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# Implementation of International Public Sector Accounting Standards on the Quality of Financial Reporting

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**KEYWORDS:** IPSAS Adoption, Transparency of Financial Reporting, Accountability of Financial Reporting

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**ABSTRACT**

The implementation of International Public Sector Accounting Standards (IPSAS) has garnered significant attention in recent years due to its potential to enhance the quality of financial reporting within public sector organizations. As governments worldwide strive for greater transparency, accountability, and efficient use of public resources, the adoption of IPSAS has emerged as a pivotal step in achieving these objectives. Despite ongoing efforts to facilitate IPSAS adoption in Ghana, limited research exists on how the implementation of these standards has directly influenced the quality of financial reporting within specific ministries. This study aims to fill this gap by investigating the impact of IPSAS implementation on the quality of financial reporting in selected ministries in Ghana. This study adopts a quantitative research approach, as it is best suited for evaluating the causal relationships between IPSAS adoption and improvements in financial reporting quality. This study follows a positivist research philosophy, which is based on the principle that reality is objective and can be observed and measured through empirical means. In the context of this study, purposive sampling was utilized to select a sample size of 366. The study examined the effect of International Public Sector Accounting Standards (IPSAS) on transparency and accountability in financial reporting. The findings indicate a significant and positive relationship between IPSAS adoption and both transparency and accountability in financial reporting. Based on the findings, the study recommends that governments should ensure complete compliance with IPSAS to maximize its benefits on financial transparency and accountability, public sector financial officers should undergo continuous training on IPSAS implementation and reporting standards and finally, government agencies should enhance audit and enforcement mechanisms to monitor IPSAS compliance.

## 1. BACKGROUND OF THE STUDY

The implementation of International Public Sector Accounting Standards (IPSAS) has garnered significant attention in recent years due to its potential to enhance the quality of financial reporting within public sector organizations. As governments worldwide strive for greater transparency, accountability, and efficient use of public resources, the adoption of IPSAS has emerged as a pivotal step in achieving these objectives (Guthrie et al., 2020). IPSAS provides a comprehensive set of accounting standards specifically tailored for the public sector, aligning it with internationally accepted financial reporting principles. This study examines the implementation of IPSAS within selected ministries and its impact on the quality of financial reporting, focusing on Ghana, a country that has embarked on reforms to strengthen public financial management (Nyah- Okpu & Emenyonu, 2021). The public sector in many countries has faced criticisms for inefficiencies, lack of transparency, and poor financial management practices, which can hinder economic development (Mahmoud & Khaled, 2022). In response, the adoption of IPSAS seeks to address these challenges by promoting uniformity and comparability in financial reporting across ministries, departments, and agencies. In developing countries, the quality of financial reporting in the public sector has traditionally lagged behind the private sector, primarily due to outdated accounting frameworks that are not suited for the public sector's unique characteristics. IPSAS adoption, which advocates for accrual-based accounting, introduces improvements in financial decision-making and resource allocation by providing more accurate and comprehensive financial information (Chan, 2020).

The quality of financial reporting in the public sector has long been a matter of concern, particularly in developing countries where outdated and inefficient accounting practices have resulted in poor fiscal management and a lack of transparency. The International Public Sector Accounting Standards (IPSAS) were introduced to address these issues by providing a set of internationally accepted standards tailored specifically to public sector financial reporting. Despite the recognized benefits of IPSAS, its implementation has faced numerous challenges, especially in Sub-Saharan Africa. In Ghana, for instance, the transition from cash-based to accrual-based accounting through IPSAS has been marked by slow adoption, capacity issues, and insufficient infrastructure within various government ministries (Ali et al., 2022). These challenges raise questions about whether the adoption of IPSAS has had the desired impact on improving the quality of financial reporting in the public sector.

The significance of financial reporting quality cannot be overstated, as it plays a crucial role in enhancing transparency, accountability, and decision-making within public sector organizations. With the introduction of IPSAS, it is expected that ministries will be better equipped to provide comprehensive, accurate, and timely financial information. However, the current state of financial reporting in Ghana's public sector suggests that there may be gaps in realizing these benefits. Studies have shown that many ministries continue to struggle with issues such as inadequate disclosure of assets, untimely financial reporting, and inconsistencies in financial statement preparation (Agyemang & Frimpong, 2023). As a result, stakeholders, including government agencies, international donors, and the general public, may be deprived of reliable information necessary for effective governance and resource allocation.

Despite ongoing efforts to facilitate IPSAS adoption in Ghana, limited research exists on how the implementation of these standards has directly influenced the quality of financial reporting within specific ministries. Understanding the extent to which IPSAS has improved or failed to improve financial reporting quality is essential for guiding future public financial management reforms. Moreover, investigating the challenges and opportunities associated with IPSAS adoption can offer valuable insights for policymakers and practitioners, particularly in developing countries where public financial management systems are still evolving (Mokhtar & Nabhan, 2020). This study aims to fill this gap by investigating the effect of IPSAS implementation on the quality of financial reporting in selected ministries in Ghana.

