
IPSAS Implementation, Accountability and Transparency in Public Sector Organizations in Bayelsa State, Nigeria

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Abstract

This study was carried out to investigate the level of implementation of IPSAS and how it has affected accountability and transparency in public sector organizations in Bayelsa State, Nigeria. The study, anchored on the stakeholders' theory, was guided by four research questions and three hypotheses. The population of the study consists of all government Ministries, Departments and Agencies (MDAs) in Bayelsa State. The study adopted a survey research design hence data were collected by means of a self-designed questionnaire administered through Google forms. Data collected were analyzed to bring out the descriptive statistics while the hypotheses formulated were tested using analysis of variance (ANOVA). Findings of the study indicated that the level of implementation of IPSAS in Bayelsa State's MDAs is fairly reasonable with a mean score of 3.05. The study further revealed that implementation of IPSAS has enhanced accountability and transparency, and created value relevance in financial reports of MDAs in the public sector. The study recommends that government should enforce the full implementation of IPSAS for higher level of accountability and transparency in MDAs.

Key Words: Public Sector, IPSAS, Transparency, Accountability, Value Relevance, Financial Reports.

Introduction

The adoption of the International Public Sector Accounting Standards (IPSAS) has been a subject of interest to practitioners and researchers as far as financial reporting in the public sector is concerned. Babatunde, and Dandago (2014) note that there is a need to adopt an efficient approach to public governance in line with the new public management reforms in Nigeria in particular and the world at large. Omolehinwa (2012) opines that the IPSAS adoption and implementation became necessary so as to ensure accountability and promote transparency in public governance.

IPSAS are high-quality global accrual-based accounting standards issued in sets by the International Public Sector Accounting Standards Board (IPSASB) which enable governmental ministries, departments and agencies to produce high-quality financial information useful for better decision making, build accountability and promote public trust (IFAC, 2017). According to IPSASB (2015), IPSAS are to be adopted and implemented globally by public sector organizations. The objectives of IPSAS are amongst others to enhance transparency, improve

government financial resources decision making based on an improved general purpose financial reporting by public sector entities, and promote accountability in public finance management.

IPSASB which is a Committee of International Federation of Accountants (IFAC) and is responsible for issuing IPSAS has issued thirty eight standards based on accrual accounting system and one cash based standard (IFAC, 2015). IPSAS adoption and implementation are in different stages across many jurisdictions. Some governments have adopted IPSAS but have not implemented them. Some have implemented them either partially or completely. Given the accruing benefits with respect to accountability and transparency, governments across the world are embracing the adoption and implementation of IPSAS. Nevertheless, the transition to IPSAS has been a challenge (Ogbuagu & Onuora, 2019; Babatunde, 2017)

In Nigeria, the decision to adopt the IPSAS in 2010 was hinged on the need to improve good governance. Balogun (2016) agrees that IPSAS adoption will serve as a catalyst to promote accountability and transparency in the management of public sector finances in Nigeria. IPSAS adoption was also considered to be in line with trend in globalization (Financial Reporting Council of Nigeria (FRCN), 2011).

While adoption of IPSAS by the Nigerian authorities has been commendable, its implementation has posed a more serious challenge. IPSAS cash basis was expected to be implemented in public sector financial reporting by 2012 being the year set as the deadline for the issuance of first published IPSAS-compliant financial statements, but this did not materialize (Ofoegbu, 2014; Izedomi & Ibadin, 2013). Further, the three levels of government in Nigeria (Federal, State and Local Council) were expected to begin the implementation of accrual IPSASs by 2016 but prior studies such Ogbuagu and Onuora (2019), Adepoju (2017) and Aduwo (2019) have highlighted partial or non-application of IPSAS by MDAs in preparation and preparation of financial reports despite IPSAS adoption since 2010 in Nigeria. In view of the foregoing, this study will address the following question:

1. What is the level of implementation of IPSAS in Bayelsa State public sector organizations?
2. To what extent has IPSAS implementation improved accountability in Bayelsa State public sector organizations?
3. How has IPSAS implementation promoted transparency in Bayelsa State public sector organizations?
4. To what extent has IPSAS implementation enhanced the value relevance of financial report of Bayelsa State public sector organizations?

Literature Review

Concept of IPSAS

IPSAS is an acronym for International Public Sector Accounting Standards. IPSAS are global accounting standards used as guidelines for the preparation and presentation of financial statements in the public sector (Adoagye, 2012). IPSAS are issued by the International Public Sector Accounting Standard Board (IPSASB), a committee of International Federation of Accountants (IFAC) responsible for developing and issuing IPSAS. The major objective of IPSAS is to improve the quality of general purpose financial reporting by public sector which would provide better means of assessing resources allocation by government and also enhance transparency and accountability (FRCN, 2011).

