

Perception of Stakeholders on the Implementation of Accrual Basis IPSAS Financial Reporting in Southwestern Nigeria

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Abstract:- International Public Sector Accounting Standard (IPSAS) is gradually being implemented in the public sector of the Nigerian economy. This is to cater for the need to achieve transparency, uniformity, consistency and comparability in the preparation of financial statements by the public sector entities in Nigeria, as it is the case around the world. This study assesses the perception of stakeholders (Accountants, Auditors and Chief Executive Officers) in Government Ministries, Departments, Agencies and Public Educational Institutions on whether or not the implementation of IPSAS has achieved its desired objectives in Southwestern Nigeria. The specific objectives of the study are therefore to: categorize the perceptions of the stakeholders on the implementation exercise, identify the possible challenges yet to be addressed and draw up an inference on the extent to which implementation had been achieved.

In order to achieve the objectives stated above, the survey method was adopted using questionnaire, interviews and focus group discussions. 150 respondents were purposively selected from stakeholder groups consisting of: Accountants, Auditors and Chief Executive Officers from government Ministries, Departments, Agencies and public Educational institutions for the administration of the questionnaire. 118 valid copies of the questionnaire were retrieved for which both descriptive and inferential statistics were employed to analyze using Statistical Product for Scientific Solution (SPSS), version 22. From the study, it was found out that the level of implementation achieved was still below 40% and the following challenges were yet to be addressed: low level of awareness, inadequate training, high cost of training and re-training, poor record keeping, apathy on the part of implementers, low motivation of staff, inadequate supervision and high risk of irrelevance of current practitioners due to the fact that implementation of IPSAS is IT-based. The study concludes that implementation of IPSAS in Southwestern Nigeria was still below expectation in government Ministries, Departments, Agencies and public Educational institutions as far as preparation and presentation of was concerned. Substantial conscious efforts were therefore needed to spur the stakeholders into action to ensure that the objectives of Accrual basis IPSAS Financial Reporting achieved in southwestern Nigeria.

Keywords: Accrual Basis IPSAS, financial statements, transparency, uniformity, consistency, comparability, stakeholders, MDAs, PEIs

I. INTRODUCTION

The globalization of financial transactions reporting and disclosure has led to the need for adoption and implementation of International Public Sector Accounting Standards (IPSAS) in various countries of the world including Nigeria. The implementation of accrual basis IPSAS in financial reporting is also necessary due to increasing volume of cross border capital flows and the growing number of foreign direct investment among economies which calls for increased uniformity in the standards guiding financial statements preparation so that such statements remain comprehensible and convey the same information to users across the world.

The International Public Sector Accounting Standard (IPSAS) is a set of accounting standards issued by the International Public Sector Accounting Standards Board (IPSASB) for the use by public sector entities across various jurisdictions in the preparation of financial statements. It is to cater for the need to improve the quality of general purpose financial reporting by the public sector entities, thereby leading to achievement of transparency, uniformity, consistency and comparability in the preparation of financial statements by the public sector entities in Nigeria, as it is the case around the world.

The move from cash to accrual basis IPSAS financial reporting by many governments is viewed as an aspect of the on-going government public sector reform programmes designed to achieve a more business-like and performance-focused public sector (Hyndman & Connolly, 2011). It has been argued that accruals accounting provides more appropriate information for decision makers and incidentally leads to a more efficient and effective public sector and that without accruals accounting, some of the New Public Management reform changes would be weakened (Likierman, 2003). In terms of scope, the application of accrual basis IPSAS covers the national, state and local government as well as related governmental entities such as Ministries, Departments and Agencies (MDAs). It is also widely used by intergovernmental organisations, tertiary educational institutions and parastatals owned and controlled by both Federal and State governments. The format of the paper is

divided as follows; section two discusses the theoretical basis and empirical review related to the study. This is followed by methodology and analytical techniques in section three, the results and discussions are covered in section four while conclusion and recommendations are discussed in section five.

