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NATIONALIZING THE INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARD: HOW EXPEDIENT SHOULD THE COMPOSITION AND FUNCTIONS OF MINISTERIAL IPSAS COMMITTEE BE IN NIGERIA?

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Abstract:

In the last few decades there has been a substantial global effort that aims to strategically reinvent the way and manner upon how the state resources are being managed worldwide. This reinvention is what has come to be widely known in the relevant literature as New Public Management (NPM). NPM has led to the creation of a paradigmatic shift in public sector accounting system. This subject matter saw how the traditional bureaucratic model of public sector accounting invented by Max Weber to be replaced by the 21st century model of IPSAS. This new development aims towards building and emancipating public sector organisations financial accounting structure in to a more transparent, resilient, captivating, purposeful structure that aim at instilling honesty and uniformity in the global, national and local accounting practices. The New model of Public Management also possesses an ardent empirical principle of making public sector organisation to provide the recognition that a country and its respective states are efficient and realistic in the execution of public expenditure. How this (IPSAS) could now metamorphose in to the Nigeria version of empirical application without impairing its values, tenets, teachings and principles constitute the thrust of the current article.

1.0 Introduction:

International Public Sector Accounting Standards (IPSAS) are independently produced accounting standards, underpinned by a strong due process and supported by governments, professional accounting bodies and international organizations (Chan 2006). The widely-acknowledged benefits of the adoption of IPSAS According to Dabor and Aggreh (2017) include the followings:

i. Improved transparency and internal control with respect to all assets and liabilities, facilitating improved management and stewardship of resources;

ii. More comprehensive and consistent information about costs and income which better support result based management and improvement of governance;

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iii. Improved consistency and comparability of financial statements over time and between different organizations;

iv. It provides the needed innovations required in internationalization;

v. It makes vital information to be standardised in such a harmonious ways as to eliminate bias, inconsistencies and circumvention of internal control model;

vi. It helps in making an organisation financial accounting structure more resilient, captivating, purposeful, and uniform within local, sectorial and international trends;

vii. It helps in providing the recognition that a country a state is efficient and realistic in the execution of public expenditure.

viii. The full recognition of liabilities for future employee benefits such as the NHIS insurance packages,

ix. The recognition of capital assets such as buildings, vehicles, furniture and equipment, and the reporting of depreciation expenses would have the effect of lowering operating expenses of governance.

a. The recognition of expenses on the basis of the 'delivery principle' could lead to lower expenses for a financial period compared to any model of accounting standard in use by that public sector entity. This suggest that expenses include all open purchase orders and contracts irrespective of the delivery of goods and services;

b. The timing of recognizing income of voluntary contributions will change;

c. Financial statements and financial reports on voluntary contributions will change in format and content.

From the foregoing development, Dabor and Aggreh (2017) established that the impacts of enforcing IPSAS in the Nigerian public sector accounting system will ensure the followings:

i. Make the nation more attractive to foreign direct investment because of high level of transparency in the affairs of government, which IPSAS aims to enforce and create modalities to realist NPM.

ii. Eliminate the lack of comparison of financial reports of home and foreign operations due to different reporting format. In addition to that donor agencies and other funding agencies may not be attracted to Nigeria in the absences of the full implementation of IPSAS. Where these foreign donors exist in Nigeria their range of activities will be very negligible.

iii. Will help in removing Nigeria among those countries with poor transparency perception index. Transparency International (2019) corruption perception index ranks Nigeria 146th out of 180 countries surveyed.

