

## INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS) IMPLEMENTATION IN BENUE STATE PUBLIC SERVICE: PROSPECTS AND CHALLENGES

*Paul AondonaAngahar<sup>1</sup> & Stephen Gwar<sup>2</sup>*

<sup>1</sup>Associate Professor, Department of Accounting and Finance, Benue State University, Makurdi, Nigeria

<sup>2</sup>Research Scholar, Department of Accounting and Finance, Benue State University, Makurdi, Nigeria

**Received: 23 Sep 2019**

**Accepted: 04 Oct 2019**

**Published: 10 Oct 2019**

### **ABSTRACT**

*This research work has examined the challenges and prospects of implementing International Public Sector Accounting Standards (IPSAS) in the Benue State public service. To achieve this, secondary data emanating from public discourse and published works were used. It was observed that the implementation of IPSAS in the Benue State public service is hindered by some challenges which includes: Inadequate cooperation from government officials; Difficulties associated with change; Take off cost; inadequately trained accountants in the public service. It is recommended that there should be more seminars and workshops held in order to create awareness about IPSAS and there should be more training, employment of professional accountants in the public sector as well as increased budgetary provisions for the effective implementation of IPSAS.*

**KEYWORDS:** *IPSAS; Implementation; Benue State; Challenges; Prospects*

### **INTRODUCTION**

Globalization of financial transactions requires a unified global accounting, reporting, and disclosure based on uniform standards. This has led to the adoption of International Public Sector Accounting Standards (IPSAS) in countries across the globe with Nigeria adopting IPSAS effective 2013; With this adoption, public sector entities in Benue state would have to prepare financial statements in accordance with IPSAS.

The trending issues on the doorstep of the accounting profession globally now with respect to the public sector bothers on how to implement the unified accounting standards especially as it relates to government undertakings. Based on this thinking of unifying accounting Standards relating to government undertaking, the necessary reform agenda had been advanced to harmonize the public sector system of accounting so as to enhance efficiency in operations.

In supporting the need for harmonization in reporting the financial undertakings of government, Roje, Vasicek and Vasicek (2010) are of the view that in order to ensure high quality financial reporting so as to eliminate inefficiency and ineffectiveness in the public sector there is the need to utilize high quality standards and to harmonize public sector accounting systems.

Okaro and Okoye (2012) posited that the paradigm shift to the uniform public sector accounting standards is highly recommended because it would promote effective financial reporting in the public sector as well as enhancing the

managerial system and will in the long run form the basis for improved public sector accounting information and lead to timely decision making.

This paper has examined the prospects and difficulties that are likely to be faced in implementing IPSAS in the Benue State Public service with a view towards highlighting the measures to be adopted in order to ameliorate the challenges of its adoption in Benue state.

The rest of the paper is presented under seriatim: Conceptualization; Theoretical Review; Methodology; Empirical Review; Conclusion and Recommendations.

## **Conceptual Framework**

### **International Public Sector Accounting Standards**

In order to ensure that the reform agenda, that will promote uniformity in accounting standards in government undertakings necessitated the need for the introduction of IPSAS. The International Public Sector Accounting Standards Board (IPSASB) enhances the preparation of financial statements by public sector institutions all over the globe through the issuance of public sector accounting standards (IPSAS Handbook, 2015).

According to Kanellos & Evangelos (2003), attempts to promote accountability and transparency in public sector entities led to the adoption of IPSAS as standards that regulate government accounting and this have been recognized and accepted by prominent international institutions such as the World Bank and United Nations (UN) among others. Many countries have consequently adopted IPSAS so as to conform to the accepted international best practice. IPSAS in recent times has drawn the attention of government regulators, policy-makers, practitioners and academic alike.

In the views of Izedonmi and Ibadin (2013), rules regarding measurements and the formats for the presentation and preparation of annual general purpose financial reports in the public sector organizations are addressed in IPSAS.

