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INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARD AS PATHWAY FOR
TRANSPARENCY IN GOVERNMENT ACCOUNTING

IHE NDUBUISI JOHN, PhD.
Department of Accountancy
Imo State University
Owerri

ABSTRACT

This study examined international public sector accounting standard as a pathway for transparency in government accounting. The study affirmed that strengthening of Transparency and effective accountability can only found in the public sector if and only if accrual accounting is implemented irrespective of the drawbacks. In line with objectives of the study, one research question and one hypothesis guided the study. Survey research design was adopted. The study populations made up of staff and management in accountant and auditor general's office and Imo State Ministry Finance, from where 180 respondents were sampled (though 177 questionnaires were returned and used). Methodological analysis Pearson Correlation revealed that international public sector accounting standard enhances probity, transparency, accountability in public sector organizations. Based on the findings, it was recommended that professional accountants should be employed in public sector, there should be avenue for training and development of public sector accountants so as they will always learn and adhere to the principles of international public sector accounting standard, to enhance accountability and transparency in performing their functions.

Keywords: Transparency, Effective Accountability, Accrual Accounting, IPSAS.

INTRODUCTION

The need to adopt a globally accepted public sector accounting standard cannot be over-emphasized. Hence the international public sector accounting standards is regarded as a measure to achieve an acceptable way of presentation, interpretation and treatment of accounting information for uniform public financial reporting that is in conformity with approved world standard with exception of Government Business Enterprises. The Abuja District Society of ICAN (2014) asserts the need for development of unified accounting standards as has been the primary driver of the International Public Sector Accounting Standard for Public Sector Financial Reporting.

International Public Sector Accounting Standard (IPSAS) is regarded as the roadmap to enforce transparency in government accounting. Public sector accounting is the process which

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Government and its agencies use to record financial transactions. Matthias (2014) postulates that similar to private sector accounting in theory the focus of public sector accounting is somewhat different. Adriana and Alexandra (2009) stress that Governmental accounting needs to track fund generated from tax revenue and expenditure related to projects or appropriation. Transparency in government operation is widely regarded as an important precondition for macro-economic fiscal sustainability, good governance, and overall fiscal rectitude. Lack of standardization of financial reports has been problematic to policy makers in government. For instance, great disparity was observed by the Nigerian Government in 1984 between the accounts of the three tiers of government – federal, states and local governments in terms of statements and formats of presentation. Findings revealed that it was difficult for users to collate, align and interpret the information contents of the financial statements (ICPAN, 2013:5). Walker (2002) observes that unless financial information is related to measure of quantum or quality of service actually delivered by governments, financial data are largely irrelevant. The process of transparency in government accounting can be facilitated through the adoption of accrual accounting basis. Accrual accounting basis means a basis of accounting under which transaction and other events are recognized when they occur (and not only when cash or its equivalents is received or paid).

OBJECTIVES OF THE STUDY

The general objective of the study is evaluating international public sector accounting standards as a pathway for transparency in government accounting. The specific objectives are:

- i. To ascertain the impact of IPSASs on enhancing transparency in government accounting.
- ii. To examine the problems hindering total adherence to adoption of IPSASs.

RESEARCH QUESTIONS

- (i) What is the impact of IPSASs on enhancing transparency in government accounting?
- (ii) What are the problems hindering total adherence to adoption of IPSASs?