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iv. Help in eliminating illicit money trafficking. This is as maintained by the United Nations economic commission for Africa (2015) where it discovered the high existence of illicit monies in the country.

v. Ensures proper execution of contracts, transparency, and efficiency and up to datedness.

vi. Ensure full implementation of National and local budgets which will among other things help in the creations of significant quality of life.

vii. Help in the creation of vital and significant economic equilibria.

viii. Help in avoiding market failure due largely to the efficient working of the budget which will help create demand and supply.

ix. Full provision of infrastructural facilities and

Accounting to Babatunde, S. A (2017); Rachel and Giuseppe (2019); Hamisi, (2012); Selver S. A and Johan C. (2018). The authors established that some of these changes would require significant modifications to the existing financial management systems. Dabor and Aggreh (2017) continued to mention that in particular, the public sector entities Financial Information Management System (AFIMS) would have to be extended to record detailed information on capital assets and depreciation, inventories, employee benefits and delivery-based expense recognition, all required to support the preparation of financial statements in compliance with IPSAS. Additionally, Toudas et al. (2013) maintained the view point that the Impact of IPSAS on budgeting, funding and Financial Regulations and Rules will lead to changes in the public sector budgeting methodology and funding policy, and require amendments to the Financial Regulations and Rules. This is because it would eliminate the complex reconciliation between the budget and financial statements required under IPSAS if the budgeting and the financial reporting are not on the same basis (Freeman et al. 2004). More importantly, accrual-based budgeting, which includes a 'capital budgeting' concept, would better support results-based management in order to enable better resource allocation decisions. Chan (2006) added that, this is because budgetary figures will reflect more accurately the cost of programmatic outputs and results.

Why the Ministerial Committee on IPSAS is Necessary: The Challenge of Committee Participation

A committee is mostly a coopted group of educated, experienced, innovative, creative and highly forward looking individuals drawn or pooled together from different angles of an organisation or the society at large. This is in order for this committee members to handle or assist in identify the direction or the solution of a key outstanding problem, issue, guide, or even interpret a way out. In addition to that, a committee can further be mandated co come out the vision, mission or purpose of an existing issue(s) and the easy way to realistic application within the environment where that committee was created. A committee is

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expected to be one of the most productive tools that an organisation compose in order to help it or guide it to or out of an existing or forthcoming challenges mission, purposes, task or responsibilities within the given terms of references (Ogbuagu and Onuora 2019). Generally the quality of individuals in a committee and their range of participation into that committee fines and determine its success or failure. If committee members participate fully, get involved collectively in key issues, and encourage others in that committee to do so, the committee is likely to be very successful. In essence enthusiasm is contagious and should be sparked by the committee chairman among all members and allow its continued existence.

The findings of a committee have a direct impact on the decisions made by the officers and to the nation at large (Financial Reporting Council of Nigeria Act, No.6, 2011; IEA 2007; Ijeoma and Oghoghomeh 2014; Ogbuagu and Onuora 2019);. The IPSAS committee members' task has a direct influence on the direction of accountancy profession in Nigeria. In this respect, the primary function of the IPSAS committee is to create, innovate and guide as well as contribute to the efficient operation of IPSAS in Nigeria by envisioning how the contextual and empirical application of IPSAS tenets and principles should supplant the old existing standards in Nigeria. The IPSAS committee following their unique accountancy knowledge, and experience are expected to apply their collective wisdom, which is usually superior to that of any one member in the committee. These committee members are among other things expected to see how the replication of IPSAS and how the best of IPSAS mechanical prowess and content is going to be applied in the Nigerian accountancy environment. This is by considering the cultural, professional, ethical and mechanical working and direction of accountancy profession in country. In addition to that, the committee are to blossom with those sound and realistically enforceable approaches in all the three tiers of governance in Nigeria.

The Committee Membership:

i. Committee members should be appointed because they are knowledgeable, skilled, innovative, hardworking, experienced and intelligent about a subject matter and having strong interest in the currency of issues at stake and or area of activity.
ii. Committee members should know what the specific responsibilities of committee terms of references are.
iii. Committee members should know the general operational, tactical and technical practices, policies, and procedures of the facts in issues.
iv. Committee members should know what the scope, responsibilities, impacts and implications of their findings should be to the nation, locality, organisation and the inter and intra-relationship of that organisations external relationship should be particularly with the issue under discussion.
v. Committee members should know what the past performance of the committee has been and the current trend of issues as they ensues both locally and globally.
vi. Committee members should know what the reporting procedure to the government should be and the implications of their respective findings.
vii. Committee members should establish only realistic attainable goals.
viii. Committee members should give recognition to the committee chairman and other members of the committee.
ix. Committee members should get involved and participate collectively.

