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Moderating effect of institutional factors on organization factors and financial reporting quality: Case of IPSAS adoption in local governments of Nigeria

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Abstract

The significance of financial reporting quality (FRQ) is said to be affected by organizational and institutional factors. Findings from previous studies that tested the effect of organizational factors on FRQ showed inconclusive results. The purpose of this paper is to analyze the moderating role of institutional factors on the relationship between organizational factors and FRQ. This study uses self-constructed questionnaire to generate data. 114 finance directors of local government councils in Nigeria responded to a 33-item questionnaire instrument. The PLS-SEM statistical tool was adopted for analysis. Findings from the study revealed that, organizational factors namely, internal audit quality and staff competence significantly influence FRQ, while the effect of information communication technology and councils' size on FRQ showed insignificant result. Given the two moderating variables, significant moderating effect of professionalism was found between internal audit quality and FRQ, while insignificant moderating effect was found in the relationship between the variables involving information communication technology, accounting staff competence and FRQ. On the other hand, political influence moderates significantly the relationship between all the organizational factors and FRQ except for council's size. Therefore, notwithstanding the adoption of accounting standards, to achieve optimal FRQ amongst local government councils, the management and regulators of local governments should focus on the effective performance of organizational factors, including high consideration for professionalism in accounting practices. In addition, efforts should be made to push-forth and maintain positive political interest when making decisions on how to improve local government FRQ.

Keywords: Financial reporting quality, Institutional factors, Organizational factors, IPSAS

1. Introduction

The term Financial Reporting Quality (FRQ) is an elusive concept that is not easily defined. Myriad of definitions have been offered by scholars for its conceptualization and operationalization. Pronouncements by accounting institutions e.g. the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) define FRQ as financial reports that provide correct and fair information regarding the underlying financial condition and economic performance of an entity (Herath & Albarqi, 2017).

In the recent time, stakeholders and managers of organizations are beginning to pay attention to issues regarding quality of financial reports published by corporate organizations. This is due the pervasive and costly implications of compromised financial reports. Cases of collapse of big private firms and failures of public organizations abounds in the news, resulting from instances of compromise in the quality of financial reports by corporate managers (Ball, 2012; Lin et al., 2015). Cases of serial fraud and financial mismanagement amongst public organizations have been said to be the result of poor financial reporting practice. This consequently has resulted to the erosion of accountability and transparency among public officials.

Specifically, as relates to Nigeria, financial reports produced by agencies of government have been described as being non-current, fragmented, incomplete, unreliable and untimely (Adebiyi, 2016; Bukenya, 2014). In fact, the public sector of Nigeria has been indicted for gross financial recklessness and misappropriations (e.g. Ademola et al., 2020; Ibanichuka et al., 2014; Ironkwe & Muenee, 2016). Nonetheless, successive governments in Nigeria have made several efforts to reposition financial management in the public sector of the country. Recently, the Public Finance Management (PFM) reform initiatives introduced by government includes the introduction and implementation of Government Integrated Financial and Management Information System (GIFMIS, 2012), Treasury Single Account (TSA, 2012), Integrated Personnel Payroll Information System (IPPIS, 2007), International Public Sector Accounting Standards (IPSAS).

However, pertinent to this paper, is recent adoption of the International Public Sector Accounting Standards (IPSAS) across the three tiers of governments in Nigeria. In 2014, the government adopted the cash-based IPSAS version of the international accounting standard as an initial effort to key into the global call for internationalization and harmonization of governmental accounting and subsequently migrated (expectedly) to the full accrual IPSAS in 2016. The, adoption of IPSAS is universally recognized and considered among the major innovations in government accounting practices under what is commonly known as the New Public Financial Management (NPFM) reforms (Sellami & Gafsi, 2018). The NPFM is an integral part of the New Public Management (NPM) reforms that have been introduced in the public sector since 1980. This initiative is expected to respond to the growing calls to improve transparency and accountability, fighting against opacity in government funds and promoting public sector performance (Christiaens et al., 2014).

The NPM reforms is seen as a radical change in the public sector, particularly, it promote shift from the traditional cash basis accounting system to an accrual accounting system that facilitates the internationalization and harmonization of government financial reporting practice (Sellami & Gafsi, 2018). However, some pro IPSAS have argued that, application of the IPSAS could be a useful tool for improve the quality, transparency and comparability of financial reporting and enhancing consistency in the preparation of financial statements of public sector entities (ACCA, 2017; Tanjeh, 2016). They added that, through the adoption of IPSAS, accurate financial information can be ascertained, leading to better view of financial position and financial performance of governmental sector thereby accentuating improved and informed decision-making for users. Moreover, implementation of the IPSAS guideline can ensure a more credible governmental financial reports free from errors and safe guide against fraud, improving controls and consistency in the elaboration of financial statements (ACCA, 2017; Oduware, 2012).

Apart from the envisaged benefits of IPSAS adoption to accentuate FRQ, another twist to the analysis of financial reporting and IPSAS adoption, involves the impact of organizational and institutional factors. Previous studies have indicated that, organizational and institutional factors has significant impact on the quality of financial statements produced by public organizations, notwithstanding the implementation of IPSAS (Schmidthuber et al., 2020; Sellami & Gafsi, 2018). Prior studies have argued that FRQ is contingent on factors such as staff competency, infrastructures, technological development (Muraina & Dandago, 2020; Polzer et al., 2023) and including professionalism, legal and regulatory issues, politics, culture etc. (Herbert et al., 2014; Mustapha, 2020).

Consequently, results of comprehensive review of prior studies identified three gaps which have not been addressed in this area. First, there is paucity of studies that empirically investigate the organizational factors that impacts on FRQ during IPSAS adoption. The few available studies are largely descriptive of enabling factors that enhances IPSAS adoption, without recourse to how it affects the elaboration of high-quality financial reporting practice by public sector organizations. This situation may impede better understanding of the real essence of IPSAS adoption and its imperative to accentuate high quality financial reports due to organizational and institutional interferences. Second, the few available studies conducted to examine the effect of organizational/institutional factors on FRQ reveals mixed findings. This condition reduces the achievement of precision in model formulation regarding IPSAS/FRQ relations. Third, contextually, there is shortage of researches that studies IPSAS/FRQ relations in the context of developing countries. Most of the available studies largely relates to Asia, United States of America (USA), Australia and Europe (Abbott et al., 2012; Hai & Trung, 2015); few studies have been conducted regarding African continent, particularly Nigeria. Thus, generalization and the imperative of IPSAS adoption for constituents cannot be ascertained due to scope of research coverage.

Therefore, the motivation for this study is to: firstly, to carry out an empirical investigation to examine and reveal the effects of organizational factors on FRQ under a context that adopts IPSAS. Secondly, to conduct research that would ameliorate the confounding relationships in previous studies regarding organizational factors/FRQ relations with a view to achieve more precision in model development and specification. Thirdly, given the significance of IPSAS adoption as a global phenomenon, this paper intends to contributes to existing literature on financial reporting practices in the context of developing country, precisely Nigeria.

To this end, this research contributes to the existing literature on public sector accounting generally. But specifically, the unit of analysis relates to local governments in Nigeria. The reason for studying the subnational unit is that, firstly, there are limited empirical studies in this area regarding IPSAS/FRQ relations. Secondly, given the significance of local governments to national development and given the huge sum of monies at their disposal, the need for proper accountability and transparency in the management of the resources is necessary. Thus, investigating the FRQ of local governments under the IPSAS dispensation may chart a new cause of action on how public funds would be managed at the local government councils in Nigeria.

