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GLOCALIZING THE COMPOSITION AND FUNCTIONS OF STATE IPSAS COMMITTEE: HOW SHOULD THE WORKING MECHANICS OF THE MAGIC SHOE BE IN KATSINA STATE

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Abstract:

globalization has brought about ever increasing collaboration in international financial dealings such as international trade and other 21st century vital commercial innovations among the countries of the world. To bring more veritable success and smooth dealings, IPSAS was created to among other things engage the public sector in to more transparent financial dealings such that they will benefit from such enormous international financial innovation and sophistications. The question is why is Katsina state not taking this enviable advantage and gain an opening in to its stream of revenue base, job opening, infrastructural opportunity and accessibility to varied international financial credits just to mention a few? To be part of this opportunity, harmonizing the structural composition of the state's public sector financial accounting is among the single most omnipotent restructuring that the state need to embark upon at the onset. To this end, spawning the glocalization of IPSAS from the national level to Katsina states accounting systems is the first cardinal principle that will help in aligning the state to capture the aforementioned vitalities. In addition to that, the glocalization of IPSAS in Katsina state will help in opening up another milestone towards the successful assurance of the state's financial transparency in line with the requirements of the World Bank, the IMF, UN, and etc. It is in line with this development that this paper opens up the conceptual glocalization process of IPSAS for the case of Katsina State.

1.0 Introduction:

IPSAS is simply the constituent of those professional financial accounting standards and guide lines on how government accounting and financial reporting should generally be structured in to Acho (2014). IPSAS are unique fundamental development by experts with sound financial innovations, skills, ideas and appointed by a global federation of the accounting professional bodies from over 100 countries. Selver and Johan (2018); Hamisi (2012); Rachel and Giuseppe (2019); Onalo, et al. (2013); Omolehinwa and Naiyeju (2015); established that the fundamental aim of IPSAS is address the rationale of financial measurement and financial reporting in the public sector in such a harmonious global pattern that will spell transparency, accuracy and sophistication. Specifically, IPSAS defines the content of the so-called "general purpose financial statements" and related financial disclosures in a government's annual report. These financial statements consist of a statement

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of financial position and a statement of financial performance produced on the basis of what is now termed as an accrual financial accounting system, as well as a statement of cash flows produced by an accrual accounting system.

Majority of the leading authors such as Selver and Johan (2018); Hamisi (2012); Rachel and Giuseppe (2019); Onalo, et al. (2013); Omolehinwa and Naiyeju (2015); Omolehinwa (2012); Ijeoma, and Oghoghomeh (2014). Ofoegbu (2014); Ijeoma and Oghoghomeh (2014); IEA (2007); Babatunde (2017); Appah and Appiah (2010); Adegite, (2010); Aggestam and Brusca (2016) established that public sector accounting maintains a broader theory of accountability, which can be derived from Herbert Simon's organization theory of 1945. The teachings of the theory established that a variety of stakeholders have a vested interest in a financially viable government. Their incentive to use a government's financial statements - a source of their common knowledge about the government comes from their desire to know the amount, timing and degrees of uncertainty of the benefits they expect to receive from government. General purpose financial reporting reduces the information asymmetries between the stakeholders and government officials in control of government financial accounting system. Ijeoma and Oghoghomeh (2014); IEA (2007); Babatunde (2017); Appah and Appiah (2010); Adegite, (2010), suggest that, IPSAS implementation in any State and Nigeria at large should e a focal mirror to the realistic existence, pursuance, abidance and maintenance of the tenets of the "Social Contract theory" on the side of the government stewardship.

The conceptual process to IPSAS glocalization: A case of Katsina State

1. The conceptual issues include:
    a. Assessment of system capability and internal accountability as they hitherto exist in Katsina state financial accounting system.
    b. Studying and being conversant with the National IPSAS before agreement on a conceptual framework
    c. Measuring and assessing the underlying need of national IPSAS requirements in terms of equipment, machines and other human resources before starting IPSAS with clear understanding of its modified international business accounting standards intents
    d. Ascertainment of ambiguous and conflicting stance on the basis of accounting practice and applications in Katsina state and its respective local government's areas.
2. System Capability and Internal Accountability. System capability refers to the infrastructure for collecting, recording, and summarizing financial data. Consolidated financial statements on the accrual basis can be produced only by an accounting system with sophisticated features. These features include: (1) the accounting equation, assets = liabilities + net assets, as its conceptual foundation; (2) a detailed chart of accounts for the elements of the accounting equation, as well as revenues, expenses and changes in net assets;