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The IPSAS Ministerial Committee Compositions- The FEC Approval: Nigeria has obtained FEC approval with respect to IPSAS implementation since 2010 but to date it is not all the states of the federation adopted IPSAS in the preparation of their respective financial accounts. In spite of that, the supposed ministerial composition on IPSAS implementation could be as follows and each with an expect contributions that will produce a sound and coherent implementation modalities devoid of cannibalization.

(1) The Minister of finance of the federal republic of Nigeria

(1) The minister of trade and investment

(2) The director home finance

(3) The director foreign finance

(4) The accountant general of the federation

(5) The auditor general of the federation

(6) The institute of Chartered accountants of Nigeria

(7) The Institute of National Accountants of Nigeria

(8) The Nigerian financial reporting standard

(9) The chartered institute of Taxation of Nigeria

(10) The FIRS

(11) The representative of the organised private sector

(12) The Accountant general of States

(13) The auditor general of states

(14) The Central bank of Nigeria

(15) The Nigerian Securities and Exchange Commission

(16) The Nigerian Deposit Insurance Corporation

(17) Selected members of the academia

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IPSAS Nationalization Process: The required Expediencies and Functions of the Ministerial Committee

In an attempt to join the on-going vehicle of global standard in the public Sector and to enjoy the benefits of the standard, the Federal Executive Council (FEC) in July 2010 approved the adoption of the International Public Sector Accounting Standard (IPSAS) for the public entities in Nigeria. Despite this effort, it is nostalgic to mention that up to date, and since the approval given by the Nigeria's Federal Executive Council (FEC), the adoption IPSAS throughout the Federal Republic of Nigeria is nowhere to be seen (See for instance: Babatunde, S. A (2017); Chan (2006); Dabor and Aggreh (2017); Rachel and Giuseppe (2019); Hamisi, (2012); Selver S. A and Johan C. (2018); Toudas et al. (2013); Freeman et al. (2004). In spite of this painful development, the expedient processes of normalizing IPSAS in the Nigerian context as the need for it to be adopted by the Ministerial committee should be as follows:

Step 1: Establishment of Financial Regulations and Rules: If Nigeria is to proceed with the adoption of IPSAS, the country's financial regulations and rules would need to be reviewed and amended to reflect the financial rule and administration under IPSAS. A thorough review would be undertaken and the necessary amendments should follow established procedures and guidelines. This should also be uniform with respect to the three tiers of the country.

Step 2: Implementation Strategy and Time Frame: One of the key conditions for the implementation of IPSAS is the capability of the ministerial committees to investigate, analyse, ascertain and provide a guiding principle and approval of how the new system will be established and how this will support the country under the established IPSAS compliant financial accounting system of Nigeria.

Step 3: The Nigerian Financial Information Management System AFIMS, in its current design and configuration, cannot handle new requirements such as accounting for fixed assets, depreciation, inventory and delivery-based expense recognition. Building the additional functionality on top of the current systems would be difficult and costly as such the ministerial committee should have to study and carefully came up with the modalities of how such changes should be effected in to the IPSAS version of Nigeria's public sector entities in all the three tiers of government.

Step 4: The Ministerial committee should have to conduct a 'Feasibility Study on Agency-wide Information System for the new IPSAS. This is with the aim of fully integrating the numerous support systems and applications. The need for integration of financial systems with other core support processes such as procurement and personnel on a common applications platform should be clearly established as cost effective and desirable, and is a key requirement of future solutions.