2. Literature Review

Financial Reporting Quality

Preparers of accounts communicates the results of financial dealings of an organization to its stakeholders through production of financial report (Tasios & Bekiaris, 2012). The respective stakeholder uses the financial reports to form economic and financial decisions. Thus, financial reporting is not a finished product, it is a process in which the exigencies of ‘quality” is pivotal to each part of the financial reporting process (Jonas & Blanchet, 2000). The quality of financial reports is a function of the usefulness in the information derived by diverse user group in making sound economic decisions. This is consistent with pronouncements by international accounting bodies (e.g., international federation of accountants (IFAC)) reports that the usefulness of financial reports generally lies in the decision taken by parties to whom the information has been provided for. As such, relevant to the public sector, Rutherford (1992) indicate that, the conceptual framework for the public sector financial reporting largely focuses on external users of the financial reports, and thus, the information needs of public is that which allows them make informed economic, social and political decisions and to assess governments' uses of funds.

However, given the significant benefits of quality information in accentuating users' decision making, there exist in the literature plethora of perspectives regarding measurement of what constitute 'quality' in financial reporting. User's context specificity, sector differences, robustness of measurement parameter are among the measurement phenomena of quality of financial reporting analysis that have been adopted by prior studies. A comprehensive conceptual measurement of the qualitative characteristics of financial reports including concept of relevance, faithful representation, understandability, comparability and timeliness are considered as potential qualitative factors that describe FRQ as suggested by international accounting bodies such as the International Accounting Standard Board (IASB), International Federation of Accountants (IFAC) and the Financial Accounting Standard Board (FASB) have offered (Cohen, 2003; IFAC, 2009).

Further, Exposure Draft (ED) by the IFAC (2009, 2015) indicates that information would be relevant when it makes a difference in the user's decisions making concerning an economic phenomenon. For an accounting information to be faithfully represented, financial report must have reflective feature of the annual report which is complete, neutral and free from material error. Thus, understandability is achieved by the presentation of information in such a way that allows users comprehend the meanings of the items contained in a report. Regarding comparability, it allows users of accounting information to identify similarities in and differences between two sets of economic phenomena (IASB, 2008). While timeliness involves the amount of time an economic entity takes to make information known to other users (Georgiou, 2010).

Furthermore, given the differences in the qualitative characteristics of financial reporting model, varying combination of have been adopted by different authors (e.g., (Braam & Beest, 2013; Cohen, 2003; Jonas & Blanchet, 2000; Mbobo & Ekpo, 2016; McDaniel et al., 2002). The model is significantly useful for a direct measure of financial reporting quality and covers all aspects of financial reports, including financial and non-financial information.

Inference from the IFAC (2009, 2015) Exposure Draft (ED) five (5) qualitative characteristics of financial reporting namely, relevance, faithful representation, understandability, comparability and timeliness have been explained thus: Relevance involves the usefulness accounting users make of the financial information to enhance their economic decisions. Faithfully representation of the financial reports shows that, annual financial reports must have reflective feature of being complete, neutral and free from material error. Next, understandability can be achieved when users of financial information comprehend the meanings of the items contained in the financial report. For comparability, it allows users of accounting information to identify similarities in and differences between two sets of economic phenomena. While timeliness involves the amount of time an economic entity takes to make information known to other users (Georgiou, 2010).

However, this paper adopts two sets of qualitative characteristics, namely, relevance and faithful representation. These two dimensions accentuate simplicity in concept development and measurement for this study (Arthur, 2011; Berry et al., 2007). Although, the trade-off in this is well noted, but this paper opted for simplicity rather than generalizability as may be inferred by the multidimensional consideration. Thus, Blalock (1979) argued that, generalization and simplicity cannot be achieved simultaneously, but inference from the IASB (2010) framework, qualitative attributes of relevance and faithful representation appears as fundamental qualitative characteristics underlying usefulness of information for users' decision making.

Nonetheless, based on the literature, varying combination of the qualitative characteristics have been adopted by different authors to measure FRQ (e.g., (Braam & Beest, 2013; Cohen, 2003; Jonas & Blanchet, 2000; Mbobo & Ekpo, 2016; McDaniel et al., 2002). Moreover, the model is useful for a direct measure of financial reporting quality that covers all aspects of financial reports, including both financial and non-financial information. However, this paper adopts two sets of qualitative characteristics, namely, relevance and faithful representation. The choice of adopting these two dimensions is to achieve simplicity in concept development and measurement (Arthur, 2011; Berry et al., 2007). Although, the trade-off in this approach is well noted, but this paper opted for simplicity rather than generalizability as may be inferred by the multidimensional consideration. Thus, Blalock (1979) argued that, generalization and simplicity cannot be achieved simultaneously. Moreover, the framework of IASB (2010), (IFAC, 2009), referred to the qualitative attributes of relevance and faithful representation as the fundamental qualitative characteristics underlying usefulness of information for users' decision making.

International Accounting Standard and Public Sector Accounting reform in Nigeria

Recent reform in public management has witnessed increased emphasis on citizen satisfaction, quality information, transparency and accountability (MartÍ, 2006; Pina et al., 2010). The new initiative has been tagged New Public Management (NPM) is basically hinged on making public organizations a 'market-oriented' business, that would bring about cost efficiency and effectiveness in the public sector operations, solving the perennial problems of governments over-indebtedness and large deficits (Bolívar & Galera, 2016).

Further, related to accounting and finance in the public sector, standardization and harmonization of accounting reporting has been recorded as an outstanding reform initiative brought by the NPM among countries of the world. Thus, governmental sectors globally are required to adopt the international accounting standards for reporting their economic and financial transactions. The International Public Sector Accounting Standard Board (IPSASB) of the International Federation of Accountant (IFAC) has issued for adoption sets of International Public-Sector Accounting Standards (IPSAS) by governments around the world. The IPSAS Board has in its primary objectives, developed sets of high-quality accounting standards for the public sector.

Specific changes brought by the IPSAS to accounting operation in the public sector result to abandonment of the cash basis accounting system in favour of the accrual basis (where transactions are recorded when they appear and no longer when they are paid). In terms of definition, the concepts of asset, liability, net equity, incomes and expenses are defined more precisely including the calculation of book value is equally modified. Additionally, to achieve performance in accounting practices, implementation of IPSAS allows the application of accrual and double-entry general accounting principles (des Robert & Colibert, 2008). While for financial information, public entities are required to publish five financial statements (cf. IPSAS 1) and have to respect principles, such as intelligibility, relevance, true and fair view, comparability, timely reporting and verifiability (IPSASB, 2010).

However, there is increase adoption of IPSAS amongst public sector organizations across the world. Notwithstanding, it beholds that, only proper application of the standard by the governmental constituents can guarantee the realization of the benefits of adoption (Mnif & Gafsi, 2021). It is on record that, considerable efforts have continuously been made by the IPSAS Boards (e,g, IFAC and IASB) through developing and disseminating for adoption high quality accounting standards that would accentuate quality financial reporting in the public and governmental sectors globally (Polzer et al., 2022). But the level and pattern of adoption and implementation has been met with diverse level of compliance amongst constituents (Gkouma & Filos, 2022; Mnif & Gafsi, 2020). Moreover, it is pertinent to note that, enforcement powers for compliance with the standard is not within the purview of the IPSAS Boards and institutions. Rather, individual country has to design and legislate on a regulatory framework for its agencies and organizations to comply with the IPSAS provision (Benito et al., 2007).