## 2. LITERATURE REVIEW

### 2.1 The Concept of International Public Sector Accounting Standards

Accounting practices in both government and corporate sectors aim to standardize and minimize disparities in financial reporting across nations. The push for enhanced international accounting harmonization is driven by the need for financial transparency, which supports sound decision- making, intergenerational equity, and improved efficiency in public spending (Vasicek & Roje, 2019). Consequently, harmonizing accounting standards enhances the comparability of financial information across countries (Shehu & Adamu, 2019; Tanjeh, 2016). International Public Sector Accounting Standards (IPSASs) are currently employed globally to enhance public sector accounting (Vasicek & Roje, 2019). The International Public Sector Accounting Standards Board (IPSASB) promotes improved public financial management and understanding of IPSAS by raising awareness of its benefits, improving public sector financial reporting quality and transparency, and developing new publications for the sector (Mutiso et al., 2017).

For government organizations, IPSAS serves as a standard for financial reporting. These standards, developed by IPSASB, are the public sector's equivalent of International Financial Reporting Standards (IFRS), which are specific to private sector entities (Vasicek & Roje, 2019). IPSAS addresses financial reporting issues that IFRS does not cover. In January 2016, IPSASB issued 39 IPSAS, of which 38 significantly emphasized the accrual method for financial reporting, as the cash basis was deemed insufficient for meeting the needs of financial report users. The IPSASB (2015) stated that these standards apply to public sector entities and aid in preparing financial statements. The aim of IPSAS is to assist public officials in making informed decisions to ensure responsible and transparent governance (IPSASB, 2015). IPSAS comprises a set of largely accrual- based accounting standards that provide a common framework for preparing annual financial statements in the public sector. These standards are developed, refined, and issued by the IPSAS Group, a global standard-setting body that includes representatives from government ministries, audit courts, public practitioners, and academics (Mhaka, 2014). Additionally, public participation in the standard development process is encouraged through feedback on exposure drafts. Although IPSAS is issued by IPSASB, an independent arm of the International Federation of Accountants (IFAC), governments and international organizations are not obligated to adopt them (Mutiso et al., 2017).

### 2.1.2 International Public Sector Accounting Standards (IPSAS)

Before the introduction of IPSAS, there was no standardized framework specifically designed to guide financial reporting on public funds in educational institutions for stakeholders (Izueke et al., 2020). Current accounting practices in both private and public institutions aim to harmonize international transactions and reduce discrepancies in reporting across countries. This global harmonization of accounting is driven by the need for financial transparency, which enhances decision-making and efficiency in managing public expenditures (Schmidthuber et al., 2022). Consequently, the alignment of accounting standards facilitates greater comparability of financial information across public sector institutions (Mattei et al., 2020). Today, this harmonization is achieved through the implementation of IPSAS (Salia & Atuilik, 2018). IPSAS are predominantly accrual-based standards that provide a uniform approach to preparing annual financial statements in the public sector (Schmidthuber et al., 2022). These standards were developed to address gaps not covered by the existing International Financial Reporting Standards (IFRS) (Schmidthuber et al., 2022; Ademola et al., 2017).

### 2.1.3 IPSAS Implementation and Financial Management Quality

Management improvement refers to the changes institutions make to enhance their ability to meet objectives. Examples of such improvements include effectively communicating financial information to stakeholders, influencing stakeholder engagement, ensuring transparency in financial matters, implementing internal controls to mitigate risks or enhance consistency, and improving decision-making quality. Several studies have explored the connection between the adoption of IPSAS and management practices to determine if IPSAS implementation can enhance institutional management (Tawiah, 2022; Tawiah, 2021; Krishnan, 2021; Schmidthuber et al., 2020; Atuilik & Salia, 2019; Olaoye & Talabi, 2018; Opanyi, 2016).

For instance, Tawiah (2022) examined how IPSAS implementation affects governance quality using data from both developed and developing countries. He found that IPSAS has a direct and significant impact on governance quality, promoting accountability and transparency in institutional governance, although this positive effect was primarily observed in developing countries. In a related study, Schmidthuber et al. (2020) reviewed existing literature on IPSAS and argued that its implementation is likely to enhance transparency and comparability in public financial activities, thereby strengthening institutional governance. Opanyi (2016) analyzed the effects of IPSAS on the usefulness of financial report decisions. Utilizing a descriptive survey design focused on 19 ministries in Kenya, Opanyi concluded that high-quality financial information plays a crucial role in holding management accountable to stakeholders and in fulfilling financial management responsibilities. This finding indicates that IPSAS contributes significantly to improvements in public sector management, aligning with global trends that demand financial accountability and transparency within public institutions.

Atuilik and Salia (2019) studied the impact of IPSAS implementation on transparency and accountability in public fund management. They discovered that inadequate disclosure of public expenditures hinders organizations' ability to maintain transparency and accountability. Thus, the implementation of IPSAS has emerged as a prevalent mechanism for enhancing financial management in public sector institutions. According to Krishnan (2021), IPSAS enhances public management decision-making by facilitating better planning and resource management. This underscores that accrual-accounting information effectively meets the informational needs of businesses and investors (Gomes et al., 2015). The global financial crisis has highlighted the importance of harmonizing public sector reporting to provide timely and reliable information to alert practitioners to potential financial issues (Cohen & Karatzimas, 2015).

