ORGANIZATIONAL CHARACTERISTICS AND INSTITUTIONAL FACTORS ON FINANCIAL REPORTING QUALITY OF LOCAL GOVERNMENTS IN NIGERIA

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ABSTRACT

Financial reporting quality (FRQ) is an important concept in organizations. Other than accounting standards, FRQ is said to be influenced by other organizational characteristics. However, the findings of prior studies on the direct effect of organizational characteristics on FRQ are inconclusive. Drawing on the existing empirical evidence, this study examined the moderating effect of institutional factors, i.e., professionalism and political influence, on the relationship between organizational characteristics and FRQ. A total of 118 finance directors of local governments from the northwest states of Nigeria participated in the survey research. PLS-SEM was adopted to test the postulated hypotheses. The findings of the direct relationship between organizational characteristics and FRQ revealed that internal audit quality and staff competence significantly influenced FRQ while information technology and council size revealed no significant influence. Furthermore, professionalism was found insignificant in moderating the relationships between staff competence and FRQ, information technology and FRQ, and council size and FRQ. A significant moderating effect of professionalism was only found in the relationship between internal audit quality and FRQ. However, political influence was found to significantly moderate the relationship between internal audit quality and FRQ, staff competence and FRQ, and information technology and FRQ. Political influence did not moderate the relationship between council size and FRQ. Based on the results found, the management and regulators of local governments should focus on the effective performance of organizational characteristics including high consideration for professionalism in accounting practices to achieve optimal FRQ. Also, efforts should be made to push and maintain a positive political interest when decisions to improve the FRQ of local governments are made.

Keywords: financial reporting quality, organizational characteristics, institutional factors, Nigerian local governments

ABSTRAK

Kualiti pelaporan kewangan (FRQ) adalah konsep penting dalam organisasi. Selain piawaian perakaunan, FRQ dikatakan dipengaruhi oleh ciri-ciri organisasi lain. Walau bagaimanapun, penemuan kajian terdahulu mengenai kesan langsung ciri-ciri organisasi terhadap FRQ adalah tidak begitu meyakinkan. Berdasarkan bukti empirik yang sedia ada, kajian ini bertujuan untuk meneliti kesan penyederhana faktor-faktor institusi, iaitu profesionalisme dan pengaruh politik, terhadap hubungan antara ciri organisasi dan FRQ. Seramai 118 orang pengarah kewangan yang bekerja di kerajaan tempatan di negeri barat laut Nigeria telah terlibat dalam kajian ini. PLS-SEM telah digunakan untuk menguji hipotesis yang dirumuskan. Penemuan kajian ini mengenai hubungan langsung antara ciri organisasi dan FRQ mendedahkan bahawa kualiti audit dalaman dan kecekapan kakitangan mempengaruhi FRQ secara signifikan. Walau bagaimanapun, teknologi maklumat dan saiz majlis tidak menunjukkan pengaruh yang signifikan. Tambahan pula, profesionalisme didapati tidak signifikan dalam menyederhanakan hubungan antara kecekapan kakitangan dan FRQ, teknologi maklumat dan FRQ, serta saiz majlis dan FRQ. Kesan profesionalisme yang signifikan hanya terdapat dalam hubungan antara kualiti audit dalaman dan FRQ. Walau bagaimanapun, pengaruh politik didapati menyederhanakan hubungan antara kualiti audit dalaman dan FRQ, kecekapan kakitangan dan FRQ, serta teknologi maklumat dan FRQ. Pengaruh politik tidak menyederhanakan hubungan antara saiz majlis dan FRQ. Berdasarkan keputusan yang diperoleh, kajian ini mencadangkan agar pihak pengurusan dan pengawal selia kerajaan tempatan menumpukan kepada prestasi berkesan ciri-ciri organisasi termasuk pertimbangan yang tinggi terhadap profesionalisme dalam amalan perakaunan untuk mencapai FRQ yang optimum. Selain itu, usaha perlu dibuat untuk mendorong dan mengekalkan kepentingan politik yang positif apabila keputusan dibuat untuk meningkatkan FRQ kerajaan tempatan.

Kata kunci: kualiti pelaporan kewangan, ciri organisasi, faktor institusi, kerajaan tempatan Nigeria

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LIST OF ABBREVIATIONS

ACCA	Association of Chartered Certified Accountants
ANAN	Association of National Accountants of Nigeria
AVE	Average Variance Extracted
CBN	Central Bank of Nigeria
CF	Conceptual Framework
CMV	Common Method Variance
EFCC	Economic and Financial Crimes Commission
ESD	Education and Social Development
FAAC	Federal Account Allocation Committee
FASB	Financial Accounting Standard Board
FM	Financial Memoranda
FRC	Financial Reporting Council
FRQ	Financial Reporting Quality
GAAP	Generally Accepted Accounting Principle
GASB	Government Accounting Standards Board
GPFR	General Purpose Financial Report
IA	Internal Audit
IAQ	Internal Audit Quality
IAS	International Accounting Standard
IASB	International Accounting Standard Board
IBP	International Budget Partnership
ICAEW	International Chartered Accountant of England and Wales
ICAN	Institute of Chartered Accountant of Nigeria
ICPC	Independent Corrupt Practices Commission
ICT	Information Communication Technology
IFAC	International Federation of Accountant
IFRS	International Financial Reporting Standards
IIA	Institute of Internal Auditors
IMF	International Monetary Funds
IPSAS	International Public Sector accounting Standard
IPSASB	International Public Sector Accounting Standard Board
IT	Information Technology
MDA	Ministries Department and Agencies
NAMA	National Assets Management Agency
NASB	Nigeria Accounting Standard Board
NASDAQ	National Association of Securities Dealers Automated Quotations
PAC	Public Account Committee
NNPC	Nigerian National Petroleum Corporation
NPM	New Public Management
OYAGSB	Othman Yeop Abdullah Graduate School of Business
PhD	Doctor of Philosophy
PIE	Public Interest Entities
Plc	Public Limited Company
PLS	Partial Least Square
SEM	Structural Equation Modeling
SJLGA	State Joint Local Government Account
SPSS	Statistical Package for the Social Sciences
VIF	Variance Inflated Factor

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The term financial reporting quality (FRQ) has no generally accepted definition due to differences in beliefs and perceptions regarding what could be termed useful and good information to different accounting information users (Achim, 2014). However, most scholars accepted the pronouncements by the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) having defined FRQ as financial reports that provide correct and fair information regarding the underlying financial condition and economic performance of an entity (Herath & Albarqi, 2017). In addition, financial statements remain an important medium for communicating the result of transactions and events of an economic entity to its diverse users (Mbobo & Ekpo, 2016).

FRQ has been described as a pervasive phenomenon and costly to organizations (Achim, 2014; Gjorgieva-Trajkovska, Koleva, & Nikoloski, 2017). For instance, to a reporting entity, better FRQ can translate to information on the cost of capital (Armstrong, Guay, & Weber, 2010; Christiaens, Reyniers, & Rolle, 2010; Herrmann, Saudagaran, & Thomas, 2006; Legenzova, 2016). To an investor, better FRQ means information on the level of profitability (Al-tahat, 2015; Beasley, 1996; Herrmann et al., 2006; Hirst, Hopkins, & Wahlen, 2004) while to a public manager, better FRQ is related to rendition of accounts according to regulatory provisions (Bergmann, 2012; Grossi & Mussari, 2008; Herbert, Ene, & Tsegba, 2014; Hooper, Kearins, & Green, 2005; Roje, Vašiček, & Vašiček, 2010).

On the bases of users' context-specificity, empirical assessments of FRQ indicate diversity among internal and external accounting users regarding their respective preferences on measurement parameters of FRQ. This is because perceived quality will differ among constituents and different user groups have dissimilar preferences. That is, the usefulness and quality of accounting information may be perceived differently by different accounting information users. Thus, context and user-specificity has been argued to constitute problems in measuring quality of financial reporting (Braam & Beest, 2013; Cohen et al., 2013; Gjorgieva-Trajkovska, Koleva, & Nikoloski, 2017).

Furthermore, many researchers have adopted indirect approach to measuring FRQ by concentrating on approaches that are assumed to influence FRQ such as value relevance model (Barth et al., 2001, 2008, Maines & Wahlen, 2006), discretional accrual model (Healy & Wahlen, 1999; Van Tendeloo & Vanstraelen, 2005), model based on specific element of the financial report (Hirst, Hopkins, & Wahlen, 2004; Kadous, Koonce, & Thayer, 2012), measurement based on qualitative attributes as specified by professional bodies (FASB, IASB) (Achim, 2014; Cohen, Kaimenakis, & Venieris, 2013; Herath & Albarqi, 2017; Mbobo & Ekpo, 2016; McDaniel, Martin, & Maines, 2002; Renkas, Goncharenko, & Lukianets, 2016). Others include, non-financial parameter such as fees paid to external auditors and forecast of security analysts (Pounder, 2013).

FRQ is a prevalent and critical phenomena for organizations' performance and survival (Bukenya, 2014; Christensen & Yoshimi, 2003; Legenzova, 2016; Martínez-Ferrero, 2014). Studies have shown that deficiencies in the quality of financial statements produced across corporate organizations may not only cause substantial loss annually, but may have negative and adverse effects on their going concern and growth (García-

Sánchez, Cuadrado-Ballesteros, & Frías-Aceituno, 2012; Tarus, Muturi, & Kwasira, 2015; Tasios & Bekiaris, 2012; Whittington, 2008).

Instances of the collapse of big private organizations exist (e.g. Enron in 2001, WorldCom in 2002, Saytan in 2009), while financial mismanagement and failures that pervade the public sector over time have been directly linked to compromise in quality of financial reporting (Ball, 2012; Nyor, 2013; Tasios & Bekiaris, 2012). This cast doubts on the quality of financial reports emanating from organizations and reliability of such information to diverse users groups (Bronner, 2013; Daily, 2013; Lodhia & Burritt, 2004; Uchehara & Ijeoma, 2017).

In Nigeria, the prevalence of cases of financial and accounting scandals are well known in both private and public sector organizations. For instance, the liquidation leading to the collapse of 26 commercial banks in 1997, the falsification of financial records in Cadbury Nigeria Plc. in 2006 and the declaration of 10 banks insolvent by the Central Bank of Nigeria (CBN) in 2009 after the post consolidation banking crises are some of the prominent examples relating to the privately owned organizations (Adekunle & Asaolu, 2013). While scores of financial scandals and fraud have been reported concerning the public sector organizations (Yunusa & Paul, 2016). For example, the pension scam of about N6 billion ($16.7 million) involving Oyo State Head of Service (Uchehara & Ijeoma, 2017), police pension scandal of over N40 billion ($111.2 million) (Daily Independence, 2013), The Pension Reform Task Team (PRTT) of 2010 where the Chairman of the team (Abdulrasheed Maina) was indicted for alleged massive pension fraud amounting to about N195 Billion ($541.6 million) deposited in his private accounts (Agbedo, 2016), N576 million ($1.6 million) bullet proof BMW car in the Aviation Ministry, the former Petroleum Minister, Alison Maduekwe money laundering issue and in 2013. In addition, the Governor of the Central Bank of Nigeria alleged that, the sum of $20 billion was not remitted to the Federation Account in oil proceeds by the NNPC between January 2012 and July 2013 (Agbedo, 2016) just to mention a few (Abimbola, Kolawole, & Olufunke, 2017).

Furthermore, substantive evidence regarding the local governments in Nigeria has shown that, local governments in Nigeria are involved in massive financial frauds and misappropriations due to poor FRQ. For instance, report of Auditor General for local governments in Kaduna State, reported misappropriated funds relating to over-drawn accounts, unauthorized payments and un-recovered advances, between a period of four years (2007 to 2011) amounting to N763million ($2.1million) (Mustapha, 2009). According to Ribadu (2007) as cited in Ijewereme (2015), some local governments council under Jigawa State were indicted for reckless extra budgetary expenditures and misappropriation of funds to the tune of N1.6 trillion ($1=N190) between 1999 and 2007. By this, the Auditor General for local governments in Kaduna State commented thus (2012 p.12):

> *The present internal control system in operation in the Local Governments cannot be said to be efficient, effective and adequate. Internal Audit prepayment checks are hardly done until in most cases, after the payment have been made. Most of such payments have been observed to be fraudulent in nature. The issue is that most of the Internal Audit outfits have not been able to deter the fraudulent practices which the internal Audit were meant to protect and minimize. I have also observed many methods of apparent public fund diversions like direct purchase, unaccounted collected revenue, imprest system and granting of advances etc. in fact the Internal Audit outfits instead of stopping such acts have become soiled and are apparent beneficiaries.*

Furthermore, negative effect of poor FRQ in Nigeria as a whole, has informed the International Budget Partnership (IBP) in 2008 to rate Nigeria amongst the 25 countries in the world that disclose inadequate accounting information. The report added that, about 50% of national governments reports involving wasteful and corrupt practices regarding the use of public funds have been successfully kept hidden from the public. Perhaps, this is why Ibanichuka, Jame and James (2014), Ibadin and Oladipupo (2015) described accounting reporting in the public sector of Nigeria as non-current, fragmented, incomplete, unreliable and lacking timeliness, which ultimately impairs effective financial planning and decision making.

To this effect, several efforts have been undertaken by successive governments of Nigeria in the past and present on how to effectively manage the financial resources of the country and its abundant potentials. Some of these efforts involve institutionalizing and forestalling measures of financial controls and enhancing effective financial reporting and auditing necessary to accentuate prudency and accountability regarding the administration of public funds by public managers. These measures include: the introduction of the Finance Control and Management Act of 1958; Audit ordinance of 1956; the Civil Service Reform of 1988, Financial Memoranda for local governments 1989. Including the Fiscal Responsibility Act 2007, Public Procurement Act, 2007, Bureau for Public Procurement, 2008, Public Account Commission, Economic and Financial Crime Commission (EFCC) 2004, Independent Corrupt Practices and other Related Offences Commission (ICPC), 2000 and much recently, adoption of the International Public Sector Accounting Standard (IPSAS) in 2014. However, despite these elaborate measures, their contribution to enhancing the quality of financial reporting towards improving public accountability and transparency in the public sector of Nigeria is still limited.

Meanwhile, the initiatives towards improving the performance of public financial management among public sector organizations has become a global trend. Many developed and developing countries are making important and remarkable accomplishments in strengthening public financial management and governance (ACCA, 2010). In addition, international organizations (e.g. World Bank and IMF) and professional accounting bodies (such as FASB, IASB.) have advocated for a need for a strong, efficient and effective public service institutions.

The New Public Management (NPM) initiative is one of such initiatives necessary for improving the operations of the public sector towards efficient and effective performance (Benito, Brusca, & Montesinos, 2007). The most prevalent of this initiative was the introduction of the international public sector accounting standards (IPSAS). The introduction of IPSAS is one significant reform to enhance high quality financial reporting in the public sector (Aversano & Christiaens, 2014; Benito et al., 2007; Brusca & Martınez, 2016), with the aim of promoting proper accounting practices that will engender FRQ, improve culture of accountability and transparency, and safeguard corporate financial resources (Steccolini, 2004; Rodríguez Bolívar & Navarro Galera, 2007, 2011; Benito et al., 2007).

However, the scope of adoption of IPSAS varies across constituencies significantly (Brusca & Martınez, 2016; Lapsley, Mussari, & Paulsson, 2009). While some governments adopted the full accrual-basis IPSAS (e.g. Australia, UK, and Canada.)

others adopted the modified international financial reporting standards (IFRS) (e.g. New Zealand). Furthermore, others, largely developing countries adopted the cash-basis IPSAS as an initial step prior to full transition to IPSAS (e.g. Liberia, Nigeria, Mauritius, Fiji.) while others continued with cash-based accounting system.

The underlying principle of the accrual-based IPSAS fundamentally demonstrates a shift from the traditional cash basis to a standardized accrual basis accounting system which aligns with the practice in private sector (Brusca & Martınez, 2015). This, according to Pina, Torres, and Yetano (2009) provides a more useful information in determining the costs of public services and its solvency. Although, the alignment of IPSAS with the international financial reporting standards (IFRS) has generated debates based on observed fundamental differences between the public and private sector (Anessi-Pessina, Nasi, & Steccolini, 2008; Broadbent & Guthrie, 2008; Carlin, 2005; Toudas, Poutos, & Balios, 2013).

Consequently, in 2002, the International Federation of Accountants (IFAC) initiated the second phase of the standards to further develop its features to accommodate and address issues of specific significance to the public sector (IASB, 2010; IFAC, 2009b; IPSASB, 2010). This resulted to four public sector specific standards, namely, IPSAS 21 on impairment of non-cash generating assets; IPSAS 22, on general government sector reporting; IPSAS 23 on revenues from non-exchange transactions; and IPSAS 24 on budget information disclosure and one standard base on comprehensive cash basis IPSAS.

However, as a global initiative, lessons learnt in the implementation of IPSAS across different countries have made significant contribution to its evolution and development over time (Bisogno, Santis, & Tommasetti, 2015; Wagenhofer, 2009; Young & Mouck, 2012). While more of these lessons are in respect of studies in developed countries (e.g. Benito et al., 2007; Brusca & Martınez, 2016; Laswad & Redmayne, 2015; Pina et al., 2009), very few lessons could be learnt from developing countries. That is, there are limited studies in developing countries that have investigated the public sector specific standards in relation to FRQ. This limitation portends several consequential effects. First, possible generalization will be inhibited in respect of progress and ground-breaking result on IPSAS adoption globally. Second, existing and/or potential adopters of the cash-basis IPSAS will lose relevant lessons concerning the efficacy of the standard for financial reporting benefits. Third, ways to overcome potential challenges in the application of the standard (cash-basis IPSAS) to full accrual IPSAS may be problematic.

Nigeria has adopted the cash-basis IPSAS across its three tiers of government (federal, State and local government) since 2014 and the committee on the road map for implementation (Federal Accounts Allocation Committee , FAAC) proposed 2016 as the deadline for transition to full accrual IPSAS (Yunusa, 2014). However, to date, no official report or pronouncement on whether public sector in Nigeria has commenced the implementation of the accrual based IPSAS. In fact, the report of the Nigeria's Accountant General has conceded that the country needs to build accountancy capacity to cope with the demands of IPSAS implementation (World Stage, 2017). Some government agencies have also been reported to fail to move to IPSAS as required (Premium Times, 2016).

Following the adoption of the standard, extant studies have identified several potential obstacles that impede smooth implementation of the standard in the Nigerian public sector. These obstacles range from organizational factors such as legal and regulatory issues, staff competency, infrastructures, technological development (Maigoshi, 2014, Garuba & Donwa, 2011; Musa, 2015). Others are institutional factors such as education and professional capacity, and politics (Herbert et al., 2014, Madawaki, 2014). Despite these noteworthy observations, limited attention has been paid to the need to empirically examine the effect of these factors on FRQ in Nigerian public sector.

Adoption of international accounting standards (IASs) is to accentuate high quality accounting reporting among economic entities (IPSASB, 2013; Jacob & Madu, 2009; Levitt, 1998). However, prior studies have argued that FRQ is contingent on other organizational and institutional factors with/or without the application of accounting standards (Ball, Robin, & Wu, 2003; Barth, Landsman, & Lang, 2008; Cascino & Gassen, 2015; Christensen, Lee, Walker, & Zeng, 2015; Keerasuntonpong, Dunstan, & Khanna, 2015; Martínez-Ferrero, Garcia-Sanchez, & Cuadrado-Ballesteros, 2013; Mihret, James, & Mula, 2010). In fact, others feel that the introduction of international accounting standards has great likelihood of prompting other factors that tend to affect accounting reporting outcomes (Singleton-Green, 2016). Unfortunately, no known study in the context of developing countries have empirically investigated the effects of these contingencies on FRQ particularly during the recent reforms in the public sector, e.g. cash-basis IPSAS.

Therefore, given the significance of FRQ to effective management of public funds and users economic decisions, this study investigates the effect of organizational characteristics and the interacting effect of institutional factors on FRQ in Nigeria after adoption of the cash-basis IPSAS.

1.2. Problem Statement

Financial reporting quality is a prevalent and critical phenomena for organization's performance and survival (Bukenya, 2014; Christensen & Yoshimi, 2003; Legenzova, 2016; Martínez-Ferrero, 2014). In order to estimate the financial performance of an organization for effective economic decisions, the quality of financial reports emanating from organizations must be ascertained (Hassan, 2013; Rudzioniene & Juozapaviciute, 2013). Indeed deficiency in the quality of financial statements may not only impede effective economic decisions but may significantly cause substantial loss annually, which may affect the going concern and growth of the organization (García-Sánchez et al., 2012; Tarus et al., 2015; Tasios & Bekiaris, 2012; Whittington, 2008).

The imperatives to ensure the elaboration of quality financial reporting have been given little attention by corporate organizations over time. This has consequently led to the collapse of big private organizations (e.g. Enron in 2001, WorldCom in 2002, Saytan in 2009) and has contributed to the prevalence of financial scandals and fraud among public organizations (Agbedo, 2016; Ball, 2012; Nyor, 2013; Tasios & Bekiaris, 2012).

Development brought by the New Public Management (NPM) initiative in the public sector has ushered in accounting reporting reforms resulting in the adoption of high quality International Public Sector Accounting Standards (IPSAS) issued by International Public Sector Accounting Standard Board (IPSASB) of the International Federation of Accountant (IFAC). The IPSAS initiative is necessary to enhance quality financial reporting across governmental institutions and constituencies (Barrett, 2004; Bolívar & Galera, 2016; Hood, 1995; Liguori, 2012; Parker & Gould, 1999; Ryan, 2008).

However, despite the adoption of this new accounting standard, the level of success recorded towards accentuating high quality financial reporting among countries and constituencies differ considerably (John Goodwin, Ahmed, & Heaney, 2008; Heiling, Schührer, & Chan, 2013; Roje et al., 2010; Zeff, 2007). Moreover, results of studies in accounting revealed that, apart from accounting standards, FRQ is influenced by other factors that contribute to influence its pattern and outcome (Ball, Robin, & Wu, 2003; Leuz, Nanda, & Wysocki, 2003). By this, several factors have been proposed as antecedent to studying FRQ most of which are related to the organization (e.g. Abbott, Daugherty, Parker, & Peters, 2016; Khumawala, Marlowe, & Neely, 2014; Nobes & Stadler, 2015; Nwanyanwu, 2016; Ryan, Guthrie, & Day, 2007; Tanjung, Hariani, & Indrastuty, 2016). Organizational characteristics are important consideration in the elaboration of financial reporting function, because they are able to shape the pattern of its quality and resultant usefulness (Bushman, Chen, Engel, & Smith, 2004; Hopwood, 1990; Mustapha, Ku Ismail, & Ahmad, 2017; Suwanda, 2015; Thong & Yap, 1995).

To date, some of the organizational characteristics that researchers have adopted to study the FRQ phenomena in an organizational setting include, the role of audit function (Abbott et al., 2016; Drogalas, Karagiorgos, & Arampatzis, 2015; Mihret & Yismaw, 2007a), internal control system (Doyle, Ge, & Mcvay, 2006; Kewo & Afiah, 2017), level of regulatory compliance (Laswad & Redmayne, 2015; Nkundabanyanga, Tauringana, Balunywa, & Emitu, 2013), political competition (Carpenter, 1991; Salleh

Md, 2009), professionalism (Khumawala et al., 2014; Ninlaphy Salakjit, 2011), organization size (Gordon, Fischer, Malone, & Tower, 2002; Primorac, 2011) among others.

Significant findings from these studies revealed that, poor FRQ reflected by ineffective audit and internal control mechanisms, breach in regulatory and compliance provisions, low level of political influence, lack of professionalism in handling accounting numbers and organizational size, for instance, have significant influence on the quality pattern of financial reports produced by organizations. However, elaborate as the aforementioned empirical studies on organizational characteristics and FRQ relations may seems, extant literature indicates there are few studies that have investigated the effects of comprehensive organizational characteristics on FRQ under a constituency that adopts international accounting standard. While the few prior studies were limited to examining specific types of organizational characteristics (e.g. Abbott et al., 2016; Oliveira & Martins, 2011; Salakjit & Phapruke, 2011; Tanjung et al., 2016), while in reality, financial reporting and accounting practice are influenced by various organizational variables which portends significant implication for quality outcomes. Moreover, considering specific type of organizational variable will not only inhibit better understanding of the variety of organizational considerations that potentially affect FRQ, but may limit important policy measures to control the adverse effect of organizational contingency on the realization of quality financial reporting.

Additionally, the plethora of studies conducted to examine the various organizational factors relating to FRQ have been conducted largely in Asia, United States of America (USA), Australia and Europe (Abbott, Milwaukee, & Parker, 2012; R. Ball et al., 2003;

Jeffrey Cohen, Wright, & Krishnamoorthy, 2004; Hai & Trung, 2015; Timoshenko & Adhikari, 2010) with little attention on the African continent, particularly Nigeria. Hence, issues relating to FRQ deserves further investigation in Nigeria because the results of previous studies may not be generalizable to the Nigerian context due to cultural and contextual differences. Therefore, the present study addresses these gaps in the literature by examining a broad range of organizational characteristics in the context of Nigeria local governments, focusing on factors such as internal audit quality, staff competence, information technology and council's size.

Nigeria like other developing countries has embraced the adoption of the cash-basis IPSAS as initial step prior to adoption of the comprehensive accrual basis IPSAS (Nongo, 2014). But the few studies on Nigeria since adoption of the standard in 2014, have largely been limited to descriptive evaluation of cost and benefits of cash-basis IPSAS to the Nigerian public sector; without rigorous empirical justifications and link with the essence of FRQ (e.g. Grace, 2016; Herbert et al., 2014; Ovute & Eyisi, 2014). In fact, comprehensive literature review has shown that there exists paucity of empirical studies in the case of Nigeria that examined the resultant effects of organizational characteristics on FRQ during adoption of the cash-basis IPSAS in the public sector. This gap however, may prevent clear understanding regarding the what and how organizational characteristics influences the elaboration of quality accounting reporting consequent upon the adoption and application of the new accounting standard in the county.

Furthermore, previous studies that have examined the relationship between organizational characteristics and FRQ have revealed mixed results (Abbott et al., 2016; Archidona, Gandı, Gandía, & Archidona, 2008; Iskandar & Setiyawati, 2015; Lin, Jiang, Tang, & He, 2015; Pilcher & Dean, 2009), which justifies the need for further study. Thus, this study intends to extend existing literature on the relationship by introducing some institutional factors as moderators. The concept of professionalism and political influence have been conceived as exogenous institutional factors that can moderate the relationship between organizational characteristics and FRQ towards a specific direction.

Therefore, introducing the moderating variable is intended to allow for a precise description of the relationship between the explanatory variables (organizational characteristics) and explained variable (FRQ) (Baron & Kenny, 1986; Bennett, 2000). Baron and Kenny (1986) argued that a moderator is introduced in a model when the link between dependent and independent variables are confounding or weak. By this, it remained a consequential expectation that introduction of moderating variables will serve as interaction on the relationship between the conceived organizational characteristics and FRQ which may provide direction on the implementation of accounting standards and accounting practices.

Theoretically, there is a need to explore different theoretical views to gain comprehensive insight into the accounting reporting quality. Extant literature indicates that, there are limited studies which adopts contingency theory to explain FRQ (Burns & Scapens, 2000; Lüder, 1992; Reid & Smith, 2000). Relevant to this study, contingency theory as promulgated by Luder (1992) explains how environmental and organizational characteristics influences financial reporting practices in the public sector (Upping & Oliver, 2011). Relatedly, theoretical reviews have also shown that, available studies using contingency theory in the case of developing countries are grossly scanty (Chan, Jones, & Lüder, 1996; Christensen & Yoshimi, 2003; Christiaens, 1999; Monsen & Nasi, 2010; Upping & Oliver, 2011). Hence, this study adopts Luder's contingency theory as a basis to select relevant organizational characteristics using the consequential concept of 'stimuli' and 'implementation barriers' that causes identified organizational characteristics to influence FRQ at the instance of diffusion of accounting reform and innovation in the public sector (Upping & Oliver, 2011).

Meanwhile, from methodological view stand, comprehensive literature review on measures of FRQ indicates that FRQ has been assessed largely using generic measures (e.g. Healy & Wahlen, 1999; Krishnan & Yang, 2009; Martínez-Ferrero, 2014). However, there has been dearth of research on the use of situation-specific measure relating to perception of financial reporting preparers. Situation- specific measures in this context refer to the method for assessing the performance of FRQ based on some specific qualitative characteristics items identified by the subject matter experts (SMEs) such as academicians and financial reporting practitioners (e.g. Alijarde, 1997; Braam & Beest, 2013). Hence, neglecting situation-specific in measuring FRQ/organizational characteristics relations, represents a major methodological gap in the literature. Thus, to fill this gap, the present study utilizes situation-specific measures to examine the effect of organizational characteristics on FRQ in an organizational setting.

Precisely, by conducting a survey research on FRQ, this study filled critical gaps by: (1) investigating the performance of FRQ and usefulness across local governments in Nigeria (2) examining the extent to which organizational characteristics such as internal audit quality, staff competence, information technology and the size of the councils relates with FRQ during application of the cash-basis IPSAS for accounting and reporting practices, and (3) examining the moderating effect of institutional factors on the relationship between organizational characteristics and FRQ.

1.3 Research Questions

Based on the intent of this study as indicated above, the following specific research questions are addressed following adoption of the cash-basis IPSAS among local governments in Nigeria:

1. What is the perceived quality of financial reports after the adoption of cash-basis IPSAS among local governments in Nigeria?
2. What is the relationship between organizational characteristics (internal audit quality, staff competence, information technology and the size of the councils) and perceived FRQ?
3. What is the relationship between institutional factors (professionalism and political influence) and perceived FRQ?
4. Do institutional factors (professionalism and political influence) moderate the relationship between organizational characteristics and perceived FRQ?

1.4 Research objectives

Generally, this study aimed at investigating the moderating role of institutional factors on the relationship between organizational characteristics and FRQ after the adoption of cash basis IPSAS among local governments in Nigeria. The specific objectives that is pursued in this study are as follows:

1. To examine the perceived quality of financial reports after adoption of the cash basis IPSAS among local governments in Nigeria.

2. To examine the relationship between organizational characteristics and perceived FRQ.
3. To examine the relationship between institutional factors (professionalism and political influence) and perceived FRQ.
4. To examine the moderating effect of institutional factors (professionalism and political influence) on the relationship between organizational characteristics and perceived FRQ.

1.5 Scope of the Study

The present study concerns public sector accounting with particular reference to examination of the effect of organizational characteristics on FRQ after adoption of the cash-basis IPSAS in Nigeria. Local government councils in Nigeria represent the unit of analysis to be sampled within the northwestern zone of the country. The are several reasons why this study focus on local governments: First, it is because the cash-basis IPSAS adoption cut across the three tiers of government in Nigeria. There is limited studies looking at the adoption of the cash-basis IPSAS in local governments; a majority of studies have been conducted in respect of the Federal and State governments (Anazodo, Igbokwe-Ibeto, & Nkah, 2015; Ayobami, 2014; Mande, 2015; Okpala, 2012; Osisioma & Okoye, 2015; Sulaimon, 2014). Therefore, this study intends to extend existing literature by examining perceived FRQ amongst local governments in Nigeria following the adoption of the cash-basis IPAS.

Second, due to its closeness to the people, the local government's functional roles are critical for national development. This is because it controls relatively huge sum for service delivery which deserves to be adequately accounted for. Therefore, investigating the quality of accounting reporting by the local governments will provides a better insight into how public funds are managed. Based on this, Engku Ali and Saidin (2016) argued that, exploring the true picture of local government's financial reporting can enhance the perception of the public on the image of local governments as a whole.

This study, utilized survey approach through a well-designed questionnaire to elicit information from finance directors (preparers) of local governments in the study areas. The justification for the use of survey approach (questionnaire administration) is based on the following: first, the study involves examination of the qualitative attributes of financial reports, which are usually measured by financial and/or non-financial measures. Prior studies, in the context of developed countries with similar objectives have largely adopted survey research as a means of data collection in their studies (Braam & Van Beest, 2013; Cohen et al., 2013a; Mbobo & Ekpo, 2016; McDaniel et al., 2002; Afiah & Rahmatika, 2014; Renkas et al., 2016). This study therefore adopts the same approach to extend the findings of previous studies in the context of developing country such Nigeria. Second, the explanatory constructs of the study (i.e. organizational factors- internal audit quality, staff competence, information technology) have been measured by means of cross-sectional data source (questionnaire) by previous studies (e.g. Abbott et al., 2016; Archidona et al., 2008; Christiaens, 1999; Darwanis et al., 2016; Ismail & Abidin, 2010; Styles & Tennyson, 2007) also, mostly in the context of developed countries. Therefore, replicating the same research design in the context of developing countries will allow for equal basis of comparison between studies in the two contexts.

Third, inference from past research indicates that, significant useful data source may be generated by means of survey research. For example, according to De vaus (2011), cited in the study of Popoola (2014) had argue that, the significance of cross-sectional research design (questionnaire) is distinctive in its features for non-time measurement that are dependent on prevailing variances rather than variation resulting from interference. He added that the observed subjects are based on existing changes rather than random distribution. Moreover, Gaffney (1986) argued that, perceived usefulness based on respondents opinion leads to increased use, not essentially the real usefulness. Similarly, Gassen and Schwedler (2010) argued that research using survey approach allow for direct study of subjects' attributes, hence preventing the challenge in respect of empirical archival studies concerning internal validity issues.

Again, Aliyu (2015) opined that primary data could serve as alternative source of data where secondary data are scanty or unavailable. This may serve as a way of overcoming limitation observed in prior studies including Ibrahim, Engku Ali, Syed Ismail and Bidin (2004) and Engku Ali and Saidin (2016) on difficulties experienced by researchers in obtaining audited governmental reports. For example, Ibrahim et al. (2004) in a study on examining the type of audit certificates on local governments in Malaysia, noted the absence and difficulties in obtaining finalized audited report as a limitation in their study. This is most common in the context of local governments in Nigeria, where most often than not, timely production of audited annual accounts remained a huge challenge (Bello-Imam, 2007).

Furthermore, the choice of finance director as the intended respondents for this study is based on the following reasons. Firstly, although users or participants of accounting information are categorized into different groups, we specifically focus on one set of the groups (i.e. preparers) directed at an organization, because it allows us to achieve parsimony in data generation and analysis. Notwithstanding the possible trade-offs by this approach, extant researches (e.g. Arthur, 2011; Berry, Ones, & Sackett, 2007; Blalock JR, 1979; Glomb & Liao, 2003) have encouraged adoption of simplicity in research approach. Moreover, it has been suggested by Robbins (1984) that significant level of consensus exists between preparers' perception on accounting reports and that of other external users group about the relative importance and usefulness of items of financial reporting. Thus, several studies have been conducted based on this argument (e.g. Abu-Nassar, 1993; Aruwa, 2005; Carcello, Hermanson, & McGrath, 1992; Jones & Higgins, 2006b; Kilgore & Martinov-Bennie, 2014; Laswad & Redmayne, 2015; Mohammad & Soheila, 2009; Richards, Van Staden, Jacob & Madu, 2015; Robbins, 1984).

Secondly, it is observed from the literature that prior studies that adopts cross-sectional research design have largely used different accounting user groups as respondents (Aversano & Christiaens, 2014; Daniels & Daniels, 1991; Jones, Scott, Ingram, & Kimbro, 1985; Kadous et al., 2012; Naser, Nuseibeh, & Al-Hussaini, 2003; Nyor, 2013; Robbins, 1984). Hence, there exist variations in the results of findings in these studies, which inhibit clear understanding regarding the actual usefulness and uses of financial reporting. In addition, basis of comparison between difference studies becomes a challenge. Therefore, studying one single category of accounting participant (e.g. preparers) may provide clearer insight and direction towards understanding financial reporting phenomena including simplified basis for comparison.

Thirdly, it is a fact that accounting involve some technicalities which requires individuals with accounting knowledge and long years of experience to discern and interpret its ‘language’. This justifies why this study adopt the use of accounts preparers (finance directors) because they are capable at providing relevant and genuine information regarding the objectives of this research.

Finally, FRQ in accounting studies are generally based on two perspectives. The users’ perspective and the preparers’ perspective (Jonas & Blanchet, 2000). While the users’ perspective concerns the usefulness of information to users, the preparers’ perspective on the other hand, focused on users’ protection (i.e. perspective that tells the information needs of users in terms of sufficiency, transparency and competence). However, large area of prior studies has focused largely on the users’ perspective (Jonas & Blanchet, 2000), while studies on the preparers’ perspective are still very few. Therefore, this study contributes to the preparers perspective on accounting which is particularly pertinent to understanding of the efficacy of international accounting standards compared to national standards.

1.6 Significance of the study

In this study, attempt was made to examine the interacting effect of institutional factors on the relationship between organizational characteristics and FRQ. This research will be important to both theory and practice.

1.6.1 Theoretical significance

Based on theoretical inferences, this study contributes to understanding the influence of organizational characteristics on FRQ in the public sector following the application of international accounting standards in several ways:

Firstly, while several studies have adopted a single-construct as explanatory variable to explain the influence of organizational characteristics on FRQ (Copley, 1991; Hope, 2003; Linsmeier, 2011; Lopez Hernandez & Caba Perez, 2004; Robbins & Austin, 1986; Rodríguez Bolívar & Navarro Galera, 2012), this study contribute to literature using multi-dimensional (compound constructs) explanatory variables to explain the influence of organizational characteristics on FRQ. Thus, this allowed for identification of the relative importance of each variable and their contributions perceived financial reporting practices in the public sector. Meanwhile, Nur Barizah and Saleh (2015) pointed to this as a direction for future research on organizational characteristics and financial reporting research.

Secondly, majority of previous studies that investigated the application of international accounting standards on FRQ tend to focus more on the private sectors (Chistiaens, 1999; Gaston & Lainez Gadea, 2007; Hail, Leuz, & Wysocki, 2009; Liu, Yao, Hu, & Liu, 2011; Mahmoud, Abbas, & Abdullah, 2012). There are few empirical studies conducted on the public /governmental sector in the developing countries (Nur Barizah & Saleh, 2015). Therefore, this study contributes to the research on public sector by assessing the relationship of organizational characteristics on perceived FRQ among local governments in Nigeria.

Thirdly, the relative influence of organizational factors on FRQ have been investigated resulting to mixed findings (Abbott et al., 2016; Archidona et al., 2008; Darwanis et al., 2016; Iskandar & Setiyawati, 2015; Leong, Wang, Suwardy, & Kusnadi, 2015; Lin et al., 2015; Payne & Jensen, 2002). Moreover, the relationship between organizational characteristics and FRQ as operationalized in the current study have not been considered previously. Hence, this study intends to contribute to existing literature by introducing the moderating role of institutional factors (professionalism and political influence) to the model, with a view to provide direction that modifies the relationships. The justification for the introduction of the institutional factors however, is that, institutional phenomena are viewed as possessing strong influence on organizational outcomes. For instance, Greenwood and Suddaby (2006), argue that institutional factors are theorized to be potentially important determinants of organizational performance. Similarly, North (1990) noted that, organizational structures, schema, standards, rules, norms, and routines become established as guidelines for social behavior according to institutional arrangement.

Finally, this study makes modest contribution to reduce the theoretical gap on public sector accounting in developing countries by conducting empirical investigation in the setting of Nigeria. Particularly, through adoption of second-generation statistical tool such as PLS SEM to estimate the complex relationship among compound variables with dimensions and other latent variables. This approach is unique to the present study and accordingly, Abu Bakar and Saleh (2011) and Barizah et al. (2015) suggests further research on examining quality of accounting reporting.

1.6.2 Practical significance

The practical contribution of this study given its empirical nature, suggest substantial policy driven measures that enhances effective implementation of the cash-basis

IPSAS, particularly in developing countries including Nigeria. This serve as an improvement over previous studies that largely adopt descriptive (Grace, 2014; Herbert et al., 2014; Yunusa, 2014 Akhidime & Ekiomado, 2014; Baba, B.U., 2013; Ibanichuka et al., 2014).

Specifically, findings from this study makes salient and essential contributions towards improving formulation of appropriate legislation and policy in strengthen the current practice and achievement of the proposed road-map to transition to full accrual IPSAS in Nigeria. The expected finding will benefit management of local governments on improving accounting practices, better management of accounting information system for effective decision making. Finally, the study contributes to information on Nigeria's level of achievement in the adoption of the cash-basis IPSAS and level of preparedness to the transition to the accrual IPSAS. This information will serve as a vital reference for IPSASB on the database on variation in level of adoption of IPSAS among countries.

1.7 Operational Definition

1.7.1 Financial Reporting Quality (FRQ)

FRQ refers to the level that information in the financial statement reveals the correct financial condition of an entity and the decision usefulness that users of the information can make of it (Chen, Tang, Jiang, & Lin, 2010).

1.7.2 International Public Sector Accounting Standards (IPSAS)

IPSASs are established accounting standards issued by the IPSASB to be adopted by public sector entities among nations for financial reporting purposes. The composition of the standards are aligned with those of private sector (i.e. IFRS) and those specific to the public sector. Hence, the IPSAS are jointly developed and issued by the International Accounting Standards Board (IASB) and International Federation of Accountants (IFAC, 2016).

1.7.3 Cash basis IPSAS

Cash basis IPSAS recommends the way that general purpose financial statements and related statements are to be presented according to the guide lines of the mandatory and non-mandatory requirements of the IPSAS provisions (IFAC, 2006a).

1.7.4 Cash Basis accounting system

Cash basis accounting system refers to financial reporting system, which identify financial transactions and other financial dealings only when there is cash receipts or payments (IFAC, 2016). The difference between cash receipts and payments is used to determine the financial results for the period.

1.7.5 Accrual Accounting System

Accrual accounting system refers to financial reporting system, which recognizes financial transactions and other dealings when they occur and not necessarily when cash receipts and payments are involved (Ştefănescu, 2011).

1.7.6 Accounting Disclosure

Means a statutory or voluntary revelation of material fact about an economic entity on a financial statement or in the accompanying notes (Bisogno, Citro, Santis, & Tommasetti, 2017).

1.7.7 Organizational characteristics

Organizational characteristics refers to contingent factors within an organization which potentially influence quality of financial reporting outcome. In this study, organizational characteristics refers to: internal audit quality, staff competence, information technology and Council's size.

1.7.8 Internal Audit Quality

Internal audit quality (IAQ) is a systematic, independent and documented process for obtaining audit evidence in records, statements or information, which are relevant and verifiable, and can determine objectively, the extent to which audit criteria are fulfilled (Giroux & Jones, 2011).

1.7.9 Staff competence

Staff competence is defined as the capability to adopt knowledge, experience and skills effectively in discharging a specific task and meeting performance specifications (Makayi, 2009).

1.7.10 Information Technology

Information technology refers to the acquisition, processing, storage and dissemination of vocal, pictorial, textual and numeric information by a microelectronics-based combination of computing and telecommunication (Rouse, 2016). Its development is achieved by the extent of managerial and financial support and usefulness in an organizational setting (Thong & Yap, 1995).

1.7.11 Institutional factor

Institutional factor is described as having multi-dimensional approach focusing on issues of internal and external factors affecting an organization (Klovien, 2012). This study however, defines institutional factors as exogenous (external) factors that exert influence on organizations activities and practice resulting to relative behavioral change in performance.

1.7.12 Professionalism

Professionalism relates to the application of specialized skills and good judgement through experience to accounting practices (Mataira & Van Peursem, 2010; Staubus, 2004b).

1.7.13 Political influence

Political influence is demonstrated through the interplay of incentives between user group and preparers of financial report (Giroux, 1989).

CHAPTER TWO

NIGERIAN PUBLIC SECTOR AND LOCAL GOVERNMENT FINANCIAL ADMINISTRATION

2.1 Introduction

The primary aim of this chapter is to review important literature and theories in respect of the study's context. In specific, this chapter provides a comprehensive review of public sector in Nigeria, with particular reference to the accounting structure of the federal, State and the local government. Next, review of local government structure and administration in Nigeria was carried out with emphasis on the roles and functions of the local government as a development tier of government. Further, the local government financial structure and administration were closely examined, with specific interest to gaining insight into the treasury and audit system; roles and responsibility of the accounting officers of the local government and the accounting system in practice.

2.2 Public Sector Organizations in Nigeria

Public sector refers to all governmental organizations set-up, operated and financed for the benefit of the public. It is a term used to describe a section of a nation's economy that is concerned with providing basic services to the public through the machinery of governmental organizations and institutions. Sulaimon (2014) describes public sector as economic entities, which put into operation specified public policy, provision of services and the redistribution of income and wealth, which comes from the compulsory taxes and levies imposed on other sectors of the economy. In addition, Nwokori (2017) indicated that, public sector organizations are publicly controlled or publicly funded establishment including ministries, departments, agencies, statutory bodies, publicly-owned corporations, etc.

The concept of public sector in a broader perspective, incorporates both core civil service and the public service organizations (Nwokori, 2017). Luoma-aho (2008) describes the public sector as organizations constituting core administrative section of government civil service and others that work under their supervision, as well as organizations that implement public programs, policies and provide public services to the people (public service organizations). The duties of organizations in the public sector provide public services (basic education, public health care, law enforcement, fire service, environmental protection, electricity, town planning, public security, military, etc.), as well as creating and implementing public policies. They adopt while performing their duties ethical values, such as value of equality, justice and transparency.

As indicated by Erakovich and Wyman (2009), the primary objective of public sector organizations is to achieve greater public good and attend to public need with utmost responsiveness. Hur (2013) and Sims (2010) argue that, the real performance measurement of public sector is its mission effectiveness, manifested through organizational achievement goal.

Generally, the public sector includes agencies, entities and related government organizations that execute public programs, provides goods or services through sources of funds from governmental taxes, fees, charges and direct financial allocations or governmental subsidies.

The civil service is an organization which include government ministries, departments, and other branches of government which are essentially parts of the core governmental structure with defined territorial authority. Accordingly, the civil service also constitutes of employees and officials that are employed by the central government, departments and devolved branches of the central government (Kauzya, 2011). In terms of accountability, at the federal level they report directly to the central government authority i.e., the federal executive or legislature and at the State level, they are accountable to the State executive or legislature (Nwokori, 2017).

The public service enterprise on the other hand involves public organizations with responsibility to execute public programs and provision of goods and services. Nwokori (2017) opined that, the public service to some extent function with a degree of operational independence, particularly in the case of public enterprises and in some instance, they are entities with separate legal standing which exist on their own. Similarly, they often possess their own sources of funds, in addition to public funding. Furthermore, public enterprises/corporations operate as private corporations and make profit and returns on investment. Notwithstanding, the government is the major shareholder in the organization usually headed by a board of directors, commissions or an appointed body which partly operate by the rules and regulations that govern the core civil service.

In many constituencies, public sector is often used synonymously with 'the state' and 'state-owned' institutions through which activities of the government are carried out. For instance, in Nigeria, there are three tiers of government (Federal, State and Local Governments); they all perform diverse functions aimed at achieving greater public good, and provision of public goods and services. Public sector in Nigeria consist of the federal government, the 36 States, the 774 local government councils, all government corporations, commissions and institutions. The administrative and functions of the federal governments are executed through federal ministries, agencies and department (MDAs). While those of the State governments are discharged through State Ministries and Departments. The administration of the local governments' functions such as health, agriculture, education etc., are also executed through such designated departments under the local government councils of each State. Figure 2.1 below represents arrangement of the structure of the Nigerian public sector.

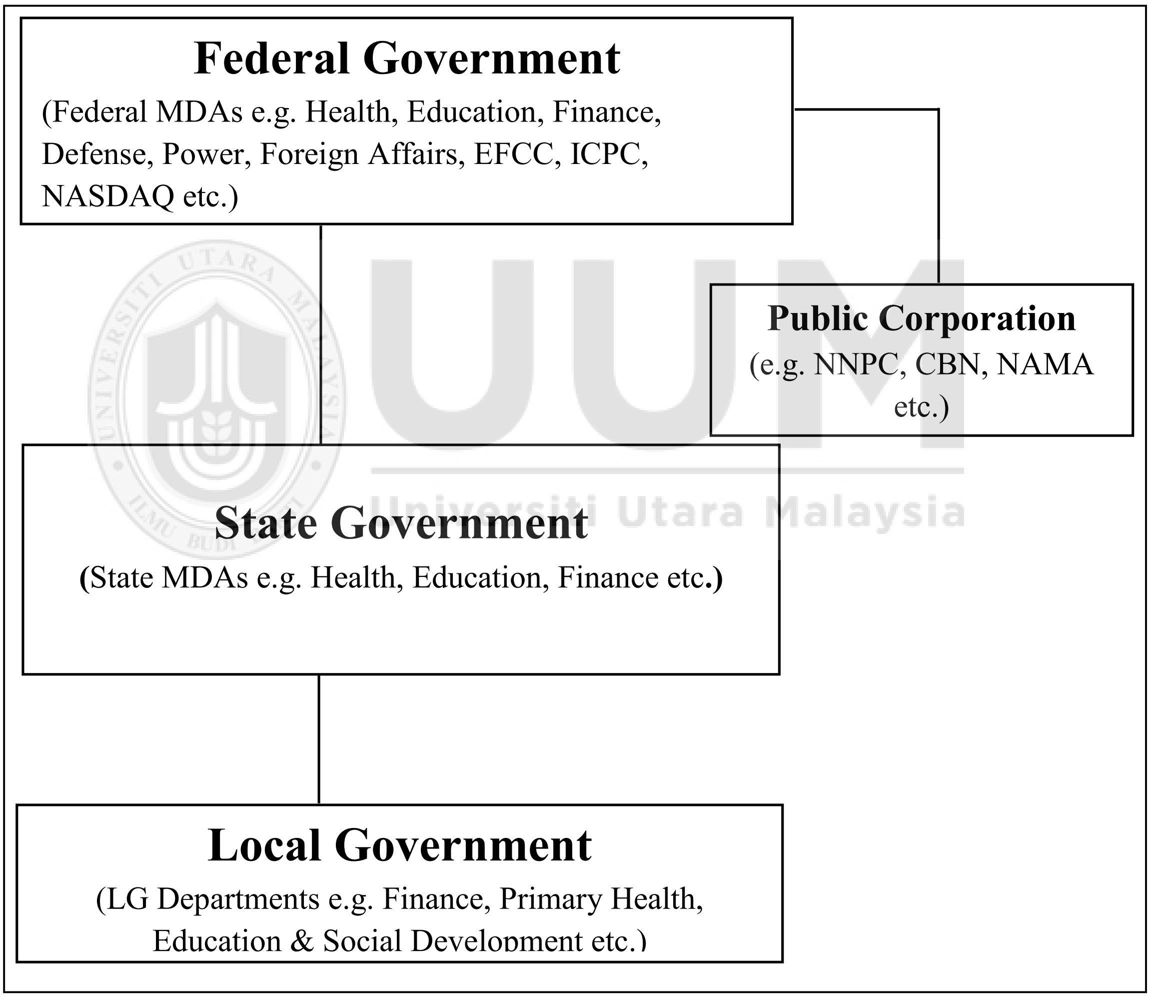

Figure 2.1
Structure of Nigeria Public Sector
Source: Researcher, 2017

The classification of the public sector organization in Nigeria as shown in Figure 2.1, describes the organization of the public sector based on the levels of government. The federal level refers to the central government. Here, the core administrative operations and activities pertaining the central government are carried out through the federal ministries and agencies. The second level of government refers to the State government and the State ministries, departments and agencies carries out the administrative activities of the State. The local government is the third tier of government created to bring good governance closer to the people at the grassroots. The governmental administrative and responsibilities are carried out through the local government departments and units. Government corporations are companies or business organizations owned by the government. They have legal autonomy, and they operate like private businesses. However, they still enjoy some of the privileges associated with government organization (Nwokori, 2017).

2.3. Evolution of Public Section Accounting in Nigeria

The adoption of accounting as an art for recording of economic activities to facilitate decision making dates back in history to the periods 9,000 to 10,000 B.C when societal complexities and development were minimal (Nwanyawu, 2006). At this period, recording of revenues generated from taxes were perhaps the earliest known form of bookkeeping accounting and the writing of economic activities was made with the use of clays, notch sticks and strokes on walls (Nwanyawu, 2006). Increase in economic activities during the colonial period resulting to establishment of joint ventures and partnership business calls for the need for better booking practices. This development evolved in different stages until the modern time accounting around, the 14^{th} century where Luca Pacioli published a work on double entry book keeping (Staubus, 2004)

The main focus of public sector accounting is to determine the revenue generated by the government, sources of such revenues, expenditures made therefrom including the balance standing at end of the fiscal year after meeting the stipulated financial obligations (Omolehinwa, 2011). According to Kara (2012), accounting in the public sector involves the receipts, custody and disbursement of fund including rendition of stewardship and accountability in the use of public funds.

However, the system of public sector accounting in Nigeria was rooted on the British colonial administration. The administration was faced with problems in accounting and reporting issues, which demanded resolution devoid of support from professional ideas (Anyafo, 1994). The root of accounting practice in Nigeria can be compared to the genesis of accounting all over the world. Its earliest epoch commenced through commercial activities using transactional payment medium of trade by barter (Mande, 2015). Although Chinedum (1996) indicates that the introduction of other means of exchange contributed to the method of accounting and practice. The advent of colonial system extended the British laws to be practicable in Nigeria. This is because local companies operating in Nigeria found themselves being subjected to similar accounting practices and regulations as that of Britain (Mande, 2015). This consequently ushered in trained accounting personnel imported from Britain to compliment the personnel employed from within the country.

At this early stage, the main consideration underlying accounting reporting was to understand whether the amount of cash generated from general tax levies could sustain current operating activities, and whether there is compliance with the laws controlling the revenue and expenditure by operators of the programs (Omolehinwa, 2011).

Nonetheless, Holder (1992) argued that limited attention was directed at determining the usefulness or relevance of the accounting figures of the government financial statements regarding external users due to low scale of governmental services and activities.

The basis of public sector accounting in Nigeria involves scores of legal mechanisms that provides broad arrangement for government financial management and reporting. The Constitution of the Federal Republic of Nigeria, 1999, the Finance (Control and Management) Act), 1958, the Audit Ordinance of 1956 and the Annual Appropriation and Supplementary Appropriation Acts forms the basis of legal instrument of the public sector in Nigeria. Oshisami (1992) described these instruments as the constitutional foundation upon which the government accounting manuals, treasury circulars, and federal financial regulations and States financial instructions are established.

In addition, for proper management and audit of the federal accounts and audit of individual States accounts, financial regulations and financial instructions are used. While at the local government, the Financial Memoranda (FM) are used to regulate the local governments' financial accounting practices. Akande, Olowe and Olowe (2015) explain that, the framework of the Nigeria accounting system was established by the promulgation of the Finance, Control and Management Act, 1958 with a view to enhance the control and management of the public finances and other related considerations.

Specifically, the key areas of government accounting covered by the Constitution includes the operation of funds, the external controls for operating the accounting system in terms of audit and investigations, and the appropriation procedure. While the Finance (Control and Management) Act 1958 controls the management and operation of government funds, regulation of the accounting system, including operation of the necessary books of accounts and the procedures to be followed in the preparation of governmental financial statements (Omolehinwa, 2011; Oshisami, 1992). Nonetheless, the significant aspect of the Act includes regulation of the format and basis preparation of government accounts.

Furthermore, the audit function and responsibility for accountability of public finances in Nigeria is enshrined in the Audit Ordinance, 1956 as amended by Audit Act 1988. The Acts provides for the duties of the Auditor-General for the federation (see section 7). According to Section 13 of the Acts, the Accountant-General of the federation is required to sign and present before the Auditor-General for the federation (usually within a period of seven months after the close of each financial year or on the last day of such financial year), the accounts disclosing the financial situation of the Nigerian federation. Subsequently, the audited financial statements are forwarded to the public account's committees of the National Assembly. Moreover, annually, Appropriation Acts are ratified to justify the allocation of funds from the Consolidated Revenue Account towards funding recurrent expenditure and capital projects of the federation as authorized by the President (see Section 81(2)). The next section provides an overview of the Nigerian local government.

2.4 Overview of Local Government in Nigeria

The administration of local government practice anywhere in the world is influenced largely by the historical, geographical, sociological, political and economic life of the people (Egbe, 2014). The case in Nigeria is not an exemption, holding to its long history of colonial rule as well as civilian and military administrations. The system of local government in Nigeria has had a unique history and has significantly shaped the administration of local governance in Nigeria till date (Ekpo & Ndebbio, 1998).

The development of local government administration in Nigeria can be seen in four distinct stages. The first stage covers between 1914 and 1950 period; the second fell within 1950 to 1966, the third stage lies between 1967 and 1976, and the final stage was from 1976 to date. During the colonial era, local governments were known as Native Authority or Administration system. This involves traditional institutions of chiefs and other traditional rulers who administers the natives under the supervision of British Administrative Officer. This phase of administration recorded important achievement of whittling down the autocracy of patriarchal traditional rulers. According to Olasupo and Fayomi (2012) these traditional rulers prior to this system, were embodiments of executive, legislative and judicial powers. The Native Authority system dismantled these and shared them among various stakeholders that constitute the colonial authorities.

Moreover, the administration of the Native Authority (NA) was criticized by the quality of the chiefs and traditional institutions in terms of exposure to Western education and modern governance (Ekpo & Ndebbio, 1998). The failure of the NA was attributable to the lack of executive powers to assist the local and rural poor. Hence, the system did not satisfy the needs and aspirations of the local people, hence there were intense agitations particularly among the educated elites in southern Nigeria who were craving for greater participation in their own affairs. This consequently led to the introduction of the Sole Native Authority System in 1946 which was also described as marginalizing the women traditional rulers, particularly in communities known for balance in gender traditional rulership.

After the Second World War in 1945, the colonial policies on local government changed coupled with the demands for greater participation, leading to the adoption of the representative or liberal democratic system of local government in the 1950s (Egbe, 2014). The first step taken was to restructure the local government system into multi-tier system, The multi-tier system, according to Olasupo and Fayomi (2012) was a concentric circle of variety of three local government, e.g. the County, District and Local council or Provincial, Divisional councils.

Secondly, democratic values had pervaded the local government system by 1954, across the three regions of East, West and Northern Nigeria. Each of the region possessed unconditional control over the type, structure and functions of local government (Abdulhamid & Chima, 2015). Consequently, the regional governments which practiced different systems of local government, began to reform their Native Authority systems to conform with their policy (Ekpo & Ndebbio, 1998).

Nonetheless, the management of the local governments at this period did not allow for proper local government administration due to conflicting composition of the council members and over dominance of the regional governments (Olasupo & Fayomi, 2012). While the traditional rulers acted as presidents of the council, the technocrats (Secretary and Treasures) exercise executive powers through directives from the regional governments. This way, Local governments under this second phase were effectively subordinated to the regional governments as the traditional rulers.

The 1976 local government reform brought important landmark that empowered the administration of the local governments in Nigeria. The 1976 local government reform has been described as a good beginning to the affairs of the local governments, as its desire to extend the principle of federation, by bringing government to the grassroots level, and to achieve uniformity of local government administration across the federation. More important, the local government financial system was restructured (Olasupo & Fayomi, 2012), resulting to statutory allocations of revenue from the Federation Account with fixed proportions of federal and each State's revenue to the local governments. Ekpo and Ndebbio (1998) informed that, the revenue belonging to the local government was ring-fenced to protect it from state encroachment.

The introduction of constitutional democracy in 1979 implies that, the local government administration under the federation arrangement, would be operated along with the constitutions guiding its existence within the federal system of government. Awotokun (2005) noted that the 1979 constitution did not provide for the local governments as a third tier of government. The constitution only enumerated certain functions that the local governments must perform. Awotokun (2005) describes the local governments under this era as politically impotent and financially insolvent.

