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Determinants of Financial Reporting Quality in Public Sector Entities: Empirical Evidence from Debt Management Office of Nigeria

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ABSTRACT: This study investigated the determinants of financial reporting quality in public sector entities with particular reference to Debt Management Office of Nigeria. The research design adopted for this study was the ex post facto research design. Secondary data were taken from annual financial reports of Debt Management Office of Nigeria from 2003 to 2021.The study adopted censored sampling technique in selecting 19 samples for the study. Data extracted from the annual financial reports were analyzed with the aid of correlation and regression analyses using Statistical version 14. From the regression results, the variable of internal control disclosure [Coef. = 12.165(0.005)] has a significant positive effect on timeliness of annual reports of Debt Management office during the period under study. This result is in line with apriori expectation but inconsistent with the null hypothesis. The variable of management financial expertise [Coef. = 12.722(0.002)] has a significant positive effect of timeliness of annual reports of Debt Management Office of Nigeria during the period under study. This result conforms to apriori expectation but inconsistent with the null hypothesis, implying that an increase in the number of Directors with financial expertise will significantly increase timeliness of annual reports of Debt Management Office of Nigeria. The variable adoption of IPSAS [Coef. = 7.058 (0.604)] has an insignificant positive effect of timeliness of annual reports of Debt Management Office of Nigeria during the period under study. This result does not conform to apriori expectation though consistent with the null hypothesis. It implies that the adoption of IPSAS insignificantly increase timeliness of annual reports of Debt Management Office of Nigeria. Financial reporting quality is crucial in maintaining the efficiency of financial markets because market participants, such as investors, lenders, and regulators, rely on financial reporting information to make decisions. Hence, it was recommended that Debt Management Office of Nigeria should ensure periodical monitoring and evaluation of their internal control systems. The actual assessment can be executed by the organization's management in order to promote financial reporting quality among public entities in Nigeria.

KEYWORDS: Debt Management, Financial Reporting, Public Sector, Nigeria

INTRODUCTION

The preparation and presentation of financial statements of public sector entities in Nigeria have hitherto been rooted in the traditional cash basis of accounting, characterized by low level of accountability, transparency as well as high exposure to fraud and corruption in the accounting reporting system (Bastani, Abolhalaj & Ramezanian, 2012). However, the need to go from the traditional cash accounting system to the accrual-based system of accounting in the public sector entities has brought about an innovation in the areas of recognition of economic events, recording of all stocks of assets and liabilities in the statement of financial position, improved monitoring of current, long-term and contingent liabilities as well as consolidation of all entities under government control (Chan, 2016) Hence, in order to ensure and maintain people's trust in government, public funds ought to be managed in a transparent manner. Also, there is established proof that accrual based (IPSAS) promotes a clearer financial position among the public sector organizations globally (ACCA, 2017), through accountability, fraud and corruption which could be reduced to the barest minimum. This is due to the fact that IPSAS adoption has been able to contentiously assist governments to gain greater control of their revenues, expenditure, payables and receivables. Second, through IPSAS, the decision making is improved (Kariuki, Pinsker and Robin (2013), particularly in areas of (capital expenditure) such as purchase/construction of Property, Plant and Equipment, purchase/construction of investment, property purchase of intangible assets as well as acquisition of investments.

There are several studies that have been done on the determinants of quality of financial reports. Ball and Pflugrath (2012), stated that consistent and appropriate use of IPSAS standards provide high-quality for enhanced comparability and analysis. Chan (2016), provided a lot of credence to the increasing importance of international accounting standards particularly to developing countries once they borrow or rely on foreign aid and would be a useful tool not only to account for these resources but also to compare the use of them between reporting periods. Kariuki, Pinsker and Robin (2013), in their study titled, "Institutional investor's perception on quality of financial reporting in private sector for companies listed on NSE", stated that users of financial reports must understand the contexts in financial statements in order to use them effectively. They argued that entities must first recognize investors and other users of financial reports as customers. They emphasized that financial reports must be current, comprehensive, easy to understand and accurate. The study concluded that investors perceived the financial reports quality in terms of qualitative characteristics.

FINANCIAL REPORTING QUALITY

Financial reporting within the context of public sector is a process of collecting, classifying, summarizing, and reporting accounting information that relates to government activities so as to allow citizen participation and holding elected officials accountable which also provides the background for people to have informed judgment on government performance and accountability assessment (Bastani, et al., 2012. It's been contended that financial reporting is not only a final output; the quality of the process depends on each of its parts, including disclosure of the corporate's transaction, information about selection and application of accounting policies and knowledge of the judgment made (Champoux, 2016). The International Public Sector Accounting Standards (IPSAS) is the global accounting standard recommended for government accounting across the globe. It divides accounting in the public sector into two broad categories: cash basis and accrual basis of accounting.

