigerian public sector and concluded that government should show more political will and support for the implementation of accrual basis in the Local government.

Toluyemi et al, (2022) investigated the effects of IPSAS on Accountability and Transparency in the selected States in financial management in Nigeria. Mann – Whitney U test was used to test the hypotheses, results revealed that implementation of IPSAS have positive effects on the variables tested and concluded that full implementation at the Local government level should be aggressively pursued. The study was limited to both Federal and State but not extended to Local governments. Awotomilusi et al, (2023) the study investigated how adhenrence to IPSAS 23 could enhanced the efficient utilization of tax revenue in Ekiti State. Survey research design was employed, questionnaire was distributed and both descriptive and inferential statistics were used to analysed the data. Findings revealed that adoption of IPSAS 23 significantly contributed to the redemption of tax revenues in the state. However, the study is limited to the application of one segment of IPSAS on tax revenue by the state government not extended to the Local government.

Aboukhadeer et al, (2023) this study identify the importance of applying the standard of governance and IPSAS in influencing the quality of accounting information .questionnaires were used in gathering data an SPSS and PLS – SFM in analyzing data. Findings revealed that the adoption of IPSAS impacted external audit in Libyan and promote uniformity with global audit. Ogunleye and Bassey (2023) investigated the relationship between financial autonomy and local government efficiency. Survey research design was used and a mixed – method approach were utilized to collect data from local government staff with budgetary analyses. Findings revealed that increased financial autonomy resulted to more efficient allocation of resources and greater service delivery. This study is limited to financial autonomy and performance, IPSAS effect was not considered under the study. Adewara et al (2024) examined implementation of IPSAS on financial reporting quality in the Nigerian public sector. The variables exploited were transparency, accountability and comparability, survey research design was used, correlation and regression analyses were exploited in analyzing the data. Results revealed that IPSAS has a significant positive relationship on the three variables considered in public sector financial management system.

Aluya (2025) examined the autonomy of local governments in Nigeria using selected local governments area in River's State to investigate the relationship between administrative and political autonomy on effective governance in local governments. Survey research design was used and primary data collected were analysed using descriptive and multiple regression analyses. Findings revealed that financial and administrative autonomy has a positive significant influence on effective governance while political autonomy has an insignificant positive influence on effective governance, hence the study recommended that more financial and administrative autonomy be granted to local governments. Consequent upon the advent of financial autonomy this study will assess the pre and post IPSAS, financial reporting quality in the local government and institute a financial system that defies corruption and aid financial autonomy for good governance in Local government councils, Ondo State.

3. Research Methodology

3.1. Population

The study employed survey and census approach to cover all 18 local governments in Ondo State. Both qualitative and quantitative data were obtained through both structured questionnaire and local government financial reports under the periods considered. It is noted that the data consists of cross-sectional data and time series, which allows us to analyze it in the form of (panel data). The annual financial reports, from 2012 to 2024, of 18 local governments in Ondo State were used to complete the empirical part of this study.

3.2 Model Specification

The econometric model employed in this study was adapted from the work of Muraina and Dandago (2020), titled "Effects of Implementation of International Public Sector Accounting Standards on Nigeria's Financial Reporting Quality." Accordingly, the econometric model for this study is expressed in the following simplified linear form:

$$FRQ = \beta_0 + \beta_1 PIIPSAS_{it} + \beta_2 IPSAS_{it} + \beta_3 ZEROT_{it} + \beta_4 CIPSASA_{it} + \xi$$

Where: FRQ (Financial Reporting Quality); PIIPSAS (Pre-implementation of IPSAS); IPSAS (International Public Sector Accounting Standards); ZEROT (Zero Tolerance to corruption and better performance) and CIPSASA (Challenges associated with implementation of IPSAS), i = Company, t = Time, ξ = error term, β_0 = represents Intercept of the regression line, regarded as constant, $\beta_1 - \beta_4$ = represents Coefficient or slope of the regression line or independent variables.