In Nigeria, the level of adoption and implementation of IPSAS is still uncertain across the public sector. Beyond 2014 when the country newly adopted the cash-basis across its three tiers of government, there was a pledged by the government to transit to the accrual-based IPSAS by 2016. Moreover, during the preparatory steps towards the adoption of the cash-basis IPSAS in Nigeria, the Federal Executive Council (FEC) of Nigeria, charged the Federal Account Allocation Committee (FAAC) with the road map for successful adoption and implementation of the standard accordingly. Strategically and for reason of initial structural changes in its accounting practices calls for why the cash-basis IPSAS was adopted prior to adoption of the accrual based IPSAS. This strategic methods for new adopters of IPSAS has also been adopted by other countries such as Afghanistan, Armenia, Cyprus, Gambia, Ghana, Nepal etc. (Liguori, 2012; Parry & Wynne, 2009).

However, pertinent to this paper is to interrogate with the view to assess the association of organizational characteristics on financial reporting quality subsequent to the adoption of IPSAS in the Nigerian public sector. The next section discusses the organizational characteristics as determinants of FRQ.

Theoretical Perspectives

Different theorizations have been adopted to examine studies in the field of accounting and finance. The present paper adopts contingency and institutional theories to provide insight into organizational changes that affects quality of financial reporting despite the adoption and implementation of international accounting standards -IPSAS.

Contingency Theory

Contingency theory is a classical theory that explains organizational phenomena. The theory has been adopted for this paper to explain the interrelationship and link among the study's conceptual model. Classically, the application of contingency theory in the study of an organizational explains the effectiveness by which organization characteristics fits to promote organizational performance (Burns & Stalkers, 1961; Woodward, 1965). Factors such as environment, size and strategies have been described as some examples of contingent variables that influences organizational performance (Burns & Stalkers; 1961; Child, 1978; Chandler, 1962).

Specific to the study of public sector accounting, Luder (1992) adopted contingency theory to explain the relationship between organizational variables and government accounting information development and innovation era (Upping & Oliver, 2011).

Structurally, contingency theory as aptly indicated by Mnif and Gafsi (2021)- involves four modules. Namely: stimuli, government's social environment, politico-administrative system and implementation barriers. The stimuli involve financial condition issues, professional bodies' interest, etc. The government's social environment relates to socioeconomic status, political culture, stakeholders of the government. While the politico-administrative system features issues relating to staff training and recruitment, political competition, administrative characteristics, etc. Lastly, the implementation barriers (e.g. government size, legal system, accountant qualification and organizational characteristics) involves the contingencies within the governmental organizations that may hinder the smooth implementation of innovative drive in the public sector.

Accordingly, Mnif and Gafsi (2021) posit there is positive relationship between stimuli, government's social environment and politico-administrative system on attitudes and behaviors of users and producers of government financial information. These are viewed as necessary contingent factors that spark the diffusion of innovation into accounting system of the government. While the implementation barriers poses serious challenge to the successful implementation of innovative reforms to government financial information management practices (Chan et al., 1996).

Relevant to the significance of IPSAS adoption to promoting financial reporting quality, Luder specifies behavioral and environmental variables as factor(s) promotes the elaboration of higher quality accounting reporting in government. The behavioral variables inhances innovative accounting information system through the alignment of the interest of users and preparers of accounting information. While the environmental variable relates to factors that may cause hinderance to the smooth implementation of accounting innovations in an organization.

Furthermore, relevant to internationalization of accounting practices globally and the need to cause the diffusion of accounting innovation in the public sector, Lüder (1992) based on the lesson of contingency theory specifies behavioral and environmental variables as significant factors to public sector accounting reforms. The behavioral variable through innovative accounting information system (e.g., break-down in internal control system and audit) help to promotes the elaboration of higher quality accounting reporting in government resulting from the alignment of the interest of users and preparers of accounting information. The environmental variable on the other hand, is viewed as inhibiting factors to the implementation of accounting innovations in an organization. Consequently, this paper operationalizes organizational contingencies (independent variables) as the combination of organizational stimuli (e.g., internal audit quality) and implementation barriers (staff competence, information technology and size), while the dependent variable is FRQ. Thus, this approach is consistent with prior studies that examines the effect of contextual and behavioral factors on financial reporting outcomes (e.g., Christensen & Yoshimi, 2003; Godfrey et al., 2000)

Institutional Theory

Institutional theory can be approached through multiple School of thoughts, such as the New Institutional Economics (NIE), the Old Institutional Economics (OIE) and the New Institutional Sociology (NIS) theories. Specifically, the New Institutional Sociology (NIS) theory is found useful in the present study to explain the imperative of changes in accounting information system occasioned by effect of exogenous factors. Moreover, DiMaggio and Powell (2000) describe the changes in organization practice (e.g. accounting reform) as institutional isomorphism. Thus, Isomorphic situation is a contextual condition where one section of a population attempt to adopt resemblance of other sections of the population that are faced with the same environmental circumstances (Carpenter & Feroz, 2001).

Institutional isomorphic condition can occur in three ways: coercive, mimetic and normative isomorphism. Coercive isomorphic change arises through the imposition of pressure by external forces which makes organizations imbibe certain practices outside their usual practices. While mimetic isomorphism causes an organization to copy other organizations in their field that they deemed to be more legitimate or successful than theirs. The normative isomorphic theory is based on organizational collective values that leads to conformity of thought and deed within institutional settings (DiMaggio & Powell, 2000).

However, relevant to this study, institutional theory has been adopted to explain the exigencies of the introduction of moderating variable in the conceptual model of this paper. Application of institutional theory supports the incorporation of institutional variable in the model in order to strengthen the contending relationship between organizational characteristics and FRQ as appeared in prior studies. Institutional isomorphic theory finds applicability in the model as expose by coercive and normative institutional isomorphic approach. Firstly, the exigencies of coercive institutional isomorphism indicate political influence a dimension of institutional variable which explains the concerns for organizations legitimacy and relevance in the international market. This serves as driving force that may cause governments across nations to adopt international accounting standards to improving accounting reporting practice (Brusca et al., 2013; Judge et al., 2010). Thus, the coercive isomorphic theory explains how institutional factor can accentuate the need for quality financial statement in the public sector through external forces e.g. pressure groups, public opinion (e.g. accounting users) on the public legislatures and public managers. This, in essence, describes political influence as coercive institutional factor to moderate the relationship between organizational factor and FRQ.

Secondly, normative institutional theory explains the imperative of the application of professionalization in accounting practice to attainment of organizational competitive advantage. This explains the essence of professional attainment in an organizational setting through education and training to achievement of proficiency and competence for service. In practice, the normative institutional theory supports the need for introduction of professionals in the organizational (i.e. professional accountants and auditors) can increase the interpretation and application of accounting standards toward producing quality financial reporting.

