



SUSTAINABLE NATIONAL ECONOMIC DEVELOPMENT IN NIGERIA: THE RELEVANCE OF INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSASS)

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Abstract

The implementation of the international public Sector Accounting Standard (IPSAS) plays a vital role in improving economic infrastructure and sustainable national development in the Nigerian public sector and the economy. This paper explores how IPSAS can help to improve economic infrastructure and sustainable national development. To ensure that this is actualized, the researcher employed survey research method. Data were collected from the chosen sample of the population from the public sector randomly chosen from the Federal Ministries and parastatals in Kaduna with the aid of questionnaire. The response format was a modified 4 points likert scale. Data generated from the questionnaire were analyzed using means and standard Deviation. Z test was used to test the formulated hypotheses at 5% level of significance. The findings of this study revealed that the Nigerian public sector operators are willing to embrace the integral accrual-based accounting through the adoption of IPSAS - which promotes transparency and accountability. The authors recommend that the Government should provide the enabling environment for the implementation of IPSAS because it facilitates the monitoring of government debts and liabilities which promotes growth and sustainable development.

Keywords: *Sustainable National Development in Accounting Sector in Nigeria*

Background to the Study

From the global perspective, there have been many sovereign debt defaults and write-downs taken by investors in public debt, IFAC (2012). IFAC recorded that 25 sovereign debt restructurings has been going on globally. This sovereign debt crisis that has incapacitated the European Union in 2010 – 2012 and related government debt issues affecting United States and other countries of the world are causes for major concern. According to IFAC, these problems highlighted by sovereign debt crises includes the lack of transparency and accountability of governments, poor public financial management, poor public sector financial reporting, and the deficiency of institutions for fiscal management in many countries. They stressed that these constraints hindered the government from managing their finances in a manner that protects both the public interest, investors and others. On specific studies from Botswana, Pakistan, Vietnam, Zambia and Zimbabwe; experts noted that whereas the issue for Pakistan government was the need to improve financial reporting and auditing systems, Zimbabwe was

faced with challenges of acute shortage of qualified professionals working within the public sector. Botswana also has the same experience with Zimbabwe ACCA (2010). They argued that Botswana's public sector was challenged by its failure to match the rewards offered to professional staff by the private sector. However, Zambia's vision 2030 and 5th National Development plan set out a clear vision for wealth creation, poverty reduction, improved economic infrastructure and sustainable development through implementation of IPSAS. In Nigeria, the cancerous growth is corruption in all sectors of the economy, Osisoma (2009). According to him, in 1998, the economic forum (based in Germany) rated Nigeria 22nd out of 23 African countries in order of competitiveness for foreign aid. These items form a deep burden, that Nigeria is rated the 7th largest producer of oil in the world. Osisoma opined that embezzlers are never hit and run criminals who make a grand hit, and quickly escape. Rather, they make away gradually with resources under their control. Hence, under this kind of system, sustainable development within the public sector becomes very difficult.

Several governments have introduced IPSASs because it is considered to be good and timeliness. According to Labode (2014), while some adopt the standard wholesome, some adopt and modify the system. He stated that United States Government applies Accounting Standards that are widely consistent with IPSAS. Japanese Government adopted the accrual basis of IPSAS in full. Public financial management is a vital tool towards improving economic infrastructure and sustainable development. Economic infrastructure deals with the internal facilities of accounting that makes business activity possible such as communication, transportation, distribution networks, financial institutions markets, and energy supply systems. Effective and sufficient financial management is responsible for not only protecting and developing resources in the public sector, maintaining economic growth, but also managing well all national resources for sustainable development. The international public sector accounting standards (IPSAS) involves a set of standards meant to guide financial reporting in all public sector organizations globally with the exception of government business enterprises which should adopt international financial reporting standards (IFRS) Okwoli (2014).

This means that public sector reporting is based on the international financial reporting standards (IPSASs). The purpose of IPSAS is to improve the quality of general purpose financial reporting by public sector entities, enhance quality reporting, and promote assessment of the utilization of resource allocation decisions and conformity to global best practices and sustainability reporting. Generally, the public, internal and other external users will have greater confidence in public sector organization where there is strong financial stewardship, capacity development, transparency, accountability and reliability in reporting in the use of public funds. Invariably, effective public financial management is significant in decision-making. It also helps to support effective resource allocations.