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Step 5: Subject to the approval of the Ministerial committee, the changes needed for IPSAS implementation and for systems integration pursuant to AIPS should take place concurrently over the next several years. While these two projects have different objectives and scope, there is a significant amount of overlap in the activities such as the analysis and design of business processes and procedures, systems configuration and user training. Therefore, the adoption of IPSAS in Nigeria should coincide with the development and extension of the current systems, or the acquisition of IPSAS-compliant new systems. While it will be a complex undertaking to implement these two projects at the same time, it will enable public sector entities to benefit from the synergies of closely interrelated activities and avoid significant duplication of effort and additional cost.

Step 6: When implementing IPSAS, the Nigerian ministerial committee should be able to draw guidance from an already existing system-wide support and collaboration (i.e. learn from the mistakes of other continents). The IPSAS Support Project should comprise of a team of technical experts from the three tiers of government. This is expected to facilitate the work of inter-agency collaboration mechanisms such as the international IPSAS Steering Committee and the ministerial Task Force on the new IPSAS enforcement strategies. In reality, the effort of the ministerial IPSAS enforcement committee should focus on how the development of accounting policies and guidelines should be in the three tiers of government, helping all public sector organizations to better understand overall implementation issues, and providing an opportunity to share efforts and contribute to empirical policy development and how these goals could be implemented and attained in the three tiers of the Nigerian public sector organisations.

Step 7: IPSAS cannot be selectively applied, and adoption will encompass implementation of all applicable standards. The ministerial committee should envisages implementing the necessary changes over a period for the transition period to be able to comply with IPSAS from the financial year for instance the ministerial committee should as much as possible:

i. Make initial analysis of requirements, impact and scope of changes in the three tiers of government in Nigeria.

ii. Seek approval from the Board of Governors for IPSAS adoption.

iii. Establish project team and develop detailed project plan drawn from the three tiers of government of the federal republic of Nigeria.

iv. Analyse key financial management and accounting issues existing in the three tiers of government in Nigeria, their impact on each tiers financial systems, Financial Regulations and Rules, and develop accounting policies, procedures and guidelines with respect to how the

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old system can be jettisoned and put in place the workability of the new IPSAS.

v. Decide on the new structure of the three tiers financial systems (upgrade AFIMS or new systems).

vi. Develop accrual basis budgeting model in line with IPSAS guide and how that can be applicable in the three tiers.

vii. Develop uniform policies, procedures, guidelines, manuals and preparations for amendments to the Financial Regulations and Rules with respect to the three tiers of government in Nigeria.

viii. Seek approval by the Board for the amendments to the Financial Regulations of the federal republic of Nigeria.

ix. Configure systems design and modification, start data preparation, data modeling and staff training exercise in respective three tiers of government in Nigeria.

x. Begin preparation of Draft Programme and Budget on accrual basis.

xi. Commence operation of new systems, testing and evaluation of new procedures.

xii. Prepare pro forma financial statements.

xiii. Fully implement new systems, policies and procedures.

xiv. Continue training and support, including guidance for end-users.

xv. Implement and address all accounting and financial policy issues that arise.

xvi. Communicate awareness on the transition to IPSAS through all available means of communication, training and documentation.

xvii. Implementation of resource requirements.

xviii. Monitor and control deviations.

Step 9: The implementation of new accounting standards, reporting policies and procedures will require resources, especially human resources with the appropriate technical expertise. While existing capacity and expertise will be fully mobilized, a dedicated project management team needs to be established to coordinate progress, and technical expertise and operational capacity will need to be augmented during the transition to implement new requirements including change management and training of staff.

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Step 10: The estimated cost for additional staff, consultancy, training, contributions to the inter-agency support mechanism, and temporary assistance during the transition and post-implementation support period reasonable amount of money should be required to fully operationalize the implemented changes and to prepare the first IPSAS-compliant financial statements. Additionally, the upgrading of the financial and procurement systems, part of the first phase of the implementation of AIPS and essential for the implementation of IPSAS, must come under a strong budgeted amount.