However, by the 1988 reform, the federal government removed the state government from its intermediary role in the transmission of funds from the Federation Account to local government i.e. allocations from the Federation Account were collected directly by local governments from the Federal Pay Offices in their respective states. Moreover, wake of the return to democratic rule in 1999 placed the local government councils firmly under the State's control (Egbe, 2014). But the constitution preserve the tripartite system of government at the grassroots level of the executive, the legislature and the judiciary (Awotokun, 2005). Based on the strength of law, the 1999 constitution, the powers of local government councils as a unit of government with institutional and financial power to administer local affairs was enhanced. In addition, the 1999 constitution introduced the State Joint Local Government Account (SJLGA) for management of the local government allocations from the federation account. Implicitly, the SJLGA ensures that federal allocations pass through the local governments via their respective State governments. Section 160, sub-sections (2) to (8)) of the 1999 Constitution provides that:

> *the amount standing to the credit of local government councils in the Federation Account shall be allocated to the states for the benefit of their local government councils on such terms and in such manner as may be prescribed by the National Assembly; and that each state should maintain a special account, to be called the State Joint Local Government Account, into which shall be paid all allocations to local government councils of the state from the Federation Account and from the government of the state.*

However, the guidelines for the mandate of the SJLGAs have become a subject of financial misappropriation and abuse of local government entitlements by the State governors (Abdulhamid & Chima, 2015). Many State Governors were accused of misappropriating local government funds based on the SJLGA arrangement (Egbe, 2014; Olasupo & Fayomi, 2012). The constitutional barriers imposed on local governments finances through the SJLGA, and the way the State Governments manipulates the account as rendered the administration of local governments in Nigeria ineffective.

Therefore, operations of local government in Nigeria up to the present dispensation are based on the 1999 constitution. The constitution recognizes 774 democratic local government areas with the State Houses of Assembly invested with powers to make laws for detailed operations of the councils in terms of functions, structure, composition, finance etc. Therefore, local governments in Nigeria remained a popular and essential unit among the three tiers of government under federal arrangement. The implication of its evolution contributed significantly to shape the local government administration.

The sub-section below enumerates on the structure, functional roles played by the local government; its financial management practices that qualifies it as an agent of national development

2.4.1 Structure and Administration of Local Governments in Nigeria

Nigeria operates the single tier administrative structure, where authority is delegated to only one level of government (Akpan, 1990). The current structure of the local government is based on the 1999 constitution which basically embraces the presidential system of local government at the grass root. This system consist of the legislature and the executive, the judiciary being absent (Olasupo & Fayomi, 2012). The Executive committee or arm of the local government is basically responsible for the management and control of the day-to-day administration of the council. The executive arm consists of the chairman, vice chairman, supervisors and secretary of council. The chairman appoints the secretary of council, and the supervisory councilors. While on the other hand, the legislative arm of the Local Government council is made up of the council leaders and other councilors.

The Financial Memorandum (FM) is a legal document which guides the administrative and financial operation of the local government. Specifically, the FM stipulate the functions and responsibilities of the executive and legislative officers of the local government (FM, 1991). For instance, the Chairman is designated as the Chief Executive and Accounting Officer of the local government. His designation as the Accounting Officer excludes signing of cheques and vouchers, though he authorizes all payments. In specific, the function of the chairman of the local government include: observing and complying fully with the checks and balances spelt out in the existing guidelines and financial regulations governing receipts; ensures culture of accountability and full compliance with relevant laws on finance.

Others include, rendition of monthly statements of income and expenditures and annual reports to the local government council; render quarterly returns of the actual income and expenditure of the local government to the state government for further necessary action. Beyond these, the chairman also directs the affairs of the local government; he allocates responsibilities to the vice chairman, supervisors and the secretary to the local government; he conducts the meeting of the executive committee of the local government; maintains liaison with the legislative arm of the local government among others.

The vice-chairman accordingly is assigned the responsibility of administering department of the local government. In the instance of absence of the chairman the vice-chairman acts. Next, the secretary to the local government. He is an appointee of the chairman with functions such as, keeping records of the meetings at the meetings of the executive committee; coordinates the activities of departments of the local government;

liaising on behalf of the chairman, with the local government council; liaising with the appropriate officers of the state government on state local relations including other duties that may be designed from time to time. The Supervisors on the other hand are political appointees of the local government performing a supervisory role upon assigned departments of the local government. More specifically, their functions include: serving as political heads of their assigned departments; serving as members of the executive committee; giving directives to the professional heads of their respective departments on general policy issues; assisting the chairman to supervise the execution of local government projects within their respective departments and carrying out such other duties or functions as the chairman may assign from time to time.

The Local Government Legislative Council also exercise power vested in them according to the bye-laws passed by its legislature and assented to by the chairman. The composition of the legislative arm of the local government consist of the leader, the deputy leader and councilors who are chosen among the councilors. Among other things they are saddled with the following functions: debating, approving or amending the annual budget of the local government council; vetting and monitoring the implementation of projects and programs in the annual budget of the local government; examining and debating the monthly statements of income and expenditure rendered to it by the chairman of the local government; advising, consulting and liaising with the chairman of the local government.

Generally, the structure of Local governments in Nigeria can be seen in the light of political and administrative structure (Anyebe, 2016). The operation of the political office holders or elected officers are accommodated within the political structure. In other words, the political structure is a leadership structure for political office holders. The administrative structure is that within which lies the local government personnel/career office holders operates to discharge needed services to the local people (Anyebe, 2016). The representation of the political structure is presented in Figure 2.2.

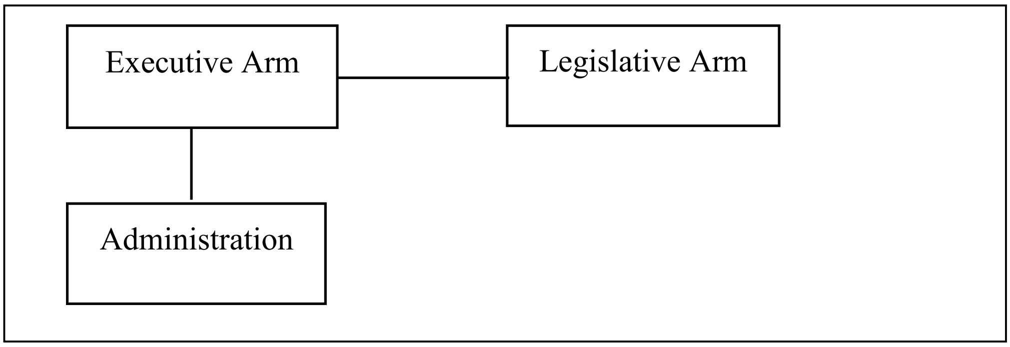

Figure 2.2
Abridge Political and Administrative Structure of local governments in Nigeria
Source: adapted from Anyebe (2016)

The Administrative structure is the building blocks for execution of the local government's activities through its departments. In the Nigerian local government system, the tradition has since 1976 to the present time favored the establishment of six departments, namely: Personnel Management (formerly Administration), Finance & Supplies (formerly Treasury), Agriculture and Natural Resources, Primary Health Care (formerly Medical and Health), Education and Social Development (consists of Adult

Education, Community Development, Social Welfare, Youth & Sports), Planning, Research and Statistics. There are sections under each department and below the sections are units. Figure 2.3 is a diagrammatical representation of the administrative structure of the local governments.

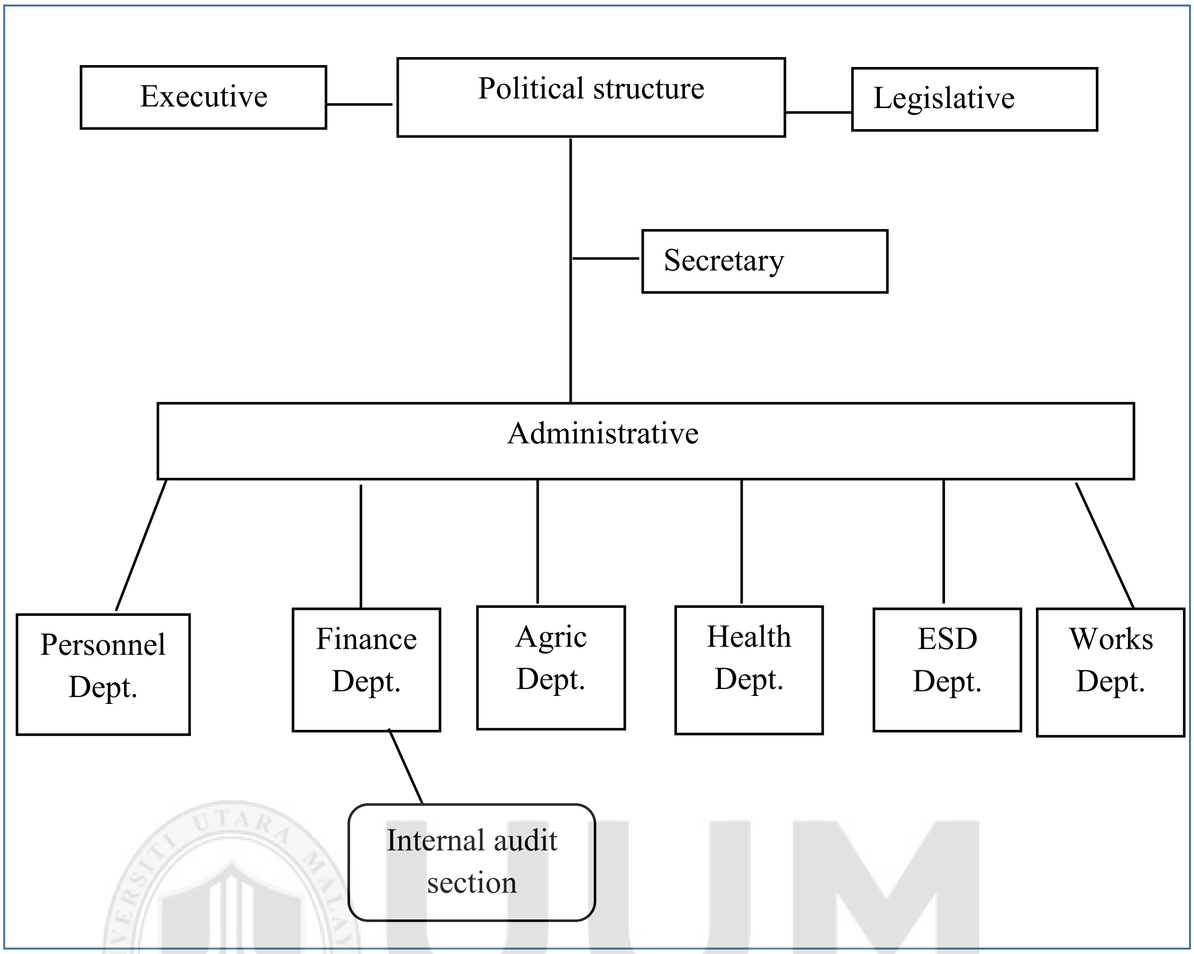

Figure 2.3
Detailed Political and Administrative S*tructure of Local Governments in Nigeria (presidential system)*
Source: adapted from (Anyebe, 2016)

The personnel and the finance departments are critical departments within the local government structure. They are referred to as the service department because they provide the finance and maintain the personnel needed in the other four departments (Egbe, 2014).

2.4.2 Roles and Function of Local Government

In a modern society, a State is formed by the coming together of several local units (Olojede, Fajonyomi, & Fatile, 2011). This makes the citizens to have local affinity and loyalty. Moreover, since the central government may find it practically impossible to manage and control the operations of the segments that forms the state, it becomes imperative that local governments are established to cater for the detail administration of the local affairs that will give full attention to local preferences and prejudices on every issue (Olojede et al., 2011). In support of this arrangement, Bello-Imam (2007) asserts that all over the world, countries have come to terms with the fact that it is difficult to administer and manage the affairs of the state through the central government alone. Hence, local government or some type of governmental administrative level is established to perform specific roles and functions to the local residents.

Local governments in Nigeria within the federal structure became recognized as distinct level of government in 1976 through the 1976 guidelines for Local Government Reforms (Adeyemi, Akindele, Aluko, & Agesin, 2012). At present Nigeria local government is made up of 774 local governments with constitutionally assigned functions and responsibilities. A comprehensive review on the roles and responsibility of local government in Nigeria indicates the enormous responsibility of the local government to engender development at the grassroots. Has highlighted by Ojo (2009) the local government has responsibilities for mobilizing local resources, promoting social and economic improvement and development as well as national unity. In addition, they are also expected to carry out regional policies with respect to agriculture and selected industries, thereby helping to ameliorate unemployment. Others include strategies for revenue generation, budgeting, development planning, provision of services and community mobilization.

Within this understanding of local governments responsibilities, Agba, Akwara and Idu (2013) reiterated that, local governments were created in Nigeria as a third tier of government to bring about effective, measurable and efficient service delivery to rural communities. Discharging services to the communities in terms of housing, water, rural electricity, roads and transport and health facilities. Local governments are also required to bring about local economic development through the implementation of various initiatives targeted at identifying the needs and preferences of communities under their respective jurisdictions. Apart from being a viable political and administrative organ for the transformation of rural communities, Adeyemo (2005), Lawal and Oladunjoye (2010) views the local governments as the training ground for the breeding of the grassroots democracy critical for national development.

Furthermore, the 1999 constitution of the Federal Republic of Nigeria specifically spelt out the main functions of a local government as stipulated in the fourth schedule of the constitution. These include: formulation of economic plans and development schemes for the local government areas; collection of rates, radio and television licenses; establishment and maintenance of cemeteries, burial grounds and homes for destitute or the infirm; licensing of bicycles, trucks (other than mechanically propelled trucks), canoes, wheel-barrows and carts; establishment, maintenance and regulation of slaughter houses, slaughter slabs, markets, motor-parks and public conveniences; construction and maintenance of roads, streets, street lightings, drains, parks, gardens, open spaces or public facilities as may be prescribed from time to time by the House of Assembly of a State. Others including naming of roads and streets and numbering of houses; provision and maintenance of public conveniences, sewage and refuse disposal; registration of all births, deaths and marriages. In addition, as may be prescribed by the

State House of Assembly the local government shall assess privately owned houses or tenements for the purpose of levying; controls and regulate the movement and keeping of pets of all descriptions, levying outdoor advertising including shops and kiosks, restaurants, bakeries and other places for sale of goods to the public, laundries, and licensing, regulation and control of the sale liquor (FGN, 1979; FGN, 1999; Onyishi & Obi, 2004).

However, to determine how well the local government in Nigeria have performed in discharging these responsibilities and functions remained contentious. This is because several factors have been put forth by observers (scholars, local government analyst, practitioner etc.) as militating factors and impediment in the achievement of meaningful progress to discharging these responsibilities and functions. Prominent among the factors which continuously impede the successful performance of the local government in its assigned functions is the essence of financial management and accountability. The next subsection dwell closely on this factor with particular focus on operations of accounting reporting, auditing and treasury practices including roles and responsibility of local government financial officers.

2.4.3 Local Government Finance Department

The effective management of local government financial resources are usually carried out through a designed mechanism and usually embedded in the financial regulations recognized by the constitution of a country (Aborishade, 1994). In Nigeria, the mechanisms are embedded in the financial memoranda for Local Government. The Financial Memoranda (FM) is one single document that has traditionally provided support and guidance in the administration of local government finances (Abubakar, 1993). According to the structural arrangement of the local government councils in Nigeria, financial administration of the council are operated in the finance department. The finance and budgeting department as it is also called (previously called the Treasury department) is made up of sections and units where the financial transactions of the local government are prepared and administered.

The finance department is headed by the treasurer equally known as the director of finance. The financial function is vested on the finance director of the Local Government. The finance director according to section 1 (13) of the financial memorandum (FM) is the Chief Account Officer and Head of the Finance Department of a local government. As the Director of the local government financial administration, he shall attend all executive meetings and other committee meetings to provide advice concerning the financial implication of proposed policies, the state of the local government finance and financial matters generally.

The responsibility of the finance director as stipulated by the FM (1991) includes (i) administrative control of the Finance Department of the local government (ii) performance of duties as Chief Account Officer of the receipts and payments of the local government (iii) a signatory to local government cheques and vouchers (iv) ensures adequate compliance with the accounting principles as prescribed by statutory regulations of the local government as laid down in the local government law (v) carrying out monthly checks on treasury books and transaction by an authorized officer (vi) ensure the correct and prompt submission of annual estimates, accounts and other financial returns and statements (vii) carry out all financial directives of the local government councils, executive and chairman promptly (Mustapha, 2009a).

Other task include (i) Preparation of Annual Budget for consideration of the finance/general purposes committee and subsequent approval by approving authority (ii) giving of advice to the local government on the cash flow situation showing probable receipts and payments as compared with the estimated provisions in the estimates (iii) presentation of annual financial statement of accounts at the end of every financial year and submit his books of account for auditing and taking prompt action on audit queries and (iv) initiation of measures to boast collection revenue (Eze & Harrison, 2013b).

Relevant to the present study is the internal audit unit of the local government. According to the implementation guideline of the 1988 civil service reforms on (section 12 (12)) local government service; there shall be established in each local government, an internal audit (IA) unit, headed by a qualified accountant to provide a complete and continuous audit of the accounts, and records of revenue and expenditure (Badara, 2012). The internal auditor of each local government has responsibility to report directly to the accounting officer and the Auditor General of the local government council monthly, regarding true progress of the local government audit responsibilities. In addition, the IA shall also issue special reports, if necessary, where, in his opinion, the attention of the Auditor General of the local government council should be drawn.

According to Badara and Saidin (2012)the main objective of internal auditors at local government level is; to promote accuracy and reliability in accounting and operating data, to safeguard government resources against waste, fraud, and inefficiency, to measure the extent of the operating department's compliance with government policy, to evaluate the overall efficiency of the operating functions. As argued by Olanisebe, Ekundayo and Lukman (2018) the internal auditors at local government should ensure that all officers whose duties involve the handling of local government funds are adequately bonded, ensure that the computation and casting have been verified and are arithmetically accurate, ensure that all payments have been entered in the Departmental Vote Book (DVEA). Moreover, (Badara, 2012) highlights the motives for the establishment of internal audit unit at local government level to include to: ensure promotion of accurate and reliable accounting and operation of financial data; safeguard government resources in order to prevent embezzlement and fraud, determine the extent of compliance with relevant government laws, policies and procedure established within the various department as well as ensuring proper and judicious resources utilization.

Furthermore, the legal instruments for audit assignment in Nigeria is based on the overall framework for the financial management, auditing procedures, government accounting and financial reporting for either the federal, state or local government. The instruments necessary for this include, the Constitution of the Federal Republic of Nigeria 1999, the Finance (Control and Management Act) 1958, the Audit Ordinance of 1956, the Annual Appropriation Act and the financial memoranda of 1999. While in terms of professionalism, bodies such as ICAN and ANAN are required to handle audit matters through the Nigerian Standard on Auditing on issues requiring professional advice (Badara, 2012).

Local government audit function is performed by either internal auditor, audit committee or various supervisory organs from the state government and external audit (Friedberg, 1998). Cohen and Sayag (2010) has argued that the staffing of the internal audit unit with personnel with adequate qualification and professionalism, maintenance of proper working condition are necessary requirement for an effective operation of an internal audit.

2.4.4 Local government Accounting System

The provision of Section 7, Subsection (1) of the 1979 Constitution of the federal republic of Nigeria states that, government of every State of is empowered to create local government under it Local Government Law/Edict which will provide for the establishment, structure, composition, finance and functions of such Councils. In addition, sub-section (3) of the same section provides that the duties of a local government include participation in economic planning and development of its area of authority. While the Federal and the State governments are responsible for development at the National and the State levels respectively, it is the statutory responsibility of local government to cater for the people at the grass root level which forms most of the teaming population of the whole country.

Eze and Harrison (2013) opined that, for meaningful development to be realized from the use of public funds, mechanisms for efficient fund management must be put in place. Accounting system at all levels of Government (Federal, State Local) is one of such mechanism to drive effective and efficient fund management. Traditionally, the Financial Memoranda (FM) is one single document that has provided support and guidance in the administration of local government finances (Abubakar, 1993). Accordingly, the FM provides the basis for effective and efficient financial administration of local governments in Nigeria. Moreover, the FM provides for the duties and responsibilities of the local government officers; it set out the process to be followed in the preparation and approval of annual and supplementary estimates; prescribe the procedures in respect of collection and accounting for revenue and expenditure of local governments. Again, it stipulates the statement of accounting objectives and the accounting principles to be followed; maintains the main and subsidiary accounting records to be prepared each month and at the end of the financial year including arrangement for internal audit of the accounts of the local government.

Nonetheless, over the years, reforms in the local government administration of Nigeria has shaped the provision of the FM to meet the changing needs of the local governments (Mustapha, 2009a). Areas affected by the reviewed according to Adewumi (1983) includes the codification of various rules and regulations within which local governments have been operating, streamlining of duties and responsibilities of the two arms of local government-the Executive and the legislative arms; the roles of individual key officers and their relationship, so as to remove any ambiguities about role performance and accountability and the issues of accounting system, procedures, approving authorities and checks and balances were also reformed.

2.5. Organizational Characteristics and Local Governments Performance in Nigeria

Organizational characteristics refers to the embodiment of the management model adopted by an organization, through its structure or operational strategy, or culture embodies in the nature of its membership and relationships (Said, Abdullah, Uli, & Mohamed, 2014). According to Said et al. (2014), organizational characteristics could be broadly referred to as organizational influences. In other words, organizational characteristics can be seen as endogenous organizational contingencies which widely affect the organization performance objectives. The local government is the third tier of government within the federal arrangement in Nigeria. Thus, they are assigned some constitutional responsibilities to enable the people feel the impact of governance within their jurisdictional communities (Badara & Saidin, 2012). Within the organizational settings of the Nigeria local government, several organizational factors have been indicated by previous studies that influences and direct the operational performance of the councils (Adewumi, 1983; Agba et al., 2013; Melkers & Willoughby, 2005; Ojo, 2009). Prominent among these factors and which forms the explanatory constructs for the framework of the present study include: staff competence, information technology and the councils' size.

However, discussion of these organizational contingencies based on their institutional policies, framework and effects on the local government performance, explains the significant importance of the need to increase studies in this direction with the view to reposition of the local government toward improved performance.

2.5.1 State of Staff Competence and the Local Government

Workers competency issue is an aspect of human resource management in an organization that is concerned with workers capabilities in terms of skills, knowledge and ability to perform assigned job specification (Dingle, 1995; Indriasih & Koeswayo, 2014). Reference to frameworks adopted by most organizations and industries in the development of staff competencies, organizational policies regarding recruitment requirements and training needs, has a significant impact on the quality of staff competence available for the job of an organization (Rodriguez, Patel, Bright, Gregory & Gowing, 2002; Bailey, Mankin, Kelliher & Garavan, 2018). As indicated by Emerole and Enyioko (2015), the Local Government Service Commission (LGSC) is a major stakeholder in the management of human resource of local governments in Nigeria, in terms of appointment and development of staff. That is, apart from the political officers, the career staff of the local government councils such as heads of departments, Secretaries and others, depend directly and/or indirectly on the commission for the appointment and staff development.

Significant to the statutory function of the LGSC involves the appointment and training of staff, which are critical for the realization of competent work force for the local government assignment (Joseph, 2015). Although, it has been well documented that the LGSC in Nigeria are not given the required free hand to carry out their functional responsibility, consequently causes a great hindrance to the availability to competency of staff to man the activities of the local government (Okpala, 2013).

For instance, the service commission are sometimes faced with problem of satisfying interest of the political class rather than organizational interest in the appointment and recruitment of staff (Omisore, 2013). Joseph (2015) reported cases where competent staff and more qualified candidates are dropped and mediocre recruited because they have godfathers in the government. In addition, the state governments use the commission to regulate and sometimes frustrate local government policies including democratic activities by deploying the incompetent caliber of staff to a particular local government council, resulting to poor implementation of policies of the councils.

Further, Dibie (2003, 2014a) corroborate the above assertions by revealing the implication of “political patronage” in the job performance by the local government staff. He discussed the impact of having local government officials in positions who lack the training for the jobs they were hired to do, because employment in the Nigerian civil service is marred by 'Political Patronage.' That is, a situation where elected politicians reward their supporters with government jobs and contracts without considering their qualification or ability to do the job.

Furthermore, apart from the negative effect of political interferences, other militating factors that also contributed to the current set-back to the workforce competency of the local government includes the menace of creation of more states, downward spiral of local government revenue and expenditure and the incident of urban-rural migration (Dibie,2003; Omar, 2009 & Khemani, 2006).

According to Dibie (2003), the advent of the creation of more states in the country in 1980s and 1990s, caused many of the staff at the local level to moved up to work for the state and the federal governments, thereby, leaving the local councils without skilled labour to work at the public service. In addition, the reduction in the revenue generation and expenditures of the local government finances caused many local employees to be out of work while competent staff and professionals find it unattractive to join the service of local government. Similarly, Omar (2009) and Khemani (2006) argued that the migration of people from rural to urban areas in search of good jobs and better life has contributed to staving the local councils of competent staff resulting to poor planning and implementation of projects particularly at the grassroots.

In the light of the above, it cannot be overemphasized that staff competencies is a critical organizational characteristics that has a far-reaching consequences for effective organizational performance. Notwithstanding the above state of local government performance, the present study however further provides additional insight to understanding the relationship of staff competence on financial reporting quality under a changing accounting reforms in the public sector like the local government.

2.5.2 Information Technology and the Local Government

Progress made so far in the development of Information Technology (IT) globally has provided organizations with the opportunity and competitive advantage to improve their efficiency and effectiveness (Thong & Yab, 1995). The advent of IT has made the activities of government more accessible to the governed (Ojo, 2014). This becomes obvious in the use of modern communication technology which reduces the traditional constraints of distance.

Moreover, the rapidly changing global environment has prompted governments of different nations to come to terms with IT as a bedrock for national survival and development. By this, countries are challenged to take a bold steps and initiatives to address vital socio-economic issues relating to IT development such as ensuring reliable infrastructure, skilled human resources, open government and other essential issues of capacity building. In addition, countries now take progressive step to develop a national IT policy and implementation strategy to respond to the emerging global reality and thus avert becoming a victim of the digital divide (Nigerian National Policy for Information Technology, 2005).

The vision statement of the Nigeria policy on IT development involves making Nigeria an IT capable country in Africa and become a key player in the Information Society, through using IT as the engine for sustainable development and global competitiveness. Relevant to the use of IT in governance and public administration, a fundamental objective of the Nigerian policy on IT development is to improve accessibility of public administration for all citizens, including bringing transparency to government processes.

However, as a way of strategy to achieving this, the national policy proposed the establishment of adequate institutional framework at the federal, state, and local government levels in order to effectively accomplish the objectives (Nigerian National Policy for Information Technology, 2005). Precisely, the policy statement regarding support for use of IT as it relates to governance states that:

> *The nation shall use IT as the major driving force to re-engineer and rapidly transform governance to interface with the needs of its citizenry by establishing transparent "Government Wide Information System (GWIS)" at national, state and local government levels* (Nigerian National Policy for Information Technology, 2005, p. 6).

Furthermore, in order to demonstrate its support for the use of IT, the government policy highlights the following, implementation strategies though non exhaustive: Ensuring through the National information technology development agency (NITDA), the implementation of compatible standards for networking of all government organizations; making IT skill acquisition mandatory for all government employees; establishing Web Sites for improved government image and as information centres for the citizenry; Improving significantly the management of government statutory bodies information systems and others.

Subsequent to the formulation of the national policy for IT development in Nigeria, a giant step was taking to adopt the use web and other mobile internet technologies in the operations of the government. This initiative was referred to as e-governance. Hence, the enabling Act was developed in 2007 by the National Assembly with an Agency established along with the Act, and was empowered to plan, develop and promote the use of information technology in Nigeria (Olatokun & Adebayo, 2012). This was followed by the creation of Ministry of Communications Technology in 2011 with mandate of streamlining ICT development and progress in line with the nation's plan for e-governance (Omerie & Omeire, 2014).

However, reports have shown the government's commitment to development of IT and telecommunications in Nigeria, given the level of improvements in the sector over some couple of years. Adeyemo (2011) opined that, some of the reasons for the improvement in Nigeria is the infrastructure index which has recorded relative success in the Nigerian telecommunications sector. To illustrate, Nigeria's infrastructure Index has moved up from 0.0013 in 2004 to 0.0492 in 2008. The teledensity figures of 0.4 lines per 100 inhabitants in year 2000 (with 400,000 connected lines and 25,000 analogue lines), to tele density figures of 42 lines per 100 inhabitants (representing 59 million active subscribers) in October 2008 (Adeyemo, 2011). Other gains of the telecommunication sector also include:

a. The licensing of various digital mobile operators, fixed wireless access and long-distance operators, internet service providers and a second national carrier
b. A submarine fibre optic cable link that is being managed by the country's government owned telecoms provider Nigerian Telecommunications Limited (NITEL).

c. Fibre optic cable links are now being laid to link various parts of the country by the telecom's companies

d. A second submarine fibre optic cable connection project funded by the African Development Bank (ADB) has been approved

e. The National Space Research and Development Agency (NASRDA) had launched the countries first communications satellite in 2007

f. The Computers for All Nigerians Initiative (CANI) which is a programme which aims to improve Nigerians' access to computer hardware

g. The Petroleum Technology Development Fund (PTDF) and the Education Tax Fund (ETF) are also building and equipping computer centres in both secondary and higher education institutions across Nigeria.

Notwithstanding the huge step and achievements taken towards enhancing the development of IT in Nigeria, particularly at the central government, but the level of integration of the infrastructure to cut across other levels of government within the country leaves much to be desired. In other words, the impact of commitment of the government is only seen at the federal government level, while the commitments at other levels of government such the State and local governments is non-available or at best grossly inadequate, as operations of those levels could not depict that they have been integrated within the IT infrastructural circle.

Consequently, Coleman (2005) enumerates on the challenges impeding the development of IT infrastructure to include: inadequacy of the human skills and capacity to manage, integrate and sustain the IT infrastructures; lack of devolving the benefits of technology to intermediary institutions such as local government, parliament, parties, civil society organization etc. Omeire and Omeire (2014) highlighted challenges of implementation IT in Nigeria to include: low ICT literacy rate, lack of necessary regulatory, poor ICT infrastructure, corruption, lack of committed leadership, epileptic power supply, bureaucratic bottlenecks.

However, despite the above organizational provisions, the rate of financial corruption and mismanagement of public funds makes the efficacy of these provision to be questionable (Akande et al., 2015). This becomes more worrisome according to the unfavorable comments by extant studies on the state of information content of financial reports of the Nigeria public sector. The next subsection details on these comments.

2.6 State of Financial Reporting in the Nigerian Public Sector

The quality of financial reporting that traverse the corridors of governmental institutions in Nigeria have been dismally described (Aruwa, 2002; Eze & Harrison, 2013a; Osisioma & Okoye, 2015). The bane of the problem has been the resultant effects of financial corruption, fraudulent reporting practices, lack of accountability and transparency in the operation of public businesses (Adeyemi & Okpala, 2011; Aruwa, 2002; Ebimobowei & Binaebi, 2013; Okpala, 2012; Osisioma & Okoye, 2015). Over time, the primary challenge that has inhibited adequate and transparent financial reporting system in the Nigerian public sector was blamed on the use of the cash basis and other unstandardized reporting system (Ayobami, 2014). That is, prior to the adoption and implementation of the cash-basis IPSAS in Nigeria in 2014, the system of accounting for government transactions has been on the traditional cash-basis accounting system (Akhidime, 2012; Ayobami, 2014). This has been said to impede the faithful representation of transactions and events of government activities due to its inability capture account payables and receivables (Aruwa, 2002; Ayobami, 2014; Herbert et al., 2014).

However, general and specific comments from prior studies, regulatory bodies (e.g. Public Accounts Committee (PAC)), international organizations (e.g. United Kingdom's Department for International Development, World Bank and Transparency International), indicates there are major weaknesses in financial reporting system in the Nigerian public sector (Aruwa, 2002). For example, the PAC described the financial reporting practice of the government as characterized by lack of timely reporting and weak compliance with regulatory framework by the preparers of the accounts (Okpala, 2013) . Similarly, Aruwa (2002) investigated the information content of published government financial statement and indicates that the content of government financial report and information need of users revealed perceived gap in terms of lack of external accountability; poor alignment with government budgetary activities. In addition, Lamide (2010) questioned the credibility of financial reporting practices amongst governmental organizations in Nigeria due to unchecked large-scale fraudulent activities.

In another instance Obazele (2000) described the Nigerian public sector financial reporting as inadequate to reflect the benefits received from government activities, too detail for user's needs due to complexity in presentation, narrow scope of reporting and inadequate to represent the activities of government. Similarly, Mande (2015), equally revealed that, financial transactions amongst governmental departments and agencies in Nigeria are not properly kept or maintained. He noted the challenge as to with lack of compliance with regulatory provisions and presentation of unreliable accounts figures. Relatedly, Oshisami (1992) argued that the public sector accounting system does not provide full and adequate reporting of all financial quantifiable resources of government.

However, like most developing countries, Nigeria has adopted the cash-basis IPSAS across the three tiers of government with the hope of improving the quality of information content of the public organizations. Thus, the outcome of the present study presents the level of improvement the new accounting reform has contributed to the public sector in Nigeria, with specific reference to the local governments.

CHAPTER THREE

LITERATURE REVIEW

3.1 Introduction

The primary aim of this chapter is to critically review important literature and theories in respect of the study's conceptualization and measurement of respective constructs that make up the study's framework. In addition, past studies were reviewed to conceptualize and operationalize the main constructs of the study's theoretical framework (financial reporting quality, organizational characteristics and Institutional Factors). Based on the reviewed extant literature, gaps from prior studies were critically identified and the chapter concluded with a summary.

3.2 Financial Reporting Quality (FRQ)

Financial reporting is a communication medium between the preparers of accounts and the users (Tasios & Bekiaris, 2012). The preparers provide financial report to users who uses them for economic and financial decisions. The potential users of financial reports differ extensively and include creditors, suppliers, financial analysts, government authorities, regulators and related stakeholders of organizations (Tasios & Bekiaris, 2012). Financial reporting has been described as a process not a finished product, it is a process which overall value ultimately depend on the quality of each part of the financial reporting process (Jonas & Blanchet, 2000). The financial events of entities commenced the process, followed by selection of appropriate accounting policies, application of the selected policies, estimation/judgment and disclosure issues (transactions, events, policies and judgments).

FRQ is a concept derived from financial reporting system of economic entity, a term widely used in financial accounting research (Bageva, 2010). Although the concept cannot be easily subjected to a definition, different meanings have been suggested for its conceptualization.

For instance, Jonas and Blanchet (2000), states that "quality financial reporting is full and transparent financial information that is not designed to obfuscate or mislead users" Tang et al. (2008) defines FRQ as the degree to which financial statements reveals true and fair information about performance of the financial position of an entity". For Verdi (2006), FRQ involves "the precision with which financial reports convey information about the firm operations, in particular, its cash flows, in order to inform equity investors". Chen, Tang, Jiang and Lin (2010) defined FRQ as the level to which information in the financial statement shows the underlying economic condition of an entity and the decision usefulness that users of such information can make of it. Renkas, Goncharenko and Lukianets (2016) opines that "the quality of information is that that determines the viability of future strategic decisions".

Further, based on pronouncements by professional international bodies, such as, International Accounting Standard Board (IASB), International Federation of Accountants (IFAC), Financial accounting Standard Board (FASB), quality of financial report is defined in terms of the overall objectives of financial reporting, which involves providing users with useful information that helps them make economic decision and similar decisions. According to American Institute of Certified Public Accountant (AICPA, 1970), the purpose of financial accounting and financial statements involves "the provision of quantitative financial information about an organization useful to the statement users".

Inference from the expositions above, FRQ is explained in terms of the usefulness of the financial reports to the users of the information (Alijarde, 1997; Jonas & Blanchet, 2000). In other words, quality of financial report is characterized by the usefulness of the information to be derived by users in forming economic decisions. The authoritative pronouncement by the IFAC, usefulness of financial reports generally lies in the context of decision taken by parties to whom the information has been provided for. As encompassed the public sector the conceptual framework (CF) centers on external users and contends that, the information needs of users should help them in forming economic, social and political decisions and to assess the use of government's or unit's resources (Rutherford, 1992).

However, despite the essence of quality information to users' decision making, conceptualizing measures of quality in financial reporting is elusive and a subject of theoretical debates in the accounting literature. Issues such as sector differences, user's context specificity and robustness of measurement parameter have accounted for diversity in the measurement phenomena of quality financial reporting analysis.

Regarding sector differences, indirect methods such as, accrual accounting model (Healy & Wahlen, 1999; Van Tendeloo & Vanstraelen, 2005), value relevance models (Barth et al., 2001, 2008, Maines & Wahlen, 2006), method focusing on specific elements of the annual report (Hirst, Hopkins, & Wahlen, 2004; Kadous, Koonce, & Thayer, 2012) are often been used to measure FRQ in the private sector. While in public sector, though studies still scanty (Rudzioniene & Juozapaviciute, 2013), FRQ is measured through a more direct form of qualitative characteristics as operationalized by the CF of international professional accounting agencies (FASB, IASB, IFAC) (Braam & Beest, 2013; Mbobo & Ekpo, 2016; McDaniel et al., 2002; van Beest & Braam, 2006; Van Beest, Braam, & Boelens, 2009). The qualitative attributes based on the CF, has been described as offering a more direct measure of FRQ and includes both financial and non-financial information.

Further, indeed, the use made of financial reporting differ significantly among users. That is, measurement of FRQ relies largely on preferences and perception of individual user groups or constituents, which might involve decision-context-specific in themselves (Braam & Beest, 2013; Daske & Gebhardt, 2006; Dechow, Myers, & Shakespeare, 2010; Schipper, 2005). Different user groups have different information needs and their view and discretion count on how they evaluate information for their respective needs. Early study by Gaffney (1986) identified two consideration for satisfying the usefulness of financial information relation to user's needs. First, identifying the existing and potential users' group and their information needs. Second, matching the information provided to fit the aspiration and needs of the users.

Furthermore, within the public sector context, several theoretical perspectives emerged specifying the relative contribution of qualitative characteristics to operationalize the essence of FRQ. But differences in the CF and the frequencies in the reviews and restatements over time (Laswad & Redmayne, 2015), there exist observed differences in the conceptual operationalization of the qualitative characteristics of the financial reporting and the accompanying trade-offs. For instance, while McDaniel, Martin and

Maines (2002) operationalized the qualitative characteristics based on three attributes e.g. relevance, reliability and comparability (FASB, 1980); Cohen and Karatzimas (2013) adopts relevance, faithful representation and understandability as useful for measuring qualitative characteristics of financial reporting and Van Beest et al. (2009) was centered on the IASB Exposure Draft (ED) of 2008 using a compound measurement approach of relevance, faithful representation, comparability, understandability and timeliness. The section that follows enumerate closely the conceptualization of the qualitative characteristics of useful financial reporting.

3.2.1 Qualitative Characteristics of Financial Reporting

Requirement for presentation of qualitative accounting information demands the need to present the 'true and fair' view of an organization's financial and non-financial transactions, so that informed decisions can be taken by users (Rodríguez-Pineda, 2002). Moreover, this needs transverses both the private and public sector so that respective user groups will make economic decision concerning a given economic entity. Number of conceptual frameworks has been developed over the years by international accounting bodies/agencies (IASB, IFAC, FASB) towards development of measurements for qualitative and standardized accounting reporting practices. According to Mccahey (2013), conceptual framework is the keystone of high quality financial reporting which are developed as a set of logically interconnected concepts.

Historically, accounting standards and financial reporting were built on non-uniform principles and conventions rather than on a robust set of inter-related concepts reflecting underlying economic phenomena (Mccahey, 2013). Concepts such as true and fair view, prudence, stewardship, conservatism, and matching process were predominantly used to describe consideration for proper accounting practices. By this, accounting estimates/judgments tend to be ad hoc, inconsistent and unrelated to higher order outcomes. However, the speed of progress was slow and the absence of an explicit yardstick against which to assess whether the quality of financial reporting was being advanced or lagging became a problem (Mccahey, 2013).

Early efforts to ameliorate the situation started in the 1970s in the United States when the newly established Financial Accounting Standards Board (FASB) sow the first seeds of a conceptual framework. The FASB Conceptual Framework project developed a sound theoretical basis for the development of accounting standards in the United States. This development led to the flourishing of accounting conceptual framework amongst other national standard setters, and at an international level, as they emulate the FASB framework.

However, the FASB conceptual framework (CF) has been severally adopted by authors to operationalize the qualitative characteristics of financial reporting. The FASB defines the qualitative characteristics necessary for meeting decision useful information of users based on relevance and reliability. That is, for financial information to be useful to users, it must be relevant and reliable. Accordingly, FASB (2008) opined that attributes of relevance and reliability are the two primary qualities that make accounting information useful for users decision. Meaning that, the absence of one characteristic nullifies the essence of usefulness in the accounting reporting.

Although, the FASB acknowledges possible trade-offs, because the choice of alternative characteristics may produce information that is both more reliable and more relevant, nonetheless, the benefits of information should exceed its cost. Moreover, Jonas and Blanchet (2000) noted number of more specific qualitative characteristics related to relevance and reliability e.g. comparability and consistency McDaniel et al (2002) in operationalizing the qualitative characteristic, adopts relevance, reliability, and comparability to capture characteristics related to overall financial reporting quality.

Further, the IASB CF was developed for the purpose of maintaining a set of consistent global accounting reporting standards (Hobbs et al., 2012). The IASB categorized the qualitative characteristics of useful financial reporting into fundamental and enhancing qualitative characteristics. Accordingly, for financial information to be useful, it must be fundamentally relevant and faithfully represent what it purports to represent. This is complimented by the enhancing qualitative characteristics which includes understandability, comparability, verifiability, and timeliness. The IASB CF has been adopted by researcher to describe the contextual variability of financial reporting environment. For instance Braam and Beest (2013); Van Beest, Braam and Boelens (2009) adopts the fundamental and the enhancing qualitative characteristics to measure decision usefulness of financial reporting.

However, the CF of both FASB and IASB share similarities in the way the qualitative characteristics of accounting reporting are operationalized. This was more practical in 2002, where the two boards established a common project with the goal of developing a set of high quality accounting standards with world wide application (Zhang & Andrew, 2014). Van Beest et al (2009), informs that the joint project was to converge the more principled-based international financial reporting standards (IFRS) and the rule -based US generally accepted accounting practice (GAAP). Moreover, the joint CF project which was published in 2008 defines the objectives of financial reporting and the underlying qualitative characteristics which informs the basis of accounting standards (FASB, 2008b; IASB, 2008).

Overall, it is observed from previous studies, specific qualitative characteristics frameworks have been adopted to determine the usefulness of the financial reporting. For instance, Koonce, Nelson, and Shakespeare (2011) examines the relevance of investors' views about fair value contingency. While Maines and Wahlen (2006) investigated the reliability of accounting information and examines issues of timeliness and comparability.

Other studies adopted two pairs from the qualitative framework together. Most frequently paired characteristics being relevance and reliability (Barth, Beaver, & Landsman, 2001; Deans, 2007; Kethreotis, 2005), relevance and comparability (e.g. Gaston & Lainez Gadea, 2007), comparability and faithful representation (Melorose, Perroy, & Careas, 2012). Another pair is timeliness and reliability (Kazemi & Kola, 2015), relevance and understandability by (Morton, 1974) etc. Generally, few studies examines more than two qualitative characteristics (Nobes & Stadler, 2015). The study by Braam and Beest (2013) investigate a set of six qualitative characteristics, resulting to 33 items drawn from questions proposed by Jonas and Blanchet (2000). The result though, suggests a comprehensive measurement but the validity and reliability index is not certain. In addition, due to lack of parsimony in the construct measurement, individual measurement of either the fundamental or the enhancing characteristics was difficult.

It is noteworthy, that recent development in the accounting framework shows that the concept of reliability as a form of qualitative characteristics has been replaced with the term 'faithful representation' by the IASB and FASB framework of 2010 (Zhang & Andrew, 2014). This change according to Zhang and Andrew (2014), represent a shift from previous ideas of substance over form, prudence (conservatism) and verifiability, which had all been aspects of reliability in the 1989 framework. Thus, the IASB 2010 framework indicate that the term 'faithful representation' encompasses the main characteristics of reliability.

However, based on the frameworks and myriad of studies above are largely in respect of the private sector. Regarding the public sector, the evolution and development of the international public sector accounting standards (IPSAS) has necessitated the establishment of conceptual framework that are public sector specific. Though, the structure of the CF is similar with what obtains in the private sector (Rutherford, 1992). For instance, a common feature of frameworks is, first, the proposition that information provided to users of financial reports should be useful. Thus, the public sector frame concentrates on what is called general purpose financial reporting (GPFR). The GPFR is designed for reporting purpose to users or parties external to the organization, who do not have access to the essential information and cannot call for specific reports directed at their specific requirements (IPSASB, 2010). Second, determination of the concept of usefulness is largely in the context of decisions to be taken by the parties to whom the information is provided.

Nonetheless, the CF of the IPSASB and those of the private sector differ in terms of categorization. While some respondents to the Exposure Draft (e.g. IPSASB, 2009) expressed the view that the IPSAS Conceptual Framework should adopt the categorization of the qualitative characteristics in terms of fundamental and enhancing characteristics, and that the order of application of the characteristics should be identified. On the contrary, the view of the IPSASB argued that (1) concepts identified as "fundamental" may be perceived to be more important than those identified as "enhancing" (2) since the all qualitative characteristics interrelate to contribute to the information usefulness of accounting reporting, thus, it is inappropriate to identify certain qualitative characteristics as always being fundamental and others playing enhancing role (3) that specifying the order of their importance may not be logical as the consequential circumstances of entities differ significantly. Based on information needs of external user's in relation to the use of the GPFR, the IFAC states:

> *'In broad terms, users need information to help them make economic, social and political decisions and to evaluate a government's or unit's use of resources' (1991, p. 8)*

Accordingly, the IFAC CF regarding the GPFRs, presents information regarding both financial and non-financial activities and events of an economic entity. The usefulness of the GPFR lies in the extent of qualitative characteristics it possessed in making information useful to users and the achievement of the objectives of financial reporting (IPSASB, 2013). Thus, the achievement of objectives of financial reporting are to provide useful information for accountability and decision making. The qualitative characteristics of information included in GPFRs of public sector entities are relevance, faithful representation, understandability, timeliness, comparability, and verifiability. Though, like other frameworks, appropriate balance is required in the use of the GPFRs to achieve the qualitative characteristics to provide useful financial information to users. Thus, the full qualitative characteristics may not be achieved in practice, hence, the framework inevitably recognized consequential effect of necessary trade-off between certain of them (IPSASB, 2013; Rossi, Aversano & Christiaens, 2014).

However, the paucity of studies on evaluation of the qualitative characteristics in understanding information usefulness of financial reporting of public entities have been observed (Jones & Caruana, 2015). Plethora of studies on this area abounds in respect of the private sector. Therefore, the imperative of adding to the literature on this subject regarding the public sector will lead to a comparative understanding of the quality of financial reporting in the public domain.

Therefore, given the similarities in the structure of the conceptual frameworks (IASB, FASB, and IFAC) in operationalizing the qualitative characteristics of a useful financial reporting, the present study reviews the most frequent qualitative characteristics within the frameworks. These include, relevance, faithful representation, understandability, comparability and timeliness.

3.2.1.1 Relevance

Information that possesses the capability of making a significant difference in the decision choice of users in terms of financial and non-financial information is termed as relevant (Gaffney, 1986; IASB, 2010). Users and the uses they made of the financial reports are critical factors in determining how relevant the financial reports purports. Inference from prior studies have operationalize the concept of relevance in analyzing qualitative financial reporting in terms of confirmatofor FRQ were adapted from previous studies (e.g. for FRQ were adapted from previous studies (e.g. ry and/or predictive value (Braam & Beest, 2013; IPSASB, 2013; McDaniel et al., 2002).

According to the IPSASB (2010) framework, financial and non-financial information has confirmatory value if it endorses or changes past (or present) expectations. For instance, information will be relevant for accountability and decision-making reasons, if managers' responsibilities in relations to efficient and effective use of resources can be confirmed based on the realization of specified service delivered, objectives, and compliance with relevant budgetary and legislative requirements.

The predictive value on the other hand, can be future oriented information or evaluative of past expectations (IFAC, 2015; IPSASB, 2010; Mbobo & Ekpo, 2016; Rutherford, 1992). Future oriented information will have predictive value and relevance for accountability and decision making if the information presented by the GPFRs about an entity reveals anticipated future service delivery activities, objectives and costs, including the amount and sources of the resources that are anticipated to provide such services in the future. In addition, information have predictive value concerning an economic entity if it is evaluative of existing or past economic dealings that confirms or disproves past expectations in order to strengthen or change expectations about financial results and service delivery results that may occur in the future.

The confirmatory and predictive value has been described as interrelated phenomena (IPSASB, 2013). In the sense that, information concerning an entity's current level, structure of resources and claims to those resources can help users to confirm the outcome of resource management strategies during the period. This can help to predict the ability of the entity to respond to changing circumstances and anticipated future service delivery needs. Similarly, users' past expectations and predictions can be confirmed and corrected by the same information, particularly in relation to the entity's ability to respond to changes.

Prior studies that examined the specific qualitative characteristics of relevance, have adopted the indirect approach (e.g. value relevance model, see (Barth et al., 2001; Koonce et al., 2011). Inference from prior studies indicates that, to directly determine the individual measures of relevance in the analysis of the qualitative characteristics of financial reporting is difficult. Because there is no valid and reliable measures for financial reporting quality that are exclusively linked to a certain qualitative characteristic (Braam & Beest, 2013; Kadous et al., 2012). This suggest that the respective construct for measurement of qualitative characteristics of the financial statement are interwovenly related.

3.2.1.2 Faithful Representation

Faithful representation of accounting information in the financial reports is the second fundamental qualitative characteristics for assessment of FRQ according to the framework of IASB (2010). Aside from being relevant, to be useful for evaluation of economic activities, accounting information must faithfully represent that which it purports to represent (IASB, 2010). To be faithfully represented information presented concerning an economic entity must be complete, neutral, and free from material error (IPSASB, 2010).

Although, in practice it may not be totally possible that information presented concerning an entity is complete, neutral, and free from material error. However, the conceptual framework (IASB, 2010; IPSASB, 2010) reiterates that financial reporting of an economic entity is complete if it includes all information that is necessary for faithful representation of the transaction that it purports to represent. A deliberate omission of certain information from the financial report can cause mis-representation of the true picture of the underlying activities of an organization. Thus, leading to poor quality financial reporting.

Neutrality is a sub notion of faithful representation which relates to absence of bias intended to attain a predetermined result or to induce a particular behavior (IPSASB, 2013). As stated by Van Beest et al. (2009), for an information to be neutral, it must not be coloured to influence behavior in a particular direction by the image it communicates. As Jonas and Blanchet (2000: 362) state: "neutrality is about objectivity and balance". Van Beest et al. (2009) argued that, neutrality refers to the intent of the preparer; i.e. the preparer should strive for an objective presentation of events rather than focusing solely on the positive events that occur without mentioning negative events.

Furthermore, committing errors may be inevitable, and for accounting reporting to be free from errors does not mean complete accuracy in all its aspects. Inference from the IPSASB CF, error free reporting is seen in the light of materiality and compliance (IPSASB, 2013). That is, there should not be error or omission of material information (individual or collective) necessary to describe the underlying financial activities and transactions of an entity, and that, the process and principles adopted in producing the reported information has been applied as described.

Jonas and Blanchet (2000) reiterate that, valid argument and evidence underlying assumption, estimate and basis guiding accounting principles as used by preparers of financial reports are central to avoidance of bias and material error concerning an economic entity. Cheung et al. (2011) argued that professional judgment as required by accounting standards choices breeds some level of biasness and lack of neutrality. Nonetheless, certain level of accuracy and objectivity is necessary for financial reporting information to be decision useful (IASB, 2008).

However, previous studies that have attempted measurement of faithful representation based on neutrality, completeness, freedom from material error, includes, Beasley (1996); Cohen, Wright, and Krishnamoorthy (2004); Dechow, Sloan, and Sweeney (1996); Jonas and Blanchet (2000); McMullen (1996). Other researchers, such as Maines and Wahlen (2006); McMullen (1996); Kim et al.(2007) have equally measured faithful representation using unqualified auditor's report.

3.2.1.3 Understandability

Understandability is the quality of information content of the annual reports that allows users comprehend their meaning (IASB, 2008). Van Beest et al. (2009) states, the "quality of understandability portrayed by the annual reports increases when information is classified, characterized, and presented clearly and concisely". The minimum knowledge presumably possessed by users to comprehend the content of the annual reports demonstrate the level of understandability (Calu, Pitulice, & Gorgan, 2008). According to Rudzioniene and Juozapaviciute (2013) understandability leads to easy understanding and convenient use of information. It is indicative that user context determines greatly the level of understandability that may be made of the financial statement.

Reasonably, users of financial information are assumed to possess knowledge of business and economic activities necessary to read and interpret the financial reports (IASB, 2010). Understandable information is a quality phenomenon that allow users to comprehend its meaning. In the public sector, the GPFRs is expected to present information in a way that responds to the needs and knowledge base of users, and to the nature of the information presented.

However, when information underlying a phenomenon are represented particularly in a difficult and complex form, it inhibits the comprehension of the information by users. Thus, fewer user benefits from the information depicted concerning the phenomenon, except for users possessing the technical knowhow, otherwise, the service of a financial adviser may be necessary as recommended by IASB (2010b).

Overtime, in defining understandability, the term communication has been used consistently, and has focused on (1)"who" or "what" was the focus in attaining understandability and (2) in what form should financial information be reported-technical or non-technical accounting terms (Cheung et al., 2010). In providing insight into the two questions, Cheung et al. (2010) argued that, there is general support for plain, simple language when preparing financial reports, and preparers should communicate the intent of their massage to "identified" users that will be relevant for decision making of the users.

Joiner, Leveson, and Langfield-Smith (2002) in determining the relationship among the extent of use of technical language in an advisory context, the understandability of the advice offered, perceptions of the adviser's expertise and trustworthiness, and the subsequent persuasion effects. The study based on 186 participants, randomly assigned to view one of two videotapes (one tape low in the use of technical terms, the other high). The results reveal that, the overuse of technical language in a novice client consultation reduces clients' understanding of the advice offered. A recent study by Richards and Van Staden (2015) using a computational linguistics programme compares the readability of narrative annual report disclosure (pre and post) of the International Financial Reporting Standards (IFRS). The study adopted readability formulas, such as increased length of annual report disclosures and increased use of tables.

Another aspect to understandability of financial report which past studies have also considered is the mode of presentation of the financial statement. Gaffney (1986) had argued that the mode in which financial statement is presented account for it level of understandability and subsequent usefulness to users. He explains that one reason which inhibits users' understandability of the annual reports is the difficulties and complexities in the mode of presentation of information to users. In this connection, Rahman, Hamdan and Ibrahim (2014) documented the significance of the use of graphs for voluntary disclosures among Malaysian companies. The study based on longitudinal research design shows that voluntary disclosures using graphs among Malaysian companies have averagely increased within the period o thirty years and that majority of the companies prefer to use bar graphs to aid the understandability of users' reports. Further, Hylton (1957) was one of the earliest proponents of consolidated financial statements. Hylton had argued that users (citizens in particular) tend to view government accounts as an overall entity. Thus, making consolidated statement more meaningful to average user. He added that most important deficiency in the presentation of governmental accounts, is that most users cannot understand the reports, thus, forcing them to adopt other outlets, such as the media or political oratory to support their decision on government activities. Notwithstanding, Anthony (1980) had argued that for an organization to prove fiscal compliance, separate reports may be prepared in the same way as businesses provides reports for various governmental agencies. By this, a general-purpose financial report could be prepared on consolidated basis.

Furthermore, Braam and Van Beest (2013) provides measurement of understandability through compound instrumentation deduced from previous literatures. The deduction measured understandability through six items that relates to transparency and clarity of information presented in the financial statements. Beretta and Bozzolan (2004) measure level of clarity, organization and conciseness as surrogate to determine level of understandability of financial report. while use of graph, chart and tabulation formats (IASB, 2008; Jonas & Blanchet, 2000); combination of word and sentences (Courtis, 1995; Iu & Clowes, 2004) and avoidance of technical jargons that can be understandable to non-accountants (Jonas & Blanchet, 2000; Van Beest et al., 2009) were previously used as surrogate to measure understandability.

3.2.1.4 Timeliness

The notion of timeliness is an important qualitative feature of the financial statement that contributes to the usefulness of financial information (IASB, 2010; IFAC, 2009a; Rahmawati, 2013). In ensuring that financial reports be relevant to users' decision making, timely report about an economic entity is an important consideration. Moreover, timely information is critical to users' decision making before it loses its capacity to influence accountability and decisions making purpose (IPSASB, 2013).

Again, the IASBs CF states “Timeliness refers to the amount of time it takes to make information known to others, and it is related to decision usefulness in general. Timeliness involves making information accessible to users prior to when it loses capacity to be useful for accountability and decision-making purposes. Having relevant information available earlier can improve its usefulness as input to evaluation of accountability and its ability to inform and influence decisions that need to be made. An untimely report can render information less useful.

The usefulness of financial information, in terms of its relevance to users’ decision making, can only be achieved when the information is made available on time. Timeless has been perceived as an important ingredient in the achievement of the overall objectives of financial statements. This is clear where Emeh and Appah (2013, p.2) declare that:

> *“Irrespective of whether one chooses to call timeliness an objective of accounting or an attribute of useful accounting information, both the disclosure regulations and a large part of the accounting literature adopt the premise that timeliness is a necessary condition to be satisfied if financial statements are to be useful”*

Timely release of annual reports has been seen by FASB (1980) as an important factor affecting relevance of reporting to users all through. This is true for the view of Lehtinen (2013) who states that “the quality and the timeliness of financial information are closely related to each other” .

Perspectives from literature on determination of timely financial reporting has identify two dimensions: frequency of financial reporting, that is whether organizations produces financial reports half-yearly, quarterly, monthly and the other refers to distance between the end of the financial period and publishing date of the financial statements, often referred to as the reporting lag (GASB, 2011; Ku Ismail & Chandler, 2004; Moradi, Saleh, & Mareshk, 2013). Although, Ku Ismail & Chandler noted the reporting lag permitted for different reporting periods differs among countries.

Timeliness in the situation of audited financial reports, centers on the time taken to elapse, between the end of fiscal year reported on and the date the financial reports becomes available to users (GASB, 2011). Significant body of literature concerning "audit timing" has developed in the corporate sector, but studies on government sector paid little attention in this regard. The few available studies on public sector have identified three factors influencing "audit timing", namely: government's financial management competency, the auditor and characteristics and complexity of the government (Dwyer & Wilson, 1989; Johnson, 1998; Freeman et al., 2002; Payne & Jensen, 2002). Apart from the study of Robbins and Simonsen (2010) examining the views of bond analyst on disclosure, more empirical studies on the present topic of how users of governmental financial information view timeliness of government financial reporting still have to be conducted.

Consistent with literature, qualitative characteristics of timeliness is often measured using the natural logarithm of the number of days between the year's end date and the date of the auditor's report (Leventis & Weetmann, 2004; Robbins & Simonsen, 2010). For instance, based on survey instrument developed by Robbins and Simonsen (2010) bond analyst were asked to label audited financial statements received within three months, six months, nine months, and so on, to determine the extent of usefulness to users. Again, in a related study by Governmental Accounting Standards Board (GASB, 2011) on 50 states, 100 largest counties and localities, and 50 largest independent school districts and special districts, to determine how long after the end of the fiscal year it takes governments to issue their audited financial report. The report of the findings reveals that, largest local and county governments and independent school districts issued their financial reports approximately 6 months after fiscal year-end on average during fiscal years 2006–2008. State governments averaged closer to 7 months (199 days), whereas special districts averaged about 4 months. But overall, 73 percent of the largest governments issued their reports within 6 months; 2 percent took longer than one year.

On the whole, based on the exposition above, it depicts that measures of qualitative characteristics of financial reporting are multi-dimensional and have been adopted at varying combination by different authors (Braam & Beest, 2013; Cohen, 2003; Cohen, Kaimenakis, & Venieris, 2013b; Jonas & Blanchet, 2000; Mbobo & Ekpo, 2016; McDaniel, Martin, & Maines, 2002; Suwanda, 2015). Therefore, the current study focused on two sets of qualitative characteristics, namely, relevance and faithful representation. This, with a view to attain parsimony in concept development and measurement as recommended by Arthur (2011) , Berry, Ones and Sackett (2007), Glomb and Liao (2003), Nobes and Stadler (2015). For instance, Nobes and Stadler (2015) criticized the work of Joyce, Libby and Sunder (1982) who investigated a set of 11 qualitative characteristics in their study "qualitative characteristics in accounting policy choices". Though the measurements were comprehensive but not parsimonious and thus, only two of the qualitative characteristics were operational.