Cash-based accounting report revenues and expenditures that have been received or paid, respectively, during a period (Champoux, 2016). According to Flynn, Moretti and Cavanagh, 2016; Hoque, 2018; Stefanescu & Turlea, 2011), accrual accounting is the best accounting method for holding governments accountable and transparent especially due to rising international debt. Australia and New Zealand were among the pioneers in the development of International Public Sector Accounting Standards (IPSASs) (Christensen, 2020; Guthrie, 2016; Pollanen & Loiselle-Lapointe, 2012). Financial reports should have certain characteristics in order to achieve quality reporting. Both IASB and IPSASB are in agreement that high quality is achieved by adhering to objective and the qualitative characteristics of financial information (IASB, 2008, 2010; IPSASB, 2014).

DETERMINANTS OF FINANCIAL REPORTING QUALITY

Organizational unambiguous features show a robust connotation with financial reporting quality (Isidro & Raonic, 2012). This argument was in line with other researchers who asserted that organizations have more control on specific characteristics than other factors that determines financial reporting quality (Huang, Rose-Green, & Lee, 2012; Soderstrom & Sun, 2017, Waweru & Riro, 2013).

TIMELINESS:

Timeliness means making the financial information accessible to the users of financial information and other relevant decision-makers in a timely fashion so as to permit these users make useful and timely business decisions, (IASB, 2010). Generally, newer financial information is more useful for business decision making purposes than the older information. Yurisandi and Puspitasari (2015), found that timeliness of financial reports diminished insignificantly after IFRS adoption. Majorly attributable to this reduction was the increased mandatory disclosure in IFRS since firms may need longer time to prepare the financial reports. There is a general consensus with the extent accounting literature that timeliness of financial reporting is measured as the number of days it takes the auditor to sign the audited financial reports after the close of the accounting year by the firm.

Of specific significance is the timely reporting of accounting information (mostly financial) in developing markets since financial reporting is comparatively rare and requires longer time lag (Errunza & Losq, 1985). Timely reporting improves decision-making and decreases information lopsidedness. Therefore, studies on the domain of determinants of timely reporting could be of immense help to regulators in developing capital markets to articulate better policies and so as to improve financial reporting practices.

For the short-term signal effects of timeliness, Givoly and Palmon (2018), and Leventis, Weetman and Caramanis (2014), suggested that the price reaction to the disclosure of early earnings announcements is significantly more pronounced than the reaction to late announcements suggesting a decrease in the information content as the reporting lag increases. High degree of market reaction towards earnings announcements is indicated by the high degree of cumulative abnormal returns around the announcements date, meaning that there is high information content of the earnings announcements: Hence, companies that releases their annual reports earlier have higher information content than those that release annual reports later (Givolvy & Palmon, 2018; Chambers & Penmann, 2017).

INTERNAL CONTROL

According to AICPA (1970), internal control is a plan and other coordinated means and ways by an organization to keep safe its assets, check secrecy and dependability of data to escalate its efficiency and to safeguard management operationally. Chabugwen and Kwasira (2014), defined internal control as an executive process of board of directors, management and employees to achieve purposes in efficiency and effectiveness of operations, reliability of financial accountability and observing laws and regulations of

the government. Gupta (2010), internal control is a financial and operation management of the enterprise aimed at achieving profit from its performance.
COSO (2013), internal control is defined by Environment, Risk assessment, Information, and communication. Supervision and this definition are supported by IAI (2012) that states that financial statements are a structured representation of financial position of an entity. Internal control is a framework of arrangements and systems that give protection to a unit's assets and other different assets usable by the association, precise and dependable financial reporting confirmation, principles or laws and controls consistence advancement, and accomplishment of productive and successful tasks (Dzomira, 2014).