Previous studies have examined the adoption of IPSAS in the public sector and identified opportunities for earnings management that it presents (Tawiah, 2021). This suggests that IPSAS implementation may allow for revenue manipulation within institutions. Olaoye and Talabi (2018) explored the impact of IPSAS on financial reporting in Nigeria's public sector, finding no significant relationship between IPSAS application and improved management, indicating that IPSAS has not enhanced management in Nigeria. It is essential to note that the impact of IPSAS on management may not be straightforward, as it could either improve or diminish management quality. This study, therefore, posits that a direct relationship exists between IPSAS implementation and management quality in colleges of education in Ghana.

### 2.1.4 IPSAS Implementation and Revenue Management

The International Public Sector Accounting Standards Board (IPSASB) has recently released its Work Plan for 2019-2023, themed "Delivering Global Standards." The IPSASB aims to enhance Public Financial Management (PFM) globally by promoting the use of accrual-based IPSAS. Revenue management is a strategic approach that helps optimize an organization's inventories and maximize income. However, only a limited number of studies have explored the link between IPSAS implementation and revenue management (Atuilik & Salia, 2019; Odimmega & Okolocha, 2019; Olaoye & Talabi, 2018; Ahamd, 2013; Trang, 2012). For instance, Atuilik and Salia (2019) studied the impact of IPSAS application on transparency and accountability in the management of public funds in Liberia. They distributed questionnaires to auditors and accountants within government departments and public sector organizations, finding that IPSAS implementation enhances transparency and accountability in the use of government resources. Odimmega and Okolocha (2019) assessed IPSAS implementation in financial reporting among tertiary institutions in Nigeria, using a sample of 272 account officers and a structured questionnaire for data collection. Their study revealed no significant differences in how IPSAS was implemented for reporting assets and liabilities within these institutions.

Olaoye and Olaniyan (2018) examined the effects of IPSAS implementation on financial management in Nigeria's public sector through a descriptive survey design and closed-ended questionnaires. Their analysis, utilizing simple regression and mean ranking, indicated a significant influence of IPSAS implementation on financial management practices in the Nigerian public sector. Ahamd (2013) argued that IPSAS implementation fosters international investment, thereby facilitating foreign direct investment inflows. Similarly, Trang (2012) highlighted a positive relationship between IPSAS and the comparability of financial reporting internationally, suggesting that IPSAS encourages foreign investment in a country. Conversely, some research has not identified positive impacts of IPSAS on revenue management. For example, Olaoye and Talabi (2018) investigated IPSAS use in Nigeria's public sector and its economic implications, employing a descriptive research survey. They concluded there was no correlation between IPSAS application and financial reporting or economic benefits, indicating no evidence that IPSAS has enhanced revenue generation or attracted foreign direct investment in Nigeria. Agasisti et al. (2015) studied the effects of full accrual accounting in Italian public universities and found that IPSAS does not offer specific procedures to assist universities in addressing recognition and valuation issues typical in the public sector. Similarly, Schmidthuber et al. (2020) agreed that IPSAS implementation does not lead to improvements in revenue generation. Despite the limited research on the relationship between IPSAS implementation and revenue management, no studies have been conducted in Ghana, particularly within the context of colleges of education. The findings from the existing studies present inconsistent results.

### 2.2 Agency Theory

Agency Theory, originally developed by Jensen and Meckling (1976), is crucial to understanding the role of IPSAS in improving financial reporting quality. This theory suggests that public sector managers (agents) are accountable to the government and the public (principals). As principals cannot directly monitor the agents' actions, there is an inherent risk of information asymmetry and opportunistic behavior. IPSAS serves as a mechanism to reduce information asymmetry by standardizing financial reporting, making it easier for principals to evaluate the performance of agents. It ensures that financial reports are transparent, comparable, and reliable, allowing stakeholders to monitor whether public sector resources are being used efficiently and effectively (Pina et al., 2019). By fostering standardized reporting practices, IPSAS minimizes the agency problem, thus improving the quality of financial information provided by public sector entities. Adopting IPSAS also contributes to financial accountability, a critical element of the agency relationship. According to Ekeatte et al. (2019), the implementation of IPSAS strengthens the accountability of public managers by ensuring that they adhere to globally recognized accounting standards, thereby providing principals with more reliable information on how public resources are managed. This is particularly relevant in contexts where governments face scrutiny over the management of public funds, as IPSAS-compliant reports can improve trust between agents and principals.

#### 2.2.1 Institutional Theory

Institutional Theory provides a broader lens for understanding IPSAS implementation by focusing on how public sector entities conform to established norms and regulations to gain legitimacy. According to this theory, organizations, including public sector entities, adopt practices and procedures that align with external expectations to maintain their legitimacy within society (Meyer & Rowan, 1977). The adoption of IPSAS can be seen as an institutional response to the global call for improved transparency, accountability, and governance in the public sector. Governments that implement IPSAS demonstrate their commitment to aligning with international best practices in financial reporting, thus enhancing their legitimacy in the eyes of domestic and international stakeholders (Christiaens et al., 2017). Institutional pressures, both coercive and normative, play a significant role in IPSAS adoption. Coercive pressures arise from the demands of external bodies, such as international financial institutions and donor agencies, which often require countries to adopt IPSAS as a condition for funding or financial assistance. Normative pressures stem from the professionalization of accounting standards and practices, as public sector organizations seek to conform to the norms set by accounting bodies such as the International Public Sector Accounting Standards Board (IPSASB) (Ademola et al., 2020). These institutional pressures drive governments to adopt IPSAS, thereby improving the quality of financial reporting through standardized, comparable, and transparent accounting practices.