However, notwithstanding the trade-off in adopting the parsimonious approach, this study opted for simplicity rather than generalizability as may be assumed by using multidimensional consideration. In the view of Blalock (1979), generalization and simplicity cannot be achieved simultaneously. Moreover, the accounting frameworks have referred to relevance and faithful representation as fundamental qualitative characteristics underlying usefulness of information for users' decision making. And given the context of this study (local government councils in Nigeria), there is no known study that have tested these qualitative characteristics of the financial reporting within organizational contingencies. Thus, the present study serves a pioneer research for future research to explore further other qualitative characteristics.

Furthermore, Jonas and Blanchet (2000) informed that, the overall objectives of financial reporting is to provide users with useful information for economic decision making, and thus, useful financial information needs to be relevant and be faithfully represented. Again, Jonas and Blanchet (2000) indicates that, other specific qualitative characteristic interrelate to determine relevance and faithful representation. For example, the FASB (1980) CF describes the qualitative characteristics of timeliness as an ancillary aspect of relevance. Therefore, for purpose of the present study, measures of financial reporting quality (FRQ) was operationalized in terms of relevance and faithful representation. Moreover, while relevance was operationalized in terms of predictive and confirmatory value, faithful representation was operationalized in terms of neutrality and completeness of perceived information quality.

To illustrate, relevance was measured to determine the entity's ability to generate information about future operation and/or economic activities and whether the financial report provides information about past operation and/or economic activities about the entity. On the other hand, faithful representation was measured in terms of the ability of financial reports to be presented in a broad and transparent way and whether the annual reports present information regarding positive and/or negative financial events of the entity. However, each of the two dimensions bears a logical relationship to determine perceived FRQ and also draws its basis from prior research results (Braam & Beest, 2013; Dechow et al., 1996; Jonas & Blanchet, 2000; Mbobo & Ekpo, 2016; McDaniel et al., 2002; Schipper & Trombetta, 2010.). Nevertheless, what has been observed in past studies is that, plethora of studies abounds in respect of the private sector while studies on the public sector, particularly on developing countries are still very scanty. Hence, the present study serves as a contribution in the context of the public sector. Therefore, given the perspectives on decision usefulness and users phenomena in the analysis of FRQ, the subsection that follows enumerate closely on the approaches adopted by prior studies to measure FRQ.

3.3.1 Measures of Financial Reporting Quality

Some time, accounting activities can be thought of as a mechanical phenomenon, which has a distinct right and wrong ways of doing it. In reality, accounting in regards to financial reporting has been characterized as rather vague and subjective concepts when measuring 'financial performance' and 'financial position'. Literature has shown that several studies have adopted numerous types of measures to examine financial reporting quality (FRQ) in different organizational settings (Bakhtiari & Azimifar, 2013; Carvalho, Camões, Jorge, & Fernandes, 2007; Ewert & Wagenhofer, 2015; McDaniel et al., 2002; Runesson, 2015). These measures can be categorized under empirical survey measures and documentary measures.

3.3.1.1 Empirical Survey Measures of Financial Reporting Quality

Measures of FRQ using empirical survey approach is a subjective means of examining FRQ through validated measures. Based on this approach, FRQ of an organization is measured through a designed questionnaire instruments that elicits information from financial report participants or users', regarding their perspectives on the relative quality of financial reporting items as contained in the annual financial statements. Moreover, this approach is termed empirical because instruments (questionnaire items) used to elicit the information (data) are subjected to various psychometric tests (e.g. validity and reliability tests) (Alijarde, 1997; Larcker & Lessig, 1980) or are adapted from other studies that originally developed the measuring instruments (e.g. Braam & Beest, 2013; Mbobo & Ekpo, 2016; McDaniel et al., 2002).

Extant researches such as (Alijarde, 1997; Braam & Beest, 2013; S. Cohen & Karatzimas, 2013; Cuong & Ly, 2017; Kethreotis, 2005; Larcker & Lessig, 1980; McDaniel et al., 2002; Renkas et al., 2016; Tsoncheva, 2014), Gassen and Schwedler (2010) and others have successfully used survey instruments to measure FRQ. For example, McDaniel et al (2002), based on survey research instrument examined the perspectives of 20 practicing audit managers (financial experts) and 18 executive MBA program graduates (financial literate) to evaluates financial reporting quality. Another study by Larcker and Lessig (1980) developed a thirteen measurement instrument to assess two dimension of perceived decision useful financial information. Based on the perceived examination by faculty members and graduate students, result of the psychometric test was examined in the case of capital-budgeting practices.

Further, Alijarde (1997) adopted instruments developed by Larcker and Lessig (1980) to measure financial reporting usefulness among 325 Spanish local governments. Again, Lee et al. (2002) using empirically well-designed questionnaire, developed information quality analysis technique for interpreting information quality measures. Thus, the result of the measure examines information according to the variables: accessibility, appropriateness, reliability, completeness, conciseness, consistency, and easiness, flawlessness, objectivity etc. In the case of Nigerian public sector, Aruwa (2005) examined the quality of information content of published government financial reports. To elicit data, the study adopted personal interview and government financial statement evaluation questionnaire were used as research instruments. Gassen and Schwedler (2010) examined the opinions of 242 professional investors from 22 countries regarding their decision usefulness of different accounting measurement concepts based on survey research approach.

However, based on the studies highlighted above, it suggests that many prior empirical studies adopts survey research method to measure FRQ. Thus, due to paucity and inadequacy of archival data in the context of the present study, survey research method was found useful to measure FRQ in relation to identified explanatory variables of the study.

3.3.1.2 Documentary Measure of Financial Reporting Quality

Measurement of financial reporting quality (FRQ) using documentary measures involves the examination of qualitative attributes of the financial statements of an entity through audited financial reports. This approach allows the researcher to examine specific items of the financial statement as a means to determine the level of quality portrayed by the financial records. Audited financial reports have widely been adopted by researchers as one of the approach to measures FRQ (Bakhtiar & Azimifar, 2013; Ball, Kothari, & Robin, 2000; Cohen, 2003; Costello & Wittenberg-moerman, 2010; Hassan, 2013; Krishnamoorthy et al., 2002). This is partly because it allows for an objective assessment of the actual financial reporting quality of an entity.

Despite the advantages of documentary measures of FRQ over other approaches, documentary measure are not without disadvantages. Firstly, measures through examining the annual reports usually captures quite narrow aspects of FRQ. For instance, what constitutes quality of financial reporting have been said to involves both financial and non-financial activities of an organization (Hussain & Hoque, 2002; Kristensen & Westlund, 2003; Pelucio-Grecco, Geron, Grecco, & Lima, 2014). Thus, focusing on only the annual reports released by entities impede comprehensive view of the quality of the financial operation of the entities, hence, resulting to incomplete view of FRQ.

Secondly, researches that uses documentary approach to measure FRQ mostly adopts indirect proxies to operationalize the concept of 'quality 'of reporting (Barth et al., 2001; Cohen, 2003; Jeanjean & Stolowy, 2008; Kadous et al., 2012; Schippers & Vicent, 2003). Some of the proxies adopted are mostly non-definite, varied and are subjectively determined due to lack of standardized conceptual framework. Hence, comparability between studies becomes a huge challenge due to differences in the proxies adopted by each study. Thirdly, organizations are generally reluctant to make financial reports available to the researchers for confidentiality and fear of indictment. This is particularly evident in the contexts where organizations' financial records are not accessible via the internet (most governmental organizations in developing countries). In this situation, measures of FRQ are very difficult to assess. Another concern with documentary measures of FRQ is that such measures are susceptible to manipulations (window dressing) due to human factor (Kura, 2014).

However, notwithstanding these disadvantages, FRQ have empirically been examined by prior studies using documented annual financial reports of entities. For instance, Hope (2003), based on sample from 22 countries, investigates the relationships between the precision of analysts' earnings forecasts and the rate of annual report disclosure, and between forecast accuracy and the degree of enforcement of accounting standards. The study used records of the Center for International Financial Analysis and Research (CIFAR [1993, 1995]) disclosure level from 85 annual report of corporate organizations to operationalize annual financial disclosure. Cohen (2003) examine the economic consequences of cross-sectional differences in firms' choices regarding the quality of their financial reporting. The study measured FRQ based on value of residuals generated from a regression of future operating cash flows on prior period earnings components.

Another study by Daske and Gebhardt (2006) assess the FRQ of organizations that have already adopted the internationally recognized standards (IFRS or U.S. GAAP) among firms from Austrian, German and Swiss. The study employed disclosure quality scores extracted from detailed analyses of annual reports by reputable accounting experts. Relatedly, Ku Ismail and Chandler (2004), based on quality attribute of timely reporting, investigated the quality of quarterly financial reports published by companies listed on the Kuala Lumpur Stock Exchange (KLSE). The study based on Spearman's correlation and Mann-Whitney tests, examined the relationship between timeliness and company attributes (size, profitability, growth and capital structure) relating to 117 quarterly reports. In a recent study by Cuong and Ly (2017) in the case of seafood's companies listed in the Vietnam stock market, assess the quality of information published in the annual reports. The study developed a 33-items instruments based on the annual reports and audited financial statements as inferred from the study of Braam and Beest (2013).

3.3.2 Users' Perception and Information Needs

Accounting information users and their views concerning quality of financial reports remained an important consideration in accounting studies generally (Coy, Dixon, Buchanan, & Tower, 1997; Styles & Tennyson, 2007). Over the years, the theory of decision usefulness has emphasized the relevance of users' information needs as a basis for producing relevant and adequate financial report (Alijarde, 1997; Cohen & Karatzimas, 2013; Daniels & Daniels, 1991; Filipović, 2012; Naser, Nuseibeh, & Al-Hussaini, 2003; Robbins, 1984). The significance of users of financial reporting in the public sector was further emphasized by Cohen and Karatzimas (2013) who opined that public sector accounting has to satisfy the needs of a large number of different users. In achieving this needs, Gaffney (1986) identified two prerequisites. First, identifying the users and their needs. Second, alignment of the information needs of users with the information provided by the financial reports. Based on the second consideration Lüder (1992) argued that diverse user groups have different information needs and their view and discretion count on how they evaluate information for their respective needs. The subsection that follow dwell more on the user groups and the uses they make of the financial report.

3.3.2.1 Users Group and Financial Reports

Accounting literature have recorded a large area of discussion on identifying users group and what use they make of the reported financial statement (Alijarde, 1997; Braam & Beest, 2013; Daniels & Daniels, 1991; Gaffney, 1986; Hassan & Omar, 2016; Jones et al., 1985; Rutherford, 1992; Walker, 2009). In the public sector, users of financial report in principle are referred to as external parties, including tax payers, voters, service recipients and investors in government securities (Rutherford, 1992). But in practice, previous studies have shown the difficulties in identifying individuals explicitly external to the public sector, who could be said to use financial statements produced for decision purpose (Butterworth, Gray & Haslam, 1989).

But due to the heterogeneous nature of respective information needs of user parties in the public sector report, there is difficulties in identifying the possible decision an individual within the external parties might wish to make with the financial reports provided. Not even the GPFRs, which must necessarily be highly aggregated given its objectives and result of the volume of transactions to be reported, can provide the needed information the respective user within the parties may wish to have (Hodges & Mellett, 2003; Rutherford, 1992).

In practice, the difficulty in identifying the needs and the external users in the public sector, makes prior studies to conclude that there are no rational reasons for the public sector users to demand for the use of financial statement (Butterworth, Gray, & Haslam, 1989; Rutherford, 1992). According to Rutherford (1992), the public sector external users do not necessarily used the financial reports, he noted the possibility of experts such as the media or policy analyst doing it on their behalf.

This difficulty is however, less encountered in the private sector, because, substantial number of external users can easily be identified and the use they make of the financial report can be identified (Mack & Ryan, 2006). Nonetheless, previously, some section of scholars, pronouncements by accounting agencies and conceptual frameworks have argued in favor of the similarities between users of the private and public sector and the uses they make of the financial report (e.g. Anthony, 1978; Clark, 2010; Coy & Dixon, 2004, the Australia accounting Conceptual Framework -AARF, 1990, FASB, 1980a, 1980b, GASB 1987, Canada CICA, 1984, 1990, NZSA,1987, 1991, 1993 and IFAC 1991).

They claimed that, accounting standards used in the public sector were derived from the same "decision useful" framework used in the private sector. For instance, Clark (2010) refer to the two sectors as "sector neutral' and thus, the character of the users and their needs for information should not be distinct. Coy and Dixon (2004), argued that the GPFR used in the public sector was essentially predicated on the private sector's "decision useful" model which assumes that, making rational decisions regarding efficient allocation of resources is facilitated by availability of appropriate information. Also, Concept 1-4 of the Australian conceptual framework, Statements adopted in 1990, provides a comprehensive list of users of both sectors without distinction.

Conversely, Walker (2009) and other scholars (Barton, 2005; Broadbent & Guthrie, 2008; Mack & Ryan, 2006; Rutherford, 1992) noted the dichotomy in the two sectors in terms of bases for determining decision usefulness in reporting and accountability. The concern expressed, was whether financial reporting framework of the private sector could adequately explain the decision usefulness and discharge of accountability obligations of the public sector. Here, Rutherford (1992) contend that, for the framework of the private sector to be applicable to the public sector, the notion of accountability (with complex control structure) ingrained in the public sector frame must be fleshed out.

Notwithstanding the above, many studies have documented various uses of financial reports by users. Early studies including Boyett and Giroux (1978) using survey mailed to creditors and investors of large commercial banks. The study discovered that items of the financial reports most relevant to these users are those related to debt level and the ability of the bank in meeting its obligation. This group according to Alijarde (1997) are seen in previous studies as primary users of government financial reports. Later, Jones, Scott, Ingram, and Kimbro (1985) extended the users group including citizen group, legislative and oversight officials. While citizen group finds the financial reports useful in the areas of examining the effectiveness and efficiency of financial operation; for comparability purpose; for determining level of compliance with budgets; for assessing financial operation and conditions. The legislative and oversight officials on the other hand, use government financial reports fundamentally for evaluating funding and spending proposal of executives; determining compliance with budgeting and finance-related requirements; monitoring financial activities and funding analysis. Conclusively Jones et al. (1985) indicates that creditors and investors uses government financial reports to measure the ability of the governments in repaying accrued debts.

Further, the result of Jones et al (1985), supported by Daniels and Daniels (1991a), posits that citizens find most useful details on cost of service provision by governments. While legislative and oversight officials find reports on level of compliance and cost on service provision as most useful. Again, most creditors and investors find most relevant information, demonstrates viability and performance of governments. In a related research, the public sector annual report recipients (Tertiary Education Institutions), Coy, Dixon, Buchanan, and Tower, (1997b) identified 22 recipients classified into six recipient categories (internal campus-based citizens; sister organizations/competitors, elected and appointed representatives, resource providers; external off-campus citizens, and the public, analysts and media journalists).

In all, 22 recipient groups were recognized from these results, and these are categorized into six recipient group categories. The result of 'expectation gap' of respondents revealed that improvements was called for in making reports more useful for decision making, more complete, comprehensive and neutral. The paradoxical emphasis was made on more need for accountability rather than report on decision making.

Furthermore, based on pronouncements/statements by professional bodies, Walker (2009) compiled eight groups of government financial report users and their respective use of the statement: 1) the public, for assessment of accountability of political office holders and what has been spent on provision of goods and services 2) members of legislative and governing bodies, uses the financial report to assess the financial position, condition and extent of stewardship on allocated resources including compliance issues 3) Public (taxpayers), media, other commentators, scrutinizes governments' fiscal policies; efficiency, effectiveness and economy for which government services were provided and asset management etc. 4) investors/creditors, assess government ability to repay debts 5) external users, for assessing compliance with budget and trends in financial performance 6) governments, international agencies and resource providers, useful for performance information regarding projects, debt repayment capacity and compliance with terms of agreements 7) government planners and managers, demand accounting report to support the conduct and monitoring of fiscal policies 8) senior management, they analysis at a more disaggregated level decision making necessary for management and governance.

3.3.2.2 Preparers Perspectives and Financial Reporting

Another important aspect to the study of users of financial reports, which less attention has been awarded, particularly in studies on developing countries, is the perspectives of preparers of accounting reports. The study of Robbins (1984) has been found useful in this regard, which established the existence of significant consensus between the views of preparers of financial reports and other external users in relation to relative importance they both attached to items of the financial reports.

Based on accounting reporting presumption, Robbins finds that preparers of financial reports disclose based on their knowledge of what information users require and that they attempt to make appropriate disclosure in that regard. This view was supported by Jones et al. (1985), who argued that, perceptions of preparers of financial reports are in agreement with the views of external report users. Alijarde (1997) in his study on the usefulness of financial reporting in Spanish local government, established that the perception of preparers of financial reporting is consistent with the information needs of external users. That is, the preparer prepares the financial report within the context of other users' perspective including external users.

In addition, Carpenter and Sharp (1992) conducted a study to assess the information needs of citizens in evaluating the financial performance of local government operations. Due to the inexperience capacity of citizens to understand the technicalities of the financial reports, the study adopted survey technique by interviewing preparers' perception on the subject matter as an option. For example, the financial directors were asked to express their views on the type and level of information needed by citizens to be able to assess financial condition of the local governments under study.

Furthermore, in a more recent work by Cohen et al. (2013b) using a structured survey instrument to elicit information from preparers on the role of cash and accrual accounting information among Greek local governments. Based on the view of the preparers, the result of the study revealed that, cash accounting information prevails in the major function of decision making, with accrual accounting information playing a secondary role. Similarly, a recent doctoral research conducted by Edeigba, (2017) investigated the challenges in adoption of international financial reporting standard in Nigeria using a cross-sectional survey approach to generated relevant data based on the perception of account preparers.

However, the global call for the adoption of the International Accounting Standards (IASs) among public and governmental institutions is aimed at strengthening and improving financial reporting to aid users' decision making and to determine the extent of accountability public managers (Bergmann, 2012; Brusca & Martınez, 2015; Cheung et al., 2010; Rodríguez Bolívar & Navarro Galera, 2007; Ştefănescu, 2011). Nevertheless, few empirical studies have investigated how preparers of financial reports in governmental institutions perceive the benefits of the imposed international accounting standards. The paucity of research is even more evident among developing countries where limited studies have considered preparers perception on financial reporting quality during the existing global accounting reforms (IASs). Important to this study therefore, is to evaluate preparers perception on the influence of organizational characteristics on FRQ and their interaction through the moderating factors of institutional considerations.

This approach is consistent with the previous studies such as Cohen et al. (2013b), Jones et al. (1985), and Robbins (1984) who view users' perception on the usefulness of financial reports from the preparers judgment. The next section discusses related issues on international accounting standards.

3.3 International Public-Sector Accounting Standard

Public management has witnessed in the recent time reforms towards new management culture with greater emphasis on citizen satisfaction, quality information, transparency and accountability (Patton, 1992; Marti, 2006; Pina, Torres, & Royo, 2010; Jones & Caruana, 2014). The reform culture has been termed New Public Management (NPM). Hood (1995) described it as a new development to reform the public sector and change it operation to a more effective one. The basic idea of NPM involves the introduction into public service, 'market-oriented' management that leads to more cost efficiency for governments, without having adverse side effects on the other intents and concerns of government (Ferlie, Ashburner, Fitzgeralds & Pettigrew, 1996).

Prominent among the NPM reform in the public sector is the standardization of accounting practice among countries of the world. Thus, countries are required to adopt international accounting standards for reporting their economic and financial transactions. But prior to this reform, accounting practice in the public sector has been characterized using cash-basis accounting system which lacks standardized reporting practice among public institutions. This consequently leads to lack of uniform accepted rules, definition, guidelines and comparison among organizations (Chan, 2008). Development in International Accounting Standard (IASs) in the last decade has brought about corrective measures to previous accounting systems through streamlining and improving financial operation, enhancing financial solvency, transparency and accountability in the use of public funds and improved efficiency in service delivery (Navarro-Galera, Rodríguez-Bolívar, Navarro-Galera, & Rodríguez-Bolívar, 2010).

The International Public Sector Accounting Standard Board (IPSASB) of the International Federation of Accountant (IFAC) has issued for adoption set of International Public-Sector Accounting Standards (IPSAS) by governments around the world. This development however, is a shift from the traditional cash-basis to accrual-basis accounting system. The IPSASB in the development of IPSAS has in its primary objective the development of sets of high-quality accounting standards for the public sector. The global trend towards adoption of IPSAS in the governmental sector has witnessed increased adoption by organizations and nations of the world (Benito et al., 2007; Bolívar & Galera, 2016; Broadbent & Guthrie, 2008; Brusca & Martınez, 2015; Johan Christiaens, Vanhee, Manes-Rossi, Aversano, & Cauwenberge, 2014; Navarro Galera & Rodríguez Bolívar, 2011).

The last few years have recorded dramatic developments and changes on scene of international community which came along with a rapid adoption of the standards in many countries which previously had their own standards. For example, United States and Advanced British Common Wealth Countries - Australia, Canada, New Zealand, and UK are regarded as de facto adopters of IPSAS. Brusca and Martınez (2015) noted the varying depth of adoption among countries nonetheless, in most cases, adoption have cut across all levels of national, regional and local governments.

Development of IPSAS took its root from the private sector framework. This development dates back to the period when the IFAC chose the business accounting model as a reference point, with the consideration that public economic transactions can be prepared with the same criteria as those of business entities (Brusca & Martınez, 2015). From the beginning, standards have been based on the IASs and IFRS focusing on the private sector. This was later made useful to the public sector through a modest changes to the standards promulgated by the International [Business] Accounting Standards Board (IASB) in order to strengthen their financial operations (Bellanca & Vandernoot, 2014; Benito et al., 2007; Brusca & Martınez, 2015; Christensen, Lee, Walker, & Zeng, 2015a; Christiaens, 2003; Pina et al., 2003; Sanderson & Van Schaik, 2008; Lourdes Torres et al., 2004).

The alignment of IPSAS to the private sector standards was to achieve common bases with single pronouncements imbedded on standards issued by the IASB without duplication of efforts (Brusca & Martınez, 2015). This has consequently influenced government accounting positively and has remained helpful to countries like Australia, New Zealand and the UK. Particularly they apply IFRS to both the business and public sector entities and not setting specific rules for the public sector.

However, several authors, such as Anessi-Pessina, Nasi, and Steccolini (2008), Broadbent and Guthrie (2008), Carlin (2005) and Toudas et al. (2013) have faulted the bases for IPSAS development. They criticized the alignment of IPSAS to imitate IFRS due to some fundamental differences between the government and business sector. Differences such as their driving forces, performance criterion, legal framework, and standard of conduct, residual financial stakeholders, transactions, products, and sources of finance, treatment of assets and liabilities and so forth are evident. This points out the reasons why despite several years of enthusiastic adoption of new reform in performance measurement, accrual accounting and consolidated financial reporting, the outcome have not yielded the same satisfactory result between the public and private sector.

Therefore, in recognition of the above controversies, the IFAC in 2002 initiated the second phase of the standards program, necessary for addressing issues of specific significance to the public sector. This result to four public sector specific standards and one standard based on comprehensive cash basis (IASB, 2010; IFAC, 2009a; IPSASB, 2010).The cash basis IPSAS according to Chan (2008) are presumably meant for developing countries that would not be ready to adopt the accrual basis at the initial stage. Currently, the IPSAS involves 38 standards based on accrual accounting system and one standard for cash-based accounting (IPSAS, 2015).

Further, four out of the 38 standards are specifically promulgated for public sector issues. These includes: IPSAS 21 on impairment of non-cash generating assets; IPSAS 22, general government sector reporting; IPSAS 23 on revenues from non-exchange transactions; and IPSAS 24 on budget information disclosure. The cash-based IPSAS sets the structure and standards for mandatory and non-mandatory requirements guiding adopting entities to conform with. The section below discusses the details of cash-basis IPSAS.

3.3.1 Conceptual Framework for Cash-basis IPSAS

There is growing number of countries around the world that has adopted the cash-basis IPSAS in preparing government financial statement. Compliance with the requirements as well as encouragement of cash-basis IPSAS is indicated to enhance comprehensive and transparent financial reporting practices by governments, particularly in the areas of cash receipts, cash payments and cash balances (IFAC, 2006b, 2009a; Schaik, 2014). Comparability of financial statements between governmental entities can be enhanced through compliance with cash-basis IPSAS (Schaik, 2014).

Adoption of cash-basis IPSAS is observed to be largely the practice of developing countries. It is a stepping stone towards the adoption of the accrual basis IPSAS. Due to its standardized framework, cash-basis IPSAS surpassed the traditional cash basis and the modified-cash basis accounting system, which lacks standardized defined mode as a general accepted accounting system. Scholars (Pawan Adhikari, Kuruppu, Wynne, & Ambalangodage, 2015; Chan, 2006) have emphatically argued that, cash-basis IPSAS would likely become de facto IPSAS and preferred reporting style for developing countries in the future, due to its similarity with the traditional accounting principle (cash basis accounting) and lesser cost implication.

However, the level of acceptability and adoption of the accounting standard varies among countries. While some countries have only adopted at the central government level, others have limited the adoption to the local government or sub-government level (Adhikari & Mellemvik, 2011; Schaik, 2014). Instances of central governments using the cash-basis IPSAS are Burkina Faso, Fiji, Liberia, Mauritius, Seychelles, Sierra Leone, Solomon Island, and Timor-Leste (Bartlett, Parry & Wynne, 2009). Nigeria has adopted the cash-basis IPSAS across its three levels of government (Nongo, 2014). Local governments applying cash-basis IPSAS includes, the provincial government of Punjab in Pakistan.

The promulgation of IPSAS by the IPSASB under the auspices of IFAC highlight the accounting standards that guides the preparation of accounts through both accrual-basis and cash-basis. Transactions and other events are recognized under the cash-basis accounting principle only when cash is received or paid (Pina et al., 2009; Schaik, 2014). The cash-basis IPSAS recommends the way in which the general purpose financial statements (GPFS) are to be presented (IFAC, 2009a). According to IFAC conceptual framework (CF) (2006, 2009), the GPFS are prepared to meet the information needs of users who are not able to demand for financial statement prepared to meet their specific information needs. Example of this class of users includes: tax payers, members of the legislature, creditors, suppliers, media etc. In addition, the GPFS are to be presented separately or within another public document such as annual reports.

Furthermore, the cash-basis IPSAS sets out two parts requirements concerning mandatory and optional financial reporting procedures, by which entities designated as complying with cash-basis IPSAS are to adopt as guide for their reporting practices. The first part represents the mandatory requirements which must be complied with. The second part refers to the optional/non-mandatory provisions that stipulates additional accounting policies and disclosure, which an entity is encouraged to adopt in order to enhance its financial accountability and transparency (Adhikari & Mellemvik, 2011; IFAC, 2006, 2009; Schaik, 2014). Precisely, Schaik (2014) adds that, the second part also include explanations of alternative methods of presenting certain information.

According to the cash-basis IPSAS Conceptual Framework (CF), an entity should prepare and present GPFS which include the following components:

a. Statement of cash receipts and payments, which recognizes all cash receipts, cash payments, and cash balances controlled by the entity and separately identifies payments made by third parties on behalf of the entity;
b. Accounting policies and explanatory notes; and
c. Comparison of the government's budgeted and actual amounts (budget execution statement), and explanations of differences between them. This refers when the entity makes public is budgetary statement.

However, the imperative of compliance with the cash-basis IPSAS is consistent with conformity with certain standard as promulgated under the accrual IPSAS. For instance, encouragement to prepare the statements of cash receipts, and payments in the format of cash flow statement results to effectively complying with IPSAS 2 (cash flow statement) and IPSAS 24 is equally complied with when government's available budget is compared with the actual budget executed and explanation on the differences presented.

Therefore, the consequential expectation of accounting disclosure under cash-basis IPSAS suggests the nature of disclosure pattern by adopting constituencies. This however reflect on how accounting numbers are communicated to users via relevant statements that depicts probity of transaction, accountability of managers and enhancement of quality of external reporting. The next subsection detailed the adoption of the IPSAS Nigeria.

3.3.2 IPSAS Adoption in Nigeria

Following the global call for development of unified accounting standards, nations of the world are increasingly subscribing to the adoption of IPSAS as primary driver of their financial reporting. Nigeria is not an exception in this development, as the country adopted the cash-basis IPSAS in 2014 across its three tiers of government and intended to transit to the accrual-based IPSAS by 2016. But to date, there is no official pronouncement on whether the transition to the full IPSAS has taken effect.

Nonetheless, as a working plan, the Federal Executive Council (FEC) of Nigeria, charged the Federal Account Allocation Committee (FAAC) with the road map for successful adoption and implementation of the standard accordingly. In order to initiate structural changes in its accounting practices, the cash-basis IPSAS was adopted as an initial step prior to the full adoption of the accrual based IPSAS. The situation in Nigeria is similar to the practice of many public and governmental organizations around the world particularly in developing countries (Afghanistan, Armenia, Cyprus, Gambia, Ghana, Nepal etc.) (Liguori, 2012; Parry & Wynne, 2009).

Institutional and regulatory framework for adoption and implementation of IPSAS among nations is being addressed through internal and external mechanism as issued by the IPSASB. In Nigeria, beside the international regulatory agencies, the public sector accounting draws its regulation from the Ministry of Finance and the Nigeria Accounting Standard Board (NASB). The Ministry of Finance regulate financial activities of the public sector according to constitutional provisions. While the NASB became a governmental agency in 1992, it is statutorily empowered by the NASB Act of 2003 to issue standards for accounting practices in Nigeria.

Subsequently, the Nigerian Senate Assembly on 18th May 2011 ratified the Financial Reporting Council (FRC) bill, which rescinded the NASB Act with new set of rules (Ogidan, 2011). In Nigeria, the FRC an independent unified regulatory body is saddled with responsibility to regulates accounting, auditing, actuarial, valuation and corporate governance. Basically, the framework of the FRC (2016) generally is mandated to ensure that financial statements of Public Interest Entities (PIE) reflects essence of true and fair representation of the business dealings the relevant organization to which they apply, including the true picture of their financial condition for the benefit of existing and potential investors and the public.

However, regulatory framework of the public sector accounting cut across all facets of the governmental organizations and agencies, including the local governments. Moreover, important to the current study is the assessment of organizational incentives and financial reporting quality in the era of adoption of the cash-basis IPSAS in the local governments' councils of Nigeria. The next section discusses the organizational characteristics as determinants of FRQ.

3.4 Organizational Characteristics

The impact analysis of IPSAS adoption in the global context on modernization of governmental accounting and achievement of accounting comparability among nations have attracted a wide range of topical discussion in accounting literature. Examination of issues within the literature describes the underlying factors that affects financial reporting performance following the adoption of accounting standards among governmental institutions to include organizational and environmental variables. This to a great extent has caused variations in the quality of financial reporting outcomes among different constituencies (Brusca & Martınez, 2015). Moreover, Rahman (1998 in excerpt Rahman, Ku Ismail and Wan Hussin, 2011) has argued that social environment and stages of economic development significantly influences financial reporting outcome of a country.

Attempts made by researchers to determine factors that stimulate the imperatives of accounting reporting in the adoption and development of international accounting standards in various constituencies are consequent upon theoretical justifications, prominent among which invokes Luder's contingency theory (1992). Luder's contingency theory offers great applicability to factors that affects accounting information system consequent upon diffusion of reforms and innovations in an organization (Upping & Oliver, 2011). Though, the theory has been subjected to modification and adjustment over time by researchers, through specific additional modification to further understand the changing systems of government accounting (Christensen 2002; Godfrey, Devlin & Merrouche 1996; Yamamoto 1999 Upping & Oliver, 2011) . The Luder's theory is very useful in explaining results of analysis between organizational contingencies and improved financial information reporting occasioned by the introduction of accounting innovations and reforms, particularly in the public sector. That is, the theory offers justification on how the resultant effect of the diffusion of innovations (e.g. accounting standards), organizational factors are stimulated to influences financial reporting outcomes.

According to Luder's contingency theory, the effect of the changes in an organization is explained by factors associated with "stimuli" and "implementation barriers." Upping and Oliver (2011), based on the work of Christensen (2002), Godfrey, Devlin and Merrouche (1996), Yamamoto (1999) provide integrated framework that identifies multifaceted explanatory constructs such as, internal and external factors influencing changes, barriers and facilitators of accounting principles in developing countries.

For instance, in a recent study, Brusca and Martınez (2015) examined the variables and conditions that influenced accounting reports after adoption of IPSAS in American and European Union countries. Using Luder's contingency model the study classified specific organizational factors based on stimuli and barriers responsible for variation and impact on financial outcomes. These include eight variable constituting stimuli, such as, the issuing process for the standards; closeness of IPSASs to business accounting standards; consideration of issues of significance to public sector entities. Others include, active role played by IPSASB; role of international governmental organizations; the sovereign debt crisis and IPSASs; global perspective and the cognizance of the significance of international accounting harmonization and the harmonization of financial reporting with national and statistical information. Moreover, the variables involving barriers are four, including criticisms against alignment of IPSAS's closeness with business accounting model; interest of countries in maintaining control and fiscal illusion; cost and training needs for the adoption and concerns about IPSASB governance.

Thus, the theoretical inferences suggests that despite adoption of accounting standards, high quality financial reporting is also contingent upon other organizational incentives and factors (Abu Bakar & Saleh, 2011; Ball et al., 2003; Bushman & Piotroski, 2006; Christensen et al., 2015b; Holthausen, 2003). For example, Ball et al. (2003) argued that high quality standards do not necessarily translates to high quality accounting information and that other variables such as economic and political factors, ultimately determines the reporting quality. Similarly, Bushman and Piotroski (2006) explored the impact of institutional structure involving legal system, security laws, political economy, tax regime and behavious of corporate executives on the quality of accounting reporting under a complex interplay of accounting standard regime. Next, Palva and Lourenco (2009), examined organization's size, size of audit firm, strength of execution, market competition as incentives influencing accounting quality in a context of changing accounting innovations and reforms.

However, there are limited studies in the context of public sector, particularly among developing countries like Nigeria that attempt to empirically investigate the relative organizational contingencies that influences financial reporting quality (FRQ) following the adoption of accounting reporting standards by its public sector.

Therefore, to fill this research gap, a model that incorporates specific organizational factors perceived to affect FRQ was developed and tested.

Therefore, relevant to the present study, the theoretical implication of the notion of 'stimuli' and "implementation barriers" as used in Luder's contingency theory suggests that, financial reporting practice is contingent upon sets of organizational factors (stimuli) which influences the elaboration of high-quality financial reporting within the public sector despite the adoption of the accounting standard. Thus, internal audit quality, staff competence, information technology and Council size have been conceptualized as perceived endogenous organizational characteristics that affects the production of more informative accounting system (FRQ) after the adoption of accounting standards in the public sector.

These variables have been adopted in this study, because previous studies on Nigeria have observed that, they constitute potential implementation barriers to the adoption and implementation of international accounting standards and enhancement of FRQ by implication (Akhidime, 2012; Edeigba, 2017b; Herbert et al., 2014; Nwanyanwu, 2016).

For instance, Akhidime (2012) study regarding Edo State and local governments' financial reporting and accountability system following the adoption of international public sector accounting standards in Nigeria. The study using instrumentation of survey design (interview and questionnaire) and descriptive data analysis examined the data generated from staff of the office of the Accountant-General and Auditor-General of the State and Local Governments. The study revealed that, regulatory factor has a significant positive influence on accountability system after the adoption of the accounting standard. Similarly, Herbert et al. (2014) investigates the impediment to the implementation of international accounting standards in Nigeria. A sample drawn from the survey and analysis of accounting academics and practitioners shows among other things that accounting preparer's competence is a significant impediment to the proper implementation of accounting standards in Nigeria.

The above finding was recently corroborated by the research conducted by Edeigba (2017) on investigation of the challenges in international financial reporting standards' adoption among public companies in Nigeria. The study based on self-administered questionnaire of 519 accounting preparers of companies. The test analysis using chi-square test, t-test, and Exploratory Factor Analysis (EFA) identified different factors associated with international accounting standard adoption. Among which revealed that staff competence (knowledge and experience), inconsistent legal requirement and internal control system (IT infrastructures) are significant implementation factors that impedes the adoption of international accounting standard in Nigeria. Additional findings in the study relating to the control variables used - organizational size and international affiliate, equally relate significantly with adoption and implementation of accounting reform in the Nigeria context.

Therefore, conceptualizing organization characteristics as specified in the present study allows for a comprehensive insight into understanding the relative organizational characteristics which shapes financial reporting outcomes including the implication of their respective and collective effects. The following subsections presents a conceptualization of the selected organizational characteristics and their measurements for this study.

3.4.1 Internal Audit Quality

The existence of separation of power between owners and managers of economic entities, private or public, makes auditors' pronouncement on financial statement become essentially crucial (Kilgore & Martinov-Bennie, 2014; Vrentzou, 2011). Auditing is a statutory requirement which gives credibility and reliability to the financial statement produced by managers as a stewardship undertaking to owner of an entity (Eze, 2016). The imperatives of accountability require managers of organizations to periodically render (stewardship) comprehensive reports on how resources entrusted to them have been put into use.

There have been arguments that internal auditing function differ significantly between the public and private sector (Carhill & Kincaid, 1989; Jenny Goodwin, 2004). Carhill and Kincaid (1989), noted that the public sector agencies operate in complex framework where events are guided by legislative provisions and because they are service oriented agencies, they attribute lesser importance to cost and profitability factors. Based on this, Carhill and Kincaid (1989) contended that public sector internal audit activities requires to be of considerable wider scope than the private sector's.

Further, two forms of auditing practices have been identified by Malan (1991) which are relevant to the public sector. Namely, financial audit and performance audit. Financial audits investigate the degree to which public resources are used to achieve objectives of the organization. This type of audit extends outside the usual substantiation function of auditing. Performance audit, also known as value-for-money audits focuses on whether public resources are being used efficiently and effectively and to ensure that wastage are minimized. Coupland (1993) suggests that, performance audit requires public auditors to broaden their skills/techniques and to adopt more sophisticated approach to internal audit work.

However, providing meaning to the concept of internal audit has attracted variety of interpretations (Brivot, 2016). The Institute of Internal Auditors (IIA) defines internal audit (IA) as an independent, objective assurance and consulting activity designed to add value and improve organization's operation (IIA, 1999). IA helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, including controls and governance processes (Drogalas et al., 2015). IA to an organization involves the systematic achievement of an organization's objectives through effective assessment and improvement of risk management, controls and governance of an organization (Ahmad, 2015).

Moreover, it is well documented that, IA enhances organization's compliance with relevant laws and regulations (McMullen, 1996), enhances the work of external auditors (Messier, Reynolds, Simon, & Wood, 2011); detects the weaknesses in organizational procedures (Doyle et al., 2006) and provides independent assessment to organization's operations (Hai & Trung, 2015; Stewart & Subramaniam, 2010).

Similarly, IA contribute to effective corporate governance (Francis, Khurana, & Pereira, 2003; Mohamad-Nor, Rohami, & Wan-Hussin, 2010), helps strategic management planning (Melville, 2003), ensure to determine the level of organizational risk (Hao, 2009; Kaplan & Reckers, 1995) and serves as value addition to the organization (Abbott et al., 2016; Alzeban & Gwilliam, 2014).

Despite the growing interest in IA (Copley, 1991), extant literature that operationalized its quality in the public sector are very scanty (Brivot, 2016; Carhill & Kincaid, 1989). Plethora of attempt to operationalize internal audit quality (IAQ) are common in literature on private sector (Brivot, 2016; Jenny Goodwin, 2004). Though this paucity in the literature on public sector was blamed on the rigidity of the public sector legislative provisions (Carhill & Kincaid, 1989; Jenny Goodwin, 2004).

Nonetheless, De Angelo (1981) defines audit quality as "the probability that the auditor will discover and report a bridge in the accounting system of the client". The American Society for Quality (ASQ, 2011), referred to internal audit quality (IAQ) as "systematic, independent and documented process for obtaining audit evidence in terms of records, statements of fact or other information, which are relevant and verifiable, and determine objectively, the extent to which audit criteria (set of policies, procedures or requirements) are fulfilled.

Regarding the measurement/operationalization of what constitute IAQ, several scholastic perspectives have trailed the literature on accounting-audit reviews. Prior studies have put forth different measures to identify and explain factors that interact with IA to make it effective. In other words, to be effective, internal auditing activities must be influenced by series of organizational and institutional factors. Consequently, the concept of effectiveness is a broad phenomenon that explains necessary considerations for a sound internal audit system.

Development in financial reporting standards recently have resulted to increasing development and changes in auditing standards and practices (ICAEW, 2009). According to the International Standards for Professional Practice of Internal Auditing, promulgated by the Institute of Internal Auditors Standard Board (IIASB, 2017), internal audit effectiveness is specified based on either Attribute framework (standard) or Performance framework(IPPF, 2017). Assessment of internal audit based on attribute standards address the attributes of organizations and individuals performing internal auditing. While the performance standards describe the nature of internal auditing and provide quality criteria against which the performance of these services can be measured.

According to Drogalas et al (2015) and Mihret and Yismaw (2007), internal audit quality is examined as one of the variables within the context of internal audit effectiveness. Thus, inferences from the literature indicates, IAQ was measured through three categorical approaches (Lowensohn, Johnson, Elder, & Davies, 2007). First, involves indirect approach, for example, measures of audit size (Mansi et al., 2004), firm reputation (Beatty, 1989; Deis & Giroux, 1992), premium fees (Copley, 1991), or extent of litigation (Palmrose, 1988). To illustrate, Copley (1991), examined the association between disclosure practice and audit quality among municipal governments. Audit quality was proxied by auditor independence, firm reputation/audit fee (premium fee) and auditor's qualification. Similarly, Deis and Giroux (1992) investigated audit quality on Texas Education Agency performance. Here, proxy to measure audit quality was based on reputation effect, power conflict effect, and report timeliness, audit hours and reported breaches.

Second, this refer to a more direct measure involves studying audit quality through analysis of regulatory agencies' quality reviews (Deis & Giroux, 1992; Giroux & Jones, 2011; Lowensohn et al., 2007). For example, Giroux and Jones (2011) conducted investigation to determine audit quality in local governments of England and Wales. Auditor type (measured by reputation), audit experience (industry specialization) were adopted as proxies to determine audit quality to examine quality review process (QRP) and the service quality scores (SQS) of the Audit Commission.

Third, this approach identifies certain audit related attributes associated with perceived audit quality (Schroeder et al., 1986; Carcello, Hermanson, & McGrath, 1992; Barac & Van Staden, 2009; Armstrong, Guay, & Weber, 2010; Baharud-din, Shokiyah, & Ibrahim, 2014; Hai & Trung, 2015; Marx & Voogt, 2010; Matendera, 2013). Early study by Carcello et al. (1992) evaluated the perceptions of audit partners, preparers, and users to understand perspectives of the underlying components of audit quality. Four measures adopted by the study include audit team experience, industry expertise, responsiveness to client needs, and compliance. Similarly, Barac and Van Staden (2009) examined the correlation between perceived internal audit quality and defined corporate governance soundness. Using four indicators such as, independence of internal audit function, value added by internal audit function, attributes of internal audit functions and IA recommendations.

Furthermore, other studies linked to public sector include Baharud-din et al (2014), Hai and Trung (2015) and Matendera (2013). Matendera (2013) adopts measures of accountability, training and professionalism, auditing objectivity, confidentiality and compliance with audit law and standards to test audit quality on public audit institutions. Baharud-din et al. (2014) measures internal audit quality by examining auditor's competency, independence and management support in the case of Malaysian public sector. A recent study by Hai and Trung (2015) on audit quality in Vietnam, operationalized IAQ by examining auditor's qualification, legal environment, factor belonging to business, independence, quality of control system.

A more comprehensive measure of IAQ developed by Bota-Avram and Palfi Cristina (2009); Cohen and Sayang (2010) adopted from items measuring audit effectiveness. In their study, IAQ was identified as one factor used to determine audit effectiveness. Thus, Bota-Avram and Palfi Cristina (2009) measured IAQ through factors involving the accomplishment of internal audit objectives, communication between internal and external audit, the efficiency of internal audit"s work, and appropriate justification of internal audit"s findings. While Cohen and Sayang (2010) on the other hand measured IAQ using two items including significance of internal audit recommendations and rationality of internal audit report.

However, in order to examine the exact factors linked with internal audit effectiveness in the Greek business environment, Drogalas et al (2015), based on cross-sectional study, measured IAQ through six items developed by both Bota-Avram and Palfi Cristina (2009); Cohen and Sayang (2010).

Therefore, IAQ has been measured in the present study based on the six items developed by Bota-Avram and Palfi Cristina (2009); Cohen and Sayang (2010), namely: accomplishments of internal audit objectives; level of communication between internal and external audit; the efficiency of internal audit work; appropriate justification of internal audit findings; significance of internal audit recommendations and accuracy of internal audit reports. The choice of these measure is for two reasons. First, they represent major contribution on the examination of internal audit quality as indicated by international conceptual framework on internal audit research (IPPF, IIA). Second, the respective items were commonly adopted by extant studies as proxy to measure IAQ (Baharud-din et al., 2014; Barac & Van Staden, 2009; Kaplan & Reckers, 1995; Mihret & Yismaw, 2007b; Mohamad-Nor et al., 2010; Reynolds, Simon, & Wood, 2011).

3.4.2 Staff Competence

The argument on conceptualization of staff competence have been widely debated in the literature. Some terms used to offer its description ranges from skills, (Mc Celland, 1973; Boyatzis, 1982), behaviour (Cockerill, Hunt and Shroder, 1995), cognition, corporate culture and personal dispositions (O'Reilly & Chartman, 1994). Armstrong (1994) had stated earlier that "staff competence is what people must know and be able to do to execute their job effectively. According to Dingle (1995), competence is a mixture of knowledge, skill and awareness. Knowledge refers to the understanding of vital (for example in logical, scientific) principles required to achieve the task at hand; skill is the application of this understanding; and awareness (attitudes) refers to the proper application of skill (for example in accordance with professional and corporate "good practice").

Many different disciplines and fields have offered extensive insights into the existing literature on competencies or skills. Notwithstanding, a glossary developed by the Institute for Education Leadership and Dyn-Corp Meridian (1995) offers some good summary of the various meanings of what competency constitute (Chong, Ho, Ng, & Kwan-Kee, 2000). Competency appears as a measure of successful performance occasioned by either a specific skill/knowledge or a cluster of skills and knowledge (Chong et al., 2000). Competency encompasses a range of meanings from work-related definitions to those related to characteristics of workers.

McLagan (1997) proposes a hybrid definition of "attribute bundles" in an attempt to reconcile these meanings. Parry (1998) defines competency as a cluster of related knowledge, attitudes and skills that fulfill four criteria: a) affects a major part of one's job, b) correlates with performance on the job, c) can be measured against well-accepted standards, and d) can be improved via training development. Similarly, Spencer and Spencer (1993) include personality characteristics such as motives and traits and list five types of competency characteristics, namely motives, traits, self-concept, knowledge, and skill.

Others, such as Hornby and Thomsa (1989) refers to competence as the combination of knowledge, skill and qualities of effective people. Competence is observed to relate to ability and accomplishments. This is consistent with the definition by Institute of Internal Auditors (IIA), "competence is the ability of an individual to perform a job or task properly, signifying a set of defined knowledge, skills and behavior" (IIA, 2013). Kak, Burkhalter, and Cooper (2001) based on health provider service, describes staff competence as knowledge, skills, abilities, and traits. This is demonstrated in the health profession through pre-service education, in-service training, and work experience. Measuring competence is essential for determining the ability and readiness of workers to provide quality services. Further, Kak et al. (2001) has described the levels of skill acquisition through novice, advance beginner, competent, proficiency and expertise.

Another study by Makayi (2009), describes workers competence as the ability to use knowledge and skills effectively in the performance of a specific task and meeting performance expectations. Much recently, Tarus, Muturi and Kwasira (2015) view enhancement of accounting competency through appropriate continuous professional education and the guidance required to conduct the functions of accounting. The position of Makayi (2009) involves aligning accounting competency with the value contributed by financial professionals. In addition, Afiah and Rahmatika (2014) describes staff competencies as being characterized by level of education, training, skills, and development of quality leadership in relation to performance of a given task. The use of the concept competence has witnessed extensive research work particularly in human resource management (HRM). The phenomena is used to explain and determine personnel capacity in relation to performance of a specified job schedule (Ismail & Abidin, 2010). The concept has also been used in the field of accounting and finance, as an important contingency for the elaboration of adequate financial information. It is particularly relevant in evaluating the capacity of accounting staff in withstanding the needs of financial reporting brought by global accounting reforms and practices.

Scores of research on accounting have adopted the concept of competency to test accounting reporting outcomes. For example, Dwyer and Wilson (1989) measures competence by examining respondents membership of professional bodies and level of education. The study by Francis (2011) on factors associated with engagement- level of audit quality, adopts level of education and experience as proxies to measure competency. Similarly, Afiah and Rahmatika (2014) investigate the link between quality financial reporting and good governance. They adopt apparatus competence as an independent variable. Items such as level of education (knowledge), experience, leadership quality and skills (training) were used as proxies to measure competence.

From the forgoing however, the present research adopted compound items as items to operationalize the measure of staff competence. This includes, level of educational qualification (Saputra & Hutahaean, 2016), technical skills (Indriasih & Koeswayo, 2014; Nguyen & Leclerc, 2011), level of experience and familiarity with the current developments in accounting practice (Ismail & Abidin, 2010; Nguyen & Leclerc, 2011; Puncreobutr, Chumark, & Tipajatuporn, 2017). These items have been widely adopted by prior studies to measure perceived staff competency, indicating the efficacies of the measures.

3.4.3 Information Technology

In the present time, information technology (IT) has been considered universally a useful tool that enhances the competitiveness and efficient operation of an entity's activities (Kyobe, 2011; Oliveira & Martins, 2011). IT industry is one of the fastest growing industry in today's global world. Many businesses, government organizations, and industries want to automate their activities and day-to-day operations (Ehtan, 2016). It is a consensus view that IT has a significance effect on organization's productivity, particularly if, and when, IT are widely spread and used (Oliveira & Martins, 2011).

From the conceptual view point, several definitions have been put forth to describe the term IT. The term IT is often referred to computers and computer-based systems, including telecommunication gadgets (e.g. telephones, television etc.). But inferences from theoretical perspective suggests that, the roots of technology suggest it is a "means" to an end" (Ehtan, 2016; Khan, 2013; Milena & Stojanovic, 2005). In the widest sense, IT is the application of modern communications and computing technologies for the creation, management and use of information with a view to expand knowledge (Khan, 2013).

The international federation of accountant (IFAC) defines IT as "hardware and software products, information systems operations and management processes, and the skills required to apply those products and processes to the task of information production, information systems development, management, and control" (World Bank Independent Evaluation Group, 1999). Similarly, Rouse (2016) defines Information technology (IT) as the usage of any computers, storage, networking and other physical devices, infrastructure and processes to build, process, store, secure and exchange all forms of electronic data.

The concept of IT covers extensive area of discipline; this makes its definition multi-dimensional. It has been argued that, the most appropriate approach to conceptualize IT, is to provide related concepts and ideas about it, including elaborating on its associated matters and areas (Salehi & Torabi, 2012a). Thus, regardless of issues pertaining to its strategic dimensions and instrumentations, IT is a thought or idea for performing tasks in an optimal way. Therefore, the uses of IT cut across different phenomena including, cost leadership (Porter, 1998; Parsons, 1983; McFarlan, 1984), inter and intra-organizational efficiency (Bakos & Treacy, 1987); comparative efficiency (Bakos, 1997) and productivity (Synnott, 1997).

The application of IT in service management has been labeled as personal productivity tools (spreadsheets, word processing and simple customer databases) necessary for decision making and support for sophistication of information systems (Fletcher, 1991). A key relevant role played by IT infrastructures in organizational operations is the removal of time and place limitations, which consequently allows information processing to become timely available to users in a more satisfactory manner (Salehi & Torabi, 2012a). Analogous to the field of accounting, introduction of IT in processing accounting information facilitates the automation of accounting information system in an organization, which streamline the processes and engender improvement and efficiency in communication about financial results (Abrokwah, Quaye, Omondi, Osei, & Sarbah, 2015).

Thus, given the comparative advantages of the use of IT in the modern world, Salehi and Torabi (2012, p.116) encouraged accounting practitioners thus:

> *…in this regard, there is no other choice but to use all or some of the new procedures in offering accounting services…. Therefore, providers of information, especially accountants, should provide state of the art information in order to sell their services (in high prices). Otherwise, they will have no place on the market of the future*

Development in the application of IT to the field of accounting has usually taken the form of specific computer application systems, such as accounts payable and financial reporting systems, which either automate specific operational procedures or support certain managerial processes (Nwanyanwu, 2016). Today, the shift in IT over the last decades transformed how organizations manage and control its functions (Abrokwah et al., 2015). Consequently, it can be broadly admitted that IT plays an important role in the areas of accounting. Despite this, the relationship between IT and financial reporting quality has been given relatively few attention.

However, despite the significant benefits of IT in enhancing organizational performance, the challenges posed by organizational, environmental and institutional contingencies have been identified as critical factors that determine the pattern of adoption of IT among organizations (Schneider, 2003; Zorn, Flanagin, & Shoham, 2011). Given that studies on IT cover large area of inter and intra disciplinary subjects (Patel & Connolly, 2015), two dominating school of thought emerged from the literature about technological adoption and diffusion (Corrales & Westhoff, 2006), i.e. "diffusion of innovations school" and " the "social shaping" school of thought. While the former involves specific characteristic of technology (technical functionalities of IT), the latter explains the socio-political, organizational and institutional context that determines whether the technology is accepted (Corrales & Westhoff, 2006).

For instance, an early study by Thong and Yap (1995) identified individual characteristics (e.g. Chief Executive Officer's (CEO) innovativeness, attitude and knowledge) and organizational characteristics (size, competitiveness, environment and information intensity) as key factors that influence adoption of IT in an organization.

A similar study involving senior executive managers of 89 organizations by Chau and Tam (1997) found that, organizations are more preoccupied by the ability to adopt rather than accrued benefits from adoption, and they consider reactive attitude to adoption rather than proactive attitude.

Further, Finn, Maher and Forster (2006) found budget and organization size has positive correlation with ICT (e.g., technology plans) but shows a negative result with proportion of staff who used the internet. Xiong, Qureshi and Najjar (2013) finds management attitude towards adoption, and cost (financial resources) as critical consideration for organizations adoption of IT infrastructures. This finding reinforced the study by Thong and Yap (1995) which indicates that managerial attitude involves contribution of the management towards aiding the adoption of IT in the organization. Managerial support was also used in Zorn et al. (2011) study, that institutional and organizational characteristics influences the adoption of IT in an organization, and argued that organizations with the necessary resources (such as size and budget) and intensive need for efficient communication and information flow within and/or out (intra and inter) stakeholder engagement, are most likely to adopt new technologies (i.e. ICT). Heintze and Bretschneider (2000), also concludes that management support for IT adoption has direct influence on organizational IT implementation and performance.

Furthermore, Kyobe (2011) in the case of South Africa public sector examines motivation for adoption of IT, in terms of capacity to adopt and use, level of exposure to international environment and State policy. Kyobe (2011) adopted these factors from prior study by Corrales and Westhoff (2006), and based on World Bank data, the regression analysis indicates that capacity to adopt and use ICT has the most significant influence on ICT adoption, followed by experience on international exposure, while State policy revealed insignificant effect. According to Corrales and Westhoff (2006), adoption of information technology becomes realizable when adopters can afford required resources in terms of financing (income), necessary cognitive skills and technological infrastructures.

Several theories have been adopted to explain the motivations/incentives for IT adoption in an organization (Oliveira & Martins, 2011). One of this theory is the technology, organization, and environment theory (TOE) (Tornatzky & Fleischer, 1990). The TOE theory is based on three factors: perceived benefits, organizational readiness, and external pressure. The organizational readiness indicates the significance of IT resources and the financial resources for the adoption of IT within an organizational context. However, the theory further corroborates the conclusion of Chau and Tam (1997) and Kyobe (2011) that organizations' resource capacity shapes the extent of IT infrastructure to be adopted in an organization.

Therefore, determining measures of IT in the current study was achieved through adoption of compound items from comprehensive literature review. That is, inferences from the reviews above on the incentives and support for IT adoption in an organization, serves as a basis for operationalization of measurement of IT for necessary analysis in the present study. Based on this, six items involving information intensity for inter departmental/organizational communication (Zorn et al., 2011), information intensity for intra unit communication (Chau & Tam, 1997; Xiong et al., 2013; Zorn et al., 2011); financial support by management (Xiong et al., 2013; Zorn et al., 2011); proficiency/knowledge of staff on use of IT (Thong & Yap, 1995; Zorn et al., 2011), knowledge/awareness of top management (Zorn et al., 2011) and technical support for IT development (Heintze & Bretschneider, 2000; Xiong et al., 2013) were considered as proxies to operationalized the perceived support for IT use in the present study. These items reveal a comprehensive and valid measure for construct/items development because they were commonly used by prior studies hence justifies their efficacy.

3.4.4 Council's Size

The size of a governmental entity is a contributing determinant of its accounting practices and disclosure characteristics (Christiaens, 1999; Gordon, Fischer, Malone, & Tower, 2002; Laswad, Fisher, & Oyelere, 2005; Ryan, 2008). The ability to provide accountable information has been indicated by Cameron and Guthrie (1993), Coy et al. (1997) to be influenced by the environment in which the organization operates. Organization size is one factor which may have significant influence on quality of financial reporting despite introduction of accounting innovation (Ryan, Stanley, & Nelson, 2002). Accountability based disclosures has been found by Taylor and Rosair (2000) in the examination of the annual reports of government departments to be influenced by the size of departments. This is arguably due to the range of possible economic activities and volume of financial transaction for service provisions. Mack et al. (2001) add that, the annual report dissemination lists, and the distribution patterns of local government annual reports shows variations in relation to size of the councils.

In a recent work by Maimako and Ayila (2015), the association between firm size and extent of compliance with accounting standards disclosure of audited financial statements of commercialized Federal Government Enterprises (CFGE) shows that, organization's size is an integral determinant of disclosure practices. This is justified because accounting standards are probably inherently influence disclosures in financial statements preparation (Ryan et al., 2002), and as such, large organizations are capable of investing in sophisticated accounting technologies and employ services of quality audit firms that produce quality financial reports. In addition, the compelling need to meet the information needs of diverse and numerous users allows large organizations to follow accounting standards diligently in preparing and reporting financial information.

The variability in the utilization of local governments annual reports and the quality of information therein has been found to exist based on the size of government councils (Ryan et al., 2002). Based on empirical evidence Ryan et al. (2002) reveals that financial disclosures, the timeliness of annual reporting, the reporting of performance information, and the size of public sector entities have significant influence on the quality of disclosures in the annual reports of local governments. Ettredge Richardson and Scholtz (2002) found a relationship between use of internet financial report and size of company. Groff and Pitman (2004) concludes that size appears to play an important role in financial reporting as demonstrated by 100 U.S. municipal governments.

In addition, the studies by Giroux and Mclelland (2003), Gore (2004), Jones et al. (1985), Robbins and Austin (1986) reveals significant evidence of a relationship between the size of the local government and accounting disclosure. Although, Carvalho et al. (2007) has argued that bigger cities have more facilities to adapt accounting system reforms, notwithstanding, size of municipality does not seem to consistently explain the differences in implementation of generally accepted accounting principles in local administration. Similar to this notion, an earlier study by Allen and Sanders (1994) concludes that city size (measured using population) does not affect disclosure but an association might exist when size alone is considered in the absence of other explanatory variables. In turn, Christiaens (1999), using regression analysis based on compliance index considered the effect of size on accounting practices among Flemish municipalities finds a significant positive effect on compliance index. Signifying municipal size as a significant determinant of level of compliance with accounting practices of local government administration. On the contrary, Tawfik (2006) and Astami and Tower (2006) found no evidence to support that size influences accounting policy choices in Saudi Arabia and the Asia-Pacific region, respectively.

The implication of organization's size in the analysis of financial reporting and disclosures among studies have indicate wide range of application. Gordon et al. (2002) posits that organization's size, remained a prevalent explanatory variable in the extent of disclosure literature. Earlier, Foster (1986) suggests that, increased political costs, lower competitive costs and economies of scale are responsible for the positive relationship that appears to exist between firm size and extent of financial disclosure.
Accordingly, exemplifying theory of agency, Jensen and William (1976) states that large companies have greater agency costs than small firms. In relation to the political cost problem, increased financial disclosure according to Leftwich, Watts and Zimmerman (1981) can help to overcome monitoring problems arising from increase in organization size.