II. THEORETICAL FRAMEWORK AND EMPIRICAL REVIEW

The theoretical basis for this paper is anchored on institutional theory. The new public management (NPM) typically suggests that functional or rational reasons (to improve efficiency and effectiveness) are the primary motivations for change to accrual basis IPSAS financial reporting. However, in contrast, institutional theory stresses that other factors related to both internal and external organisational expectations and values can play a prominent part in change or reform process in accounting (Meyer & Rowan, 1977). The factors include the influence of the social and cultural aspects of an organisation's environment. Institutional theory seeks to explain the isomorphism of organisations, a key aspect of which is that organisations may adopt certain characteristics in order to appear legitimate where organisations resemble each other both culturally and structurally, when in real terms, there are no technical economic efficiency gains from doing so.

DiMaggio and Powell (1983), identified three mechanisms through which institutional isomorphic change takes place viz: coercive isomorphism which stems from political influence and legitimacy problems; mimetic isomorphism which is standard response to uncertainty and normative isomorphism which is associated with professionalization. In the context of transition to IPSAS Accrual Accounting in the public sector, a form of coercive isomorphism is the pressure international lending agencies (IMF, the World Bank, and ADB) exert on the use of accrual accounting on developing countries as a required prerequisite to follow in order to access a loan. Similarly, the concept of mimetic isomorphism can be perceived in the case of developing countries following accounting practice used in developed countries where its application has been successful. Thus by following the accounting practice of developed countries, developing countries hoped that they can enhance the legitimacy and relevance of their accounting practices.

With regards to normative isomorphism, it represents the influences of what are perceived as normal standards and conducts, thus explaining how professional networks facilitate information exchange across professional groups and thereby diffusion of new practice is achieved, leading to similar behaviour by members of distinguished professional groups. Adegun and Adebisi (2016) noted that all the three factors of coercive, mimetic and normative isomorphism intermingled to influence the adoption and implementation of accrual basis IPSAS in Nigeria. Using the foregoing theoretical framework, it can be argued that the implementation of accrual basis

IPSAS in Nigeria's public sector can be likened to a form of normative isomorphism which makes her financial reporting system conform with the other professional accounting bodies and international best practices around the world.

Empirical Review

This section examines some empirical literature on public sector accounting practice in the area of cash versus accrual accounting. Notable among them is that of Carlin (2003), in a study of accrual accounting and financial reporting in the public sector: reforming the debate. He examined the impact of accrual accounting reform on the quality of financial decision making in Australia. His finding was that far from having an exclusively positive impact on the quality of financial decision making in a public sector context, the adoption of accrual accounting in financial reporting was in fact undermining the quality of certain key decisions, including those related to outsourcing and competitive tendering. Similarly in a study on the implementation of accrual accounting in Australia, Barton (2009) posited that the results of the reforms have been mixed. He concluded that though accrual accounting has had a beneficial effect on efficiency, effectiveness and accountability in the Australia public sector, however the benefits have been offset by aspects of accounting misuse resulting from some questionable adoption of the business model of accrual accounting and termination of the former cash accounting model among others.

Tudor and Mutiu (2006) examined cash versus accrual accounting in public sector in Romania. The authors analysed the evolution of movement from cash to accrual accounting, the factors that influenced the movement in the Romania public sector and responded to the question whether it was better or not for Romania public sector accounting to make the movement from cash to accrual accounting. By considering the main characteristics of the new public accounting system, they concluded that it was better for Romania public sector accounting to move from cash to accrual accounting, knowing the general advantages of accrual accounting for internal and external information users.

Salleh, Ab Aziz and Abu Bakar (2014) in a study of accrual accounting in government: Is fund accounting still relevant? evaluated the relevance of the Fund Accounting in the planned adoption of accrual accounting by the Federal Government in Malaysia. The authors used an extensive literature review and fact finding approach as the research methodology to examine whether Fund Accounting was still relevant in the transformation journey of Federal Government in Malaysia for accrual accounting environment; and to review literature on the relevance of Fund Accounting in the Federal Governments accrual basis of financial reporting system in the two developed countries of USA and New Zealand. The findings showed that Fund Accounting was found to remain relevant in the transformation to accrual accounting in Malaysia. However, in the case of USA and

New Zealand, the modified accrual accounting was used for Government Funds, while full accrual accounting was used for both proprietary and fiduciary funds.