Theoretical Framework and Hypotheses Development

Inference from reviews and theoretical perspectives above, the postulated hypotheses of this paper have been developed based on the framework below:

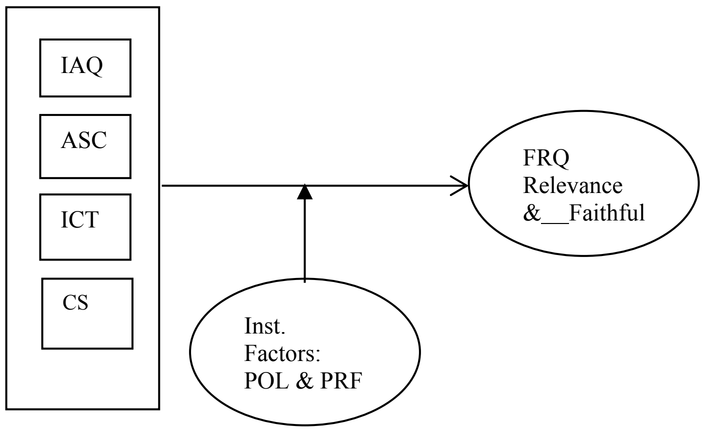

Figure 1:
Theoretical Framework
Internal Audit Quality (IAQ), Accounting Staff Competence (ASC), Infor Comm Tech (ICT), Council Size (CS), Political Influence (POL), Professionalism (PRF)

Organizational characteristics is conceived as the explanatory variable (independent) of the study which was measured through four constructs namely, internal audit quality, accounting staff competence, information communication technology and council size. While Financial reporting quality (FRQ) is the explained variable (dependent) and measured through two dimensions, involving relevance and faithful representation. The moderating variable is the institutional factor measured using professionalism and political influence as its proxies. Put together, relevant hypotheses have been developed based on their consequential relationships.

Internal Audit Quality and FRQ

Auditors' pronouncement regarding the true and fair view of financial statement serves as evidence for the stewardship performance between managers and owners of organizations. The credibility and reliability of the financial statement produced is a function of the stewardship role undertaking by managers an organization (Eze, 2016). As it relates to internal audit, the quality of the audit function involves the systematic, independent and documented process which the auditor provides in obtaining audit evidence records, financial information reports, which are relevant and verifiable, and can be objectively determined (Giroux & Jones, 2011).

However, the imperative of theoretical exposition provides that, internal auditing function serves as a control mechanism that provides support and enhances the elaboration of quality financial reports. Accordingly, Luder's contingency theoretical perspective indicates that, environmental factors may cause users of financial accounts to demand for quality financial reports for varied accountability objectives. Thus, internal audit function serves as a key organizational mechanism facilitate the elaboration of quality financial reports. This is consistent with prior preposition that revealed significant positive relationship between internal audit quality and financial reporting quality (e.g. Abbott et al., 2016; Kewo & Afiah, 2017; Mustapha & Dahiru, 2022). Consequently, this paper hypothesized in this regard:

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

Accounting Staff Competence and FRQ

There is significant association between proper performance of task and degree of competence a worker possessed. Competence has been said to involve demonstration of a specified set of knowledge, skills and behavior (Armstrong et al., 2010; Setyaningrum & Kuntadi, 2019).

The resultant outcome of a quality accounting information is substantially dependent on the level of competency of accounting staff. Conversely, deficiency in financial reporting quality will be experienced where the accounting staff have no requisite competence to handle accounting numbers. Similarly, Lüder (1992) indicate the imperative of competency of accounting staff in the implementation of new accounting techniques resulting from the introduction of new accounting principle or method Thus, accounting staff competence becomes inevitably necessary for the implementation of the innovative development to enhance accounting and financial reporting. This situation reveals that competency is an essential consideration for implementation of internationalization of accounting changes (e.g., IPSAS), and it poses as an implementation barrier which may impede the elaboration of quality and more informative accounting system (Upping & Oliver, 2011). Therefore, this suggest that, the higher the competent an accounting staff in terms of accounting skills, qualification and knowledge, the higher quality financial reporting. Thus, accounting staff competence-FRQ relations can be hypothesized thus:

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

Information Communication Technology and FRQ

The speedy development in technology has propelled the improvement in information processing and delivery. Information Communication Technology (ICT) is an organization mechanism that can enhance the implementation of high-quality accounting information following initiatives changes in an organization (Upping & Oliver, 2011). However, leveraging on ICT capacity to that may bring about effective processing of accounting numbers significantly dependent on the institutional support for its implementation and development. Thus, the need for ICT support becomes more necessary as a result of the global initiative to standardize and converge the framework for accounting reporting practice.

Moreover, it can be hypothesized that higher institutional support for ICT infrastructures (e.g. technical support, funding, knowledge and managerial contribution) can lead to development in ICT implementation which by extension can accentuate higher quality of financial reporting outcomes. This scenario is thus hypothesized:

Hypothesis 3: There is a significant positive relationship between support for ICT development and FRQ.

Council Size and FRQ

Quality of financial reports defer among organizations according to their sizes. Extant studies have revealed positive relationship between organization's size and financial reporting quality (Cuadrado-Ballesteros et al., 2022).

The relationship between organization's size and FRQ has been reported to have significant positive relationship (Adebiyi, 2016; Ibrahim et al., 2020; Kanthi Herath & Albarqi, 2017) . Based on Lüder, (1992) contingency model, the variability of size can be regarded as implementation barrier that influences the extent of organizational performance. Thus, the size of a jurisdiction is expressed in terms of the population size and the number of government agencies, which are positively correlated. By this, as the size of jurisdiction increases, technical and administrative problems of implementing a new accounting and financial reporting system multiplies and this may have implication for implementation issues. However, this may explain why accounting innovative efforts can be more implementable to accentuate FRQ in smaller organizations than the larger ones due to accompanying implementation constraints. Based on this, the below hypothesis is tested thus:

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

Institutional Factors as a Moderator

Professionalism and political influence have been shown as veritable institutional factors to moderate the link between organizational factors (e.g., IAQ, ASC, ICT & CS) and FRQ due to inconsistency in model formulation of prior studies. This model design was suggested by Baron and Kenny (1986) and Bennett (2000) that a moderator can be incorporated in a theoretical framework where the relationship between the explanatory and explained variables are confounding or weak.

Therefore, given the conceptual dimensions relating to organizational factors (i.e., IAQ, ASC, ICT & CS) this paper opined that, professionalism as an institutional factor, can improve significantly auditor's technical ability and audit quality to increase the elaboration of quality financial reporting. Similarly, the diffusion of professional supports in the work place can complement competence capacity of accounting staff to engender quality of financial reports. Further, organizational support for ICT and proficient use of professional skills of mangers and preparers of account can facilitate high quality information processing (Nwanyanwu, 2016; Zorn et al., 2011). Furthermore, the role of professional support to implement innovative accounting reforms can improve accounting information system. Thus, organization size has a direct relationship with level of professional support required to achieve the desired level of proficiency in implantation of accounting reforms. Bigger organizations have higher capacity to acquire higher professional support to implement innovative accounting reforms than smaller ones. Therefore, this suggests that professionalism can serve viable variable to moderate the relationship between organization contingencies to engender high-quality financial reports. Based on this, these relationships can be hypothesized thus:

Hypothesis 5: Professionalism moderates the relationship between variables of organizational factors (IAQ, ASC, ICT CZ) and FRQ.