Step 11: It is recommended that the Ministerial committees should: (a) Take note of the information provided in the International Public Sector Accounting Statement which include the resources required for implementing the adoption of the International Public Sector Accounting Standards (IPSAS) and related upgrading and integration of financial and procurement systems.

Step 12: Adopt risk assessment, management and mitigation strategies and practices for project implementation in accordance with the projects' objectives.

The Functions of the Ministerial Committee are to:

1. Consider a number of specific public sector financial reporting issues and how they are going to be dealt with in the Nigerian context without appropriately undermining the IPSAS. Among other things the ministerial committee should consider: (i) accounting for taxes and other forms of non-reciprocal revenue (ii) accounting for social insurance obligations (iii) accounting for public/private sector arrangements, and (iv) accounting for reporting of budget and other prospective information;
2. The ministerial committee should consider the development of a conceptual framework for financial reporting in the public sector;
3. The ministerial committee should as much as possible monitor the work program of the IASC and consider the applicability to the public sector of IASs issued post 1997 and how they should be aligned with the Nigerian context of accounting models, principles and practices without negotiating extant teachings and mechanics of IPSAS ensuing guides;
4. Promote the understanding and use of IPSASs in all the federations accounts both in the state and local government accounting systems of the Federal Republic of Nigeria; and
5. Carry out care and maintenance on existing IPSASs without allowing any possible violation, retrenchment, subduing or circumventing key theoretical and empirical versions of IPSAS as it exist and fundamentally as it is being applied globally.

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6. To develop a background paper that will identifying the current accounting practices in Nigeria and the practical issues in public sector financial reporting and reconcile dichotomies or gaps.
7. Update from time to time the changing roles and perspectives from the main guidelines of the standard and establish a core set of IPSAS based on the International Accounting Standards (IASs), produced by the International Accounting Standards Committee (IASC) on issues as of 31 August 1997, to the extent appropriate.

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Conclusion

The rising significance of financial accounting in the public sector, as epitomized by the emergence of the IPSAS on the world scene, reflects the belief in the power of those ardent objectives of financial recordkeeping. This development has been credited with need to induce public sector organisation in to similar pattern with the roles and models of bookkeeping on a business-like manner same or more comprehensive than the models of bookkeeping in the private sector organisations. IPSAS are based on double entry bookkeeping, which is considered one of the "measures of reality" that made modern business practices possible. By grounding financial data on past transactions and events, government financial accounting will certainly provide a reality check against the more speculative future forecasts and plans in public sector budgeting, investment, asset management and liability dealings. This seems to be the unstated justification of patterning with IPSAS as far as this paper is concerned.

It is imperative in this gathering to mention that in summary of all the two dozen IPSAS in existence, the most vital and crucial standards are the first and second ones. These two require the public sector organisations to issue public sector-wide financial statements under the accrual basis at the end of a fiscal year. It is nostalgic to mention that, the implementations of these standards would in effect compel a government to open its books to outsiders i.e. its tax payers and other financial contributors. As mentioned earlier, IPSAS seeks to balance some governments' possible reluctance by telling and drawing the attentions of the pubic to enable them know their right over the stewardship mandated to an elected government. These developments made it possible for IPSAS to be an ardent promoter of transparency as a self-evident virtue of government. Unfortunately this view is not universally shared around the world particularly in corrupt democracies.

Finally, it is important state that upon all the laudable objectives and steps identified in the proper implementations of IPSAS in Nigeria, they are just a mare mirage, The truth is that, for government accounting reform (IPSAS) to take place in Nigeria, political and management support is the most crucial factor to that success and this solely depends on the ability of the electorate to mobilize support from the grass root political leaders, who set the tone by demanding greater accountability and transparency. Their political determination will stand a better chance of realization if it is reinforced by the support of ministers and senior managers to change the way the government operates. Because of its technical nature, the "marketing" of reform proposals to politicians and senior managers should be set as a challenge and should be taken seriously and as the number one factor by all and sundry. Acho (2014); Adegite (2010); Aggestam and Brusca (2016); Appah and Appiah (2010)

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