IPSAS ADOPTION AND ACCOUNTABILITY IN ENUGU STATE

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ABSTRACT

This study is on IPSAS Adoption and Accountability in Enugu State. A survey design method was adopted. The study covered the audit and accounts staff of Enugu state Ministry of Commerce and Industry and Enugu state Ministry of Finance and Economic Planning. Primary and secondary data sources were used. Questionnaire was structured using 5 point Liker scale of strongly agree, agree, undecided, strongly disagree and disagree. 119 questionnaires were shared to respondents. The hypotheses formulated were tested with Chi square. The study found out that IPSAS adoption significantly affect the relationship between IPSAS and timely release of accounts and the rate of understandability of accounts records in Enugu state public sector. The study recommends thus; IPSAS should be adopted in other states in compliance with federal government directives. Training and retraining should be giving to operators of the system to keep them abreast of the reform. There should be monitoring of the activities of IPSAS to ensure that all the conditions necessary to adoption are met. More awareness should be created as some are reluctant to queue in.

Key words: IPSAS, Accountability, Public Sector, Enugu

INTRODUCTION

IPSAS means International Public Sector Accounting Standards. IPSAS are designed by International Public Sector Accounting Standards Board (IPSASB) for preparation of financial statements by public sector entities as directed by International Financial Reporting Standards (IFRS) issued by International accounting standards board (IASB).

The Federal Executive Council (FEC), mandated all public sector entities in July, 2010, to adopt IPSAS in the preparation of financial statements. This led to a sub-committee instituted by the Federal Account Allocation Committee (FAAC) In June, 2011, to issue the guidelines for the implementation of IPSAS in the federal, state and local governments (IPSAS Hand Book 2014).

The move to IPSAS is a quest for better accounting system in public sector entities. This will lead to a clearer understanding of the financial statement, accountability and transparency. Adoption of IPSAS will enable Nigeria to queue in to implementation of IPSAS as is trending in most countries in the world making it possible for comparability of accounting information between countries of the world. (NASB, 2011).

Before now, cash accounting has been the best model for presenting government activities but is prone to easy manipulation, irregularities in treatment of transactions, misleading view of government activities which led to loss of government funds. (Irvine, 2011; Izedonmi and Ibadin, 2013; Adegoroye 2008; and Okpala, 2013).
Following these challenges of the traditional model of accounting, many writers have agreed that public sector activities should not only be for offering services to the populace but that of corporate governance. That is to say that people should have value for their money. (Morsen, 2008; Anessi-Pessina and Steccolimi, 2007)

In other to purge loss of funds, inaccurate rendition of accounts, recklessness and improve good governance in public sector triggered many financial reforms by most countries. Unfortunately, these reforms failed to produce the required results as the citizens and regulators are calling for a clearer and more accurate information in all areas of business especially in public service. Moreover, citizens are eager to know what the government is doing with their money, thus, making the demand for open, and clear and understandable financial information imperative.

As a result of this, many countries are adopting IPSAS to improve good governance and control as practiced in the private sector. This stimulated the IPSASB to develop IPSAS which will enable Standardized, understandable and comparable financial information across the globe (NASB, 2011).

Objectives of the Study

The specific objectives are

1. To ascertain the relationship between IPSAS and timely release of accounts in Enugu state public sector.
2. Determine the relationship between IPSAS and the rate of understandability of accounts records of Enugu state public sector.

1.5 Formulation of Hypotheses (Null)

HO\(_1\): IPSAS adoption does not significantly relate to timely release of accounts in Enugu state public sector.

HO\(_2\): IPSAS adoption does not significantly relate to the rate of understandability of accounts records of Enugu state public sector.

REVIEW OF RELATED LITERATURE

Conceptual Framework

Adoption of IPSAS in Nigeria

IPSAS is formed from initial letters of International Public Sector Accounting Standards. IPSAS are accounting standards published by International Public Sector Accounting Standards Board (IPSASB) in compliance with International Financial Reporting Standards (IFRS) produced by International accounting standards board (IASB) as a standard in preparing the accounts of the public sector.

IPSAS is adopted worldwide to bring about a qualitative reporting on the financial affairs of ministries, departments and agencies (MDAs). It gives detailed information on the activities of the ministries, departments and agencies thereby showing clearly the resources of the ministries, department and agencies which will bring about healthier decision making hence increase
understandability and accountability. IPSAS are meant to be used by federal, state, local government, agencies, boards and commissions. These standards are used by government owned enterprises excluding government business enterprises.