Furthermore, political influence is seen as a possible institutional influencing factor to moderate the confounding relationship between organizational characteristics and FRQ. Giroux (1989) reported a significant association between full and quality financial reporting with high political influence. Despite statutory requirements for audit functions and responsibilities, the influence of politics on the need for accountability amongst organization defines the extent of implementation of internal audit report thereby affecting FRQ. Moreover, a significant positive relationship is found between competency of accounting staff and the accounting operations they handle (Iskandar & Setiyawati, 2015; Ismail & Abidin, 2010). However, in organizational settings, politics plays significant role in recruitment policy and capacity building programs that unbound competency capacity of the work-force. Thus, progressive political influence (i.e. good governance) can lead to hiring of competent hands for effective performance. This can be done through effective recruitment exercise (based on merit) and support for training and capacity building leading to improved quality of accounting reporting operations and practices. Further, deployment of ICT infrastructures in the organizational has been shown to result to competitive advantage for organizations survival. Amatya (2016) reports that, support for the deployment of ICT in an organization can result to attainment of organizational progress and advancement. Thus, the imperative for increased need for accountability and efficient reporting in the public domain may necessitate the elaboration of high-quality financial reporting from public managers regarding their stewardship responsibility. Consequently, high political will can serve as incentives for the deployment of relevant ICT infrastructures that can enhance the production of quality financial reports.

Finally, it is suggestive that political manoeuvres have become a norm well entrenched in the organizational place according to their respective size. Extant studies have revealed that, political consideration is impactful regarding resource allocation decisions for larger firms than smaller firms (Brown, 1994). This hold to the fact that political cost increases the need for scrutiny for accountability and demand for quality financial reporting in relation to size of governmental organizations (Khasharmeh & Aljifri, 2010). On the whole, the exigencies of political influence as an intervening variable between organizational factors and FRQ put forth to test the below hypothesis:

Hypothesis 6: Political influence moderates the relationship between variables of organizational factors (IAQ, ASC, ICT CZ) and FRQ.

3. Methodology

Study Sample and Data Collection

Due to the homogenous nature of local government financial operations in Nigeria, the present study focused on local government Councils of States in the Northwest zone of Nigeria (i.e. Jigawa, Kano, Kaduna, Katsina, Kebbi, Sokoto and Zamfara) as the unit of analysis. Consequently, the director of finance of all the local government represents the study's unit of observation totaling 185 respondents. The reason for focusing on director of finance is due to the understanding that the study being organizational research, made this class of respondents suitable for data collection as they possessed the required knowledge and experience about local government accounting and financial operations.

However, to arrive at the sample size, four (4) States (i.e. Kano, Jigawa, Kebbi and Sokoto) were purposefully drawn from the seven (7) States amounting to 114 directors of finance. Further, data were generated through a system of self-reported questionnaires which were personally administered to the sample local government councils. To reduce the effects of Common Method Variance (CMV) and to ascertain the goodness of the questionnaire instrument, some procedural remedies were adopted. First, the effect of CMV was reduced through elimination of ambiguous items from the questionnaire, allowing for respondents' anonymity and avoiding respondents' evaluation apprehension. Second, the study adopted the Harman's single factor test to assess common method variance (Podsakoff et al., 2012). This assessment involves performing a principal component factor (PCF) analysis on all variables in the study simultaneously. The decision rule is that, if the outcome of the PCF test shows that the first factor explain is less than 50% of the total variance, it means the CMV test is not a major problem in the study (Podsakoff & Organ, 1986). Table 1 presents the summary of results of the CMV for this study.

Table: 1
Result of Common Method Variance Test

	Initial Eigen Values			Extraction Sum of Square Loading		
Component	Total	% of Variance	Cumulative %	Total	% of Value	Cumulative %
1	16.286	49.351	49.351	16.286	49.351	49.351
2	4.288	12.994	62.345			
3	2.314	7.012	69.357			
.....						
.....						
31	0.035	0.106	99.873			
32	0.026	0.079	99.952			
33	0.016	0.048	100			

Extraction Method: Principal Component Analysis

The test of principal components factor result is shown in Table 1, regarding 33 factors where the first factor account for 49% of the variance. Similarly, there is absence of a single factor that accounted for the highest covariance amongst the predictor and criterion variables as shown in the table. This therefore reveals that the issue of CMB is not a major problem in the study thus, it goes to show that there is absence of possible inflation of relationships between variables measured.

Constructs Measurement

As shown by the study theoretical framework on Figure1, three constructs were measured in the study, including FRQ

(dependent variable), organizational characteristics (independent variable) and institutional factor (moderator). The questionnaire instrument contains a total of 33-scaled indicators adapted from prior studies. FRQ was proxied through qualitative attributes focusing on relevance and faithful representation of financial reporting and measuring financial reporting practices relating to predictive, confirmatory, neutrality, completeness and bias free attributes of financial reports.
Organizational factor was proxied through four variables: 1) internal audit quality (IAQ) measured on items relating accomplishment of internal audit objectives, level of communication between internal audit and external audit, efficiency of the internal audit work, appropriateness of justification for audit findings among others. 2) Accounting staff competence was proxied by four items which evaluates educational qualification, capacity of accounting skills, experience and familiarity with current developments in accounting. 3) six items were adapted to measure extent of support for ICT deployment in the organization. This perspective relates to ICT support for information intensity for inter-departmental/organizational communication, information intensity for intra unit communication; financial support by management; proficiency/knowledge of staff on the use of IT, knowledge/awareness of top management and technical support for ICT development. Finally, employees' population used as proxy for Councils size. Furthermore, institutional factors in terms of professionalism and political influence were incorporated into the model as moderating variable. Items involving engagement of external professional consultant, professional institution membership, institution compliance with accounting innovation guide, regulatory/monitoring check on compliance with accounting practices and support for staff training on professional qualification. On the other hand, political influence was measured through evaluating level of service delivery vis-a-vis incentive for re-election, use of budgetary instruments to showcase governments plans for service delivery, political influence on resource control, revenue report complexities, financial transfer and compliance with accounting regulations. The total items measured in the model amounted to 33 items and were rated based on 7-point Likert-scale of 1 (strongly disagree) to 7 (strongly agree). Table 2 represented the variable measurement:

Table 2:
Overall Measurement Item Scale

Construct	Item Code	No. of Items	Author
Financial Reporting Quality	FRQ	4	BarthBarth et al (2001), McDaniel et al (2002), Deans (2007), Jonas and Blanchet (2000)
Internal Audit Quality	IAQ	6	Cohen and Sayag (2010), Bota-Avram and Palfi Cristina (2009) Darwanis et al (2016),
Accounting Staff Competence	ASC	4	Puncreobutr et al (2017) I Xiong et al (2013)
Infor Comm Tech	ICT	6	Zorn et al (2011), Chau and Tam (1997), Thong and Yap (1995), Heintze and Bretschneider (2000)
Council Size	Size	1	Bentein et al (2005), Johnson, Khurana, and Reynolds (2002), Tasios and Bekiaris (2012)
Professionalism	PFR	5	Christiaens (1999), Khumawala et al (2014)
Political Influence	POL	7	Giroux (1989)

Source: Researcher's Compilation, 2023

4. Results and Discussion

This section presents the outcome of questionnaire administration based on finance directors' opinion of the concerned local government. Data analysis was done using Partial Least Square Structural Equation Modelling (PLS-SEM) using smart PLS 3.0 software. The PLS-SEM statistical tool is considered the most suitable technique for this study since the aim of the paper is to evaluate the implication of organizational and institutional factor on financial reporting quality. The imperative of PLS-SEM allows for the estimation of relationship between constructs (structural model) and the relationship between indicators simultaneously including their corresponding latent constructs (measurement model) (Willaby et al., 2015).