As an economic construct, what constitute surrogate for measurement of 'size' represents a diverse area of debate in the literature (Gordon et al., 2002) with much work on the use of the construct residing in the private sector. Earlier studies such as Foster (1986), Wallace (1988) use possible measurable surrogates of firm size to include total assets, sales, and market capitalization. Much later, size was measured in the study of Khasharmeh and Aljifri (2010) by the natural logarithm of total assets in a regression model.

Again, size of constituencies of New Zealand local authorities was proxy by total assets (Keerasuntonpong et al., 2015). Udah (2010), adopts ratio of government expenditure to GDP to measure government size in study on Nigeria. García-Sánchez, Cuadrado-Ballesteros, and Frías-Aceituno (2012) adopted employees' population as a proxy for government size in the analysis of determinants of E-government development. The study which aimed at analyzing the factors which promote the development of the electronic administration in the national governments finds that size of government has a negative effect on e-government development. The use of population as a metric for government size as in the study of García-Sánchez et al (2012) is also consistent with previous studies, such as Dwyer and Wilson (1989), Giroux and Mclelland (2003), Johnson, Davies, and Freeman (2002), McLelland and Giroux (2000).

However, this study finds 'size' as a veritable item upon which the extent of financial reporting quality could be evaluated. Though, the variable have largely been adopted in most studies as a control variable (Barth, 2000; George, 2003; Matendera, 2013). Nonetheless, our intent to adopt it as an explanatory variable reveals the dynamic potential of the variable. Therefore, the present study measures variation in council size as population of employees of the councils. This measure was adopted in previous study and has proven to be an appropriate and consistently significant variable (Bentein, Stinglhamber &Vendenbarghe, 2005).

3.5 Organizational Characteristics and FRQ Relations

Plethora of past research have examined the relationship between certain elements of organizational factors and financial reporting quality. Relevant to the present study and given the adoption of international accounting standard (cash-basis IPSAS) in Nigeria, some specific factors have been identified by prior studies, though not exhaustive, as factors that incidentally influences financial reporting outcome resulting from adoption of the accounting reform (Herbert et al., 2014; Mary, Okoye, & Samson, 2013; Nwanyanwu, 2016; Nyor, 2013; Oduware, 2012; Yunusa, 2014). Common in the list is internal audit quality, staff competence, and information technology and councils' size. The subsection below thus, examines the relationship in terms of direction and effect between the individual construct and financial reporting.

3.5.1 Internal Audit Quality and FRQ

The relationship between internal audit quality (IAQ) and financial reporting quality (FRQ) has been well documented in the literature, with results of prior studies revealing diverse pattern of relationships. The study by Schneider and Wilners (1990) investigate the relative composite of internal audit effectiveness and external audit in determining financial reporting irregularities. Using experimental research approach on a total of 264 managers' perspective, the finding revealed that internal and external auditing serves as deterrents to financial reporting irregularities when safe-guide measure institutionalised. The gap observed in the study however, was the inability to explain why the existence of audits was perceived as having deterrent effects. Similarly, Copley

(1991) based on two proxies for audit quality (reputation and independence) examines the impact of public sector model disclosure for a sample of 262 US municipal governments. Based on regression analysis, the hypothesized relationship between audit quality and disclosure was supported.

Further, Gordon et al. (2002) in reference to Sanders and Allen (1993), Raman and Wilson (1992), states that, type of organization performing audit may be an important factor in determining extent of disclosure of both financial and non-financial information. Using sample of 100 institutions comprised of private-public colleges and universities, the result of multiple regression (OLS) indicates among other things, that State auditors influences significantly high level of quality financial disclosures. In addition, higher level of accountability expectations seems to be the driving force for accounting disclosures in the public sector. An example in this regard, indicates that State auditor in Australia usually demand for extensive accountability performance indicator for disclosures.

Francis et al. (2003) demonstrated that more spending in audit enforcement in Big Five accounting firms result to higher accounting disclosure. This illustrates the result of 31 countries sample from the Global Vantage database to measure the percentage of companies audited by Big Five accounting firms. The result of regression analysis explain cross-country differences in the role of accounting and auditing in corporate governance shows that higher quality accounting and auditing are also positively associated with financial market development in countries whose legal systems are conducive to the protection of investors.

In another study, Baharud-din, Shokiyah and Ibrahim (2014) investigates contributing factors to the effectiveness of internal audit and promotion of better transparency and integrity of public management in the Malaysian public sector. The study employs a cross sectional survey and statistical estimate of descriptive, correlation and regression analysis. The findings showed that there exist significant positive relationships among the factors analyzed in support of effectiveness of internal audit on better transparency and integrity of public management. Next, Usang and Salim (2015) highlights the influence of internal audit quality on the performance of an organization. Based on hypothetical conceptual approach the study indicates that the quality of internal audit influences local government financial performance.

Recently, Kewo and Afiah (2017) analyzed the influence of internal control systems and internal audit on financial statement quality of local government. Usefulness of research as input for local government to improve implementation internal control, effectiveness of the internal audit function. Data were derived by taking 66 local government unit tool of the 15 districts and city of Indonesia. The study concludes that internal control system and internal audit partially and simultaneously have positive effects on the quality of financial statements. In a related study in the case of public sector of Nigeria, Chidinma, Eugene and Ifureze (2016) examined the effectiveness of audit in improving institutional governance and accountability. The study revealed that internal audit effectively checks fraud and fraudulent activities in the Imo State public sector. This is consistent with the study of Nwaobia, Ogundajo and Theogene (2016), about internal audit practices towards enhancing transparency in public financial management and reporting in Rwanda and Nigeria.

Some of the negative relationship between internal audit quality and FRQ are also documented. For instance, Using reports from the Institute of Internal Auditors on systematic rotation of internal auditors between internal audit function and operational management (IIA, 2009a), Christ, Masli, Sharp and Wood (2015) developed a framework focusing on how this practice affects financial reporting quality through a semi-structured interviews with 11 chief audit executives and 2 audit committee chairmen. Based on archival data, the study finds that companies that use a rotational staffing model for the internal audit function have significantly lower financial reporting quality than companies that do not. However, the result of a fixed appointed auditor has not been mentioned in the study.

Next, Barac and Van Staden (2009) investigate the correlation between quality of internal audit function (IAF) and soundness of organization's corporate governance structures through a survey research. Based on questionnaires administered to elicit information from chief audit executives, chief executives and audit committee chairpersons of participating companies, the result of the analysis reveals that no correlation was found to exist between the internal audit quality of participating companies and audit committee chairs on their companies' internal audit function. This result thus, portend negative implication for financial reporting outcome due to lack of congruence between the internal audit and audit committee.

Furthermore, Johl, Johl, Subramaniam and Cooper (2013), investigates the moderating effect of board of director's role on the association between internal audit quality and FRQ. Results of the regression estimates showed negative relation between internal audit quality and FRQ. Implicitly, internal audit independence, financial focus audit activities and investment are associated with lower income-increasing (opportunistic) financial reporting. Relatedly, Further, Carslaw, Pippin and Mason (2012) based on a sample of 601 audit information generated from nine States of US, the differences between a State mandated audit agency and a private firm audit outfit in relation to FRQ was investigated. The estimation of regression analysis indicate that State auditors are more likely to find more reportable conditions in a government entity's audit.

On the other hand, studies that investigated the IAQ-FRQ relations in the private sector largely adopts indirect approach as proxies to measure the variable of audit quality with consequential associations (Al-Shetwi, Ramadili, Chowdury, & Sori, 2011; Barac & Van Staden, 2009; Deis & Giroux, 1992). For example, Deis and Giroux (1992) present the finding of investigation into audit quality provided by small, independent CPA firms in Texas on audits of independent school districts. Using 308 quality control review (QCRs) conducted by the Audit Division of the Texas Education Agency (TEA) between 1984 and 1989. The results of findings using audit size as proxy, revealed that audit quality was sufficiently robust to explain quality variations. Similarly, Wallace and Krutzfeldt (1991), based on distinctive characteristics of entities with an internal audit department and the association of the quality of such departments with errors. Based on sample of 260 companies the findings revealed that qualitative attributes of internal audit are systematically associated with the overall quality of the control environment, as well as errors.

Consistent with this, research conducted on Nigeria such as Adeyemi and Okpala (2011) examined the impact of audit independence on corporate financial reporting in Nigeria. The survey research elicits information from auditors, shareholders, brokers, analysts, regulators, management, academics and users of financial information. The result of t-test statistics reveals significant and positive relationship between audit quality and FRQ. In addition, Chidinma, Eugene and Ifureze (2016) examined the effectiveness of audit in improving institutional governance and accountability in the case of public sector of Nigeria. The study revealed that internal audit effectively checks fraud and fraudulent activities in the Ima State public sector. This is consistent with the study of Nwaobia, Ogundajo and Theogene (2016), about internal audit practices towards enhancing transparency in public financial management and reporting in Rwanda and Nigeria.

Conversely, James (2003) examines the impact of the internal audit structure and internal audit sourcing arrangement on enhancing quality financial reporting. Using survey research approach focused on lending Officers, the test statistics of ANOVA finds in terms of reporting channel that internal audit function relate insignificantly to enhancing quality financial reporting. In other words, internal audit departments (in-house) that report to senior management are perceived as less able to prevent fraudulent reporting compared to in- house departments that report solely to the audit committee. In addition, there is no difference shown in the quality of financial reporting between outsourced internal audit teams and in-house internal audit departments when both report to the audit committee.

Further, James (2003) examines the impact of the internal audit structure and internal audit sourcing arrangement on enhancing quality financial reporting. Using survey research approach focused on lending officers, the test statistics of ANOVA finds in terms of reporting channel that internal audit function relate insignificantly to enhancing quality financial reporting. In other words, internal audit departments (in-house) that report to senior management are perceived as less able to prevent fraudulent reporting compared to in- house departments that report solely to the audit committee. In addition, there is no difference shown in the quality of financial reporting between outsourced internal audit teams and in-house internal audit departments when both report to the audit committee.

Additionally, Al-Shetwi, Ramadili, Chowdury and Sori (2011) examined the impact of the quality of the internal audit function on FRQ of all companies listed in the Saudi stock exchange (TADAWL) in 2009. Using matched survey and interview of internal and external auditors, the findings reveals a weak association between IAF quality and FRQ. Additional findings indicate that listed firms adopt IAF as a symbolic conformity with requirement of Saudi capital market authority (CMA) regulations.

In another study, Al-Shetwi, Ramadili, Chowdury, and Sori (2011) examined the impact of the quality of the internal audit function (IAF) on the financial reporting quality (FRQ) of all Saudi companies listed aside of banks. The study adopted matched survey and interview of internal and external auditors top gather both primary and secondary data. The study based on multivariate regression estimate finds weak association between IAF quality and FRQ with implication that listed firms merely use IAF to serve as a symbolic conformity to capital market authority (CMA) regulations.
Recently Abbott, Daugherty, Parker, & Peters (2016) provided additional evidence to describe the relationship between audit quality and FRQ. A complementary influence of auditor's competence and independence was examined to understand the relationship between internal audit quality and FRQ in the research. The research design based on

questionnaire instrument was adopted to generated data representing the perception of Chief internal auditors/Chief audit executive of non-bank members of the FORTUNE1000. The overall results based on regression model provide evidence that the combined effect of both competence and independence is a necessary antecedent to effective internal audit quality and consequential for improved financial reporting quality.

Put together, the above extant review has made substantial contribution into understanding the empirical relationship between IAQ and FRQ. However, the results of the various studies have showed somewhat mixed findings which might have been caused by differences in the operationalization of the constructs, contextual differences and methodology adopted for analysis. Hence, this necessitate additional studies to introduce a moderating variable to better understand the relationship between IAQ and FRQ, particularly in a diverse contextual environment, e.g. developing country like Nigeria. Thus, the next section covers a review of literature on the relationship between staff competency and FRQ.

3.5.2 Staff Competence and FRQ

Many studies have investigated the effect of competency of staff on the quality of financial reporting. Certain elements used to operationalize competence in relation to FRQ have been based on qualification/knowledge capabilities, experience, skills etc (Cheng, Engstrom, & Kattelus, 2002; Iskandar & Setiyawati, 2015; Ismail & Abidin, 2010; Kasim, 2015; Afiah & Rahmatika, 2014; Xu, Nord, et al., 2003).

Ismail and Abidin (2010) analyze the impact of workers' competence and performance using sample of 1136 workers who belongs to different service cadre. The result of the Workers' Performance Index (WPI) and Workers' Competence Index (WCI) developed reveals that workers' competence significantly influences workers' performance. Ainon (2003) analysis of competence-performance relation has been described as not always congruent. It was argued that employee with high rate of competence may exhibit low performance due to lack of utilization of competence acquired. This suggests higher performance may be achieved through discipline and sheer hard work Studies on application of competencies in the operation of accounting system has been analysis based on the function performed by accounting operators in an organization. Fariziah (2008) reveals that the competence of human resources and organizational team have a significant effect on the quality of financial information revealed by the organization. Similarly, Hongjiang Xu (2003) investigate the key determinant of quality financial report in Australia. Using case study approach and semi structured interview survey design, the findings revealed that human investment (proxy by education and training), systems, and organisational issues has significant positive effect on the quality of financial reporting of the organizations.

The effect of accounting professionalism on financial reporting quality and information usefulness was examined by Salakji and Phapruke (2011) on 247 exporting firms of Department of Business Development, Ministry of Commerce in Thailand through cross-sectional research. Accountant competency and competitive learning was adopted to moderate the professionalism/FRQ relation. The result of the regression estimation revealed that the moderating effect of accountant competency on the relationships between accounting professionalism and FRQ has a significant positive effect on FRQ. Thus, this study suggests that competency of staff is an important antecedent and interacting variable to influence the direction and outcome of financial reporting among entities.

Further, Afiah and Rahmatika (2014) examined the influence of Competence and internal control on the financial reporting quality and its effect on good public governance. Based on data from survey of 70 working unit area in seven Local Governments in Indonesia, the estimation using PLS-SEM analysis shows significant positive effect of both competence and internal control on quality of financial reports. On the contrary, based on classification of Guilford (1956), the coefficient influence of competence shows a weak positive effect on the quality of financial reporting.

This is suggestive according to Afiah and Rahmatika (2014), that lack of specialized accounting background by the local government staff to apply principles of good financial reporting practices. This study reinforced the position of Cheng, Engstrom and Kattelus (2002) that, staff with no accounting background may not have the competence to handle financial statements, or understand internal accounting reports that could be used for effective management of the public sector organizations.

Furthermore, Iskandar and Setiyawati (2015) used survey approach to examine the influence of competence of internal accountant on the quality of financial reporting, and financial accountability of 47 local governments of units. The regression analysis shows that internal accountant competence has significant positive effects on the quality of financial reporting and accountability.

Based on the sample of 385 certified public accountants, Phosrichan, Boonlua and Janjarasjit (2016) tested audit competence review on audit success. The study through a survey design, the regression estimate indicate that all five dimensions of audit review integration competency significantly impact audit outcomes. In the study, theoretical review reveals that audit competence review depend on capability and knowledge of an auditor. Thus, audit competence review remained a veritable means to ascertain the adequacy of requirement to perform the audit assignment.

Conversely, Also, Kasim (2015) highlights one of the challenge of public/governmental institutions as lack of qualified human resources with the required competence to enhance higher quality financial reporting. This was confirmed through the study to analyze the effect of the competence of government accountants and implementation of internal control over financial reporting quality. The survey of 30 questionnaires was received concerning local government work unit which serve as the unit of analysis. The outcome of the regression indicate that characteristics of competence possessed by the staff has no significant effect on financial reporting quality. The insignificance effect of the relationship was blamed on lack of sound accounting knowledge by the staff handling the preparation of the financial reports. This finding confirms reservation expressed by prior studies (e.g. Cheng, Engstrom and Kattelus, 2002; Xu et al (2003)) about the competence of staff staring the operations of account units in government organizations.

Consistent with the findings of Afiah and Rahmatika (2014) and others, Iskandar and Setiyawati (2015), equally expressed reservation for the low quality of financial reporting among local government in Indonesia due to the unanswered question in respect of accountants' competence. Earlier, the issues of creating quality accounting information was emphasized by , Xu et al (2003) on the importance of staff expertise competence in the formation of new accounting system which they argued worth more than the initial investment on the system.

Also, in a recent study by Darwanis, Saputra, and Kartini (2016) on the influence of professionalism, competence, knowledge of financial management and intensity guidance on quality of financial statements of Regions of Indonesia. The study, based on analysis through multiple regression finds that professionalism, competence, knowledge and intensity guidance have a significant joint effect on quality of financial report. But the effect of competence as a single construct of the model revealed a partial relationship on the quality of financial reporting. That is, the regression coefficient indicated that competency variable account for only 14.6% effect on the financial reporting quality. This estimate is consistent with the study by Afiah and Rahmatika (2014) earlier reported.

Overall, the review of literature above on the influence of staff competence on financial reporting quality reveals mixed findings. Moreover, consequential expectation posit that higher staff competency should lead to increased quality of financial reporting (i.e. significant positive relationship). But the results of analysis above suggest other plausible alternative explanations for the confounding results (i.e. positive, partial and negative relationship).

Therefore, the present study explored further, with a view to extent the literature on the imperative of staff competency/FRQ relation. This is by testing the competency/FRQ model in a different context and adopting different research design as suggested by previous studies (e.g. Kasim, 2015; Afiah & Rahmatika, 2014; Xu, Horn Nord, Daryl Nord, & Lin, 2003).

3.5.3 Information Technology and FRQ

The relationship that presents the link between organizations' investment in IT and its implication on performance has been empirically tested. Though the outcome of the respective findings have been equivocal (Bharadwaj, Bharadwaj, & Konsynski, 1999). The general expectation on the adoption and utilization of IT infrastructures in the financial operation of an organization is its enhancement of timely information processing and dissemination among user stakeholders. The relevance of quality financial information report is considered effective when it possesses specific feature and can provide users of financial information the relevant financial information to support their economic decision making (Salehi & Torabi, 2012a).

Similarly, Lodhia, Allam, and Lymer (2004) examined the reporting capabilities of 50 commercial companies in Australia on the internet. The result of the research discovered that most of the websites of the companies carried their respective financial information. However, the full potentials of the internet infrastructures were not utilized to support information needs of users and a low capability to render paper-based reports on the internet. These shortcomings have been blamed on deficiencies such as lack of innovation, lack of leadership support and low IT skills and security.

Further, an important study conducted by Majrebiyan (2005) becomes useful to the current study. The study assessed the impact of web-centered accounting system on quality information disclosure, using a survey research approach. The result obtained according to the responses of participants reveals a significant improvement in the qualitative characteristics of accounting information disclosure using web-centered disclosure system. In addition, the web-centered system supports easy access to financial information and faster processing of reports.

Furthermore, Búrca et al. (2006) investigate the moderating effect of information technology (IT) sophistication on the relationship between service practices, service performance and business performance. Based on the conceptual framework and the test of hypotheses using structural equation modeling with a data of 231 companies, the result of the study finds that IT sophistication moderates the relationship between services practice and service performance. Similarly, an exploratory study by Zorn et al. (2011) investigated the adoption and use of information communication technologies (ICTs) on nonprofit organizations (NPOs) in New Zealand.

The study theoretical exigencies of institutional influence examine ways institutional forces affect optimal use of ICTs. Using data obtained from the website of the New Zealand Ministry of Economic Development's Societies and Trusts on 2,775 NPOs in rural and urban areas, the result of the analysis reveals that the use of ICTs by the NPOs tended to be motivated by self-perceived leaders or those who explored the environment tended to have organizational decision makers with the expertise to enable adoption and use. In addition, it is indicative from the study that optimal fit of ICTs is supported by institutional forces of mimetic and coercive isomorphism, accompanied by self-perceived leadership and appropriate organizational resources.

Similarly, Salehi and Torabi (2012b) investigates the role of IT in financial reporting and its impact on the quality of financial reporting. The result of data generated through a survey design and analysis using t-test and ANOVA reveals that the negative impact of dominant limitations on qualitative characteristics of accounting information was reduced. That is, the use of IT enhances the quality relevance and comparability of financial reporting. But on the contrary, the impact of IT reliability on financial reporting was noticed.

A conceptual framework developed by Taipaleenmäki and Ikäheimo (2013) to analyze the convergence between management accounting (MA) and financial accounting (FA) sequel to adoption of information technology (IT). The study which illustrate a framework for manifestation of convergence where IT domain serves as a facilitator, catalyst, motivator, or even an enabler for the convergence of MA and FA. An additional domain involving the behavioral and organizational manifestation domain was also presented. The results of the study based on the manifestation and outcomes of the convergence, indicates that IT plays a prominent role in facilitating the convergence between MA and FA.

A recent study by Leong, Wang, Suwardy, and Kusnadi (2015) examine the influence of internal control system, quality of human resources, organizational commitment and utilization of information technology on quality of the financial statements on local government audit opinion. A purposive sampling and survey method were used for data generation involving county and city government and development coordination Agency within the Region. The multiple regression analysis reveals that the explanatory factors including IT utilization significantly affect the quality of local government financial reports leading to unqualified audit opinion.

In another study, Mazza and Azzali (2016) established the significance of Information Technology (IT) as a key element in internal control mechanism for effective accounting information systems. The study examined the impact of quality of IT Controls on control risk and audit fees. Based on cross-sectional study on Italian listed companies, result of the regression analysis revealed that high quality of IT Controls is related to control risk, audit fees, and audit effort. Meaning that when IT Controls quality is high, control risk is low, so auditors charge lower audit fees. Thus, the implication of the study shows that improvement in certain IT control variables decrease audit fees significantly and reduce the necessity for external audit efforts. But nothing was mentioned about the effect of the reduced audit fee on FRQ. Nonetheless, the study of Mazza and Azzali (2016) was reinforced by an earlier study by Masli, Peters, Richardson and Sanchez (2010) who documented that the implementation of internal control technology is associated with smaller increases in audit fees, lower likelihood of material weaknesses and smaller increases in audit delays.

A study by Dedrick, Gurbaxani and Kraemer (2003) evaluates the impact of superior communication on accessibility and the timely requirement of information in financial inventories by users. Based on comparative analysis focusing on small and big-companies, the result indicates that the use of superior communication for financial inventory has no significant implication for big companies. While small company's records show a significance difference in the use of superior communication means to report financial inventories

Overall, from the reviews above, it is evident that the utilization of IT in organizations' operations and activities has a significant effect on organizational performance. Regarding accounting, IT infrastructure has been indicated to enhance effective accounting information system. However, different perspectives have been adopted by prior studies to illustrate the implementation of IT infrastructures within the organization context and its resultant effect on FRQ.

The missing link observed from the synthesis of literature reviews shows among other things that there exists little attention given to operationalization of IT concept in terms of organizational support effort. This gap is unequivocally observed in respect of studies on developing countries and in specific, the public sector. For example, there are very few studies that empirically test the impact of IT on development of accounting information system in the public sector of Nigeria. The studies on the public sector were only descriptive of the role of IT on enhancing accounting reporting practice (Herbert et al., 2014; Nwanyanwu, 2016), with less attention paid to the extent of support for it development to enable enhancement of accounting information system.

Therefore, this study contributes to the literature by investigating the support of IT on FRQ by testing items that illustrate IT incentives on enhancing FRQ (Heintze & Bretschneider, 2000; Chau, Yan Tam, & Chau, 1997; Thong & Yap, 1995; Xiong et al., 2013; Zorn et al., 2011). This was however tested in the context of a developing country that is, Nigeria.

3.5.4 Council Size and FRQ

Previous studies have shown that organizational characteristics, such as size is an influential variable in explaining differences in financial reporting practices (Francis, and Yu, 2009; Herath & Albarqi, 2017; Laswad & Redmayne, 2015; Ryan, Guthrie, & Day, 2007). Studies documented in respect of both the private and public sectors have revealed confounding results concerning the effect of organization's size on financial reporting quality (Abu-Nassar, 1993; Giroux & Mclelland, 2003; Hassan, 2015; Herath & Albarqi, 2017; Leftwich et al., 1981; Maimako & Ayila, 2015).

Extant studies on private firms, adopt measures such as profitability, liquidity ratio, growth, return on earnings, capitalization, assets and audit size to operationalize size to determine the direction of financial reporting outcome (Abu-Nassar, 1993; Ahmed, & Nicholls, 1994; Aljifri, Alzarouni, & Tahir, 2014; Herath & Albarqi, 2017). One of the studies that reported significant positive relationship between firm size and disclosure quality is that of Herrmann and Thomas (1996) who undertake a research to determine the factors that influence the quality of disclosure of segment reporting practice. Result of the regression analysis using data from the annual reports of 223 firms of EU countries reveals that country's firm size and exchange listing significantly affects segmental reporting. However, the evident is not supported in the case of industry type.

Similarly, Inchausti (1997) investigates the effect of company and regulatory characteristics on accounting disclosure of 49 Spanish companies between the period 1989–1999. Based on positivist accounting theory and analysis of data through information index, the result of the firm characteristics that affects disclosure quality includes size, auditing and stock exchange. This result confirms the prediction that larger firms are susceptible to higher external funds and higher political costs which consequently influences higher disclosure rate. Thus, due to proprietary costs, larger firms have less incentives to withhold information compare to small size firms. This consequently increased disclosure by larger firms than the smaller ones (Inchausti, 1997).

Aljifri et al (2014) provides empirical evidence on the association between firm specific characteristics and corporate financial disclosures amongst UAE companies. Using 153 public, joint-stock companies, listed and unlisted, the result of the regression analysis show that listing status, industry type, and size of firm are found to be significantly associated with the level of disclosure. Similarly, Hassan (2015) investigates effect of firm attributes based on structure, monitoring, performance elements on quality of earnings among listed deposit money banks in Nigeria. The result of the firm attributes including firm size has significant influence on earnings quality after adoption of IFRS. Further, Francis and Yu (2009), based on the prediction that larger offices of Big 4 auditors have higher audit quality due to greater in-house experience in administering audit assignment. This notion was tested on a sample of 6,568 U.S. firm-year observations for the period 2003–2005 and audited by 285 unique Big 4 offices. Result of the multiple regression analysis reveals that larger audit offices provides higher quality reporting.

Conversely, negative results have also been documented by other researchers in respect of the effect of firm size on disclosure quality. For instance, Abu-Nassar (1993), investigated the relationship between extent of disclosure and specific corporate variables in Saudi Arabia. Among other variables, firm size (measured by capital/asset) was found to be negatively related to disclosure quality. Relatedly, Ahmed and Nicholls (1994) study in Bangladesh examined the extent of corporate compliance with local government disclosure requirements. Based on index developed and assigned on data generated from 63 firms, the statistical estimation showed no significant association between firm size and the level of disclosure.

Consistent with this, Ibrahim et al (2004), in their study on types of reported audit certificates among 14 local governments in Malaysia, find that local government size have no significant impact either in the number of audit incidences generated or in its overall collective occurrences. Recently, Lestari and Yadiati (2014) examined the effect of firm size and organization culture on FRQ of Micro-finance institutions. Based on survey research design and PLS-SEM estimation, the results concluded that company size has no significant effect on FRQ. Consistent with previous studies, Herath and Albarqi (2017) also found that, there is a large and a negative correlation between an entity size and the financial reporting quality, reason being that, larger entities expose negative discretionary accruals which has a large and a significant influence on financial reporting quality.

Tangentially related to the public sector (the context of the present study), extant studies have been documented in respect of the effect of organizational size on FRQ. Even though studies in respect of the public sector are still scant, the report of the existing ones also showed mixed findings (Avellaneda & Gomes, 2014; Blom-Hansen, Houlberg, Serritzlew, & Treisman, 2016; Drew & Dollery, 2016; Drew, Dollery, & Kortt, 2016; Dwyer & Wilson, 1989; Foged, 2015; Giroux & Mclelland, 2003;

Marlowe, 2007; McLelland & Giroux, 2000; Styles & Tennyson, 2007), suggesting the need for further studies.

For example, McLelland and Giroux (2000) examined municipal size in respect of accomplishment of audit assignments in terms of timely reporting. The regression analysis and multiple comparison test found that larger cities had longer audit reporting times which consequently affect the timeliness of external audit reporting. This is contrary to earlier study by Dwyer and Wilson (1989) which found insignificant relationship between city size and audit delay. Again, Payne and Jensen (2002) on the investigation of municipal audit delay in the sample of the annual financial reports of States of Florida, Louisiana, Mississippi, Texas, Alabama, Georgia, South Carolina, and North Carolina established municipal size as a key characteristic that significantly increase audit delay.

Further, to facilitate interest of users' desire for accountability, citizens' access to financial information have been encouraged. Based on this, Styles and Tennyson (2007) examined the extent that US municipalities provide financial information on the internet and the access to the report by users. Result of multivariate analysis using regression estimate revealed that larger municipalities were found to provide accounting information on the internet more than small and medium councils. In addition, accessibility to financial information was also associated with municipal size, income of residents and level of debt per capita. Moreover, based on correlation analysis, Makayi (2009) examine the effect of church size, staff competence and social capital on the quality of financial reports of selected churches in Uganda. The study established a positive correlation between the church size and quality of financial reporting. This result depicts more significant influence compared to the other independent variable.

Relatedly, the result of Misra (2010) regarding hypothesis that test the influence of size on local government accounting practices reveals that size variable does not have statistical significant influence on the financial accounting practice of local governments. This finding is consistent with the result of Robbins an Austin (1986), Cheng (1992), Allen and Sanders (1994), Laswad, Fisher and Oyelere (2005), and Carvalho et al. (2007) but in reversed comparison with the findings of Christiaens (1999) and Patrick (2000).

Furthermore, Avellaneda and Gomes (2014) examine the direct, moderating and curvilinear effect of population size on municipal performance. Using data for 787 municipalities in the Brazilian State of Minas Gerais, the study finds that municipal size and mayoral capacity are positively correlated with property tax collection. While population size neither moderates managerial capacity nor relates curvilinearly to municipal performance. Again, Drew and Dollery (2016) developed a model that predicts the expenditure levels in government, including local government, are proportional to the number of geographically constrained representatives. Based on analysis using a panel of data spanning the years 2009–2012 the results indicate that the number of geographically defined fragments, or wards, within a given municipality is a statistically significant determinant of local government expenditure.

Conversely, Foged (2015) investigated the causal relationship between population size and the contracting out of public service delivery in local governments. The quasi-experiment design study showed there was negative relationship across policy sectors in terms of services with high fixed costs. This finding was reinforced by Dollery and Kortt (2016) who explored the relationship between population size and community satisfaction for Victorian councils. The regression estimate provides evidence of an inverted 'U-shaped' relationship, which suggested low community satisfaction at very large and very small population sizes. Similarly, Blom-Hansen, Houlberg, Serritzlew and Treisman, (2016) found that, most public services jurisdiction size did not matter in in the analysis of jurisdiction size and local government policy expenditure.

Therefore, from the review of the literature above, it suggests that size of an entity is an important consideration in the analysis of organizational characteristics and resultant performance outcome. Nonetheless, given the mixed findings as revealed by previous study in respect of organization size and FRQ, the need for more studies becomes very important. This is very pertinent particularly in the context of developing countries e.g. Nigeria where studies have been generally scanty especially in respect of the public sector.

Overall, it is noticed that, based on the review of the relevant literature above, the relationship between the organizational characteristics considered for the present study (internal audit quality, staff competence, information technology and council size) and FRQ revealed mixed findings. That is, the effect of the respective organizational characteristics on FRQ have been characterized by both positive and negative relationship. Hence, more studies are required to provide direction to the confounding relationship.

Based on this, institutional factor has been introduced to the framework to serve as a moderator towards strengthening the relationship between the explanatory variables and the explained variable. The institutional factors being considered are professionalism and political influence. The following section discusses the moderating variables and their respective efficacy as a potential moderator in the confounding relationship between organizational characteristics and FRQ.

3.6 Conceptualizing Institutional Factors

A growing number of studies have drawn upon institutional perspectives to gain a better insights of phenomena in many disciplines: international relations (Parkhe, 1998), exploration on e-commerce (Gibbs and Kraemer, 2004), development and governance (Alonso & Garcimartín, 2013), accounting and finance (Ellwood & Newberry, 2012; Harun, Peursem, & Eggleton, 2012). The term 'institution' has occupied a broad aspect of conceptualization representing a multifaceted perspective. For instance, in the realm of economic analysis, economists agrees to the fact that institutions 'matter' in economic performance (Klovien, 2012). In sociology, the concept 'institution' remained a critical concept in explaining social changes (Keizer, 2008).

The term 'institutions' has been conceptualized to loosely refer to a wide range of meanings. The institute of chartered accountant of England and Wales (ICAEW, 2016) has highlights institutional phenomena as suggested to involving, markets, ways of doing business, rules and conventions (i.e. laws, regulations, standards, ethical codes and norms and mechanisms for their enforcement), rule of law, financial reporting requirements and the mechanisms for their enforcement, different forms of finance, ownership structures, surrounding culture and technology, and competing forms of information are all institutional factors. This suggest that, comparatively, the concept as used in different disciplines, offers significantly differing meanings.

Nonetheless, Keizer (2008) have described institution as a man-made rules that govern human behavious. Keizer explained human behavious as implying ‘search for cause’, and illustrates citing changes in economic situation as a potential factor leading to changes in human behavious. Robert Sugden (1986), John Searle (1995) as represent the term ‘convention ‘as an instance of institutional rule. Werle (2011), in his work on institutional analysis of technical innovation, argued that, institutional arrangements are regarded as coordinating and shaping collective action which consequently influences innovative policies. Institution has been described as a phenomenon that relatively resist innovative changes (Steil, Victor & Nelson, 2002; Freeman &Perez, 1988). Thus, Werle (2011) argued that the implementation of development or quick diffusion of innovation requires that new technology and innovation are compatible.

Evaluation of phenomena through institutional perspectives as emerged in the last decade as a modern concept used to explain and foster developments. This perspective according to Alonso and Garcimartín (2013) sees institutional structure “as a definition of incentives and penalties, shapes social behavious and articulate collective actions, thus conditioning development”. In describing the implication of social rules and social interaction, Hodgson (2006) defines institutions “as systems of established and prevalent social rules that structure social interactions. From the individual stand point, Grief (2006) argues that, “institution’’ is a set of social factors, rules, beliefs, values and organizations that jointly motivate regularity in individual and social behavious. While Kossentini and Othman (2014), in their view on agency arrangement, views institution as involving an inter-temporary contract that shapes behavious; or seeking out another simile in a system of shared beliefs about the equilibrium of a game played repeatedly. Implying that, good institutions will be those that stimulate agents' activities with a high social return. By drawing together private and social returns, thereby assuring a more efficient collective effort allocation. While socially useless or unproductive behavious are the result of deficient institutions.

Inference from theoretical view point, Klovien (2012) describes the concept of institution as having multi-dimensional approach focusing on issues of internal and external factors affecting an organization. Institutional theory (e.g. the new institutional sociology theory) in reference to management studies, presents internal and external institutional factors as having influence on the organization from two levels: organizational and environmental (Klovien, 2012). These two classifications according to Hussain & Hoque (2002) presents the opportunity for organizational behavious to be disclose and research upon, particularly amidst intervening innovation and development. In addition, Klovien (2012) explains that, internal institutional factors respond to organizational changes from outside the organization's jurisdiction and control, but then respond to changes in the organization. Carpenter and Feroz (2001) also termed the organizational and environmental institutional factors as endogenous and exogenous variables that influence organizational structure and practices.

In describing the institutional structure Ibua, Obonyo, and Ogutu (2016) indicates that it include rules, policies, procedures, norms, shared beliefs and routines of behavior in an organization. This is like earlier position by Scott (1995) which opined that institutions are social structures that have attained a high degree of resilience and they include cultural elements, normative and regulatory factors. Consequently, this depicts the significance of institutional factors in shaping organizational performance and practices.

3.6.1 Contextualization and Measures of Institutional Factor

Contextualization proffer meaning to phenomena (Keizer, 2008). As noted in previous section, issues on institution represent a wide area of study with divergent contextual meaning. Within the context of this study, institutional factors have been adopted as veritable exogenous constructs identified to moderate the confounding relationship between organizational characteristics and financial reporting quality (FRQ). However, previous studies have adopted institutional factors as explanatory variables to test divergent issues in the field of accounting resulting to unexhaustive findings (Ball, 2001; Ball et al., 2000; Bing, 1998; Brusca & Martınez, 2015; Christensen et al., 2015b; Holthausen, 2003, 2009; Kossentini & Othman, 2014; Neel, 2011; Yust, 2015).

Bing (1998) is one of the early studies examining China's accounting development in the light of international accounting standards and the influence of auditing as an institutional factor. The China's institutional arrangement is however characterized by a lack of independence/professional auditing system. Nonetheless, the analysis gives insight into the role of IAS in rudimentary auditing and judicial infrastructures and limitation of accounting harmonization. Ball et al. (2000) measures the effect of institutional factors on properties of accounting earnings among countries of Australia, Canada, Germany, Japan, UK and US. The principal institutional variable used involves the extent of political influence, measured by the dichotomous classification of countries into highly political (code law) versus systems in which accounting practices are determined primarily in the private sector (common law). The contextual usage of the institutional variable in the study gives insight to understanding the outcome for reporting on earnings under the influence of different political system.

Similarly, Ball et al. in (2003) added to the literature in respect of Asian countries. Aside from measuring the institutional variable of political factor (as in the case of Australia, Canada, Germany, Japan, UK and US), economic factor was additionally considered. For instance, the volume of publicly traded equity, the size of the market for public debt, and the degree of private versus public contracting in the economy was also considered to explain the interplay between preparers' financial reporting outcomes. Further, Leuz et al. (2003) through cluster of multiple institutional factors of dispersed ownership, strong investor protection, and large stock markets to mitigate the pervasive influence of earning management on corporate accounting report across 31 countries. The variable investors' protection was a significant determinant of earnings management activity around the world. While the regression results show that earnings management is negatively associated with the quality of minority shareholder rights and legal enforcement. Consistent with the use of these factors in corporate accounting studies is in the works by La Porta et al. (1998, 1999, and 2000).

Again, institutional variable by Holthausen (2003) was also utilized to test the relative power of accounting standards versus incentives. Holthausen (2003) extended the literature by considering ownership structure. In a much later research, Kossentini and Othman (2014) examine institutional factors (e.g. political, legal, educational and religious) in determination of IFRS adoption in emerging economies. The study adopted theoretical foundation of both institutional (i.e. coercive isomorphism, mimetic isomorphism, and normative isomorphism) and economical (i.e. network benefits of IFRS adoption) that may increase or constrain decisions of emerging economies to adopt IFRS.

Furthermore, the work of Neel (2011) provides additional information on test of institutional factor on accounting comparability. By examining the factor of investors protection and earning transparency, the study reveals that accounting comparability is affected by both accounting standards and reporting incentives resulting from countries' institutional environments. Using the theoretical lens of institutional and economic determinant, Kossentini and Othman (2014) investigates the fundamental conventions of institutional and economic network theories that support or constrain decisions of emerging economies to adopt international accounting standards. The study adopts the measures of foreign aid and trade freedom, economic pressure as institutional and economic factor that determines the adoption of IFRS among emerging economies. Another institutional factor identified by Tanjeh (2016) in the case of adopting IPSAS in the Cameroon public sector includes knowledge and awareness, institutional organization, staff training and recruitment, management information system, qualification, sex, implementation cost, political support, and age.

However, from the above, the development and practice of accounting are implicitly influenced by its jurisdictional environmental factors be it internal or external factors. It is indicative from the review of literature that institutional factors have been used as an exogenous (external) variables to assess organizational activities and operations. Therefore, institutional factor in the context of this research is incorporated to serve as interaction variable in the relationship between organizational characteristics and FRQ.

Therefore, the present study adopted the influence of professionalism and political influence as moderator to test the relationship between organizational characteristics and FRQ. The adoption of the factors is consistent with recommendation by previous studies (e.g. Abu Bakar & Saleh, 2011; Robbins & Austin, 1986) where they have been used as a direct explanatory constructs. For instance, Abu Bakar and Saleh (2011) in their study, classified professionalism and politics as institutional factor that affect accounting disclosure. Also, Robbins and Austin (1986) had earlier adopted professionalism as a construct to determine the effect of management incentives as an institutional factor to assess disclosure quality in governmental financial reporting practice. However, incorporating these factors (professionalism and political influence) as moderating variables (indirect relationship) portends the uniqueness of the present study among others studies and a decisive effort to extends the literature on the utility of the variables.

Further, the adoption of factor of professionalism and political influence as a reflective variable of institutional factor, has justification in the theoretical exigencies of institutional theory. The variables portend benefits for institutional isomorphic, normative and coercive explanations (subsequent sections dwell further). Therefore, in the context of this work, professionalism is assumed to fits into the initial change consequent upon accounting reform in government sector due to increased recommendation by government and professional bodies for application of professional expertise in the operation of accounting numbers by preparers of accounts and relevant accounting/reporting participants (IFAC, 2012; IPSASB, 2013; Laswad & Redmayne, 2015; Oulasvirta, 2010). A significant reference for this, is during financial crisis or scandals (Arnold, 2009; Burns, 2000; Rahman, Yammeesri, & Perera, 2010; Salakji & Phapruke, 2011).

On the other, the political administrative system explains the relevance of political influence in the interplay of users' incentives for the demand of information for the realization of vested interest. Based on this, Giroux (1989) argues that the basic premise of political interests demand high-quality accounting disclosure. The sub-section below describes the institutional factors and determination of their respective measurements.

3.6.1.1 Professionalism

Professionalism involves a specialized technical skills and good judgment expected from a person who is trained to do a job (Evetts, 2013). According to Association of Professional Engineers, Geologists and Geophysist of Alberta (APEGGA, 2004), a professional is a calling, requiring specialized knowledge, skills and methods underlined by scientific and scholarly principles. Professionalism was usually understood as an occupational or normative value, as somewhat worth preserving and promoting in work place and for workers (Evetts, 2011). While in the realm of accounting, professionalism demonstrates responsibility for the performance of accounting practices with utmost professional ethics (Staubus, 2004). In other words, professionalism in accounting requires the performance of accounting job with knowledge, understanding, virtue and ethic, and conforming to rule and regulations.

The essence of professionalism in the application of accounting principles and practices has a direct relationship with FRQ in terms of reliability (Mataira & Van Peursem, 2010), business reputation (Salakji & Phapruke, 2011) and support future data accuracy leading to quality information for useful decision-making (Moehrle et al., 2009). In describing attribute of accounting professionalism, Salakji and Phapruke (2011) described at the level of individual and group. They argued that individual professionalism is critical for the development of professional groups or organizations. Inference from previous studies, the term professionalism has been conceptualized as responsibility, accountability, transparency, ethical practice, communication, or skill etc. (Canning and O'Dwyer, 2001; Forgarty and Kalbers, 2000; Carnegie and Napier, 2010) others sees it as a phenomenon based on knowledge and effective technical practices (Staubus, 2004).

However, the contextual usage of professionalism in the context of this study relates to application of specialized skills and good judgement through experience to accounting practices. It is an exogenous institutional factor incorporated in the study's model to moderate the relationship between organizational characteristics and FRQ. Previous studies on accounting have hardly considered the concept as indirection construct, rather, it has been considered as a direct explanatory construct (Archidona et al., 2008; Christiaens, 1999; Pérez & López-hernández, 2009; Robbins & Austin, 1986; Salami, 2011).

Evetts (2011) in attempt to distinguish between the concepts, profession (as a different and generic category of occupational work) and professionalization (as the course to pursue, develop and maintain the closure of the occupational group) submits that, professionalism is potent instrument of occupational change and social control at macro and micro levels and in an extensive range of occupations in very different work, organizational and employment relations, contexts and conditions.

Consistent with previous studies, several measures have been adopted to operationalize the concept of professionalism. For instance, Christiaens (1999) in a cross-sectional study, examined the changes in the level of compliance with accounting regulation among Flemish municipalities. Using number of relevant indicators opined to affect compliance including professionalism (measured by level of education and membership of professional institute), the result of the test reveals significant association with the level of compliance. Further, Robbins and Austin (1986) adopts size of audit firms as a surrogate to measure professionalism to explain management incentive for variations in disclosure practice at the State government level.

Similarly, Khumawala, Marlowe, and Neely (2014) adopted as proxy such as, presence of an accounting as staff, membership of a professional body; engagement of consulting service of professional accountant (e.g. Chartered Public accountant) and receipt of certificate of excellence by CPA, to operationalized professionalism in their study to determine factors necessarily to comply with Generally Accepted Accounting Principles (GAAP).

Therefore, inference from previous studies, the present study operationalized the concept of professionalism through proxies such as: level of engagement of external professional consultant, membership of a professional institution, presence of professional institution to guide on compliance with accounting innovations, presence of regulatory/monitoring body to check compliance with accounting practices and level of engagement of staff on professional training. These items have been adapted from previous studies as a valid and compressive measures of professionalism that will associate with FRQ (Christiaens, 1999; Khumawala et al., 2014).

3.6.1.2 Political Influence

The importance of politics on specific issues of change is not a new phenomenon as documented within management literature. Burns (2000) opined that politics plays significant role in driving and shaping change processes. Early writers on basic issues in politics views politics as "attaining interest-based demand" (Prettigrew, 1973); "getting things done in your own way" (Buchanan & Badham, 1999). Pfeffer (1981) suitably states the notion of politics in respect of organization, a popular definition among academics:

> *"Organizational politics involves those activities taken within organization to acquire, develop and use power and other resources to obtain one's preferred outcomes in a situation in which there is uncertainty or dissension about choices" (pfeffer, 1981, p.7).*

Politics in State matter according to Carpenter (1991) refers to the competition exerted by individuals or groups to influence government public policy decisions. Political competition according to Carpenter's involves for example, influence regarding chances to win elective office, to influence elected officials and bureaucrats and to establish a policy-making association among elected officials necessary to design and implement public policy decisions.

The centrality of politics as an institutional factor have been well researched (Archidona et al., 2008; Batta, Heredia, & Weidenmier, 2014; Keerasuntonpong et al., 2015; Lopez Hernandez & Caba Perez, 2004). Its influence in the field of accounting and financial reporting have generated diverse research interest (Hope,Thomas & Vyas, 2013; Rita Hartung Cheng, 1992; Ingram, 1984; Khumawala et al., 2014; Martani & Lestiani, 2012; Misra, 2010; Salleh, 2009; Zimmerman, 1977).

Among the seminar work in this line was Zimmerman (1977), which examend the institutions and incentives of voters and politicians on the state of municipal accounting reporting and proposed economic policies for accounting reforms among US municipalities. Ingram (1984), revealed evidence of the link between economic factors and cross-sectional disparities in accounting practices of State governments having specific interest on determining the characteristic of States that report quality accounting information and compliance with GAAP. This was extended by Carpenter (1987), using economic interest group theory developed a positive theory of government to examine the influence of political competition on governemnt financial disclosure practices.

In a related study, Baber, Sen and Paber (1986) investigates the relationships between factors that characterized the political environment and the assessment of debt financing by State governments in the United States. Similarly, Giroux (1989) investigated the relative power and incentives of political group to provide understanding on the disclosure quality among US municipalities using public goods theory. Much later, Salleh (2009) analysed the conflicting incentives of politicians, shareholders and managers, based on agency theory, to reveal the resultant implication of political incentives on governance and FRQ.

Other area of studies regarding the private sector relates to organizations political influence with ruling class (government) (Belkaoui, 2004; Faccio, 2006; Fisman, 2001; Johnson & Mitton, 2003; Leuz & Oberholzer-Gee, 2006; Salleh, 2009), government ownership of enterprise (Bushman, Piotroski et al., 2004; Nee, Opper & Wong, 2007); presence of politician(s) on the board of directors (Faccio, 2006) golden (special) shares held by government (Hanousek, Kocenda, &Svejnar, 2007; Jones, Megginson, Nash, & Netter, 1999).

However, the general notion of political influence on financial reporting outcomes is predicted on the assumption that the complexities of financial reporting disclosures are motivated by the incentives of account preparers' and user's power in regards to financial information. This has been well illustrated in the work of Giroux (1989), Baber et al (1986), Ingram (1984), Carpenter (1987), where the key actors in the political competition were identified to include: bureacrats (preparers), voters, elected officials and special interest group (e.g. employee). And their relative power and incentives can be determined by measuring the direction of the financial reporting quality agianst the measures of their political influence. Thus, under theory of public goods, accounting information are fefered to public goods (Watts & Zimmerman, 1986) which can be shaped by individual preferences expressed through political mechanisms (Craswell, 1975).

Moreover, Zimmerman (1977) describes influence of political interest group on financial reporting as the interrelationship between preparers incentives to produce quality information and users power to demand for needed information. This implies that, financial information needs of potential users are appropriately disclosed according to the extent of their power to influence the political system (Carpenter, 1987). For example, voters information needs are to be satisfied by the elected officials through decision taken in respect of the annual operating budget submitted by the prepaers (Giroux, 1989). Since voters cannot directly influence the bureacracy, they then employ mechanism of political pressures such as, voting, financial support for elected officials (Moe, 1984). Consequently, within organization arrangement, information on pension and employee benefits are needed by the government employees to allow for understanding of work entitlements. The bureacrats are managers (preparers) of the financial events, and they demonstrate their vested interest and incentive through possibilty to withhold or provide complex confounding information to users.

However, based on the inter-related interest between the accounting participants and their respective interest, Carpenter (1987) indicates that influence of political competition on financial reporting quality can be described as elctoral, parliamentary, and interest group competition. Though, this classification were not common to other authors. But what is observed from prior studies is that, while some studies have measured interest group competition by the use of electoral political competition proxies, others, based on theory of economic interest group have adopted parliamentary measures as proxy for interest group competition (Carpenter, 1987).

To illustrate, Ingram (1984) study the economic incentives and State government accounting practices, using measures of political economic variables to examine disclosure quality. The variables based on voters', administrative and management incentives, developed measurement which focused on special group incentives, internal monitoring and external monitoring incentives. In addition, these measures were further operationalized using 14 items, including: political competition index (percentage voting for winning election), urbanization index (percentage of population in metropolitan area), per capita income, median school years, appointive power index, selection code, newspaper circulation per capita, long term debt per capita, intergovernmental revenue, own revenue, salary of governors including legislator and accounting administrator, auditor and population.

Further, by Giroux (1989), the interaction between voters, politician (elected officials), bureaucrats (government managers) and government employees in relation to their respective requirement for accounting report was examined. To operationalized factors of political influence, items such as, average income and tax prices, dominance of political process, revenue complexity, state audit laws and independent audit opinion were adopted as surrogate. Also, it has been established that factors which facilitate political coalition can necessarily lead to political influence (Carpenter, 1987). This was exemplified earlier by Dye (1969) who opined that urbanization, personal income, industrialization and level of education can determine level of political coalition and subsequently result to political influence.

Similar to Ingram (1984), Carpenter (1987) measures of political influence as percentage of population in urban areas, per capita income, level of education, population per square mile, per capita newspaper consumption, total federal grants and salary of accounting administration. This was further advanced according to Carpenter and Feroz (1990) suggestion that bureaucratic signaling incentives and legislative political competition were important determinants in the decision to adopt GAAP. In addition, Baber et al (1986) used items that measures the percentage of state legislature seats held by minority party and voters turn-over in gubernatorial to operationalized political influence in what Carpenter (1987) described parliamentary political competition. Relatedly, Martani and Liestiani (2005) adopted management incentive variable proxied by local government wealth, level of dependence and complexity of government to measure the political influence that affects disclosure quality in the study on Indonesia.

Furthermore, Serrano-Cinca, Rueda-Tomás and Portillo-Tarragona (2009) measures the effect of diverse political competition among variables to test factors influencing e-disclosure in local government public administration. Items such as candidates to councilor's ratio, coalition government and level of political orientation of government in power were adopted to measure political competition variable. Consistent with Baber et al (1986) and Giroux (1989), Misra (2010) adopted measures of political competition and support towards the elected executive to operationalized political factors (among other variables) that influences local government accounting practices. In a recent study, Khumawala et al (2014), measures citizens monitoring in the analysis of compliance with GAAP in an environment where political interest shapes the interest of citizens. In the model, total revenue size and types of jurisdiction was adopted to control for citizen demands for GAAP as a form of financial monitoring.

Overall, inferences from the review above in relation with how the identified key participants concerned with financial reporting quality inter-relate given the veracity of their respective incentives and powers suggest that political influence is a critical institutional factor that shapes the resultant outcome of financial reporting practices across constituencies. The differing measures used by previous studies to operationalize political influence variable as shown above, particularly among the governmental constituencies, suggests that contextual differences and jurisdictional considerations interacts to define the results of the respective studies. Therefore, in the light of the above, the present study adopted seven items as proxies to operationalize political influence as an institutional factor.

These items include: (1) level of service delivery as a campaign for re-election (2) Budget as an instrument to signify government plans for service delivery (3) influence of political authorities on financial operation (4) complexity in understanding revenue report (5) withholding of financial transfer and grants due to non-compliance with accounting regulations (6) adoption of standard stipulated by higher government and (7) audit qualification of financial reports.

These items have been adopted from the study of Giroux (1989). The justification for adopting this items include, first, the measure is comprehensive and captures the relative interest and interractions between key actors that influences local government financial reporting quality. Second, the theoretical underpinning for the development of the items have been infered from theory of "public choice" which has significant benefit on studies regarding the public sector and in particular, previous studies have recommended its application in accunting research (Chan & Rubin, 1987).

3.6.2 Institutional Factor and FRQ Relationship

Previous studies have shown that quality of financial reporting is influenced by institutional factors (Chadee & Roxas, 2013; Rita Hartung Cheng, 1992a; Kossentini &

Othman, 2014). Significant positive association have been documented between quality of institutional factors and financial reporting quality (FRQ) (Isidro & Raonic, 2012). Therefore, the present study analysis factor of professionalism and political influence as institutional factors to test their respective influence on FRQ.

3.6.2.1 Professionalism and FRQ

Several studies that investigate the influence of professionalism on the FRQ have incorporate it as one of the construct of management incentive that influence financial reporting outcome (Misra, 2010). Many of these studies have adopted parameter such as education attainment (such as Evans and Patton, 1983; Cheng, 1992; Christiaens and Pateghem, 2004), accounting training (Christiaens, 1999; Christiaens and Peteghem, 2007; Vecchio, Johnson and Magner, 2004), membership of professional institutions (Christiaens, 1999), business accounting experience of the staff (Christiaens, 1999), and salary of the accounting staff (Ingram, 1984), discipline of accounting department staff (Misra, 2010), external professional accounting consultants (Christiaens, 1999). However, outcome of the various finding reveals studies in this area is inconclusive.

Robbins and Austin (1986) measured disclosure quality in governmental financial reports based on a survey of 200 municipal bond analyst of professional organizations in Chicago, New York, Boston, and Atlanta. A test of association between compound and simple disclosure index was compared within possible disclosure determinants. Result of the univeriate correlation analysis showed among other constructs that professionalism (size of audit firm) contributed significantly to management incentive as a determinant to explain disclosure quality. This result is consistent with Christiaens (1999) with a slight differences. The cross-sectional difference in compliance rate and level of accounting adoption among Flemish Municipalities was examined by Christiaens (1999). The research based on mixed research design (documentary, and survey), analysis of the compliance index and regression estimates reveals that professionalism has a positive significant influence on compliance with financial reporting standards in respect of effect of accounting training. While level of education, membership of professional accounting organization and having business accounting experience were not significantly associated with compliance financial reporting standards.

Other studies, such as Sanders, Berman and West (1994) investigate the effect of administrative capacity on financial disclosure of US municipal cities. In the study, administrative capacity relates to the extent of administrative professionalism of the municipality (proxied by familiarity of the CFO with government accounting standards and participation of the city in certificate of excellence program) was observed as factor that affect financial disclosure. The statistical estimate using regression analysis reveals that participation in the certificate of excellence program and the CFO familiarity with government accounting standards have a significant positive association with financial disclosure. Thus, the significant finding regarding certification of excellence further reinforce the study of Christiaens (1999) and Dwyer andWilson (1989) on the efficacy of professional qualification as an important determinant of factor of professionalism.

Further, Salakji and Phapruke (2011) examined the effects of accounting professionalism on information usefulness through interacting influence of FRQ. Using questionnaire instrument on firms in Thailand, data were collected from 65 heads of accounting departments of exporting and the regression model shows that accounting professionalism have a significant positive effect on FRQ, and financial reporting quality has a significant positive association with information usefulness. Additional evidence revealed that accountant's skill improvements have no significant influence on financial reporting quality. While accountant competency moderates the relationships between regulation implementation awareness and FRQ.

Moreover, significant positive effect was also reported in Darwanis et al (2016), Khumawala et al (2014), Mahdavikhou and Khotanlou (2011), Salakji and Phapruke (2011). Similarly, Mahdavikhou and Khotanlou (2011) based on survey research, investigates the impact of professional influence on FRQ and reported significant positive relationship. Relatedly, Salakji and Phapruke (2011) examined the influence of profesionalism on FRQ and information usefulness of 247 Thailand's exporting firms. Using theoretical exigencies of legitimacy and stakeholder's theory, result of the regression analysis revealed significant positive relationship between professionalism and FRQ.

Furthermore, Bakhtiar and Azimifar (2013) study the impact of professional ethic on FRQ. The result of the content analysis established that, application of professional ethics in accounting practices promotes the elaboration of quality of financial reporting. This result was reinforced by Enofe, Edemenya, and Osunbor (2015) with a recommendation to institutionalize the application of professional ethics among organizations. Recent study by Khumawala et al (2014), in the case of 357 township in US, examined the infleunce of professional factor in adoption GAAP for accounting reporting. The survey research based on correlation analysis finds profesionalism as a key determinant of adoption of GAAP, significantly and positively enhances the adoption of GAAP.

Conversely, despite the significant positive relationship between professionalism and FRQ reported above, certain section of the literature reported partial and/or no effect in the professionalism-FRQ relations. For example, an inverse relationship was hypothesized between indicators of professionalism and timely financial reporting by Dwyer and Wilson (1989). Using a documentary data source regarding 142 cities, the regression analysis revealed a partial relationship (less support) between the two measures used to capture professionalism (forms of government and certificate of conformance program). Only measure of certificate of conformance program indicate significant variance in the explained variable (timely reporting).

Relatedly, Misra (2010) examined the influence of socio-economics factor, political factors, professionalism of the internal bureaucracy and external demand factors toward local government financial accounting practice. The result of regression statistics finds that professionalism (proxied by disciplines of education and training/technical) among others, partially affects the quality of local government accounting practice. Specifically, regarding knowledge of staff in accounting discipline, a negative relationship was indicated. This was reinforced by the study by Darwanis et al (2016), who reported partial effect of professionalism in the analysis regarding financial management competence and intensity guidance apparatus on FRQ.

Furthermore, unethical professional practices have been identified as a factor that may causes the influence of professionalism and FRQ to be inconsequential. Aranya, Amernic and Pollock (1981) examine the effect of professional commitment in the case of Canadian Chartered Accountants. The study revealed that, the result of professional-organizational conflict has a negative impact on professional commitment and financial reporting practices. Similarly, Mahdavikhou and Khotanlou (2011) investigates the link between professional ethics and quality of information disclosure among listed companies in Tahran. The result of the survey research revealed there is a significant positive effect of professional ethics on promoting FRQ. The study noted lack of professional ethics accompanied with qualitative characteristics of financial that reporting can result to unrealistic picture of financial reporting.

In addition, Aamir, Yasir, Shahzad, Ahmed and Mehmood (2014) revealed that unethical professional practices makes accountants blind theselves to render quality information disclosure. In a study on Nigeria, Tsegba, Upaa and Tyoakosu (2015) based on the perception of professional and academic accountants revealed weak corpoate governance, hiding deteriorating financial position and compensation and bonus incentives as the main unethical financial practices that impede quality financial reporting.

Conclusively, based on the reviews above, it can be established that professionalism is an institutional factor that influence FRQ. The direction of the relationship however, portends significant implication for level of ethical practice imbibed by the professionals and its organization. Although, plethora of studies have revealed significant positive relationship between the constructs, but partial effect has also been reported, suggesting inconclusiveness of this area of study. Therefore, effort made in the present study intents to advance research by testing the relations in a different context. In addition, the construct professionalism has been conceived as a moderating variable which depart from the direct approach used by previous studies.