Adoption Of International Publication Sector Accounting Standards (IPSAS)
The development of IPSAS has its origin in the accounting profession as a way to improve the transparency and accountability of governments and their agencies by improving and standardizing financial reporting (Delloitte & Touches, 2013; Ijeoma & Oghoghomeh, 2014).
Over the years, countries have defined and set the standards of financial reporting in their individual territories. However, globalization has brought about ever-increasing collaboration, international trade and commerce among the countries hence, there is grave need for increased consistency in the standards controlling financial statements in order to ensure that financial statements would continue to be understandable and convey the similar information to users globally. The necessity for the expansion of united accounting standards has been the principal driving force for IPSAS for public sector financial reporting (Heald, 2013). IPSAS denotes the suggestions made by the IPSASB under the sponsorships of the IFAC (Delloitte &Touches, 2013; IPSASB, 2008).
The IPSASB issues IPSASs dealing with financial reporting under the cash basis and the accrual basis of accounting (Kanellos et. al, 2013). The fundamental function of the IPSASB is to guarantee that published financial statements are homogeneous in subject matter and in design and convey exactly what they intend to communicate leading to better informed appraisals of the resource allocation decisions made by governments, thereby increasing transparency and accountability (Stephen, Mercy & Wynne, 2012). According to the International Federation of Accountants, IFAC (2012), IPSAS are high quality financial reporting standards applicable in the public sector reporting that enhances public interest in the presentation and disclosure of financial transactions that improves the answerability and administration of scarce and limited public resources.
IPSAS was born out of the far-reaching effects of global financial crisis where many governments' accountability and transparency in the reporting of assets and liabilities were put under question. Therefore, IPSAS was adopted in order to help improve on the processes and to avoid future crises. Bergmann (2011), argued that the 2008 financial crisis was an eye opener from the fact that financial reporting systems of many governments were incapable of expecting the challenges in good times which reduced the level of accountability in the public sector. Therefore, IPSAS was considered the best solution because of its comprehensive reporting framework that regulates the recognition, measurement, presentation, and disclosure requirements in the financial statements (Ernst & Young, 2014).

INSTITUTIONAL THEORY
Institutional theory was formulated by John Meyer and Brian Rowan in 1977. The theory argues that formal organizational structures reflected not only technical demands and resource dependencies, but also shaped by institutional force (Palthe, 2014). The core idea is that organizational structures and practices are either reflections or responses to rules, beliefs and conventions built into the wider environment. Standardized items, administrations, procedures, approaches, and programs work as capable myths and numerous associations embrace them ritualistically but conformity to institutionalized rules often conflicts sharply with efficiency (Meyer & Rowan, 1977). Institutional theory has been used in the prior research to explain the adoption of IPSAS in some countries (Adhikari & Mellemvik, 2010; Christiaens, Vanhee, Manes-Rossi, Aversano, & Van Cauwenberge, 2015; Nagalinagm, Mangala, & Kumudinie, 2015; Siverbo, Caker & Akesson, 2019). These studies assumed that pressure is exerted by external forces on the organizations to conform with a set of expectations to gain legitimacy so as to secure access to vital resources and long- term survival. Omoregie and Eromosele (2020), studied some factors that have effects on financial reporting quality in the Nigerian public sector using one hundred and fifty (150) copies of likert-scale questionnaire comprising fifteen questions (with three questions representing financial reporting quality and three questions representing each of the four explanatory variables) which were administered to civil servants, members of civil society organizations, legal practitioners, academics, and professional accountants in office of the auditor general of the federation. The estimation of the responses of ninety-five (95) useable retrieved questionnaire was done with the aid of ordinary least square regression techniques. The study findings revealed that internal control has a significant negative relationship with financial reporting quality; Public account committee effectiveness has a significant negative relationship with financial reporting quality; Stringent penalty for financial misconduct has an insignificant negative relationship with financial reporting quality; and Adoption of IPSAS has a significant positive relationship with financial reporting quality in Nigeria public sector.

Rakhman and Wijayana (2019) investigated the determinants of financial reporting quality in the public sector in Indonesia. They used the type of audit opinion as a proxy for reporting quality, with an unqualified opinion representing the best reporting quality while a disclaimer of opinion represents the worst quality. Using manually collected data from 3018 financial reports of local governments in Indonesia from 2008 to 2014, the study results found that a high proportion of capital expenditures in the total budget is associated with low financial reporting quality. Also, the study results revealed that larger and wealthier local governments are associated with higher financial reporting quality. Finally, the study results found that local governments under more experienced mayors have higher reporting quality.

Muraina and Dandago (2019) examined the effects of the implementation of the International Public Sector Accounting Standards (IPSAS) on Nigeria's financial reporting quality. The study employed a survey research design to determine the effects of the implementation of the IPSAS on Nigeria's financial reporting quality. Partial Least Square 3 (SmartPLS 3) technique of analysis was applied to achieve the research objective. The study results found that accountability positively and significantly affects the quality of financial reporting in Nigeria. Specifically, IPSAS has improved the level of accountability, which in turn improved Nigeria's financial reporting quality. IPSAS-Accrual has engendered the Nigerian Government to launch the Asset Tracking and Management Project (ATMProject) in order to easily track its assets for the purpose of accountability.