However, prior to the analysis, the survey raw data was subjected to preliminary screenings to ensure that key assumption guiding multivariate analysis and the use of PLS-SEM statistical tool was not violated. Key assessment such as rate of missing value, outliers, test of normality, and linearity were assessed and tested. Consequently, the results were satisfactory and the theoretical model was analysed.

Descriptive Statistics

The analysis of the conceptual model of the study was subjected to statistical operation to determine their means, standard deviation, minimum and their maximum values. Table 3 presents the result.

Table 3:

Descriptive Statistics

Construct	Code	Min	Max	Mean	Std Dev
Financial Reporting Quality	FRQ	1	7	4.89	1.75
Internal Audit Quality	IAQ	1	7	4.58	1.56
Accounting Staff Competence	ASC	1	7	4.76	1.56
Infor Comm Tech	ICT	1	7	3.82	1.55
Council Size	CS	148	1770	788.93	396.48
Professionalism	PRF	1	7	3.67	1.46
Political Influence	POL	1	7	3.51	1.53

Source: Compiled by Researcher

From Table 3, the mean score of the latent variables (FRQ, IAQ, ASC, ICT, PRF and POL) ranges from 3.51 to 4.89 with a standard deviation ranging from 1.53 to 1.75. While the mean and the standard deviation of the discrete variable, size, is 788.93 and 396.48 respectively. Implicitly, given that the result of the central tendencies as regards the dependent variable (FRQ) is higher compared to the results of the IVs, it is suggestive that there is a significant association between the measures of the constructs.

Result of the PLS Path Model

Working with the PLS-SEM path model regarding the structural model testing involves two processes (Henseler, Ringle & Sarstedt 2015): testing the measurement model and testing the structural model.

Testing the Measurement model

The measurement modeling involves the measurement of the relationships between indicators and their respective latent variables (Hair et al., 2014; Henseler et al., 2016). In this study, this involves the test of reliability and validity. Thus, using the PLS-SEM statistics, the measurement scales adopted evaluates individual indicator reliability, internal consistency reliability, convergent validity and the discriminate validity of the indicator/construct relations. Figure 2 and Table 4 presents the measurement mode

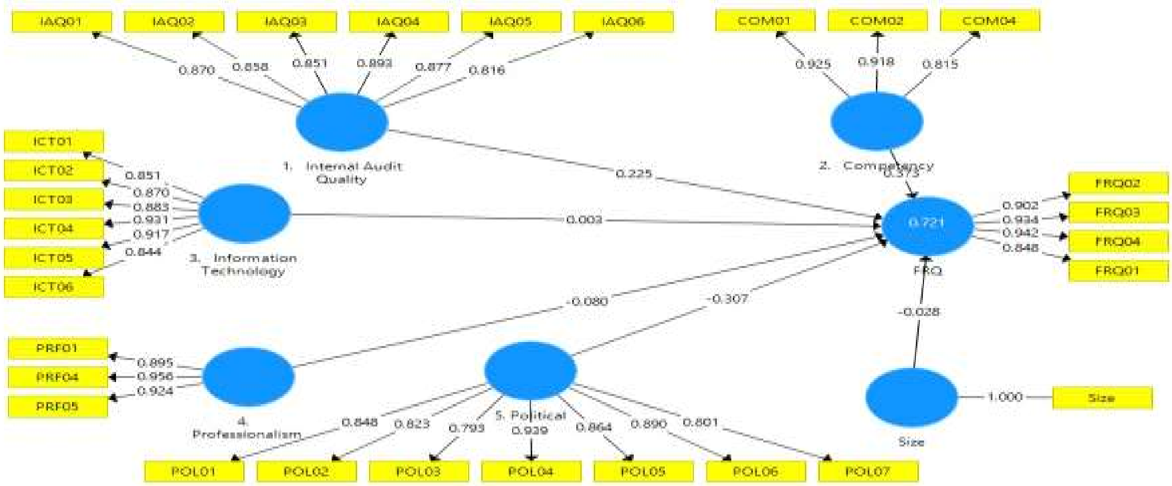

Figure 2: Measurement Model

Firstly, the outer loadings of each construct were examined to ascertain the individual item reliability. In this paper, this was examined based on standardized loading of all the latent variables ((Hair et al., 2014) which is 0.707 and above. 3 items were deleted because their loadings were below the acceptable range (i.e., COM03, PFR02 and PRF03). Thus, only 30 items were retained and used for further analysis as they had loadings between the range 0.5 and 0.7. Therefore, as shown in Table 4, for each latent variable, all the standardized loading of the remaining 30 items exceeds 0.7, thus fulfilling the condition for the acceptable threshold.

Secondly, the internal consistency was estimated based on composite reliability coefficient of the measure which should be at least 0.70 or higher (Bagozzi, 1988). In this study the composite reliability coefficient of the latent constructs as indicated in Table 4 ranged from 0.765 to 0.933, indicating the adequacy of the internal consistency reliability of the study. Thirdly, the convergent validity was assessed by checking the average variance extracted (AVE) (Chin, 1988). Fornell and Larcker (1981). Fornell and Larcker (1981) posited that AVE of 0.50 or higher is adequate. Therefore, the result on Table 4 shows the AVE ranges from 0.762 to 0.823. This result establishes the adequacy of the convergent validity as the scores of the AVE exceeds the minimum threshold. Fourthly, the Average Variance Extracted (AVE) helps to ascertain the discriminant validity (Fornell & Larcker, 1981). This was realized through comparing the square root of the AVEs (diagonal entries) with the correlations between the latent constructs (off-diagonal entries). Thus, the discriminant validity is achieved if the diagonal values are significantly greater than the off-diagonal values in the corresponding rows and column.

Table4:
Measurement Model Results

Constructs and indicators	Loadings	Composite Reliability	Average Variance Extracted (AVE)
Internal Audit Quality		0.945	0.742
IAQ01	0.870		
IAQ02	0.858		
IAQ03	0.851		
IAQ04	0.893		
IAQ05	0.877		
IAQ06	0.816		
Account Staff Competency		0.917	0.788
ASC01	0.925		
ASC02	0.918		
ASC04	0.815		
Infor Comm Technology		0.955	0.780
ICT01	0.851		
ICT02	0.870		
ICT03	0.883		
ICT04	0.931		
ICT05	0.917		
ICT06	0.844		
Professionalism		0.947	0.857
PRF01	0.895		
PRF04	0.956		
PRF05	0.924		
Political		0.949	0.727
POL01	0.848		
POL02	0.823		
POL03	0.793		
POL04	0.939		
POL05	0.864		
POL06	0.890		
POL07	0.801		
Financial Reporting Quality		0.949	0.823
FRQ01	0.848		
FRQ02	0.902		
FRQ03	0.934		
FRQ04	0.942		
Size	1.000	1.000	1.000

The result of the discriminant validity based on Fornell and Larcker (1981) criterion is presented in Table 5.

Table 5:
Results of Discriminant Validity Test (Fornell-Larcker Criterion)

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

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

Based on Table 5, adequate discriminant validity was achieved. This is because the values of the AVEs (values appear in bold) were greater than the correlations between the constructs.