The Federal Executive Council (FEC) of Nigeria mandated in July 2010, all government entities to use IPSAS in preparing their accounts. To buttress this in June 2011, the Federal Account Allocation Committee (FAAC) established a sub-committee to design the modus operandi for IPSAS implementation in the federal, state and local government (IPSAS Hand Book, 2014). This is to comply with international best practice (Otunla, 2012).

IPSAS and Timely Release of Accounts

Timely release of accounts information means that information is released on a good time for interested parties to make useful decisions using accurate information. This means that the finance department should do everything possible to close the accounts to release the financial statements as fast as possible to enhance quality decision making to enable serious problems to be rectified.

(accountingtool.com).

IPSAS and Understandability

Understandability is making the financial report understandable to users.

Understandability entails making the information presented in financial reports to be concise, complete and clear. The records should be in a way that will be easier for people to understand.
(accountingekplained.com).

Accountability

Accountability is making one to account for his her actions. It is making one answerable to the people that one is working for.

Sinclair (1995) stated that the definition of accountability depends on the ideologies, motives and languages of our times. He stressed that accountability has specific meanings, example "auditors see accountability in financial aspect, political scientists see it in a political way and legal scholars as a constitutional arrangement, and philosophers treat accountability as a subset of ethics".

Schlenker, Weigold and Doherty (1997) sees accountability as "being answerable to audiences for performing up to prescribed standards that fulfils obligations, duties, expectations and other charges.

Blind (2011), classified accountability into Dichotomies; Prescriptive, Descriptive, and Operational Dichotomy

Prescriptive Dichotomies: referring to the procedures, mechanisms and processes of working in an organization and the attitudes and behaviour, perceptions and the mind-set of workers in an organization (P. K Blind 2011).

Descriptive Dichotomy has: Market – Based against Administrative Accountability. This is saying that citizens as consumers must be giving account of the services rendered to them ((Bartley 1999).
Administrative or Organizational Accountability: These are rules, regulations and norms that mandates response to one’s superiors. (Smith 1992, p.97). It is a chain of command.

Political versus Legal/Judicial Accountability: In political accountability the executives are accountable to the citizens while the public servants are accountable to the executives (O’Donnell 1994). Legal accountability does with established law which controls politicians and officials to act within the confines of the law that establish them (World Bank 2004).

The third classification is Operational Dichotomy: This is saying that accountability, operates through “horizontal” or “vertical” channels. Horizontal accountability is where public servants report to their equals, and public administrators, report to the relevant ministers. Vertical Accountability relate to the work of public pressure groups, press releases, media coverage, and public displays of support or protest movements, interface meetings between citizens and public officials and petitions.

Theoretical Framework

This study anchored on Institutional theory and Agency Theory.

Institutional Theory: Institutional theory is a theory on social structure. It considers the processes in which structures, like schemes, rules, norms, and routines, are established as guidelines for social behaviour. Institutional Theory is Policy-making that adheres to the formal and legal aspects of government structures and for organizations to survive, it must adhere to the rules and belief systems of the environment (Kraft's Public Policy, 2007 and Scott 1995). Thus, the study is anchored on institutional theory because these rules and structures built into the larger environment have direct influence on public sector activities (Ali Najeeb, 2014.).

Agency Theory: Agency theory is the bridge that links management/workers and the owners/public. Principal-agent theory is paramount when it comes to public sector accountability as it gave rise to the institution of audit. An agency relationship comes in to play when one or more people called the principal employs another person or persons to do a work or services on behalf of the principal. The move from cash accounting to IPSAS is believed to provide broader information for decision making. Agency theory is saying that information derived from financial statement using IPSAS can link the principal (citizens) and the agent to make a better decision and have an efficient and productive economy.

Empirical Review

Olayinka, Okoye, Modebe, and Olaoye (2016) examined the impact of IPSAS adoption on the quality of financial reporting in the Nigerian public sector. Survey design method was used to collect data using questionnaire. 164 respondents from the account departments of all public service in Lagos state were used. Regression analysis was used and adjusted R2 for measuring the model specification. It was found out that adoption of IPSAS has a significant impact on the quality of financial reporting in the Nigerian public sector. This confirms the findings of Akbar, Rezwen and Ziyaldin (2015) and Ijeoma (2014).

