

International Public Sector Accounting Standards (IPSASS) Assessment of Public Entities “Going Concern” Assumption Concept in Africa

Zivanai Mazhambe

Post Doctoral Research Department, Bright Africa Consultancy Training

Abstract: Legislation enacted by the elected representatives is the key control and guide for public sector entities, defining the constituent limits and oversight. Financial reporting under general acceptable accounting standards of IPSASs and the IFRSs, hold the precondition assumption of ‘going concern’ as fundamental requiring the assessment benchmarks and the determination be disclosed and justified accordingly. This study seeks to assess the IPSASs going concern assumption of IPSAS of financial reporting in public entities, as a prescribed underlying assumption. The methodology adopted for this study was mixed research methodology, through questionnaires and interviews of PAFA professionals across Africa selected randomly. The findings revealed that the IPSASs assessment and determination of its ‘going concern’ assumption when applied to public sector entities is difficult and complex. The findings further revealed that the ‘going concern’ assessment of sovereign governments political systems in Africa is technically complex in determination and further compounded by the periodic appointments of public policy and officials in terms of the constitutional provisions which renders disruptiveness the public administration, compromises service potential and delivery, thereby causing subjectivity in the assessment of the IPSASs going concern assumption.

Keywords: IPSASs, Going Concern, Government accounting, IPSAS challenges, PAFA, IPSASs financial reporting, IPSASs Challenges

I. INTRODUCTION

Financial reporting under general acceptable accounting standards of International Public Sector Accounting Standards (IPSASs) and the International Financial Reporting Standards including International Accounting Standards, hold the precondition assumption of ‘going concern’ as fundamental. Assessment benchmarks and precluding assessments used in the determination should always be disclosed and justified accordingly. Poor accounting standards and their ineffective application in member countries of the African Union have caused financial chaos and civil unrest (African Union, 2019). This study seeks to assess the IPSASs going concern assumption of IPSAS of financial reporting in public entities.

II. LITERATURE REVIEW

IPSASs financial statements are prepared for multi-thronged stakeholders including tax payers, rate payers, legislatures, administrators, employees and the media who are not in a

position to request for tailor made general purpose financial statements through statements detailing the entity financial position, financial performance and cash flow position (IPSAS 1).

The overall requirement for the preparation and presentation of the general purpose financial statements (IPSASs) is that they should be presented ‘fairly’ through faithful representation of all economic transactions, events and other conditions therein in compliance all the accounting standards encompassing the definitions and recognition of financial reporting elements. The ‘fair presentation’ precedent condition is technically challenging for both the preparer and user in that any variation from the precedent conditions and accounting standards would technically render the general purpose financial statements as ‘misleading’ thereby violating the precedent qualitative characteristics (Mazhambe, 2018). The International Accounting Standard Board (IASB) has prescribed the ‘going concern’ as an underlying assumption to the ‘fair presentation’ of financial statements must be clearly demonstrated before preparation of general purpose financial statements (Alexander and Nobes, 2010)

Public sector entities are legal persona created and appropriated legislature through central, provincial, municipal governments or other authorities, by way of a publicly approved budget. Legislation enacted by the elected representatives is the key control and guide for public sector entities, defining the constituent limits and oversight through financial management and reporting mechanisms, with national governments generally having broad powers to establish, enforce, and change legislation and related regulatory mechanisms (ASB, 2018). The preparation of public sector financial reports (ASB, 2018) is underpinned by the going concern principle which must interpreted in terms of political, government, provincial, municipal and related authorities power and control jurisdictions.

Numerous African countries despite having adopted fundamental reforms notably IPSAS from an accounting perspective, are still plagued with major challenges, ranging from incomplete and inaccurate government finances to lack of cooperation, resulting in negative impact on decision usefulness and accountability (African Union, 2019). The staggered approach to adoption of IPSASs for African

countries has been plagued by both budget constraints and lack of support from political administrators and legislators mainly due to lack of transparency and stakeholder buy-in.

IPSASs are designed for application in many national geographical jurisdictions with diversity in different forms of governments, political systems, institutional and administrative set formations in their multitudes of service delivery as articulated by the International Public Sector Accounting Board (IPSASB, 2013). The IPSASB (2013) however acknowledges and recognises diversity in the forms of governments and their political, economic and cultural underpinnings culminating in their service delivery. The calculation of value in use of non- cash generating assets used in service the provision of services in the public sector is technically complex and difficult (IPSASB, 2013). The method of calculating the value in use ultimately reduces the representational faithfulness and also affects other financial reporting qualitative characteristics of timeliness, verifiability, understandability and comparability.