Nirwana and Imran (2018), tested the determinant factors of the quality of financial statements and performance of the government by adding contextual factors, such as personal factor, system/ administrative factor and political factor, that may affect the quality of financial statement information and performance of the government. Personal factors were proxies as the competencies that affect the quality of financial statements and performance. Social administrative factor was proxies as the regulations and presentation of quality financial statements. The analysis unit in this study was conducted at the organizational level. The research object was in South Sulawesi Province. The result showed that personal factors of competence affect financial statements' quality.

Olayinka, Okoye, Modebe, and Olaoye (2016), examined the impact of IPSAS adoption on the quality of financial reporting in the Nigerian public sector. 164 respondents selected from the account departments of all government ministries under the Lagos State public service were sampled for the study. The study used regression analysis method to investigate the impact of IPSAS adoption on the quality of financial reporting in the Nigerian public sector. The study adopted adjusted R2 as a primary metric for measuring the model specification. The regression result shows that IPSAS adoption has a significant positive impact on the quality of financial reporting in the Nigerian public sector.

Mhaka (2014), conducted a cost-benefit analysis of IPSAS adoption in Zimbabwe by a comparative study of the current cash accounting basis and the proposed IPSAS based accounting reporting. The study revealed the challenges inherent in cash-based accounting which will be resolved by the adoption of IPSAS-based standards. The author disclosed that the adoption of IPSAS would alter the basis for financial reporting from prevailing cash accounting to IPSAS-based cash accounting and accrual and finally to complete and total accrual based IPSAS.

This study is therefore set to fill the gap by examining the determinants of financial reporting quality in Nigerian public entities using secondary data from the annual report of Debt Management Office (DMO) from 2003 to 2021, with the following objectives; While the main objective of the study is to examine the determinants of financial reporting quality in the Debt Management Office of Nigeria, the specific objectives are as follows;

1. To determine the effect of internal control disclosure on timeliness of annual reports of Debt Management Office of Nigeria.
2. To explain the effect of management financial expertise on timeliness of annual reports of Debt Management Office of Nigeria.
3. To ascertain the effect of adoption of IPSAS on timeliness of annual reports of Debt Management Office of Nigeria.

Accordingly, the following research questions were formulated for the study;

1. What is the effect of internal control disclosure on timeliness of annual reports of Debt Management Office of Nigeria?
2. How does management financial expertise affect timeliness of annual reports of Debt Management Office of Nigeria?
3. To what extent does the adoption of IPSAS affect timeliness of annual reports of Debt Management Office of Nigeria?

Also, the following null hypotheses were tested.

$H0_1$: Internal control disclosure has no significant effect on timeliness of annual reports of Debt Management Office of Nigeria.

$H0_2$: Management of financial expertise has no significant effect on timeliness of annual reports of Debt Management Office of Nigeria.

$H0_3$: Adoption of IPSAS has no significant effect on timeliness of annual reports of Debt Management Office of Nigeria.

The ex-post facto research design was adopted for this study since the study intended to determine the cause-effect relationship between the independent and dependent variables with a view to establishing a causal effect of the determinants of financial reporting quality of public entity in Nigeria. The study considered the Debt Management Office (DMO) as its object of population. The reason for the selection was accessibility to the annual reports of the public entity for nineteen (19) years from 2003 to 2021. However, due to the nature of this study, the sample size nineteen (19) was the same as the population of the study nineteen (19).

Secondary data were used to derive useful information needed for the successful conduct of this research study. Secondary data collection is the gathering of information already researched and presented by other scholars or data obtained from other sources. The secondary data were acquired through related literatures, textbooks, management science journals, magazines, newspapers and others. Specifically, the study relied on the annual report of the Debt Management Office during a 19-year period (2003 to 2021).

This study employed analytical software of Stata version 14 and Microsoft excel for the analysis. The secondary data collected were analyzed using descriptive statistics, correlation, and regression analysis. The descriptive statistic was used to evaluate the characteristics of the data: mean maximum, minimum, and standard deviation and also check for normality of the data. Correlation analysis was employed to evaluate the association between the variables and to check for multicollinearity. Regression analysis technique was employed to find the cause effect relationship between the independent variables and the dependent variables. However, this method of analysis helps to establish the relationship between the independent variables and the dependent variable of interest and to identify the direction of the relationship. It reflects the level to which a set of variables is capable of predicting a specific outcome.