The main objective of this research paper is to examine the various way IPSASs could assist in improving economic infrastructure and sustainable development. Globally, the failure of the government to utilize, allocate and manage public funds and utilize resources effectively of which Nigeria is not an exception, has been the bane of concern for both government and the

stewards of public funds. This research is an addition to the earlier research conducted by Okwoli (2014). Okwoli posited that the level of accountability in the public sector is very poor and there has been a rise in corruption within this sector over the years. However, he found that the implementation of the International Public Sector Accounting Standards (IPSASs) poses great challenges to professional accountants in Nigeria. According to him, Extra-ministerial Departments and parastatals, fraud, embezzlements and setting ablaze of offices, housing and sensitive documents, corruption, are found everywhere in the country.

Review of Related Literature:

Conceptual and Theoretical Framework:

The most globally accepted high-quality accrual-based financial reporting system for the public sector is IPSAS (IFAC, 2012). According to them IPSAS provides for the full disclosure of all assets, liabilities as well as contingent liabilities. This is important for examining the real and factual economic implication of public sector financial management. The concept of public sector financial management is gaining grounds widely. This is because public sector establishment including the parastatals have been concentrating on using targets and targets league tables to enhance improvements in services being rendered to tax payers Echu (2011). In Nigeria, public sector financial management emphasizes performance measurement for economic infrastructure and sustainability. This is achieved through performance measurement and is used with respect, to cost, quality, quantity, cycle time, efficiently, productivity, products/services, processes and so on Mcnamara (2006).

Performance measurement has been defined as an overall management system involving, prevention and detection which focuses at achieving conformance of the work product or service to the customer's requirement Frost (2004). Performance measures which embraces public financial management, involves an inclusion of all vital elements of total quality management programmed. Therefore it assists Executives at all levels of organization in knowing that they have the responsibility to know how, when and where to develop a wide range of changes within the sector. Nemerson (2004) identifies the following steps:

- 1 Developing guides lines and standards against which performance can be compared.
- 2 Gathering information reflecting the performance compared to those standards.
- 3 Discussing the appraised information with those concerned.
- 4 Documenting the evaluation process in the appropriate file.
- 5 Identify and correcting poor work performance.
- 6 Using proper communication tools to guide job performance improvement.
- 7 Progress discipline when job performance is unacceptable.

Public financial management is defined by the Chartered Institute of public finance and Accounting (CIPFA) as the system by which financial management resources are planned, directed and controlled to enable and influence the efficient and effective delivery of public service goals. Hence, CIPFA explains public financial management as a whole systems approach. It recognizes stakeholder's effort and consultation demand for services and projects and good governances.

Concept of IPSASs:

The international federation of accountants (IFAC) duly recognizes and supports the global adoption and implementation of IPSAS for public sector financial reporting. The main issue for public sector reporting is that most governments still use cash basis of accounting which makes provision for minimal disclosures in relation to the needs of the public, bank, investors and creditors as well as expectations of the private sector IFAC (2012).

Cash basis of accounting is an accounting method in which income is recorded when cash is received and expenses is recorded when payment is made. Whereas under the accrual basis of accounting, expenses are matched with revenues on the income statement, recognized when they are earned, rather than when the cash is received. It is necessary to note that majority of the Nigerian public sector. Procurements deals with orders and they are accrual-based with huge concentration on money earned rather than received or paid: Therefore, there is need for adjustments involving LPOS, debtors and creditors. More so, it is essential to take these adjustments into consideration that the general public will have greater trust in public sector organizations if there is strong financial stewardship, accountability and transparency in the use of public funds.