RESEARCH HYPOTHESIS

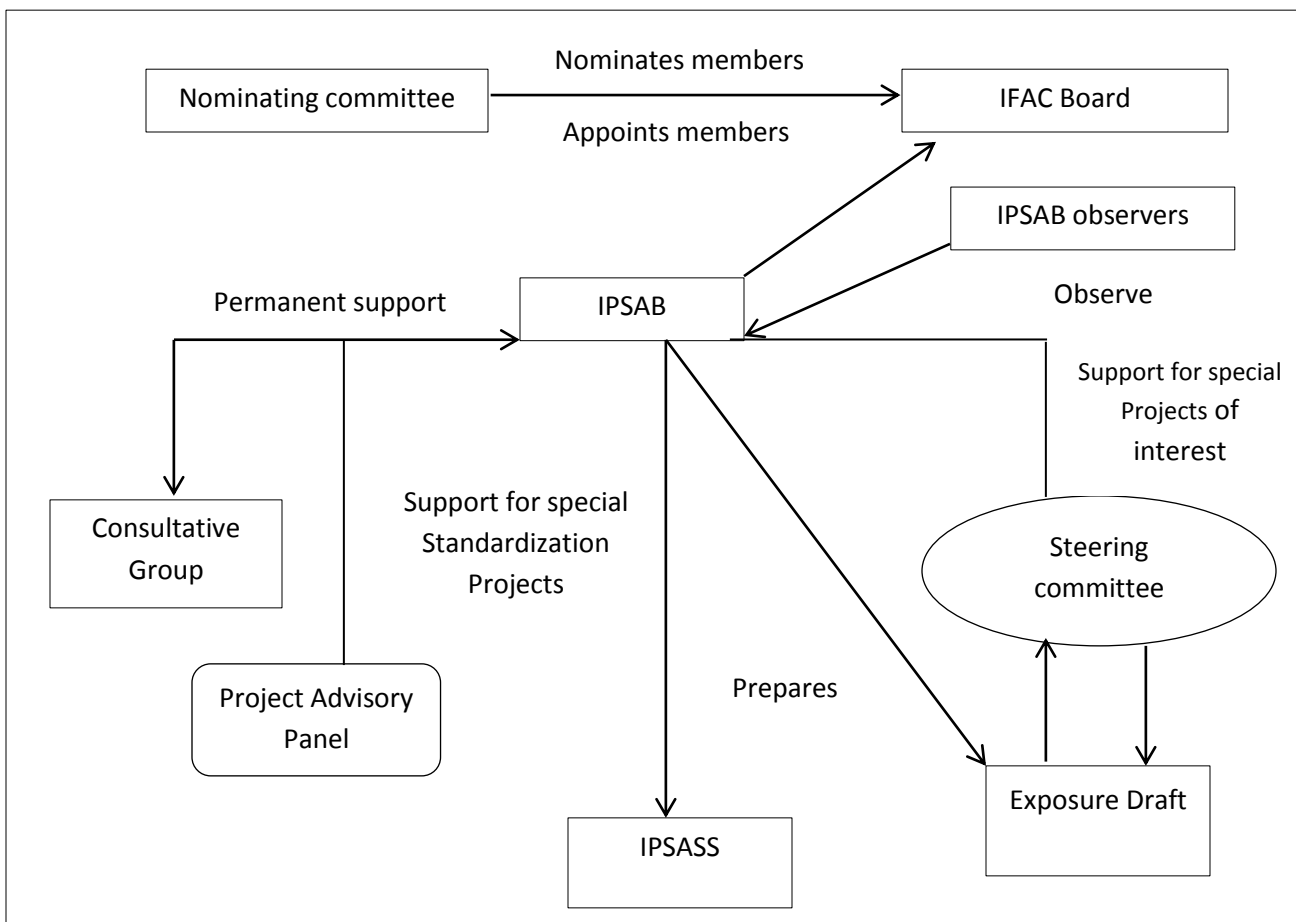
HO₁: There are no significant impacts of IPSASs on enhancing transparency in government accounting.

HO₂: There are no significant problems hindering total adherence to adoption of IPSAS.

THE CONCEPT OF INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS

The international public sector accounting standards are a set of accounting standards issued by the IPSAS board for use by public sector entities around the world in the preparation of financial statements.

FIGURE 1.0 STRUCTURE AND ORGANIZATION OF THE IPSASB



Source: ICAN Mandatory Professional Training, 2013

According to Ubah (2009) IPSASS are recounting standards for application by national governments, regional (that is states, provincial, territorial, zones etc.) governments, local (example city, town, municipal, etc.) governments and related government entities. These entities could be agency, commission, ministry and institutions as the case may be.