In this study, the model was specified to capture the determinants of financial reporting. The study adapted the model of Rahmatika (2016), which was modified for the purpose of establishing the relationship between the dependent variables and the linear combinations of several determining variables captured in the study. Succinctly, the econometric form of the model was expressed as:

$$\mathbf{FRQT_{it} = \beta_0 + \beta_1 INCO_{it} + \beta_2 EMED_{it} + \beta_3 IPSAS_{it} + \mu_{it}}$$

Where:

FRQT	=	Financial Reporting Quality
INCO	=	Internal Control
EMED	=	Employee Education
IPSAS	=	Adoption of IPSAS
β_0	=	Constant
β_1- β_4	=	Slope Coefficient
μ	=	Stochastic disturbance
i	=	Organization
t	=	time-period

DATA PRESENTATION, ANALYSIS AND DISCUSSION

This study investigated the determinants of financial reporting quality of Debt Management Office (DMO) from 2003-2021. In this study, internal control disclosure, management financial expertise, and IPSAS adoption were the explanatory variables of this study while financial reporting quality was measured in terms of annual report timeliness. This section of the study presents the pre-regression analysis which included the descriptive statistics, test for normality data, as well as multicollinearity statistics. The regression analysis as well as the test for hypotheses of the study is also discussed in this chapter.

DATA PRESENTATION

The data set for this study is presented in appendix A. However, in an attempt to achieve the objectives of this study, the study conducted a pool least square regression analysis then proceeded to check (diagnose) for inconsistencies with the basic assumptions of the pool OLS estimation technique as provided by Wooldridge (2012). Specifically, the study also performed some preliminary regression analysis that included descriptive statistics, correlation matrix and normality of data. However, the results are analysed as follows.

DESCRIPTIVE STATISTICS ANALYSIS

In this section, the study provided some basic information for both the explanatory and dependent variables of interest. Each variable was described based on the mean, standard deviation, maximum and minimum. Table 4.1 displays the descriptive statistics for the study.

Table 4.1: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Frqt	19	73.105	33.589	21	127
Icds	19	.684	.478	0	1

Mfxp	19	3.632	2.033	1	7
Ipsa	19	.316	.478	0	1

Sources: Author 2023

The results from the descriptive statistics as presented in table 4.1 indicate that the mean of the dependent variable of financial reporting quality (FRQT) as measured in terms of timeliness of annual report was 73.11 with a standard deviation of 33.589. The result indicates that, on average, during the period under study, it took the external auditor about 73 days to sign the audit report after the reporting date for Debt Management Office (DMO). In the case of the independent variable, the results shows that internal control disclosure (ICDS) had a mean of 0.68 with a standard deviation of 0.478 indicating that during the period under study debt management office disclose 68% of internal control information. Furthermore, it was found that management financial expertise (MFXP) had a made of 3.632 with a standard deviation of 2.033 indicating that on average about 4 of the management had accounting qualification or related during the period under study. Finally, the mean of IPSAS adoption was 0.316 and a standard deviation of 0.478. The result indicates that on average, about 32% of the financial reports were prepared in line with IPSAS guidelines during the period under study.

NORMALITY TEST

A plethora of normality tests can be found in the existing body of literature. The most frequently employed normality test procedures found in statistical software include the Shapiro-Wilk (SW) test, Kolmogorov-Smirnov (KS) test, Anderson-Darling (AD) test, and Lilliefors (LF) test. Certain tests within the scope of this study are subject to specific conditions or assumptions for their applicability. Additionally, it is worth noting that various tests assessing normality frequently yield disparate outcomes. Specifically, certain tests may lead to the rejection of the null hypothesis of normality, while others may fail to reject it. The presence of contradictory results in research studies can be misleading and potentially confusing for practitioners in the field. The present investigation utilized the Shapiro-Wilk test to assess the normality of the data.

The Shapiro-Wilk tests, initially developed by Shapiro and Wilk in 1965, were originally designed to be applicable to sample sizes that were smaller than 2000. The study conducted by Althouse et al. (2018), introduced a novel test that successfully identified deviations from normality caused by skewness, kurtosis, or both. The rationale behind employing the Shapiro-Wilk test to assess data normality is supported by the research conducted by Mendes and Pala (2013), because of its popularity, as well as Keskin (2016). These studies revealed that the Shapiro-Wilk test is the most effective method for evaluating normality. Particularly, when testing for normality, where the probabilities are greater than (>) 0.05, it indicates that the data are NORMAL. Conversely, where the probabilities are less than (<) 0.05, it indicates that the data are NOT NORMAL.

