# Implementing International Public Sector Accounting Standards in Nigeria: Issues and Challenges

**OSHIOLE, Blessing Victor**

Department of Accounting,
Bingham University,
Karu, Nasarawa State
E – Mail: oshiolevictor@yahoo.com, Phone No: +234 803775466

## Abstract

*In recent times the issue of International Public Sector Accounting Standards (IPSAS) has been of interest to scholars as far as financial reporting in the public sector is concerned. IPSAS have been embraced by many jurisdictions given its numerous benefits in the area of transparency and accountability. However, the transition to IPSAS has been a challenge, and the trend must be reversed. Therefore, the aim of this study is to contribute to the scholarly debate on the implementation of IPSAS so that the different Countries adopting it could gain some insight into factors relating to the transition, to improve strategic decisions based on evidence from established body of knowledge and empirical analysis. The research objective is to investigate the factors that contribute to the slow implementation of IPSAS in Nigeria. A research question is pursued to achieve the objective. The research question is what are the factors that affect the implementation of IPSAS in Nigeria? An attempt is made to answer the research question based on cross-sectional survey design. Stratified random sampling statistics is employed for the study. A sample of two hundred and thirty-two (232) respondents drawn from the accounting and auditing cadres in the public sector are used to conduct this study. This study employs descriptive statistics for analysis. Findings from this study show that political buy-in of all the government functionaries as a collective decision is a significant factor for the slow implementation of IPSAS in Nigeria. The implication of this finding is that the benefits of IPSAS which are necessary for good governance may remain untapped if the situation is unchecked. Therefore, this study recommends the need to apply moral suasion among the government functionaries to achieve the implementation, and harness the benefits of IPSAS for improvement in public financial management in Nigeria. This study is useful to various stakeholders such as foreign direct investors for decision making.*

Keywords: Accountability, International Public Sector Accounting Standards, Implementation,Public financial management, Transparency

## INTRODUCTION

The traditional approach to public sector accounting is based on cash accounting under the Generally Accepted Accounting Principles (GAAP) which was copied from the private sector. The GAAP was originally meant for the private sector. It is convenient for accounting and cheap because in government, the primary objective of the financial statements has been for an individual Accounting Officer to be held to account and responsible for the way in which funds allocated in the budget have been utilized based on cash accounting. Unfortunately, the GAAP system has been criticized for poor transparency and accountability. The GAAP has failed in the public sector because the public and private sectors are different in objectives, goals, and expectation. Hence, the need for review was apparent and urgent to improve public financial resources management. The pressure to review the GAAP was more in the wake of the European Financial crisis which later became global because it was argued that the sometimes inapplicable GAAP accounting practices of the private sector being used in the public sector contributed to the event and somewhat belated response to the financial crisis and ever since, Scholars have been concerned about accounting change in government (Sanderson 2009; IFAC, 2007).

Scholars have continued to call for an efficient approach to public governance in line with the New Public Management reforms (Babatunde, and Dandago, 2014; Ball, and Pflugrath, 2012). Omolehinwa (2012) argues that there is need to account for peoples' money. The need for an accounting change resulted into the introduction of International Public Sector Accounting Standards (IPSAS) by the International Federation of Accountants (IFAC). IPSAS are accounting standards issued in sets by IPSASB. "IPSAS are high-quality global accrual-based accounting standards which enable governments to produce high-quality financial information that leads to better decision making and builds accountability and trust with citizens" (IFAC, 2017.).IPSASB (2015) explains that the standards are for use by public sector entities excluding

Government business enterprises worldwide. These standards are for the preparation of financial statements. The objective of IPSAS is to improve government financial resources decision making based on an improved general purpose financial reporting by public sector entities, to enhance transparency and accountability in public governance. International Public Sector Accounting Standards Board (IPSASB) which is a Committee of IFAC is responsible for issuing IPSAS. IPSAS blocks the tolerance of double standards in government services because it is about the transparency of operations. It is a solution to the predominant corrupt practices in countries across the globe. Also, the primary financial resource suppliers to developing nations such as the World Bank, the Asian Development Bank, and the United Nations have endorsed IPSAS for use in accounting for the financial assistance they offer. Chan (2005) explains that the reports on the accounting and auditing gap assessment, prepared by the World Bank for the South Asian countries indicate that all South Asian countries (Bangladesh, Bhutan, India, Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistanand SriLanka) are making a transition towards IPSAS.

Despite the benefits, the implementation of this unique accounting change in government has been problematic because many governments are reluctant to accept the IPSAS reform but rather prefer to stick to the prior system of financial reporting. Notwithstanding, IFAC continues to propagate IPSAS adoption but despite the efforts the journey to implementation is still slow around the World although many countries adopted it but implementation has been an issue (IFAC, 2014). Adhemar (2006) argues that the IPSAS benefits are undermined by the fact that few governments have adopted the standards that are broadly consistent with IPSAS. For instance, IFAC (2017) finds that Anguilla and the Cayman Islands are the only Caribbean countries that have fully implemented IPSAS many of the other Countries started the process while many more countries are facing some challenges with IPSAS implementation despite the numerous benefits. Also IFAC (2017) finds that implementation of IPSAS in the OECD countries have been very slow. The study also argues that while the direct adoption of international accounting standards, such as International Public Sector Accounting Standards (IPSAS) by national governments remains very low, almost 28% of the standard-setters use IPSAS as primary or explicit references for developing the international standards. According to IFAC (2017) why the direct adoption of international accounting standards by national governments remains very low was due to some factors such as cultural, technical and required expertise. In line with the trend in globalisation, Nigeria considered the IFAC expectation and a significant decision was made by the Nigerian government when the International Public Sector Accounting Standards (IPSAS)was adopted in 2010, as the latest initiative in public sector reforms in Nigeria.This decision was predicated on the need to improve good governance as a catalyst to promote accountability and transparency in the management of public sector finances in the country. The adoption was supported by the enactment of the Financial Reporting Council of Nigeria Act, No.6, 2011. The Act empowers the Council to ensure the implementation of IPSAS in the best interest of Nigerians.