3.3. Measurement of study variables

The dependent variable in this study is Financial Reporting Quality (FRQ), measured using an index that assesses the quality of financial reporting based on key qualitative characteristics, including relevance, faithful representation, understandability, comparability, and timeliness, as reflected in the annual reports of the 18 Local Government Areas in Ondo State for the period 2012–2024. The explanatory variables were measured using responses obtained through a five-point Likert scale questionnaire.

Where: FRQ (Financial Reporting Quality); PIIPSAS (Pre-implementation of IPSAS); IPSAS (International Public Sector Accounting Standards); ZEROT (Zero Tolerance to corruption and better performance) and CIPSASA (Challenges associated with implementation of IPSAS), i = Company, t = Time, ξ = error term, β_0 = represents Intercept of the regression line, regarded as constant, $\beta_1 - \beta_4$ = represents Coefficient or slope of the regression line or independent variables.

4. Results and Discussion

Table 4.1 Descriptive Statistics

	FRQ	PIIPSAS	IPSAS	ZEROT	CIPSASA
Mean	4.320513	3.901709	4.286325	4.252137	4.136752
Median	5.000000	4.000000	4.000000	4.000000	4.000000
Maximum	5.000000	5.000000	5.000000	5.000000	5.000000

Minimum	1.000000	1.000000	1.000000	1.000000	1.000000
Std. Dev.	0.995616	1.057853	0.863709	0.940559	0.970872
Skewness	-0.034293	-0.115197	-0.867732	-0.422963	-0.375663
Kurtosis	3.409117	3.114364	2.577787	2.703304	2.596030
Jarque-Bera	32.60228	32.79334	34.03708	26.33205	9.864176
Probability	0.057820	0.095320	0.066668	0.070210	0.077771
Sum	1011.000	913.0000	1003.000	995.0000	968.0000
Sum Sq. Dev.	230.9615	260.7393	173.8162	206.1239	219.6239
Observations	234	234	234	234	234

Source: Researcher's computation with E-Views 10 (2026)

Table 4.1 displays Analysis and Interpretation of Table 4.1: Descriptive Statistics

The descriptive statistics indicate that all variables recorded relatively high mean values on a five-point Likert scale, suggesting a generally positive perception among respondents regarding the implementation of IPSAS and its influence on financial reporting quality in the Local Government Areas of Ondo State. The dependent variable, Financial Reporting Quality (FRQ), has a mean value of 4.3205, which is close to the maximum score of 5. This suggests that respondents generally perceive financial reporting quality among the Local Government Areas to be high. The median value of 5.0 further confirms that most responses were concentrated toward the upper end of the scale, indicating strong agreement that the annual reports possess characteristics such as relevance, faithful representation, understandability, comparability, and timeliness. The standard deviation of 0.9956 indicates relatively low variability among respondents' opinions, implying consistency in perceptions regarding financial reporting quality.

Overall, the descriptive analysis suggests that respondents generally hold favorable views concerning the adoption and implementation of IPSAS and perceive it as contributing positively to improved financial reporting quality, accountability, and performance among the Local Government Areas in Ondo State. The data also demonstrate acceptable variability and normality properties, supporting the suitability of the dataset for further inferential analyses such as regression estimation.

Table 4.2 Pearson Correlation Matrix Analysis

	FRQ	PIIPSAS	IPSAS	ZEROT	CIPSASA
FRQ	1.000000				
PIIPSAS	0.327515	1.000000			
IPSAS	0.466784	0.251709	1.000000		
ZEROT	0.289151	0.283826	0.481329	1.000000	
CIPSASA	-0.300787	-0.297306	-0.306259	-0.399177	1.000000

Source: Researcher's computation with E-Views 10 (2026)

Table 4.2 presents the Pearson correlation results indicate that Financial Reporting Quality (FRQ) is positively associated with Pre-implementation of IPSAS (PIIPSAS) (r = 0.3275), IPSAS implementation (r = 0.4668), and Zero Tolerance to corruption and better performance