According to Otunle (2012), the roadmap for the adoption and subsequent implementation of IFRS for the private sector and IPSAS for public sector in Nigeria was approved by Federal Executive Council (FEC) meeting on 28<sup>th</sup> July, 2010. The adoption as approved was primarily aimed at enhancing and strengthening the country's public accounting and financial management practices. In order to implement IPSAS, the Federal Account Allocation Committee (FAAC) held a meeting on 13<sup>th</sup> June 2011 and setup a Technical Sub-Committee to provide a Roadmap for the effective implementation of IPSAS in the three tiers of government in Nigeria. Based on the recommendations of the Sub-Committee, FAAC had approved the adoption of IPSAS migration period from cash basis in 2014 to accrual basis in 2016.

Generally, public sector is that segment of the economy whose focal point is maximizing the welfare of the people. In the Nigerian setting, there are three tiers of government namely Federal, State and Local Government. These tiers of government that makes up public sector have Ministries, Departments and Agencies that enhance operational efficiency and effectiveness. According to Ishola (2009), the public sector performs a very essential role in providing good governance and protecting the interest of the citizenry.

According to Adebayo (2013), the countries that have adopted IPSAS are grouped as follows:

- **Full adoption and implementation:** Russia, France, Sri Lanka, Canada, Tanzania, Azerbaijan, Turkey, United Kingdom, Abu Dhabi, Bangladesh, Slovak Republic, Romania, Pakistan, Albania, Kazakhstan, Georgia,

Kyrgyzstan, Uruguay, Australia, Brazil, Cayman Islands, Spain, Cyprus, Lithuania, Costa Rica, East Timor, Fiji, Japan, Liberia, Malaysia, Uganda, Switzerland, Nicaragua, Philippines, Singapore, Latvia, Solomon Islands and New Zealand.

- **Not fully adopted:** China, Yemen, Vietnam, Zimbabwe, Argentina, Gambia, Mauritania, Armenia, Barbados, Afghanistan, Jamaica, Argentina, Cambodia, Estonia, Guatemala, Honduras, Mauritius, Namibia, Peru, Swaziland, Ghana and Zambia.

According to Balogun (2016), the following are the public sector Accounting Standards currently in use:

- IPSAS 1 Presentation of Financial Statements
- IPSAS 2 Cash Flow Statement
- IPSAS 3 Accounting policies, changes in Accounting Estimates And Errors
- IPSAS 4 The effect of changes in foreign Exchange Rates
- IPSAS 5 Borrowing Cost
- IPSAS 6 Consolidated And Separate Financial Statements
- IPSAS 7 Investment In Associates
- IPSAS 8 Interest In Joint venture
- IPSAS 9 Revenue From Exchanging Transactions
- IPSAS 10 Financial Reporting In Hyper-inflationary Economies
- IPSAS 11 Construction Contracts
- IPSAS 12 Inventories
- IPSAS 13 Leases
- IPSAS 14 Events After the Reporting Date
- IPSAS 15 Financial Instruments Disclosure
- IPSAS 16 Investments Property
- IPSAS 17 Property, Plants and Equipment
- IPSAS 18 Segment Party Disclosure
- IPSAS 19 Provisions Contingent Liabilities and Contingents Assets
- IPSAS 20 Related Party Disclosure
- IPSAS 21 Impairment of Non-Cash Generating Assets
- IPSAS 22 Disclosure of Financial Information About the General Government Sector

- IPSAS 23 Revenue from Non-Exchange Transactions (Taxes and Transfers)
- IPSAS 24 Presentation of Budget Information in Financial Statements
- IPSAS 25 Employee Benefits
- IPSAS 26 Impairment of Cash Generating assets
- IPSAS 27 Agriculture
- IPSAS 28 Financial Instruments Presentation
- IPSAS 29 Financial Instrument; Recognition and Management
- IPSAS 30 Financial Instrument; Disclosures
- IPSAS 31 Intangible Assets
- IPSAS 32 Service Concession Arrangements; Grantor IPSAS without IFRS equivalent

### **Benue State Public Service**

The contemporary Benue State public service comprises of Ministries, Departments, Spending Agencies that enhance operational efficiency and effectiveness. Benue State Office of the Accountant General carries out public sector accounting composite activity of analysing, summarizing, recording and interpreting the financial transactions of government in the State.