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3. Assess the model, complexities and the generic use and exceptional items of double-entry recording system in Katsina state; and
4. The ability to translate standards (such as IPSAS) into specific policies and procedures applicable to the public sector organizations in Katsina state. These features have to be incorporated in the hardware and software of the accounting system, along with human resources and financial resources made possible.
5. Conceptual Framework of the Katsina State IPSAS definitions: A conceptual framework is expected to specify the objectives, scope, recognition criteria, definitions and qualitative characteristics of financial information, providing the basement and justification for standards. Up to this time, IPSAS are characterized by numerous detailed rules and only few general principles regarding financial statements. Is Katsina State central and local government accounting system, Ready for this herculean task? Should the most triggering question.
6. Assess government's financial condition and performance i.e. are we in a recession, boom or boost? How much are we locally and internationally indebted and how heavy is the debt burden on the state budget etc.?
7. Measure cash and other financial consequences of transactions and events, supposedly under the IPSAS guide.
8. What are the positions of our assets, liabilities, revenues, and expenses and what are the new rules and guide on each? Can we be able to treat them as enshrined in the new IPSAS standard?
9. How could we be able to Issue user-friendly financial reports periodically to stake holders?
10. How could we be able to prepare and publish budgets, maintain complete financial records, provide full disclosures, and submit to independent audits?

Likely problems for the non-implementation of IPSAS in Katsina State

i. Absences of transparency and honesty in the stewardship accounting in the state; these developments will in turn lead to embezzlement, corruption, and circumvention of due process or internal control structure.
ii. Backwardness in economic activities and poor infrastructural development will continue to rise on a multiplier perspective thus breeding widely the tentacles of poverty visible everywhere.
iii. Inability to attract foreign direct investment and difficulty in accessing international developmental loan, grants and other financial assistance due to poor transparency in the affairs of government.
iv. High costs of governance will continue to thrive with unnecessary resources wastages.
v. Lack of well-defined economic priority, and poor state asset management.
vi. Rampant and incessant budgetary failure, i.e. heavy budget deficits.
vii. Poor savings and investment will continue to thrive and a **concomitant** breeding ground for heavy costs in debt servicing.
viii. Mistrust among the electorates.
ix. Poor revenue generation and poor expenditure control.

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x. Excessive virement.
xi. Low quality of life in the state will continue to thrive thus making it possible to loose excessive quality manpower and entrepreneurs.
xii. As a result of items (i-xi) above in the state, this development will in turn lead to high costs of doing local business, loss of competitive agilities among existing local entrepreneurs thus leading to excessive drainage of financial resources to other states e.g. Kano, Kaduna and Abuja etc.

The IPSAS glocalization committee compositions- key factors to note:

i. Committee members MUST be appointed because they are knowledgeable, skilled, innovative, hardworking, experienced and intelligent about the subject matter and having strong interest in the currency of issues at stake and or area of activity.
ii. Members should know what the specific responsibilities of committee terms of references are and are conversant or intimated or fully trained on IPSAS.
iii. Committee members should know the general operational, tactical and technical practices, policies, and procedures of the facts in issues (IPSAS).
iv. Committee members should know what the scope, responsibilities, impacts and implications of their findings should be to the state and its environments.

The Katsina State IPSAS committee compositions- The approval from the board of governors is the ultimate among all other factor: The supposed composition of IPSAS implementation committee members in Katsina state could be as follows:

i. The commissioner of finance Katsina state.
ii. The commissioner of trade and investment
iii. The director budget
iv. The state accountant general
v. The state auditor general
vi. The state auditor general for local government service commission.
vii. The state representative of the Institute of Chartered accountants of Nigeria
viii. The state representative of the Institute of National Accountants of Nigeria
ix. The state representative of the Nigerian financial reporting standard
x. The state representative of the chartered institute of Taxation of Nigeria
xi. The chairman Katsina State inland revenue services
xii. The representative of the organised private sector in Katsina state
xiii. The Chairman Katsina state local government service commission
xiv. Directors of Administration, Finance and Treasurers of Katsina state local governments.
xv.