It is a good thing to adopt IPSAS but its implementation is a more serious and rigorous matter. Unfortunately, since the adoption of IPSAS, Nigeria is behind in the implementation. While the Country is wasting time on implementing the cash IPSAS, they were replaced with accrual IPSASs in 2013, and yet Nigeria has not implemented any of them ever since, contrary to expectation. In view of the slow implementation of IPSAS, the Federation Account Allocation Committee (FAAC) of Nigeria at the meeting of 13$^{th}$ June 2011 established a Sub-Committee to work out modalities for the implementation of IPSAS in Nigeria. It was expected that IPSAS cash basis would be applied to public sector financial reporting in 2012. The application was scheduled to start in 2012 being the year set as the deadline for the issue of first published IPSAS-compliant financial statements, but it failed. The Federal, State and Local Government Councils in Nigeria are to commence implementation of cash IPSAS by2014 and accrual IPSASs by 2016, alas Nigeria has failed to meet the targeted dates despite the efforts of the Federal government since IPSAS adoption in 2010. The incessant failure to implement IPSAS is quite an irony because the same Country has implemented the International Financial Reporting Standards for its private sector organisations without much delay which shows an element of a double standard attitude of some government institutions charged with the responsibility. For example, the Financial Reporting Council of Nigeria which is a government apparatus enforced the implementation of IFRS successfully in the private sector of the sameCountry, but this is not the case with IPSAS which is a puzzle to be resolved as to factors responsible.

The frequent changes in implementation date have been viewed with mixed feelings among the practitioners and scholars in Nigeria. According to Ofoegbu (2014), several attempts have been made in the past towards improved financial reporting system in Nigeria, but they all failed. The study argues that existing financial reporting practice was based on laws and regulations such as Audit Ordinance Act No. 38, 1956 and Finance (Control and Management) Act No.33, 1958 all of which do not accord with the cash IPSAS. This study is unique in many ways, first it is on a contemporary issue in public governance. Second it is an attempt to cover some missing gap in the literature in the area of dearth of similar study in developing economies like Nigeria. Third, its methodological approach is in line with the trend in research design, as a contribution to the existing body of knowledge. Fourth, the findings are of significance to various stakeholders in different ways. Fifth, the recommendation emanating from the research findings are worthy of actualization in the best interest of citizens. The slow implementation of IPSAS since it was adopted in Nigeria in 2010 may imply non-conformity with the trend in globalisation. It also portrays noncompliance with IFAC public sector reform strategy as it relates to IPSAS. IPSAS reform is about transparency and accountability in the management of public resources. This problem of slow implementation can cause the nation to be less attractive to foreign direct investment because of poor transparency in the affairs of government, lack of comparison of financial reports of home and foreign operations due to different reporting format. Donor agencies and other funding agencies may not be attracted to Nigeria since it is slow in complying with the new public management reforms as established by the IFAC which is the global umbrella body of accountancy, to the detriment of a nation with poor transparency perception index. Transparency International (2016) corruption perception index ranks Nigeria 136th out of 176 countries surveyed. Also United Nations economic commission for Africa (2015) finds that there are illicit monies with some Nigerians.

Some factors have been identified by scholars to have contributed to the slow implementation of IPSAS. These factors have been identified to include cultural, expertise, political-buy- in and accountability. For instance, the literature has identified political buy-in of top government at the different levels of governance as an issue of concern in the implementation of IPSASs (Atuilik,Adafula, andAsare, 2016; Tikk, 2010 and Tickell, 2010). Ijeoma and Oghoghomeh (2014), Aboagye (nd). Nurunnabi (2012) joined the debate on the implementation of IPSASs and argue that there is the problem of Sociological factors. Omolehinwa andNaiyeju (2015) and Hamisi (2012) identifies the cost of implementation as a problem. Accountability is a factor affecting the implementation of IPSAS (Alshujairi, (2014). The aim is to contribute to the scholarly debate on IPSAS implementation so that the different Countries adopting it could gain some insight into factors relating to the transition, to improve strategic decisions for successful implementation of IPSAS.