Table 4.2: Shapiro-Wilk Test for Data Normality

Variable	Obs	W	V	Z	Prob>z
frqt	19	0.958	0.967	-0.068	0.527
icds	19	0.932	1.550	0.881	0.189
mfxp	19	0.956	1.012	0.025	0.490
ipsa	19	0.931	1.584	0.924	0.178

Source: Author, 2023

Table 4.2 shows that the dependent variable of financial reporting quality as measured in terms of timeliness of annual report has a z-statistics from the Shapiro-Wilk test as -0.068 with a Probability of Z-statistics as 0.527. The result indicates that the dependent variable of financial reporting quality is normally distributed since the probability of the z-statistic as seen in table 4.2 is insignificant at 5% level. The same can be said of the independent variables of internal control disclosure with a z-statistics from the Shapiro-Wilk test as 0.881 with a Probability of Z-statistics as 0.189, management financial expertise with a z-statistics from the Shapiro-Wilk test as 0.025 with a Probability of Z-statistics as 0.490, and IPSAS adoption with a z-statistics from the Shapiro-Wilk test as 0.934 with a Probability of Z-statistics as 0.178 since their probabilities of the z-statistic as seen in table 4.2 are insignificant at 5% level. Hence, the study proceeds with parametric regression in line with the recommendation of Guajarati, (2004).

DATA ANALYSES

In order to achieve the objectives of the study, the pool ordinary least square (OLS) regression is conducted before proceeding to check for inconsistencies with the basic assumptions of the OLS regression. Succinctly, these diagnostics tests include test for multicollinearity as well as test for heteroscedasticity. However, the study first tests for the association between the independent variables and the dependent variables employed in the study using the Spearman Rank correlation.

CORRELATION ANALYSIS

In the field of statistics, it is well-established that the correlation coefficient, a measure of the strength and direction of the linear relationship between two variables, is bound by the values of +1 and -1. When the correlation coefficient approaches ± 1, it indicates a high degree of association between the two variables, suggesting a strong linear relationship. As the magnitude of the correlation coefficient approaches zero, it indicates a diminishing strength in the association between the two variables. In the field of statistics, it is customary to assess the strength and direction of relationships between variables through correlation analysis. This analytical technique encompasses three commonly employed correlation measures: Pearson correlation coefficient, Kendall rank correlation coefficient, and Spearman correlation coefficient. The Pearson correlation coefficient is a commonly employed statistical measure utilized to assess the strength and direction of the linear association between variables.

The Kendall rank correlation is a statistical test employed to assess the degree of association between two variables, without making any assumptions about the underlying distribution of the data. This non-parametric method quantifies the strength of dependence between the variables under investigation. The Spearman rank correlation test is a statistical method that does not make any assumptions about the distribution of the data. It is particularly suitable for conducting correlation analyses when the variables under investigation are measured on a scale that is at least ordinal. In this study, the Spearman rank correlation was employed since the observations are less than 2000. The result obtain from the Spearman correlation is presented in table 4.3

Table 4.3: Correlation Analysis

Variables	(1)	(2)	(3)	(4)
(1) frqt	1.000			
(2) icds	0.496	1.000		
(3) mfxp	0.926	0.418	1.000	
(4) ipsa	0.806	0.218	0.816	1.000
Spearman rho =	0.816			

Source: Authors 2023

In the case of the correlation between the independent and dependent variables under study, the result from table 4.3 shows that internal control disclosure (0.496) has a positive association with the dependent variable of financial reporting quality during the period under study. Furthermore, we find that management financial expertise (0.926) also has a positive association with the dependent variable of financial reporting quality during the period under study. Finally, we find that IPSAS adoption (0.806) has a positive association with the dependent variable of financial reporting quality during the period under study. However, to test the hypotheses a regression results will be needed since correlation test does not capture cause-effect relationship.

Regression analyses

Specifically, to examine the cause-effect relationships between the dependent variables and independent variables as well as to test the formulated hypotheses, the study used the pool OLS regression, and the result is presented below:

Table 4.4: Regression result
Linear regression

Frqt	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
Icds	12.165	5.118	3.71	.005	-3.007	27.337	**
Mfxp	12.722	3.312	3.84	.002	5.663	19.781	**
Ipsa	7.058	13.313	0.53	.604	-21.318	35.435	
Constant	16.352	8.292	1.97	.067	-1.322	34.026	

Mean dependent var	73.105	SD dependent var	33.589
R-squared	0.879	Number of obs	19
F-test	36.210	Prob > F	0.000
Akaike crit. (AIC)	154.356	Bayesian crit. (BIC)	158.134
VIF	3.55		
Hettest	0.02 {0.8834}		

*** p<.01, ** p<.05

The table above represents the results obtained from the regression estimation of the model. The result indicates that the pool OLS regression had an R-squared value of 0.879. This implies that the independent variables of the study could explain about 88% of the systematic change in the dependent variable of financial reporting quality during the period under study. However, the unexplained part of financial reporting quality has been captured by the error term. The result of the F-statistics (32.210) of the pool OLS regression with the associated p-value of 0.0000 indicates that the pool OLS regression on the overall are statistically fit at 1% level of significance and can be employed for statistical inferences. However, to further validate the estimates of the pool OLS results, this study also tested multicollinearity and heteroscedasticity.

