

International Public Sector Accounting Standards (IPSASS) Application of Consolidated Financial Statements (CFS) In Africa Government Accounting Systems

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Abstract: Consolidated financial statements provide compounded single financial group General Purpose financial statements prepared by the parent economic entity, amalgamating other entity's financial information intended for useful decision making by the user stakeholders. The purpose of this study is to analyse the technical application and complexities of IPSAS Consolidated financial statements in Africa Government accounting systems. The study methodology adopted is mixed research methodology administered through questionnaires and interviews on PAFA professionals in public practice across Africa, using statistics and content analysis for data analysis. The study findings revealed that consolidated financial statements for government, prepared and presented fairly with other financial reports are useful for decision making. The respondents also highlighted technical complexities in terms of applying the accounting standards and financial reporting elements recognition and measurement as rather subjective in the determination of control, variable benefits, existing power, benefits and the binding agreement.

Keywords: IPSAS, Consolidated financial statements, Government accounting, IPSAS challenges, PAFA, IPSASs Objectives, IPSASs Challenges

I. INTRODUCTION

Consolidated general purpose financial statements are prepared by the parent economic entity using prescribed conventions and accounting standards for the objective of providing useful financial information for decision making by the user stakeholders. The overriding objective for consolidated financial statements for IPSASs have been decoded from the International Financial Reporting Standard (IFRSs) benchmark with similarities of criteria whose peripheral and overall underpinning is control (IPSASB, 2013). The IFRS prescriptive criteria mainly focussed on the investor user as opposed to IPSASs multi-thronged criteria of multiple users of consolidated financial statements. The objective of this research is to analyse the application of IPSASs consolidated financial statements.

II. LITERATURE REVIEW

The Consolidated financial statements (IPSAS 1, 2018) are those prepared either on an accrual or cash basis by a

controlling economic entity on behalf of controlled entities presenting useful information to stakeholders demonstrating the entity's accountability for the economic resources entrusted. The overriding prescribed conditions for all public sector general purpose financial statements is that they should comply with the qualitative characteristics for financial reporting clearly articulating the requirements of relevance, faithful representation, verifiability, timeliness and understandability (IPSASB, 2013). Presentation of the financial statements (IPSASB, 2013) must include financial information that is premised on a particular measurement basis premised on qualitative characteristics, including information that attains an appropriate balance reporting on its cost-benefit and materiality applications. The useful financial information should be fairly presented through faithful representation without deviation from any public sector accounting standard, despite the technical complexities and subjectivity in terms of professional judgments (Mazhambe, 2018)

Consolidated financial statements in the European Union governments appears to be a fair compromise between the International Public Sector Boards (IPSASB) concepts of control with the budgetary and traditional public approaches (Grossi and Soverchia, 2011). The new consolidation concepts (Grossi and Soverchia, 2011) being based on the two classifications namely the control and budgetary criteria. The budgetary perspective excludes from consolidation public entities which are neither making contributions or appropriated in the public budget (Bergmann, 2009). The Consolidated Financial Statements are prepared as a single financial report on the basis of the parent economic entity shareholding, showing and compounding minority interests, investments and all investments in associates and joint ventures including the economic and legal justifications (Alexander and Nobes, 2010).

There are notable problems in the presentation of consolidated financial statement in government, more specifically regarding defining the recognition area and criteria of consolidation, making benchmarks and comparisons across different levels of government difficult (Tagesson (2009). The

globally accepted consolidation criteria (Tagesson (2009) are the presence of financial accountability and the existence of control.

Governments consolidated financial reports virtually translate and depict a reduction in the core objectives of accountability and decision usefulness, through partial disclosure of financial activities and economic events. This partial disclosure is largely attributed to legally separate governments agencies and service providers, excluding subsidiaries, associates and joint ventures (Grossi and Newberry, 2009). Consolidated financial statements issued by the national governments are not mutually exclusive of other financial reports, and when presented as fragmented financial information the depicted financial information may not be reliable resulting in both the internal and external users of financial information to make wrong decisions (Grossi and Mussari, 2008)

Consolidated financial statements should be presented after requisite evaluation criteria of control, assessed in terms of the public entity's benefits or power and in terms of its influence in the consolidated entity (IPSAS 35). The consolidating entity should through its power (IPSAS 35) over the consolidated entity, influence the nature and amount of benefits as a measure and definition of its control, and this is also applicable to its investment entities but excluding Government business enterprises. Benefits are defined as both financial and non financial that are variable emanating from a binding contract drawn from a statutory mechanism clearly depicting existing power of the controlling entity (IPSAS 35).

III. PURPOSE OF THE STUDY

This scientific study purpose is to analyse the technical application of IPSAS Consolidated financial statements in Africa Government accounting systems

IV. RESEARCH OBJECTIVE

To analyse the technical application of IPSAS Consolidated financial statements in Africa Government accounting systems, based on accounting and auditing professionals in public sector practice

V. RESEARCH QUESTION

How complex is IPSASs Consolidated financial statements in Africa Government accounting systems?