## LITERATURE REVIEW

### Conceptual Clarification

### International Public Sector Accounting Standards

Countries of the world over the years have defined and set the standards of financial reporting in their individual territories. However, globalisation has brought about ever increasing collaboration, international trade and commerce among the countries hence, there is grave need for increased uniformity in the standards guiding financial statements so that such statement would remain comprehensible and convene the same information to users across the world. The need for the development of unified accounting standards has been the primary driver of IPSAS for public sector financial reporting (Heald, 2003). IPSAS refers to the recommendations made by the IPSASB under the auspices of the IF AC (Delloitte &Touches, 2013; IPSASB, 2008). IPSAS are norms that govern the recognition, measurement, presentation and disclosure requirements in relation to transactions and events in general purpose financial statements. The development of IPSAS has its origin in the Accounting profession as a way to improve the transparency and accountability of governments and their agencies by improving and standardising financial reporting (Delloitte & Touches, 2013; Ijeoma, 2014). The IPSASB issues IPSASs dealing with financial reporting under the cash European Scientific Journal October 2016 edition vol.12, No.28 ISSN: 1857 – 7881 (Print) e - ISSN 1857- 7431 163 basis and the accrual basis of accounting (Kanellos et. al, 2013). It is ideal for all public financial reporting to adopt accrual basis financial reporting. Even so, IPSASB has acknowledged that for many governments, adoption of a cash-basis IPSAS is a more realistic intermediate goal (PWC, 2009). The primary role of the IPSASB is to ensure that published financial statements are uniform in content and in format and communicate precisely what they purport to convey leading to better informed assessments of the resource allocation decisions made by governments, thereby increasing transparency and accountability (Stephen et al, 2012).

**Quality of Financial Reporting Financial reporting**

This is a communication of financial statements and related information from a business enterprise to third parties (external users). The main objective of financial reporting is to provide high-quality information on reporting entities, which can be used for sound economic decisions making (IASB, 2010). This can positively influence present and potential capital providers and other stakeholders when making economic decisions; (investments, credit decisions, and allocating resources) that may enhance overall capital markets efficiency (IASB, 2008; 2010). It also provides information on management's effectiveness in utilising the resources and running the enterprise. Accountability is beyond the narrow limits of companies' legal responsibility to shareholders. It obviously includes the interest of persons other than existing shareholders (FASB, 1978). Quality of financial reporting is the precision with which financial reports convey information about the firms operation. Indeed so many definition of financial reporting quality are encountered based on the objectives of each research. For instance; Tang et al, (2008), define financial reporting quality as "the extent to which the financial statements provide true and fair information about the underlying performance and financial position". IASB, (2008), states that "the objective of financial reporting is to provide financial information about the reporting entity that is useful to present and potential equity investors, lenders and other creditors in making decisions in their capacity as capital providers". AICPA (1970), defines the purpose of financial accounting and financial statements as "the provision of quantitative financial information about a business enterprise useful to the statement users". The role however of financial reporting is broader and aims to provide even-handed financial and other information that together with information of other sources facilitates the efficient functioning of capital and other markets and assists the efficient allocation of the scarce resources in the economy, (FASB, 1978). The concept of financial reporting quality is European Scientific Journal October 2016 edition vol.12, No.28 ISSN: 1857 – 7881 (Print) e - ISSN 1857- 7431 164 therefore broad and includes financial information disclosures and nonfinancial information useful for decision making. Financial reports should meet certain qualitative criteria in order to avoid poor quality and accomplish their purpose. Both IASB and FASB in their Conceptual framework concluded that high quality is achieved by adhering to objective and the qualitative characteristics of financial reporting information (IASB 2008; 2010).Qualitative characteristics are "the attributes that make the financial information useful" (IASB, 2008).

However, provision of decision useful information is limited by one pervasive constraint: the costs of reporting information must be justified by its benefits (IASB, 2010). The various qualitative characteristics studied are as follows; Relevance is the potential that information has of making a difference in the decisions taken by users of that information. "Finance information is capable of making a difference in the decisions if it has predictive value, confirmatory value, or both" (IASB, 2010). Reported information therefore is useful only if it relates to the issues that are prime concern to the users. To give a faithful representation of economic phenomena, annual reports must be complete, neutral, and free from material errors (IASB, 2010). The phenomenon's to be presented are "economic resources, obligations and the transactions and events that change those resources and obligations", (FASB, 1980). Understandability;

information can be better understood if it is classified, characterised, and presented clearly and concisely. Information with such qualities enables user's comprehension of its exact meaning (IASB, 2008). Information that users do not understand is not useful even if it is relevant. Comparability is the quality of information that enables users to identify similarities and differences between two sets of economic phenomena. It includes consistency which refers to the use of the same accounting policies and procedures, either from period to period within an entity or in a single period across entities (IASB, 2010). Timeliness means that information becomes available to decisionmakers before it loses its capacity in influencing decisions. Timeliness refers to the amount of time it takes to make information known to others, and it is related to decision usefulness in general (IASB, 2010).