Public sector accounting formerly use cash basis accounting, before now where transaction and events are only recognized when cash (including cash equivalent) is received or paid by the entity.

The accrual basis of accounting is practiced in the private sector but introduction of the New Public Management (NPM) initiative has made it part of financial management improvement program in the public sector (Shaw, 1999). According to Iyika (2011) in recent years, some government all over the world embraced the NPM and engaged in various reforms including financial management reforms which are gradually and steadily shifting focus from traditional cash basis of accounting practice to accrual accounting basis. It is believed that IPSAS will enhance transparency in government financial management and reporting. IFAC (2012)

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Concludes that in public sector finance IPSAS will allow for enhanced monitoring of government fiscal policy for their economic implications. Beechy (2007) asserts that the benefit of adoption of accrual accounting is that it enhances accountability and transparency.

Nwankwo (2003) postulates that IPSAS aims to improve the quality of general purpose financial reporting by public sector entities, leading to better informed assessments of the resources allocation decisions made by government, thereby increasing transparency and accountability. Dellaportas and Davenport (2013) argue that Public interest is deeply rooted in policy development and any reform in accounting is seemed to enhance the well-being of the community.

Ibeh (2011) stresses that in Nigeria; IPSAS are accounting standards for application by federal, states, local government as well as related governmental entities, boards and commission. IPSAS standards are widely used by inter-governmental organization. Ihe and Umeaka exempted Government Business Enterprise (GBES) in application of public sector Accounting. According to Jones (2003), several countries have introduced accrual accounting at one or more levels of government as a component of wider public sector reforms. The outcome will help to install the public confidence or otherwise in the relevance of adoption of IPSAS guide line on the use and implementation of approved international standard in presentation and reporting of public accounts. This will facilitate transparency and accountability in government financial management. It will answer to the demands of citizens under democracy for greater scrutiny of public assets, responsiveness, transparency and effective accountability.

CONCEPTUAL FRAMEWORK OF PUBLIC SECTOR ACCOUNTING

Fiscal transparency is defined in this paper as openness toward the public at large about government structure and functions, fiscal policy intentions, public sector accounts and projections. It involves ready access to reliable, comprehensive, timely, understandable and internationally comparable information on government activities: whether undertaken inside or outside the government sector – so that the electorates and financial market can accurately assess the government's financial position and the true costs and benefit of government activities, including their present and future economic and social implications.

Gberegbe (2011) laments: that there is implicit presumption that the model of accounting practiced in the private sector would also be applicable in the public sector. Also, the influence of national policy and the absence of skillful and experienced prepare groups within the public sector in lobbying on proposed accounting standards are issues to effective accounting regulation in Nigerian public sector.

Transparency in government operations has several dimensions first at an aggregate level, transparency requires the provision of reliable information on the government's fiscal policy intentions and forecast; secondly, detailed data and information are required on government operations including the publication of comprehensive budget documents that contain properly classified accounts for the general government and estimates of quasi-fiscal activities conducted outside the government.

The third dimension consist of mainly behavioral aspects, including clearly established conflict-of-interest rule for elected and appointed officials, freedom of information requirement, a transparent regulatory framework, open public procurement and employment practices, a code of conduct for tax officials, and published performance audits. In all three dimensions fiscal transparency is closed associated with the successful implementation of good governance.

Ibeh (2011) speaks on accountability as it concerns public fund. It is the duty of those who spend public fund owned by the citizens to give an account of their stewardship – how they spent public funds, how they discharged their duties as public servants all in a bid to display transparency in government accounting. Accountability also requires that citizens hold those in public offices accountable for their actions or inactions.

CASH AND ACCRUAL BASES OF ACCOUNTING AS AVENUES FOR COMPARISON FOR TRANSPARENCY AND ACCOUNTABILITY

Cash basis is a basis of accounting where only cash receipts and payment are recognized. It has some advantage being that its operation is very simple, easy to learn and it reduces paper work. It allows for simple and correct comparison between actual and budgeted amount spent thereby promoting control and accountability (Obara, 2013:5). It has weakness as it does not match expense with the revenue it generated (Adriana and Alexandra (2000) and Osmond (2009) opine that small municipalities that do not engage in large financial activities instill cash basis of accounting and may not require accrual accounting.