(ZEROT) (r = 0.2892), suggesting that improvements in these variables are linked with higher financial reporting quality in the Local Government Areas of Ondo State. Among these relationships, IPSAS implementation shows the strongest positive association with FRQ. Conversely, Challenges associated with implementation of IPSAS (CIPSASA) exhibit a negative relationship with FRQ (r = –0.3008), indicating that implementation challenges may reduce financial reporting quality. Furthermore, CIPSASA also has negative relationships with the other explanatory variables, implying that challenges could hinder successful IPSAS implementation and governance outcomes. The correlation coefficients among the independent variables are all below the threshold of 0.80, with the highest being 0.4813 between IPSAS and ZEROT. This indicates the absence of serious multicollinearity problems and suggests that the variables are suitable for inclusion in the regression model. Overall, the analysis suggests that IPSAS-related factors positively influence financial reporting quality, while implementation challenges exert a negative influence.

4.1.1 Multicollinearity Check

Table 4.3: Variance Inflation Factor (VIF)

Variable	VIF	Tolerance 1/VIF
PIIPSAS	1.151571	0.868379
IPSAS	1.344822	0.743593
ZEROT	1.456212	0.686713
CIPSASA	1.261310	0.792827
Mean VIF	1.303479	

Source: Researcher's computation with E-Views 10 (2026)

Table 4.3 presents the Variance Inflation Factor (VIF) and tolerance values used to examine the presence of multicollinearity among the explanatory variables: Pre-implementation of IPSAS (PIIPSAS), IPSAS implementation, Zero Tolerance to corruption and better performance (ZEROT), and Challenges associated with implementation of IPSAS (CIPSASA).

The results show that PIIPSAS has a VIF value of 1.1516 with a corresponding tolerance value of 0.8684, indicating a very low level of multicollinearity. Similarly, IPSAS has a VIF value of 1.3448 and a tolerance value of 0.7436, suggesting that the variable does not exhibit significant collinearity with the other explanatory variables. Furthermore, ZEROT recorded the highest VIF value of 1.4562 with a tolerance value of 0.6867, while CIPSASA has a VIF value of 1.2613 and a tolerance value of 0.7928. Although ZEROT has the highest VIF among the variables, its value remains substantially below the commonly accepted threshold of 10.0, indicating that multicollinearity is not a concern. The mean VIF value of 1.3035 further supports the absence of serious multicollinearity among the independent variables. Generally, VIF values below 10 and tolerance values above 0.10 indicate that the explanatory variables are sufficiently independent and do not exhibit problematic interrelationships.

The findings suggest that there is no evidence of significant multicollinearity among the explanatory variables in the model. Therefore, all the variables can be retained in the regression

analysis without the risk of producing biased or unstable coefficient estimates. This confirms that the model satisfies the multicollinearity assumption required for reliable regression estimation. The VIF results indicate that all explanatory variables have VIF values below the acceptable threshold of 10 and tolerance values above 0.10, confirming the absence of multicollinearity problems in the model. The mean VIF of 1.3035 further supports this conclusion, indicating that the independent variables are suitable for inclusion in the regression analysis and are unlikely to distort the reliability of the estimated results.

Estimate

Table 4.4 Regression

Dependent Variable: FRQ
Method: Panel Least Squares
Sample: 2012 2024
Periods included: 13
Cross-sections included: 18
Total panel (balanced) observations: 234

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PIIPSAS	0.182807	0.056681	3.225187	0.0014
IPSAS	0.436295	0.075021	5.815633	0.0000
ZEROT	-0.001384	0.071688	-0.019302	0.9846
CIPSASA	0.129828	0.064635	2.008636	0.0457
C	1.194200	0.350980	3.402469	0.0008

R-squared	0.578746	Mean dependent var	4.320513
Adjusted R-squared	0.566148	S.D. dependent var	0.995616
S.E. of regression	0.852896	Akaike info criterion	2.540778
Sum squared resid	166.5819	Schwarz criterion	2.614610
Log likelihood	-292.2710	Hannan-Quinn criter.	2.570547
F-statistic	22.12566	Durbin-Watson stat	2.054644
Prob(F-statistic)	0.000000		

Source: Author's computation (2026)