TEST FOR MULTICOLLINEARITY

Multicollinearity can mainly be detected with the help of tolerance and its reciprocal, called variance inflation factor (VIF). The results obtained from the mean VIF reveal a value of 3.55 indicating that the mean VIF is within the benchmark of 10 and in line with the position of (Gujurati, 2014). This implies that the absence of multicollinearity and further shows that none of the independent variables should be dropped from the models respectively.

TEST FOR HETEROSCEDASTICITY

The test of the assumption of homoscedasticity of the pool OLS is conducted using the Breusch Pagan module in Stata 14. In particular, the assumption of homoscedasticity states that if the errors are heteroscedastic then it will be difficult to trust the standard errors of the least square estimates. Hence, the confidence intervals will be either too narrow or too wide. The result shows a chi2 value of 0.20 with a p-value of 0.8834. The result shows an insignificant p-values for the model indicating that the assumption of homoscedasticity of the pool OLS regression results have not been violated. Hence, the results of the OLS regression presented in table 4.4 can be relied upon to test the hypotheses of this study.

TEST OF HYPOTHESES

Hypothesis 1: Internal control disclosure has no significant effect on timeliness of annual reports of Debt Management Office of Nigeria.

The results obtained from the pool OLS regression model presented in table 4.4 revealed that internal control disclosure [coef. = 12.165 (0.005)] has a significant positive effect on timeliness of annual reports of Debt Management Office of Nigeria during the period under study. The result implies that an increase in internal control disclosure will significantly increase the timeliness of annual reports of DMO in Nigeria during the period under study. Thus, the null hypothesis that internal control disclosure has no significant effect on timeliness of annual reports of Debt Management Office of Nigeria is rejected.

Hypothesis 2: Management financial expertise has no significant effect on timeliness of annual reports of Debt Management Office of Nigeria.

The results obtained from the pool OLS regression model presented in table 4.4 revealed that management financial expertise [coef. = 12.722 (0.002)] has a significant positive effect on timeliness of annual reports of Debt Management Office of Nigeria during the period under study. The result implies that an increase in the number of directors with financial expertise will significantly increase the timeliness of annual reports of DMO in Nigeria during the period under study. Thus, the null hypothesis that management financial expertise has no significant effect on the timeliness of annual reports of Debt Management Office of Nigeria is rejected.

Hypothesis 3: Adoption of IPSAS has no significant effect on timeliness of annual reports of Debt Management Office of Nigeria.

The results obtained from the pool OLS regression model presented in table 4.4 revealed that Adoption of IPSAS [coef. = 7.058 (0.604)] has an insignificant positive effect on timeliness of annual reports of Debt Management Office of Nigeria during the period under study. The result implies that the adoption of IPSAS insignificantly increase the timeliness of annual reports of DMO in Nigeria during the period under study. Thus, the null hypothesis that adoption of IPSAS has no significant effect on timeliness of annual reports of Debt Management Office of Nigeria is accepted.

DISCUSSION OF FINDINGS

In this study, it was found that internal control disclosure has a significant positive effect on timeliness of annual reports of Debt Management Office of Nigeria during the period under study. The result implies that an increase in internal control disclosure will significantly increase timeliness of annual reports of DMO in Nigeria during the period under study. Effective internal control over financial reporting gives sensible affirmation with respect to the unwavering quality of financial reporting and plan of financial explanations for external purposes. This activity gives sensible confirmation, both to management and investors, about the financial status of the public entity.

Sovereign governments additionally distribute their financial statements, and these have far reaching-suggestions. The financial statements of sovereign governments affect their universal quality and are very significant in the present set of global business. Hence, there is consistency with the studies of Permatasari and Yulianto, (2020), who noted that poor internal control is viewed as the essential motivation behind why extortion happens. Internal control and financial reporting have gotten expanded consideration particularly since the Tread Way Commission (1987), distinguished the tone set by senior management as the most critical factor adding to the honesty of financial reporting procedure (Mirza, Malek & Abdul-Hamid, 2019; Safkaur, Afia, Poulus & Dahlan, 2019; Dewi & Suryanawa, 2014).