**Quality of Financial Reporting**

The fundamental economic function of accounting standards is, to provide agreement about how important commercial transactions are to be implemented. According to Clarke (2009), if accounting reports are not prepared following the standards, then the meaning of comparisons between performance in different time periods and the performance between entities European Scientific Journal October 2016 edition vol.12, No.28 ISSN: 1857 – 7881 (Print) e - ISSN 1857- 7431 165 are virtually impossible. Barth et al, (2006) suggest that accounting quality could be improved with elimination of alternative accounting methods that are less reflective of firm's performance and are used by managers to manage earning. Overall, evidence on voluntary IFRS adoption and accounting quality is mixed, however there is relatively better accounting quality among the firms that adopt IFRS (Christen send et al. 2008; Ashbaugh & Pincus, 2001). By eliminating many international differences in accounting standards, and standardising reporting formats, IFRS eliminate many of the adjustments that analysts historically have made in order to make companies financial information more comparable internationally. IFRS adoption therefore could make it less costly for investors to compare firms across markets and countries (e.g. Armstrong et al, 2007; Covrig et al, 2007). Thus, a common set of accounting standards would solve agency problem in corporate sector, reduce information asymmetries among investors and/or lower estimation risk by increasing comparability between lower and higher quality firms (Bradshw et al, 2004; Daske et al, 2007). Thus, reducing international differences in accounting standards assists to some degree in facilitating international integration of capital markets (Covrig et al, 2007) by removing barriers to cross-breed acquisitions and divestiture, which in theory will reward investors with increased takeover premiums. Lastly, better accounting standards make reported earnings less noisy and more accurate, hence more "value relevant". (Ashbaugh &Pincus, 2001; Hope 2003). It would also, make earning easier to forecast and would improve average analyst forecast accuracy. Ball et al, (2000) thought oppositely that managers in low-quality reporting regimes are able to "smooth" reported earnings to meet a variety of objectives, such as reducing the volatility of their own compensation, reducing the volatility of payouts to other stakeholders (notably, employee bonuses and dividends), reducing corporate taxes, and avoiding recognition of losses

**Public Sector**

The public sector is a term used to identify the portion of a nation's economy that is focused on providing basic services to citizens through the framework of a governmental organization. The practice of government sector accounting evolved over the years with focus on cash receipts and disbursements on the cash accounting basis or modified cash accounting basis. Hence, government revenue is only recorded and accounted for when cash is actually received and expenditure is incurred only when cash is paid irrespective of the accounting period in which the benefit is received or the service is rendered. It therefore means that, the amounts incurred by the government in purchasing fixed assets are treated the same way as expenses. They are therefore written off as part of expenditure for the period the costs were incurred (Oecon, 2010). Accountability is all about being answerable to those who have invested their trust, faith, and resources to you (ijeoma & Oghoghomeh 2014). Adegite (2010) defined accountability as the obligation to demonstrate that work has been conducted in accordance with agreed rules and standards and the officer reports fairly and accurately on performance results visvis mandated roles and plans. It means doing things transparently in line with due process and the provision of feedback. Premchand (1999) observed that the capacity to achieve full accountability has been and continues to be inadequate, partly because of the design of accountability itself and partly because of the widening range of objectives and associated expectations attached to accountability. He further argued that if accountability is to be achieved in full, including its constructive aspects, then it must be designed with care. The purpose of accountability should go beyond the naming and shaming of officials, or the pursuit of sleaze, to a search for improvements in economics management to reduce the incidence of institutional recidivism. According to Nweze (2013) Public sector accounting (PSA) is defined as a process of recording, summarizing, analyzing, communicating and interpreting financial transactions of government units and agencies. It reflects all levels of transactions, involving the receipt, custody and disbursement of government funds. Based on the above the researcher intended to align to the definition giving by Nweze (2013).

**Public Sector in Nigeria**

The Federal Republic of Nigeria is a multi-party democracy with the executive, legislative and judicial arms of government. The executive comprises of three tiers of government, the Federal, State and Local government and each of the three arms and three tiers enjoys some autonomy to a large extent in the running of the Federal, State or Local government affairs. Any law passed by each tier may not be binding on the other tiers separately or collectively on the same scale, and thus different points of view as regards the implementation of the law may ensue, an example of this; is the Financial Reporting Council Act 2011, which provides for the adoption and implementation of IPSAS. Such laws run the risk of slow implementation as is currently the case with IPSAS in the Nigerian public sector accounting system. According to the Institute of Chartered Accountants of Ghana (ICA- Ghana) (2010) public sector accounting is a system that gathers, records, classifies and summarises as reports the fiscal and financial transactions that exist in the public or government sector, as financial statements and interprets them as may be required by accountability and fiscal transparency to provide information to users associated with public institutions. It involves the receipts, custody, disbursement and rendering of stewardship of public funds entrusted.

Nigerian public sector accounting is strategic in the development of the Nation through the public sector apparatus on one hand as it drives the business operations of the private sector to a large extent on the other hand. The public sector accounting financial system in Nigeria is managed by the Ministry of Finance and the budget office at the Federal level, while each of the thirty-six States of the Federation run their financial affairs through their individual Ministries of Finance and budget offices as each State is autonomous with separate budgets backed up by an appropriation law. Also, each of the seven hundred and seventy four Local councils of the nation run their affairs separately. The three tiers maintain individual budgets that are guided by separate appropriation laws from preparation, approval, and implementation of the government budgets. They are individually governed with separate functionaries. They also maintain the development of the public sector financial reports for audit and publication individually.

**IPSAS Adoption in Nigeria**

Onwubuariri (2012) Reported that the Federal Executive Council of Nigeria in July 2010 approved the adoption of the International Financial Reporting Standards (IFRS), and international Public Sector Accounting Standards (IPSAS), for the private and public sectors. The adoption is aimed at improving the country's accounting and financial reporting system. Umoru and Ismail(2010), stated that " as part of plans to meeting international standards, the Federal Government has disclosed that new accounting system, the International Financial Reporting Standard (IFRS) will take off in Nigeria on 1stJanuary 2012. Consonance with global standards. Consequently, the Federation Account Allocation Committee, (FAAC), in June 2011 set up a subcommittee to work out a roadmap for the adoption of IPSAS in the three tiers of government.