The adoption and implementation of IPSAS, according to Ngama (2012), would serve as a basis for the creation of a harmonized budgetary system for all levels and tiers of government and also boost Nigeria's eligibility to access economic benefits from donor agencies such as

the World Bank, African Development Bank and the International Monetary Fund. Its implementation is also expected to encourage foreign investors into the country. The implementation of IPSAS would also provide access of information to the public thereby promoting the aims of freedom of information Act 2011 and facilitating the expression of individuals' opinion on government activities (Nongo, 2014).

IPSAS Adoption for Accountability and Transparency

Accountability and transparency are two essential elements of public finance management. Accountability is defined by Otuya and Okolo (2019) as the course of giving satisfactory explanation or accounting for stewardship actions and results of effort. It implies being responsible for one's decisions or actions and giving explanations when asked to do so. Effective accountability requires much more than simply reporting performance, but involves evaluation, appropriate corrective actions and directly addressing likely consequences for individuals. Public service is accountable when it conducts the business of the government in an open, transparent and responsive manner. Transparency on the other hand refers to the openness with which government business is conducted. Transparency makes it possible for stakeholders to clearly see the activities of government and understand what the government is doing. It requires openness which makes it easier for those outside the government to monitor and evaluate the performance of the government and its consistency with the policy intentions for fairness, propriety and sound stewardship.

FRCN (2011) and IFAC (2012) emphasize that adoption and implementation of IPSAS accrual based accounting in the public sector would enhance accountability and transparency and by extension improve good governance. The IFAC (2012) states that governments must institute necessary measures required to enhance public sector financial management transparency and accountability. Application of IPSAS accrual based accounting is an integral part of these measures.

Stakeholders Theory

The essence of the stakeholders' theory when applied to the public sector is that a variety of stakeholders have a vested interest in a financially viable government. Users of the IPSAS in the public sector anticipate that its application would be useful for appraising performance, accountability by government MDAs, efficiency, and effectiveness and decision making to support a proper function of democracy (Danescu & Rus, 2013; Acho, 2014; Omolehinwa & Naiyeju, 2015).

General purpose financial reporting reduces information asymmetry between the various stakeholders and public office holders in control of government financial accounting system. However, IPSAS implementation goes further than that by guarding against stakeholders (citizens, tax payers etc) being short-changed by the government. The social contract between the public office holders and the citizens confers legitimacy on the citizens in the stakeholders' basis (Premchand, 1999).

Empirical Review

A number of empirical studies have been carried out in the subject area using different methodology and reporting divergent results. For instance, Balogun (2016) examined the impacts of International Public Sector Accounting Standards (IPSAS) in the Nigerian Public Sector using the office of the accountant general of Ekiti State as a case study. The objectives of this study was determining the impact of adoption of IPSAS on the level of accountability and transparency in the public sector of Nigeria and to ascertain the contribution of adoption of IPSAS in enhancing comparability and international best practices. Primary source of data was employed to generate the data of interest. Research questionnaire was designed, which was

made of hypothetical questions of the research work. Interview questions were formulated and tested for validity before dispatching to the chosen sample populace of 45 staff of the office of the accountant general of Ekiti State. The statistical tool employed was the Chi-square test. From the findings of the study, it was observed 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 denoted that adoption of IPSAS based standards will provide more meaningful information for decision makers and improve the quality of the financial reporting system in Nigeria. Hence, the researcher concluded that the adoption of IPSAS in Nigeria is expected to impact operating procedures, reporting practices thereby strengthening good governance and relations with the government and the governed.

Olusegun (2019) examined the effects International Public Sector Accounting Standards (IPSAS) implementation on public sector financial management in Ekiti State, Nigeria. The study adopted a descriptive survey research design because it helps in obtaining similar information from various groups of persons through the use of an administered questionnaire. The population covered all the staff of Ekiti State accountant general's office; out of which 50 staff was selected as the sample size and this was achieved through random sampling technique. A close ended questionnaire was used to elicit the needed information from the respondents and the necessary validity and reliability of the instrument were done accordingly to authenticate the items on the questionnaire. Data generated from the respondents was analyzed through simple regression and mean and standard deviation. The study conclude that IPSAS would significantly influence public sector financial management in Nigeria and that the challenges of Nigerian public sector are costs associated with tracking and identifying government tangible assets.