The Accountant and the Concept of IPSASs

In accounting for revenue, the requirement is that adequate records should be kept for all income generated within a given period. This entails maintaining adequate source documents such as receipts and invoices, and books of accounts such as the cash book, ledger accounts, and balance sheet among others. All officers in charge of public funds are expected to carry out the following activities and obligations in order to achieve efficiency in the collection and distribution of funds. These requirements include:

- 1 They should ensure that proper system of accounts as approved by the minister of finance is established and maintained in their various organizations.
- 2 They should classify their accounts promptly under proper heads and sub-heads of the budget amounts of money under their control.
- 3 All payments must be covered by appropriate authorities, clearly approved and signed.
- 4 There should be adequate supervision over receipts and disbursement of public funds.
- 5 Adequate provision should be made for financial statements as required by law.
- 6 They should be made available provision for proper safe-keeping of public funds, stamps, securities, receipts, licenses and other valuables.
- 7 They should ensure maximum cash-balance that may be held at a particular time. The cash and cash equivalent must be stated at the end of a particular period.
- 8 They should also refer to the ministry of finance on any matter affecting the accounts of their ministries and parastatals not provided for in the financial regulations (Okwoli, 2004).

According to Okwoli (2004), Nigeria is still in the process of adopting the cash basis of financial reporting and the process is expected to be completed between 2013 and 2014. As such the accrual basis will commence from next year 2015. Hence, financial reporting in the Nigeria public sector is expected to be based on IPSAS 2. This deals with statement of cash receipts and

payments. Invariably, there are two bases of IPSAS for application. This includes the cash basis and the accrual basis. The cash basis which is the subject of IPSAS 2 contains only the statement of cash receipts and payments. The account basis incorporates both IPSASs 1 and 2. It contains four main statements which are:

- 1 The statement of financial position.
- 2 The statement of financial performance
- 3 The cash flow statement
- 4 The statement of changes in Net Assets/Equity and
- 5 Notes to the statements.

The cash flow statement after the adoption of IPSAS 2 at the end of 2014 will follow the following format below: Statement of cash receipts and payments for the year ended 31st December, 2013

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	2013 N000	2012 N000
Cash flows from operating activities:		
(a) Receipts		
Taxation	X	X
Sale of goods and services	X	X
Grants	X	X
Interest received	X	X
Other receipts	X	X
(b) Payments		
Employee cost	(X)	(X)
Superannuation	(X)	(X)
Suppliers	(X)	(X)
Interest paid	(X)	(X)
Other payments	<u>(X)</u>	<u>(X)</u>
	X	X
Net Cash Flow from Operating Activities		
Cash Flow from Investing Activities		
Purchase of plant and equipment	(X)	(X)
Proceeds from sale of plant and equipment	X	X
Proceeds from sale of investment	X	X
Purchase of foreign currency securities	<u>(X)</u>	<u>(X)</u>
	X	X
Net Cash Flows from Investing Activities		
Cash Flows from financing Activities		
Proceeds from borrowing	X	X
Repayment of borrowings	(x)	(X)
Distribution/Dividends	(X)	(X)
Net Cash Flow from Financing Activities	X	X
Net increase/(decrease) in cash and equivalents		
Cash and cash equivalents at beginning of period	<u>X</u>	<u>X</u>
Cash and cash equivalent at end of period	<u>X</u>	<u>X</u>

Note: That cash and cash equivalents consist of cash in hand and balance in banks and investments in money market instruments.

Uses of international public sector accounting standards (IPSAS):

IFAC (2012) suggest the following benefits:

- 1 Cash-based receipt system would enhance an important decision about whether to offer salary increases to both civil and public servants today, or whether to offer them increased pension benefits which they can access in future.
- 2 An accrual-based accounting system which requires pension liabilities to be reported will enhance better analysis of government's financial position.
- 3 IPSAS will promote full transparency and accountability and well improved quality of financial information reported by public organization sector.
- 4 Global adoption of IPSAS will promote the comparability of such information and assist internal management decision in resource allocation.
- 5 It would assist public employees in assessing the implications of fiscal decisions proposed by government.
- 6 It ensures assurance of a globally recognized harmony and accepted high-quality financial reporting framework, and a set of standards for multi disciplinary assessment.