Accrual accounting on the other hand is an accounting basis where revenue and expenses are recognized according to matching principle. Ihe (2007) and Foster (2010) argue that the matching concept or principle requires that revenue and expenses are to be recognized in period that transaction occurs. Hepworth (2003) believes that accountability culture plays an important role in the adoption and implementation of accrual accounting in the public sector. It is imperative to submit that the strengthening of transparency and effective accountability can only be found in the public sector if and only if accrual accounting is implemented irrespective of the drawbacks. Tariqi (2005) concurs that accrual accounting basis facilities managers accountability enhancement, operating budget preparation facilitation, providing total cost information and activity transparency and also improve manage optional decisions. The writing off of asset expenses leads to misappropriation and cornification of public assets such as cars and other movable assets at the end of tenure of each government. If accrual basis is enshrined in public sector accounting stealing of public assets by public office holders will be minimized to a great extent.

IPSAS AS A PATHWAY FOR TRANSPARENCY AND ACCOUNTABILITY IN PUBLIC ACCOUNTING SYSTEM

Accrual basis of accounting is important to foster transparency and accountability as relates to government financial reporting. IPSAS introduction was as a result of widespread pressure for greater government financial accountability and transparency (Chan, 2014). Accountability and transparency are two important elements of good governance that cannot

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Be separated. Accountability as relates to public, stresses that trustee of public fund should be responsible for one's decision or actions and ready to give explanations when asked to do so.

The introduction and adopted of accrual accounting in the public sector is believed that accrual based accounting would create transparency in accounts. Afolabi (2004) says that rather than creating a hard set of rules to follow, the principles allowed for application of basic principles to either large and small entities or municipals. An international set of accounting principles is also necessary for smaller nations to learn and adopt rules that will enhance their international accounting process; most times, developing nations cannot or do not have the resources capacity to create and instill a framework for their public sector accounting practices. Therefore, adopting an international set of accounting rules will help them overcome this problem and typically help them start on the path for better infrastructure development (Mathias, 2004).

Information and reporting would enhance accountability and transparency and foster good governance. Public sector accounting information serves for decision-making. It serves as a basis for control and evaluation of performance. It equally serves as a basis of evidence of stewardship and financial accountability. It further stipulates or establishes a standard of uniformity and conformity to the established reporting standard. Public sector accounting is otherwise known as Governmental Accounting. It has three dimensional features:

First dimension: it is an evidence of public financial accountability thereby ascertaining transparency in relation to financial probity. Second dimension: express the facts that it helps in public planning, controlling and decision-making process (Azu, 2012). Third dimension attribute to ascertaining the property of transactions and their conformity with established rules that enhances transparency.

BENEFITS OF ADOPTING IPSAS IN PUBLIC SECTOR

According to Umoh (2013), the benefits of IPSAS are:-

EFFECTIVE ACCOUNTABILITY: IPSAS requirement for increased disclosure in accounting reports increases the level of accountability in government.

TRANSPARENCY: Where IPSAS is adopted, full disclosure become an imperative of public sector accounting; no doubt, transparency enshrined in financial information reporting. Government accounting where IPSAS are adopted become more credible. Reporting are not credible if government itself decide the rules.

INTERNATIONAL BEST PRACTICE AD COMPARABILITY: IPSAS seeks to ensure that financial statements prepared in the basis of it are internally comparable.

OTHER BENEFITS ARE AS FOLLOWS: Comparable information assists the stakeholders utilized (Agwu, 2014).

GREATER DISCLOSURE: IPSAS encourage full disclosure, which beams the light of transparency, integrity and accountability.

INCREASED CONTROL OF PUBLIC AGENCIES: The increased disclosure, transparency and comparability IPSAS engender will permeate the public sector bringing about greater accountability.