The study of Ibanichuka and James, (2014), on a critique on cash basis of accounting and budget implementation in Nigeria. 130 questionnaires were distributed to 130 public servants in Bayelsa, Delta and Rivers States of Nigeria. Paired sample “t” test were used for analysis. It was shown that accrual basis has a positive effect on budget implementation and fair presentation of the financial
position of a government. Adoption of IPSAS by all government ministries and extra-ministerial departments in Nigeria was the researcher’s recommendation.

Olomiyete, (2014) accountability and financial reporting issues in Nigeria: considering a change from cash accounting to accrual accounting. The argument was on adopting the pattern of accounting used in private sector in the government sector to queue in to various government reforms. However, the study did not rate IPSAS higher than cash. It showed the way IPSAS can make public sector accounting reporting more effective.

Barton (2009), in conceding that IPSAS Accrual Accounting essential on efficiency, effectiveness and accountability in the Australian public sector, the study opined that the reward of IPSAS accrual accounting have been cancelled out by misuse of some accounting policies. The study however contended that the mitigation of the benefits resulted largely from some questionable use of the business model of Accrual Accounting and discontinuation of Cash Accounting System among others.

Ijeoma (2014) revealed that IPSAS implementation will improve the quality of accountability and financial reporting, facilitate efficient internal control and result based financial management, and enhance service delivery more efficiently and effectively. The study was on the impact of international public sector accounting standard (IPSAS) on reliability, credibility and integrity of financial reporting in state government administration in Nigeria. The analytical tools used were the Chi-square test, Kruskal Wallis test and descriptive analysis.

The study by Okaro, (2012) adopted survey research design to elicit the opinion of Auditors, Accountants and Accounting Academics on the intention of the Nigerian government to adopt the accrual system of accounting in its public sector. Questionnaire was used for collection of data and hypotheses tested with ANOVA. It was discovered that he need to employ the right people at the right position and preparing accounts at the right time received the highest positive response and they attest that IPSAS accrual shall bring about improved accountability in the public sector.

Okpala, (2012) studied accountability in the Nigerian Public Sector. He drew his sample from Ministry of Finance, Presidency, Ministry of Works, and National Assembly. Primary data was used. Questionnaire was shared to 100 management staff of the above organizations at random. Pearson Product Moment Correlation was used in analysing data. It was shown that accountability in Nigeria is poor as a result of poor accounting infrastructure, poor regulatory framework and attitude of government officials. The study revealed that measures like legislative committees, financial audit, ministerial control, judicial reviews, anticorruption agencies, advisory committees, parliamentary questions and public hearing to ensure accountability in the public sector as in developed countries were adopted, but no visible result has been achieved.

Rozaidy, Raman, Rasid and Kaziemah (2014), investigated the issues and challenges faced by the New Zealand, Australia and United Kingdom in implementing accrual accounting in the public sector. They re-examined what was done in New Zealand, Australia and United Kingdom. It was discovered that recognition and valuation of assets and liabilities, human competency and high cost of implementation are some of the difficulties of the move to IPSAS implementation. The research did not tell us how to tackle these difficulties.

Rossana, Adriana, Robert and Jorge (2013), investigated the perceptions of internal and external users and preparers of accounting information in Brazilian public sector concerning a change to IPSAS accrual based accounting system and the potential for such a system to provide informational
benefits to decision makers and managers of public entities. Exploratory survey was done using the method proposed by Kober, Lee and Ng (2010). Their result revealed that IPSAS accrual basis accounting can be developed to provide essential information for decision – making within government agencies. Also that the adoption of IPSAS accrual accounting is not a compulsion from international institutions.

Ali, (2008), studied the usefulness of IPSAS for management decision making in government agencies and for the costing and pricing of goods and services and also to highlight any difference in the extent of usefulness between government agencies. The research used interpretive case study approach using qualitative methodology for data collection. The findings were that the move to accrual accounting has been important in asset management, receivable management and in costing and pricing health services.

Mutara (2016), reviewed the readiness and the problems arising from introduction of IPSAS accrual accounting on local government unit. Result showed that 68.8% of the sample studied are implementing IPSAS but there were problems.

Kalsom, Rozainun and Nurli (2014), in IPSAS Accrual accounting in government: Is fund accounting still relevant? The research methodology was an in depth literature review and fact findings approach. They found that to transit to IPSAS accrual in Malaysia fund accounting is necessary.