3.6.2.2 Political Influence and FRQ

Political influence is one of the institutional factor considered to influence the level of financial disclosure. Under the governmental sector, political influence is demonstrated through the interplay of incentives between user group and preparers of financial report (Giroux, 1989). The incentives of users and preparers have been used to explain the outcome of financial reporting (Alijarde, 1997; Daniels & Daniels, 1991; Giroux, 1989; Robbins & Austin, 1986). It has been revealed that high quality financial disclosure is the attendant result of high political influence (Giroux, 1989). Users' incentives are usually expressed through relative power of needs for financial information for economic decisions. Preparers on the other hand are driven by incentives to either issue sufficient report or withhold information for reasons of vested interest.

An exploratory research conducted by Ingram and Copeland (1981) determined the effect of accounting numbers on municipal financial policy. The result of cluster analysis based on 113 municipalities reveals useful information to explain voters' incentives to utilize municipal accounting information as a basis to measure incumbent's performance and subsequently make political decisions. Empirical evidence in the study of Baber et al (1986) submits that decisions by officials of State government on debt-financing and its attendant accounting disclosure was influenced by the cost of politics and anticipated benefits that accrues from negotiations among political parties and interest groups' support.

Further, based on postulated hypotheses by previous studies, Carpenter (1991) identified three forms of political influence (e.g. electoral competition, parliamentary competition, and interest group competition) to evaluate the effect of economic incentives on decisions of government to provide information on financial monitoring to the public. The regression estimate revealed that that all the three forms of political influence are positively connected to the decision of the State government to adopt GAAP as the financial monitoring principle. This finding reinforced previous findings where political influence significantly affects States decision to adopt GAAP financial reporting system (Carpenter, 1987).

Moreover, a research conducted by Cheng (1992) criticized previous studies on the ground of difficulty in comparing research findings, issues of multicollinearity among independent variables and inconsistency in determining measures of dependent and independent variables. Nonetheless, based on comparative analysis of political science and public choice theories, a comprehensive model comprising of extensive user groups (e.g. voter/politician, voter/interest-group, interest-group/politician/bureaucrat, and politician/bureaucrat) was tested on the relationship between influence of political environment and FRQ using analysis of covariance structure (LISREL). The result however, agrees with the implication that state government accounting disclosure choice significantly dependent on the factors of political environment and institutional forces.

Ball et al. (2000) examined how timeliness and conservatism accounting is influenced by institutional factors. Using institutional factor based on the classification of common law and code law system using dichotomous measures. Where the common law system representing low political influence and code law systems representing high political influence. The study revealed that there exist timely and conservative reporting amongst common law countries than the code law countries. Again. Ball et al. (2003) extended study regarding four East Asian countries (Hong Kong, Malaysia, Singapore, and Thailand), which shows that high-quality accounting standards alone do not guarantee higher quality of reported earnings. They argued that institutional structures of the four countries in terms of political and economic factors affects preparers' incentives to issue low reported earnings quality.

Further, Archidona et al. (2008) assessed the extent of information disseminated on the internet by large Spanish city councils in relation to what factor(s) affects the perceived information disclosure. The research based on content analysis using web quality model (WQM) and disclosure index designed to ascertain content, quality of navigability and mode of presentation of web site. The regression estimate reveals among other factors, found political competition to significantly influence quality of financial disclosure. Relatedly, Serrano-Cinca et al (2009) finds significant positive relationship between political influence and quality of internet financial reporting among local government units. The significance of political influence was further tested by Martani and Lestiani (2012) in the case of Indonesia, using multivariate regression estimate, the finding revealed among other consideration that political influence relates positively with disclosure quality.

Furthermore, Keerasuntonpong et al. (2015) examined disclosure quality in the assessment of statements of service performance (SSPs) on wastewater services by New Zealand local authorities. Using lessons from previous study, effect of political influence were examined in relation with disclosures quality. Based on regression analysis the results indicate that the coercive pressure alone, without the support of mimetic and normative pressures, has influence on disclosure practice. While political competition among others is identified as likely influential factors for the SSP reporting quality. this result is consistent with Batta et al. (2014), which examined the implication of political connection and accounting quality under high expropriation risk among Venezuelan firms. The study concludes that politically connected firms have higher level of accounting quality disclosures.

However, few studies such as Giroux (1989), Zimmerman (1977) have reported insignificant relationship between political influence and FRQ. For instance, Giroux (1989), examined the association between political influence and financial reporting disclosure on cities of US municipalities. The interplay between incentive and power of preparers and users tested using annual operating budget, generated from 167 cities. The regression analysis reveals overall, that political influence has limited significant influence on the disclosure quality. In addition, the result shows that despite the interest of elected officials to fulfil voters' interest for accountability, lacks the incentives to challenge bureaucratic power for the tendencies to provide misleading or withholding information that impede quality reporting. This finding support earlier studies by Zimmerman (1977), that there is little incentive (political influence) by users (voters) of annual reports in ensuring effective monitoring and scrutiny of preparers of accounting practices. This was blamed on consideration for monitoring costs, thereby resulting to chances of manipulation that consequently affects quality of disclosure.

Base on the above review, more studies are needed to test the influence of political influence on FRQ due to the inconclusive findings. This is more pertinent regarding studies on developing countries that are still witnessing a less developed political system. Apart from this, studies examine the implication of the political system on disclosure quality in the countries are still scanty. However, large area of research in developed countries have shown that, political influence significantly shapes financial reporting outcome. Therefore, validating this result in the context of developing countries and as an indirect measure (moderating effect) portends a significant contribution to the literature on accounting. Thus, the focus of the present study is to test the moderating effect of political influence on the relationship between organization characteristics and financial reporting quality in the context of Nigeria.

3.6.3 Institutional Factors as a Moderator

In the present study, institutional factors have been introduced to serve as intervening variables (moderator) in the relationship between organizational characteristics and financial reporting quality (FRQ). Factor of professionalism and political influence have been conceived in the present study as institutional factors used as moderating variables. Previous studies that have used the respective constructs have adopted them a one-dimensional explanatory variable to examine FRQ (e.g. Bisogno, Citro, Santis, & Tommasetti, 2017; Carpenter, 1987; Rita Hartung Cheng, 1992; Christiaens, 1999; Darwanis et al., 2016; Khumawala et al., 2014; Mahdavikhou & Khotanlou, 2011). To date, no known study has considered institutional factor as a moderator in the relationship between organizational characteristics and FRQ.

The justification for invoking the institutional factor as a moderator to interact between organizational characteristics and FRQ can be likened to the concept of 'conversion effectiveness" developed by Weill (1991) in Krishnan, Teo and Thompson (2013). The basic idea of the 'conversion effectiveness' refers to how resources are effectively converted into productive outcome. Thus, institutional factor is viewed as possessing strong influence on measures of organizational characteristics towards ensuring proper accounting practices necessary to enhance FRQ.

To justify the potential role of institutional factor as a potential moderating variable, propositions by researchers on the efficacy of institution factor was considered. According to Greenwood and Suddaby (2006), institutional factors is theorized to be potentially important determinants of organizational performance. North (1990) had earlier noted that, organizational structures, schema, standards, rules, norms, and routines become established as guidelines for social behavior according to institutional arrangement. Again, institutional theory postulated by Meyer and Rowan (1991) and Suchman (1995) indicates that performance increases legitimacy because it reveals how organizations fulfills its role in the society.

This study therefore, contributes to the literature by investigating the moderating role of institutional factors (professionalism and political influence) on the link between organization characteristics and FRQ during accounting system that adopts international accounting standards as a way for securing legitimacy (Georgiou & Jack, 2011; Suchman, 1995). Moreover, previous studies showed significant positive effect on disclosure quality, when measured as a direct relationship (Archidona et al., 2008; Baharud-din et al., 2014; Ball et al., 2003; Batta et al., 2014; Bukenya, 2014; Carpenter, 1991; Copley, 1991; Hirzalla, van Zoonen, & de Ridder, 2011; Khumawala et al., 2014). Therefore, the present study contributes to the existing studies by testing the constructs as moderating effect (indirect measure) on the relationship between organizational characteristics and FRQ under a different context of developing country, like Nigeria.

3.7 Gaps in the Literature

The present study examines the moderating effect of institutional factors on the relationship between organizational characteristics and financial reporting quality (FRQ). Based on the review of prior studies aimed at conceptualizing the relationship among these variables, important conclusions can be drawn.

First, scores of explanatory variables of FRQ have been identified in the literature, but most often than not, they are used as a single predictor of FRQ. For example, audit quality (Abbott et al., 2016; Barac & Van Staden, 2009; Copley, 1991; Drogalas et al., 2015), staff competence (Ismail & Abidin, 2010; Afiah & Rahmatika, 2014; Phosrichan et al., 2016; Ninlaphay Salakjit, 2011; Xu, Horn Nord, et al., 2003; Yaşar, Ünal, & Zaim, 2013), information technology (Bharadwaj et al., 1999; Búrca et al., 2006; Iatridis, 2010; Mazza & Azzali, 2016; Michaïlesco, 2010), organizational size (Abu-Nassar, 1993; Aljifri et al., 2014; Hassan & Omar, 2016; Kanthi Herath & Albarqi, 2017; Lestari, 2014; Maimako & Ayila, 2015), regulatory enforcement (Ewert & Wagenhofer, 2015; Holthausen, 2009; Hope, 2003), professionalism (Christiaens, 1999; Khumawala et al., 2014; Misra, 2010) political competition (Archidona et al., 2008; Carpenter, 1991; Rita Hartung Cheng, 1992b; Giroux, 1989; Ingram & Copeland, 1981; Zimmerman, 1977a) to mention a few.

Despite these empirical studies, no known study has examined the influence of organizational characteristics on FRQ using multi-dimensional variable as conceptualized in the present study. Hence, to acquire better insight into the effects of variety of organizational characteristics on FRQ, this study tests the resultant effect of broader constructs of organizational characteristics (internal audit quality, competence, information technology and size) on FRQ rather than specific constructs.

Secondly, a comprehensive review of extant studies has shown that, there are inconsistent findings in the respective constructs used as predictor of FRQ (Abu-Nassar, 1993; Aljifri et al., 2014; Bharadwaj et al., 1999; Copley, 1991; Johl et al., 2013; Kasim, 2015; Mazza & Azzali, 2016; Afiah & Rahmatika, 2014; Tanjung, Hariani, & Indrastuty, 2016). To extend the existing understanding of causes and direction of FRQ, this study introduced institutional factors of professionalism and political influence as an interacting variable (moderator) in the relationship between organizational characteristics and FRQ. Thus, this approach will accord the present study the advantage to contribute to existing knowledge by predicting the organizational factors that influences the direction of FRQ.

Third, lessons derived from the literature review showed that studies in respect of developing countries, particularly among governmental organizations are scant. Theoretical and empirical examples regarding the influence of organizational characteristics and FRQ after adoption of international accounting standards (e.g. cash-basis IPSAS) have given little attention among developing countries. Based on this limitation, the present study contributes to the literature on studies in developing countries, by examining the influence of organizational characteristics on FRQ among local governments located at the North-west Geo-political zone of Nigeria.

Overall, this study therefore, incorporates organizational characteristics consisting of perceived internal audit quality, perceived staff competence, perceived support for information technology and council size as independent variables. Financial reporting quality is measured based on the perceived reporting relevance and faithful representation of accounting reporting as the dependent variable. Finally, professionalism and political influence were included as institutional factors to moderate the respective organizational characteristics on perceived FRQ.

3.8 Summary

This chapter have critically reviewed literature on evolution of public sector accounting and related issues on local governments in Nigeria. Issues on financial reporting quality (FRQ), international public-sector accounting (IPSAS) organizational characteristics and institutional factors were also reviewed. In essence, the reviews indicated the relevance of financial reporting to the decision needs of diverse users in the context of public sector and the significance of the influence of organizational characteristics on FRQ.

Evidence from the literature has revealed that the application of IPSAS guidelines are significant measures that enhances transparency and accountability which help to certify the effects FRQ, while other social and environmental factors have also shown to influence FRQ. However, the outcome of the confounding result in the link between the organizational characteristics and FRQ necessitates additional studies to straighten the contending issues.

By this, the current study intends to contribute to research, by introducing moderator in the form of institutional factors to evaluate whether the relationship between the organizational characteristics and FRQ can be enhanced and strengthened following the application of cash-basis IPSAS.

CHAPTER FOUR

RESEARCH FRAMEWORK AND HYPOTHESES DEVELOPMENT

4.1 Introduction

This chapter presents analysis of interrelationships between the main constructs of the study that assisted in the achievement of the highlighted objectives. This study is a survey research involving descriptive and historical approach for data presentation and analysis. However, this chapter is structured into three sections. The next two sections present the research theoretical framework and underpinning theories of the study. In the third section, hypotheses for the study were formulated based on extant theoretical justifications.

4.2 Research Framework

The research framework presents the relationships between identified constructs for the study. The major components of the present study's framework include FRQ as the dependent variable, organizational characteristics as the explanatory variable and institutional factors as the moderating variables. The consequential purpose that caused the formulation of this theoretical framework, was to examine the effects of organizational characteristics on FRQ. This relationship had been shown by prior studies as having confounding results (Abbott et al., 2016; Bharadwaj et al., 1999; Christ et al., 2015; Copley, 1991; Darwanis et al., 2016; Iskandar & Setiyawati, 2015; Thong & Yap, 1995; Xiong et al., 2013). Hence, the need to extend results of previous studies necessitated the reason to incorporate institutional factors as a moderator with a view to regularize the confounding relationships.

Specifically, the effect of moderating role of professionalism and political influence were examined on the relationship between the respective organizational characteristics such as, internal audit quality, staff competence, information technology and council's size and FRQ. Thus, FRQ has been operationalized using a two-dimensional indicator of qualitative attributes of financial reporting, involving relevance and faithful representation. Figure 4.1 represents the study's theoretical framework.

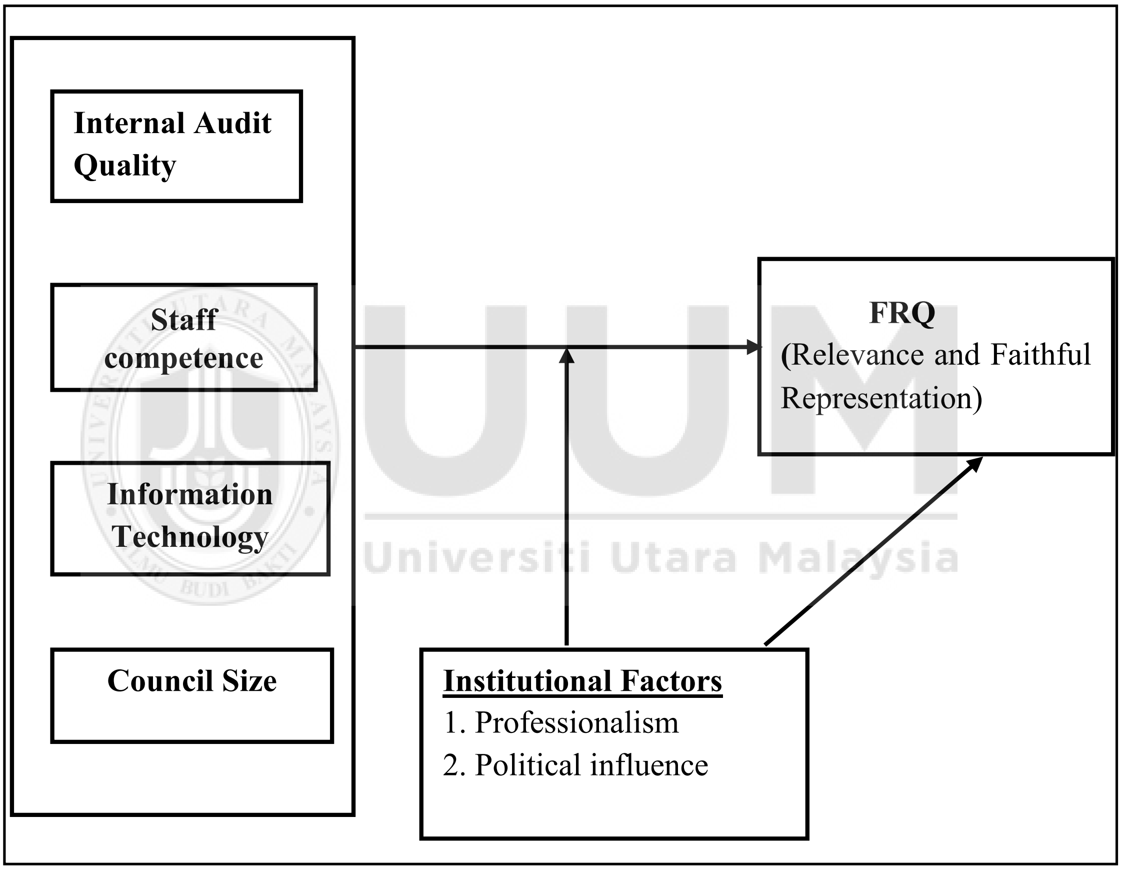

Figure 4.1
Theoretical Framework
FRQ (Financial Reporting Quality)

4.3 Underpinning Theories

The theoretical justification of this study can be explained through several theories. The theories that explains the aforementioned research framework is the contingency theory and institutional theory. This section describes and explain these theories and how they explain the interaction and the relationship between the dependent, independent and the moderating variables.

4.3.1 Contingency Theory

Contingency theory is a historical theory that explains organizational science. Its research contributes to the current lessons of organizations and scholars in the contemporary time have continue to pursue its significance in the projection of future theoretical and empirical developments (Donaldson, 2001). The essence of contingency theory in the study of organization involve the effectiveness in fitting organizational characteristics, such as its structure and contingencies that reveals the condition of an organization (Burns & Stalkers, 1961; Woodward, 1965). The contingent variable of an organization includes its environment (Burns & Stalkers, 1961), organizational size (Child, 1978), and organizational strategies (Chandler, 1962). The fitness of the organization into these contingencies determines the extent of its performance. That is, the fit of organizational characteristics with these contingencies leads to higher performance (Donaldson, 2001).

Therefore, organizations tend to avoid misfit resulting from contingency change, by adjusting to changing contingencies so that effectiveness can be maintained. Therefore, the primary concept of contingency theory lies in the alignment of an organization with its contingencies through developing the relationship between organizational characteristics and performance (Burns & Stalkers, 1961; Woodward, 1965, Van de ven and Drazen, 1985).

However, the initial versions of contingency theory had extensive aim of explaining the system of the organization itself (Reid & Smith, 2000). Notwithstanding, contingency theory have also been used to study many different organizational characteristics, such as leadership (Fieldler, 1967) human resources management (Deleng and Doly, 1996) strategic decision making process (Frederickson, 1984), accounting system (Lüder, 1992; Otley, 1980). Moreover, irrespective of the organizational characteristics to be examined, contingency theory is considered to be a foremost theoretical rational and an open system theory at structural level of analysis of an organization's performance (Betts, 2003).

The focus of this study however, involves the adoption of contingency theory in the assessment of what and how organizational characteristics effects accounting information following governmental accounting reforms. The use of a contingency theory in the analysis of accounting information system in the early to mid-1960s was very scanty (Reid & Smith, 2000). However, during the last decades, contingency theory has become prevalent in the study of behavioral and organizational aspects of accounting research (Otley, 1980). Previously, Gordon and Miller (1976) had provided a link between the narrower concepts of management accounting with the broader concept of organization in the analysis of contingency theory. Gordon and Miller (1976) argued that management accounting system is the most important feature of the organization, and therefore they treat it as an 'objectification' of the organization. That is, it provides a coherent picture of what the organization looks like. In addition, they illustrate how management accounting can influence and be influenced by contingencies.

However, the contingency approach to the study of accounting is based on the premise that there is no universally appropriate accounting system which applies equally to all organizations in all circumstances. Rather, it is presumed that particular characteristics of an appropriate accounting system will depend upon the specific circumstances in which an organization coexists (Donaldson, 2001, Otley, 1980). By this, contingency theory demonstrated an appropriate match to relate specific aspects of accounting system with certain defined circumstances.

The development of contingency theory may be viewed in terms of its historical evolution. Here, concepts such as technology, organizational structure and environment have been invoked to explain why accounting systems have been found to differ from one situation to another (Otley, 1980; Reid & Smith, 2000). For instance, Anderson and Lanen (1999) emphasizes both national culture and competitive strategy as having a major effect on the management accounting system, a key feature of organizational form. Equally, Brignall (1997) has used contingency theory framework to focus on the design of cost systems.

Earlier study by Burns and Waterhouse (1975) reveals that budget practice to be dependent on organizational autonomy, management centralization and business uncertainty. This, however, depend on how the principal activities were structured within the organization. Similarly, Hayes (1977) described the way in which management accounting practices varied across organizational contingencies such as, sub-unit interdependence (e.g. R & D intensity); dynamism of environment (e.g. marketing intensity); and work method specification (e.g. production intensity). Reid and Smith (2000) described these as the main determinants of the management accounting system.

The boundaries of contingency theory were expanded by the study of Jones (1985) who examined a situation of organizational takeover. The study shows the influence of the parent company on the subsidiary in determining the form of the latter's management accounting system. Relatedly, Chapman (1997) identify uncertainty as a so-called intervening variable between organizational contingencies and performance. He noted that uncertainty influences the way in which the management accounting system adapt to external contingencies arising from formulation of objectives and actions. Further, (Otley, 1980) use contingency theory as a model to interrogate the contingent variables that causes accounting change in an organization and how different factors influence accounting change in different ways.

Upping and Oliver (2011), submits that contingency theory is used to examine both the external and internal factors (contingent variables) that influence the need for change. This change relates to the organization's environment, structure and technology. External factors relate to uncertainty in the organizational environment such as market pressure, new technology and political issues. While the main internal factors relate to organizational size and institutional strategies that might have their own impact on organizational structure, budgetary control and performance measurement of the organization (Lüder, 1992; Otley, 1980; Reid & Smith, 2000; Thomas, 1991).

Furthermore, in the realm of public sector accounting, Luder (1992) explored the application of contingency theory to develop the contingency model on government accounting innovation. It has been stated that, the original model of accounting change in the public sector was developed by the Luder's contingency theory (Monsen & Nasi, 2010; Upping & Oliver, 2011). That is, the theory has been developed more specifically for examining performance of the governmental sector during accounting innovation era. The model specify the social-political administrative environment and its impact on governmental accounting system (Mbelwa, 2014). According to Chan (1994), Luder's contingency model seeks to explain what and how environmental factors influences the diffusion of more innovation in the information system of the public sector accounting.

The Luder's contingency model provides four contextual variables associated with organization and their influence on government accounting innovation. These includes the stimuli, structural variables, characteristics of the political administrative system and implementation barriers. It has been hypothesized that the first three types of contextual variables positively influence the attitudes and behavious of users and producers of government financial information. That is, the combination of conducive contextual conditions and favourable attitudes/behaviour of users and preparers could spark the diffusion of innovation into the accounting system of the government. While the contextual variable relates to the implementation barriers which may inhibit or prevent the process of successful innovation and outcome of government financial management (Chan et al., 1996).

The initial stage of innovation process describes the stimuli which instigates the need for improved information on the part of the users and increases the preparer's readiness to supply such information. Instances of stimuli that may necessitate increase information requirement, has been documented to relate to fiscal distress, financial scandal and financial crisis. In such a situation, comprehensive disclosure of the financial situation as well as financial management may prompt the government to adopt accounting innovation to manage the system.

In addition, capital market incentives also create a need for more informative system of governmental accounting and financial reporting, particularly when bond issues are subject to formalized ratings and when the rate of interest depend on the results of such ratings. These consequently depend on the quality of the information in a government's annual reports. The external standard setting body also stimulate the governments with the task of drafting and codifying the basic principles of accounting and financial reporting for the public sector. These stimulate effective development and the introduction of more informative governmental accounting systems. Such standard-setting bodies include the international public sector accounting standards (IPSAS), International Financial Report Standards (IFRS).

The social environment in the public sector influences the basic attitudes of users and producers of information towards the structural needs for more accounting information of the public sector (Upping & Oliver, 2011). Chan and Rubin (1987) adopts the notion of 'socioeconomic status' (SES) to provide explanation on the influence of economic and social background conditions on the information content of public sector financial reports. Variables such as income and education levels have been used to reflect the SES. It is argued that, when one's SES rises, so does his share of the tax burden. Consequently, SES is negatively correlate with the amount of public services received

(Upping & Oliver, 2011). This implicitly reveals that; higher SES individuals have a greater interest in disclosure of the public sector financial management.

Further, the political culture in practice in a society determines the extent of accounting information required by stakeholders. This according to Upping and Oliver (2011) describes the degree of openness and the participation of citizens in public decision-making processes. Here, political culture influences the basic attitudes of information users regarding the disclosure of information on public sector financial management, and thus also on their view of the need for a more informative accounting system. This suggests that, the more the political culture is open to public participation, the greater is the demand for accounting disclosure.

On the other hand, the implementation barriers involve the condition of the environmental that hinder the process of implementing the innovative accounting program. Thus, this inhibits the creation of a more informative accounting system which is in principle desirable. For example, the legal system, staff competence, information technology etc. Therefore, the application of contingency theory in the present study has relevance in the framework developed by Lüder (1992). The Luder's contingency theory has been adopted as an underpinning theory to explain the identified explanatory variables to test FRQ. The reason for adopting the Luder's version of the contingency theory is that, the theory was developed more specifically to examine how contextual and behavioural contingencies related with governmental innovative reforms (Upping & Oliver, 2011).

Therefore, in the context of this study, the Luder's contingency theory is adopted to explain two areas that affect the diffusion of accounting innovation in the public sector. This involves behavioural and environmental variables. The behavioural variable is conceived as the alignment of the interest of the users and preparers based on some stimuli (e.g. break-down in internal control system and audit) that necessitates the introduction of innovation in the government accounting system. Here, the examination of internal audit quality has been identified mechanism that may motivate the need for the introduction of accounting innovations in the public sector.

The environmental variable on the other hand, is conceived as organizational characteristics that inhibit or prevent the process of implementing accounting innovations in an organization. Based on this, variables such as staff competence, level of support for development and use of information technology and organization's size are seen as organizational characteristics that may inhibit the diffusion of accounting innovations. Consequently, the contingency theory underpins this study through the link between the independent and dependent variables. The independent variables base on this study is the combination of organizational stimuli (e.g. internal audit quality) and implementation barriers (staff competence, information technology and size). The dependent variable is FRQ.

However, the Luder's contingency theory have been adopted by previous studies to explain the effect of contextual and behavioural incentives on financial reporting outcomes with some modifications (Christensen & Yoshimi, 2003; Godfrey, Devlin, & Merrouche, 2000; Kobayashi, Yamamoto, & Ishikawa, 2016; Upping & Oliver, 2011). For instance, Godfrey, Devlin & Merrouche (1996) adapted the model to incorporate the diffusion of government accounting in terms of initiation stage and implementation stage. The initiation stage relates to the impact of internal and external stimuli for change. While the implementation stage explains the process of change including barriers to change. Similarly, Christensen (2002) emphasizes is on the key actors of change involving the promoters of change, the producers of information and the users of information.

Furthermore, the relevance of the contingency theory equally underpins the justification for the variables of institutional factors (professionalism and political influence) as a moderating variable. This is substantiated by the model as conceptualized by the stimulating factors and factors of political administrative systems that prompts the initial need for reform and innovation in the government organizations (Upping & Oliver, 2011). It remained that, increased quality of financial information could serve as a veritable means of preventing and forestalling fiscal distress and financial crisis among organizations (Abanyam & Angahar, 2015; Arnold, 2009; Riel & Tano, 2014). This has warranted the calls by international organizations and professional bodies, which encourages economic entities to improve their reporting practices through the adoption of global accounting standards (Chen et al., 2010; IASB, 2010; International Federation of Accountants, 2012; Verbruggen, Christiaens, & Milis, 2011). Therefore, the applicability of the provisions of the accounting standards (IASs) consequently requires the institution of professional competence.

The political administrative system in the model, also demonstrates the interplay (politics) between stakeholders in an organization. It determines the extent and quality of information disclosure which is mostly influenced by the strength of vested interest by actors for information needs. The principles of self- interest and the assumption of rational behavior are both taken as applicable to the State. This, according to Lüder (1992) assumes that the actors in the fields of politics, government and administration pursue a form of self-interest. This leads to a discretionary decision-making margin, which as an endogenous variable, leads to asymmetrical distribution of information between the participants.

But if the restrictive classical assumption (Lüder, 1992) increased and complete information is uphold, it bridge the possibility of information asymmetry in the government financial systems and consequently improves quality of financial reporting. Thus, political influences is conceived in light of the political administrative system of the government organization, which can moderate the contentious relationship between the organizational characteristics and FRQ interactions.

4.3.2 Institutional Theory

Humphrey and Scapens (1996) uniquely defined institutions as 'a system of thought or action of some prevalence and performance, which is entrenched in the practices of a group or norms of people. Maki (1993), DiMaggio and Powell (1991) argued that, choosing definition remain rather an arbitrary assignment, as different meaning connotes many different approaches to institutional theory. Institutional theory has been conceived through different views, ranging from New Institutional Economics (NIE), Old Institutional Economics (OIE) and New Institutional Sociology (NIS) theories. These views of institutionalism suggests the question of differences between them.

NIE differs from other approaches to institutional theory, as it maintains a notion of confined rationality and assumes economic optimization through economizing transaction costs (Scapens, 1994). Thus, while NIE uses concepts of institutions to determine transaction costs, OIE emphasizes on the enabling and constraining features of institutions. NIS on the other hand, focused mainly on how and why organizations conforms to institutionalized beliefs in a society. Further, OIE views institution as integral organizational life, while the NIE treats institutions as exogenous phenomena to organizations.

NIS has been used in accounting studies to explain accounting choice in both the public and private sector (Whitley, 1999; Hussain & Hoque, 2002 Collier, 2001; Modell, 2002). Tsamenyi, Cullen, and González (2006) views it to be principally relevant for evaluating organizations that are met with uncertainties and, as a result, strive for political and institutional legitimacy and market position. Therefore, the imperative of New Institutional Sociology (NIS) (DiMaggio and Powell, 1983, 1991) is adopted in this study to explain the dynamics of change in accounting and financial information system and the way they are affected by exogenous forces.

NIS dwell on the establishment of rules, symbols and beliefs, as well as the external environment of an organization (Scott, 1987; Scott and Meyer, 1994; Selznick, 1996), which advocates that organizations need to adapt to institutional rules and norms to legitimize their existence (Meyer and Rowan, 1977; DiMaggio and Powell, 1983). Thus, DiMaggio and Powell (1983, 1990) describes the explanation on changes in organization practice (like accounting reform) as institutional isomorphism. Isomorphism is a condition by which one section in a population resembles other sections of the population that faces the set of environmental conditions (Carpenter & Feroz, 2001). This explains the argument by Greenwood and Hinings (1996) that sees

NIS as a theory that explains resemblances amongst organisational structures than differences in them.

Isomorphic pressure makes organizations to become homogenous within a given environment and conforms to expectation of broader institutional environment. Institutional isomorphism which also forms the basis of our theoretical model focused on organizational struggle for power, social fitness and institutional legitimacy (Carpenter & Feroz, 2001). This is against competitive isomorphism which relates to free and open market competition scenario. DiMaggio and Powell (1983) identifies coercive isomorphism, mimetic isomorphism and normative isomorphism as the three machineries through which institutional isomorphic changes occurs.

Coercive isomorphism arises when an organization imbibes certain practices resulting from pressures imposed by forces which the organization depends on externally. Such as the State and the credit institutions, that pressurizes the organization to obey cultural expectations of the wider society. Coercive isomorphism also involves formal and informal pressures that result from coercive authority. DiMaggio & Powell (1983) explains that this coercive authority comes from the organisation's dependency on other organisations and the cultural beliefs in the society in which the organisation operates.

By this, organization may alter some of their structural features, but they are prone to changes in response to changing societal preferences. Nonetheless, as clarified by DiMaggio & Powell (1983) and Meyer & Rowan (1991), organisational reconfigurations can be in large part ceremonial, but that does not suggest they are inconsequential. Rather, they signal to the numerous participants in the organisation that the organisation is responsive to the preferences of the society in which it functions. However, this conformity with societal preferences enables organisations secure economic resources, influence and power.

Mimetic isomorphic change occurs under an uncertain condition, causing organizations to copy other organizations in their field that they observed to be more legitimate or successful. DiMaggio and Powell (1983) maintained that uncertainty is a potent inducement for imitation. This is noticeable in particular, when an organization set ambiguous goals or poor understanding of technological innovations that symbolises uncertainty and may make organisations to model themselves on other organisations. Although this aspect of the institutional theory have not been considered in this study.

This by implication suggest the reasons that organisational structures tend to be the same. That is, there are few different organisational models to imitate. Findik and Aykut (2014) further illustrates that organizations face with uncertainty tries to reduce the costs of work on research by applying institutional rules rather than technical rules, and they imitate the behavious of other organizations.

The third source of isomorphic organisational change refers to the normative isomorphic theory. This form institutional theory involves collective values that leads to conformity of thought and deed within institutional settings (DiMaggio & Powell, 1991). It is defined according to Carpenter and Feroz (2001) as "organizations' changing structure and processes for acting in accordance with the professional standards generated by the environment, and adapting the innovations put forward by the professional organizations". It stems from pressures from professionalization which is accompanied by two interests (DiMaggio & Powell, 1983).

First, the foundation of formal education and of legitimation on a cognitive base produced by university specialists; and secondly, by the growth and impact of professional networks that permits innovative practices to be diffused quickly across organisations. Findik and Aykut (2014) further substantiated that normative isomorphism provides continuity and legitimacy in the behaviour of membership of an organization and their organizational structure, through standardization of their social and cognitive foundation. A good example in this respect, are the universities, vocational training institutions and commercial organizations in institutional environment. They create a pool of employees, who can work in similar positions, have similar training and can be changed one-to-one, by forming normative rules about organizational and professional behaviour (Findik & Aykut, 2014).

However, institutional theory as conceived above explains on the one hand, the moderating effect of institutional factor on the relationship between organizational characteristics and FRQ, and on the other hand, between institutional factor and FRQ. This finds applicability on the coercive and normative institutional pressure. The coercive pressure which stems from the concern for legitimacy is observed to stimulate the adoption of international accounting standards (Brusca, Montesinos, & Chow, 2013; Judge, Li, & Pinsker, 2010) by government of nations in other to gain relevance and 'legitimacy' in the international market. Thus, the institutional political influence available within a nation is conceived as an exogenous factor that could mount pressure on governmental organizations to demand for accountability from public managers through adoption and application of international accounting standards.

This pressure nonetheless, describes the demand for quality financial statement by the interplay of the powers of legislature, pressure group and other interested accounting users. This consequently may enhance FRQ sequel to application of accounting standards. Previous research have demonstrated the effect of political influence on FRQ. Batta et al. (2014) examined the implication of political connection and accounting quality under high expropriation risk among Venezuelan firms. The study concludes that politically connected firms have higher level of accounting quality disclosures. Another recent study by Keerasuntonpong et al. (2015) performs an investigation on disclosure quality on the statement of service performance (SSP). The result of the findings shows that political competition is one among the factors that influences SSP.

Furthermore, the study finds the normative isomorphism theory equally useful for explaining the theoretical framework of the study. The normative institutional theory seeks relevance with application of professionalization in accounting practice which is attained through education and training. This suggest that the introduction of professional accountants and auditors who acquire professional education and training, may increase the interpretation and application of accounting standards toward producing quality financial reporting. Examples of past studies that support this theoretical position include Khumawala et al. (2014), through data collected on national survey of local government finance professionals, the result of regression analysis shows that the key determining factor for the adoption of accounting standard was the presence of professional accounting staff within the local government. In addition, Abbott et al. (2016), a recent study on complementary influence of auditor's competence and independence was examined to understand the relationship between internal audit quality and FRQ.

4.4 Hypotheses Development

Inference from review of extant literature and theoretical justifications from the previous sections, this study's hypotheses were developed in this section for empirical testing and validation. Accordingly, the study's model has four constructs as independent variables referred to as organizational characteristics, namely, internal audit quality, staff competence, information technology and council size. FRQ is the dependent variable, measured through two dimensions of qualitative financial reporting attributes namely, relevance, and faithful representation. The interacting variables (moderator) are the institutional factors involving professionalism and political influence. Overall, fourteen hypotheses were postulated for testing the relationships between the variables.

4.4.1 Organizational Characteristics and Financial Reporting Quality

A Financial report has been viewed as a means by which preparers communicate with potential users regarding the financial state of an entity. FRQ refers to the level that information in the financial statement reveals the correct financial condition of an entity and the decision usefulness that users of the information can make of it (Chen et al., 2010). A large body of research on accounting have established the influencing power of organizational characteristics on FRQ (Abbott et al., 2016; Ismail & Abidin, 2010; Kanthi Herath & Albarqi, 2017; Kyobe, 2011; Maimako & Ayila, 2015; Mustapha, Ku

Ismail, & Ahmad, 2017; Afiah & Rahmatika, 2014; Zorn et al., 2011). However, few studies regarding the public sector in Nigeria have empirically considered research in this direction.

Consequently, the present study advanced four hypotheses regarding the relative factors of organizational characteristics-FRQ relations. Respectively, four explanatory hypotheses regarding dimensions of organizational characteristics (as conceived in this study) including, internal audit quality, staff competence, information technology and council size were postulated to test FRQ. The sub-sections below present the discussion on development of the specific hypothesis regarding the relationships.

4.4.1.1 Internal Audit Quality and FRQ

The existence of the separation of power between owners and managers necessitate auditors' pronouncement on the financial statement to indicate the level of trueness and fairness portrayed by the financial statement. Auditing is a statutory requirement which gives credibility and reliability to the financial statement produced as a stewardship undertaking by managers to ownership of an entity (Eze, 2016). In specific, internal audit quality (IAQ) is a systematic, independent and documented process for obtaining audit evidence in records, statements or information, which are relevant and verifiable, and can determine objectively, the extent to which audit criteria are fulfilled (Giroux & Jones, 2011). The theoretical exigencies of contingency theory justify the efficacies of internal auditing functions as a control mechanism that gives support for the elaboration of quality financial reporting.

The imperative of contingency theory based on Luder's proposition, describes the contextual variability of some stimulating factor which may instigate the need for improved financial information disclosure by accounting report users and the readiness of the preparers to supply such information (Lüder, 1992). By this, the Luder's model illustrate instances of 'stimuli' which necessitate the demand for improved accounting information to include fiscal distress, financial scandals etc. Thus, internal audit function remained a veritable mechanism for which accounting information gains credibility and reliability by the users. On the other hand, effective internal audit assignment is a statutory requirement by corporate organization, that lend credence to the declaration of the extent of true and fair view portrayed by the financial reports produced by organizations.

In this light and based on the analysis in the previous section, internal audit quality and financial reporting quality have largely portrayed significant positive relationship (Abbott et al., 2016; Baharuddin, Shokiyah, & Ibrahim, 2014; Chidinma et al., 2016; Copley, 1991; Kewo & Afiah, 2017; Wallace & Krutzfeldt, 1991). That is, the quality of internal audit function instituted to investigate accounting numbers has a significance effect on FRQ. Deductively, internal audit quality is a direct explanatory variable that may have significant positive influence on FRQ during the application of international accounting standards (e.g. cash-basis IPSAS). Based on this, a hypothesis is stated in this regard as thus:

Hypothesis 1*:* There is a significant positive relationship between internal audit quality and perceived FRQ.

4.4.1.2 Staff Competence and FRQ

The significant requirement for proper performance of a given task has been associated with the level of competence possessed by the worker. Competence is demonstrated by a set of defined knowledge, skills and behavior (Armstrong et al., 2010; Kaplan & Reckers, 1995). Test on competence have been adopted in diverse areas to evaluate relationships between assigned role and performance outcome. Large area of these studies have reported significant positive link between competence and performance outcomes (Espositi, Francesca, & Bosco, 2015; Korutaro et al., 2013; Nguyen & Leclerc, 2011). The need for application of competency in the field of accounting have been well researched, indicating support for implementation of accounting innovations and changes. Moreover, the report from these studies have justification from theoretical point of view.

The consequential expectation of competent accounting staff leads to the elaboration of high-quality accounting information. While the reverse is the case where the accounting staff are incapable of handling accounting numbers. Relatedly, Lüder (1992) explain the danger that exists, for example, when accountancy techniques must be fundamentally altered in connection with the introduction of new accounting concepts (e.g. adoption of the cash-basis IPASA) and the accountancy staff lack the knowledge needed for the implementation of such new techniques.

This view-point can be underpinned by the exigency of contingency theory that sees staff competency (e.g. qualification) as an implementation barrier and organizational contingency which if not given adequate attention may hinder the process of implementation and in extreme cases prevent the creation of a more informative accounting system (Upping & Oliver, 2011). This invariably suggest that, staff competence in terms of accounting education and skills have significant positive relationship with improving accounting practices and consequential for the elaboration of higher quality financial reporting.

Prior studies have described staff competence as an antecedent variable to explain the significance of financial reporting performance. For instance, Iskandar and Setiyawati (2015) examine the influence of internal accountant competence (IAC) on quality of financial report and accountability. Based on survey research design, the finding reveals that IAC has significant effect on FRQ and consequently on accountability. Similarly, Abbott et al. (2016) measured internal audit function using proxy of competence indicators to test the effect of internal audit on FRQ. The report of the finding shows that competence is a necessary antecedent to effective IAF. Thus, internal audit function significantly depends on internal auditor's competence, which consequently engenders effective FRQ.

Moreover, the advent of the introduction of international accounting standards has been characterized by development of high-quality accounting standards, which involves the use of high-level accounting technicalities. Thus, for the significance of quality financial reports to be realized even while adopting accounting standards, there must be competent accounting staff who possessed the requisite knowledge and skills to apply necessary accounting principles, system and standard to produce credible financial report. This therefore suggests that, staff competence is an important determining factor that influences FRQ despite the adoption of accounting standards like the cash-basis IPSAS. In other words, accounting standards will on its own, make no significant impact on enhancing the quality of financial report in the absence of competent staff to interpret and apply the issued standards. Therefore, based on this justification, staff competence-FRQ relations can be hypothesized thus:

Hypothesis 2: There is a significant positive relationship between staff competence and perceived FRQ.

4.4.1.3 Information Technology and FRQ

The relationship between information technology (IT) and organizational performance have attracted extensive debate in the literature. The main focus of the debate lies with the difficulties and complexities in modelling a comprehensive framework to accommodate the diverse branches of IT development and uses (Sethi & King, 1994). However, recent research in the service sector have shown significant positive relationship between IT and organizational performance (Salehi & Torabi, 2012a; Zorn et al., 2011). Development in IT have witnessed speedy progress in diffusion of modern technology which still holds more room for improvement in the future.

Based on theoretical classification of contingency theory ((Lüder, 1992), IT development is conceived as implementation barrier that could affect or impede the effective diffusion of accounting innovation in an organization (Upping & Oliver, 2011). According to the theory, IT, is seen as a contingent organizational factor without which accounting information processing may not be effectively realizable despite the introduction of accounting reporting innovations. Earlier, King et al. (1994) specifically indicates the imperative of IT innovation as dependent on the objectives for its uses. Though large area of studies have justified the significant positive influence of IT mechanisms in promoting efficiency and effectiveness in organizational operations, particularly in processing and accessing accounting information (Archidona et al., 2008; Salehi & Torabi, 2012a; Taipaleenmäki & Ikäheimo, 2013; Tanjeh, 2016; Zorn et al., 2011).

However, the relative utility of IT to organizational performance is nonetheless dependent on the level of institutional support for its development and growth. This by implication has consequential effect on efficiency and effectiveness of processing and accessibility of accounting reports. The imperative and significance for the development of IT infrastructures becomes even more critical, following the global reforms towards standardization and convergence of accounting practices. Hence, the primary underlying responsibility of accountancy is to generate financial reports that will support economic decision making of users in an effective and efficient way. Thus, IT development has been characterized by its capabilities in processing speed and cost reduction (effectiveness and efficiency). Thus, IT infrastructure is an essential and critical organizational resource that promotes effective and efficient manipulation of accounting numbers to engender quality accounting reporting, given the current instance of application of the international accounting standards.

Therefore, it can be said that, the higher the institutional support for IT innovation, in terms of technical support, funding, knowledge and managerial contribution, the higher the improvement in processing of accounting numbers and subsequently the higher the quality of financial reporting outcomes. Therefore, based on the expositions above, the hypothesis to be tested in this regard is thus stated:

Hypothesis 3: There is a significant positive relationship between IT and perceived FRQ.

4.4.1.4 Council Size and FRQ

Quality of financial reports varies across constituencies according to their size. Numerous studies indicates positive relationship between organization's size and overall quality of financial reporting (Aljifri, Alzarouni, Ng, & Tahir, 2014b; Francis and Yu, 2009; Hassan, 2015; Maimako & Ayila, 2015). Several organizational attributes and proxies such as information production cost, level of political visibility, economic activities and wealth, tax regulations, employee population etc. has been adopted to operationalize organization's size.

The relationship between the effect of organization's size and FRQ can be explained to possess a significant positive relationship based on the theoretical lens of contingency theory. Using the theory, the variability of size can be regarded as implementation barrier that influences the extent of organizational performance. Thus, the size of a jurisdiction is expressed in terms of the population size and the number and size of government agencies, which are positively correlated. By this, as the size of jurisdiction increases, technical and administrative problems of implementing a new accounting and financial reporting system multiply and cost of implementation rises. This however justify the reason why innovations are more frequently obvious in smaller constituencies than the larger ones.

Consequently, it is suggestive that, effective information system has a significant implication for financial capability of organizations. Thus, only wealthy organizations can afford to invest on sophisticated information infrastructures and competent man power to produce effective accounting system. However, relevant to the council size-FRQ relations, Herrmann and Thomas (1996) had argued that larger organization have propensity to afford information production cost, due to their financial capability to employ the services of competent professionals to produce quality accounting reports. This means that, larger governmental organizations produce more quality financial reports than smaller once.

Additionally, larger governmental units (e.g. sub national government) enjoys increased financial transfers including statutory allocations, grants for land mass coverage and other ecological incentives than smaller units. This increased advantages also promote increased economic activities and wealth creation through taxation and levies. Implicitly, this will result to demand for higher quality disclosure by central governments and other oversight agencies/bodies. This need therefore will constitute a reason for larger organization to be more accountable and transparent in their financial reporting than small organizations.

Furthermore, it is argued that, larger organizations are more susceptible to political pressure and interference than smaller ones. Zimmerman (1977) had indicated that organization's visibility greatly determines choice of accounting policy and level of compliance with instituted financial regulations. This imposes additional political costs which organization tries to ameliorate through provision of additional effort to produce quality financial reports. However, this arguably suggests why several reasons account for the relationship between council's size and FRQ should be significantly positive. Based on this, the below hypothesis is tested thus:

Hypothesis 4: There is a significant positive relationship between Council size and perceived FRQ.

4.4.2 Institutional Factors and FRQ

Prior sections have attempted to analysis the relationship between institutional factors and FRQ. Based on the analysis, this section postulates relevant hypotheses to test the relationships.

4.4.2.1 Professionalism and FRQ

The efficacy of institution of professionalism in the operation and structure of an organization portends significant positive impact on its performance (Evetts, 2011; Martimianakis, Maniate, & Hodges, 2009). The theoretical exigency of institutional normative isomorphism also demonstrates the significant relevance of professionalism in the organizational place. The theory measures the extent to which access to professional education and relationships with professional institutions affects organizational performance (DiMaggio & Powell, 1991; Carpenter & Feroz, 2001). However, the central notion of the application of professionalism in the realm of accounting is that, it enhances better accounting practice and engender quality financial reporting (Christiaens, 1999; Khumawala et al., 2014; Staubus, 2004). That is, it is a consequential expectation that, where the professionalism of accounting staff of organizations is enhanced (membership of professional bodies), including maintaining mutual link with professional institutions (supervisory and consultancy services) the resultant outcome will engender requisite capability for the organization to produce quality financial reports.

Implicitly, this explains why private organizations make huge investment to adopt professional competences in the bid to maximize shareholders return, and to ameliorate the challenges imposed by the principal-agency relationship (Perera, Cummings, &

Chua, 2012). This is to say; private firms are more susceptible and capable to imbibe professionalism in handling accounting and auditing operations of their firms.

Conversely, the practicability of the adoption of professionalism in the context of public sector is somewhat challenging, particularly in developing countries, where theory and practice in most cases are not coherent (Kulshreshtha, 2008). In such situation, adoption of professionalism in process and operational structure of the sector seems very low. This may be due to poor organizational incentive (e.g. condition of service, remuneration etc.) (Emerole & Enyioko, 2015; Okereke & Daniel, 2010) which does not encourage professionalism to thrive. Thus, the essence of professionalism in the sector remained scanty in terms of expertise and operations that may engender quality accounting practices and reporting.

Moreover, even while professionalism exist, results of poor organizational incentives perhaps, may inject into the system several unethical financial practices with an attendant implication to compromise professional ethics leading to negative consequence for FRQ. By this, Otusanya (2011) argued in the case of Nigeria that over time, accounting and financial professionals have increasingly use their expertise to promote anti-social financial practices among the public organizations which are inimical to effective management and accounting of public funds. This scenario however, poses significant reservations and consequences for the supposed efficacy of professionalism in accentuating quality financial reporting in an environment where organizational incentives are inconsequential.

Therefore, it can be said that, while professionalism is an important antecedent that may significantly influence FRQ, availability of organizational incentives that promotes enabling working condition (welfare and attractive remuneration) in the process and structure of the organization also matter. Based on this exposition, the relationship between professionalism and perceived FRQ is hypothesized as follows:

Hypothesis 5: There is a significant relationship between professionalism and perceived FRQ.

4.4.2.2 Political Influence and FRQ

Political influence is one of the institutional factors considered to affect financial reporting quality (FRQ). This is demonstrated through the interplay of incentives of users and preparers of financial reports in relation to their respective needs for financial information for economic decision making (Giroux, 1989). The analysis of the theoretical review in the previous section signifies the implication of political influence as an organizational and institutional factor that influences FRQ. Despite this, the result of political influence on FRQ shows inconsistent findings (Carpenter, 1991; Rita Hartung Cheng, 1992a; Copley, 1991a; Giroux, 1989; Zimmerman, 1977b). Hence, the call for additional empirical research in this direction.

The interplay of political power among interest groups (users and preparer) in the government sector constitute the major cause of variation in the findings of previous research. The differences in incentives for information needs has been indicated to shape the outcome of accounting information. Nonetheless, to allow for the formulation of testable hypothesis, this study invoked theoretical justifications to contextualize the perspective of political influence on FRQ. High political competition includes voters' increase demand for public goods including quality accounting disclosure due to increase in taxation (Giroux, 1989; Watts & Zimmerman, 1986). This expectedly, serves as incentive for government (ruling party) to seek political dominance and legitimacy in constituent politics (Borcherding & Deaxon, 1972). Implicitly, government seek both national and international legitimacy and "political good will" through adoption of measures that will show they are prudent at managing public funds and are accountable to the people (Georgiou & Jack, 2011; Munoz, Bolivar, & Hernandez, 2015; Muñoz, Bolívar, & Hernández, 2013; Suchman, 1995).

The government incentive and power to achieve the above is demonstrated in the political influence it exerts within the governmental units and agencies, in terms of institutional enforcement of efficient internal control mechanisms (e.g. audit, financial regulations, accounting standards, penalties etc.) to curtail the opportunistic advantages (information asymmetry, information illusion) of the bureaucrats (public managers/preparers) which portends consequential benefit for quality accounting reporting.

On the contrary, where the political incentive of the citizens (voters) is low, i.e., they lack political power to demand for quality financial disclosure, or the winning chances of the incumbent government (political executives) is very low, its result to low political influence and weak internal control mechanisms to monitor bureaucratic opportunistic tendencies, thus, leading to low FRQ.

However, prior studies that have examined the interplay of political incentives in relation to FRQ mostly describe political influence as an endogenous organizational contingency (Batta et al., 2014; Giroux & Jones, 2011; Jones & Giroux, 2002; Zimmerman, 1977b). Nevertheless, in the realm of sub-national government (e.g. local government) which lacks absolute operational independence, political influence transcends the limit of organizational jurisdictions. Based on this argument, the present study conceived political influence as an exogenous institutional factor that portends possible influence to shapes organizational financial reporting outcome.

This perspective is consistent with institution isomorphic coercive theory, which compels organizations to adopt formal or informal structures or rules, including governmental mandate (DiMaggio and Powell, 1983). That is, coercion may originate from political influence and the need for legitimacy that forces organizations and decision-makers to follow or adopt certain institutionalized rules and practices by other organizations upon which they are dependent. It could also be by cultural expectations from the society within which the organizations function (Ahmad, 2015; Mustapha et al., 2017). This is exemplified in the study of Mustapha et al (2017) in the case of Nigeria, where the central government adopted the cash-basis IPSAS across the three tiers of government and the other levels are coerced to comply. Moreover, Leuz et al. (2004) opined that politics in accounting is as an institution which affects changes or may prevent proposed changes, and may subjects current accounting practice to scrutiny.

Therefore, the imperatives of government 'will' towards good governance and accountability is a potential support for rendition of high-quality financial reports by government units. Meaning that, high political influence expectedly should result to high quality financial reporting and accountability. This notion depicts the prior findings of Keerasuntonpong et al. (2015). To empirically substantiate this argument in the setting of this study, the hypothesis is stated thus:

Hypothesis 6: There is a significant positive relationship between political influence and perceived FRQ.

4.4.3 Institutional Factors as a Moderator

Prior empirical studies have established many institutional factors that may influence FRQ. Thus, this section formulates relevant hypotheses regarding two institutional factors namely, political influence and professionalism. These factors have been incorporated in this study to serve as a moderating variable in the relationships between organizational characteristics and FRQ.

4.4.3.1 Professionalism as a Moderator between Organizational Characteristics and Perceived FRQ

Professionalism in the realm of accountancy relates to the application of specialized skills and good judgement through experience and skills on accounting practices. It is a possible institutional factor or process to strengthen the relationship between organizational characteristics and FRQ. In the previous sections, Based on past literature (Bakhtiar & Azimifar, 2013; Christiaens, 1999; Dwyer & Wilson, 1989; Enofe et al., 2015; Khumawala et al., 2014; Salakjit & Phapruke, 2011; Salami, 2011) extensive discussion was made to explain the possible effect of professionalism on enhancing FRQ following the adoption of IPSAS. The direction of the reviews however, indicates a significant positive relationship between professionalism and FRQ.

Based on theoretical inferences, the link between professionalism and accounting standards have been found coherent according to the view of institutional isomorphic theory. The normative isomorphic theory seeks to provide continuity and legitimacy in the behaviour of members of an organization and their institutional structure, through diffusion of standardization and social cognitive foundations (DiMaggio and Powell, 1991). Theorists have debated that, educational achievement is fundamental to development of professionalism (Judge et al., 2010). As such, Judge et al. (2010) posit that attainment of a nation's education is predictive on the pressure for imbibing professionalism through the fundamentals of normative pressure. Linking educational attainment with adoption of international accounting standards (IASs) Khumawala et al. (2014) finds the relationship to be significantly consequential. In addition, using the normative logic, Judge et al. (2010) explained that, professional ethics of accounting practice had a greater consequence for adoption of accounting changes and reforms than national culture.

Furthermore, the imperatives of professionalism as an institutional factor could serve as a positive predictive support to influence the determinants of FRQ as conceived in this study. For instance, there is significant positive relationship between auditor's technical ability and audit quality (Deis & Giroux, 1992). It is consequential expectation that the technical ability of auditors can be enhanced through increased support for cognitive professionalism.

Additionally, a complementary role of the diffusion of professional support in the work place is described to further enhance or improve the existing competence capacity of staff. This can be attained through development and support for professional proficiency in skills and ethics, including engagement in norms of best practice of professional institutions.

Further, the development and advancement in information technology (IT) to drive the need for efficient and effective information processing and accessibility, has been established to further entrenched the cognitive and managerial support in the organization (Zorn et al., 2011). Cognitive development which is a centre piece in the attainment of professional skills, could provide further support to deal with the continuous cognitive requirements of IT technicalities and usability.

Furthermore, given the significant influence of organization size on financial reporting (Carvalho et al., 2007; Khasharmeh & Aljifri, 2010), and the cost implication (political cost, agency cost etc.) its essence and desirability for organization to increase financial disclosure, further suggests the need for professional competence of the accounting personnel. It has been argued that large organization are more susceptible to higher disclosure than smaller ones. This means that organization size has a direct relationship with level of accounting disclosure and also contingent on the increased need for professional expertise, particularly in the advent of accounting reforms and innovation. Consequently, the review of extant literature and theoretical justifications suggest that, professionalism being an explanatory and equally antecedent variable to both factors of organizational characteristics and FRQ, could serve as a viable institutional factor to strengthen the confounding relationship between the conceived organizational characteristics and FRQ, particularly following the adoption of international accounting standards. Therefore, from the preceding discussion, the following hypotheses are proposed.

Hypothesis 7: Professionalism moderates the relationship between internal audit quality and perceived FRQ.

Hypothesis 8: Professionalism moderates the relationship between staff competence and perceived FRQ.

Hypothesis 9: Professionalism moderates the relationship between IT and perceived FRQ.

Hypothesis 10: Professionalism strengthens the relationship between Council size and perceived FRQ.

4.4.3.2 Political Influence as a Moderator between Organizational Characteristic and Perceived FRQ.

Political influence is demonstrated through the interplay of incentives between user group and preparers of financial report (Giroux, 1989). These incentives involve the information needs for economic decision. Previous studies have established significant relationship between high political influence resulting to high quality of financial information and vice versa (Alijarde, 1997; Daniels & Daniels, 1991; Giroux, 1989; Robbins & Austin, 1986).

In previous sections, attempts have been made using past literature (Abbott et al., 2016; Carslaw et al., 2012; Copley, 1991; Gordon et al., 2002) and extensive discussion based on theoretical justifications to establish possible link and relatedness between political influence and FRQ and the implication of the mode of political influence FRQ. Based on these reviews and theoretical explications, it is suggestive that political influence is a potential institutional factor to moderate the confounding relationship between the organizational characteristics and FRQ. Against this background therefore, it presupposes that political influence could interact between perceived organizational characteristics and FRQ when applying the cash-basis IPSAS.

Firstly, it has been established that full and quality financial disclosure is associated with high political influence (Giroux, 1989). Government authorities (political officers), institute financial controls and measures that promotes the culture of accountability and transparency by public managers in the discharge of financial reporting responsibilities. This is done to forestall the possibilities of information illusion caused by the accounting managers or preparers (bureaucrats). Moreover, as a statutory requirement, internal control mechanisms gives impetus to auditing function and responsibility which consequently leads to an improved auditing practice.

Second, political will is the center piece of good governance that requires public resources to be channeled towards providing essential service to the populace through the most efficient and effective means. For public financial resources to be effectively utilized, all linkages leading to financial misappropriation and fraud must be addressed. This therefore, suggests a significant implication for effective accounting system which induced public mangers to produced quality financial reports for accountability purpose.

However, a significant positive relationship have been establish between accounting staff competence and the reports they produce (Iskandar & Setiyawati, 2015; Ismail &

Abidin, 2010; Afiah & Rahmatika, 2014). Thus, it could be said that high political influence, demonstrated by strong political will (good governance) could stimulate support for increased staff competence through training and capacity building. This consequently leads to proper accounting practices and FRQ.

The desirability of information technology (IT) in the promotion of increased organizational performance has been well documented. Zorn et al.(2011) identified organizational support as an important determinant for the attainment of IT progress and advancement. This is measured according to them, through annual budget allocation, technical cognitive support among others. This however, suggest a significant capital investment implication by interested organizations. Political incentives as may be required by the political officials particularly to overcome the tendencies of information asymmetry of the agent, may be a drive to the requirement of effective processing medium through which quality information called be actualized. Furthermore, organization's size as been documented to have positive influence on increased disclosure (Khasharmeh & Aljifri, 2010). Prior studies have revealed that political processes indicate that the quality of accounting information might have a significantly impact on the resource allocation decisions in respect of larger firms than for smaller firms (Brown, 1994). This particularly is essential, holding to the fact that political cost increases the need for scrutiny and accountability in relation to size of governmental organizations. This nonetheless is due to the size of financial grants and transfers and other socioeconomic endowments in the governmental units. This therefore suggest that incentives for political influence are entrenched in an organization according to their respective size.