Table 4.4 presents the panel least squares regression results examining the effect of Pre-implementation of IPSAS (PIIPSAS), IPSAS implementation, Zero Tolerance to corruption and better performance across 18 Local Government Areas in Ondo State between 2012 and 2024. The results indicate that individual coefficients, PIIPSAS have a positive and statistically significant effect on FRQ, implying that improved pre-implementation activities of IPSAS enhance financial reporting quality. IPSAS implementation also shows a positive and highly significant relationship with FRQ, indicating that actual adoption and application of IPSAS standards play a major role in improving reporting quality. This variable remains the strongest predictor in the model. The model is statistically significant, as shown by the F-statistic value of 22.12566 with a probability value of 0.0000. This implies that all the explanatory variables jointly have a significant effect on Financial Reporting Quality.

The R-squared value of 0.5787 suggests that approximately 57.9 percent of the variation in FRQ is explained by the independent variables included in the model, while the remaining 42.1 percent is explained by other factors not captured in the model. The adjusted R-squared of 0.5661 confirms that the model retains good explanatory power even after adjusting for the number of predictors. The Durbin–Watson statistic of 2.0546 indicates that there is no evidence of autocorrelation in the model, confirming the reliability of the estimates. On the other hand, ZEROT has a negative but statistically insignificant effect on FRQ, suggesting that zero tolerance to corruption and better performance initiatives do not have a meaningful direct influence on financial reporting quality within the study period. CIPSASA, however, shows a positive and statistically significant effect on FRQ, indicating that challenges associated with IPSAS implementation may have indirectly contributed to improvements in financial reporting quality, possibly through institutional adjustments or corrective policy responses.

To further determine the most appropriate estimation technique between fixed effects and random effects models, the study compared both models.

4.2.1 Fixed Effect (LSDV) and Random Effects

Table 4.4: Summary of Fixed and Random Effects Models Results

Fixed Effects Model					Random Effects Model				
Dependent Variable = FRQ					Dependent Variable = ERQ				
Variable	Coefficient	Std. Error	t-Statistic	Prob.	Variable	Coefficient	Std. Error	t-Statistic	Prob.
PIIPSAS	0.177673	0.059451	2.988546	0.0031	PIIPSAS	0.182807	0.056716	3.223219	0.0015
IPSAS	0.417679	0.076300	5.474185	0.0000	IPSAS	0.436295	0.075067	5.812085	0.0000
ZEROT	0.002566	0.072772	0.035256	0.9719	ZEROT	0.001384	0.071731	0.019290	0.9846
CIPSASA	-0.129828	0.064674	-2.007410	0.0459	CIPSASA	-0.121419	0.066181	-1.834669	0.0679
C	1.345605	0.361663	3.720606	0.0003	C	1.194200	0.351195	3.400393	0.0008
R-Squared			0.615706		*R-Squared*			0.578746	
F-Statistic			6.257209		*F-Statistic*			22.12566	
Prob(F-statistic)			0.000000		*Prob(F-statistic)*			0.000000	
Durbin-Watson stat			2.086645		*Durbin-Watson stat*			2.054644	

Source: Author"s computation (2026)

The fixed effects model shows an R-squared value of 0.6157, indicating slightly higher explanatory power compared to the random effects model, which recorded an R-squared of 0.5787. Both models show that IPSAS implementation remains highly significant, while ZEROT remains statistically insignificant. However, a key difference is observed in CIPSASA, which is negative in the OLS panel regression model but positive in the both fixed and random effects model, suggesting some sensitivity of the variable across estimation techniques.

To determine which of these models, fixed effects or random effects, was more suitable, the study applied the Hausman Test.

4.2.2 The Hausman Test

Table 4.5: Hausman Test Result
Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	39.16268	4	0.0042

Source: Researchers' Computation from E-view 10 (2026)

To determine the more appropriate model, the Hausman test was conducted, as shown in Table 4.5. The result of the Hausman test reveals a Chi-square statistic of 39.16268 with a probability value of 0.0042, which is statistically significant at the 5 percent level. This indicates that the null hypothesis of no systematic difference between the fixed and random effects estimators is rejected. Therefore, the fixed effects model is considered more appropriate for interpreting the relationship among the variables in this study.