III. PURPOSE OF THE STUDY

This empirical study purpose is to assess the applicability of IPSASs going concern assumption on the public sector entities in Africa.

IV. RESEARCH OBJECTIVE

To assess the applicability of IPSASs going concern assumption on the public sector entities in Africa, based on accounting and auditing professionals in public sector practice

V. RESEARCH QUESTION

How applicable is IPSASs going concern assumption on public sector financial reporting entities in Africa?

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	0.065574385	Standard Error	0.063245553	Standard Error	0.057271284
Median	0.16	Median	0.18	Median	0.15
Mode	#N/A	Mode	#N/A	Mode	#N/A
Standard Deviation	0.146628783	Standard Deviation	0.141421356	Standard Deviation	0.128062485
Sample Variance	0.0215	Sample Variance	0.02	Sample Variance	0.0164
Kurtosis	0.759437534	Kurtosis	0.842	Kurtosis	1.841054432
Skewness	1.149874177	Skewness	1.025304833	Skewness	1.474842157
Range	0.36	Range	0.36	Range	0.31
Minimum	0.07	Minimum	0.06	Minimum	0.1
Maximum	0.43	Maximum	0.42	Maximum	0.41
Sum	1	Sum	1	Sum	1
Count	5	Count	5	Count	5

<i>West Africa</i>		<i>North Africa</i>	
Mean	0.2	Mean	0.2
Standard Error	0.054954527	Standard Error	0.065192024
Median	0.19	Median	0.15
Mode	#N/A	Mode	#N/A
Standard Deviation	0.122882057	Standard Deviation	0.145773797
Sample Variance	0.0151	Sample Variance	0.02125
Kurtosis	1.933994123	Kurtosis	0.558228374
Skewness	1.333858567	Skewness	0.677923819
Range	0.31	Range	0.37
Minimum	0.09	Minimum	0.04
Maximum	0.4	Maximum	0.41
Sum	1	Sum	1
Count	5	Count	5

ANOVA					
SUMMARY					
<i>Groups</i>	<i>Count</i>	<i>Sum</i>	<i>Average</i>	<i>Variance</i>	
Southern Africa	5	1	0.2	0.0258	
West Africa	5	1	0.2	0.02065	

Central Africa	5	1	0.2	0.01875		
West Africa	5	1	0.2	0.0177		
North Africa	5	1	0.2	0.02275		
ANOVA						
<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Between Groups	0	4	0	0	1	2.866081
Within Groups	0.423	20	0.0211			
Total	0.423	24				

As evidenced from the above statistics whose data is statistically significant, extracted from the primary data premised on the research question on respondents from different jurisdictions of Southern Africa, East Africa, Central Africa, West Africa and North Africa, the data has internal and external validity, and free from bias. The mean, median values are relatively coherent, with acceptable insignificant standard errors. The ANOVA statistics is also in congruent, as evidenced from the critical values above. The data range depicted is clearly 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 the assessment of the IPSASs going concern assumption regarding public entities in Africa is difficult and technically complex. The majority of respondents concurred that the recognition of diversity in national governments political, economic, cultural and social systems in public sector service delivery is difficult to apply and assess. The calculation and determination of value in use of non- cash generating assets used in service the provision of services in the public sector is technically complex and difficult.

VIII. CONCLUSIONS

The IPSASs assessment and determination of its 'going concern' assumption when applied to public sector entities is

difficult and complex both in terms of ownership and administration of public resources. The IPSASB recognition of diversity in national governments political, economic, cultural and social systems in public sector service delivery is difficult to apply and assess. The sovereign countries constitutions prescribes them to effect successive periodic appointments of public administrators and the executive, which causes disruption in the management of public resources and service delivery, thereby compromising the 'going concern' underlying assumption. The assessment of sovereign governments political systems in Africa is complex and further compounded by the periodic appointments of public policy and officials in terms of the constitutional provisions, compromises service potential and delivery, thereby causing subjectivity in the assessment of the IPSASs 'going concern' assumption.

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