Ofoegbu (2014), in ascertaining the accounting experts’ perception in implementation of IPSAS accrual to achieve accountability, transparency and improve quality of accounting information in the public sector discovered that adoption of IPSAS accrual increases accountability, transparency and quality of financial reporting in the Nigerian public sector.

Glubio and Mattei (2012), in their study, Is there a specific accrual basis standard for the public Sector? Theoretical analysis and harmonization of Italian government accounting opined that IPSAS accrual basis of accounting contribute to the current harmonization of Italian government accounting.

Mohammad, Akram and Mozhgan (2016), worked on evaluation of the status of implementation of IPSAS accrual accounting system stated that this has some infrastructural challenges like leadership and management structure.

Ambe, (2015), in reforming public sector accounting and financial system: A critique of Cameroon and Nigeria: assessed the government accounting and financial changes in Cameroon and Nigeria. He discovered that there were worldwide agreement for accounting and financial reforms. The methodology adopted was documentary research backed by interviews of senior government officials.

Bastani, Abolhalaj, Jelodar, and Ramezanian, (2012), looked into role of IPSAS accrual accounting in report transparency and accountability promotion in Iranian public health sector opined that accrual accounting is effective in report transparency, accountability promotion and determining total costs and government sector actions.

Debates on accrual accounting in the public sector: A discrepancy between practitioners and academicians by Marissa (2013), the study aimed at reviewing the argument on IPSAS stating the various ideas from people either for or against. Examination of other works on IPSAS in the public sector based on sources and opinions were adopted. The findings were that most sources from practitioners opted for IPSAS while that of academicians did not support IPSAS. It means there is discrepancy between academicians and practitioners in the public sector.
Nnoli Udeh (2015), investigated the implications of adoption of International Public Sector Accounting Standards (IPSAS) on the quality of financial reporting of public sector organizations in Nigeria. Primary source of data was employed. Chi-square test and Kruskal Wallis test were used. It was discovered that adoption of IPSAS increase the level of reliance on the financial reporting of public sector organizations in Nigeria. Again using IPSAS in public sector financial reporting brings about comparability. Therefore, IPSAS offer better financial integrity assurance.

METHODOLOGY

A survey design method was employed. The study covered the audit and accounts staff of Enugu state Ministry of Commerce and Industry, Enugu state Ministry of Finance and Economic Planning. 119 questionnaires derived with Taro Yamane formula were shared to auditors and accountants employing the 5 point Likert scale of strongly agree (SA), agree (A), undecided (U), strongly disagree (SD) and disagree (D). The hypotheses were tested with Chi square. The decision rule is If the Asymptotic Sig is less than 0.05, we will not accept the null hypothesis if otherwise, we accept the null hypothesis.

DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

Distribution and Return of Questionnaire

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Number Distributed</th>
<th>Number Returned</th>
<th>Number Unreturned</th>
<th>Rate of Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of Commerce and Industry</td>
<td>39</td>
<td>35</td>
<td>4</td>
<td>89%</td>
</tr>
<tr>
<td>Ministry of Finance and Economic Planning</td>
<td>80</td>
<td>70</td>
<td>10</td>
<td>87.5%</td>
</tr>
<tr>
<td>Total</td>
<td>119</td>
<td>105</td>
<td>14</td>
<td>88%</td>
</tr>
</tbody>
</table>

Source: Field Survey 2018

Above, the researcher distributed one hundred and nineteen (119) copies of questionnaires and 105 copies were returned being 88%. 
## Summary of Questionnaires employing five point likert’s scale

<table>
<thead>
<tr>
<th>S/N</th>
<th>QUESTIONS</th>
<th>SA</th>
<th>A</th>
<th>UN</th>
<th>SD</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>IPSAS and Timely Release of Accounts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a.</td>
<td>Accounts are prepared on time.</td>
<td>64</td>
<td>34</td>
<td>5</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>b.</td>
<td>Financial reports are done regularly.</td>
<td>57</td>
<td>37</td>
<td>6</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>c.</td>
<td>Information are pushed out daily for users rather than the monthly scheduled that is normally followed for releasing financial statement.</td>
<td>55</td>
<td>33</td>
<td>5</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>d.</td>
<td>Information on outstanding payments or liabilities would be readily available for evaluation and planning purposes.</td>
<td>47</td>
<td>43</td>
<td>6</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>e.</td>
<td>Timely release of accounts has less time in uncovering and correcting errors so there is greater risk of releasing inaccurate information.</td>
<td>21</td>
<td>28</td>
<td>10</td>
<td>33</td>
<td>13</td>
</tr>
</tbody>
</table>