Therefore, based on the discussion above, the following hypotheses are stated:

Hypothesis 11: Political influence moderates the relationship between internal audit quality and perceived FRQ.

Hypothesis 12: Political influence moderates the relationship between staff competence and perceived FRQ.

Hypothesis 13: Political influence moderates the relationship between IT and perceived FRQ.

Hypothesis 14: Political influence moderates the relationship between Council size and perceived FRQ.

4.5 Summary

The discussions in this chapter have mainly involves the research framework and hypothesis development. The framework adopted for the study have been highlighted covering the variables of the study with their theoretical justifications. This followed by discussion on the underpinning theories adopted for the study and how their relevance to the study have been presented. The last section of the chapter discussed the hypothesis formulation. Here, relationships among the variables were established and the relevant hypotheses were formulated.

CHAPTER FIVE

RESEARCH METHODOLOGY

5.1 Introduction

This section is concerned with the research design adopted for the achievement of the stated research objectives. The study adopts descriptive and explanatory research approach. Specifically, this chapter addresses issues relating to the study's research design, population and sample, questionnaire design, variable measurement, method of data collection and data analysis techniques.

5.2 Research Design

The research design adopted for the current study is the quantitative research approach also termed as non-experimental approach (Zikmund, Babin, Carr, & Griffin, 2010). This approach has been adopted to test the structural model between institutional factors, organizational characteristics and financial reporting quality. Statistical instrument using Partial Least Squares Structural Equation Modelling (PLS-SEM) was used to test the postulated hypotheses guided by contingency theory, institution theory and agency theory.

The data collection method was done using cross-sectional approach, in which data were collected during the study period. The generated data were subsequently analyzed and interpreted statistically, upon which conclusions were drawn and relevant inferences about the population of the study were equally made at one point in time. The reason for the adoption of cross-sectional design above other research design (e.g. longitudinal research design) was due to its cost-effective, time and money-saving

(Punch, 2005; Saunders, Lewis, & Thornhill, 2009; Sekaran & Bougie, 2010; Wilson, 2010).

Further, the form of data collection method used for the study was by self-administered questionnaire. The survey method was found appropriate for the current study because it is a widely used method adopted by organizational researchers who are interested in collecting information about population that cannot be observed directly (Keeter, 2005; Tanur, 1982).

5.3 Population of the study

The focus of this study is to test the moderating effect of institutional factor on the relationship between organizational characteristics and perceived FRQ of local governments in Nigeria. Local government councils in the northwestern part of Nigeria have been selected as unit of analysis of the study. The reason for the selection of this part of the country is due to the existence of relative peace and security in the zone which allow for convenient access to local government councils where data for the study were collected.

However, issues regarding insecurity resulting from insurgency and ethnic unrest has prevented considering other zones of the country in this research. This is because access to government organizations by researchers in the areas have become very restricted due to fear of attack. For instance, States in the northeastern part of Nigeria, comprising Adamawa, Bauchi, Borno, Gombe Yobe, and Taraba have been bedeviled by high rate of insurgency perpetrated by the notorious group called '*Boko Haram'*. The '*Boko Haram'* is an acclaimed Islamic group that denounce formal western education and continue to carry out violent attacks on schools, government offices, markets and places of worship (Kura, 2014). Prevalence of ethnic crisis amongst States in the north-central zone (particularly Plateau and Benue) and militancy in the south (Niger Delta Avengers, IPOB etc.) has contributed to making research in those areas unfriendly, particularly to unfamiliar visitors. Hence, this anticipated challenge limits the ability to generate useful data for the research at hand. Therefore, for a research to be credibly and successfully conducted, the researcher must be sure of easy accessibility to the research areas where the research instruments will be administered including safety of the research team.

Consequently, the present research is limited to the northwestern zone of Nigeria. Thus, since the unit of analysis of the study is organizational, the population frame of the study includes all local governments located in the seven States of the zone, which amounts to 185 local governments. This implicitly means that, the population of the study refers to 185 finance directors of local governments among States found in the northwest zone of Nigeria. Table 5.1 presents the seven States and number of local governments under each.

Table 5.1
State and Local Government in the Northwestern Zones of Nigeria

State	Jigawa	Kaduna	Kano	Katsina	Kebbi	Sokoto	Total
Local Govt	26	23	44	34	21	23	185

5.3.1 The Study Sample Size

Determining the appropriate sample size is a critical and important aspect in the attainment of research objectives. Having justified the motives for concentrating on the northwest zone of Nigeria as the focal context of the study, multistage sampling technique was invoked. Multistage sampling technique involves two or more stages of sampling based on random selection of hierarchical structure of cluster within the population (Sedgwick, 2015). For the present study, prior to arriving at the sample usable for the study, the following steps were involved. First, from the seven States that constitute the northwest zone, four states were purposefully selected, namely: Kaduna, Kano, Katsina and Sokoto States.

The reasons for the choice of these four States among the seven States of the zone is because these States are older States within the zone compared to the remaining three States. For instance, the formal creation of Kaduna, Kano, Katsina and Sokoto States dates back as 1975, 1967, 1987 and 1976 respectively. While the other three States (Jigawa, Kebbi and Zamfara) were calved out of these four States much later than the 1990s. That is, Jigawa was calved out of Kano States in 1991; Kebbi and Zamfara were calved out of Sokoto State in 1991 and 1996 respectively. Thus, this study attempts to examine the local governments in the older States because it is expected that they have a well-established system and structure of local government administration compared to the newer States. By this, possible generalization may be inferred from the findings on them. Notwithstanding, accounting principles in the Nigerian local government system are homogenous.

Another reason for choosing the four States is because local governments under the older States have experienced several local government accounting reforms over the years. For example, the civil service reform of 1988 and the installation of the financial memorandum in 1989 might have entrenched better accounting practice on the older local governments than the new ones. Thus, learning experiences must have been gathered by the accounting staff of the older councils which may contribute relevant information needed for the current study.

However, the four States sample have 124 local governments, i.e. Kaduna with 23, Kano with 44; Katsina with 34 and Sokoto with 23, which amounts to 124 finance directors. In order to achieve robustness of result in data analysis and to forestall possible incidence of low respond rate, this study intend to consider all the local governments sample from the four States of the zone as its sample size. In other words, the sample size of this study is 124 finance directors of local governments from the four States at the northwest zone of Nigeria. This sample size is within the range of population-sample ratio as developed by Krejcie and Morgan (1970). That is, from the Krejcie and Morgan (1970) population-sample determining table (see appendix F), the sample size that is adequate for 185 population size is 124 (approximately). In addition, going by the rule of thumb suggested by Roscoe (1975), a sample size of at least 30 and above, or less than 500 is appropriate for conducting survey research. This however, suggest that the sample size of 124 finance directors as respondents for this study is adequate for the research at hand.

5.4 Measurement of Variables/Constructs

As shown by the study framework on Figure 4.1, the current study has three major constructs to be measured. This involves FRQ (dependent variable), organizational characteristics (independent variable) and institutional factor (moderator). The whole survey contains a total number of 33-scaled indicators adapted from prior studies. This is represented in Table 5.2:

Table 5.2
Overall Measurement Item Scale

Construct	Item Code	No. of Items	Source
Dependent Variable			
Financial Reporting Quality	FRQ	4	Barth et al (2001), McDaniel et al (2002), Deans (2007), Jonas and Blanchet (2000)
Independent Variables			
Internal Audit Quality	IAQ	6	Cohen and Sayag (2010), Bota-Avram and Palfi Cristina (2009)
Staff Competence	COM	4	Darwanis et al (2016), Nguyen and Leclerc (2011), Ismail and Abidin (2010), Puncreobutr et al (2017)
Information Technology	ICT	6	Xiong et al (2013), Zorn et al (2011), Chau and Tam (1997), Thong and Yap (1995), Heintze and Bretschneider (2000)
Council Size	SIZE	1	Bentein et al (2005), Johnson, Khurana, and Reynolds (2002), Tasios and Bekiaris (2012)
Moderator			
Professionalism	PRF	5	Christiaens (1999), Khumawala et al (2014)
Political Influence	POL	7	Giroux (1989)

The measurements of the respective variables are discussed under the following sub-sections.

5.4.1 Financial Reporting Quality (FRQ)

FRQ refers to the level to which information in the financial statement reflects the economic situation of an entity and the decision usefulness that users of the information can make of it (Chen et al., 2010). FRQ has been measured in this study through items that focused on perceived qualitative attributes of relevance and faithful representation of financial reporting. Concerning these two qualitative attributes, four items have been adapted from extant studies such as Barth et al (2001), Deans (2007), Jonas and Blanchet (2000), McDaniel et al (2002). These items cover range of issues relating to predictive, confirmatory, neutrality, completeness and bias free attributes of financial reporting. Moreover, to ensure the psychometric efficacy of the items, the Partial Least Squares Path Modeling was employed. The items were scored using a 7-point Likert-scale ranging from 1 (strongly disagree) to 7 (strongly agree).

Examples of the adapted items include, "the annual financial report discloses information about future operation and/or economic activities of the council" and "positive and/or negative financial events are disclosed by the annual financial reports". However, besides the present study, previous studies have similarly measure FRQ based on these attributes (Barth et al., 2001; Bartov et al., 2005; Braam & Beest, 2013; Cohen, 2003; Deans, 2007; Mbobo & Ekpo, 2016; McDaniel et al., 2002). Table 5.3 presents the items adapted as indicators to measure FRQ.

Table 5.3
Survey Items Related to Financial Reporting Quality

Item code	**Survey items**	**Scale**	**Source**
FRQ 01	Financial report concerning your local government discloses information about future operations	1(strongly disagree)	Barth et al (2001)
FRQ02	Financial information concerning your local government provides information about past economic activities	to	Deans (2007)
FRQ03	Financial report concerning your local government are presented comprehensively and transparent	7 (strongly agree)	Jonas and Blanchet (2000)
FRQ04	Positive and/or negative financial events concerning your local government are disclosed		McDaniel et al (2002)

5.4.2 Organizational Characteristics

Explanatory constructs adopted for the present study involves organizational characteristics that are measured through four variables namely, internal audit quality, staff competence, and information technology and council size. Measurement for each dimension is discussed in the following subsections.

5.4.2.1 Internal Audit Quality

Internal audit quality has been measured in this study using six items. The items were adapted from the study of Bota-Avram and Palfi Cristina (2009) and Cohen and Sayag (2010). The items relate to issues of auditing regarding accomplishment of internal audit objectives, level of communication between internal audit and external audit, efficiency of the internal audit work, appropriateness of justification for audit findings among others.

The adapted items have been scored on a 7-point Likert- scale ranging from 1 (strongly disagree) to 7 (strongly agree). Examples of the adopted items include: "internal audit objectives were accomplished in your local government" and "internal audit recommendations are easily implemented by your local government". Plethora of prior studies have adopted similar items to examine internal audit quality in an organization (e.g. Baharud-din et al., 2014; Barac & Van Staden, 2009; Kaplan & Reckers, 1995; Mihret & Yismaw, 2007; Mohamad-Nor et al., 2010; Reynolds, Simon, & Wood, 2011). Table 5.4 presents the items adapted to measure internal audit quality in this study.

Table 5.4
Survey Items Related to Internal Audit Quality

Item code	Survey items	Scale	Source
IAQ 01	Established internal audit objectives are accomplished by your local government	1(strongly disagree) to 7 (strongly agree)	Cohen and Sayag (2010); Bota-Avram and Palfi Cristina (2009)
IAQ 02	Communication between internal and external audit exist in your local government		
IAQ 03	Internal audit unit in your local government performs the internal audit work efficiently		
IAQ 04	Internal audit findings are correctly justified		
IAQ 05	Internal audit recommendations are implemented		
IAQ 06	Internal audit report is accurate		

5.4.2.2 Staff Competence

Staff competence is viewed as the ability to use knowledge and skills effectively in the performance of a specific task and meet performance expectations of an organization. This variable has been operationalized through four items that examine respondents' level of education (qualification), capacity for requisite accounting skills, adequate accounting experience and familiarity with current developments in accounting. Items used to measure these competency attributes has been adapted from the study of Ismail and Abidin (2010), Nguyen and Leclerc (2011), Puncreobutr et al (2017), Saputra and Hutahaean (2016). Similar items have been used by previous studies to assess the level of staff competence in an organization (Amagoh, 2011; Dwyer & Wilson, 1989; Nguyen & Leclerc, 2011; Afiah & Rahmatika, 2014).

Respondents were required to score based on seven- point Likert scale of 1 (strongly disagree) to 7 (strongly agree). Illustratively, questions such as "accounting staff in your local government possess requisite education to implement the cash-basis IPSAS";

adequate accounting experience is possessed by staff of your local government to implement the cash-basis IPSAS guidelines. Table 5.5 presents the survey items.

Table 5.5
Survey Items Related to Staff Competence

Item code	Survey items	Scale	Source
COM 01	Staff possess requisite education to implement the cash-basis IPSAS	1(strongly disagree)	Darwanis et al (2016)
COM 02	Local government staff possess requisite technical accounting skills present the cash-basis IPSAS	to	Nguyen and Leclerc (2011)
COM 03	Staff possess adequate experience concerning implementation of the cash-basis IPSAS	7 (strongly agree)	Ismail and Abidin (2010)
COM 04	Accounting staff are familiar with the current trend in accounting development		Puncreobutr et al (2017)

5.4.2.3 Information Technology

In the current study, information technology (IT) has been measured from the angle of measures focusing on the extent of support offered in an organization to entrench enabling infrastructure and use of information technology in the operation of the organization. Thus, six items have been adapted from prior studies related to the conceived perspective of support for IT. Such as involving information intensity for inter- departmental/organizational communication (Zorn et al., 2011), information intensity for intra unit communication (Chau & Tam, 1997; Xiong et al., 2013; Zorn et al., 2011); financial support by management (Xiong et al., 2013; Zorn et al., 2011); proficiency/knowledge of staff on the use of IT (Thong & Yap, 1995; Zorn et al., 2011), knowledge/awareness of top management (Zorn et al., 2011) and technical support for IT development (Heintze & Bretschneider, 2000; Xiong et al., 2013).

Respondents were asked on their agreement towards six statement related to IT, from a scale of 7-point Likert scale of 1 (very low) to 7 (very high). Some of the questions asked include: "application of IT infrastructure to communicate accounting information among local government units is…" and knowledge of the top management in your local government on the uses of IT is …" Summary of the items are presented in Table 5.6.

Table 5.6
Survey Items Related to Information Technology

Item code	Survey items	Scale	Source
ICT 01	IT infrastructure to communicate accounting information among local government units is………	1(very low)	Xiong et al (2013), Zorn et al (2011)
ICT 02	The use of IT to communicate accounting information across local government department is …….	to	Thong and Yap (1995)
ICT 03	Financial support for IT development is ………	7 (very high)	Chau and Tam (1997),
ICT 04	Proportion of staff with proficiency in IT use is……….		
ICT 05	Top management knowledge on the use of IT Is……		Heintze and Bretschneider (2000)
ICT 06	Technical support for IT development in your local government is …….		

5.4.2.4 Council Size

Council size is described by the variation in terms of population of employee work force in an organization. The present study operationalized council size using employee population. Determining employee population to operationalize size is consistent with the study of Bentein et al (2005), Johnson, Khurana, and Reynolds (2002), Tasios and Bekiaris (2012). Here, respondents were requested to state the number of employees in their local government.

5.4.3 Institutional Factors

Institutional factors have been conceived in this study as exogenous factors that exert pressure to shape organizational operations and outcomes. Two variables including, professionalism and political influence, have been adopted to measure institutional factors. The sub-sections below describe their measurements.

5.4.3.1 Professionalism

Professionalism is referred to a specialized technical skills and good judgment expected from a person who is trained to do a job. Five items have been adapted from the study of Christiaens (1999) and Khumawala et al (2014). Respondents were aske to state their agreement on a scale of 1 (strongly disagree) to 7 (strongly agree) on issues related to level of engagement of external professional consultant, membership of a professional institution, presence of professional institution to guide on compliance with accounting innovations, presence of regulatory/monitoring body to check compliance with accounting practices and level of engagement of staff on professional training. For instance, respondents were asked to state their level of agreement on the questions such as: "your local government engaged professional consultant regarding implementation of the cash-basis IPSAS"

Previous studies have also adopted similar items to examine the level of professionalism on organizational performance (e.g. Christiaens, 1999; Darwanis et al., 2016; Khumawala et al., 2014; Mahdavikhou & Khotanlou, 2011; Oraka & Okegbe, 2015; Salakji & Phapruke, 2011). Table 5.7 presents the survey items.

Table 5.7
Survey Items Related to Professionalism

Item code	Survey items	Scale	Source
PRF 01	Services of accounting professional consultants was involved in the implementation of the cash-basis IPSAS	1(strongly disagree)	Christiaens (1999)
PRF 02	One or more accounting staff of your local government is a member of a professional Institute	to	
PRF 03	Professional institutes help in implementation of cash-basis IPSAS	7 (strongly agree)	
PRF 04	Your local government is monitored by designated institute		Khumawala et al. (2014)
PRF 05	Accounting staff of your local government are engaged in professional training		

5.4.3.2 Political influence

Based on theoretical inference, political influence is conceived as the interplay of economic incentives and political powers of participants' needs for information disclosure that accentuates organization's decision between the demand for accountability (politicians, citizens, pressure group) and incentive to withhold information (bureaucracy, managers, preparers)for economic benefits (Carpenter, 1991; Giroux, 1989; Zimmerman, 1977). To measure this construct, seven items developed by Giroux (1989) was adapted for this study. Specifically, the measures political influence through proxies of level of service delivery vis-a-vis incentive for re-election, budget as an instrument to signify government plans for service delivery, influence of political authorities on financial operation, complexity in understanding revenue report, financial transfer and issues of compliance with accounting regulations (6) adoption of standard stipulated by higher government and audit qualification.

The items were rated based on 7-point Likert-scale where respondents were required to express their level of agreement. That is, 1 (strongly disagree) and 7 (strongly agree). Table 5.8 presents the measurement items.

Table 5.8 *Survey Items Related to Political Influence*

Item Code	Survey Items	Scale	Source
POL 01	Service delivery is used by politicians in your LG for re-election campaign	1(strongly disagree)	Giroux (1989)
POL02	Budget is used by politicians in your LG to indicate service delivery plans to the people	to	
POL 03	Financial operations in your LG is influenced by political interest	7 (strongly agree)	
POL 04	Annual financial report on revenue generation concerning your LG is easy to understand		
POL 05	Financial transfers to your LG may be withhold due to non-compliance with accounting regulations and standards		
POL 06	Financial report of your LG is presented based on standards stipulated by higher government level		
POL 07	Report of audit opinion on quality of financial report is positive		

5.5 Demographic Profile

Demographic profile of the respondents such as gender, age, working experience, educational including professional qualifications were also incorporated into the questionnaire. Specifically, gender was measured as a nominal variable and coded using dummy variables with value "1" for male and "2" for female. Age was treated as continuous variables denoted using dummy variables as "1" = 21-30 years, "2" = 31-40 years, "3" = 41-50 years, "4" = 51-60 years and "5" = 60 years and above.

In addition, respondents' working experience was treated as continuous variables with "1" = Less than one year, "2" = 1-5 years, "3" = 5 -10 years, and "4" = 10 years and above. Similarly, educational qualification of respondents was also coded using dummy variables with “1” = PhD Degree, “2” = Master’s Degree, and “3” = First Degree (Bachelor/HND), “4” =Diploma/NCE and “5” = First School Leaving Certificate. Finally, professional qualification of respondents was measured as a nominal variable, equally coded as “1”= Yes (i.e. belonging to professional body) and “2”= No (i.e. not belonging to professional body).

5.6 Pretesting of the Study’s Instruments

Sequel to administration of the actual survey instrument, an initial draft of the questionnaire was pre- tested to ensure there are no any ambiguities that have not been observed by the researcher. As such, five experts were identified and engaged to examine the draft questionnaire for its face validity in terms of wording, applicability, clarity, simplicity and ambiguity of the items (Dillman, 1991; Yaghmale, 2009). Of the five experts, three are academic staff of Ahmadu Bello University, Zaria Nigeria (one Professor, one Associate professor and a PhD holder) and the remaining two are senior staff from the State Ministry for local government, Kaduna State Nigeria.

In order to be empirical, content validity technique recommended by Lawshe (1975) was adopted to pretest the draft questionnaire. Accordingly, the content validity test was to establish that the items in the test instrument (questionnaire) appropriately sample the content domain (Lawshe, 1975). As such, each member of the panel of experts was supplied with the draft questionnaire items independent of other panelists. They were requested to score each of the item in terms of “essential” “useful but not essential” or “not necessary”.

Further, responses from all the panelists were pooled and number of panelists indicating "essential" for each item was then determined and included in the final instrument. To illustrate, any item, which is rated to be "essential" by more than half of the panelists, is thus, adjudged to have some degree of content validity ratio (CVR) (Lawshe, 1975). In other words, the more panelist (above 50%) who perceived the item as "essential", the greater the extent of its content validity. On the contrary, when fewer than half of the panelist indicate "essential" the CVR is negative and zero when half of the panelists say "essential" and half do not. That is, CVR values ranges between -1 (perfect disagreement) and +1 (perfect agreement) with CVR value above zero indicates over half of the panel members agree an item is essential. Based on the above, the following formula was used for computation of the CVR for each item (Lawshe, 1975).

$$CVR = \frac{n_e - \frac{N}{2}}{\frac{N}{2}}$$

Where, n_e is the number of experts that shows "essential" and N is the total number of experts. While CVR is a direct linear transformation from percentage agreeing with items being "essential". Table 4.9, presents the summary of the experts rating for items in the respective variable for this study. Detailed results of the items CVR is provided in Appendix A.

Table 5.9
Result of Retained Items for Content Validity Test

S/N	Variable	Code	Original No. of Item	Items Retained
1	Financial Reporting Quality	FRQ	6	4
2	Internal Audit Quality	IAQ	8	6
3	Staff Competence	COM	5	4
4	Information technology	ICT	6	6
5	Professionalism	PRF	5	5
6	Political Influence	POL	7	7

As shown in Table 5.9, six items were initially drafted to measure FRQ, out of which only four items were retained as valid according to the expert rating. The two items that were dropped include: "your local government discloses sufficient information regarding cash receipts and payments and balances" and "the financial reports produced by your local government are well understandable to diverse group of users". Moreover, internal audit quality was initially drafted to be measured by eight items, but only six were retained leaving two discarded. Items discarded according to the estimated CVR are: "auditing activities in your local government are performed by specialist in government auditing" and "the audit team in your local government are knowledgeable in government and audit standards". One out of five items on staff competency were initially was omitted. The item is "accounting staff in your local government adopts ICT skills including use of computer in performing their work".

Other constructs including information technology, professionalism and political influence (ICT, PRF and POL) were retained as initially proposed. However, based on this evaluation criteria, the suggested corrections and recommendations observed by the experts were later incorporated before being administered to respondents.

However, besides the content validity test, the researcher went further to pilot-test the instrument to ascertain the reliability and validity of measures (Flynn, Sakakibara, Schroeder, Bates, & Flynn, 1990). This step was deemed necessary because the original items and scale adapted for the present study were those of other contexts different from Nigeria. Thus, pilot-testing the instrument further served as feedback towards improving the questionnaire prior to the actual study. Detail of the pilot test is as discussed below.

5.7 Pilot Study

Pilot study is adopted to ascertain the goodness of the questionnaire instrument with a view to ensure its consistency and dependability through establishing that the instrument's items are reliable and valid prior to the actual administration of the final questionnaire (Sekaran & Bougie, 2010; Zikmund et al., 2010). Following Diamantopoulos and Siguaw's (2012), Cooper and Schindler (2009) guidelines, 45 questionnaires were distributed for the pilot test survey to sampled accounting students pursuing Master's and Doctoral degrees in Ahmadu Bello University Zaria Nigeria, including some local government staff in Sabon Gari and Zaria local government council, Kaduna State Nigeria. Only 33 questionnaires were completed and returned, forming about 73% response rate. These were subsequently used to test the internal consistency reliability of the constructs of the study.

Subsequently, SPSS 21.0 software was used to calculate the Cronbach's alpha coefficient (Sekaran & Bougie, 2010) to obtain the internal reliability coefficients of the instrument. Meanwhile, Bagozzi and Yi (1988) as well as Hair et al. (2011) suggested that the internal reliability coefficient should be at least .70 or more for the items to be used. Table 5.10 presents the reliability coefficients of the respective construct as shown by their Cronbach's alpha.

Table: 5.10
Internal Consistency Reliability Test of Constructs

Construct	Code	No. of Items	Cronbach's Alpha
Financial Reporting Quality	FRQ	4	0.876
Internal Audit Quality	IAQ	6	0.944
Staff Competence	COM	4	0.945
Information Technology	ICT	6	0.952
Professionalism	PRF	5	0.845
Political Influence	POL	7	0.848

As shown in Table 5.10, based on the threshold of 0.70, the result generated for this study shows that all measures attained high reliability coefficient, ranging from 0.845 to 0.952, i.e. each exceeding the minimum acceptable level of .70. This suggests that adequate internal consistency reliability of the measures as used in the pilot study was achieved (Bagozzi & Yi, 1988; Hair et al., 2011).

5.8 Questionnaire Design

The data collection instrument for the present study was through administration of questionnaires. A structured self-administered questionnaire consisting of close-ended multiple-choice questionnaire was utilized for the study. The questionnaire was designed to cover all variables of the study as represented in the study's model. A multi-scale choice questions involving seven-point Likert, dichotomous, categorical and numeric scale were used for scaling. Moreover, special attention and consideration was given to the design of the questionnaires to maintain utmost parsimony and enhance user friendliness. The questionnaire was partitioned into four Sections (see Appendix B).

The first section consists of questions that seek respondents' information on perceived financial reporting quality (FRQ) of the local governments, based on perceived qualitative attributes of relevance and faithful representation of financial reporting. In addition, a table describing selected items of financial reporting and their reporting implications according to cash-basis IPSAS was attached with the questionnaires (see Appendix C). In the table, features of the mandatory and optional requirements of the cash-basis IPSAS as exposed by the IPSASB conceptual framework (2013, 2015) were illustrated. A similar approach was used by McDaniel et al (2002) for survey instrument design to evaluate financial experts' and literates' views on financial reporting quality.

Section Two consists of questions to examine the dimensions of organizational characteristics that serve as determinants of FRQ. Questions in this section seek respondents' opinion in respect of their respective local governments in the areas of internal audit quality, staff competence, information technology, while council's size featured in the demographic section. Next, Section Three measures institutional factors including professionalism and political influence. The questions under this section attempt to elicit from respondents, information regarding perceived features of the extent of professionalism and issues demonstrating incentives for political influence. Finally, Section Four constitutes questions on demographic characteristics of respondents including gender, age, educational and professional qualification and years in service. In addition, respondents were asked to state the number of employees in their local governments, as a measure of council size.

5.9 Data Collection Methods

Data collection period for this study spanned through three months (May to July, 2017). This was proceeded by obtaining introduction letter from Othman Yeop Abdullah Graduate School of Business (OYAGSB) (see Appendix D) introducing the researcher and also explain the purpose of the study. This was to secure permission to carry out the research and to demonstrate the importance of the research exercise. Back in Nigeria, a research intent letter was sent to the Commissioner, Ministry for local government of the four States under consideration (Kaduna, Kano, Katsina and Sokoto). The assistance offered by the Ministry through an introduction letter to the respective local government Executives was very instrumental in linking the researcher with the local governments under study (see Appendix E for sample introduction letter).

Besides this, an initial familiarization was established in the local governments of concerned. This was done through phone calls and massaging in the form of survey package to Executives of the respective local government councils prior to the actual survey. The massage sent include, covering letter to the finance director, introduction letter and the questionnaire. The introduction letter clearly highlights the background and purpose of the study. The cover letter providing instructions on how the finance directors are to answer and return the questionnaire. To further encourage the participants to partake in the survey, their anonymity and confidentiality were assured and stated in the cover letter.

Self- administered questionnaires were administered with the help of research assistants during the survey proper. The research assistants were engaged to facilitate the administration, coordination and retrieval of the questionnaires from respondents. Prior to the period of the exercise, the research assistants were exposed to necessary sensitization and training that will acquaint them with the survey exercise However, a self-administered questionnaire administration approach was used in order to forestall incidence of low response rate that might arise by other alternatives method(s) like e-mailing and postal services, which have been adjudged less effective in the context of Nigeria (Kura, 2014).

Nonetheless, about three weeks after the administration of the questionnaires across the concerned local governments, 64 (54%) questionnaires were completed and returned as usable questionnaires for the survey. This was realizable through special arrangement with the research assistants and some individuals who personally volunteered to assist. The first badge of questionnaire collected were thus labelled “early response” and were subsequently used for conducting non-response bias on the main study variables. Further, in order to retrieve the outstanding questionnaires, a follow-up effort was made through phone calls, text massages (WhatsApp, SMS) to our representatives (research assistants) and volunteers at each study areas. Consequently, this yielded additional 54 questionnaires, which were labelled as “late responses”, and were subsequently used for testing non-response bias.

Overall, out of 124 questionnaires administered through-out the period of the data collection, 118 (95%) were returned and used for subsequent analysis of the present study. However, notwithstanding the high response rate recording in the questionnaire administration, the exercise was not without some challenges. A fundamental challenge recorded during the exercise was the geographical location of the sample local governments, i.e. some local government councils are sparsely distributed in remote areas of the States. Another problem encountered during the exercise (data collection) was related to the time taken before retrieving the completed questionnaires.

Nevertheless, all these were overcome through frequent contacts and research assistants which were strategically positioned at each local government.

5.10 Data Analysis Techniques.

Descriptive and inferential statistical analysis were adopted for data analysis in this study. The descriptive statistical techniques were measured through the use of mean and standard deviation, to reduce the data to a manageable size and to provide insight into understanding the behaviors of respondents resulting from the answered questions. Moreover, the descriptive analysis and data screening was computed via SPSS version 21 with a view to ensure suitability of the data for further analysis.

For the purpose of inferential data analysis, PLS SEM software application including smart-PLS (Hair, Ringle, & Sarstedt, 2011) and PLS-graph (Chin, 2003) were used. Some of the reasons for choosing this software include: first, it has the advantage of testing the relationships between constructs and relationships between dimensions and their corresponding latent constructs simultaneously (Gustafsson & Johnson, 2004).

Secondly, as has been established earlier in the study, there exists inconclusive findings between variables of organizational characteristics (e.g. internal audit quality, staff competence, information technology and council's size) and financial reporting quality, hence, the need to introduce a moderating variable (professionalism and political influence). As such, it suggests that, the present study will be embarking on an explorative research which involves testing/predicting the exigencies of some theories like, institutional theory, agency theory and contingency theory. Thus, the imperatives of the use of PLS path modeling in this study becomes very significant. The use of PLS path modeling has been recommended as a useful statistical tool for research which is predictive in nature, or a research whose objective is to extend existing theory. (Hair et al., 2011; Henseler, Ringle, & Sinkovics, 2009; Hulland, 1999).

Thirdly, compared with other Analysis of Moment Structures like AMOS, the PLS path modelling through the use of smart-PLS software was adopted in this study because of its friendly graphical user interface, which enables users create a moderating effect for path models with interaction effects (Temme, Kreis, & Hildebrandt, 2006, 2010). Consequently, prior to the use of the PLS path modeling for the analysis for this study, scores of preliminary steps were followed. Firstly, the usable collected data was screened using SPSS to ensure that it is suitable for the PLS analysis. Secondly, individual item reliabilities, internal consistency reliabilities, convergent validity and discriminant validity were calculated using Smart PLS 3.0 M3 software, to ascertain the measurement model (Hair et al., 2011; Henseler et al., 2009). Thirdly, standard bootstrapping procedure with a number of 5000 bootstrap samples was computed to evaluate the structural model (Hair et al., 2011; Hair, Sarstedt, Ringle, & Mena, 2012; Henseler et al., 2009). In particular, the significance of the path coefficients, R-squared values, effect size and predictive relevance of the model were assessed (e.g., Hair, Hult, Ringle, & Sarstedt, 2014) including the analysis of moderating effects of the study's model (Henseler & Chin, 2010).

5.11 Model Specification

The analytical variables of the study as appeared in the stated hypotheses are specified in the form of regression equation that depicts the relationship between the variables as shown in the equation below. The model specification as shown below reveals standard multiple regression equation for a main effect relationship (i.e. between the predictor variable and the criterion variable) and the product term, representing the moderating effect (i.e. the multiplicative between the predictor and the moderating variable to interact with the criterion variable) (Crandall, Preacher, Bovaird, Card & Little, 2012)

$$\begin{aligned} FRQ_i = \alpha_i + \ & \beta_1 IAQ_i + \beta_2 COM_i + \ \beta_3 ICT_i + \ \beta_4 SIZE_i + \beta_5 PRF_i + \ \beta_6 POL_i \\ & + \beta_7 IAQ * PRF_i + \ \beta_8 \ IAQ * POL_i + \beta_9 COM * PRF_i \\ & + \ \beta_{10} \ COM * POL_i + \beta_{11} ICT * PRF_i + \ \beta_{12} \ ICT * POL_i \\ & + \beta_{13} SIZE * PRF_i + \ \beta_{14} \ SIZE * POL_i + \varepsilon_i \end{aligned}$$

Where:

FRQ = financial reporting quality

IAQ = internal audit quality

COM = staff competence

ICT = information technology

SIZE = council's size

PRF = professionalism

POL = political influence

α = the intercept

β = the coefficient of IV i.e. the expected change in DV corresponding to a change of one unit in IV,

εi = the residual or error term

5.12 Summary

The central theme of this chapter has been to discuss the methodology underlying the current study. This was done through outline of population of the study, sample and sampling design, which is concerned with the use of multistage sampling technique. In addition, measurement of the variables/constructs for the study were expressly presented and their respective measuring scales were shown. The pretesting of the study's instrument and pilot study exercise was equally presented, including the questionnaire design and the methods of data collection were discussed. The chapter concludes with detailed discussion and justification for the use of PLS-SEM as data analysis techniques for the study.

CHAPTER SIX

RESULTS

6.1 Introduction

The primary purpose of this chapter is to present the results of the study based on data generated from finance directors of local governments under consideration. The results are presented within the next ten sections of the chapter as follows: the response rate of respondents' is presented in Section 6.2. This is followed by assessment of non-response bias in Section 6.3. The common method variance is presented in Section 6.4. Section 6.5 enumerates the initial data screening and preliminary analyses of the results, in terms of assessment of missing values, detection and handling of outliers, normality test, homoscedasticity test and test of multicollinearity. Section 6.6 presents the results of the demographic profile of the respondents. Section 6.7 present the descriptive statistics of all the latent variables.

Others include, the study's PLS-SEM path modeling results consisting of the measurement model (outer model) and the structural model (inner model) are presented and in Section 5.8. Specifically, the measurement model discusses the individual item reliability, internal consistency reliability, convergent validity and discriminant validity. While the structural model (inner model) discusses the significance of the path coefficients, level of the R-squared values, effect size, and predictive relevance of the model, including the results of complementary PLS-SEM analysis, which examines the moderating effects of institutional factors on the structural model. Finally, Section 5.9 presents the summary results of the tested hypotheses.

6.2 Response Rate

The unit of analysis in this study is organizational and a total of 124 questionnaires were distributed to the finance directors representing 124 local governments of the four States located in the northwest geo-political zone of Nigeria. After several follow-ups through visitations and phone calls, of the 124 questionnaires distributed, 118 were gathered within the period of about two months (May and July, 2017), while only six (6) were not returned. Hence, an aggregate response rate of 95% was achieved as illustrated in Table 6.1. A response rate of 95% is considered adequate for the analysis in this study because Cavana, Delahaye and Sekaran (2001) suggested that a response rate of 30% is sufficient for survey research.

Table 6.1
Responses and Response Rate

Details	Responses/Rate
Number of questionnaires distributed	124
Number of questionnaires returned and usable	118
Number of questionnaires not returned	6
Response rate	95%

6.3 Assessment of Non-Response Bias

Incidence of non-response bias in a survey research may pose a major issue that could result in misleading estimation or inaccurate findings (Lewis, Hardy, & Snaith, 2013). According to Dooley and Lindner (2003), nonresponse bias exists when respondents included in the sample fail to provide usable responses and are different from those who do respond on the characteristics of interest in the study. Lambert and Harrington (1990), explain that, the difference between the answers of subjects that fails to respond and those who responds early is refers to nonresponse bias. Earlier, Armstrong and Overton (1977) argue that, late responders could be equated to non-responders and hence, can be regarded as proxy for determining non-respondents.

Several approaches have been suggested in the literature for handling the problem of nonresponse bias. The best method suggested by Lambert and Harrington (1990) is to ensure increased response rate. By this, Dooley and Lindner (2003) suggests a minimum response rate of 50% should be achieved.

Therefore, to determine the issue of nonresponse bias in the present study, Armstrong and Overton (1977) time-trend extrapolation approach was adopted. The approach specifies a comparison between early respondents and late respondents. They argued that, late respondents share similar characteristics with non-respondents. Based on this, the survey respondents for this study were classified into two groups involving responders within three weeks (i.e., early respondents) and responders after three weeks (i.e., late respondents) (Vink & Boomsma, 2008). In this survey, majority of respondents to the survey, about 64 (54.2%) responded to the questionnaire early, that is, within three weeks. While the remaining 53 (46%) responded after three weeks (later respondents). Thus, based on Lindner (2002) suggestion, a response rate of above 50% is an indication of absence of nonresponse bias problem, it therefore depicts that, nonresponse bias is not an issue in the present study.

Furthermore, subjecting this approach to statistical inference, an independent samples t-test was conducted to detect any possible non-response bias on the main constructs of this study. Table 6.2 presents the results of the independent sample t-test generated.

Table 6.2
Results of Non-Response Bias Test

Variable	Response Group	N	Mean	Std. Deviation	t-test for Equality of Means t	Sig. (2-tailed)
Financial Reporting Quality	Early Response	64	4.95	1.77	0.48	0.63
	Late Response	53	4.79	1.72	0.49	0.63
Internal Audit Quality	Early Response	64	4.58	1.61	0.13	0.90
	Late Response	53	4.54	1.49	0.13	0.90
Competency	Early Response	64	4.84	1.57	0.76	0.45
	Late Response	53	4.62	1.53	0.76	0.45
Information Technology	Early Response	64	3.80	1.50	0.02	0.99
	Late Response	53	3.79	1.58	0.02	0.99
Professionalism	Early Response	64	3.64	1.42	-0.15	0.88
	Late Response	53	3.68	1.51	-0.15	0.88
Political	Early Response	64	3.48	1.53	-0.43	0.67
	Late Response	53	3.60	1.52	-0.43	0.67
Size	Early Response	64	811.02	428.21	0.78	0.44
	Late Response	53	753.57	354.37	0.79	0.43

The results of the t-test presented in Table 6.2 shows that, the value of the test for equality of variances are not significant at 0.05. Meaning that, there is no difference in responses to the questionnaire between early respondents and late respondents. As such, it can be concluded that non-response bias was not a major contention in the present study.

6.4 Assessment of Common Method Variance

Common method variance (CMV) which is also known as monomethod, has been defined as the "systematic error variance shared among variables measured with and introduced as a function of the same method and/or source" (Richardson, Simmering,

& Sturman, 2009). To Podsakoff, MacKenzie, & Podsakoff (2012), CMV refers “to the variance attributable to the measurement method rather than to the constructs the measures represent. There is general agreement among scholars of behavioral studies, that CMV is a potential problem in self-reported surveys (Johnson, Rosen, & Djurdjevic, 2011; Podsakoff et al., 2012; Spector & Brannick, 2010). For instance, Richardson, Simmering and Sturman (2009) argued that, CMV poses challenges leading to systematic measurement errors of misinterpreting findings of the observed relationship between constructs and resulting to committing of both Type I and Type II errors.

However, in order to verify the possibility of CMV problem in the present study, several procedural remedies were adopted (Lindell & Whitney, 2001; Podsakoff et al., 2012; Richardson et al., 2009; Viswanathan & Kayande, 2012). These include, elimination of ambiguous items from the questionnaire, allowing for respondents’ anonymity, respondents evaluation apprehension was drastically reduced etc. In addition to the procedural remedies, this study adopted the Harman’s single factor test to assess common method variance (Podsakoff et al., 2012). This assessment involves performing a principal component factor (PCF) analysis on all variables in the study simultaneously. The decision rule is that, if the outcome of the PCF test shows that the first factor explains is less than 50% of the total variance, it depicts that CMV test is not a major concern in the study (Podsakoff & Organ, 1986). Table 6.3 presents the summary of results of the CMV for this study.

Table 6.3
Results of Common Method Variance Test

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	16.286	49.351	49.351	16.286	49.351	49.351
2	4.288	12.994	62.345			
3	2.314	7.012	69.357			
…	…	…	…			
…	…	…	…			
…	…	…	…			
…	…	…	…			
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…	…	…	…			
…	…	…	…			
…	…	…	…			
31	.035	.106	99.873			
32	.026	.079	99.952			
33	.016	.048	100.000			

Extraction Method: Principal Component Analysis.

The result of the principal components factor analysis as shown in Table 6.3, generated 33 factors, the first factor accounting for 49% of the variance. In addition, no single factor accounted for most of covariance in the predictor and criterion variables in the result. This, in conclusion means that common method bias is not a major concern in the present study and consequently, no potential inflation of relationships between variables measured is anticipated.

6.5 Data Screening and Preliminary Analysis.

Partial least square (PLS) structural Equation modelling (SEM) has been adopted has the main data analysis technique for this study. Subsequent to conducting any analysis, it is imperative to screen the raw survey data to ensure that the key assumption guiding multivariate analysis and PLS SEM statistical tool are not violated (Hair, Hult, Ringle, & Sarstedt, 2014; Hair, Money, Samouel, & Mike, 2007). Therefore, prior to the inputted raw data into the SPSS software version 22, the following screening were performed on the collected data: determination of missing values, assessment of outliers, normality test, test for multicollinearity and homoscedasticity test. The individual tests were thus discussed in the sub-sections below.

6.5.1 Assessment of Missing Values

Missing value in a data analysis has been described as pervasive problem for quantitative survey research (Tabachnick & Fidell, 2007). Overlooking cases of missing value in a data set portends serious implication for true estimation of study parameters, completeness of information, increased standard errors, statistical power and strength of generalization of results (Davey & Savla, 2013; Dong & Peng, 2013; Graham, 2009; van der Heijden, Donders, Stijnen, & Moons, 2006).

A universally agreed threshold for missing value in a data set and valid statistical analysis has remained a contentious issue among researchers (Tabachnick & Fidell, 2007). Researchers such as Batista and Monard (2003), Graham, Hofer, Donaldson, MacKinnon, and Schafer (1997) have suggested a missing value of 5% or less has no adverse significant effect on multivariate analysis. While others like Bennett (2001), Dong and Peng (2013), contend that a missing value rate of not more than 10% could be tolerated in a survey data set.

However, several methods have been suggested in the literature for treating missing values (Davey & Savla, 2013; Dong & Peng, 2013; Graham, Hofer, Donaldson, MacKinnon, & Schafer, 1997; John & Graham, 2009; van der Heijden, Donders, Stijnen, & Moons, 2006), but mean substitution method was found most suitable way for replacing missing values if the total percentage of missing data is 5% or less (Graham, 2009; Tabachnick & Fidell, 2007). Therefore, mean substitution method was adopted in this study for replacing missing value using the statistical package for social science (SPSS). Table 6.4 presents the result of the mean substitution replacing method.

Table 6.4
Number of detected and replaced missing values

Result Variable	**Number of Replaced Missing Values**
Gender_1	10
Age_1	6
Experience_1	5
Educational_1	2
Professional_1	4
Total	27 out of 4,484 data points
Percentage of missing values	0.60%

Note: Percentage of missing values is obtained by dividing the total number of randomly missing values for the entire data set by total number of data points multiplied by 100.

As shown in Table 5.4, out of 4,484 data points, only 27 data points were randomly missed and replaced, representing 0.6%. Moreover, respondents' demographic data points involving gender, age, experience, educational and professional qualification were predominately affected.

6.5.2 Assessment of Outliers

Assessing the presence of an outlier in a quantitative data analysis is a vital way of cleansing survey data set from potential irregularities prior to analysis. Barnett and

Lewis (1994) defined an outlier "as observations or subsets of observations which appear to be inconsistent with the remainder of the data". The presence of an outlier in the data set has been described as a cause of adverse distortion of estimates in multivariate regression analysis. For instance, Verardi and Croux (2008) argued that presence of outliers in a database could account for spurious and decrease the statistical power of nonparametric analysis. Therefore, the approach most often used to handle the case of outliers in a data set, is to identify them and get them removed (Hair et al., 2014).

Consequently, in the present study, multivariate outliers were identified and subsequently removed using Mahalanobis distance measure (D^2). Tabachnick and Fidell (2007) defined Mahalanobis distance "as the distance of a case from the centroid of the remaining cases where the centroid is the point created at the intersection of the means of all the variables". Table 6.5 presents the results of assessment of outliers for the current study, based on measures of Mahalanobis distance.

Table 6.5
Assessment of Multivariate Outliers

ID	MAH (D^2)	ID	MAH (D^2)	ID	MAH (D^2)	ID	MAH (D^2)	ID	MAH (D^2)	ID	MAH (D^2)
1	45.12	21	41.61	41	31.83	61	25.50	81	28.24	101	29.64
2	38.18	22	38.55	42	33.03	62	34.19	82	49.12	102	18.02
3	21.84	23	33.88	43	29.56	63	25.32	83	45.68	103	45.56
4	33.09	24	26.40	44	37.43	64	22.67	84	30.47	104	38.16
5	24.04	25	23.75	45	24.54	65	53.08	85	21.52	105	48.99
6	21.63	26	49.47	46	23.51	66	30.49	86	33.95	106	58.65
7	49.74	27	17.93	47	30.58	67	42.20	87	33.52	107	37.50
8	27.19	28	21.80	48	23.78	68	24.68	88	23.50	108	27.73
9	39.98	29	47.49	49	19.30	69	28.45	89	46.08	109	42.54
10	48.06	30	19.96	50	27.90	70	22.23	90	39.41	110	24.80
11	35.32	31	24.63	51	22.83	71	44.78	91	39.72	111	31.75
12	16.94	32	36.49	52	30.22	72	23.15	92	35.81	112	12.93
13	50.56	33	57.21	53	24.16	73	21.26	93	24.68	113	23.81
14	43.96	34	48.28	54	25.26	74	23.78	94	23.08	114	15.00
15	33.70	35	30.57	55	38.47	75	30.36	95	50.72	115	17.39
16	36.88	36	48.91	56	34.64	76	12.34	96	33.44	116	35.84
17	35.54	37	57.34	57	31.77	77	36.65	97	21.44	117	25.98
18	32.47	38	41.48	58	25.79	78	37.36	98	36.59	118	20.13
19	28.74	39	51.52	59	28.80	79	46.60	99	14.28		
20	53.51	40	46.53	60	19.95	80	32.47	100	14.09		

Note: N=33; df = 32; X2 = 62.49; p = .001; $D^2 = \geq X^2$

As shown in Table 6.5, the observed variables for this study are 33 (i.e. *N*) and the threshold based on chi-square (X^2) decision rule is 62.49 using 1% degree of significance. Based on this, the deleted multivariate outliers are the Mahalanobis values, which exceeds the chi-square threshold (62.49). Thus, none of the value of the Mahalanobis in Table 6.5 exceeds 62.49. Hence, the case of outlier is not an issue in the dataset of this study.

6.5.3 Test of Normality

A data set is referred to as normally distributed when its curve resembles a symmetric bell- shaped, having highest frequency in the middle and lower frequencies towards the extremes (Gravetter & Wallnau, 2016). Prior to this time, some published researches had assumed that satisfying normality test is not an issue in the use of structural equation modelling (e.g. PLS-SEM) for regression analysis (Bookstein & Fornell, 1982; Cassel, Hackl, & Westlund, 1999; Reinartz, Haenlein, & Henseler, 2009). The justification was based on the assumption that PLS-SEM provides accurate model estimations in situations with extremely non-normal distribution. For instance, Bookstein and Fornell (1982) argued that, the effect of residual variances in the use of PLS estimation involves no assumptions about the population or distributional requirements.

However, recent update in Hair, et al., (2014) suggests that, test of normality for a data distribution is necessary for structural estimations. Nor Aishah, Yin, Othman, and Che Rohani (2011) indicate that, understanding the distribution of data provides more insight into underlying mechanisms for generating the data. Hair, et al., (2014) adds that, the statistical power of a multivariate analysis could reduce when the assumption of normality of distribution is overlooked.

Therefore, to ensure the assumption regarding normality of distribution is not violated in the present study, both graphical and statistical approach was explored. Figure 6.1 presents the normality distribution in a graphical form.

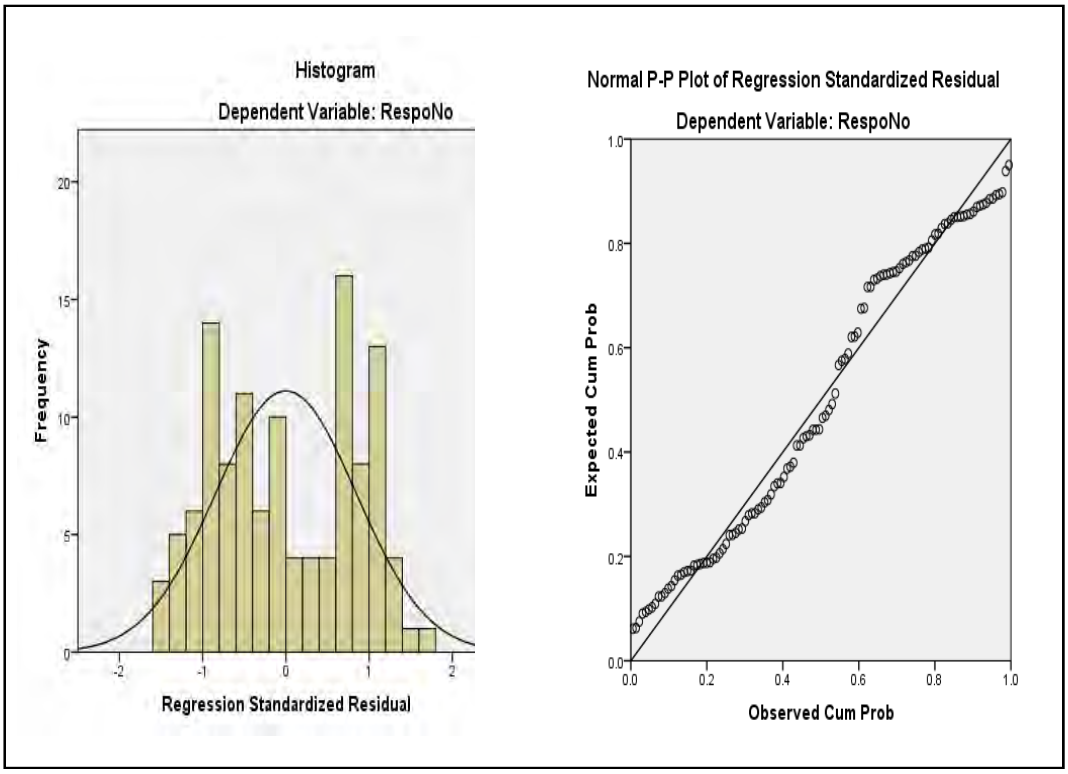

Figure 6.1
Histogram and Normal Probability Plots

Based on graphical approach, the recommendation of Srivastava (1984) and Gravetter and Wallnau (2000) regarding histogram and normal probability plots were examined to check for normality of the distribution. As revealed in Figure 6.1, the shape of the histogram depicts a symmetrical bell-shaped curve and in the normal p-plots, the plots revolve around the straight line. These accordingly for the two figures indicates that the data for the analysis are normally distributed (Gravetter & Wallnau, 2000; Srivastava, 1984).

Furthermore, Table 6.6 presents the statistical result for test of normality through determination of skewness and kurtosis of the distribution.

Table 6.6
Descriptive Statistics of Normality Test (n= 118)

	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
FRQ01	1	7	4.67	2.047	-.613	.223	-.763	.442
FRQ02	1	7	4.83	1.822	-.502	.223	-.541	.442
FRQ03	1	7	4.92	2.019	-.769	.223	-.446	.442
FRQ04	1	7	5.15	1.829	-.844	.223	-.062	.442
IAQ01	1	7	4.49	2.012	-.474	.223	-.851	.442
IAQ02	1	7	4.71	1.710	-.541	.223	-.136	.442
IAQ03	1	7	4.47	1.728	-.442	.223	-.307	.442
IAQ04	1	7	4.76	1.848	-.406	.223	-.713	.442
IAQ05	1	7	4.56	1.911	-.298	.223	-.943	.442
IAQ06	1	7	4.51	1.611	-.346	.223	-.188	.442
COM01	1	7	5.01	1.766	-.780	.223	.148	.442
COM02	1	7	4.58	1.696	-.319	.223	-.332	.442
COM03	1	7	4.70	1.775	-.323	.223	-.612	.442
COM04	1	7	4.73	1.843	-.534	.223	-.369	.442
ICT01	1	7	3.84	1.720	.090	.223	-.566	.442
ICT02	1	7	3.71	1.877	.293	.223	-.848	.442
ICT03	1	7	3.75	1.706	.090	.223	-.549	.442
ICT04	1	7	3.96	1.851	.047	.223	-.709	.442
ICT05	1	7	3.93	1.743	.106	.223	-.642	.442
ICT06	1	7	3.75	1.623	.336	.223	-.292	.442
PRF01	1	7	3.67	1.659	-.006	.223	-.802	.442
PRF02	1	7	3.51	1.723	.164	.223	-.917	.442
PRF03	1	7	3.60	1.526	-.167	.223	-.600	.442
PRF04	1	7	3.83	1.666	-.166	.223	-.573	.442
PRF05	1	7	3.75	1.579	-.035	.223	-.706	.442
POL01	1	7	4.01	1.892	-.035	.223	-1.041	.442
POL02	1	7	3.41	1.608	.065	.223	-.472	.442
POL03	1	7	3.16	1.917	.714	.223	-.285	.442
POL04	1	7	3.28	1.684	.390	.223	-.414	.442
POL05	1	7	3.32	1.806	.391	.223	-.600	.442
POL06	1	7	3.68	1.802	.361	.223	-.517	.442
POL07	1	7	3.71	1.895	.279	.223	-.716	.442
Size	148	1770	788.93	396.477	.904	.223	-.246	.442

Regarding assessing the skewness and kurtosis of the distribution, the normality assumption suggests that when the skewness values exceed ±3 and kurtosis is above ±10; the normality rule of the distribution is considered violated (Srivastava, 1984).

Therefore, based on the result of Table 6.6, the normality test reveals that none of the value of the skewness nor the kurtosis exceed ±3 and ±10 respectively. To this end, it can be concluded that, the distribution of the data for this study is normal, because the test of normality using both the graphical and statistical approaches upholds the normality assumption.

6.5.4 Multicollinearity Test

Multicollinearity is said to exist in a structural model when at least two predictors are highly correlated and are assessed simultaneously in a regression analysis (Tabachnick & Fidell, 2007). One of the problematic associated with multicollinearity includes unstable and biased standard errors resulting to very unstable p-values for assessing the statistical significance of predictors and consequently result to unrealistic and untenable interpretations (Farrar & Glauber, 1967; Mela & Kopalle, 2002).

In this study, multicollinearity was examined by checking the variance inflated factor (VIF) and tolerance value in a correlation matrix for the exogenous latent constructs. The threshold for decision rule as suggested by Hair et, al. (2014) and Tabachnick and Fidell (2007) is that, the tolerance value should not be less than 0.10 while the VIF should not be more than 10. Table 6.7 shows the result of the VIF and the tolerance value for this study.

Table 6.7
Results of Multicollinearity Test

	Collinearity Statistics	
	Tolerance	**VIF**
Internal Audit Quality	.312	3.206
Competency	.214	4.677
Information Technology	.422	2.367
professionalism	.958	1.043
Political	.116	8.607
Size	.977	1.024

Dependent Variable: Financial Reporting Quality

As seen in Table 6.7, the tolerance value ranges between 0.116 to 0.977, which is substantially more than 0.1 and the VIF values ranges between 1.024 and 8.607, which in all respect did not exceed 10. Based on this result, it is confirmed that multicollinearity is not a problem in the current study.

6.5.5 Homoscedasticity Test

Homoscedasticity assumption according to Knaub Jr. (2007) suggests the test to ensure whether the variances of the predictors determined by regression analysis remained constant or differ. Violation of this assumption is typically referred to as heteroscedasticity of variance, and it leads to incorrect standard errors, which can cause inflated Type I error rates or decreased power of statistical results (Rosopa, Schaffer, & Schroeder, 2013). Therefore, due to its adverse effect on substantive research conclusions, the need to detect and manage the likelihood of homoscedasticity becomes logically important.

In this study, the assumption of homoscedasticity is confirmed through a residual scatterplot against the standardized residual value, and this signifies that homoscedastic assumption is satisfied, particularly when residual value varies randomly around zero and when they are almost the same in all the part. Based on this, the result on Figure 6.2 presents the result of the findings in regards homoscedastic for this study.

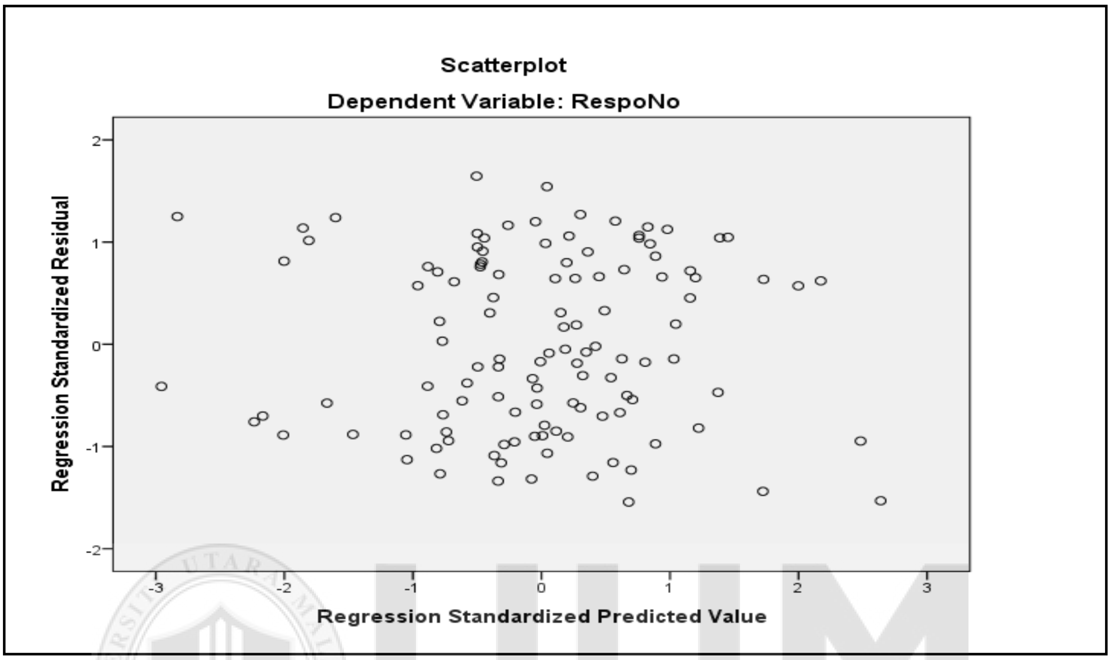

Figure 6.2
Standardized Residual against the Standardized Predicted Value

Based on the visual evidence presented in Figure 6.2, homoscedasticity has not been violated in this study. This is because, the residual varied randomly around zero and scattered almost the same throughout the plot. Hence, homoscedasticity assumption has not being violated in the present study.

6.6 Demographic Profile of Respondents

The main respondents of this study are the finance directors from the 118 sampled local governments selected for this study. The demographic profile of the participants examined were based on gender, age, working experience, educational qualification and professional qualification attained. See Table 6.8 for detail.