Benue State is a member of the FAAC Committee, thus its activities are anchored in line with the timetable set by the federal government in the implementation of IPSAS in Nigeria. In view of the foregoing, Benue State was to fully implement IPSAS Accrual Basis by January, 2016. The implementation process is still ongoing with trainings, workshop, seminars and so on has been conducted for the various stakeholders, this was done with a view towards ensuring full implementation by December, 2018 however, we have observed that full implementation is yet to be achieved as at November 2019.

### **Objectives of IPSAS**

Basically, the following are the objectives for the adoption of IPSAS;

- To improve the quality of financial reporting in the public sector.
- To enhance transparency and accountability.
- To provide adequate information for decision making on resource allocation by government.

The objectives of IPSAS adoption is to ensure that public interest is served and protected through the provision of uniform public sector accounting standards that would enhance comparability of financial reports and promote transparency globally. (PricewaterhouseCoppers2013).

### **Benefits of Adopting IPSAS**

In the views of Deaconu, Cristina and Crina (2009), the main benefits of IPSAS with regard to accrual accounting include

accountability and more efficient control, improvement of users decision making process, financial reporting efficiency, better performance, compatibility, managerial and financial efficiency and public institutions governance.

Similarly, the committee that was setup with the mandate of ensuring adoption of IPSAS in Nigeria advanced the under listed benefits of IPSAS:

- Improved consistency and comparability of financial statements as a result of the detailed requirements and guidance provided in each standard,
- Improved management resources is enhanced through greater disclosure of information,
- Better internal control and transparency with respect to assets and liabilities,
- Enhances cross border investment by promoting the flow of foreign Direct Investment,
- Provides comprehensive information about costs that will better support results-based management,
- Enhances the implementation of freedom of information act,
- Promote the policy of Public Private Partnership, which depends largely on the extent of accountability and transparency of public sector,
- Facilitate the flow of aid and assistance from foreign bodies

#### **Challenges in Effective Implementation Of IPSAS**

The challenges are either general or specific ones. According to Chan 2010, the general challenges are thus:

- No clear road map for “*reverse engineering*” from financial statements to accounting systems.
- Capacity to decide the future (budgeting) is a higher priority than to look back at the past (financial accounting).
- Capacity to manage parts of a government throughout the year (special purpose reports) is more urgent than to monitor the whole government at year-end (annual consolidated financial statements).

Whereas the specific that can be attributed to Nigeria according to John (2011) are given below:

#### **Inadequate Cooperation from Government Officials**

The adoption of IPSAS just like any new concept will encounter resistance because of the fear of the unknown. Government officials who are used to the cash basis of accounting in the public sector may not be willing to embrace the new system. Consequently, Ministries, Departments and Agencies of Government may progress slowly in adopting IPSAS.

#### **Difficulties Associated with Change**

The implementation of IPSAS would result in use of new standards, new principles, new rules and new terminologies which will give rise to difficulties and act as a challenge in its adoption.

#### **The Take Cost**

The take cost associated with the implementation of IPSAS is enormous, it involves the cost of training and producing new accounting manuals, given the lean financial resources of the Benue State government and this may act as a challenge.

### **Inadequately Trained Accountants in the Public Service**

Most public sector accountants are not adequately trained as professional accountants and would find it difficult switching over to IPSAS from the current public sector accounting system.

### **Theoretical Framework**

In order to have unified accounting standards relating to government undertaking globally, the necessary reform agenda had been put in place to harmonize both public and private sectors system and principle of financial reporting and accountability so as to enhance efficiency in operations. This study is anchored on two theories which service as basic tool for understanding, explaining and guiding the subject matter under consideration

### **The Economic Network Theory**

This theory is anchored on the need for a synergy between individuals, groups or countries interacting to benefit the whole community. Economic networks use the various competitive advantages and resources of each member to increase the production and wealth of all the members. Applying this theory to the adoption of IPSAS implies that it will enhance increase in foreign investment and trade. Hamisu, asserts that a network theory predicts direct benefits to interacting partners. Similarly, Barth, 2008, posited that IPSAS adoption by a country has direct benefits which are represented by both the net economic and net political value over local standards.