VI. METHODOLOGY

The study methodology adopted is mixed research methodology (Mazhambe, 2014), through researcher administered questionnaires and interviews. The case study research design (Mazhambe, 2014) is premised on the enquiry approach so as to extract deeper meaning and presumably perceived variable correlations on the study phenomena. Descriptive and inferential statics have been adopted for data analysis, including qualitative explanatory notes have been employed to extract deeper meaning of the study phenomena (Mazhambe, 2020). The study population was IFAC

Accountants in public sector based in Africa, with the sampling frame of Pan African Federation Accountants (PAFA) public sector accountants, being selected randomly (Mazhambe, 2020).. The accountants jurisdictions adopted in this study were southern Africa, East Africa, Central Africa, West Africa and North Africa (Mazhambe, 2020).

VII. DATA ANALYSIS, PRESENTATION AND DISCUSSION

<i>Southern Africa</i>		<i>East Africa</i>		<i>Central Africa</i>	
Mean	0.2	Mean	0.2	Mean	0.2
Standard Error	0.062369865	Standard Error	0.057706152	Standard Error	0.059413803
Median	0.17	Median	0.18	Median	0.16
Mode	#N/A	Mode	#N/A	Mode	#N/A
Standard Deviation	0.139463257	Standard Deviation	0.129034879	Standard Deviation	0.132853303
Sample Variance	0.01945	Sample Variance	0.01665	Sample Variance	0.01765
Kurtosis	1.9296859	Kurtosis	2.53025999	Kurtosis	2.607981767
Skewness	0.984309899	Skewness	1.238112989	Skewness	1.45211179
Range	0.38	Range	0.35	Range	0.35
Minimum	0.04	Minimum	0.06	Minimum	0.07
Maximum	0.42	Maximum	0.41	Maximum	0.42
Sum	1	Sum	1	Sum	1
Count	5	Count	5	Count	5

<i>West Africa</i>		<i>North Africa</i>	
Mean	0.2	Mean	0.196
Standard Error	0.070639932	Standard Error	0.071874891
Median	0.17	Median	0.19
Mode	#N/A	Mode	#N/A
Standard Deviation	0.15795569	Standard Deviation	0.160717143
Sample Variance	0.02495	Sample Variance	0.02583
Kurtosis	0.299765864	Kurtosis	0.214396552
Skewness	0.907765802	Skewness	0.608456512
Range	0.4	Range	0.41
Minimum	0.04	Minimum	0.02
Maximum	0.44	Maximum	0.43
Sum	1	Sum	0.98
Count	5	Count	5

ANOVA						
SUMMARY						
Groups	Count	Sum	Average	Variance		
Southern Africa	5	1	0.2	0.01945		
East Africa	5	1	0.2	0.01665		
Central Africa	5	1	0.2	0.01765		
West Africa	5	1	0.2	0.02495		
North Africa	5	0.98	0.196	0.02583		
ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	6.4E-05	4	1.6E-05	0.000765331	0.999998713	2.866081402
Within Groups	0.41812	20	0.020906			
Total	0.418184	24				

As evidenced from the above statistics whose data is statistically significant and in correlation, the mean, median values are relatively coherent, with acceptable insignificant standard errors, extracted from the primary data premised on the research question on respondents from different jurisdictions of Southern Africa, the data has internal and external validity, and free from bias. The ANOVA statistics is also in congruent with linearity, as evidenced from the critical values within and between the group sets above. The data range depicted is clearly and effectively spread and is representative of the sample population. There is therefore a notable significant correlation and consistency for statistical significance to derive inferential conclusions.

The findings from the respondents as depicted above were statistically significant and the qualitative content analysis also virtually concurred, that IPSASs Consolidated financial statements application in the government accounting systems reports financial information that is useful for decision making with varying degrees of analytical complexity. The respondents identified fairly presented consolidated financial statements as relatively useful for transparency and accountability, and in the long run as a good deterrent for corruption in governments and its entities. The respondents as identified the following as the complexity issues with regard to government consolidated financial statements as challenging and subjective recognition and measurement of : non financial benefits, control in terms of variable rights, binding agreements in the context of statutory mechanisms, power arising from voting rights, evaluation of existing power in terms of constantly changing facts and circumstances.

VIII. CONCLUSIONS

The study can therefore conclude that consolidated financial statements for government, prepared and presented fairly with other financial reports are useful for decision making, especially with regard to the accrual accounting system. The additional disclosure enable both internal and external users to understand government, government, government entities and its investment entities in terms of its power, nature and appreciation of financial and non financial benefits, and in the long run as a benchmark and deterrent for corruption in government sector. IPSASs Consolidated financial statements application in the government accounting systems reports financial information that is useful for decision making with varying degrees of analytical complexity. The complexity of the economic public entity emanates from the evaluation criteria of control in legal and economic terms including the entity's benefits or power through its inherent power influence and definition of control including its investment entity's. However the consolidation of financial statement is defined and shadowed the following complex and challenging issues with to definition and measurement: subjective determination of control, variable benefits, existing power, benefits (financial and non-financial) and the binding agreement subjectively defined in terms of statutory mechanisms.

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