Table 6.8
Demographic Profile of Respondents (n=118)

	Frequency	**Percentage**
Gender		
Male	78	66.1
Female	40	33.9
Age group		
41-50 years	97	82.2
51-60 years	21	17.8
Experience		
5-10 years	40	33.9
10 years and above	78	66.1
Educational qualification		
Master's	16	13.6
Bachelor/HND	102	86.4
Professional qualification		
Yes	24	20.3
No	94	79.7

As shown on Table 6.8, the distributional profile of gender indicates there were 78 males representing 66% and there were 40 females representing 34%. This distribution is consistent with the gender distribution of the Nigeria population, particularly in the Northern part, were the population of the male in the government service out-numbers that of the female counterpart.

Regarding the age groups, the distribution of the focused respondents was in two categories. The first category was aged between 41 to 50 years numbering 97 (82%) participants which were thus, the majority. While the second group, numbering 21 (18%) participants and aged between 51 to 60 years representing the minority group. As shown in the table, a majority of the sample, numbering 78 (66.1%) respondents possessed working experience of more than 10 years. The remaining 40 (33.9%)

respondents had working experience ranging from 5 to 10 years. This reveals that the respondents representing the local governments are made up of vibrant work force with adequate experience on the financial activities of the local governments and are capable of responding to the subject of the survey.

Furthermore, based on respondents' educational qualification, 102 (86%) owned a Bachelor/Higher National Diploma degree. While in addition, 16 (14%) respondents had a Master degree. Similarly, 24 respondents representing 20.3 % had one or more professional qualification in accounting, while 97 representing 79.7% participants had none. This depicts that substantial number of the respondents of the survey are adequately educated and are experienced. Thus, this give them the competency to critically analyze the issues raised in the questionnaire for adequate responses.

6.7 Descriptive Analysis of the Latent Variables

Following the preliminary screening and overall data entry for this study, a descriptive analysis of the latent variables was performed. The framework of the present study consists of seven latent variables, four independent variables (internal audit quality, staff competency, information technology and council size), two moderators (professionalism and political influence) and a dependent variable (financial reporting quality). All items belonging to each variable was rated on seven points Likert scale except the construct size, which was rated based on discrete demographic value.

The descriptive statistics of the respective variable was analyzed to determine the statistical values regarding their means, standard deviation, minimum and their maximum values. Table 6.9 presents the result of the descriptive analysis.

Table 6.9
Descriptive Statistics of Study Variables

Variable	Code	Min	Max	Mean	Std. Deviation
Financial Reporting Quality	FRQ	1	7	4.89	1.75
Internal Audit Quality	IAQ	1	7	4.58	1.56
Competency	COM	1	7	4.76	1.56
Information Technology	ICT	1	7	3.82	1.55
Professionalism	PRF	1	7	3.67	1.46
Political influence	POL	1	7	3.51	1.53
Size	SIZE	148	1770	788.93	396.48

From Table 6.9, the mean score of the latent variables (FRQ, IAQ, COM, ICT, PRF and POL) ranges from 3.51 to 4.89 with a standard deviation ranging from 1.53 to 1.75. While the mean and the standard deviation of the discrete variable, size, is 788.93 and 396.48 respectively. In specific, the dependent variable, FRQ with the highest mean value, had a mean of 4.89 with a standard deviation of 1.75 within the minimum and maximum value of 1 and 7 respectively.

Regarding the independent variables, given the same minimum value of 1 and maximum value of 7, their respective mean and standard deviation value differ considerably. The construct IAQ had a mean of 4.58 and standard deviation of 1.56. This is followed by COM with a mean score of 4.76 and standard deviation of 1.56. Similarly, ICT has the least values in the group, the score of its mean was 3.82 and a standard deviation of 1.55. The independent variables, size, being a discrete variable, had minimum value of 148 and maximum value of 1770, with this, the mean score resulted to 788.93 and a standard deviation of 396.48.

Furthermore, the moderating variables, with minimum values of 1 and maximum values of 7, PRF had mean of 3.67 and standard deviation of 1.46, while mean of POL was 3.67 and standard deviation of 1.46. By extension, the indicators that make-up the FRQ are closely examined and described given the centrality of FRQ to the study. Table 6.10 presents the descriptive statistics of the items indicating the perceived FRQ in the study area.

Table 6.10
Descriptive Statistics on Indicators of FRQ

Dimension	Indicators of FRQ	Min	Max	Mean	Std. Deviation
Relevance	Future Financial/Economic Operation	1	7	4.67	2.05
"	Past Financial/Economic Operation	1	7	4.83	1.82
Faithful Rep	Comprehensive/Transparent Reporting	1	7	4.92	2.02
"	Positive and/or Negative Financial Disclosure	1	7	5.15	1.83

As earlier mentioned, (Section 2.3), FRQ has been operationalized in this study in terms of attribute of relevance and faithful representation which the financial reports portend. Qualitative attribute of relevance is determined through items measuring future and/or past economic operation of the entity. While faithful representation of the financial report is achieved when the financial report is presented in a comprehensive/transparent manner including disclosure of positive and/or negative financial information regarding the entity.

As shown in Table 6.10, the mean distribution of the items used to measure FRQ ranged between 4.67 and 5.15, with standard deviation between 1.82 and 2.05, within minimum and maximum value of 1 and 7. Based on the survey result, it is indicated that, faithful representation of the financial report has the highest average value of 5.03, followed by relevance of the financial report, with average value of the items resulting to 4.75. Specifically, most respondents rating, based on faithful representation of the financial report, indicates that, financial reporting of the study area reflects positive and/or negative disclosure of information (i.e. mean value, 5.15 & SD 1.83).

This is followed by rating of comprehensive/transparent reporting with a mean value of 4.92 and standard deviation of 2.02. On the other hand, relevant qualitative attribute indicates financial reporting reflecting the past financial and economic operation has a mean value of 4.83 (SD, 1.82). While financial reporting reflecting future financial and economic operation scored the lowest mean value of 4.67 and standard deviation of 2.05.

6.8 Assessment of PLS-SEM Path Model Result

According to literature on structural modeling, testing PLS-SEM path model involves two processes (Henseler, Ringle, & Sarstedt, 2015). These involve testing the measurement model and the structural model. Assessment of the measurement model gives impetus to understanding whether the data generated fits the model of the study. While assessment of the structural model explains the inter relationship between the constructs to determine (support or otherwise) the study's hypothetical and conjectural statements (Hair et al., 2014). The sub-sections that follow explains the individual measurement.

6.8.1 Assessment of Measurement Model

Measurement of outer model as it is also called, explains the relationships between indicators and their respective latent variables (Hair et al., 2014; Henseler, Hubona, & Ray, 2016; Sarstedt, Hair, Ringle, Thiele, & Gudergan, 2016). In this study, the measurement model has been assessed based on its reliability and validity. According to Armstrong and Overton (1977), Kline et al. (2012), reliability and validity are two vital tests for evaluating the quality of measures. Using the PLS-SEM as statistical tool for the present study, the measurement scales adopted evaluates individual indicator reliability, internal consistency reliability, convergent validity and the discriminate validity of the indicator/construct relations. This measurement approaches are substantiated by Hair, et. al. (2014), Henseler et. al. (2016), Reinartz, Haenlein and Henseler (2009). Figure 6.3 and Table 6.11 presents the measurement model.

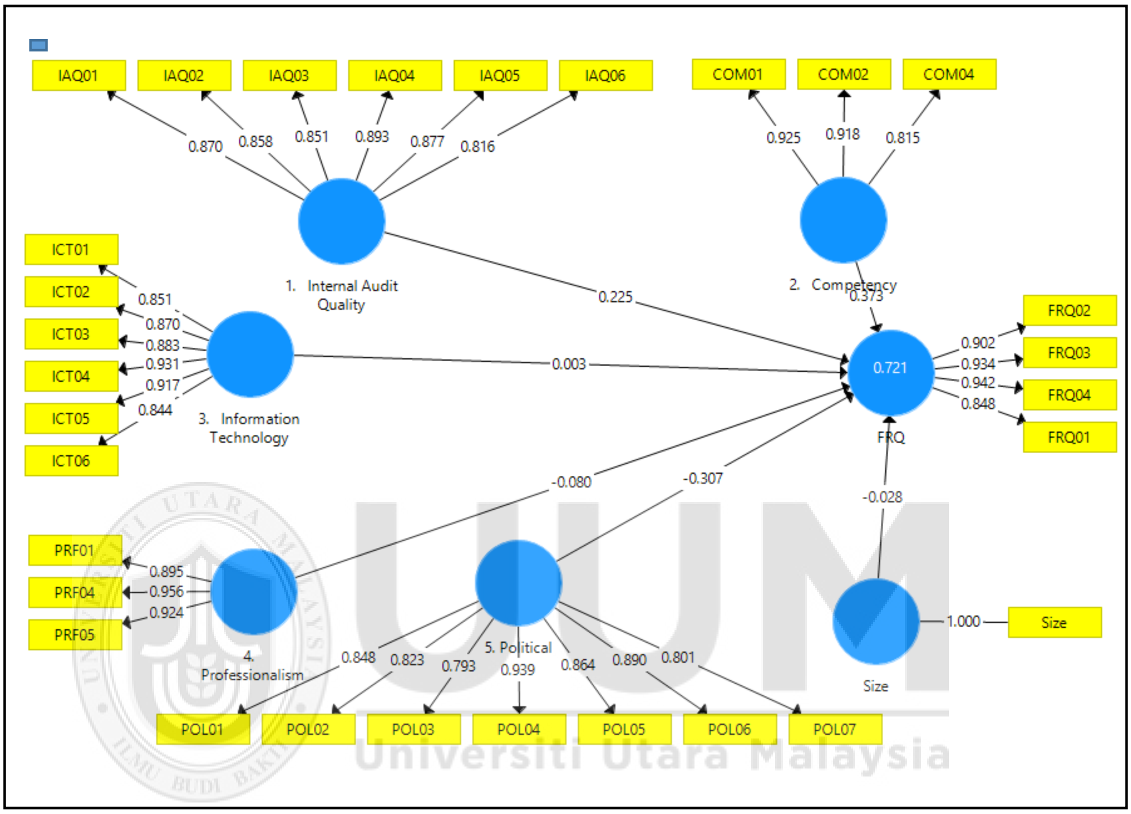

Figure 6.3:
Measurement Model

6.8.1.1 Individual Indicator Reliability

The purpose of assessing individual indicator reliability is to evaluate the extent to which an item or a set of items is consistent with what its intend to measure (Lee & Che, 2013). This measurement denotes the proportion of indicator variance that is explained by the latent variable (Ramayah, Cheah, Chuah, Ting, & Memon, 2016). Therefore, for this study, the individual indicator reliability was measured by examining the outer loadings of the constructs measured (Byrne, 2004; Hair, Ringle, & Sarstedt, 2014; Hulland, 1999). Based on the acceptable values for indicator reliability suggested by Byrne (2004) and Hair, et al., (2014) (range of 0.5 to 0.7), it was discovered that out of 33 indicators, 3 items were deleted because their loading were below the acceptable range (i.e. COM03, PFR02 and PRF03). Thus, only 30 items were retained and used for further analysis as they had loadings between the range 0.5 and 0.7. See Table 6.11 for reference.

Table 6.11
Measurement Model Results

Constructs and indicators	Loadings	Composite Reliability	Average Variance Extracted (AVE)
Internal Audit Quality		0.945	0.742
IAQ01	0.870		
IAQ02	0.858		
IAQ03	0.851		
IAQ04	0.893		
IAQ05	0.877		
IAQ06	0.816		
Competency		0.917	0.788
COM01	0.925		
COM02	0.918		
COM04	0.815		
Information Technology		0.955	0.780
ICT01	0.851		
ICT02	0.870		
ICT03	0.883		
ICT04	0.931		
ICT05	0.917		
ICT06	0.844		
Professionalism		0.947	0.857
PRF01	0.895		
PRF04	0.956		
PRF05	0.924		
Political		0.949	0.727
POL01	0.848		
POL02	0.823		
POL03	0.793		
POL04	0.939		
POL05	0.864		
POL06	0.890		
POL07	0.801		
Financial Reporting Quality		0.949	0.823

FRQ01	0.848		
FRQ02	0.902		
FRQ03	0.934		
FRQ04	0.942		
Size	1.000	1.000	1.000

6.8.1.2 Internal Consistency Reliability

With internal consistency reliability test, the extent to which all indicators on a particular (sub) scale measures the same construct is determined (Bijttebier, Vanoost, Delva, Ferdinande, & Frans, 2001). The two methods commonly used by researchers to determine the internal consistency reliability are Cronbach's Alpha and composite reliability (CR). However, in this study, the composite reliability coefficient approach was adopted to measure the internal consistency reliability. This is due to deficiencies with the use of Cronbach's Alpha. For example, (1) it assumes all indicators are equally related to the construct concern (2) it is sensitive to the number of items in the construct and (3) it tends to underestimate the internal consistency reliability (Hair et al., 2014; Ramayah et al., 2016; Werts, Linn, & Jöreskog, 1974). Accordingly, the acceptable values for CR suggested by Bagozzi and Yi (1988) as well as Hair et al (2014), was put at 0 .70 or more. Table 4.11 represents the CR for the latent variables for this study. As indicated on the table, the composite reliability for each latent variable apart from one (size) falls within the range 0.955 to 0.917, where each is above the acceptable minimum threshold. This therefore suggests that, the composite reliability coefficient for the constructs are adequate.

6.8.1.3 Convergent Validity

Convergent validity involves the degree individual indicator reflects a convergence concerning a construct and in comparison to other indicators measuring other constructs

(Urbach & Ahlemann, 2010). Hair, Sarstedt, Hopkins, and Kuppelwieser (2014) refers to it as average variance extracted (AVE), involving the degree to which a latent construct explains the variance of its indicators. In addition, Ramayah et al., (2016) describes AVE as the total mean value of the square loading of all indicators associated with the construct. Therefore, to achieve adequate convergent validity, at least 50% (0.5) of the assigned indicator's variance should be accounted by each construct (Bagozzi, 1988; Chin, 1988; Fornell & Larcker, 1981; Hair et al., 2014).

Based on the above recommendation, the AVEs of the latent variables for this study all exceed the minimum acceptable value of 0.5.

6.8.1.4 Discriminant Validity

Discriminant validity assess the degree to which indicators differentiates across constructs. In other words it refers to the extent the concerned theoretical constructs are truly different from one another Ramayah et al., (2016). Extant studies that applies PLS path-modeling tool suggested several methods of estimating the adequacy of discriminant validity of theoretical constructs. These includes, Fornell and Larcker criterion (1981), heterotrait-monotriat ratio of correlation (HTMT) and cross loading criterion (Chin, 1988; Jörg Henseler et al., 2015). However, in the present study the approach of Fornell and Larcker and cross loading criteria was adopted, reason being that they are widely used in behavioral and social science research (Ramayah et al., 2016).

Using Fornell and Larcker approach, discriminant validity was examined by comparing the square root of the AVEs with the correlations between constructs (Fornell &

Larcker, 1981; Hair et al., 2014). Table 6.12 presents the result of the discriminant validity for this study.

Table 6.12
Results of Discriminant Validity Test (Fornell-Larcker Criterion)

	1	2	3	4	5	6	7
1. Internal Audit Quality	**0.861**						
2. Competency	0.691	**0.888**					
3. Information Technology	0.541	0.710	**0.883**				
4. Professionalism	-0.042	0.060	0.051	**0.926**			
5. Political	-0.835	-0.876	-0.742	-0.010	**0.853**		
6. Financial Reporting Quality	0.741	0.794	0.614	-0.061	-0.822	**0.907**	
7. Size	0.129	0.066	0.016	-0.070	-0.082	0.057	**1.000**

Note: ―Diagonal elements are the square root of the variance shared between the constructs and their measures (AVE). Off-diagonal elements are the correlations among constructs‖.

The discriminant validity as shown in Table 6.12 shows that adequate discriminant values were achieved. This is because the square root of the AVEs were greater than the correlation between the constructs. That is, a latent variable should explain better the variance on its own indicators more than the variance of other latent variables.

The approach based on cross loading, helps to ascertain the discriminant validity where the loadings of indicators on a particular latent variable is higher than all its cross loading with all other latent variables. Thus, Ramayah t al., (2016) argued that "if each indicator's loading is higher for its designated construct compared to that of other constructs, it can be inferred that the indicators of different constructs' are not interchangeable". Table 6.13 shows the result of discriminant validity for this study based on cross loading approach.

Table 6.13
Result of Discriminant Validity (Cross Loadings Approach)

	Internal Audit Quality	Competency	Information Technology	Professionalism	Political	Financial Reporting Quality	Size
IAQ01	**0.870**	0.564	0.529	0.001	-0.663	0.548	0.143
IAQ02	**0.858**	0.454	0.399	-0.085	-0.594	0.502	0.063
IAQ03	**0.851**	0.469	0.395	-0.099	-0.638	0.613	0.078
IAQ04	**0.893**	0.586	0.447	-0.023	-0.704	0.593	0.060
IAQ05	**0.877**	0.669	0.481	-0.002	-0.799	0.706	0.121
IAQ06	**0.816**	0.741	0.518	-0.022	-0.837	0.778	0.174
COM01	0.661	**0.925**	0.697	0.085	-0.813	0.708	0.045
COM02	0.674	**0.918**	0.644	0.040	-0.860	0.725	0.084
COM04	0.499	**0.815**	0.546	0.035	-0.652	0.678	0.045
ICT01	0.458	0.611	**0.851**	-0.015	-0.650	0.587	0.102
ICT02	0.420	0.629	**0.870**	0.073	-0.645	0.549	-0.068
ICT03	0.375	0.602	**0.883**	0.157	-0.571	0.423	-0.040
ICT04	0.613	0.673	**0.931**	0.029	-0.741	0.612	0.062
ICT05	0.523	0.703	**0.917**	0.016	-0.717	0.595	0.020
ICT06	0.435	0.515	**0.844**	0.045	-0.560	0.426	-0.021
PRF01	-0.051	0.094	0.033	**0.895**	-0.021	-0.053	-0.107
PRF04	-0.034	0.019	0.036	**0.956**	0.014	-0.071	-0.029
PRF05	-0.029	0.074	0.097	**0.924**	-0.044	-0.031	-0.076
POL01	-0.718	-0.745	-0.716	-0.051	**0.848**	-0.638	-0.032
POL02	-0.726	-0.705	-0.738	-0.011	**0.823**	-0.646	-0.077
POL03	-0.763	-0.777	-0.429	0.072	**0.793**	-0.752	-0.058
POL04	-0.811	-0.813	-0.639	0.033	**0.939**	-0.802	-0.055
POL05	-0.640	-0.796	-0.620	0.008	**0.864**	-0.739	-0.085
POL06	-0.680	-0.731	-0.697	-0.055	**0.890**	-0.675	-0.071
POL07	-0.631	-0.635	-0.626	-0.085	**0.801**	-0.616	-0.117
FRQ01	0.657	0.728	0.577	-0.033	-0.729	**0.848**	0.035
FRQ02	0.638	0.648	0.502	-0.070	-0.689	**0.902**	0.099
FRQ03	0.637	0.774	0.535	-0.035	-0.767	**0.934**	0.057
FRQ04	0.753	0.723	0.607	-0.084	-0.790	**0.942**	0.019
Size	0.129	0.066	0.016	-0.070	-0.082	0.057	**1.000**

Based on Hair et al. (2014), the acceptable rule for discriminant validity using cross loading has been achieved in the present study. This is because the indicator loading on each construct is higher than all the cross loadings with other constructs. In addition, Ramayah et al. (2016) posits that, the difference between loadings across latent variable must not be less than 0.1. In this respect, Table 6.13 indicates that the indicator loadings for each construct are not less than 0.1.

6.8.2 Structural Model

Following the examination of the measurement model, this section proceeds to the assessment of structural model. Structural model, also called inner model, shows the relationship among the theoretical latent variables (Chin, 1988; Sarstedt et al., 2016). As exposed by extant literature on PLS path modeling, the present study present results of the structural model through assessing: (1) the significance and relevance of the structural path coefficients (2) the level of R-square (coefficient of determination) (R^2) (3) the effect sizes (f^2) and (4) the predictive relevance of the model (Q^2) (Hair t al., 2014). Figure 6.4 and Table 6.14 shows the estimates of the full structural model for this study including the moderating variables (i.e. professionalism and political influence).

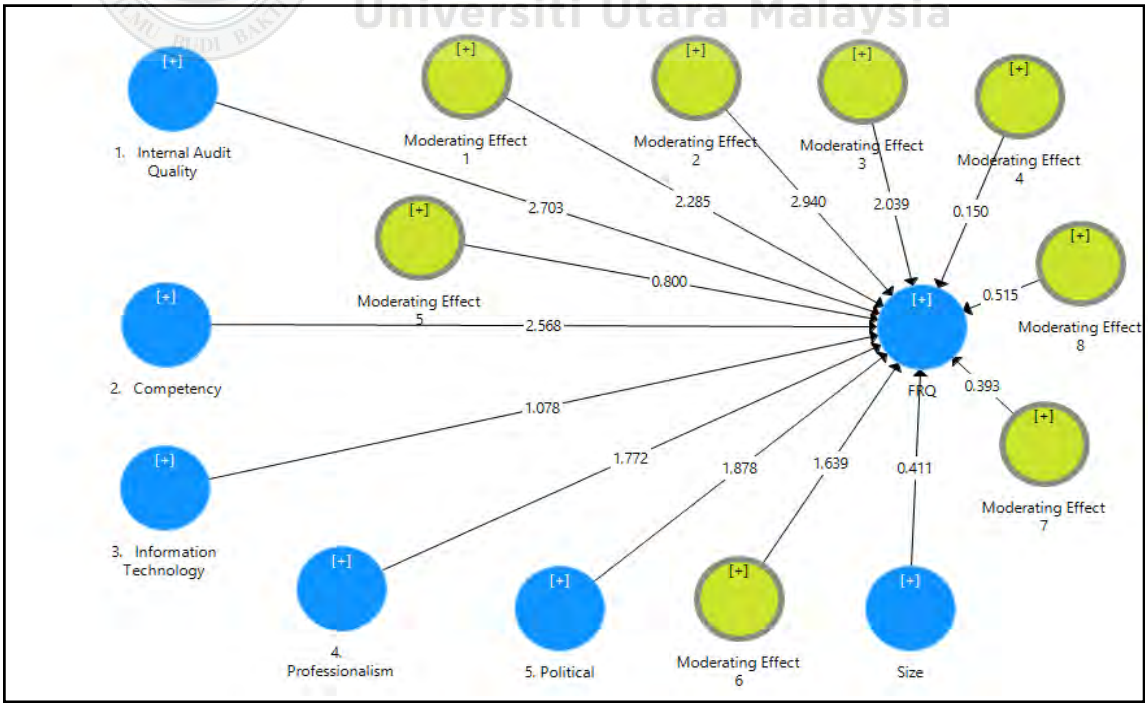

Figure 6.4:
Structural Model

6.8.2.1 Significance and Relevance of the Structural Path Coefficients

The structural model relationship i.e. the path coefficients represent the hypothesized relationship among the constructs. The standardized value of the path model is between -1 and +1 (Hair et al., 2014). Path coefficients with estimated value close to +1 indicates strong positive relationships and coefficient closer to -1 indicates strong negative relationships. Nonetheless, estimated value close to +1 or -1 are almost always show statistical significance (Hair, et al., 2014). However, whether the coefficient value is significant ultimately depends on the values of the standard error obtained. The standard error which is usually obtained through the bootstrapping procedure determines the significance of the path coefficient for the constructs. Ultimately. To put simply, the bootstrap standard error allows computing the empirical t-value which ultimately determines the statistical significance of the path coefficient of the constructs.

Furthermore, commonly used critical value for significance level of 1% (0.01) and 5% (0.05) error probability are 2.54 and 1.96 in respect of two-tailed test respectively. While for 1% (0.01) and 5% (0.05) critical significance level are 2.33 and 1.65 respectively for one-tailed test Hair et al. (2014). But in addition, Hair et al. (2014) indicates that the choice of significance level ultimately depends on the field of study and the study objectives.

Therefore, reference to significance of the structural path coefficients of hypotheses postulated for the present study, results of their respective significance and findings are presented in Table 6.14.

Table 6.14

Results of Structural Model

Hypotheses	Relationship	Beta	SE	t-value	p-value	Findings
H1	IAQ → FRQ	0.233	0.086	2.703	0.004***	Supported
H2	COM → FRQ	0.330	0.129	2.568	0.005***	Supported
H3	ICT → FRQ	0.084	0.078	1.078	0.141	Not supported
H4	Size → FRQ	-0.020	0.048	0.411	0.341	Not supported
H5	PRF → FRQ	-0.118	0.067	1.772	0.038	Not supported
H6	POL → FRQ	-0.282	0.150	1.878	0.030	Not supported
H7	IAQ* PRF→FRQ	0.052	0.032	1.639	0.051*	Supported
H8	COM*PRF→ FRQ	-0.032	0.039	0.800	0.212	Not supported
H9	ICT*PFR→FRQ	0.011	0.029	0.393	0.347	Not supported
H10	Size*PRF→FRQ	0.000	0.000	0.515	0.303	Not supported
H11	IAQ * POL→ FRQ	0.090	0.031	2.940	0.002***	Supported
H12	COM * POL → FRQ	-0.093	0.041	2.285	0.011	Not Supported
H13	ICT * POL → FRQ	0.059	0.029	2.039	0.021**	Supported
H14	Size * POL → FRQ	0.000	0.000	0.150	0.440	Not supported

*Note: ***p<0.01; **p<0.05; *p<0.10; Endogenous variable: Financial Reporting Quality; IAQ: Internal Audit Quality, COM: Staff Competence, ICT: Information Technology; PRF: Professionalism, POL: Political Influence*

Based on the theoretical framework of the study, fourteen (14) hypotheses were postulated out of which only five (5) were statistically significant. As appeared in Table 6.14, H1, H2, H7, H11 and H13 were statistically significant. While H3, H4, H5, H6, H8, H9, H10 H12 and H14 were found to be statistically not significant. The subsequent paragraphs enumerate on the respective analysis.

It could be recalled at the outset that, Hypothesis 1 predicted there will be a significant positive relationship between internal audit quality and perceived FRQ. As indicated in Figure 5.4 and Table 5.14, a significant positive relationship exists between internal audit quality and perceived FRQ ($\beta = 0.233$, $t = 2.703$, $p < 0.01$). Thus, Hypothesis I is supported. Hypothesis 2 predicted a significant positive relationship between staff competence and perceived FRQ. The results in the table showed that staff competence had a significant positive relationship with FRQ ($\beta = 0.330$, $t = 2.568$, $p < 0.01$), supporting Hypothesis 2. Conversely, in Hypothesis 3, a significant positive relationship was predicted between information technological (IT) and perceived FRQ. Based on the result revealed by Table 6.14 and Figure 6.4, the finding of the test shows the hypothesis is not supported, because, there was no significant relationship between IT support and perceived FRQ ($\beta = 0.084$, $t = 1.078$, $p>0.10$). Similarly, in examining the relationship between Council's size and perceived FRQ (Hypothesis 4), results of the structural model (Figure 6.4) and the statistical outcome (Table 6.14) reveal there is no significant relationship between Council's size and FRQ ($\beta = -0.020$, $t = 0.411$, $p> 0.10$), thus, the hypothesis is implicitly not supported.

Furthermore, Hypothesis 5 predicts a significant relationship between professionalism and perceived FRQ. The statistical result showed that professionalism has no significant influence on perceived FRQ ($\beta = -0.118$, $t = 1.772$, $p< 0.05$). Thus, hypothesis 5 is not supported. Again, level of political influence was hypothesized to be significantly positively related to perceive FRQ (Hypothesis 6). The result on Figure 6.4 and Table 6.14 reveal that political influence show no significant relation with perceived FRQ ($\beta = -0.282$, $t = 1.878$, $p< 0.05$), suggesting the hypothesis is not supported. The above results however, depicts the results of the hypotheses postulated regarding the direct effects of the variables in the study's model.

6.8.2.2 Assessing the Level of R-square (R^2)

Assessing the R-square level also refers to testing the coefficient of determination. This measures the predictive accuracy of the model, thus reveals the combined effect of exogenous variables on endogenous variable(s) Ramaya et al (2016). In other words, R-square represent percentage of variance in the endogenous constructs which is explained by all exogenous constructs in a given model. The effect variance is said to range between 0 and 1, with value closer to 1 indicating high level of predictive accuracy and vise-versa. That is, R-square value closer to 1 indicates a better model fit. However, the adoption of R-square has become prevalent among different disciplines. For this, it has been suggested that researchers may rely on "rough" rule of thumb regarding the acceptable R-square (Ramaya, et al., 2016). Thus, Hair et al. (2014) suggests 0.75, 0.50, 0.25 as adequate, moderate, or weak respectively, for adequate predictive relevance (R-square). In addition, Urbach and Ahlemann (2010), recommends, R-square value should be high enough for model to achieve minimum level of explanatory power. While Falk and Miller (1992) suggests that, for variance explained for a particular endogenous contracts to be seen as adequate, R-square value should be equal to or greater than 0.10. However, due to control for model complexity when comparing different model, Wherry (1931, as in Ramayah et al. 2016) advised on the use of the adjusted R-square.

Therefore, as shown in Table 6.15, the R-square value for the main effect of the PLS model was 0.721, and the adjusted value is 0.706. This suggests that, the exogenous variables for this study collectively explained 72% (71% adjusted) of the variance in FRQ.

Table 6.15
Results of Variance Explained - Coefficient of Determination

	R Square	**R Square Adjusted**
Financial Reporting Quality	0.721	0.706

6.8.2.3 Assessment of Effect Size (f^2)

The effect size (f^2) involves the determination of the relative impact of an exogenous construct (predictor) on an endogenous construct (Cohen, 1988). In specific, the f^2 assesses how strong one exogenous variable contributes to explain a particular endogenous variable in terms of the R-square. Here, the R-square is estimated with particular predecessor variables, such that if one of the predecessor variable is excluded, the resultant outcome of the R-square will be lower (Ramayah et al., 2016). Based on this, the effect size (f^2) is the difference of R-square values for estimating the model with or without the predecessor variable. Consequently, the f^2 formula is expressed thus (Cohen, 1988).

$$f^2 = \frac{R^2\ included - R^2\ excluded}{1-R^2\ model\ with\ moderator}$$

Accordingly, Cohen (1988) describes f^2 values of 0.35, 0.15 and 0.02 as large, medium, and small effect size respectively. Based on the estimation of this study, Table 6.16 presents the effect size of the exogenous latent variables of the study model.

Table 6.16
Effect Sizes Based on Cohen (1988) Criterion

Exogenous Variables	**f-square**	**Effect Size**
Internal Audit Quality	0.051	Small
Competency	0.110	Medium
Information Technology	0.000	None
Professionalism	0.022	Small
Political	0.038	Small
Size	0.003	None

Based on the result presented in Table 6.16, the perceived effect size of the six exogenous latent variables- internal audit quality, competency, information technology, professionalism, political influence and size were 0.051 (small), 0.110 (medium), 0.000 (none), 0.022 (small), 0.038 (small) and 0.003 (none) respectively.

6.8.2.4 Assessment of Predictive Relevance (Q^2)

The Stone and Geisser's predictive relevance Q^2 (Geisser, 1974; Stone, 1974) estimates are largely used to assess the predictive relevance of a model, through the use of the blindfolding procedure (Ramayah et al., 2016). This procedure is applicable to endogenous construct that have a reflective measurement model specification, including endogenous single item construct. Thus, given that the endogenous latent variable in the present study is reflective in nature, a blindfolding procedure was applied mainly to the endogenous latent variable. Specifically, a cross-validated redundancy measure (Q^2) was applied to assess the predictive relevance of the research model as recommended by Chin (2010), Geisser (1974) and Hair et al (2013).

Moreover, the Q^2 is a criterion which measures how well a model predicts the data of omitted cases (Chin, 1998; Hair et al., 2014). A research model with Q^2 statistic (s) greater than zero is considered to have predictive relevance. Thus, the Q^2 criterion measure how well a model predicts the data of omitted cases (Chin, 1998; Hair et al., 2014. In addition, a research model with higher positive Q^2 values indicates more predictive relevance. Table 6.17 presents the results of the cross-validated redundancy Q^2 test.

Table 6.17
Predictive Relevance (Q^2)

	SSO	SSE	Q^2 (=1-SSE/SSO)
Internal Audit Quality	708.000	708.000	
Competency	354.000	354.000	
Information Technology	708.000	708.000	
Professionalism	354.000	354.000	
Political	826.000	826.000	
Size	118.000	118.000	
Financial Reporting Quality	472.000	214.694	0.545

Based on the result presented on Table 6.17, the cross-validation redundancy measure Q^2 for the endogenous latent variables in this study, were above zero (i.e. 0.545). This therefore suggests there is predictive relevance of this study's model (Chin, 1998; Henseler et al., 2009).

6.8.3 Testing Moderating Effect

In examining the moderating effect of institutional factors on the relationship between the identified factors of organizational characteristics and FRQ (i.e. indirect effects) the product indicator approach by Henseler and Chin (2010) was used. This approach calculates product terms between indicators of latent independent variables and the indicators of the latent moderating variables. This needs to be created so that the product terms would serve as the indicators of the interaction term in the structural model (Finch & French, 2015). Based on the hypothesis postulated regarding Hypotheses7 to 14, the results of the structural model as appeared in Figure 6.4 and Table 6.14 are presented in the subsequent paragraphs.

Accordingly, regarding the moderating effect of professionalism, initially, Hypothesis 7 predicted that professionalism will moderate the relationship between internal audit quality and perceived FRQ. As shown in Table 6.14, a significant positive moderating effect of professionalism exist in the relationship between internal audit quality and perceived FRQ ($\beta = 0.052$, $t = 1.639$, $p < 0.10$). By this, Hypothesis 7 is supported. On the contrary, the moderating effect of professionalism on the relationship between staff competence and perceived FRQ was tested and the structural model showed insignificant statistical outcome as inferred from the result of the structural model ($\beta = -0.032$, $t = 0.800$, $p > 0.10$). Thus, Hypothesis 8 stand not support. Similarly, Hypothesis 9 predicted professionalism will moderate the relationship between information technology (IT) and perceived FRQ significantly. This hypothesis is not supported by the results based on the result in Figure 6.4 and Table 6.14. The outcome depicts there is no significant moderating effect of professionalism on the relationship between IT and perceived FRQ ($\beta = -0.011$, $t = 0.393$, $p > 0.10$). In Hypothesis 10, a significant effect of professionalism was predicted to moderate the relationship between councils' size and perceived FRQ. Again, the statistical results reveal that, the moderating variable of professionalism has no significant effect on the relationship between council's size and FRQ ($\beta = -0.000$, $t = 0.515$, $p > 0.10$). Hence, the prediction for Hypothesis is was not support.

Further, Hypothesis 11 predicted that political influence will significantly moderate the relationship between internal audit quality and perceived FRQ. Given the results of the structural model (Figure 6.4 and Table 6.14), the stated hypothesis is supported, because political influence had a significant positive moderating effect on the relationship between internal audit quality and perceived FRQ ($\beta = 0.090$, $t = 2.940$, $p < 0.01$). Similarly, Hypothesis 12 predicted political influence will moderate the relationship between staff competence and perceived FRQ. Here, results on Figure 6.4 and Table 6.14 reveal that, political influence has no significant moderating effect on the relationship between staff competency and FRQ ($\beta = -0.093$, $t = 2.285$, $p < 0.01$). Therefore, Hypothesis 12 is not supported.

Furthermore, Hypothesis 13 predicted a statistically significant result of political influence to moderate the relationship between IT support and FRQ. The outcome of the statistical results show that the hypothesis is supported, because there is a significant moderating effect of political influence on the relationship between the IT and FRQ ($\beta = 0.059$, $t = 2.039$, $p < 0.05$). Finally, political influence was hypothesized to moderate the relationship between council's size and perceived FRQ. The structural model reveal no significant moderating effect of political influence on relationship between council's size and perceived FRQ ($\beta = 0.000$, $t = 0.150$, $p < 0.01$). Hence, the hypothesis is not supported.

Overall, to illustrate further on the moderating effects of factors of professionalism and political influence on the variables representing organizational characteristics (internal audit quality, staff competence, information technology and council size) on perceived FRQ, the graphical requirement as recommended by West, Aiken and Todd (1993) becomes useful. Accordingly, the line tagged low signifies lack of moderating effect as against the line tagged high which demonstrate the presence of moderating effect (steeper gradient). Figure 6.5 to .67 present the moderating effect as supported by H7, H11 and H13.

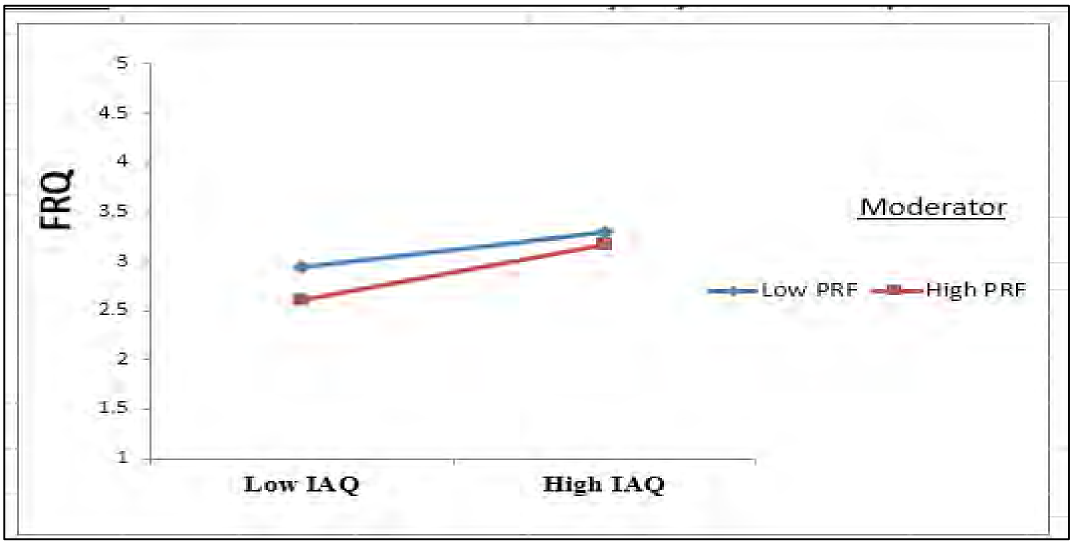

Figure 6.5
PRF-IAQ Interaction Effect on Financial Reporting Quality

Figure 4.5 reveal the moderating effect of professionalism on the relationship between internal audit quality and perceived FRQ. The figure shows there is a strong positive relationship between internal audit quality and FRQ for local governments with high application of professional practices in the operation of their accounting activities, particularly while implementing the cash-basis IPSAS reporting system.

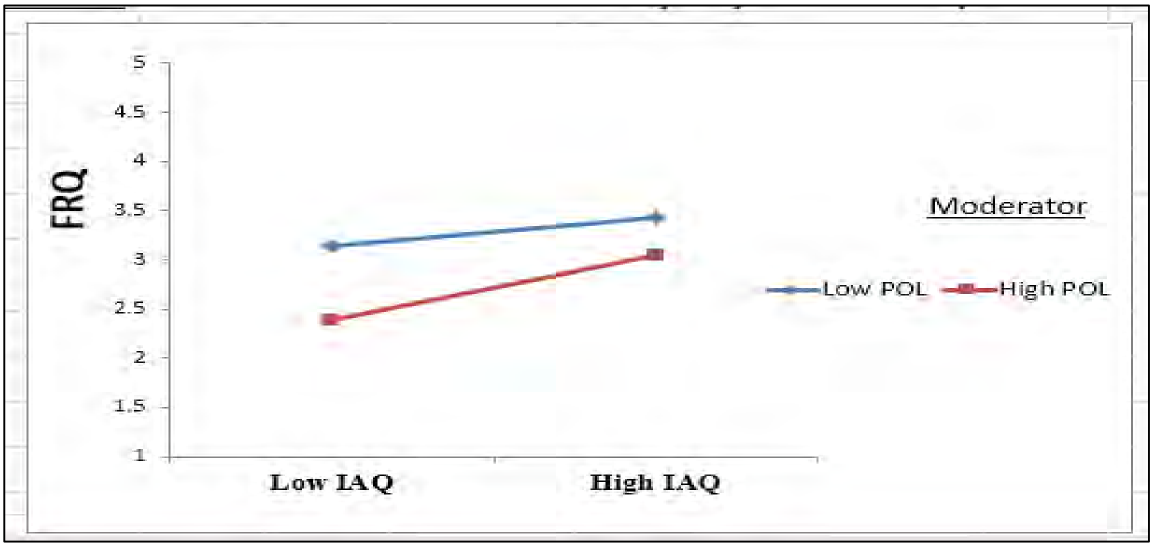

Figure 6.6
POL-IAQ Interaction Effect on Financial Reporting Quality

Stronger moderating effect of political influence on the relationship between internal audit quality and perceived FRQ is represented in Figure 6.6. The result of the figure shows that, local governments with high political influence experience stronger internal audit quality to enhance FRQ than local governments with low political influence. Finally, Figure 6.7 showed that the effect of political influence moderates significantly the effect of information technological on perceived FRQ for local governments with higher political influence than for local governments with low political influence.

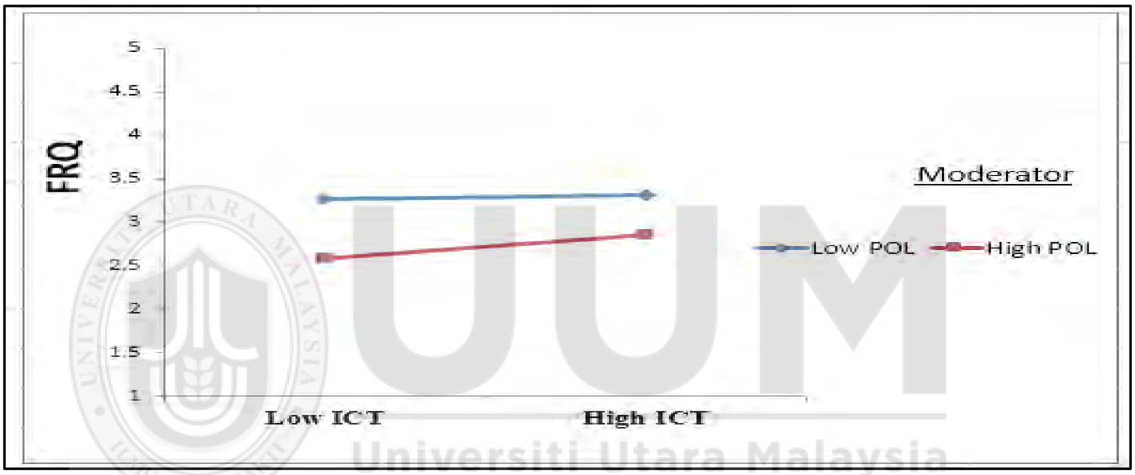

Figure 6.7
POL-ICT Interaction Effect on Financial Reporting Quality

6.8.3.1 Assessment of Moderating Effect Size (f2)

The strength of moderating effects can be assessed by comparing the R^2 (i.e. coefficient of determination) of the main effect model with the R^2 value of the full model that incorporates both exogenous latent variables and moderating variable (Henseler & Fassott, 2010). Thus, in this study, to determine the strength of the moderating effects of institutional factors on the relationship between organizational characteristics and FRQ, Cohen's (1988) effect size is calculated through the following formula.

$$f^2 = \frac{R^2 \text{ included} - R^2 \text{ excluded}}{1 - R^2 \text{ model with moderator}}$$

Whereas:

f^2= effect sizes

R^2 included = value of R-square of the dependent variable when a particular independent variable is included

R^2 excluded = value of R-square of the dependent variable when particular independent variable is excluded from the model

1 = constant

According to Cohen's (1988), f^2 moderating effect of 0.35, 0.15 and 0.02 are considered large, medium and small respectively. As shown in Henseler and Chin (2010), a low effect size does not necessarily connotes that the underlying moderating effect is insignificant. Meaning that, even a small interaction effect can be meaningful under extreme moderating conditions, particularly, if the resulting beta changes are meaningful. This consideration therefore, is imperative in the present study. Thus, the strength of the moderating effect of institutional factor is presented in Table 6.18 below.

Table 6.18
Strength of the Moderating Effect Size

	Included	**Excluded**	**f-squared**	**Effect size**
R-squared	0.771	0.721	0.218	Medium

Table 6.18 shows the moderating effect size of the FRQ model was 0.21, suggesting that the strength of the moderating effect is medium.

6.9 Summary of Findings

Based on the results presented and accompanying discussions, Table 5.19 summarizes the results of all hypotheses tested.

Table 6.19
Summary of Results of Hypotheses Tested

Objectives	Hypothesis	Hypothesis Statement	Findings
To examine the relationship between organizational characteristics and perceived FRQ	**H1**	There is significant positive relationship between internal audit quality and perceived FRQ	Supported
	H2	There is a significant positive relationship between staff competence and perceived FRQ.	Supported
	H3	There is a significant positive relationship between IT and perceived FRQ.	Not Supported
	H4	There is a significant positive relationship between Council size and perceived FRQ	Not Supported
To examine the effect of institutional factors (professionalism and political influence) on perceived FRQ.	**H5**	There is a significant relationship between professionalism and perceived FRQ	Not Supported
	H6	There is a significant positive relationship between political influence and perceived FRQ.	Not Supported
To examine the moderating effect of institutional factors (professionalism and political influence) on the relationship between organizational characteristics and perceived FRQ	**H7**	Professionalism moderates the relationship between internal audit quality and perceived FRQ.	Supported
	H8	Professionalism moderates the relationship between staff competence and perceived FRQ.	Not Supported
	H9	Professionalism moderates the relationship between IT and perceived FRQ.	Not Supported
	H10	Professionalism moderate the relationship between Council size and perceived FRQ.	Not Supported
	H11	Political influence moderate the relationship between internal audit quality and perceived FRQ.	Supported
	H12	Political influence moderates the relationship between staff competence and perceived FRQ.	Not Supported
	H13	Political influence moderates the relationship between IT and perceived FRQ.	Supported
	H14	Political influence moderates the relationship between Council size and perceived FRQ.	Not Supported

6.10 Summary

In this chapter, the initial assessment of the adequacy of the data used for the study's survey was carried out. This is followed by preliminary data screening and analysis to justify the use of the PLS path modeling for testing the study's theoretical framework.

Based on the result of the PLS path coefficients, the key findings of the study was equally presented.

In terms of methodology, the self-reported survey approach, provided considerable support for the necessary data to examine the moderating effect of institutional factors (professionalism and political influence) on the relationship between organizational characteristics and perceived financial reporting quality (FRQ). Based on the result of the path coefficients as revealed by Table 6.19, of the fourteen hypotheses postulated for the study, only five revealed significant positive relationship between: (1) Internal audit quality and FRQ and (2) Staff competence and FRQ. Furthermore, concerning the moderating effects, professionalism moderates the relationship between: (3) internal audit quality and FRQ. While political influence moderates the relationship between: (4) internal audit quality and FRQ and (5) information technology and FRQ. Consequently, the next chapter provides discussion on the results of findings, including the study implications, limitations, suggestion for future research directions and conclusion.

CHAPTER SEVEN

DISCUSSION AND CONCLUSION

7.1 Introduction

This section is based on discussion to address the research questions and objectives of the study. Specifically, the section is structured into four subsections. The first part recapitulates the statistical estimations of the study. The second part discusses the descriptive analysis of the perceived FRQ after adoption of the cash-basis IPSAS among local governments in Nigeria. Third part discusses the hypotheses involving direct effect of the independent variables on the dependent variable. That is, the effects of organizational characteristics on FRQ and the effects of institutional factors on FRQ are discussed. Finally, the hypotheses on moderating role of institutional factors on the relationship between organizational characteristics and FRQ were discussed in the fourth part.

7.2 Recapitulation of the Study's Findings

The central objective to be achieved in this study is to examine and determine the moderating effect of institutional factors on the relationship between organizational characteristics and FRQ among local governments in the northwest zone of Nigeria. Based on this, the study successfully provided theoretical and practical evidence regarding the following respective research objectives and postulated hypotheses:

Table 7.1
Research Objectives and Corresponding Hypotheses

S/N	Objectives	Hypotheses
1	To examine the perceived quality of financial reports after adoption of the cash basis IPSAS among local governments in Nigeria.	Descriptive
2	To examine the relationship between organizational characteristics and perceived FRQ	**H1**: There is significant positive relationship between internal audit quality and perceived FRQ **H2**: There is a significant positive relationship between staff competence and perceived FRQ. **H3**: There is a significant positive relationship between IT and perceived FRQ. **H4**: There is a significant positive relationship between Council size and perceived FRQ
3	To examine the effect of institutional factors (professionalism and political influence) on perceived FRQ.	**H5**: There is a significant relationship between Professionalism and perceived FRQ **H6:** There is a significant positive relationship between political influence and perceived FRQ.
4	To examine the moderating effect of institutional factors (professionalism and political influence) on the relationship between organizational characteristics and perceived FRQ	**H7**: Professionalism moderates the relationship between internal audit quality and perceived FRQ. **H8**: Professionalism moderates the relationship between staff competence and perceived FRQ. **H9**: Professionalism moderates the relationship between IT and perceived FRQ. **H10**: Professionalism moderates the relationship between Council size and perceived FRQ. **H11**: Political influence moderates the relationship between internal audit quality and perceived FRQ. **H12**: Political influence moderates the relationship between staff competence and perceived FRQ. **H13**: Political influence moderates the relationship between IT and perceived FRQ. **H14**: Political influence moderates the relationship between Council size and perceived FRQ.

Regarding the first research objective, the study examined the perceived quality of financial reports among the local governments after the adoption of cash basis IPSAS in Nigeria. Here, the result of the survey conducted based on the perception of finance directors of the local governments was analysed descriptively. The descriptive analysis revealed there is fairly high quality of reporting among the local government examined consequent upon the adoption of the cash-basis IPSAS in Nigeria.

Next, the hypothetical postulation regarding the second and third research objectives measures the direct relationships between organizational characteristics and FRQ and between institutional factors and FRQ respectively. Given the six hypotheses tested in this respect, only two were supported. That is, the result of the path coefficients revealed there is significant positive relationship between internal audit quality and FRQ and staff competence and FRQ. While the relationships between information technology and FRQ; council size and FRQ; professionalism and FRQ and political influence and FRQ were found to be insignificantly related.

Furthermore, the research objectives and hypotheses stated in regards to the moderating effects, institutional factors of professionalism and political influence where tested on the relationship between organizational characteristics and FRQ. The path modelling result revealed empirical support for only three out of the eight hypotheses postulated in this regard. Specifically, professionalism was found to moderate the relationship between internal audit quality and FRQ. While the moderating effect of professionalism on the relationship between information technology and FRQ; council size and FRQ were not significantly supported.

On the other hand, political influence was found to moderate significantly the relationship between internal audit quality and FRQ. While, no significant moderating effect was discovered between staff competence and FRQ. But interestingly, political influence moderates significantly, the relationship between information technology and FRQ while the moderating effect of the relationship between council size and FRQ was not significant.

7.3. Discussion

This section discusses the study's findings in the light of relevant theories and findings of previous research. The discussion are structured in subheadings according to the research objectives of the study.

7.3.1 Perceived Quality of Financial Reporting among Local Governments in Nigeria after Adoption of Cash-Basis IPSAS

The first research question and objective to be addressed is to examine the quality of financial reporting after adoption of the cash-basis IPSAS among local governments in Nigeria. The result however, was based on the perception of finance directors of the sample local governments. Financial reporting quality refers to the extent to which information in the financial statement reflects the underlying economic situation of an entity and the decision usefulness that users of such information can make of it (Chen et al., 2010). Accordingly, two dimensions have been identified in the conceptual framework of the international public sector accounting standard board (IPSASB, 2013) as the fundamental qualitative attributes of FRQ, including attribute of relevance and attribute of faithful representation. These attributes have been proposed by Jonas and Blanchet (2000) and McDaniel, Martin and Maines (2002) as veritable dimensions to measure FRQ.

Based on the data collected from finance directors of the sample local governments, the descriptive analysis using 7-point Likert scale was carried out to calculate the mean values of the perceived FRQ. Based on overall qualitative items measuring financial reporting relevance and faithful representation, the mean score expressed by the finance directors as indicate in Table 6.9 in this study was 4.89 (1.75 standard deviation) which is close to the scale of five- “somewhat high” i.e. fairly high quality of reporting. This implies that, perceived FRQ among finance directors of the local governments is fairly high. This result is consistent with Opanyi (2016), in a comparative research that examined FRQ between a reporting system based on IPSAS and non-IPSAS system among government ministries in Kenya. The study revealed that, adoption of IPSAS has a moderate effect on quality of financial reports among the sample Ministries.

In specific, Table 6.10 in the preceding chapter presents the mean value of the respective indicators used to measure FRQ (i.e. relevance and faithful representation). As shown in the table, the items measuring relevance attributes has a mean score of 4.75, which is close to the scale of five i.e. “somewhat high” (fairly high). On the other hand, items measuring attribute of faithful representation has a mean score of 5.02, also suggesting a fairly high reporting quality (about scale of five). The outcome of this findings is similar to prior studies (e.g. Lopez Hernandez & Caba Perez, 2004; McDaniel et al., 2002; Yurisandi & Puspitasari, 2015, Tasios & Bekians, 2012). For instance, McDaniel et al (2002) reported mean quality rating of 4.66 and 4.61 in respect of relevance and reliability (faithful representation) respectively regarding perception of audit managers and financial executves in US. Tasios and Bekians (2012) in the case of Greece, based on 5 points likert scale, found the overall mean score of the reliability (faithful representation) qualitative attributes to be 3.13 which is termed as moderately high.

Therefore, based on the descriptive estimates shown above, the survey results revealed there is fairly high perceived relevance and faithful representation of financial reporting quality among local governments located at the northwest zone of Nigeria after adoption of the cash-basis IPSAS. Thus, this finding portends important empirical implications for financial reporting practice among local governments in Nigeria compare to similar studies conducted in other context (e.g. Braam & Beest, 2013; Cohen & Karatzimas, 2013; Mbobo & Ekpo, 2016).

Consequently, the above analysis suggest that optimal level of quality reporting (very high) have been achieved among the local governemts according to the perception of the finance directors. Because, the mean score is less than the maximum score (seven-point). Implyng that, despite the adoption of the new accounting standards amongst the local governments, there are still some reservation on the quality of financial reporting outcome as expressed by the preparers (finance director) of the local government accounts.

However, this finding can be attributed to some plausable reasons. First, most often than not, people becomes averse to incedence of change. The adoption of the recent accounting reform (cash-basis IPSAS) in the Nigeria public sector including the local government is a new development which the managers of the public organizaations including the preparers may not have been accustomed with. The unfamiliarity with the guidelines and principles of the new standards may probably caused low/weak compliance rate among the operators, which consequently may inhibit effective use of the standard in achieving optimal results of FRQ. This explanation is consistent with the findings of Ntuli (2014), a study on Zimbabwe. The study found that, despite the adoption of accounting standard, the financial statements fails to represent faithfully the economic events of organizations they purport to represent due to lack of compliance with the provisions of the standards.

Secondly, the cash-basis IPSAS, being a more standardized reporting framework compare to the previous tranditional cash basis system, may require higher accounting technical competences for elaboration of quality reporting which may be lacking among the existing accounting staff. Reports on the competency level of the local governments staff in Nigeria have been indicted for lacking the required capability to handle technical accounting numbers (Emerole & Enyioko, 2015). This is because, most of the staff in the accounting units, seldom possess relevant background in accounting qualification (Mustapha, 2009). A similar concern was expressed in the studies of Cheng et al (2002), Kasim (2015), Afiah and Rahmatika (2014), suggsting that, lack of specialized accounting background by the local government staff to apply principles of good financial reporting practices is the bane of weak financial reporting culture at the local government councils. Put together, this situation shows that, sound accounting backgroud is a key element for compliance reqiurement in the adoption and application of accounting standards if FRQ outcome is to be achieved.

Thirdly, besides the probable paucity of staff with specialized accounting background among the local government, the demographic profile of respondents in the present study shows there exist little consideration for professional accounting qualification among the accounting staff of the local governments. According to the respondents' profile as shown by Table 6.8 (refer to preceding chapter), out of the 118 respondents, only 24 (20%) respondents possessed professional qualification in accountancy. In other words, majority (80%) of the finance directors (preparers) have neither professional accounting qualification nor belong to any certified professional accounting institution like ICAN or ANAN.

Nevertheless, it has been documented that there is significant positive relationship between professionalism and FRQ consequent upon application of international accounting standards (Evetts, 2013; Guler, Guillen, & Muir, 2002; Judge et al., 2010; Misra, 2010; Parboteeah, Cullen, Victor, & Sakano, 2005; Perera et al., 2012). For example, Guler et al (2002) found professional technical knowledge as a predictive factor for adoption of quality accounting standards and argued that, formal training of the organization's employees or of its technical personnel and managers, can increase the likelihood that practices consistent with that training are adopted. In addition, Guler et al (2002) while linking education levels with adoption of international standards, found that the degree of professional technical knowledge emanating from a nation is predictive of adoption of international quality standards. In another study, Parboteeah et al (2005) finds that, professionalism has greater impact on accounting practices.

By this, it suggests that, absence of professional qualification by majority of the finance directors of the local governments, might have resulted into limited capacity of the officers to handle technical transactions that may require professional proficiency and judgements. The cash-basis IPSAS like other international accounting standards, allows for some considerable descretional judgement by the preparers (Agoglia, Doupnik, & Tsakumis, 2011; Barth et al., 2008; Carpenter & Feroz, 2001; Gardini & Grossi, 2014). This is consistent with the objective of a principles-based approach, which allows for greater judgment, of accounting treatments that looks unto the substance in transaction's objectives (FASB, 2008; Linsmeier, 2011), This however, portends greater challege for non professional account preparers and consequently for elaboration of high FRQ.

7.3.2 Organizational Characteristics and Perceived Financial Reporting Quality

Organizational characteristics in the context of this study refers to endogenous organizational variables that influences financial reporting quality (FRQ). The second research question and objective to be addressed in this study is to examine the influence of organizational characteristics on FRQ. As mentioned earlier, the effects of organizational characteristics to be examined in relation to FRQ in this study include: internal audit quality, staff competence, information technology and size. Since these factors portend different effects on FRQ, separate hypotheses were formulated to test their respective influence on FRQ.

Therefore, based on data collected from the research survey, the implication of the statistical result (PLS-SEM path model) of the respective hypothesis are discussed in the following sub-sections.

7.3.2.1 Internal Audit Quality and Perceived Financial Reporting Quality

Audit quality refers to the likelihood that the auditor will discover and report a bridge in the accounting system of an organization (De Angelo, 1981). Internal audit quality (IAQ) is a systematic, independent and documented process for obtaining audit evidence in records, statements or information, which are relevant and verifiable, and can determine objectively, the extent to which audit criteria are fulfilled (Giroux & Jones, 2011). IAQ is one significant organizational characteristic that have been empirically supported by previous studies to have positive influence on FRQ. Consistent with Hypothesis 1 earlier stated in this study a significant positive relationship was proposed between internal audit quality and perceived FRQ (refer to subsection 4.4.1.1).

Based on statistical result and analysis, this hypothesis was supported ($\beta = 0.233$, $t = 2.703$, $p < 0.01$), suggesting there is a significant positive relationship between internal audit quality and perceived FRQ. That is, internal audit quality has a significant influence to enhance quality financial reporting among the local governments. This finding is consistent with contingency theory which serve as a useful economic theory that explains organizational contextual variables that instigates the need for improved financial information disclosure (Eisenhardt, 1988). Thus, internal audit function remained a veritable mechanism for which accounting information gains credibility and reliability by accounting users. On the other hand, effective internal audit function is a statutory requirement by corporate organization, that lend credence to the declaration of the extent of true and fair view portrayed by the financial reports produced by organizations.

Based on review of literature, significant positive relationship has been found between internal audit quality and FRQ. For example, Baharuddin et. al (2014) argued that when factors that contribute to effective internal audit function are instituted in an organization (auditor's competence, independence, objectivity and management support), internal audit function will significantly enhance FRQ. Similarly, Coram, Ferguson and Moroney (2008), found that organizations that adopts internal audit control mechanism are susceptible to detect fraud and financial irregularities than those without such a mechanism.