Similarly, Azmi and Mohammed (2014) investigated the readiness of Malaysia public sector employees in moving towards accrual accounting for improved accountability: The case of Ministry of Education. The methodology employed for the study was the use of qualitative approach that comprises questionnaire survey, participant observation and structured interview to examine a phenomenon of readiness of employees for the implementation of accrual accounting within its real-life context. Finding from the study showed that accounting employees were ready for the implementation of accrual accounting and were willing to move to accrual accounting.

In addition, Olomiyete (2014) examined Accountability and Financial Reporting issues in Nigeria: Considering a change from Cash Accounting to Accrual Accounting. The author discussed the growing trend in debate about adoption of private sector financial management process in the public sector as part of the public sector reform programmes. The finding showed that accrual accounting will help to further strengthen the quality of government accounting and reporting.

III. METHODOLOGY AND ANALYTICAL TECHNIQUES

To achieve the objective of this study, a survey research design was adopted to cover the three states of Ogun, Osun and Oyo which were randomly selected from the six states of Southwestern Nigeria geo-political zone. Data were collected through questionnaire, interviews and focus group discussions from stakeholder groups consisting of Accountants, Auditors and Chief Executive Officers of government Ministries, Departments, Agencies and Public Educational Institutions. The questionnaire contained two sections. Section A was designed to solicit information on socio-demographic characteristics of the respondents while Section B covered a set of structured questions on the perceptions of the stakeholders on the implementation of accrual basis IPSAS and possible challenges yet to be addressed. For the purpose of applying questionnaire, conducting interviews and focus group discussions one hundred and fifty (150) respondents were purposively selected from the three stakeholders groups consisting of Accountants, Auditors and Chief Executive Officers of the relevant Government Agencies and Educational Institutions. However, a total of one hundred and eighteen (118) valid questionnaires were retrieved from the respondents given a response rate of 78.7 percent with non-response rate of 21.3 percent.

In the analysis of the data, descriptive statistics in form of tables and percentages were used to describe the degree of compliance with Accrual basis IPSAS implementation while inferential statistics in form of chi-square was used to ascertain if there was any significant difference between observed responses and expected opinions of respondents.

IV. RESULT AND DISCUSSION

(i) Demographic Characteristics of Respondents

Table 1 shows the socio-demographic characteristics of respondents in the study. Male respondents were 74 (62.7%) while females were 44 (37.3%) given a total of 118 respondents. Majority of the respondents were highly qualified academically with 90.7% of them having equivalents of 1st degree and above while 77.9% of them were professionally qualified. This gave the researchers the impression that majority of the respondents understood the subject-matter of the study, Accrual basis IPSAS. Majority of the respondents (66.1%) also had work experience of more than 11 years which was considered long enough for a better appreciation of Cash basis for government accounting system before the adoption of Accrual basis IPSAS. Despite the fact that a sizable number of respondents (63.6%) claimed that they had sufficient knowledge (50% and above) of Accrual basis IPSAS, only a few (22.9%) claimed they were utilizing it on daily basis at their places of work. This implies that adequate infrastructure was not yet on ground for these professionals to apply the new knowledge they had acquired.

Table 1: Demographic Characteristics of Respondents

GENDER	Frequency	Percent
Male	74	62.7
Female	44	37.3
Total	118	100.0
Highest educational qualification		
ND/OND	11	9.3
HND/BSc	78	66.1
MA/MSc/MBF/MBA	29	24.6
Total	118	100.0
Highest professional qualification		
None	26	22.0
ACA/CITN/CNA	64	54.2
FCA/FITN/FNA	28	23.7
Total	118	100.0
Work experience in years		
5yrs and below	24	20.3
6-10yrs	16	13.6
11-15yrs	19	16.1
16-20yrs	22	18.6
above 21yrs	37	31.4
Total	118	100.0
IPSAS knowledge		
0%	2	1.7
10-29%	5	4.2
30-49%	36	30.5

50-59%	33	28.0
60-69%	34	28.8
70% and above	8	6.8
Total	118	100.0
IPSAS use at work		
Never	13	11.0
Per year	18	15.3
Per quarter	40	33.9
Per month	17	14.4
Per week	3	2.5
Daily	27	22.9
Total	118	100.0
Rank in the service		
Accountant II/Auditor II	23	19.5
Accountant I/Auditor I	19	16.1
Senior Accountant/Auditor	19	16.1
Principal Accountant/Auditor	20	16.9
Chief Accountant/Auditor	15	12.7
Assistant/Deputy Director Accounts/Audit	7	5.9
Director (F&A)/Audit	10	8.5
Accountant General	1	0.8
Auditor General	1	0.8
Bursar	2	1.7
Rector/Provost/Vice Chancellor	1	0.8
Total	118	100.0