However, he noted that some stakeholders believe that the tools and strategies needed to fully implement IPSAS in the three tiers of government in Nigeria are still problematic. He explained that IPSAS is a good development and an international best practice which has been embraced in most developed countries. There is nothing wrong with Nigeria taking queue in making sure that public entities in the country fully adopt IPSAS. The practice of government sector accounting evolved over the years with focus on cash receipts and disbursements on the cash accounting basis or modified cash accounting basis. Hence, government revenue is only recorded and accounted for when cash is actually received and expenditure is incurred only when cash is paid irrespective of the accounting period in which the benefit is received or the service is rendered. It therefore means that, the amounts incurred by the government in purchasing fixed assets are treated the same way as expenses. They are therefore written off as part of expenditure for the period the costs were incurred. Formally announced its adoption and launching the road map for its implementation on 2nd September 2010 (Jonah 2010). Because the adoption was not feasible, the federal government has extended the implementation of Cash bases IPSAS to January 2014. The committee also extend the accrual bases IPSAS from 2015 to 2016. Jonah (2012) asserts that "We still need to do a lot of capacity building because this is a new system that requires a lot of training for accountants, budget officers and operators in all the three tiers of government". Citizen participation in such governments avails them to an avenue to ask questions, which make provision of checks and balances in government. It will also promote accountability in governance and improve credibility rating for Nigeria. Nigeria's quest to reposition it is economy as one of the top 20 economies of the world by the year 2020 as encapsulated in vision 20:2020 has given rise to various policies and reforms of government, all targeted at preparing a fertile ground for the actualization of the vision. Ijeoma and Oghoghomei (2014) in their findings said that adoption of IPSAS is expected to increase the level of accountability and transparency in Public sector of Nigeria.

**Challenges of Adopting IPSAS**

A fundamental question is whether the implementation target dates set by Federal Executive Council are realistically achievable and whether the organizations will be able to receive unqualified audit opinion on their first set of IPSAScompliant FS. The risk is that if their financial statements purport to be IPSAS compliant but this proves to be only partly the case, their external auditor will issue a qualified opinion on their disclosures. Output and outcome measures each present a different set of challenges. Systems which only concentrate on outputs can result in goal displacement. Outcomes are technically more difficult to measure; they are complex and involve the interaction of many factors, planned and unplanned (Curristine, Lonti & Jourmad 2007). Ijeoma and Oghoghome (2014), conducted a study on challenges and benefit of IPSAS they found out adoption of IPSAS is expected to increase the level of accountability and transparency in public sector of Nigeria. It was found that the adoption of IPSAS will enhance comparability and international best practices. Frost (2012) assert that Governance can easily become confused and compromised in 'joinedup', networked or partnership projects, where initiatives are delivered collaboratively by different areas of government or the community. Declining sense of integrity honesty lack of professionalism and conflict or interest has destroyed African public service (Ebai & Forge 2009). Under traditional cashbased accounting methods expenses and revenues need not be recorded in the period to which they relate; expenses and revenues, together with capital spending are booked in total in the year in which the capital purchase or disposal is made. In addition, cashbased accounts do not fully recognize assets and liabilities. By contrast, accrual based accounting measures an entity's performance and financial position by recognizing economic events at the time when transactions occur (instead of when payments are made). As a result, FS prepared on an accrual basis should provide information about elements such as the resources controlled by the reporting entity, the cost of its operations (cost of providing goods and services), cash flow and other useful financial information about its performance and financial resilience. Ijeoma and Oghoghomei (2014) assert that Nigeria transition to Accrual bases of IPSAS will accrue the following challenges which include:

(a) Systematic identification and valuation of assets and liabilities as at the date from which accrual accounting is to commence.

(b) Lack of adequate technical resources

(c) Political ownership such as inadequate support at the highest levels of the executive

(d) Consolidation issues

The following are conditions precedence for a successful migration to accrual basis of accounting:

(a) An acceptable cash accounting based system Countries with inadequate budget classification, no Unified double entry based general ledger system, and inadequate fiscal reporting are advised to adopt Cash Basis of Accounting before migrating to Accrual Basis.

(b) Entities or government considering a move to accrual accounting must have either a core of officials with required technical skills such as accounting, information technology etc., or the capacity to recruit such people for its key positions

(c) Total support from the political class

(d) Adequate system; with multi-dimensional reporting requirements of accrual based IPSAS, implementation of full accrual accounting can only be effective with the aid of a modern government financial management information system (GFMIS) with proven functionality in areas such as general ledger, accounts payable, purchases, assets management, etc.

The accrualbased IPSAS accounts are more complete than the cashbased ones and by definition eliminate the scope for manipulating payments and receipts in order to suit specific reporting and control objectives (Biraud 2012). Another important factor to consider for the consequences of adopting accrual basis of accounting in public sector entities is the question whether the application of IPSAS will fit better the political or accounting purposes for the government of Nigeria. However, the fit of the introduction of accrual IPSAS to the accounting context of the government is still under a big doubt.. One of the key disadvantages and barriers to the adoption and efficient implementation of accrual basis IPSAS is argued to be the high costs to the governments associated with the process, especially in the case of transition economies in relative terms (Amirkanyan, 2013)

**IPSAS Implementataion Issue**

Gerard (2010) highlights some issues relating to implementation of IPSAS, which include:

**Potential Risk**

IPSAS adoption is a complex and comprehensive change management process. While it offers numerous benefits over the medium and long term, it also entails shortterm costs and challenges that need to be seriously addressed by the executive heads of all the organizations concerned.