### **The Theory of Isomorphism**

The theory states that organizations and the coercion which they exert must be seen in the broad sense as political and institutional pressures. According to this theory, similar organizations tend to conform to each other and they became more similar, in order to obtain institutional legitimacy. In the views of DiMaggio and Powell (1983), organizations are more willing to adopt new or uniform standards, if dependency on resources from international financiers or donors is taken care.

## **METHODOLOGY**

The paper is a contextual analysis that is principally based on a literature review on the subject matter. The paper has reviewed publications relating to the implementation of IPSAS and the researchers have observed the implementation of IPSAS in Benue State.

### **Empirical Review**

EgbunikeOnoja, Adeaga and Utojuba (2017), undertook a study that looked at Nigerian accountant's views of IPSAS acceptance in the public service. Their study adopted a survey research design, with respondents drawn from the Benue and Kogi states offices of the Accountant General and Auditor General. The findings of their study indicated that transparency and improvement in financial reporting will be achieved by the adoption of IPSAS and the benefits of adoption outweighs the cost associated with the implementation of IPSAS.

Ijeoma and Oghoghomeh (2014) undertook a research study that looked advantages and the challenges associated with the implementation of IPSAS in Nigeria. The study concluded that the adoption of IPSAS will enhance reliability and credibility in government financial reporting, thus it is expected to improve operating procedures and strengthen good governance.

Mhaka (2014) conducted a research on IPSAS adoption in Zimbabwe, the study examined the cost of adoption of IPSAS as compared to cash accounting basis. The research concluded that IPSAS adoption had improved the quality of public financial reporting and also improved the confidence of international partners in the transparency of public financial management.

## **SUMMARY AND CONCLUSIONS**

Fundamentally, the research work was to examine the challenges and prospects that are found inherent in the implementation IPSAS in Benue State. The research work evidently provided established facts that the implementation of IPSAS generally in public sector taking into account implementation challenges (Inadequate cooperation from government officials; Difficulties associated with change; Huge take cost; inadequately trained accountants in the public service) is a veritable and significant policy. The policy which will promote accountability, transparency and good governance, will also enhance quality financial reporting statement and promote efficient decision making for effective public sector operations and delivery in Benue State.

In view of the study and conclusion arrived at above, the research work recommends that Benue State government embarked on full and rigorous implementation of IPSAS. The benefits that would accrue to Benue State Government by implementing IPSAS in the public finance reform programme are enormous.

## **RECOMMENDATIONS**

Flowing from the challenges of IPSAS implementation in Benue State as observed from the study; the following recommendations are advanced so as to enhance effective implementation:

- Benue State Government should organized frequent workshops and seminars that will expose staff of the MDAs on the benefits of IPSAS implementation. This will help in mitigating the lack of cooperation associated with its implementation amongst the MDAs staff.
- Staff of MDAs should be sent on long or short term training courses that are IPSAS related. This will not only motivate them in ensuring implementation of IPSAS but will also enhance quality implementation due to the fact that they will be trained on the theoretical and practical aspects of IPSAS.
- MDAs and the Benue State Government should increase budgetary provisions on aspects that are IPSAS related. Such aspects like, workshops, seminars, trainings, computers and accessories acquisitions, software development and so on.
- State government should employ more professional Accountants that will ensure effective implementation of IPSAS. Professional Accountants are trained on all the aspect of IPSAS, as such engaging them will enhance effective and robust implementation of IPSAS in Benue State.