Furthermore, the study found that management financial expertise has a significant positive effect on timeliness of annual reports of Debt Management Office of Nigeria during the period under study. The result implies that an increase in the number of directors with financial expertise will significantly increase timeliness of annual reports of DMO in Nigeria during the period under study. Although managers tend to possess superior technical knowledge, analytical skills, and the habit of precise communication, they often know little about the competitive environment and customers' tastes (Wennberg, Wiklund, Hellerstedt & Nordqvist, 2011). The decision to join corporate ranks can be driven by reasons that have little to do with the merits of the new job, such as the desire to mimic the decisions of more successful colleagues (Stuart & Ding 2016).

Finally, it was found that adoption of IPSAS has an insignificant positive effect on timeliness of annual reports of Debt Management Office of Nigeria during the period under study. The result implies that the adoption of IPSAS insignificantly increase timeliness of annual reports of DMO in Nigeria during the period under study. The public sector committee of International Federation of Accountants (IFAC) developed IPSAS to guide government entities in the preparation of high-quality financial reports. IFAC encouraged public sector entities to adopt an accrual basis of accounting for their general-purpose financial statement so as to ensure uniformity and comparability of financial reporting across countries (Udeh & Sopekan, 2015). Ijeoma and Oghoghomeh (2014), asserted that IPSAS adoption must be value relevant to users of public sector financial statement such as international agencies, taxpayers, members of parliaments, creditors, suppliers, public sector employees and financial analyst. The essence of preparing financial statements in line with IPSAS is that public entities must present financial position and financial performance in such manner that users of those financial statements could make relevant and timely value relevant decisions.

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

Summary of findings

This study investigated the determinants of financial reporting quality of Debt Management Office (DMO) from 2003-2021. In this study, internal control disclosure, management financial expertise, and IPSAS adoption were the explanatory variables of this study while financial reporting quality was measured in terms of annual report timeliness. To achieve the objectives of the study, the pool least square regression estimation was conducted before proceeding to check for inconsistencies with the basic assumptions of the OLS regression. Succinctly, these diagnostics tests included test for multicollinearity as well as test for heteroscedasticity. The study also performed preliminary pre-regression analysis such as descriptive statistics, correlation matrix and normality test. The results of the empirical findings with respect to each specific objective of the study are as follows.

1. Internal control disclosure [coef. = 12.165 (0.005)] has a significant positive effect on timeliness of annual reports of Debt Management Office of Nigeria during the period under study.
2. Management financial expertise [coef. = 12.722 (0.002)] has a significant positive effect on timeliness of annual reports of Debt Management Office of Nigeria during the period under study.
3. Adoption of IPSAS [coef. = 7.058 (0.604)] has an insignificant positive effect on timeliness of annual reports of Debt Management Office of Nigeria during the period under study.

CONCLUSION

In conclusion, financial reporting quality is crucial in maintaining the efficiency of financial markets because market participants, such as investors, lenders, and regulators, rely on financial reporting information to make decisions. Financial reporting thus, requires the arrangement of accounting related information by the administration to address the issues of different users such as government, regulators, suppliers, customers, management, and investors (both potential and existing investors). Accurate and qualified financial reports are considered an effective tool for conducting financial analysis, feasibility analysis and interpretation. Financial reporting quality can be defined as the precision with which financial reporting conveys information about the firm's operations, its expected cash flows, to inform equity investors. Providing high quality financial reporting information is important because it will positively influence capital providers and other stakeholders in making investment, credit, and similar resource allocation decisions.

Several governments across the globe have taken vital decisions to enhance the management of their public finances in response to the global financial crisis that erupted in the last decade. Various financial management reforms are therefore being implemented in public sector entities globally with a view to improving accountability, transparency and minimization of financial waste through the adoption of accrual-based International Public Sector Accounting Standards (IPSAS) as recommended by the International Federation of Accountants (IFAC). Hence, this study investigated the determinants of financial reporting quality of Debt Management Office of Nigeria from 2003 to 2021.

RECOMMENDATIONS

(1) This study has sufficiently established different positions on the determinants of financial reporting quality. Based on the findings of this study, it was carefully recommended that government (DMO) of Nigeria should ensure that the internal control system is periodically monitored and evaluated. The actual assessment can be executed by the organization's management in order to promote financial reporting quality among public entities in Nigeria.

(2) Still, and based on the findings of the study, DMO of Nigeria should safeguard that more Directors with financial expertise are employed and retained so as to increase the quality of financial reporting of DMO of Nigeria. Staff development, annual promotion exercises to the ranks of Directors coupled with financial expertise training should be prioritized by DMO of Nigeria.

(3) Last but not the least, and based on the findings of this study, DMO of Nigeria should less prioritize the adoption of IPSAS especially if such policies are meant to increase the quality of financial reporting of DMO of Nigeria.

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