**Change Management**

Inevitably, the introduction of IPSAS will come at some price for every organization. As pointed out in a 2002 communication by the European Commission, ―experience in the Member States shows that reforming public accounting systems represents a major upheaval both in terms of the introduction of new practices and in human terms, not to mention the financial resources required.

**IPSAS is time and money consuming**

The adoption of IPSAS compliant accounting methods requires additional commitment of time and effort from staff. During the transition phase, depending on their available resources, the organizations will have either to rely for an extended period of time on support from existing staff working in addition to their regular duties or recruit many additional staff.

**Political Aspect**

Politically the most sensitive requirement is contained in IPSAS 6–Consolidated35 and Separate Financial Statements, which stipulates that an entity shall present FS in which it consolidates all the entities it controls36. The application of this stipulation raises several key.

**Empirical Review**

Udeh and Sopekan (2015) examined the adoption of IPSAS and quality of public sector reporting. It was observed that IPSAS adoption is expected to improve the level or quality of public sector financial reporting in Nigeria. The study affirms that accrual-based IPSAS has the ability to improve financial reporting compared to cash based accounting. Mhaka (2014) conducted a cost-benefit analysis of IPSAS adoption in Zimbabwe by a comparative study of the current cash accounting basis and the proposed IPSAS based accounting reporting. The study reveals the challenges inherent in cash-based accounting which will be resolved by the adoption of IPSAS-based standards. He disclosed that the adoption of IPSAS would alter the basis for financial reporting from prevailing cash accounting to IPSAS-based cash accounting and accrual and finally to complete and total accrual based IPSAS. The study maintains that this facilitates the reconciliation between budgeted and actual results as it would be necessary to align the budget preparation to full accrual as well as the enhancement of existing capacity, allowing reporting and comparison of budget against actual results would also allow for improvement in resultsbased budgeting. Erin Olayinka; Okoye, L. U.; Modebe, N. J. & Ogundele Olaoye 25 Ijeoma and Oghoghomeh (2014) examined the expectations, benefits and challenges of adoption of International Public Sector Accounting Standards (IPSAS) in Nigeria. The study employed primary data and adopted thIjeoma and Oghoghomeh (2014) examined the expectations, benefits and challenges of adoption of International Public Sector Accounting Standards (IPSAS) in Nigeria. The study employed primary data and adopted the Chisquare test, Kruskal Wallis test and descriptive analysis. The findings of the study reveal that adoption of IPSAS is expected to increase the level of accountability and transparency in public sector of Nigeria. It was found that the adoption of IPSAS will enhance comparability and international best practices. Also, it was shown that adoption of IPSAS based standards will enable the provision of more meaningful information for decision makers and improve the quality of financial reporting system in Nigeria.

Alshujairi (2014) conducted a survey to determine whether a developing country like Iraq should adopt IPSAS as a means of improving the government accounting system. The study used qualitative methodology through a questionnaire to obtain required data with the survey result showing that a large number of respondents think that the Iraqi government accounting system needs an important reform citing the main reason as corruption. The result further emphasised the need to improve the transparency, quality of accounting system and accountability of government to citizens. Within this context, Iraqi government accounting should be reformed through adoption of IPSAS because accrual accounting gives a better financial integrity assurance compared to cash or modified cash based accounting. Christiaens et al. (2013) examined the extent to which European governments adopt IPSAS accrual accounting and how the differing levels of adoption can be explained through the medium of a survey on related experts. They show that there is no uniform method to the adoption process of IPSAS and accrual accounting as well as some governments' still use cash based accounting with a smaller fraction applying IPSAS. The majority of local and central governments apply accrual accounting disregarding IPSAS which can be explained by the need for transparency and efficiency. The study disclosed that the main argument for the usage of IPSAS is the fact that it offers uniqueness and specific know-how and argues that the success of IPSAS strongly depends on setting out its strengths and emphasising the necessary settings to be met.

Atuilik (2013) studied the relationship between the announcement of IPSAS adoption and the perceived levels of corruption in the developing and developed countries. The study employed quasi experimental research design where the Corruption Perception Index (CPI) compiled by Transparency International was used to measure perceptions of corruption. The study finds that the levels of perception of corruption for developed countries that have announced IPSAS adoption do not differ significantly from the levels of perceived corruption for the developed countries that have not announced IPSAS adoption. For developing economies, the result shows some degree of differences. He explained that the governments of developed countries may not have expected the IPSAS adoption to significantly enhance their ratings on corruption index while governments of developing countries may likely expect an improvement in their ratings following the adoption of IPSAS. This is line with the study of Alshujairi (2014) that provides evidence that developing countries are greatly affected by corruption. Trang (2012) carried out a similarstudy which examined whether or not the Vietnamese government accounting should operate the IPSAS, and describes the extent to which they can be applied within the existing setting in Vietnam. He appraised the usefulness and feasibility of the IPSAS for the Vietnamese government accounting and financial statements and advocates that the movement in the accounting systems from cash to an accrual basis is usually an element of a broader set of their reforms, those changes are increased in delegation, departments are directed to provide a service for citizens rather than follow set rules, and there is better transparency of public sector in terms of reporting and performance measurement.