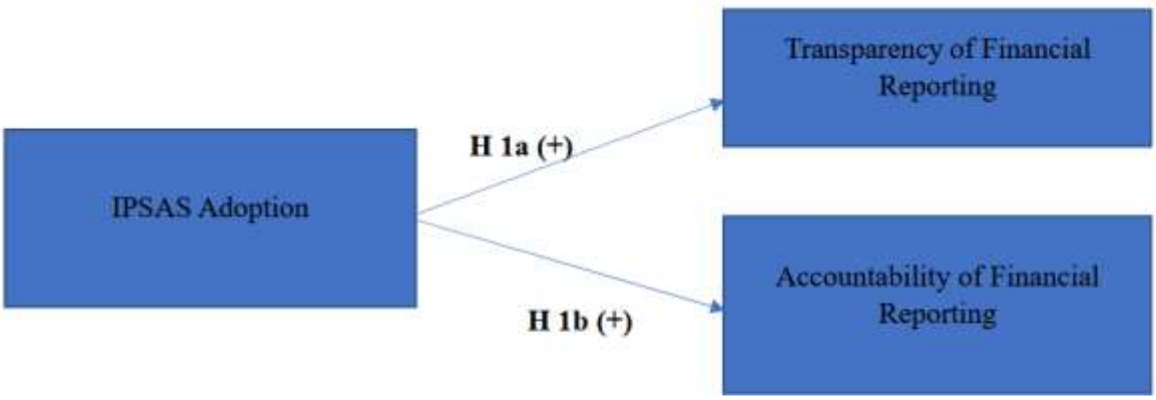


**Figure 1. Conceptual Framework**

### 2.3 Relationship between IPSAS Adoption and Transparency of Financial Reporting

The adoption of International Public Sector Accounting Standards (IPSAS) has a significant and positive influence on the transparency and accountability of financial reporting in public sector organizations. IPSAS establishes a globally recognized framework that enhances the quality of financial information by promoting standardized accounting practices across different jurisdictions. This ensures that public financial reporting is more transparent, comparable, and accountable to stakeholders, thereby improving governance and financial oversight in the public sector. Transparency in financial reporting refers to the clarity, openness, and accessibility of financial information to stakeholders. IPSAS enhances transparency by ensuring that public sector entities provide detailed and accurate financial reports that present a true and fair view of their financial position and performance. According to Pina et al. (2019), IPSAS-compliant reports are based on accrual accounting, which offers a more comprehensive representation of financial activities by recording transactions when they occur, rather than when cash changes hands. This approach provides stakeholders with a clearer picture of the public entity's financial obligations, assets, and liabilities, thereby improving the overall transparency of financial reporting.

Additionally, IPSAS promotes uniformity in financial reporting across different public sector entities, making it easier for stakeholders to compare financial performance across regions or sectors. The standardized format mandated by IPSAS ensures that financial reports are prepared using consistent accounting principles, reducing the risk of misinterpretation and enabling more informed decision-making. As Opanyi (2016) highlights, transparency in financial reporting is a crucial factor in building trust between the government and its stakeholders, as it allows for greater scrutiny of how public funds are being utilized. IPSAS adoption, by standardizing financial reporting practices, plays a vital role in fostering this trust. Based on the arguments presented, the study proposed that:

*H1a: The adoption of International Public Sector Accounting Standards (IPSAS) has a positive influence on the transparency of financial reporting in public sector organizations.*

#### 2.3.1 Relationship between IPSAS Adoption and Accountability of Financial Reporting

Accountability in financial reporting involves the obligation of public sector entities to provide accurate information on their financial operations and to justify their use of public resources to stakeholders. IPSAS adoption strengthens accountability by ensuring that public sector entities are required to prepare financial reports that comply with international standards, thereby reducing the risk of mismanagement and corruption. According to Ekeatte et al. (2019), IPSAS provides a robust framework for monitoring and evaluating the performance of public sector entities, ensuring that they are held accountable for their financial decisions. By adhering to IPSAS, public sector entities are obliged to disclose all material financial information, including liabilities, assets, and contingent obligations. This level of detail ensures that stakeholders, including citizens, auditors, and international organizations, have access to sufficient information to evaluate whether public resources have been managed responsibly. The implementation of IPSAS also facilitates external audits by providing a standardized reporting framework that auditors can use to assess the accuracy and reliability of financial statements (Christiaens et al., 2017). This strengthens accountability by ensuring that public sector entities are held responsible for their financial actions and decisions.