## **REFERENCES**

1. *Adebayo P. A. (2013). International public sector Accounting Standard: A Practical guide to Reporting Entities in Nigeria. Abuja: Arogbodo Press Ltd. Printing and Publishing.*

2. Bellanca, S., & Vandernoot, J. (2014). *International public sector accounting standards (IPSAS) implementation in the European Union (EU) member states*. *Journal of Modern Accounting and Auditing*, 10(3).
3. Adegbite, E. O (2010). *Accounting, Accountability and National Development*. *National Accountant* 43 (1), 56-64
4. Balogun E. O. (2016). *The Impacts of International Public Sector Accounting Standards in the Nigerian Public Sector*. *International Journal of Advanced Academic Research | Social & Management Sciences*, 2(7), 15–33
5. Chan, J. L. (2010). *Government Adoption of Accounting Standards, especially IPSAS*. Retrieved on 09/03/2019 from <http://jameslchan.com/papers/ChanPhDSem6.pdf>
6. Deaconu A., Cristina S. N., and Crina, F. (2011). *The Impact of Accrual Accounting on Public Sector Management: An Exploratory Study for Romania*. *Transilvanian Review of Administrative Sciences*, (32E).
7. Egbunike, A. P., Onoja A. D., Adeaga J. C. and Utojoba, J. O. L. (2016). *Accountants' Perceptions of IPSAS Application in Nigerian Public Sector Financial Management and Reporting*. *Journal of Economics, Management & Trade*, 19(3), 1-22
8. GoranaRoje, G., Vasicek, D. and Vasicek, V. (2010). *Accounting Regulation and IPSAS Implementation: Efforts of Transition Countries toward IPSAS Compliance*. *Journal of Modern Accounting and Auditing*. 6(12), 134-141
9. Hamisu, K. S. (2012). *Factors Affecting the Implementation of IPSAS in Kenya Unpublished M.Sc Dissertation to the College of Humanities and Social Sciences, University of Nairobi, Kenya*.
10. Ijeoma, N. B. and Oghoghohemeh, T. (2014). *Adoption of International Public Sector Accounting Standards in Nigeria: Expectations, Benefits and Challenges*. *Journal of Investments and Managements* 3(1), 21-29
11. IPSAS Board (2015). *Handbook of International Public Sector Accounting Pronouncements*.
12. Ishola K. (2009). *Public sector accounting and finance*. Ilorin: Indemac Publications
13. Izedonmi, F. and Ibadin, P. O. (2013) *International Public Sector Accounting Frame Work, Regulatory Agencies and Standard Setting Procedures. A Critique*” *European Journal of Business and Management*. 5(6), 17-24
14. John C. (2011). *IPSAS Adoption in Nigeria Step to Improved Accountability in the Nigeria Public Sector*.
15. Kanellos T and Evangelos, P. (2013). *Concept, regulations and institutional issues of IPSAS: a critical review*. *European Journal of Business and Social Sciences*, 2(1), 43-54
16. Mhaka C. (2014). *IPSAS, A Guaranteed Way of Quality Government Financial Reporting. A Comparative Analysis of the Existing Cash Accounting and IPSAS Based Accounting Reporting*. *International Journal of Financial Economics*, 3 (3), 134-141.
17. Ofoegbu, G.N. (2014). *New Public Management and Account Basis for Transparency and Accountability in the Nigerian Public Sector IOSR*. *Journal of Business and Management (IOSR.JBM)* 16 (7), 104-113.
18. Okaro, S. and Okoye, E. (2012). *Introduction of Accrual Accounting in Nigeria's Public Sector: The Perception of Auditors, Preparers of Financial Statements and Accounting Academics*. Retrieved on 09/03/2019 from <http://www.researchgate.net/publication/255726716>



19. Otunla, J.O. (2014). *Implementation of the International Public Sector Accounting Standards (IPSAS) in Nigeria: The Journey So Far*. A presentation at Annual Conference of the ICAN, Abuja 2014.
20. Price water house Coopers (2012). *Adoption of IPSAS in Ghana - prospects, challenges and the way forward*, Retrieved on 09/03/2019 from [http://www.pwc.com/en\\_GH/gh/pdf/adoption-of-ipsas.pdf](http://www.pwc.com/en_GH/gh/pdf/adoption-of-ipsas.pdf)