METHODOLOGY

The area of this study will be restricted to Owerri of Imo State. Our population comprises all staff and management in the Accountant General and Auditor General Office and Imo State Ministry of Finance in Owerri, Imo State. Survey research design was adopted; hence we utilized primary data through structured questionnaire (as our research instrument or method). We administered the questionnaire to the selected staff and management sample in the selected government organization. For our sample size, a sample of 160 staff and 20 management members were selected from the selected government organizations using simple random sampling (which is a probability sampling method). Therefore our sample size is 180 respondents (20 management and 160 staff).

Each of the selected respondents were required to select from one of five (5) option likert scale namely: strongly agree (SA), agreed (A), disagreed (D), undecided (U) and strongly disagreed (SD) as their responses to the questionnaire correlation (the computer based analysis).

DATA ANALYSIS

The data analysis and result is prepared with special reference to the research hypothesis. Out of the 180 questionnaire distributed to the staff of the selected institution, only 157 were collected; also, the 20 distributed to the management of the organizations were all collected hence sample size is now 177.

HO1: There is no significant impact of IPSAS on transparency in government accounting.

Table 1: Analysis of response questions

Respondent	SD	D	U	A	SA	Total
Staff of the selected organizations	16	24	6	83	28	157
Management of the selected organizations	1	1	6	5	7	20
Total	17	25	12	88	35	177

Source Field Survey 2016

The responds to statements “the IPSAS has made the management to enhance accountability and transparency in public sector (management questionnaire)” and “there is significant impact of IPSAS principles in the day to day running of government business (staff questionnaire)” produced the figure above. These figures are analyzed using Pearson correlation (computer based analyses).

TABLE 2: DESCRIPTIVE STATISTICS BASED ON TABLE 1 RESULTS

	Mean	Std. Deviation	N
Staff of the selected organizations	31.40	30.047	5
Management of the selected organizations	4.00	2.828	5

TABLE 3: CORRELATION RESULTS

	Staff of the selected organizations	Management of the selected organizations
Staff of selected organizations	1	.174
Pearson Correlation		.780
Sig.(2-tailed)	5	5
Management of selected organizations	.174	1
Pearson Correlation	.780	.780
Sig.(2-tailed)	5	5
N		

Using DF=4 level of significance = 0.05; P-value of 0.780. Evidence from the table above shows that our P-value (that is 0.780) was greater than the significance value of 0.05. This result reports that there is no significant negative impact of IPSAS on transparency in government accounting. We therefore accept the Null hypothesis and reject the Alternative hypothesis and conclude that there is no significant negative impact of IPSAS on transparency in government accounting.

CONCLUSION

International public sector accounting standard as a pathway for transparency in government accounting serves as a driving force for the achievement of transparency in financial reporting. Financial reforms were triggered off by the desire to eliminate waste in efficiency. Poor service delivery, overspending, lack of accountability, transparency and improve quality of service delivery in the public service.

The benefit of using accrual accounting is that it enhances accountability and transparency (Beechy, 2007). The use of accrual based accounting through the adoption and implementation of international public sector accounting standards IPSAS will provide unified approach to managing all funds – regular, specific, voluntary, and trust and service funds. Transparency is enhanced by IPSAS by way of promoting openness and access to information by citizens and their understanding of decision-making mechanism, thereby bridging gap between the government and the people.

RECOMMENDATIONS

The study recommends the following:

- The adoption of appropriate and effective public sector accounting principles and guidelines will help to enforce transparency in government accounting.
- The adoption of IPSAS in financial reporting of government accounting will eliminate embezzlement of public funds especially by the top government officials.
- The government should provide enabling legal framework for proper and effective implementation of IPSAS regulatory standard in financial reporting.

- Transparency in government accounting would be able to achieve a more robust economic performance, hence transparency in government financial reporting is a prerequisite for sustainable growth
- IPSAS is indeed a pathway for transparency in government accounting as it will improve the performance of the economy.
- Timely population of clearly presented financial information makes it easier for the market to evaluate the government's intentions and allows the market itself to impose a constructive discipline on the government.
- Transparent public sector financial accounting system makes it possible for the market to determine what the government has actually done and to compare budgeted and actual financial operation.

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