Methodology

For the purpose of this research study, primary and secondary data were used. The primary data employed the use of questionnaire and field survey and the secondary data includes information collected from documentary sources. The population of the study includes twenty-five (25) ministries and parastatals in Kaduna state. It is virtually difficult to administer questionnaire to all the ministries in Kaduna state. Thus, the researcher selected from each group of the population a total of forty representatives as a sample of the population. A total of forty questionnaires were administered and received.

Data Analysis and Presentation

The Data generated from the questionnaire were analyzed using means and standard deviation Z score was used to test the hypothesis at 5% level of significance.

The survey questionnaire summary statistics are shown on Table I of the Appendix.

The formulated hypothesis are shown below

Ho: There is no significant difference between the operations of the public sector when they were not adopting IPSAS and their operations on conversion to accrual-based IPSAS.

H1: There is a significant improvement in economic infrastructure and sustainable development due to conversion to IPSASs in the Nigerian public sector.

In computation of Z score, if there was no significant difference, the respondents would have not responded agreed on at least four questions raised.

Result and Findings:

The Hypothesis is tested using responses to question 1-4 in table I of the Appendix. Z score test computations are shown below.

$$\begin{aligned}
 \text{Z score} &= \frac{X - \bar{N}}{\sqrt{n}} \\
 Z &= \frac{50 - 80 (0.05)}{\sqrt{80 (0.05) \times (1 - 0.5)}} \\
 &= \frac{50 - 40}{\sqrt{4 \times (0.5) = 10}} = \frac{10}{\sqrt{2}} = \frac{10}{\sqrt{1.4142}} = 7.07
 \end{aligned}$$

From the Z- table at 5% level of significance $0.05/2 = 0.025$ under the two tailed test. The critical Z- value = 1.64.

The analysis shows that the calculated Z-value of 7.07 is greater than the critical z value of 1.64 at 5% level of significance under the two tailed test. We therefore reject the Null Hypothesis and accept the alternate Hypothesis which states that there is a significant improvement in economic infrastructure and sustainable development through the conversion to accrual-based IPSASs in the Nigerian public-sector.

Summary and Conclusion

It is imperative to note that the public sector accounting standards that Nigeria is attempting to adopt has been on for some time. Financial control and accountability in the Nigerian public sector will become more effective is adopted. It will go a long way to assist government accountants in going proper account of funds and resources entrusted to them.

Recommendations:

Based on the above findings, the following recommendations are suggested:

- 1 Since the accrual basis will take effect from 2015 upwards, financial reporting in the public sector in Nigeria should be based on IPSAS 2 (Statement of cash receipts and payment). This will curtail window dressing of accounts and ensure proper accountability and transparency in this sector.
- 2 IPSASs should be enforced in all civil and public sectors in Nigeria. This is because IPSASs will result in improved financial records in this sector. It will also take into consideration the estimated cost of maintaining infrastructure through an annual depreciation charge.
- 3 The use of IPSASs will facilitate alignment with best accounting practices through the assessment of accountability for all resources, credible independent accounting standard on a full accrual basis.
- 4 It will also promote consistency and comparability of financial statement as a result of the detailed requirements and guidance provided in each standard.

Also, the use of IPSASs will improve proper accounting for all assets and liabilities, improved management of infrastructure, assets such as roads, bridges, power generation and so forth.

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Appendix

Table I: Survey Questionnaire and Summary Statistics

S/N	Question/Statement	Strongly agree	Agree	Disagree	Strongly disagree	Undecided	Total
1.	There is no serious difference between the operations in varying public sector organizations based on introduction of IPSASs.	10	05	10	05	05	40
2.	The objectives of setting up IPSASs up in Nigeria public sector differ from those of IFAC in private sector entitles.	15	05	10	05	04	40
3.	Economic infrastructure and sustainable development could be accomplished by adoption of IPSAS	16	09	10	05	0	40
4.	The impact of quality reporting would not have been different under adoption of IPSAS.	08	09	10	05	0	40

Table II
 Respondents to the Questionnaire.

S/N	Questions	Yes	No	Total
1.	Have you heard of IPSASs?	22	18	40
2.	Has IPSASs improved quality reporting and sustainable development in the Nigerian public sector?	28	12	40
		50	30	80