Ogbuagu and Onuora (2019) examined the effect of international public sector accounting standards (IPSAS) adoption on accountability and transparency in the Nigerian public sector organizations using ministry of finance Anambra State of Nigeria as reference point. Primary source of data was employed and the data collected were analyzed using Wilcoxon statistical test tool. The result of this research showed that the adoption of international public sector accounting standards has significantly influenced accountability and transparency in the Nigerian public sector organizations. Similarly, Udeh and Sopekan (2015) examined the implications of adoption of International Public Sector Accounting Standards (IPSAS) on the quality of financial reporting of public sector organizations in Nigeria. Chi-square test and Kruskal Wallis test were employed. Findings from the study showed that adoption of IPSAS would increase the level of reliance on the financial reporting of public sector organizations in Nigeria. In addition, it was found that applying IPSAS to public sector financial reporting would make the results of financial reporting of public sector organizations comparable. It was concluded that IPSASs have the potential to give a better financial integrity assurance.

Further, Aduwo (2019) in a study examined the effect of International Public Sector Accounting Standards on financial accountability in the Nigerian public sector. Specifically, the study investigated the effect of IPSAS on the efficient management of public fund in the Nigerian public sectors and assessed the extent to which IPSAS enhance effective budget implementation in the Nigeria public sector. The population of the study comprises of all the staff in internal audit department, accounting department and finance department of the 18 Local Governments in Ondo State. Questionnaire was used to gather information from the selected respondents in the departments. The study revealed that IPSAS has positive and significant effect on the efficient management of public funds in the Nigerian Public sector. The study recommended that the federal government should release fund to power the adoption

IPSAS and make fund available for training of civil servants on International Public Sector Accounting Standards software.

Materials and Methods

Survey design method was used to collect data through the use of Google forms. The population of the study consists of all MDAs in Bayelsa State. Using a convenience sampling method based on availability of email, two respondents were selected from the accounts department of 25 randomly selected MDAs making a total of 50 observations for the study. The data collected were analyzed to bring out the descriptive statistics while the hypotheses formulated for the study were tested using the analysis of variance (ANOVA) with aid of SPSS.

Data Analysis and Results

Table 1: Descriptive Statistics

No.	Item	Respondents' Mean	SD	Decision
1	IPSAS implementation improves accountability in financial reporting	2.9472	1.02597	Agreed
2	IPSAS makes management of public finance more transparent.	3.0000	.77427	Agreed
3	IPSAS implementation will communicate value relevance to beneficiaries of financial reports.	2.9472	.80598	Agreed
4	IPSAS implementation enhances comparability of financial information among public entities	2.8015	.81442	Agreed
5	Level of IPSAS application in preparing financial reports in Bayelsa State is high	3.0477	.80629	Agreed
6	The introduction of IPSAS has improved the overall quality of financial reporting	3.2965	.64079	Agreed
7	IPSAS implementation has reduced corruption in the public sector.	2.9975	.54749	Agreed
8	IPSAS application has not effective in the Nigeria public sector.	2.1457	.79283	Disagreed
9.	Implementation of IPSAS will enhance the quality of financial reporting.	3.2090	.52140	Agreed
10.	IPSAS implementation is not feasible due to lack of political trust in the public sector	1.9836	.42523	Disagreed

* The acceptance mean point for the items is 2.50, any mean (\bar{x}) that is 2.5 and above is agreed indicating a positive response and below 2.50 is disagreed regarded as a negative response

Source: Field Work (2020)

Table 1 above showed the distribution of the respondents based on their response to issues relating to IPSAS implementation in the public sector in Bayelsa State, with majority of the responses being positive except two as they were above the mean cut off of 2.5. The most positive response had a mean score of 3.29 which indicates that the introduction of IPSAS will improve the overall quality of financial reporting in the public sector and the least positive response was 2.80 which stated that IPSAS implementation will enhance

comparability of financial information among public entities in the public sector. On the other hand the most negative response had a mean of 2.14 stating that IPSAS is not suitable in the Nigeria public sector while the least negative indicating that adoption of IPSAS is not feasible due to lack of political trust in the public sector has a mean score of 1.9. Therefore the result indicates that implementation of IPSAS to a large extent influences accountability and promotes transparency in the public sector.

Hypotheses Testing

This section relates to the testing of hypotheses formulated for the study. For the sake of understanding, the hypotheses will be restated before presenting the result analyses. The decision rule is to reject the null hypothesis and accept the alternative if the probability value ($p < 0.05$) otherwise accept the null hypothesis.

Hypothesis 1:

H₀: IPSAS implementation will not improve accountability in the Bayelsa State public sector.

Table 2: ANOVA table on the effect of IPSAS implementation on improving accountability in the public sector.