Furthermore, the enhanced accountability resulting from IPSAS adoption leads to improved governance and fiscal discipline in the public sector. When public sector entities are required to adhere to international standards for financial reporting, they are less likely to engage in practices that deviate from established norms, as they are subject to greater scrutiny from both internal and external stakeholders. This contributes to more effective management of public funds and reduces the likelihood of financial mismanagement or waste. Based on the arguments presented, the study proposed that:

*H1b: The adoption of International Public Sector Accounting Standards (IPSAS) has a positive influence on the accountability of financial reporting in public sector organizations.,*

## 3. METHODOLOGY

In the context of this study, the explanatory research design was employed to analyze how the implementation of International Public Sector Accounting Standards (IPSAS) affects the quality of financial reporting in selected ministries. This approach is essential for understanding the impact of IPSAS adoption on financial transparency, comparability, and accountability in the public sector (Christiaens et al., 2021). The explanatory research design is appropriate for this study because it allows for an in-depth examination of the causal link between IPSAS implementation and financial reporting quality. The study focuses on selected ministries that have adopted IPSAS in their financial reporting processes. The target population includes financial officers, auditors, accountants, and policy makers within these ministries. A stratified random sampling technique will be used to ensure representation from different levels of financial management, enhancing the generalizability of findings (Creswell & Creswell, 2018). Purposive sampling is particularly appropriate for this study as IPSAS implementation is a specialized area requiring insights from professionals with expertise in accounting, auditing, and financial regulation in the public sector (Cohen, Manes-Rossi, & Caperchione, 2021). By focusing on key stakeholders such as government accountants, auditors, policymakers, and financial managers, this study ensures that its findings reflect the practical realities of IPSAS adoption. The study employed purposive sampling technique to obtain a sample size of 366 respondents. By selecting a diverse and representative sample, this study aims to provide reliable findings that contribute to academic knowledge and practical policy recommendations. The study employed quantitative analytical techniques. Inferential statistics, such as regression analysis, were applied to assess the strength and significance of the relationship between IPSAS implementation and financial reporting quality (Hair et al., 2020).

## 4. ANALYSIS AND RESULTS

### 4.1 Reliability and Validity

Reliability and validity are crucial in ensuring the accuracy and credibility of research findings. Reliability refers to the consistency and stability of a measurement instrument over time, meaning that repeated application of the same instrument should yield similar results (Saunders, Lewis, & Thornhill, 2019). To assess reliability, the study employed Cronbach's alpha, a widely used measure of internal consistency, where a value above 0.7 is generally considered acceptable (Hair et al., 2020). On the other hand, validity determines whether an instrument measures what it is intended to measure (Creswell & Creswell, 2023). This study ensured validity through content validity, construct validity, and criterion validity. Content validity was established through expert reviews, ensuring that survey items adequately covered all aspects of the study variables (Sekaran & Bougie, 2020). Construct validity was tested using factor analysis, confirming that the items accurately represented the underlying constructs (Field, 2021). Furthermore, criterion validity was checked by comparing the study's measures with established scales used in previous research. Ensuring both reliability and validity enhances the robustness of the study findings, making them more generalizable and applicable in practice.

**Table 1: KMO and Bartlett's Test**

| | | |
|---|---|---|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .797 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 1207.956 |
| | df | 66 |
| | Sig. | .000 |

The Kaiser-Meyer-Olkin (KMO) test assesses the suitability of data for factor analysis by measuring the proportion of variance in the dataset that could be attributed to underlying factors. The obtained KMO value of 0.797 indicates a moderate to high level of sampling adequacy, as values above 0.70 are considered acceptable for factor analysis (Kaiser, 1974). This result suggests that the dataset is well-suited for exploratory factor analysis (EFA) and that the sample size is adequate for detecting meaningful factor structures. Bartlett's Test of Sphericity examines whether the correlation matrix of the dataset is significantly different from an identity matrix, which would indicate that the variables are interrelated and suitable for factor analysis. The test results show an approximate Chi-Square value of 1207.956 with 66 degrees of freedom (df = 66) and a significance level (Sig.) of 0.000. Since the p-value is less than 0.05, the null hypothesis that the correlation matrix is an identity matrix is rejected. This confirms that there are sufficient correlations among the variables to justify proceeding with factor analysis (Hair et al., 2020). The results of the KMO and Bartlett's Test indicate that the data is appropriate for factor analysis. The KMO value (0.797) is above the recommended threshold of 0.70, and Bartlett's Test is statistically significant ($p < 0.05$), confirming that factor analysis can be meaningfully applied to identify underlying patterns in the dataset.

**Table 2: Reliability and validity Results**

| Constructs | Cronbach's Alpha | Convergent Validity (AVE) | Discriminant Validity (DV) | Composite Reliability (CR) |
|---|---|---|---|---|
| IPSAS Adoption | .761 | 0.5805 | 0.762 | 0.8461 |
| Transparency in Financial Reporting | .871 | 0.7001 | 0.8367 | 0.9024 |
| Accountability in Financial Reporting | .899 | 0.741 | 0.861 | 0.919 |

Reliability and validity are crucial in assessing the consistency and accuracy of measurement constructs. Table 2 presents the results for Cronbach's Alpha, Convergent Validity (AVE), Discriminant Validity (DV), and Composite Reliability (CR) for three constructs: IPSAS Adoption, Transparency in Financial Reporting, and Accountability in Financial Reporting. Cronbach's Alpha is a measure of internal consistency, with values above 0.70 considered acceptable (Nunnally & Bernstein, 1994). The reliability and validity results indicate that the measurement model is both reliable and valid. All constructs exhibit strong internal consistency (Cronbach's Alpha > 0.70), good convergent validity (AVE > 0.50), clear discriminant validity (DV > inter-construct correlations), and high composite reliability (CR > 0.70). This ensures that the constructs effectively capture the intended dimensions of IPSAS adoption, transparency, and accountability in financial reporting.