At the 5% level of significance, the fixed effects regression results indicate that the model is statistically reliable, as the F-statistic probability value of 0.0000 shows that the explanatory variables jointly have a significant effect on Financial Reporting Quality (FRQ). Individually, PIIPSAS ($p = 0.0031$) is statistically significant at 5%, implying that pre-implementation activities of IPSAS have a positive and significant effect on FRQ. This suggests that preparatory measures such as training and awareness programs improve financial reporting quality. IPSAS implementation ($p = 0.0000$) is highly significant at 5% and has a positive coefficient, indicating that the actual adoption and application of IPSAS significantly enhance FRQ. It is the most influential variable in the model.

In contrast, ZEROT ($p = 0.9719$) is not statistically significant at 5%, meaning that zero tolerance to corruption and better performance initiatives do not have a meaningful effect on FRQ within the study period. However, CIPSASA ($p = 0.0459$) is statistically significant at 5% but has a negative coefficient, indicating that challenges associated with IPSAS implementation significantly reduce financial reporting quality. The coefficient of determination ($R^2 = 0.6157$) shows that about 61.6% of the variation in FRQ is explained by the model, while the Durbin–Watson statistic of 2.0866 confirms the absence of autocorrelation. Overall, at the 5% level, PIIPSAS and IPSAS implementation positively and significantly enhance FRQ, ZEROT is insignificant, while CIPSASA has a significant negative effect on financial reporting quality.

4.3 Post Estimate

Table 4.6

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	0.253717	Prob. F(2,227)	0.7761
Obs*R-squared	0.521915	Prob. Chi-Square(2)	0.7703

Source: Researchers' Computation from E-view 10 (2026)

Table 4.6 presents the results of the Breusch–Godfrey Serial Correlation Lagrange Multiplier (LM) test, which is used to detect the presence of serial correlation (autocorrelation) in the residuals of the regression model. The results show that the F-statistic is 0.2537 with a probability value of 0.7761, while the Obs*R-squared statistic is 0.5219 with a Chi-square probability value of 0.7703. Both probability values are far greater than the conventional 5% significance level (0.05). At the 5% level of significance, these results imply that the null hypothesis of no serial correlation in the residuals cannot be rejected. In other words, there is no evidence of serial correlation in the model. This finding indicates that the error terms are independently distributed and that the regression estimates are not biased due to autocorrelation problems. Consequently, the model is considered statistically reliable for inference, as the absence of serial correlation enhances the validity and efficiency of the estimated coefficients.

The Breusch–Godfrey test confirms that the regression model is free from serial correlation at the 5% significance level, as both probability values exceed 0.05. This implies that the model satisfies one of the key classical linear regression assumptions, and the estimated results are appropriate for interpretation and policy conclusions

4.4 Discussion of Findings

This study examined the effect of International Public Sector Accounting Standards (IPSAS) on Financial Reporting Quality (FRQ) and its implications for zero tolerance to corruption and service delivery in Local Government Councils in Ondo State. The discussion is structured in line with the specific objectives of the study and supported by the empirical results obtained from the descriptive, correlation, and regression analyses.

4.4.1 Pre-implementation of IPSAS and Financial Reporting Quality (Objective One)

The first objective examined the extent to which pre-implementation of IPSAS influences financial reporting quality by identifying possible loopholes to corruption and service delivery. The regression results revealed that PIIPSAS has a positive and statistically significant effect on FRQ in both the pooled and fixed effects models ($p < 0.05$). This implies that preparatory activities prior to IPSAS adoption—such as training, awareness creation, institutional readiness, and system restructuring—play a critical role in improving financial reporting quality. The implication is that when Local Government Councils strengthen pre-implementation mechanisms, they are better positioned to reduce financial irregularities and close corruption loopholes before full IPSAS adoption. This finding aligns with Ademola et al. (2020), who reported that IPSAS-related reforms enhance credibility and comparability of financial reports, though the present study extends the evidence to Local Governments, a tier often underexplored in prior studies.