**Theoretical Discusssions**

**The Economic Network Theory**

Economic network is a combination of 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. Economic network theory predicts that in addition to network benefits, a product with network effects can be adopted due to its direct benefits (Liebowitz & Margolis, 1994 cited in Hamisi, 2012). In the case of the IPSAS adoption by a country, the theory European Scientific Journal October 2016 edition vol.12, No.28 ISSN: 1857 – 7881 (Print) e - ISSN 1857- 7431 169 argues that the direct benefits are represented by both the net economic and net political value of IPSAS over local standards (Barth, 2008). According to this theory economies with high levels of or expected increases in foreign investment and trade are more likely to adopt IPSAS. This theory reveals evidence of regional trends in IPSAS adoption, such that a country is more likely to implement IPSAS if other countries in its geographical region are IPSAS adopters (Hamisi, 2012). Adopting a set of standards like IPSAS can be more appealing to a country if other countries have adopted them as well, in this sense, IPSAS can be a product with “network effects”. The theory of Isomorphism The theory of isomorphism defines the “constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions” (DiMaggio and Powell 1983 cited in Antwi, 2010).This theory in practice implies that, the features of an organisation can be tuned to some extent for the sake of compatibility and uniformity to suit the surrounding environment of organization in question.

The theory of Isomorphism can be classified as follows; Coercive Isomorphism; Stems from political influence and the problem of legitimacy. It takes the shape of a formal or an informal pressure exerted on an organization by other superior organization upon which they depend as well as cultural environment within which an organization operates. The adoption of IPSAS by developing countries to a larger extent is influenced by external factors such as foreign investors, International accounting firms, and international financial organization among others. Internally such force, persuasions or invitations to adopt IPSAS have been influenced by for example ICPAK, NSE and CMA. Mimetic Isomorphism; Stems from standard responses to uncertainty. The degree of uncertainty is a powerful force that encourages imitation such that an organisation desire to adopt others’ practices that are both successful and worthy of adoption (DiMaggio and Powell 1983 cited in Antwi, 2010). As such uncertain in GOK financial system in managing their finances and inability to matching financial assets and liabilities in terms of amounts and timing might have necessitated government to emulate other public entities that are more legitimate and successful. Normative Isomorphism; is attributable to professionalization which is defined as the collective struggle of individuals of similar calling organising in a professional organisation to promote a cognitive base, diffuse shared orientations and organisational practices, and legitimise their occupational autonomy (DiMaggio and Powell,1983 cited in Antwi,2010). Professional bodies exhibit similar traits to their professional counterparts in that they mimic each other. These professional bodies to a larger degree European Scientific Journal October 2016 edition vol.12, No.28 ISSN: 1857 – 7881 (Print) e - ISSN 1857- 7431 170 influence greatly their counterparts. Conscious of this, either of these institutions may mimic the other in instances where a certain standard has worked for them In Kenya such accounting professional bodies as ICPAK, and PSASB positively influence each other very much. However, unless a country opens its doors to these institutions, there is little they can do to politicise the adoption process.

**Accounting Theory**

Accounting theory is dynamic and is concerned with improving financial accounting and reporting in broad perspective. It is essential that accounting is used according to generally accepted rules to avoid chaos that would occur in the process. The first prerequisite is that accounting should agree or conform to the basic truths according to which our economic system functions; the current economic and business practices and the applicable law as embodied in legislative regulations or common law. Consequently, it is important that uniformity is maintained in accounting and reporting practice (Kiugu, 2010). The continuously increasing scope and complexity of our economics system requires a corresponding process of adaptation in accounting and effective reporting in order that the relevant information regarding economic activities may be recorded (ASB, 2000). An analysis of the need for a transparent and accountability driven governance has generated debate stemming from the NewPublic Management (NPM). (Onalo, Lizam, and Kaseri, 2013; Andriani, Kober, and Ng (2010). Cortes (2006) explain that NPMfocuses on efficiency, performance measurement, fiscal discipline, accountability and transparency.The various theories ofgovernance accommodate that social conflicts are resolved by a sovereign from a perspective of responsibility as guided by thenew public management theory (Bevir 2011; Carrington, DeBuse and Lee 2008). Also, a set of new accounting standards based on IPSAS was adopted to reform effective and efficient governance in theprovision of services to Citizens. IPSAS applies to the underlying principles of recent social, economic, public sector reforms asmeans to improve the accountability, transparency and public sector governance in Nigeria. The implementation of IPSAS inNigeria as a part of broader financial management and public sector reforms in line with the doctrine of NPM in the country is still a dream.

**Stakeholders Theory**

Stakeholders' theory is based on the assumption that ‘‘values are necessarily and explicitly a part of doing business. It asks managers to articulate the shared sense of the value they create, and what brings its core stakeholders together so as to deliver on their purpose’’ (Freeman, Wicks, Parmar 2004, p. 1). Financial statements are subject to stakeholders' scrutiny to ascertain their usefulness in line with the Stakeholders theory. Danescu and Rus (2013) argue that accounting information available should serve the users for their target purpose. The users ofthe IPSAS in the public sector suggest that its implementation is necessary for measuring performance, accountability by government organisations, efficiency, and effectiveness and decision making to support a proper function of democracy. Ironically, at the practical level, the implementation of the new policies is not a simple process (Haroun, 2012; Nor-Aziah and scapens, 2007; Dambrin, Sponem and Lambert, 2007). Thus it is a mistake for technocrats to see the introduction of IPSAS asmerely a technical reporting innovation. Government accounting needs a broader theory of government accountability, which can be derived from Herbert Simon's organization theory (Simon, 1945).