**Source: Field Survey, 2018**

## Summary of Questionnaires employing five point likert’s scale

<table>
<thead>
<tr>
<th>S/N</th>
<th>IPSAS and the rate of understandability</th>
<th>SA</th>
<th>A</th>
<th>UN</th>
<th>SD</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a.</td>
<td>Accounts prepared with IPSAS are concise.</td>
<td>53</td>
<td>17</td>
<td>9</td>
<td>22</td>
<td>4</td>
</tr>
<tr>
<td>b.</td>
<td>Accounts prepared with IPSAS are clear.</td>
<td>70</td>
<td>27</td>
<td>4</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>c.</td>
<td>Accounts prepared with IPSAS are complete.</td>
<td>69</td>
<td>25</td>
<td>6</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>d.</td>
<td>Accounts prepared with IPSAS are organized.</td>
<td>73</td>
<td>24</td>
<td>7</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>e.</td>
<td>It allows users to evaluate the government’s ongoing ability to finance its activities and to meet its liabilities and commitments.</td>
<td>73</td>
<td>22</td>
<td>6</td>
<td>0</td>
<td>4</td>
</tr>
</tbody>
</table>

**Source: Field Survey, 2018**
TEST OF HYPOTHESES

Chi Square Computation of Results

Hypothesis One

Ho₁: IPSAS adoption will not significantly affect the relationship between IPSAS and timely release of accounts in Enugu state public sector

Test Statistics

<table>
<thead>
<tr>
<th></th>
<th>IPSAS adoption will not significantly affect the relationship between IPSAS and timely release of accounts in Enugu state public sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-Square(a)</td>
<td>96.181</td>
</tr>
<tr>
<td>Df</td>
<td>3</td>
</tr>
<tr>
<td>Asymp. Sig.</td>
<td>.000</td>
</tr>
</tbody>
</table>

A 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 26.3.

The table showed that asymptotic sig. value is 0.000 which is less than 0.05, we therefore reject the null hypothesis and consent to IPSAS adoption will significantly affect the relationship between IPSAS and timely release of accounts in Enugu state public sector.

Hypothesis Two

Ho₂: IPSAS adoption will not significantly affect the relationship between IPSAS and the rate of understandability of accounts records of Enugu state public sector.

Test Statistics

<table>
<thead>
<tr>
<th></th>
<th>IPSAS adoption will not significantly affect the relationship between IPSAS and the rate of understandability of accounts records of Enugu state public sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-Square(a)</td>
<td>164.286</td>
</tr>
<tr>
<td>Df</td>
<td>4</td>
</tr>
<tr>
<td>Asymp. Sig.</td>
<td>.000</td>
</tr>
</tbody>
</table>

A 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 21.0.

The table showed that asymptotic sig. value is 0.000 which is less than 0.05, we therefore reject the null hypothesis and consent to IPSAS adoption will significantly affect the relationship between IPSAS and the rate of understandability of accounts records of Enugu state public sector.

Discussion of findings

With the percentage (%) and Chi Square results IPSAS adoption significantly affect the relationship between IPSAS and timely release of accounts in Enugu state public sector conforms to the highlights
of Enugu State Government as one of the rewards of adopting IPSAS. This also agrees with Olayinka et al (2016) that adoption of IPSAS will improve quality of financial reporting and value relevance.

IPSAS adoption significantly affect the relationship between IPSAS and the rate of understandability of accounts records of Enugu state public sector as seen from the respondents conforming to Ofoegbu, G. (2014) and Nnoli, F. (2015) who affirmed that transparency, quality of financial reporting and understandability of public sector accounts will be improved by the adoption of IPSAS.

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

The respondents opinion on adoption of IPSAS in Enugu state public sector were examined, it is evidenced that majority opinion vouch for the adoption of IPSAS in Enugu state public sector as it brings about timely release of accounts, increase rate of understanding of the accounts records and easy to compare the accounts of Enugu state with others that have adopted IPSAS. Therefore, it is good to employ IPSAS in other states in compliance with federal government directives. There should be training and retraining. Monitoring and creation of more awareness to enable other states to queue in.

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