(ii) Perception of Stakeholders on Accrual basis IPSAS Implementation Status

Table 2 shows the perception of stakeholders on the level of implementation as can be observed from the accompanying means. The level of implementation as observed by practitioners appears to be high, but this is in terms of planning, training, and provision of some facilities. It can be noticed however that when it comes to actual implementation, the level of achievement is still very low (mean, 2.23).

Table 2: Categorization of Perception of Stakeholders on IPSAS Implementation

Implementation Status	Mean	Standard Deviation
The state has conducted training on IPSAS standards for all Accountants and Auditors	3.81	1.078
The state has completed domesticating the National Chart of Accounts (NCOA)	3.69	1.136
The state has procured and used an IT system for IPSAS implementation	3.60	1.199
The state has upgraded the existing IT for IPSAS implementation	3.47	1.245
The state has produced IPSAS cash compliant financial statements for 2014 and 2015	3.55	1.051
The state is currently preparing IPSAS accrual compliant financial statements for 2016	3.63	1.100

The state has engaged a specialist consultant to assist with the IPSAS implementation	3.85	1.137
IPSAS has significantly improved the quality of general purpose financial reporting in the state	3.92	1.075
IPSAS ensures true and fair view, transparency, accountability and integrity of financial reporting	4.27	0.712
IPSAS has led to better assessment of resource allocation decisions in government	3.92	0.962
IPSAS implementation has led to comparability of financial statements with other government/countries	4.13	0.801
Valuation of non-current assets has been implemented by the state	3.28	1.176
Accounting/Auditing processes have been updated in the state	3.68	1.020
What percentage will you rate your state on the implementation of IPSAS to date	2.23	0.810

(iii) Challenges to Accrual Basis IPSAS Implementation

Table 3 shows the challenges to accrual basis IPSAS yet to be addressed as perceived by the stakeholders. The mean perception shows that these challenges are still major challenges that are worth looking into for appropriate solutions to be proffered.

Table 3: Challenges to Accrual Basis IPSAS Implementation yet to be addressed

Challenges	Mean	Standard Deviation
A major challenge to IPSAS implementation is higher cost of training and retraining	3.99	0.910
Inadequate training for stakeholders is a major challenge to IPSAS implementation in the state	4.11	0.968
There is apathy on the part of practitioners to the implementation of IPSAS	3.58	1.049
High risk of irrelevance of current practitioners as a result of IT based IPSAS implementation	3.73	1.035

(iv) Extent of implementation achievement

Tables 4a and 4b show the extent to which implementation had been achieved by the 3 states (Oyo, Ogun and Osun) from the perception of stakeholders. 65.3% of the respondents were of the opinion that the level of implementation was still below 40%. This is supported by the low mean of 2.23 as shown in Table 4b. The achievement however appears to be significant as the p- value is 0.0000 < 0.5. This may be due to the fact that considerable knowledge of accrual basis of IPSAS had been imparted to practitioners and some facilities had equally been provided. However, the will to actually commence implementation, on the part of the various state governments in concrete terms appears not to be strong enough.

Table 4a: Extent of implementation achievement

	Frequency	Percent	Cumulative Percent
less than or equal to 20%	21	17.8	17.8
21-40%	56	47.5	65.3
41-60%	34	28.8	94.1
61-80%	7	5.9	100.0
Total	118	100.0	

Table 4b: Chi-Square Tests

	What percentage will you rate your state on the implementation of IPSAS to date
Chi-Square	44.102 ^a
df	3
Asymp. Sig.	0.000
Mean	2.23
Std. Deviation	0.810
N	118

V. CONCLUSION AND RECOMMENDATIONS

This study concluded that implementation of accrual basis IPSAS in the southwestern geo-political zone of Nigeria was yet to be actualized in terms of preparation and presentation of financial statements. It is therefore recommended that the challenges highlighted in Table 3 be promptly addressed for possible resolutions.

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