## METHODOLOGY

The research method is quantitative. It is based on available information on the conceptualization of the implementation of IPSAS, laws, and regulations in Lagos state the data used are survey of interview documented in the Lagos state ministry of Finance this data approach is used because of the peculiarity of this study which is about a technically distinctive situation with many variables of interest. The result relies on multiple sources of evidence, with data coverage and benefits from the prior development of theoretical proportion to guide data collection and analysis in line with Yin (2003). Following Yin's (2003) the data for this research focus on why and how questions on IPSAS. This study uses perception analysis, following the trend in Jachev & Bowser (2008).

The population of the study cuts across the accountants and auditors in Lagos State government. They are the foremost practitioners in charge of the implementation of IPSAS. This research focuses on State government because governments have a high stake in achieving the implementation framework in the area of legislation, enforcement and monitoring. Lagos State is the pacesetter state in Nigeria when it comes to issues of technical accounting change such as the implementation of IPSAS. The State is a large employer of public servants accountants and auditors, who are well informed in the issue at stake that is the implementation of IPSAS in Nigeria. These public servants constitute the population of this study. The population chosen is representative for Nigeria given that over 65% of Nigeria's commercial activities are carried out in Lagos, also Lagos State contributes the highest to the Country's Gross Domestic Products at 12% among the thirty- six Sates of Nigeria as at 2013 (Business news, 2014). Lagos is the fifth largest economy in Africa (Akintilo,2015). The population size is three hundred and ninety (390) Accountants and two hundred and six (206) Auditors in Lagos State government, making a total of five hundred and ninety-six (596) respondents. By investigating the perception of practitioners, this study explores the events, evidence, facts, and actions of actors who are involved in the policy formulation and implementation of the IPSAS in Nigeria. Following Yin (2003) the primary data for this research focuses on why and how questions on IPSAS.

## RESULT AND DISCUSSION

**Table 1: Perception of the factors that affect the implementation of IPSAS in Nigeria**

| Item No. | Description | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|---|
| 1. | Implementation of IPSAS in Nigeria is affected by political buy-in among the different government functionaries in Nigeria. | 228 | 2.00 | 5.00 | 4.08 | .84 |
| 2. | Implementation of IPSAS in Nigeria is affected by sociological factors | 225 | 1.00 | 5.00 | 3.46 | 1.08 |
| 3. | Implementation of IPSAS in Nigeria is affected by availability of expertise | 224 | 1.00 | 5.00 | 3.48 | 1.27 |
| 4. | Implementation of IPSAS in Nigeria is affected by accountability, | 226 | 1.00 | 5.00 | 3.72 | 1.13 |
| 5. | Implementation of IPSAS in Nigeria is affected by institutional commitment | 224 | 1.00 | 5.00 | 3.85 | 1.01 |
| 6. | Implementation of IPSAS in Nigeria is due to cultural dichotomy | 221 | 1.00 | 5.00 | 3.25 | 1.30 |
| 7. | Cost of funding affects the implementation of IPSAS in Nigeria | 232 | 1.00 | 5.00 | 3.40 | 1.25 |

**Source:** *Ministry of Information Lagos*

This result supports the finding in earlier scarce research on the implementation of IPSAS in the developing economies. Nurunnabi (2012) finds that politico-institutional factors are stronger and more dominant factors than accounting regulatory frameworksfor IFRSs implementation in Bangladesh. Ball (2006) argues that most political and economic influences on financial reporting practice are local. Hamisi (2012) finds that there are some factors such as availability of expertise that affect the implementation of IPSAS in Kenya. Harun (2007) finds that improved accountability poses a significant threat to politicians' and bureaucrats' overall income level in Indonesia. The result of this study actualises the objective of the study which is to investigate the factors that contribute to the slow implementation of IPSAS in Nigeria. Also, the study answers the research question having found that political support, institutional commitment, expertise, sociological issues and cost of funding IPSAS are the factors affecting the implementation of IPSAS in Nigeria.

**CONCLUSION AND RECOMMENDATION**

This study concludes that political buy-in among the various functionaries of government is a major factor affecting the implementation of IPSAS in Nigeria. This study has largely achieved its aim of contributing to the debate on accounting change regarding the implementation of IPSAS. It also achieved its objective of investigating the factors that affect the implementation of IPSAS in Nigeria. Given the foregoing, the following recommendations are being put forward;

i. The factors mitigating against the implementation of IPSAS in Nigeria should be addressed to achieve the implementation of IPSAS in Nigeria in compliance with the trend in IFAC financial reporting convergence policy.

ii. Given the findings in this study, moral-suasion is recommended as a way to improve the acceptance of IPSAS among all the functionaries of Government, collectively, in solidarity and conformity with one another, for effective political-buy-in and ownership of the accounting change of successful implementation of IPSAS in Nigeria.

iii. A timely implementation of IPSAS is desirable to enjoy the benefits of a transparent government in the best interest of Nigerians.

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