4.4.2 Effect of IPSAS on Corruption Loopholes and Service Delivery (Objective Two)

The second objective assessed the effect of IPSAS implementation on financial reporting quality as it relates to corruption control and service delivery. The findings show that IPSAS implementation has a strong, positive, and highly significant effect on FRQ ($p = 0.0000$), making it the most influential variable in the model. This result implies that full adoption of IPSAS significantly enhances transparency, accountability, and reliability of financial information in Local Government Councils. Improved financial reporting reduces opportunities for manipulation of public funds and strengthens oversight mechanisms, thereby enhancing service delivery outcomes. This finding is consistent with Toluyemi et al. (2022), who established that IPSAS improves accountability and transparency in public financial management. It also supports Adewara et al. (2024), who confirmed that IPSAS significantly enhances transparency and accountability in the Nigerian public sector. However, this study contributes by focusing specifically on Local Government Councils in Ondo State, where service delivery challenges are more pronounced.

4.4.3 Financial Reporting Quality and Zero Tolerance to Corruption (Objective Three)

The third objective assessed financial reporting quality in relation to a conceptual framework of zero tolerance to corruption and better performance. The regression results show that ZEROT has a negative but statistically insignificant effect on FRQ ($p > 0.05$). This finding suggests that although zero tolerance to corruption policies exist in principle, they have not translated into measurable improvements in financial reporting quality within the study context. This may be due to weak enforcement mechanisms, institutional inefficiencies, or lack of integration between anti-corruption frameworks and financial reporting systems at the local government level. The result partially contrasts with expectations in governance theory, which assumes that stricter anti-corruption measures should improve reporting quality and service delivery. However, it aligns indirectly with Ogunleye and Bassey (2023), who noted that inefficiencies in local government structures can limit the effectiveness of governance reforms if not supported by strong institutional autonomy and accountability systems.

4.4.4 Challenges of IPSAS Implementation and Service Delivery (Objective Four)

The fourth objective investigated the effect of challenges associated with IPSAS implementation on financial reporting quality. The findings show that CIPSASA has a significant effect on FRQ in the fixed effects model ($p = 0.0459$), although the direction of the relationship is negative in the fixed effects estimation. This implies that implementation challenges such as inadequate technical capacity, insufficient funding, resistance to change, and poor ICT infrastructure negatively affect financial reporting quality and, by extension, service delivery in Local Government Councils. These challenges weaken the full benefits of IPSAS adoption and may limit its ability to fully eliminate corruption loopholes. This finding is consistent with Benedago (2021), who identified significant implementation barriers in the Nigerian public sector and emphasized the need for stronger political will. It also supports Ndalu et al. (2021), who observed that incomplete IPSAS adoption in Nigeria is largely due to persistent institutional and operational challenges.

5 Conclusion and Recommendations

This study examined the relationship between International Public Sector Accounting Standards (IPSAS), financial reporting quality, and financial performance within a framework of financial autonomy in Local Government Councils in Ondo State. The study concludes that IPSAS implementation significantly improves financial reporting quality, transparency, and accountability in local government administration. Specifically, pre-implementation of IPSAS and full IPSAS adoption were found to have positive and significant effects on financial reporting quality, indicating that both preparedness and actual compliance with IPSAS standards enhance public sector financial management and service delivery. However, the study also concludes that challenges associated with IPSAS implementation negatively affect financial reporting quality, thereby limiting the full benefits of IPSAS reforms. In contrast, zero tolerance to corruption was found to have no significant effect on financial reporting quality, suggesting weak enforcement and limited effectiveness of anti-corruption measures within the local government system.

Based on these findings, the study recommends that Local Government Councils should ensure full and consistent implementation of IPSAS, supported by continuous capacity building and professional training for accounting personnel. Adequate preparatory measures should be strengthened to ensure effective transition and compliance with IPSAS standards. Furthermore, government authorities should address implementation challenges by improving funding, ICT infrastructure, and technical support systems. Anti-corruption mechanisms should also be strengthened through stricter enforcement, monitoring, and accountability frameworks to ensure meaningful impact. Finally, greater financial and administrative autonomy should be granted to Local Governments, supported by strong oversight institutions, to enhance service delivery and overall financial performance.

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