Moreover, plausible explanation that could justify the significance influence of internal audit quality on FRQ in the context of this study may be explained by the organizational changes occasioned by the adoption of the cash-basis IPSAS in Nigeria. In preparation towards the adoption of the accounting standard (e.g. cash-basis IPSAS), as may be common with other governmental constituency, several institutional, economic and technical innovative support are put in place by government to facilitate the process of adoption of accounting standards (Benito et al., 2007; Toudas et al., 2013). By implication, this effort is likely to enhance the effective operation and functioning of the organization in other respect towards improved performance. Based on this, it may be suggestive that the effectiveness of internal audit function has been enhanced through this support, which consequently leads to significant benefit to enhance FRQ. Furthermore, this reason is reinforced by the study of Gellings (2017), who argued that mandatory adoption of accounting standards within a country serves as a veritable determinants of the level of audit quality. Meaning that, audit complexities may arise due to the application of international accounting standards (Liu et al., 2011) which may require professional judgment from auditors (Barth et al., 2008) and consequently lead to enhancing FRQ. Implicitly, the cash-basis IPSAS adoption in Nigeria has been mandatorily adopted across the three tiers of governments, including the local governments, and thus, prior to this, several training programs in terms of workshops and seminars were organized (i.e. committee on adoption of IPSAS in Nigeria-e.g. FACC) to further enhance the capacity and skills of the implementers (e.g. preparers) towards successful implementation (Nongo, 2014). This might have possibly contributed to enhancing the auditors' skills and the audit function.

7.3.2.2 Staff Competence and Perceived Financial Reporting Quality

A significant positive relationship was proposed between accounting staff competence and FRQ as shown by Hypothesis 2 (refer to section 4.4.1.2). The results of PLS path modeling estimate shows that the hypothesis is supported ($\beta = 0.330$, $t = 2.568$, $p < 0.01$). That is, staff competence has significant and positive influence on FRQ. This result indicates that, competency of the accounting staff, characterized by accounting qualifications, skills and experiences (Dingle, 1995; Yaşar et al., 2013) significantly enhance FRQ following the adoption of the cash-basis IPSAS among the concerned local governments. This result is similar to the findings of extant studies that relates competency with quality of accounting disclosure (Ismail & Abidin, 2010; Phosrichan, Boonlua, & Janjarasjit, 2016; Tanjung, Hariani, & Indrastuty, 2016; Xu et al., 2003). For instance, Xu et al. (2003) in the case of quality financial report in Australia finds that human investment (proxy by education and training), systems, and organizational issues has significant positive effect on the quality of financial reporting of the organization.

This relationship can be explained based on the theoretical exigency of contingency theory that sees staff qualification as an implementation barrier and organizational contingency necessary for the elaboration of more informative accounting system (Upping & Oliver, 2011). That is, accounting staff qualification and skills are necessary requisite for handle accounting numbers and the creation of improved financial reporting quality in an organization. This therefore suggests that, following the adoption of the cash-basis IPSAS, perceived competency of the accounting staff among local governments in Nigeria has been enhanced to significantly influence FRQ.

7.3.2.3 Information Technology and Financial Reporting Quality

Information technological support refers to the intensity of communication use, support, awareness and development of information technology in an organization (Chau & Tam, 1997; Thong & Yap, 1995; Xiong et al., 2013; Zorn et al., 2011). In Hypothesis 3 a significant positive relationship has been proposed between information technology and perceived FRQ (refer to section 4.4.1.3). However, the result of the statistical estimate revealed that the hypothesis is not supported, because, there is no significant relationship between IT support and FRQ ($\beta = 0.084$, $t = 1.078$, $p > 0.10$). This suggests that level of support for IT development have not yield significant effect to enhance the processing of quality accounting reports in the study area.

However, this result is contrary to the findings of previous studies that revealed significant positive relationship between IT and FRQ (e.g. Imeokparia, 2013; Lehr & Lichtenberg, 1999; Sacer & Oluic, 2013). Because, expectedly, IT is a veritable phenomenon that positively contribute to accounting information processing to accentuate FRQ. This is particularly so, when the required support that allow for a well-integrated IT infrastructures are available (Dechow, Granlund, & Mouritsen, 2006; Li, Peters, Richardson, & Watson, 2012). By this, Dechow et al. (2006) suggests that the benefits for accounting from information technology only materializes after long implementation of IT infrastructures and typically where accounting practices can be separated from the infrastructure rooted in IT.

Moreover, according to contingency theory (Luder, 1992), IT is seen as an organizational characteristic which serves as contingency for the enhancement of high-quality accounting information processing and a phenomenon which could accentuate the diffusion of efficient accounting information innovations. Meaning that, without significant support for IT developments and integration across the organization operations and systems, the implementation of effective accounting information system including quality financial reporting may be very difficult to achieve.

Based on the above, it may be suggestive that, the enabling environment that supports IT development and implementation are not present among the local governments in Nigeria. That is, the IT implementation support (IT and communication usage, technical and financial support, knowledge and proficiency of employees) that could cause accounting numbers to be effectively processed and communicated are lacking or are not adequately integrated to give the required results. At this, Coleman (2005) argued that, challenges impeding the development of IT infrastructure among developing countries including: inadequacy of the human skills and capacity to manage, integrate and sustain the IT infrastructures; lack of devolving the benefits of technology to intermediary institutions such as local government, parliament, parties, civil society organization etc. Similarly, Omeire and Omeire (2014) highlighted challenges constraining the implementation of IT in Nigeria involves: low IT literacy rate, lack of necessary regulatory provisions, poor IT infrastructure, corruption, lack of commitment on the part of the leadership, epileptic power supply, bureaucratic bottlenecks etc.

Nonetheless, previous studies have established a positive link between IT implementation support and organizational performance. For instance, Kim and Bretschneider (2004) reported the relationship between IT and organizational change to be significantly dependent on "computer package" which encompasses technique (i.e. organizational structures and institutional arrangements for maintaining information system) equipment (e.g. hardware, software, network) and people (i.e. operators that process and use the equipment). Again, to show that organizational factors are critical to the realization of IT benefits, Mohr (1969) submitted that "innovation is a function of the motivation to innovate, and the strength and availability of resources for overcoming innovative obstacles is critical for innovation to thrive". Related to the local government, Kim and Bretschneider (2004) illustrate that, barriers to IT development in the local government can be associated with challenges relating to lack of managerial will, understanding and insufficient support and inappropriate regulations from relevant government policy makers.

7.3.2.4 Councils Size and Perceived Financial Reporting Quality

In Hypothesis 4, a significant positive relationship was proposed between council's size and FRQ. The result of the structural model revealed the hypothesis is explicitly not supported ($\beta = -0.020$, $t = 0.411$, $p > 0.10$). This result is consistent with the findings of Dwyer and Wilson (1989), Evans and Patton (1983), Robbins and Austin (1986). In addition, Lüder (1992) reported a significant negative relationship.

On the contrary, studies that reports significant positive relation between organization's size and quality of disclosure includes, Belkaoui (2001), Cohen, (2003), and Leftwich et al. (1981). For instance, Belkaoui (2001) investigate disclosure determinants according to financial analyst's evaluation choice. The study found among other things that, organization's disclosure associates according to the size of the organization.

As infered from theory, cost of quality disclosure has a relationship with the size of an organization (Leftwich et al., 1981). For example, as reinforced by the Luder's contingency theory (Lüder, 1992), technical and administrative problems (accounting reforms) which affects organization's information system are less in smaller organizations. Moreover, prior studies such as Blom-Hansen et al (2016), Dwyer Wilson (1989), Evans and Patton (1989), Evans and Patton (1983), Lestari (2014) Misra (2010), Robbins and Austin (1986) confirms the theoretical justification of Luder's theory.

However, related to the context of this study, plausible explanation to justify the revealed findings may be the result of the current accounting reform in the Nigeria (i.e. adoption of the cash-basis IPAS). Accordingly, international accounting standard is a standardized system of reporting that seek to achieve accounting convergence and harmonization among different constituencies (Iuliana, 2010; Taipaleenmäki & Ikäheimo, 2013; van Beest & Braam, 2006), Thus, the significance of size (proxy by population of employees) may not really matter in relation to the quality of financial reporting expected by each local government. This is because, system of accounting and standards to be adopted for reporting are homogeneous across the local governments in Nigeria. Thus, irrespective of the size, local governments are statutorily required to handle public resources with utmost probity and represent the report of accounts in the most faithful manner.

Furthermore, unlike some findings regarding private organizations that report significant positive result between size-FRQ relation (Christiaens, 1999; Robbins & Austin, 1986; Willaby, Costa, Burns, MacCann, & Roberts, 2015), explanation offered by these studies suggest that, larger firms have the resources to employ the services of competent accountants/professionals which consequently portends significant positive effect on disclosure quality. However, this scenario may not be applicable in the public governmental sectors, because quality reporting is not motivated by the above reasons. Rather, reporting incentives are shaped by the governmental regulations.

7.3.3 Institutional Factors and Financial Reporting Quality

This section discusses the result implication of the third research objective and related hypotheses proposed in this study. The research objective states "To examine the effect of institutional factors (professionalism and political influence) on perceived FRQ". To achieve this objective, two hypotheses were proposed as represented by Hypothesis 5 and Hypothesis 6.

7.3.3.1 Perceived Professionalism and FRQ

Hypothesis 5 state that professionalism has a significant influence on perceived FRQ. Based on the result of the structural path modeling, the hypothesis is not supported ($\beta = -0.118$, $t = 1.772$, $p < 0.05$). This is because, statistically the t-value (1.772) is below the threshold of 1.94 for a two-tailed test, since the hypothesis was stated in a non-directional mode. Thus, the result suggests there is no significant relationship between professionalism and FRQ. In addition, the direction of the beta value (β= -0.118) reveal that the relationship is also negatively linked. Meaning that, a degree level of change in professionalism result to a decrease in FRQ.

However, this result is contrary to the findings of previous studies regarding professionalism-FRQ relations (e.g. Christiaens, 1999; Darwanis et al., 2016; Giroux & Mclelland, 2003; Khumawala et al., 2014; Mahdavikhou & Khotanlou, 2011; Ninlaphy Salakjit, 2011). For example, Khumawala et al (2014) finds that accounting professionalism is a significant determinant of adoption of local GAAP among US Counties. Similarly, Giroux and Mclelland (2003) reveald that local governments that adopts professional administative structure tend to have better disclosure quality. In addition, the result vary with the notion of institutional theory that views professionalism an exogenous mechanism that facilitate the adoption of professional competences for the achievement of competitive advantages in the management and operation of the organization.

However, it is a consequential expectation that professionalism is a noteworthy phenomenon that should have a significant positive influence on FRQ. Notwithstanding, plausible explanations in the context of this study that seems to cause the insignificant (negative) relationship are evident. The demographic profile of respondents in the present study shows there is little consideration for professional accounting qualification among the accounting staff of the local governments. According to the respondents' profile as shown by Table 6.8 (refer to preceding chapter), out of the 118 respondents, only 24 (20%) respondents possessed professional qualification in accountancy. In other words, majority (80%) of the finance directors (preparers) have neither professional accounting qualification nor belong to any certified professional accounting institution like ICAN or ANAN.

On the whole, the above plausible explanations seem to justify the cause of the insignificant relationship between professionalism and FRQ, because, the consequential expectation of adoption of professionalism should have significant positive influence on FRQ. But in a situation where the accounting staff and senior officers are not professionally endowed, there would be limitation to their handling of technical accounting numbers, thus, leading to compromise in the creation of quality accounting information.

7.3.3.2 Perceived Political Influence and FRQ

The relationship between political influence and FRQ was hypothesized to have significant positive influenced on FRQ (Hypothesis 6). The result of the structural statistical estimate revealed that political influence has no significant influence on FRQ ($\beta = -0.282$, $t = 1.878$, $p < 0.05$) (refer to Table 6.14). This is because inference from the result of the beta value ($\beta = -0.282$) shows the relationship is in the negative direction. Based on this, the hypothesis is not supported.

This result is consistent with previous studies that also found insignificant relationship between political influence and FRQ such as, Giroux (1989), Zimmerman (1977). For instance, Giroux (1989), examined the association between political influence and financial reporting disclosure on cities of US municipalities. The result revealed that political influence has insignificant influence on the disclosure quality of the municipalities.

On the contrary, studies such as Archidona et al (2008), Baber et al (1986), Carpenter (1991), Rita Hartung Cheng (1992a) reported significant positive relationship between political influence and FRQ in their studies. For example, Carpenter (1991) in the case of US, reported a significant positive relation between political competition and financial information provided to the public. Ingram and Copeland (1981) finds accounting reporting to be a significant detemining tool for providing useful information for explaining voters' political competition resuting from their voting behaviours.

However, the theoretical implication of the finding in this study suggest that, political influence in the context of the study is not strong to support significant influence on FRQ. In other words, high political influence which expectedly should lead to increased demand for quality disclosure is lacking among the citizenry in the study context. Therefore, plausible explanation to justify the revealed result portends some contextual implications.

In the Nigerian public sector, the result of the undeveloped political power and awareness among the citizens (Ogbeidi, 2012) seems to make the political executives and bureaucrats in government organizations to entrenched themselves to amass political influence for personal gains and benefits (Ibietan, 2013; Ijewereme, 2015; Yunusa & Paul, 2016). That is, due to the probable reason that the public has no political power to demand (e.g. pressure group and advocacy) from the political officers regarding information on the use of public fund, the activities of the political officers and public managers goes without effective monitoring and control. Suggesting that, the instituted control and mechanisms for accountability and transparency among government officials probably becomes weak and lack the required enforcements. In this situation, large scale of financial irregularities become prevalent with negative consequences for FRQ.

Moreover, the implication of low political influence seems to lead to ‘inter-marriage’ of political interest between the political officers and the bureaucracy. This is demonstrated on the one hand, where the political officers have no incentive to monitor and control the opportunistic behavious of the bureaucrats, thus, resulting to manipulation of information by the bureaucrats for purpose of vested interest. On the other hand, it might have resulted to connivance between the political officers and the bureaucrats to aid and abet financial irregularities and to defraud the public.

This scenario is illustrated in the investigation relating to financial fraud in the case of Ekiti State. The report of the EFCC revealed that some government executives have connived with the public accountants to share from a corruption loots thus: N2 million per month was paid to each local government chairman; N500 million was paid into the account of former Governor’s Foundation; and that a further sum of N100 million was shared among government officials and the political elite in the State (EFCC Report to the Ekiti State House of Assembly, 21 September 2006). Thus, this fraudulent collaboration between these parties impede the elaboration of quality accounting reports due to political interest which have been wrongfully utilized for personal gains. Another plausible explanation that seems to account for the insignificant relationship between political influence and FRQ may be based on preparers’ discretion in accounting reporting. The principle-based accounting reporting concept as enshrined in the new international accounting initiative (e.g. the optional requirement of the cash-basis IPSAS) allows some level of discretion to be adopted by accounting officers while preparing accounts, due to the prevailing contextual or economic circumstances (Chua, Cheong, & Gould, 2012; Hail et al., 2009; Kobayashi et al., 2016). Due to the absence of political power to demand for quality financial disclosure, public managers (preparers) may utilize this discretional reporting advantage to cause information illusion, misinformation or nondisclosure of vital accounting numbers for personal gains (Niskanen, 1971). Here, Giroux (1989) indicates the preferences of the financial manager in presenting complex accounting figures, unsimplified disclosures, and non-aggregated reporting. This thus, limits the faithful representation of financial information.

7.3.4 Moderating Effect of Institutional Factors

As postulated in this study, institutional factors have been adopted as exogenous factors which interact to influence and organizational activities and performance. Thus, this study has incorporated professionalism and political influence as institutional factors to moderate the confounding relationship between organizational characteristics and financial reporting quality (FRQ).

Based on this, the fourth research objective put forth in this study was to examine the moderating effect of perceived professionalism and political influence on the relationship between organizational characteristics and FRQ after adoption of the cash-basis IPSAS. To achieve this objective, eight (8) Hypotheses were postulated to test the organizational characteristics-FRQ relations, using the interacting effect of professionalism and political influence. Thus, of the eight hypotheses, four relates to the moderating effect of professionalism while the remaining relates to the moderating effect of political influence. The subsequent subsections discuss the result of the hypothesized relationships.

7.3.4.1 Moderating Effect of Professionalism on the Relationship between Organizational Factors and FRQ

Four hypotheses were proposed to test the effect of professionalism on the relationship between organizational characteristics (internal audit quality, staff competence, information technology and size) and FRQ. These include, H7, H8, H9 and H10. In this cluster, only Hypothesis 7 was statistically significant and is supported. While the moderating effect in Hypothesis 8, 9 and 10 revealed no significant statistical effect, hence, they are not supported.

However, it could be recalled that, in Hypothesis 7, a significant effect of professionalism was proposed to strengthen the relationship between internal audit quality and FRQ. In other words, it was hypothesized that internal audit quality will significantly enhance FRQ when professionalism is strong (strengthened) among the local governments, particularly following adoption of the cash-basis IPSAS. The result of the structural model revealed that this hypothesis is supported, because a significant relationship was found in the relationships ($\beta = 0.052$, $t = 1.639$, $p < 0.05$).

Possible explanation for the significant effect is that, professionalism involves the application of accounting specialized skills, good judgments and experiences in the treatment of accounting numbers including auditing functions (Evetts, 2013; Ninlaphy Salakjit, 2011; Staubus, 2004a). Thus, the conceptualized nature of professionalism, expectedly, should effectively enhance internal audit functions in terms of achieving audit objectives, effective communication, efficiency, judgments and recommendations offered to the management.

Another plausible explanation could be the result of supervision on the local governments audit units. According to the local government arrangement, supervision of the internal audit unit is under the direct statutory oversight function of the State government. That is, a designated supervisor also known as area auditors (mostly professional accountants) are assigned by the Auditor General of States to perform oversight functions on the internal audit units of the local governments. These supervisors, due to their professional competences and knowledge seems to be impacting positively on the local government internal audit activities through offering professional recommendations and guidance. Hence, resulting to the possibility producing quality accounting reports among the local governments under discussion.
Theoretically, institution theory (Meyer and Rowan, 1977; DiMaggio and Powell, 1983) provides plausible justification for the strength of professionalism to moderate the relationship between internal audit quality and FRQ. According to normative isomorphic institutional theory, organizations adopts professional competencies in terms of access to professional education and training and belonging to membership of professional organization to obtain legitimacy and conforming to social demands. This effect has impacts on accounting and auditing practices with positive consequence for FRQ. This is most indicative following the recent development in internationalization of accounting reporting and practices, where constituencies are encouraged to adopt professional competencies in handling issued international accounting standards (Barton, 2005; Cretu, Sîrbu, Gheonea, & Constandache, 2004; IPSASB, 2013; Rossi et al., 2014; Allen, Karanasios & Slavova, 2004).

Furthermore, Hypothesis 8 relates to testing the moderating effect of professionalism on the relationship between staff competence and FRQ. Going by the analysis of the result presented on Table 5.14, there is no significant statistical evidence to support the hypothesis (β = -0.032, t = 0.800, p> 0.01). This result suggests that, given the level of competency of the accounting staff in the local governments, incorporation of professional ideals in the accounting operations and practices has insignificant influence on FRQ. Probable explanation to justify this result involves, first, the local government councils did not give adequate recognition and consideration for the use of professional practices/ideals (e.g. professional training, consultancy etc.) in the accounting operations of the councils. This is proved by the number of the finance director that possessed professional qualification as presented in Table 6.8. According to the table, the demographic profile of the respondents (finance director) that owned a professional qualification are just about 20% (i.e. 24 out of 118).

This shows that professional qualification is not a requirement to attaining the position of finance director (highest rank in the account section of local government structure). That is, professional qualification does not matter in the operation of the local government accounts. This seems to explain the reason professionalism could not buffer the competence-FRQ relations. This equally reinforced the result of the effect of professionalism while measured as a direct effect on FRQ (Hypothesis 5) and the positive significant relationship that was established when competency factor was tested as a direct relationship on FRQ (Hypothesis 2).

Secondly, it has been established that poor working incentives in the civil service of local governments in Nigeria seems unattractive to promote professionalism (Emerole

& Enyioko, 2015; Okereke & Daniel, 2010; Onyishi, Eme, & Emeh, 2012). The few available professionals (accountants) resort to some unethical financial practices which adversely affect FRQ. Meaning that, despite the available 20% who have professional qualification, their impact may be counterproductive on impacting meaningfully and positively on FRQ.

Similarly, the result of Hypothesis 9 and 10 revealed there is no statistical significance of professionalism to moderate the hypothesized relationships between information technology and FRQ on one hand and between councils' size and FRQ on the other hand. As earlier stated, Probable justification that may explain the insignificant relationships between the constructs might be the result of limited adoption and application of professionalism in the operation of the local government activities. That is, professional experiences are not well integrated in the execution of the local government operations, hence, the cause of the insignificant moderating effect of professionalism on the hypothesized relationships.

Overall, it can be inferred from the results above, that the moderating effect of professionalism on the relationship between organizational characteristics on FRQ portends a significant implication for institution of appropriate organizational incentive in operations and structure of the organization. This consideration allows the arts of professionalism to be properly entrenched in the organization and consequently enhance FRQ. Otherwise, no significant benefit can be derived from professionalism where appropriate considerations and incentives that promote the entrenchment of professionalism is absent in the organization. This is clear from the result of Hypothesis 7 where professionalism revealed significant moderating effect between internal audit quality and FRQ. This may be the result of professional competence of the area auditors (supervisory auditors from the Auditor General of the State) performing supervisory function on the local government audit activities. Here, expectedly, accounting and auditing activities at the State level are most often than not characterized by professional ideals and requirements. This may be due to better working incentives and condition of service at the State level to hire professional consultants and retain the available ones for State service.

On the contrary, where consideration for adoption of professionalism is low, (e.g. see the case of staff competence and IT relations with FRQ), within the organization, the imperative of its moderating effect on the relationships will be inconsequential.

7.3.4.2 Moderating Effect of Political influence on the Relationship between Organizational Factors and FRQ

The effect of political influence was hypothesized to moderate the relationships between internal audit quality, staff competency, information technology and council's size on financial reporting quality (FRQ) respectively. Accordingly, these relationships were represented as shown by H11, H12, H13 and H14. Based on the result of the structural model presented on Table 6.14, hypothesis H11 and H13 are supported, because there is significant moderating effect of political influence on the respective relationship between internal audit quality and information technology and FRQ. While in the case of staff competence and council's size on FRQ, political influence did not moderate the relationship significantly (H12 and H14), thus, the hypothesis are not supported.

Specifically, in Hypothesis 11, this research postulate that political influence acted as a buffer between internal audit quality and FRQ ($\beta = 0.090$, $t = 2.940$, $p < 0.01$), such that when there is high political influence, internal audit quality will lead to high FRQ. In other words, with high political influence, government have political incentive to institute/enforce necessary internal control mechanisms to allow for effective internal audit system that consequently affects FRQ. This result substantively illustrates the theoretical postulation of institution theory of isomorphic coercion (DiMaggio and Powell, 1983). Here, due to political influence and incentive for legitimacy, organizations are susceptible to adopt institutionalized rules imposed by other organization upon which they are dependent.

However, within the context of this study, plausible explanation for this result may be inferred from the recent development leading to adoption of the cash-basis IPSAS in Nigeria. Like other countries, Nigeria adopted the cash-basis IPSAS out of the need to secure international legitimacy and relevance (Abimbola et al., 2017; Suchman, 1995). Therefore, to demonstrate their seriousness with the new accounting reform, government of Nigeria took some proactive measures which seems to strengthen the mechanisms for internal control scrutiny and control (e.g. internal audit). This responsibility (political influence) might probably have caused the observed significant moderating effect of political influence on internal auditing to influence FRQ. Example of such measure was probably the reason for the restructure of the Nigerian Accounting Standard Board (NASB) in 2011 to adopt the Nigerian version of the Financial Reporting Council (FRC) in preparation to adopt international accounting standards in Nigeria (Mary et al., 2013).

Regarding Hypothesis 12, the result is not supported, suggesting that, political influence has no significant moderating effect on the relationship between staff competence and FRQ. This is because the direction of the relationship shows negative association (β = -0.093, t = 2.285, $p < 0.01$. This suggest that, the contribution of political influence in the analysis of staff competency on FRQ is inconsequential. This is because, the insignificant result (β = -0.093) suggest that political influence is low to allow for the employment of competent staff to do the work of accounting in the organization.

One probable reason that may justify this result in the context of this study is that, low political influence, may result to lack of political 'will' by managers of the local governments attract and engage the service of competent personnel in handling accounting transactions of the organization. Example of this in the Nigerian public service, where people are employed not on merit (competence) but on who they know among the politicians. Hence, this situation will not support the production of qualitative accounting reports, because, accounting practice requires basic accounting knowledge, skills and abilities to achieve meaningful financial reporting outcomes.

Furthermore, the result of Hypothesis 13 revealed significant positive effect of political influence on the relationship between information technology and FRQ (β = 0.059, t = 2.039, $p < 0.05$). This estimation supports the postulated hypothesis, that high political influence strengthens the support for development and utilization of information technology to enhance the elaboration of quality financial reporting. This argument, thus, can be sustained through inference from resource-based theory (Barney, 1991; Grant, 1991; Kazlauskaiteē and Bučiūnienē, 2008).

According to the new perspective of the theory (Barney, 1991; Grant, 1991), information technology can be termed as important asset that can contribute to achieving organizational objectives and improved performance (Ahmad, 2015; Kundishora, 2014; Oliveira & Martins, 2011). However, to accomplish this benefit, information technological development requires essential managerial supports and synchronization which requires strong political support to make it realizable. That is, development of information technology among other things, significantly depends on the political incentive of management to attract and promote needed support for it to thrive. This implies that, in organization where political incentive of the management in information technological support is high, effective inter/intra communication and information processing including accounting will be effectively achieved. Thereby, leading to quality performance in accounting reporting.

However, the imperatives of management's political incentive become most significant on the information technology-FRQ relation, following increased diffusion of accounting innovation into an organization. For example, relevant to the context of the present study (Nigeria), the government in a bid to demonstrate to the international community, their support for the global accounting reform initiative (e.g. IPSAS), adopts necessary support in terms of policies and resources to promote information technological development, which is a key contingency for effective implementation of accounting guidelines and standards.

Finally, based on the estimated result of the moderating effect of political influence on the relationship between council's size and FRQ, the outcome of the structural path model revealed that, political influence did not significantly moderate the relationship between council's size and FRQ ($\beta = 0.000$, $t = 0.150$, $p>0.10$). Hence, the hypothesis is deemed not supported. This exposition as earlier shown in the previous discussion (see discussion on Hypothesis 4), that, in the context of this study, council's size has no significant influence on FRQ. This result remained the same despite the introduction of political influence as a moderator. Meaning that, political influence does not count in making council's size to significantly influence FRQ. This, probably may be because accounting practices among different local governments in Nigeria are homogeneous. That is, local government accounting is operated based on the same principles and standards. Thus, irrespective of the level of political influence, the sizes of the councils do not make significant difference in the quality of financial reporting.

7.4 Summary of Findings

Based on the detected critical gaps concerning theoretical, contextual, and practical issues of organizational characteristics-FRQ relations, the moderating role of institutional factors (professionalism and political influence) were incorporated to examine the relationships in the case of local governments in the northwest zone of Nigeria. Despite the observed limitations in the study, the research findings successfully proffered answers to the research questions and objectives raised with resultant implications for theory and practice.

However, on the basis of the underpinning theoretical stands for this study, a theoretical framework was developed upon which 14 hypotheses were postulated. Out of this, only five were supported and the remaining were not supported. The findings revealed significant positive effects in relation to internal audit quality and FRQ and between staff competence and FRQ, representing the direct relationships. On the other hand, the findings regarding the moderating effects reveals that, professionalism moderate significantly the relationship between internal audit quality and FRQ. While no significant moderating effects of professionalism were found on the relationship between: staff competence and FRQ; information technology and FRQ; council size and FRQ.

Regarding the moderating effect of political influence, significant evidence was found in support of political influence to moderate the relationship between internal audit quality and FRQ and between information technology and FRQ. While the moderating effect of political influence on the relationship between staff competence and FRQ and between council size and FRQ were insignificant. Therefore, it depicts that, the moderating role of professionalism and political influence have presented some significant contributions to the body of knowledge with some critical implications for local government management and policymakers.

7.5 Research Implications

Discussions made so far in this study bothers on some theoretical, practical and methodological issues. Drawing on these discussions, some research findings have been identified with (1) theoretical implications in financial reporting literature and theory (2) practical implications for practitioners and (3) research methodological implication. These implications are discussed in the following subsections.

7.5.1 Theoretical Implications

The conceptual framework of the present study is based on prior empirical evidence and theoretical gaps identified in the literature. The framework enjoyed the support and explanations of two theoretical perspectives, namely contingency theory and institutional theory (DiMaggio & Powell, 1983; Lüder, 1992). The present study incorporated institutional factors (professionalism and political influence) as moderating variables to provide better insight to understanding the relationship between organizational characteristics (internal audit quality, competence, information technology and size) and FRQ. Based on the statistical estimates and discussions that follows the research findings, the present study made considerable theoretical contributions in the research on organizational characteristics, financial reporting quality and institutional factors in specific ways.

Firstly, the theoretical implications of this study provide additional empirical evidence in the domain of contingency theory. The theory simply posits that, following the diffusion of accounting innovation or reforms in an organization, financial information system responds to organizational stimuli and implementation barriers that shapes its resultant outcomes. Consequently, instead of focusing on specific organizational characteristics (as done in previous studies) to explain financial reporting outcomes (FRQ), this study extended the theory by examining a broad range of endogenous organizational characteristics (e.g. internal audit quality, competence, information technology and size). This is critical because, focusing on narrow factors of organizational characteristics provides an incomplete view of how FRQ is shaped by organizational characteristics, particularly during accounting reforms in the organization (e.g. the cash-basis IPSAS).

Thus, this research extended the exigency of contingency theory and have empirically validates its application to local government financial reporting. More importantly, by employing contingency theory to explain the imperatives of organizational characteristics in the model of this study, signifies the importance of this theory in organizational research. Moreover, this study has evidently shown that, the four variables of organizational characteristics (i.e., internal audit quality, competence, information technology and size) are important organizational contingencies to explain the results of FRQ outcomes among local governments in Nigeria. This is justifiable given the value of the R-square (Table, 6.15) which account for 72% (71% adjusted) of the variance in FRQ of the study's model.

Secondly, relevant to the present study, additional empirical evidence has been established in the domain of institutional theory. The theory postulates that organizations survival and performance is underscored by institutional pressure imposed by exogenous institutional factors such as professional socialization (normative isomorphism) and institutionalized rules (coercive isomorphism) that are largely prompted by the need for constituency relevance and legitimacy. This study has extended the institutional theory by assessing perceived institutional factors using the variables of professionalism and political influence. In testing the theory, this study established that, perceived professionalism and political influence significantly interact with the relationship between organizational characteristics and FRQ thereby lending to empirical evidence in support of the said theory.

Furthermore, the moderating effect of institutional factors have also been tested on the relationship between organizational characteristics and perceived FRQ. Previously, extant empirical researches relating to studying the relationship between organizational characteristics on FRQ have reported inconsistent findings (Aljifri et al., 2014a;

Copley, 1991; Iskandar & Setiyawati, 2015). Hence, the strong basis for incorporating a moderating variable on these relationships. With a view to understand the influence of organizational characteristics on perceived FRQ among local governments located in the north-west geo-political zone of Nigeria. According to Baron and Kenny (1986), "moderator variables are typically introduced when there is a weak or inconsistent relation between a predictor and a criterion variable". By this, the present study incorporated professionalism and political influence to serve as interacting variables in the relationship between internal audit quality, staff competence, information technology and size respectively.

However, inferences from findings and discussions in this study suggests that, on the whole, institutional factors in the light of professionalism and political influence are significant moderators in the relationship between organizational characteristics and perceived FRQ among local governments in Nigeria. Even though the two variables demonstrate differing significance in terms of their effect size, it becomes imperative therefore, to pay attention to these factors in ensuring elaboration of quality financial reporting, especially when organizational contextual factors are being put under control.

7.5.2 Practical Implications

Apart from significant theoretical implications enumerated above, the study equally has significant importance for practice, given the huge cost of financial reporting quality. Thus, the findings of the present study provide significant practical implication for local government management to improve FRQ. Thus, since organizational characteristics are important factors that could shape FRQ outcome, the local government manager should give serious attention to effective functioning of these factors while designing policies and practices. Firstly, this study finds based on the perceptions of the finance directors of the local governments in Nigeria that when internal audit quality is effective, FRQ can be enhanced. Thus, to enhance FRQ and prevent financial irregularities and fraud, the quality of the internal audit function should be given serious attention. In line with prior studies that revealed that internal audit quality is a significant factor underlying high FRQ (Copley, 1991; Lowensohn et al., 2007), local government regulators (e.g. Ministry for local government) in Nigeria could create effective internal audit quality by showing their commitment to manifest of quality audit functioning such as facilitating the accomplishment of internal audit objectives, allowing for effective communication between internal audit and area audit units (Auditor General for States), allowing audit recommendations count in the internal control mechanisms of the local government operations and policies, improved budgetary allocations to the internal audit departments/units to allow for effectiveness and integrity of operation and personnel.

Secondly, it has been established that, specialized background in accounting knowledge and professional competency of the local government accounting staff will positively enhance improved elaboration of FRQ among Nigerian local governments. Consistent with extant research which demonstrates that, increased staff competencies in relevant accounting knowledge, skills and abilities can accentuate high FRQ (Chong et al., 2000; COF, 1994; Kasim, 2015; Afiah & Rahmatika, 2014).

The study thus recommends that local government service commissions in Nigeria to create positive impact on human resource management that focuses on entrenching formidable recruitment policy and practices, instituting competency criteria for selection of accounting employees, forestalling standards for effective performance of accounting job, administering training exercise based on identified competency gaps in skills and knowledge, ensuring that type and extent of training needs relates to acquisition of professional skills useful to withstand current accounting developments and changing needs of our time.

Moreover, given that staff that possessed the required competency and professional skills will seek for better condition of service and lucrative remuneration, thus resulting to brain-drain in the local government civil service. To avert this, the study recommends improved working condition of local government civil service. Such as, upward review of workers remuneration to compete favorably as that obtained in other levels of governments (State/ Federal) including that of their private sector counterparts, improved welfare packages and allowances among others.

Thirdly, support for infrastructural development in terms of information technology has been documented to enhance effective information processing and consequently improved financial reporting quality (Sacer & Oluic, 2013; Salehi & Torabi, 2012b). While low impact have been reported in the context of this study, proactive measures should be demonstrated by the local government regulators and management through increased support for: policy that will entrench budgetary appropriation that will drive infrastructural development in information technologies among the local governments, the local governments hierarchies including their staff should be engaged in extensive sensitization programs that will accustom them with adoption of modern technology in the operation of the local government activities to support effective inter/intra departmental and organizational communication.

Fourthly, since professionalism and political influence are important institutional variables in the study's model, thus, they portend important implication for management of local government operations. Consistent with the findings of prior studies (e.g. Christiaens, 1999; Khumawala et al., 2014), the present study have also established the significant implication of professionalism in the organizational operations of the local governments to influence FRQ. As such, the management must demonstrate serious commitment to institutionalizing professional capabilities and ideals in the operations of the local government practices.

By this, attainment of professional qualification by accounting staff in the local government should be encouraged. The local government service commission and ministry for local government should provide necessary and adequate support (study leave, scholarship) to staff to attend long term training in professional qualifications such as ICAN and/or ANAN. Similarly, involvement and employment of professional consultancy services by professional institutions (e.g. ICAN or ANAN) to offer short-term technical support in terms of training to LG staff should be instituted. In addition, Higher regulatory and monitoring agencies e.g. Financial Reporting Council, State ministry for local government, oversight agency of the State government and the local government service commissions, should take keen interest in monitoring and carrying out periodic check on local government accounting practices with a view to forestall the prevalence of unethical accounting practices among the local accounting staff.

Finally, the findings from this study proves that, the relationship between organizational characteristics and FRQ is stronger for local governments with higher political influence than those with lower political influence. This indicates that the manifest of organizational characteristics as presented in this study can be significantly enhanced when political incentives that promotes quality accounting reporting and prevents bureaucratic opportunistic advantages are high. Therefore, local government management and regulators are recommended to focus on promoting positive political influence among the councils and external stakeholders that sets to improve FRQ.

7.5.3 Methodological Implication

In conducting this research, the study came up with number of methodologies which has significant implications. One, significant methodological contributions of the present study involves assessment of the explained variable (financial reporting quality) using situation-specific measure. Although other studies have conceptualized FRQ as a multidimensional construct, but this study specifically operationalized FRQ based on fundamental qualitative attributes (relevance and faithful representation) (Braam & Beest, 2013; McDaniel et al., 2002) because it allowed us achieve parsimony in construct development and measurement (Arthur, 2011; Blalock JR, 1979).

Furthermore, to measure perceived FRQ, the present study adapted items from (Barth et al., 2001; Deans, 2007; Jonas & Blanchet, 2000; McDaniel et al., 2002). All irrelevant items were removed and relevant ones were added in order to capture the degree to which financial reporting occurs or fits the context of the study (Bowling & Gruys, 2010; Cook & Campbell, 1979). This process of adding relevant items and removing the irrelevant ones from the original scale, allows this study to test the measure of perceived FRQ in the context of Nigeria, other than the context at which the measures were initially developed.

Secondly, another methodological implication of this study lies in the statistical instrument adopted for analysis. Specifically, the psychometric properties of the latent variables of this study's model was assessed using PLS path modeling. The statistical model was used to assess the convergent validity, as well as discriminant validity of each latent variable in terms of their individual item reliability, average variance explained (AVE) and composite reliability. It is imperative to note that, the present study has succeeded in using one of the more robust approach to assess the psychometric properties of each latent variables as appeared in the conceptual framework of this study. To illustrate, convergent validity was assessed by examining the value of AVE for each latent variable. The discriminant validity was measured by comparing the correlations among the latent variables with the square roots of AVE. Finally, to find support for discriminant validity in the conceptual framework, the results of the cross loadings matrix were also examined.

7.6 Limitations of the Study and Recommendations for Future Research Directions

This study has contributed to literature on financial reporting quality (FRQ) in the context of local governments in Nigeria. Generally, the findings of this study offer support to the hypothesized relationships between the exogenous and endogenous variables. As it is common with every empirical research, the findings of this study are not without limitations. Therefore, while interpreting the results of this study, considerations should be given to the following limitations.

First, cross-sectional survey approach was used to collect data on all the measures of constructs used in the study, through questionnaires completed by finance directors of local governments on the same time period. This approach has high tendency of creating common method variance (CMV). Although, this tendencies was surmounted using both procedural remedy (Lindell & Whitney, 2001; Podsakoff et al., 2012; Richardson et al., 2009; Viswanathan & Kayande, 2012) and conducting Harman's one-factor tests (Podsakoff et al., 2003). By this, the test proved CMV is not a serious problem in this study. However, in order to provide robustness to the results of the cross-sectional survey, future study may also consider interview instrument to elicit more information in order to corroborate and complement the findings of the questionnaire survey. This would consequently allow for possible comparison to be made between the findings of the two methodological approach. Moreover, because of the use of cross-sectional survey, this study is not able to compare the results between before and after the adoption of the cash-basis IPSAS in Nigeria. Therefore, a longitudinal research design may be considered in future, which allows for measuring the theoretical constructs at different points in time to allow for results comparison and to confirm the findings of the present study.

Second, FRQ has been measured in the present study through self-report measures. This approach have also been adopted in prior studies (e.g. Braam & Beest, 2013; Cohen et al., 2013a; Mbobo & Ekpo, 2016; McDaniel et al., 2002). Notwithstanding, the use of self-reports measure is susceptible to common method variance (Podsakoff et al., 2003) and social desirability bias (Podsakoff & Organ, 1986; Randall & Carvalho, Camões, Jorge & Fernandes, 2007). For example, it is possible that respondents might have over-reported their perceived qualitative financial reporting attributes on the survey questionnaires. Although, in the present study, this limitation was minimized by ensuring respondent's anonymity and scale item improvement strategy (Podsakoff et al., 2003; Podsakoff et al., 2012). In the future, other studies may consider examining diverse users' rating of perceived FRQ to forestall and control for possible issues of common method variance and social desirability bias.

Thirdly, items used in operationalizing the FRQ construct in this study was based on only two dimensions of the qualitative attributes of the financial statement. Namely, the predictive and confirmatory qualitative financial reporting attributes. This however depicts that, other aspect of the qualitative attributes of the FRQ have not been covered in this study. Though previous studies (e.g. McDaniel et al., 2002) have successfully measured FRQ based on these dimensions. But in order to achieve comprehensiveness in construct mesurement, future research may consider the inclusion of the other qualitative attributes such as timeliness, comparability and understandability. These qualitative attributes have been refered to as the enhancing qualitative attributes of the financial reports (Braam & Beest, 2013; Cohen et al., 2013a; Mbobo & Ekpo, 2016)
Fourth, it is worthy of note that, the data generated in respect of local governments FRQ in this study has a high possibility of subjectivity. Although past researches had used this forms of data as a valid and reliable instrument to investigating FRQ (Alijarde, 1997; Carpenter & Feroz, 2001; Larcker & Lessig, 1980; McDaniel et al., 2002), particularly while it is difficult to obtain objective data (Aliyu, 2015). Nonetheless, subjective measure has tendencies of several judgmental biases (Dunlop & Lee, 2004). Based on this, future research may replicate the findings of the present study by utilizing objective measure of FRQ.

Fifth, due to security challenges in other parts of the country, this study covers only local governments located in the northwest zone of Nigeria. In addition, other levels of government like the federal and States have been covered in the study. These limitations thus, restricts generalization of findings to other constituencies. Therefore, additional studies are needed in future to cover other parts of the country and levels of government. Sixth, the result obtained from the computed coefficient of determination (i.e. R-square) showed that the explanatory variables adopted were able to explain 72% as perceived FRQ determinants. Meaning that, there are still other explanatory latent variables that could still significantly explain the variance in FRQ. Therefore, future research is needed to consider other veritable organizational characteristics that could influence FRQ. For example, future research may examine how enforcement could further buffer the relationship between organizational characteristics and FRQ.

Finally, only little significant moderating effect of professionalism on the relationship between organizational characteristics and perceived FRQ was recorded. Of the four hypothesized relationship postulated in this regard, only one was significantly supported. Thus, future research may consider expansion of the measurement items of professionalism, to include measures of ethical practices, which in this study seems to constitute the bane of professionalism on accounting practices in the context of Nigeria.

7.7 Conclusion

The main objective of this study is to examine the moderating role of institutional factors on the relationship between organizational characteristics and FRQ consequent upon the adoption of cash basis IPSAS among local governments in Nigeria. Drawing from the succinctly enumerated gaps based on the review of literature, the research finding reveals that professionalism and political influence significantly moderate the relationship between the identified organizational characteristics and FRQ in a specific manner. While the contributions of the study have been highlighted within theoretical and contextual limitations, the implications of the study are significantly relevant to theory and practice.

Specifically, the study has provided additional empirical evidence in respect of financial reporting literature with incidence of organizational and institutional considerations. The results of the investigation lend additional support to better insight to understanding the influence of organizational characteristics on financial reporting outcomes. Moreover, the theoretical framework of the study lends additional support to the efficacies of contingency theory and institutional theory as critical theories in the study of organization, particularly on the perception of public sector account preparers in the context of a developing country. Therefore, the significant practical implications of the study are pertinent for local government management and regulators on how to enhance financial reporting quality in Nigeria following the adoption of the cash-basis IPSAS.

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APPENDIX A

Content Validity Ratio

	Statement	Essential	Useful but not Essential	Not Necessary	CVR	Decision
FRQ01	My LG discloses sufficient information concerning cash receipts and payments and balances on transactions	2	3	0	-0.2	Removed
FRQ02	Positive and/or negative financial events concerning your local government are disclosed by the annual financial report.	5	0	0	1	Retained
FRQ03	The annual financial report concerning your local government discloses information about future operation and/or future economic activities of the council.	5	0	0	1	Retained
FRQ04	The annual financial report concerning your local government provides information about past operation and/or past economic	5	0	0	1	Retained

	activities of the council.					
FRQ05	The financial reports produced by my LG are well understandable to diverse group of users	3	2	0	0.2	Removed
FRQ06	Annual Financial report concerning your local government are presented in a comprehensiv e and transparent manner.	5	0	0	1	Retained
IAQ01	Auditing activities in my LG are performed by specialist in government auditing	2	1	2	-0.2	Discarde d
IAQ02	Established internal audit objectives were accomplished in your local government	3	1	1	0.2	Retained
IAQ03	There is communication between internal and external audit in your local government audit assignment	4	1	0	0.6	Retained
IAQ04	Internal audit work is sufficiently	5	0	0	1	Retained

	performed by the internal audit unit oof your local government					
IAQ05	In your local government, internal audit's findings are correctly justified.	5	0	0	1	Retained
IAQ06	Internal audit's recommendations can be easily implemented by your local government.	4	1	0	0.6	Retained
IAQ07	In your local government, internal audit's report is accurate.	5	0	0	1	Retained
IAQ08	The audit team for my LG is knowledgeable in government accounting and audit standards	1	4	0	-0.6	Discarded
COM 01	Accounting staff in your LG possess the requisite educational qualification to implement the requirement of cash-basis IPSAS.	5	0	1	1	Retained
COM 02	Accounting staff in your LG possess the requisite technical skills to implement the provisions of the cash-basis IPSAS in presentation of the annual financial report.	4	1	0	0.6	Retained

COM 03	Accounting staff in my LG possess adequate experience in accounting practices to implement the guidelines of the cash-basis IPSAS.	4	0	1	0.6	Retained
COM 04	Accounting staff in your local government are familiar with the current development in accounting practices in the performance of their work.	5	0	0	1	Retained
COM 05	The accounting staff in my local government adopts ICT skills including use of computer in the performance of their work	2	2	1	-0.2	Discarde d
IT 01	The application of IT infrastructure in communicating accounting information among units and departments of my LG is……. 1 = Very low, 2 =Low, 3 =Undecided, 4 = High, 5 = Very High	5	0	0	1	Retained
IT 02	The use of IT infrastructures in sharing accounting information across departments of my LG and the	5	0	0	1	Retained

	outside is ………1 = Very low, 2 =Low, 3 =Undecided, 4 = High, 5 = Very High					
IT 03	The funding support for IT development in my LG following the recent accounting reform (adoption of IPSAS) is ……1 = Very low, 2 =Low, 3 =Undecided, 4 = High, 5 = Very High …	5	0	0	1	Retained
IT 04	The proportion of accounting staff in my LG that are proficient in the use of IT infrastructures in executing their assignment are----1 = Very low, 2 =Low, 3 =Undecided, 4 = High, 5 = Very High	4	1	0	0.6	Retained
IT 05	The Knowledge of top management of my LG on the use of IT system for accounting practices is…….1 = Very low, 2 =Low, 3 =Undecided, 4 = High, 5 = Very High	4	0	1	0.6	Retained
IT 06	The technical support for the development of IT in my LG is -----1 = Very low, 2 =Low, 3	5	0	0	1	Retained

	=Undecided, 4 = High, 5 = Very High					
PRF 01	Your local government engaged the services of an external accounting professional consultants regarding the implementation of the cash-basis IPSAS accoun-ting system	4	0	1	0.6	Retained
PRF 02	One or more accounting staff of your LG is a member of a professional accounting institution (e.g. ICAN or ANAN)	5	0	0	1	Retained
PRF 03	The membership of the professional accounting institutes helps in the implementation of the cash-basis IPSAS in your local government.	5	0	0	1	Retained
PRF 04	Conformity with accounting practices and standards in your local government is usually monitored by designated institution/body since the adoption of the new accounting	4	1	0	0.6	Retained

	reform (cash-basis IPSAS)					
PRF 05	Your local government engaged its accounting staff in professional training and education on how to implement and apply the cash-basis IPSAS.	5	0	0	1	Retained
POL 01	Level of service delivery to the people is used by political authorities in your LG for campaign to seek re-election	5	0	0	1	Retained
POL 02	Budget is used by the political authorities in your local government, to indicate their plans for service delivery to the people.	4	1	0	0.6	Retained
POL 03	Financial operations in your LG is largely influenced by the interest of the political authorities in the LG	5	0	0	1	Retained

POL 04	The annual financial report on revenue generation concerning your LG is easy to understand by users of the report	5	0	0	1	Retained
POL 05	The financial transfers and grants received by your LG may be withhold due to non-compliance with prescribed accounting regulations and standards	5	0	0	1	Retained
POL 06	Financial report of your LG is presented based on standards stipulated by higher government level.	4	1	0	0.6	Retained
POL 07	Report of audit opinion concerning the quality of financial report of your LG is positive.	5	0	0	1	Retained

APPENDIX B

Sample Survey Questionnaire

ACADEMIC RESEARCH QUESTIONNAIRE
COLLEGE OF BUSINESS
SCHOOL OF ACCOUNTING
UNIVERSTI UTARA MALAYSIA, SINTOK, KEDAH, MALAYSIA

Dear Respondent,

This questionnaire is designed purely for academic research purpose. It is meant to aid in data collection that can satisfy requirement for award of PhD degree in Accounting. The questionnaire is designed to source for information on Quality of Financial Reporting of Local Governments in Nigeria, following the adoption of the cash-basis International Public Sector Accounting Standards (IPSAS) as a new accounting system. The views expressed in this questionnaire will be strictly treated as confidential and, therefore, your identity is not required.

Thank you in anticipation of your cooperation and assistance.

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SECTION A: FINANCIAL REPORTING QUALITY

The statements in this section seek information on the quality and usefulness of the financial reports generated between the periods 2014 to 2016 by Local Government Council, following the application of the cash-basis IPSAS accounting reporting system. ***Please indicate your level of agreement with the statement based on the following scale***:

1 – Very low
2 – Low
3 – Somewhat low
4 – Neutral
5 – Somewhat high
6 – High
7 – Very high

FRQ01	The annual financial report concerning your local government discloses information about future operation and/or future economic activities of the council.	1	2	3	4	5	6	7
FRQ02	The annual financial report concerning your local government provides information about past operation and/or past economic activities of the council.	1	2	3	4	5	6	7
FRQ03	Annual Financial report concerning your local government are presented in a comprehensive and transparent manner.	1	2	3	4	5	6	7
FRQ04	Positive and/or negative financial events concerning your local government are disclosed by the annual financial report.	1	2	3	4	5	6	7

SECTION B: ORGANIZATIONAL CHARCTERISTICS

Questions in this section seek to determine your opinion concerning the extent to which the quality of financial reports presented by your local government (LG) has been influenced by some organizational factors (e.g. ***Quality of Internal Audit, Accounting staff competence, Information Technology)*** after the adoption and application of the cash-basis IPSAS.

PART 1: This subsection seeks your response concerning the **QUALITY OF INTERNAL AUDIT FUNCTION** in your local government. ***Please indicate your level of agreement with the statement based on the following scale***:

1 – Strongly disagree
2 – Disagree

3 – Somewhat disagree
4 – Neither agree or disagree
5 – Somewhat agree
6 – Agree
7 – Strongly agree

IAQ01	Established internal audit' objectives were accomplished in your local Government.	1	2	3	4	5	6	7
IAQ02	There is communication between internal and external audit in your local government on audit assignment.	1	2	3	4	5	6	7
IAQ03	Internal audit's work was efficiently performed by the internal audit units of your local government.	1	2	3	4	5	6	7
IAQ04	In your local government, internal audit's findings are correctly justified.	1	2	3	4	5	6	7
IAQ05	Internal audit's recommendations can be easily implemented by your local government.	1	2	3	4	5	6	7
IAQ06	In your local government, internal audit's report is accurate.	1	2	3	4	5	6	7

PART 2: Questions in this part seeks your opinion on the **COMPETENCE of THE ACCOUNTING STAFF** to implement the cash-basis IPSAS in your local government. ***Please indicate your level of agreement with the statement based on the following scale***:

1 – Strongly disagree
2 – Disagree
3 – Somewhat disagree
4 – Neither agree or disagree
5 – Somewhat agree
6 – Agree
7 – Strongly agree

COM01	Accounting staff in your LG possess the requisite educational qualification to implement the requirement of cash-basis IPSAS.	1	2	3	4	5	6	7
COM02	Accounting staff in your LG possess the requisite technical skills to implement the provisions of the cash-basis IPSAS in presentation of the annual financial report.	1	2	3	4	5	6	7
COM03	Accounting staff in my LG possess adequate experience in	1	2	3	4	5	6	7

	accounting practices to implement the guidelines of the cash-basis IPSAS.							
COM04	Accounting staff in your local government are familiar with the current development in accounting practices in the performance of their work.	1	2	3	4	5	6	7

PART 3*:** Questions in this part seek your perception on the extent of support for and/or use of INFORMATION TECHNOLOGY (IT) in the presentation of financial report following the adoption and application of cash-basis IPSAS. Please indicate your level of agreement with the statement based on the following scale***:

1 – Very low
2 – Low
3 – Somewhat low
4 – Neutral
5 – Somewhat high
6 – High
7 – Very high

ICT01	The application of IT infrastructure in communicating accounting information among units and departments of your LG is…….	1	2	3	4	5	6	7
ICT02	The use of IT infrastructures in communicating accounting information across departments of your LG and outside is ………	1	2	3	4	5	6	7
ICT03	The financial support for IT development and infrastructure in your LG is………	1	2	3	4	5	6	7
ICT04	The proportion of accounting staff in your LG that are proficient in the use of IT infrastructures (computer technology) in executing their assignment is----	1	2	3	4	5	6	7
ICT05	The Knowledge/awareness of top management of your LG on the use of IT system for accounting operation and practice is…….	1	2	3	4	5	6	7
ICT06	The technical support for the development of IT in your LG is -----	1	2	3	4	5	6	7

SECTION C: INSTITUTIONAL FACTORS

Questions in this section seek information on the influence of professionalism and politics on the financial reporting quality of local governments (LG) after application of cash-basis IPSAS.

PART 1**:** Questions in this part seek your opinion on the influence of PROFESSIONALISM on accounting reporting practices in your local government. ***Please indicate your level of agreement with the statement based on the following scale***:

1 – Strongly disagree
2 – Disagree
3 – Somewhat disagree
4 – Neither agree nor disagree
5 – Somewhat agree
6 – Agree
7 – Strongly agree

PRF01	Your local government engaged the services of an **external accounting professional consultants** regarding the implementation of the cash-basis IPSAS accounting system	1	2	3	4	5	6	7
PRF02	One or more accounting staff of your LG is a member of a professional accounting institution (e.g. ICAN or ANAN)	1	2	3	4	5	6	7
PRF03	The membership of the professional accounting institutes helps in the implementation of the cash-basis IPSAS in your local government.	1	2	3	4	5	6	7
PRF04	Conformity with accounting practices and standards in your local government is usually monitored by designated institution/body since the adoption of the new accounting reform (cash-basis IPSAS)	1	2	3	4	5	6	7
PRF05	Your local government engaged its accounting staff in professional training and education on how to implement and apply the cash-basis IPSAS.	1	2	3	4	5	6	7

PART 2*:** Questions in this part seek your opinion on the influence of **POLITICS** on accounting and reporting practices in your local government. ***Please indicate your level of agreement with the statement based on the following scale:

1 – Strongly disagree
2 – Disagree
3 – Somewhat disagree
4 – Neither agree nor disagree
5 – Somewhat agree
6 – Agree
7 – Strongly agree

POL01	Level of service delivery to the people is used by political authorities in your LG for campaign to seek re-election	1	2	3	4	5	6	7
POL02	Budget is used by the political authorities in your local government, to indicate their plans for service delivery to the people.	1	2	3	4	5	6	7
POL03	Financial operations in your LG is largely influenced by the interest of the political authorities in the LG	1	2	3	4	5	6	7
POL04	The annual financial report on revenue generation concerning your LG is easy to understand by users of the report	1	2	3	4	5	6	7
POL05	The financial transfers and grants received by your LG may be withhold due to non-compliance with prescribed accounting regulations and standards	1	2	3	4	5	6	7
POL06	Financial report of your LG is presented based on standards stipulated by higher government level.	1	2	3	4	5	6	7
POL07	Report of audit opinion concerning the quality of financial report of your LG is positive.	1	2	3	4	5	6	7

SECTION D
Demographic Information

Please read and tick [/] appropriately in the provided boxes your exact assessment of the following demographic information.

1. Gender:
   1) Male [ ]
   2) Female [ ]

2. Age:
   1) 21-30 years [ ]
   2) 31-40 years [ ]
   3) 41-50 years [ ]
   4) 51-60 years [ ]
   5) 60 years and above [ ]

3. Work Experience:
   1) Less than one year [ ]
   2) 1-5years [ ]
   3) 5-10 years [ ]
   4) 10 years and above [ ]

4. Highest Educational Qualification:
   1) Ph.D. [ ]
   2) Master's [ ]
   3) Bachelor/HND [ ]
   4) Diploma/NCE [ ]
   5) First School Leaving Certificate [ ]

5. Professional qualification (e.g. ICAN or ANAN)
   1) Yes [ ]
   2) No [ ]

6. Please fill in the space number of workers in your LG ________________________

Thanking you for your time and effort in completing this questionnaire

APPENDIX C
Financial Reporting Items Based On Cash-Basis IPSAS

Dear respondent,

The table below presents a hypothetical guide for financial reporting items according to the cash-basis IPSAS reporting system. The table provides a guide in completing the attached questionnaire.

Table on Descriptions of Selected Financial Statement Items and their Potential Reporting Implications according to cash-basis IPSAS

PART 1: Mandatory Requirements	Expected items for reporting	Reporting implication
1. Presentation & Disclosure	i. Cash and receipt payment ii. Accounting policies iii. Approved budget	-Recognition of all cash receipts, payment and balances -Identification of payment by third parties -Comprehensive information -information on basis of preparation of Financial statement as contained in explanatory notes -comparison of budgeted and actual amounts
2. Reporting periods	Total of cash receipts and payment. Beginning and closing balances	Comprehensive information about cash balances at accounting periods
3. Line items	Headings and Sub-head	Presentation of cash balance, payment and balances
PART 2: Optional Requirement		
1. Future economic benefit/service potential	Assets treatment	- Asset characteristics, disclosure etc.
2. Going concern	i. Time-line of operation ii. Consideration of current and expected performance iii. Potential restructuring of organizations' units iv. Estimate of receipts or the likelihood of government funding v. Replacement of financing capability	-Encouraged to assess the entity's ability to continue - Extent of power to levy taxes and levy -Cash flow report
3. Extra ordinary items	i. Off balance sheet items ii. Contingency arrangement iii. restructuring activities	-Transactions that do not occur frequently (note to financial statement
4. Entity intending to migrate to accrual IPSAS	-Statement of cash receipt & payment according to IPSAS 2 (Cash flow statement)	-To classify cash flow statement according to operating, financing & investing

Source: Compiled from IPSASB Handbook (2015), conceptual framework for cash-basis IPSAS

APPENDIX D

Letter of Introduction (UUM)

APPENDIX E

Letter of Introduction (Ministry for Local Government, Nigeria)

MINISTRY FOR LOCAL GOVERNMENT AND CHIEFTAINCY AFFAIRS

OFFICE ADDRESS: Justice Muhammad Bello Road, P.M.B. 2037, Katsina, Katsina State, Nigeria.
Tel: 065-433386

All Correspondence to be addressed to the Hon. Commissioner

Our Ref: MLGCA/GEN/127/VOL.1/77 Date: 8th June, 2017

The Head of Local Government Administration
Danja Local Government
Katsina State

For the attention of the Treasurer

INTRODUCTORY LETTER

I am directed to introduced the bearer, Ma'aruf Mustapha a staff of the Department of Local Government and Development Studies, faculty of Administration, ABU Zaria pursuing his PHD at University Utara Malaysia (UUM). He is requesting for some vital information/data on financial transactions in your Local Government.

2. In light of the above, Iam further asked to request you to kindly assist as appropriate, please

IBRAHIM MUHAMMED DAKU
FOR: HON. COMMISSIONER

Home of Heritage and Hospitality

APPENDIX F

Table for Determining Sample Size for a Finite Population

N	*S*	*N*	*S*	*N*	*S*
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	1000000	384

Note.—*N* is population size. *S* is sample size.

Source: Krejcie & Morgan, 1970