**Table 3: Total Variance Explained**

| **Extraction Sums of Squared Loadings** | | | **Rotation Sums of Squared Loadings** | | |
|---|---|---|---|---|---|
| **Total** | **% of Variance** | **Cumulative %** | **Total** | **% of Variance** | **Cumulative %** |
| 4.021 | 33.506 | 33.506 | 3.071 | 25.589 | 25.589 |
| 2.465 | 20.545 | 54.050 | 2.933 | 24.441 | 50.030 |
| 1.884 | 15.703 | 69.753 | 2.367 | 19.724 | 69.753 |

The Total Variance Explained results confirm that three factors sufficiently explain the majority (69.753%) of the dataset's variance. The rotation redistributed the variance across the factors, improving interpretability while maintaining the overall explained variance. This indicates a strong and valid factor structure, making the extracted factors suitable for further analysis.

**Table 4: Rotated Component Matrixa**

| | **Component** | | |
|---|---|---|---|
| | 1 | 2 | 3 |
| IPSA1 | -.063 | .066 | .799 |
| IPSA2 | .000 | .007 | .741 |
| IPSA3 | -.118 | .092 | .832 |
| IPSA4 | .011 | -.108 | .665 |
| TFR1 | .196 | .698 | .072 |
| TFR2 | .117 | .895 | .075 |
| TFR3 | .156 | .900 | .012 |
| TFR4 | .117 | .838 | -.125 |
| AFR1 | .848 | .118 | -.070 |
| AFR2 | .883 | .089 | .008 |
| AFR3 | .863 | .183 | -.011 |
| AFR4 | .848 | .233 | -.117 |

The Rotated Component Matrix presents the factor loadings after applying rotation (typically Varimax) to improve interpretability. Factor loadings indicate the strength of the relationship between each item and the extracted components. Higher absolute values (typically ≥0.50) suggest a strong association with the respective component (Hair et al., 2020). The Rotated Component Matrix confirms that the measurement items load onto their expected constructs with high factor loadings (≥0.60) and minimal cross-loadings. This validates the factor structure and supports the study's theoretical constructs of IPSAS Adoption, Transparency in Financial Reporting, and Accountability in Financial Reporting.

**Table 5: Fornell-Larcker Criterion**

| | IPSA | TFR | AFR | |
|---|---|---|---|---|
| IPSA | Pearson Correlation | 0.762 | .451** | .603** |
| | Sig. (2-tailed) | | .000 | .000 |
| | N | 366 | 366 | 366 |
| TFR | Pearson Correlation | .451** | 0.8367 | .504** |
| | Sig. (2-tailed) | .000 | | .000 |
| | N | 366 | 366 | 366 |
| AFR | Pearson Correlation | .603** | .504** | 0.861 |
| | Sig. (2-tailed) | .000 | .000 | |
| | N | 366 | 366 | 366 |

*****. Correlation is significant at the 0.01 level (2-tailed).***

*Note: IPSA= International Public Sector Accounting Standards; TFR = Transparency in Financial Reporting; AFR =Accountability in Financial Reporting*

The Fornell-Larcker Criterion is a widely used measure to assess discriminant validity, ensuring that each construct is distinct from the others. According to Fornell and Larcker (1981), discriminant validity is established if the square root of the Average Variance Extracted (AVE) for each construct is greater than its correlations with other constructs. IPSAS Adoption (IPSA) and Transparency in Financial Reporting (TFR) = 0.451 ($p < 0.01$). IPSAS Adoption (IPSA) and Accountability in Financial Reporting (AFR) = 0.603

($p < 0.01$). Transparency in Financial Reporting (TFR) and Accountability in Financial Reporting (AFR) = 0.504 ($p < 0.01$). Since the square root of AVE for each construct is higher than its correlation with other constructs, this confirms that each construct is distinct from the others, thereby satisfying the Fornell-Larcker discriminant validity criterion (Fornell & Larcker, 1981). The positive and significant correlations ($p < 0.01$) indicate moderate to strong relationships between the constructs, supporting their theoretical linkages. The strongest correlation is between IPSAS Adoption and Accountability in Financial Reporting (0.603), suggesting that adopting IPSAS enhances accountability. The lowest correlation is between IPSAS Adoption and Transparency in Financial Reporting (0.451), implying that while IPSAS promotes transparency, other factors may also influence financial transparency. The Fornell-Larcker Criterion results confirm discriminant validity, ensuring that each construct is empirically distinct from the others. Additionally, the significant correlations support the theoretical relationships among IPSAS Adoption, Transparency in Financial Reporting, and Accountability in Financial Reporting, reinforcing the reliability of the measurement model.