Model		Sum of Squares	Degree of freedom	Mean Square	F	Sig.
1	Regression	91.620	1	91.620	9.665	.000 ^b
	Residual	455.016	48	9.480		
	Total	546.636	49			

a. Dependent Variable: Q5:Level of IPSAS Implementation

b. Predictors: (Constant), Q6: IPSAS improves accountability

In testing hypothesis one, we subject the variables level of implementation and IPSAS/accountability using the ANOVA. From the table, implementation has a positive and significant influence on accountability in financial reporting. The F-stat is 9.665 with a p-value of 0.000. We therefore have enough evidence to reject the null hypothesis and accept the alternative. This means that implementation of IPSAS in Bayelsa State influences accountability in financial reporting

Hypothesis 2:

H₀: IPSAS implementation will not promote transparency in the Bayelsa public sector.

Table 3: ANOVA table on the effect of IPSAS adoption on promoting transparency in the public sector.

Model	Sum of Squares	Degree of freedom	Mean Square	F	Sig.
1 Regression	78.505	1	78.505	1.635	.000 ^b
Residual	368.131	48	7.669		
Total	446.636	49			

a. Dependent Variable: Q5:Level of IPSAS Implementation

b. Predictors: (Constant), Q2: IPSAS Promotes transparency

To test hypothesis 2, variables level of IPSAS implementation and IPSAS promotes transparency were subjected to empirical test. Given a degree of freedom of 1, 48, F-stat of 1.635; $p=0.000$, it can be observed that IPSAS implementation significantly influences transparency in the public sector. This result provides enough evidence to reject the null hypothesis and accept the alternative which states that IPSAS implementation will promote transparency in the Bayelsa State public sector.

Hypothesis 3:

H₀: IPSAS implementation has not improved value relevance of financial report public sector organizations

Table 4: ANOVA table on the effect of IPSAS implementation on value relevance of financial report of public sector organisations.

Model	Sum of Squares	Degree of freedom	Mean Square	F	Sig.
1 Regression	71.020	1	71.020	7.427	.000 ^b
Residual	459.017	48	9.562		
Total	530.037	49			

a. Dependent Variable: Q5:Level of IPSAS Implementation

b. Predictors: (Constant), Q3: Value relevance of financial reports

In testing hypothesis three, we subject the variables level of implementation and value relevance of financial reports using the ANOVA. From the table, implementation has a positive and significant influence on value relevance of financial reports of public sector organizations. The F-stat is 7.427 with a p-value of 0.000. We therefore have enough evidence to reject the null hypothesis and accept the alternative. This means that implementation of IPSAS in Bayelsa State will enhance value relevance of financial reports public sector organizations.

Discussion of Findings

The study was carried out to examine the effect of IPSAS implementation on accountability and transparency in Bayelsa State public sector. In conducting research, a survey was conducted to capture the opinion of staff members of the accounts departments of twenty five public sector organisations in Bayelsa State on issues relating to IPSAS adoption, implementation, accountability, transparency, and value relevance of financial statements. The findings of the study revealed that the level of implementation of IPSAS in the Bayelsa State MDAs is fairly reasonable.

On the hypothesis tested, findings of the study revealed that there is a significant relationship between the implementation of IPSAS in Bayelsa State MDAs and accountability in financial reporting. The result meets our expectation and is consistent with Olusegun (2019).

The study findings further indicated that implementation of IPSAS in Bayelsa State MDAs influences transparency in financial reporting. The implication of the finding is that as ministries and parastatals continuously implement the IPSAS the level of transparency will improve. This result meets our *a priori* expectation and is consistent with Shakirat (2012) and Olusegun (2019)

The statistical estimates on the third hypothesis also revealed a significant positive association between implementation of IPSAS in Bayelsa State MDAs and value relevance of financial reports. The implication of this result is that financial reports emanating from the public sector organisations will have as much value as that of the private sector if IPSAS is effectively implemented. This also meets our expectation and conforms to prior studies such as (Aduwo, 2019; Udeh & Sopekan, 2015).

Conclusion and Recommendation

The aim of this study was to empirically examine the effect of IPSAS implementation on accountability and transparency in public sector using Bayelsa State. In achieving this objective, the study obtained data through survey on variables related to the study. The factors this study focused on are accountability and transparency in financial reporting and value relevance of financial reports in public sector organizations.

The study as part of its findings revealed that the level of implementation of IPSAS in public sector organizations in Bayelsa State is fairly reasonable. The study further showed that implementation of IPSAS has promoted accountability in the public sector. The study is also able to establish that implementation of IPSAS will enhance transparency and create value relevance of financial reports of MDAs. Based on the findings, the study recommends that government should enforce the full implementation of IPSAS since its partial implementation has significantly improved and enhanced the level of accountability and transparency in public sector organizations.

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