Structural Model Result

Structural model, also called inner model, shows the relationship among the theoretical latent variables (Chin, 1988; Sarstedt et al., 2016). The results of the stated hypotheses relating to the conceptual framework as shown in figure 1 was presented. Figure 3 and Table 6 presents the significant path coefficient of the study

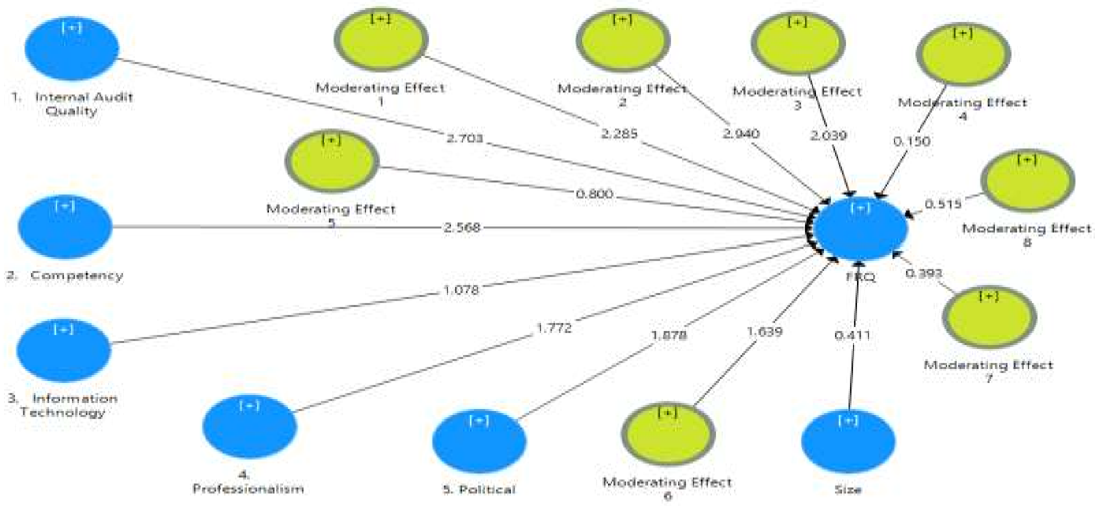

Figure 3: *Structural Model*

Table 6
Results of Structural Model

Hypotheses	Relationship	Beta	SE	t-value	p-value	Findings
H1	IAQ → FRQ	0.233	0.086	2.703	0.004***	Supported
H2	ASC → FRQ	0.330	0.129	2.568	0.005***	Supported
H3	ICT → FRQ	0.084	0.078	1.078	0.141	Not supported
H4	Size → FRQ	-0.020	0.048	0.411	0.341	Not supported
H5	IAQ* PRF→FRQ	0.052	0.032	1.639	0.051*	Supported
H6	ASC*PRF→ FRQ	-0.032	0.039	0.800	0.212	Not supported
H7	ICT*PFR→FRQ	0.011	0.029	0.393	0.347	Not supported
H8	Size*PRF→FRQ	0.000	0.000	0.515	0.303	Not supported

H9	IAQ * POL→ FRQ	0.090	0.031	2.940	0.002***	Supported
H10	ASC * POL → FRQ	-0.093	0.041	2.285	0.011	Not Supported
H11	ICT * POL → FRQ	0.059	0.029	2.039	0.021**	Supported
H12	Size * POL → FRQ	0.000	0.000	0.150	0.440	Not supported

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

Based on the theoretical model of the study, six (6) hypotheses were postulated. For reason of clarity in analysis, hypothesis 5 and 6 were expanded to address the variables of the organizational factors individually. That is, the moderating variable of professionalism (PRF) was tested against individual dimension that constitute organizational factors (IAQ, ASC, ICT and CS). This resulted to four (4) hypotheses. Similarly, the moderating variable of political influence (POL) was also tested against the individual dimension of organizational factors (IAQ, ASC, ICT and CS). This equally resulted to additional four (4) hypotheses. On the whole, twelve (12) hypotheses were addressed for purpose of analysis in the study as presented in Table 6.

However, according to the result on Table 6, out of the twelve (12) hypotheses, only five (5) were statistically significant i.e., Hypothesis 1, 2, 5, 9, and 11. While Hypothesis 3, 4, 6, 7, 8, 10 and 12 were found to be statistically not significant. As shown in Figure 3, the values shown near the arrows represent the t-values. These however, suggest that the relationship was significant at one-tailed test 0.05 level with critical t-value of 1.65. Based on the postulated hypotheses, Hypothesis 1 predicted a significant positive relationship between internal audit quality and FRQ. The result presented in Figure 3 and Table 6 show that significant positive relationship exists between IAQ and perceived FRQ (β = 0.233, t = 2.703, p< 0.01). Thus, Hypothesis I is supported. Similarly, a significant positive relationship between ASC and FRQ was predicted in hypothesis 2. The results in the table showed that accounting staff competence had a significant positive relationship with FRQ (β = 0.330, t = 2.568, p< 0.01), thus, hypothesis 2 supported. Conversely, Hypothesis 3 and 4 were not supported based on the result on figure 3 and Table 6 (β = 0.084, t = 1.078, p>0.10) and (β = -0.020, t = 0.411, p> 0.10) respectively. Further, after ascertaining the significance of the path coefficient for the main model, next the structural model based on two criteria, including the R-squared values and predictive relevance of the model was assessed. The R-square presents the combined effect of exogenous variables on endogenous variable (s). As shown in Table 7, the value of the R-square stood at 0.721, suggesting that the four exogenous latent variables (i.e., IAQ, ASC, ICT, CS) collectively explained 72% of the variance in FRQ. As proposed by Falk and Miller (1992), R-square value of 0.10 is an acceptable minimum value of predictive accuracy of determination score between exogenous and the endogenous variable(s).

Table 7
Results of Variance Explained - Coefficient of Determination

	R Square	R Square Adjusted
Financial Reporting Quality	0.721	0.706

Therefore, it is certain that the endogenous latent variable (FRQ) for this study possess the acceptable level of R-square. Lastly, the predictive relevance (Q^2) of this study was calculated through blindfolding procedure in PLS 3.0 and assessed using the recommendation by Geisser (1974) and Stone (1974). According to Henseler and Sarstedt (2013), a research model with Q^2 value greater than zero is considered to have predictive relevance. Therefore, result presented on Table 8 of this study shows a Q2 of 0.545 for the endogenous latent variable. This suggests that the model for this study possessed a good predictive relevance.

Table 8:
Predictive Relevance (Q^2)

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

Testing Moderating Effect

To determine the moderating effect of professionalism and political influence on the relationship between organizational characteristics and FRQ. The moderating variable is an indirect effects which uses product indicator approach (Henseler & Chin, 2010). Accordingly, as shown on Table 6, the moderating effect of professionalism was only seen to be significant in the relationship between IAQ and FRQ (e.g., β = 0.052, t = 1.639, p< 0.10)). While the moderating effect of professionalism on other relationships (i.e., ASC*PRF→ FRQ (β = -0.032, t = 0.800, p>0.10), ICT*PFR→FRQ (β = -0.011, t = 0.393, p>0.10) and Size*PRF→FRQ β = -0.000, t = 0.515, p>0.10)) revealed no significant effect.