**Table 5: Model Summary** of the **effect of International Public Sector Accounting Standards on Transparency in Financial Reporting**

| Model | R | R Square | ljusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .451[a] | .204 | .200 | .9328 |
| a. Predictors: (Constant), IPSA | | | | |

| **ANOVA[a]** | | | | | | |
|---|---|---|---|---|---|---|
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 44.083 | 1 | 44.083 | 50.666 | .000[b] |
| | Residual | 172.272 | 198 | .870 | | |
| | Total | 216.355 | 199 | | | |

a. Dependent Variable: TFR
b. Predictors: (Constant), IPSA

**Coefficientsa**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 2.045 | .233 | | 8.784 | .000 |
| | PPO1 | .436 | .061 | .451 | 7.118 | .000 |

**a. Dependent Variable: TFR**

*Note: IPSA= International Public Sector Accounting Standards; TFR = Transparency in Financial Reporting*

The model examines the effect of International Public Sector Accounting Standards (IPSAS) adoption on Transparency in Financial Reporting (TFR) using linear regression analysis. The results provide insights into the strength and significance of this relationship. R = .451: This indicates a moderate positive correlation between IPSAS adoption and transparency in financial reporting. $R^2 = .204$: This means that 20.4% of the variance in Transparency in Financial Reporting (TFR) is explained by IPSAS adoption, while 79.6% is influenced by other factors not included in the model. F-statistic = 50.666: This value is high, indicating that the model explains a significant portion of the variance in transparency. p-value (Sig.) = .000: The significance level is below 0.05, confirming that IPSAS adoption has a statistically significant effect on transparency in financial reporting. The coefficients table provides the specific influence of IPSAS adoption on transparency. Constant (B = 2.045, p = .000): This represents the predicted level of transparency when IPSAS adoption is zero. IPSAS Adoption (B = 0.436, p = .000): This indicates that a one- unit increase in IPSAS adoption leads to a 0.436-unit increase in transparency in financial reporting. The p-value of .000 confirms that this relationship is statistically significant.

The findings suggest that IPSAS adoption significantly enhances transparency in financial reporting. However, with only 20.4% of variance explained, other factors such as governance structures, regulatory enforcement, and organizational commitment may also play a role in improving transparency. These results highlight the importance of adopting IPSAS as a mechanism to enhance financial reporting transparency in the public sector.

**Table 6: Model Summary of effect of International Public Sector Accounting Standards on Accountability in Financial Reporting**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .603[a] | .363 | .360 | .8891 |

a. **Predictors: (Constant), *IPSA***

**ANOVAa**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 89.365 | 1 | 89.365 | 113.056 | .000[b] |
| | Residual | 156.510 | 198 | .790 | | |
| | Total | 245.875 | 199 | | | |

a. Dependent Variable: *AFR*

b. Predictors: (Constant), *IPSA*

**Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 1.412 | .222 | | 6.361 | .000 |
| | PPO1 | .621 | .058 | .603 | 10.633 | .000 |

a. Dependent Variable: *AFR*

*Note: IPSA= International Public Sector Accounting Standards; AFR =Accountability in Financial Reporting*

The regression model examines the effect of International Public Sector Accounting Standards (IPSAS) adoption on Accountability in Financial Reporting (AFR). The results indicate the strength, direction, and significance of this relationship. R = .603: This value indicates a strong positive correlation between IPSAS adoption and accountability in financial reporting. $R^2 = .363$: This means that 36.3% of the variation in Accountability in Financial Reporting (AFR) is explained by IPSAS adoption, while the remaining 63.7% is influenced by other factors not included in the model. F-statistic = 113.056: A high F-value indicates that the model explains a significant portion of the variance in accountability. p-value (Sig.) = .000: Since the p-value is below 0.05, it confirms that IPSAS adoption has a significant impact on accountability in financial reporting. Constant (B = 1.412, p = .000): This indicates the predicted level of accountability when IPSAS adoption is zero. IPSAS Adoption (B = 0.621, p = .000): This suggests that a one-unit increase in IPSAS adoption leads to a 0.621-unit increase in accountability in financial reporting. The p-value of .000 confirms that this relationship is statistically significant. The findings demonstrate that IPSAS adoption significantly enhances accountability in financial reporting, explaining 36.3% of its variance. However, other factors such as regulatory frameworks, institutional governance, and financial monitoring mechanisms may also contribute to accountability. The results emphasize the importance of adopting IPSAS as a key driver for improving financial accountability in the public sector.

**Table 7: Hypothesis Testing and Findings**

| **Hypothesis** | **Relationship** | **Beta** | **T value** | **P value** | **Decision** |
|---|---|---|---|---|---|
| H1a | IPSA - -> TFR | .451 | 7.118 | .000 | Supported |
| H1b | IPSA- -> AFR | .603 | 10.633 | .000 | Supported |

## DISCUSSION OF RESULTS

The adoption of International Public Sector Accounting Standards (IPSAS) has a positive and significant effect on transparency in financial reporting, promoting accountability and trust in public financial management. IPSAS enhances the quality and reliability of financial reports by ensuring standardized accounting practices across public sector entities (Christiaens et al., 2021). By mandating accrual-based accounting, IPSAS improves the accuracy, consistency, and comparability of financial statements, thereby reducing information asymmetry and enhancing transparency (Lapsley et al., 2020). Furthermore, IPSAS adoption strengthens stakeholder confidence by providing timely and relevant financial information, which enables informed decision-making (Brusca et al., 2019). Compliance with IPSAS also minimizes the risk of financial mismanagement and corruption by establishing clear reporting guidelines and disclosure requirements (Pwc, 2021). Empirical studies confirm that public institutions implementing IPSAS report higher levels of transparency, as financial statements become more accessible and understandable to auditors, regulators, and the public (Adhikari & Mellemvik, 2022). IPSAS adoption serves as a fundamental tool for improving transparency in financial reporting, ensuring that government expenditures, revenues, and liabilities are properly accounted for, thereby strengthening public trust in financial governance.