On the other hand, the moderating effect of political influence is only seen to be significant in respect of the relationship between IAQ/FRQ and ICT /FRQ. While the other two relationships i.e., ASC * POL → FRQ (β = 0.059, t = 2.039, p< 0.05) and Size * POL → FRQ (β = 0.000, t = 0.150, p< 0.01)) shows no significant moderating effect of political influence.

Discussion of Findings

Consequent upon the central objective of the study, the result of the above analysis has provided theoretical and practical evidence regarding the study's objectives and postulated hypotheses thus: First, statistical result and analysis regarding internal audit quality (IAQ) and FRQ, revealed that the postulated hypothesis was supported (β = 0.233, t = 2.703, p< 0.01), suggesting there is a significant positive relationship between IAQ and FRQ. The plausible explanation for this finding is that, given the implementation of IPSAS in the country, the government introduced some supportive mechanisms that could enhance implementation of IPSAS and by enhance the effective operation of the internal audit units across the local governments.

Second, the analysis between ASC and FRQ is supported (β = 0.330, t = 2.568, p< 0.01) based on the postulated hypothesis. This revealed that accounting staff competence has significant influence on FRQ. Similar result was revealed by Mustapha & Dahiru (2022) and Setyaningrum & Kuntadi (2019) . Thay reported accounting staff qualification and skills accentuate the production of quality accounting reports. This seems to show an increase in training of accounting staff as a result of the adoption of the IPSAS which explained significant influence on FRQ.

Third, the hypothesis regarding ICT and FRQ relation shows not supported. This revealed there is no significant relationship between ICT support and FRQ ($\beta = 0.084$, $t = 1.078$, $p > 0.10$). This shows that, the level of support for ICT deployment have not impacted the elaboration of quality accounting reports in the study area. However, on the contrary previous studies found significant positive relationship between ICT and FRQ (e.g. Cuadrado-Ballesteros et al., 2022). This seems that, the enabling environment that supports ICT implementation are not present among the local governments in Nigeria.

Fourth, the result of the postulated hypothesis on council size and FRQ revealed the hypothesis is not supported ($\beta = -0.020$, $t = 0.411$, $p > 0.10$). this is similar to prior studies such as Abdullah et al. (2017) . Plausible explanation regarding this finding is that, since the system of accounting and standards adopted for reporting are homogeneous, notwithstanding the size, where there is paucity of necessary infrastructure for accounting and financial operation, the quality of accounting reporting cannot be effective.

Finally, the moderating effects of professionalism and political influence on the relationship between organizational factors and FRQ was hypothesized. A significant positive moderating effect of professionalism (PRF) exist in the relationship between IAQ and FRQ ($\beta = 0.052$, $t = 1.639$, $p < 0.10$) only, while moderating effect of professionalism regarding ASC, ICT and CS in relation to FRQ revealed insignificant effects, ($\beta = -0.032$, $t = 0.800$, $p > 0.212$), ($\beta = 0.011$, $t = 0.393$, $p > 0.347$), and ($\beta = -0.000$, $t = 0.575$, $p > 0.303$) respectively. Consequently, professionalism seems to contributes to effective internal audit functions of the local governments through achieving audit objectives, communication, judgments and recommendations offered to the management by the internal auditors. This may be the result of the oversight function on the internal audit units of the local governments which are mostly performed by the Auditor General of States, who must possess professional qualification from reputable institution. On the contrary, the insignificant results in respects of other variables (ASC, ICT & CS) suggests there is absence of incentive for the use of professionals in the use of ICT. Similarly, irrespective of size, incentives or cost for hiring professionals in the service of the local governments seems to be high for the local government to afford. Thus, making the imperatives of professionalism as a moderating variable on the relationships be inconsequential.

Furthermore, two hypothesized relationships were found significant regarding moderating effect of political influence, i.e., the relationship between IAQ and FRQ ($\beta = 0.090$, $t = 2.940$, $p < 0.01$) and between ICT and FRQ ($\beta = 0.059$, $t = 2.039$, $p < 0.05$). While moderating effect of political influence on ASC ($\beta = -0.093$, $t = 2.285$, $p < 0.01$) and CS ($\beta = 0.000$, $t = 0.150$, $p > 0.10$) were found not significant. Thus, the significant moderating result of political influence regarding IAQ/FRQ and ICT/FRQ is suggestive of house-keeping and proactive political will the government demonstrated to strengthen mechanisms of internal control scrutiny and support for ICT development in the local governments under discussion. This perhaps with a view to gain legitimacy and acceptance by international community consequent upon adoption of IPSAS. On the other hand, the insignificant result of political influence to moderate the relations regarding ASC/FRQ and CS/FRQ seems to suggest that, political will of the political class (ruling class) is low to the extent that the local government Councils irrespective of their size, could not hire the service of competent accounting personnel to handle accounting operations during the implementation of IPSAS in the Councils.

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Study Implication and Direction for Future Research

Overall, based on the theorization and the result of statistical inferences available in this paper. This study has made considerable theoretical contributions in research on organizational characteristics, financial reporting quality and institutional factors in specific ways. Firstly, the paper has shown that, the four variables of organizational factors (i.e., Internal Audit Quality, Accounting Staff Competence, Information Communication Technology and Council size) are important organizational contingencies to explain the results of Financial Reporting Quality outcomes among local governments in Nigeria. This justifies the value of the R-square (Table, 7) which account for 72% of the variance in FRQ of the study's model.

Secondly, the study incorporated institutional factors conceived as professionalism and political influence given the observed inconsistencies in findings of prior studies. Consequently, this study revealed that these variables are critical interventions in the matter of organizational factors and financial reporting practice of local governments in Nigeria. Even though the two moderators portrayed differing significance in terms of their effect size. This suggests that necessary attention should be given these factors in the bid to ensure quality financial reporting in the matter of organizational reforms and innovation of accounting reporting.

Thirdly, findings of the present study provide significant practical implication for local government management to improve FRQ. Thus, since organizational characteristics are important factors that could shape FRQ outcome, the local government manager should give serious attention to effective functioning of these factors while designing policies and practices.

5. Conclusion and Recommendation

Following the adoption of international accounting to streamline the operation of accounting and financial reporting, organizational and institutional factors have been argued to influence the elaboration of financial reporting quality (FRQ). The imperatives of testing the effect of organizational contingencies on FRQ despite adoption of IPSAS has resulted to plethora of confounding results. Pertinent to the objective of this paper is to breach the identified gaps in prior studies. Thus, institutional factor was incorporated as a moderating variable with a view to achieving model precision and specification.

Consequently, based on succinctly theorization, the results of the survey administration and statistical analysis reveals that organizational factors in terms of internal audit quality and staff competence significantly influence FRQ, while the effect of information communication technology and councils' size on FRQ showed insignificant result. The moderating variables, involving professionalism was found to moderate significantly the relationship between internal audit quality and FRQ, while insignificant moderating effect was found amongst information communication technology, accounting staff competence and FRQ. On the other hand, political influence moderates significantly the relationship between all the organizational factors and FRQ except for council's size.

Conclusively, this paper argued that, notwithstanding the adoption of accounting standards, to achieve optimal FRQ amongst local government councils in Nigeria, managers and regulators of local governments should focus on effective performance of organizational factors, including high consideration for professionalism and political influence on accounting practices.

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