The adoption of International Public Sector Accounting Standards (IPSAS) has a significant positive impact on accountability in financial reporting. IPSAS enhances accountability by ensuring that financial statements are prepared based on globally accepted principles, reducing discretionary reporting and financial mismanagement (Christiaens et al., 2021). By enforcing standardized accounting practices, IPSAS improves financial oversight and ensures that public institutions are held responsible for their financial decisions (Adhikari & Mellemvik, 2020). One of the key ways IPSAS promotes accountability is by enhancing financial disclosure requirements. Public sector organizations are required to provide detailed and transparent financial statements, which allows stakeholders, including government agencies and the public, to scrutinize financial activities (PwC, 2022). This increased transparency minimizes opportunities for fraudulent activities and strengthens internal control mechanisms (Brusca et al., 2019).

Furthermore, IPSAS adoption strengthens corporate governance in public institutions by enforcing compliance with accrual-based accounting standards. This approach provides a more accurate representation of financial positions, ensuring that public funds are managed efficiently and ethically (Grossi & Steccolini, 2019). The study's findings confirmed that IPSAS adoption significantly predicts accountability in financial reporting, indicating that countries implementing IPSAS experience greater financial discipline and ethical reporting practices. IPSAS adoption serves as a powerful tool for improving accountability in financial reporting, reducing financial mismanagement, and fostering trust in public financial administration. Given its effectiveness, governments and regulatory bodies should continue to enforce IPSAS implementation to enhance accountability and governance in the public sector (Cohen & Karatzimas, 2021).

## 5 CONCLUSION

The findings of this study provide strong empirical support for the positive effect of IPSAS on both transparency and accountability in financial reporting. The adoption of IPSAS leads to greater transparency by facilitating standardized reporting practices that improve financial disclosures and enhance public confidence in financial management. Moreover, IPSAS strengthens accountability by promoting adherence to international financial reporting standards, reducing financial mismanagement, and fostering sound corporate governance. In conclusion, the study confirms that IPSAS plays a crucial role in enhancing financial reporting quality in the public sector, thereby contributing to improved governance and financial integrity. Public sector institutions and regulatory bodies should, therefore, continue to promote and enforce the adoption of IPSAS to ensure greater financial transparency and accountability.

### 5.1 Theoretical Contribution, Policy Implication and Managerial Implication

This study contributes to the institutional theory by demonstrating how IPSAS serves as a regulatory framework that enhances compliance and governance in financial reporting. Additionally, it extends the agency theory by showing how IPSAS minimizes information asymmetry between public institutions and stakeholders, fostering financial accountability and transparency. The findings provide empirical evidence supporting the positive impact of standardized accounting frameworks in the public sector. Institutional Theory explains IPSAS adoption as a response to external pressures (coercive, mimetic, and normative isomorphism). Governments adopt IPSAS not only for technical efficiency but also to gain legitimacy in the eyes of international donors, rating agencies, and the public. Agency Theory frames IPSAS adoption as a mechanism for reducing agency problems between public officials (agents) and citizens or stakeholders (principals). Public officials may have incentives to obscure financial information, leading to information asymmetry and opportunistic behavior. IPSAS reduces these agency costs by: Enforcing standardized disclosures that limit manipulation of financial information. Strengthening monitoring and oversight, as stakeholders gain access to more reliable and comparable reports. Improving contractual accountability, since transparent information reduces the opportunity for mismanagement and corruption. Thus, IPSAS adoption enhances accountability by ensuring that agents act in the best interests of principals, thereby strengthening governance and public trust.

Governments and regulatory bodies should mandate the full implementation of IPSAS to ensure financial transparency. Public institutions must adopt IPSAS-compliant accounting systems to improve financial disclosures. International financial organizations should support IPSAS adoption by providing technical assistance and training for public sector accountants. Audit institutions should integrate IPSAS principles into their assessment frameworks to enhance financial monitoring and oversight.

For public sector financial managers, IPSAS adoption presents several managerial benefits: Improves financial decision-making by ensuring accurate and reliable financial data. Enhances internal control mechanisms, reducing opportunities for fraudulent activities. Strengthens financial planning and budgeting processes, ensuring efficient resource allocation. Facilitates stakeholder engagement by providing credible financial reports that enhance trust in public financial management.

### 5.2 Recommendations

Governments should ensure complete compliance with IPSAS to maximize its benefits on financial transparency and accountability. Public sector financial officers should undergo continuous training on IPSAS implementation and reporting standards. Government agencies should enhance audit and enforcement mechanisms to monitor IPSAS compliance. Stakeholders should be educated on the significance of IPSAS in promoting financial transparency. Public sector entities should adopt modern accounting software that aligns with IPSAS principles for improved financial reporting.

### 5.3 Limitations and Suggestions for Future Studies

The study focused on only Accra, limiting generalizability to other regions. The study primarily used quantitative methods; future research could incorporate qualitative insights to gain deeper understanding. Future research should conduct comparative studies between IPSAS-adopting and non-adopting countries. Investigate the long-term impact of IPSAS on financial sustainability in public institutions. Assess how technology and digital transformation can further enhance IPSAS implementation.

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