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The steps in IPSAS glocalization process: The expediencies and functions of the Katsina state IPSAS implementation committee (How should the working mechanics of the magic shoe be in Katsina state):

a. Seek approval from the Board of Governors for IPSAS adoption.
b. Make initial analysis of those requirements, impact and scope of financial and accounting changes needed as clearly provided in the national IPSAS.
c. Establish project team and develop detailed project plan.
d. Analyse key financial management and accounting issues, their impact on financial systems changes and control, assess the extent of changes and its effected on Katsina state Financial Regulations and Rules, and develop accounting policies, procedures and guidelines that is generic and all encompassing.
e. Decide on the resources and manpower need to the financial systems upgrades and how the new system will take effect.
f. Continue development of policies, procedures, guidelines, manuals and preparations for amendments to the Financial Regulations and Rules.
g. Complete consequential amendments to the Financial Rules.
h. Configure systems design and modification, start data preparation and staff training.
i. Develop accrual basis budgeting models for Katsina and assess its efficacy within the current practice and information availability.
j. Commence operation of new systems, testing and evaluation of new procedures
   Prepare pro forma financial statements.
k. Fully implement new systems, policies and procedures.
l. Continue training and support, including guidance for end-users.
m. Address any accounting and financial policy issues that arise from the new implementation.
n. Seek the help and other assistance of experts i.e. consultants etc.

Key operational and practical guide to note when glocalizing IPSAS in Katsina state

It is imperative at this juncture to note that the "degrees of accrual" concept contrasts sharply with the dichotomous approach implicit in IPSAS (Nor-Aziah, et al. 2007). In addition to that, it also understates the elasticity of these accruals. According to Ijeoma and Oghoghomeh (2014); IEA (2007); Babatunde (2017); Appah and Appiah (2010); Adegite, (2010) they maintain the view point that assets are property rights to the state government correspondingly, liabilities are obligations. This "rights and obligations" version of accrual is the public-sector counterpart to the service effort and accomplishment (SEA) based accrual used by businesses. The practical implication of this clarification of accrual is that transition by Katsina state government to accrual based accounting system should include three phases:

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(i) Recognizing the government's receivables from taxation and other non-exchange transactions; the question here is that, is government fully knowledgeable of all its receivables? (ii) Gradually building up the capacity of accounting system to capture a larger portfolio of assets and liabilities. The question here is, is the government fully ready for this and is capacity to do that available? Finally (ii) Preparing the accrual-based financial statements. All these should be a clear mind setting apparatuses to the Katsina State glocalizing committee (for more detail see Nor-Aziah, et al. 2007).

In spite of the above, the experts in Katsina state should note that the costs to implement IPSAS are enormous but not so huge (Nor-Aziah, et al. 2007). In addition to that education and training will also consume substantial amount of government outlay as the state prepares to adopt IPSAS. Moreover, the search on the availability of qualified accountants is another factor that should be taken seriously. This is because; most of the public sector and government agencies lack the necessary personnel to adequately carry out the changes in IPSAS as opposed to the financial reporting framework currently existing in the public sector. Apart from the foregoing development, apparent complexities in the adoption of IPSAS in Katsina state exist such as the use of common language to bring uniformity across cultural accounting practices should be noted and taken with keen interest on how it is going to be dealt with. Similar to that development readiness of government departments and agencies to handle the task with keen interest, resilience is very quintessential.

According to Auditing and accountability Journal (2014) and Acho (2014) who established that one obvious reason to reckon with is the lack of complete, reliable, and timely information about financial obligations, following to this development, it is critical to note that non-cash financial resources weaken the debtor governments', ability and incentive to discharge its responsibility. In additions to that it also hampers the government, collection effort, and reduces its ability to convert these resources into cash to pay off the liabilities. The inability to match financial assets and liabilities in terms of amounts and timing is a fundamental cause of liquidity and solvency problems, which can become full-blown fiscal crises in an accounting system. Therefore, reasonable application of accrual-based IPSAS standards to the Katsina state government accounting system will provide effective accountability and transparency to minimize those practices that can easily lead to bankruptcy or failed system. In essence Selver and Johan (2018); Hamisi (2012); Rachel and Giuseppe (2019); Onalo, et al. (2013); Omolehinwa and Naiyeju (2015), maintain that it will as much as possible enable the achievement of a more effective performance than using the current modified cash-based accounting. These benefits although very hard to come by are important reasons for the yearning aspiration for the adoption IPSAS.

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The role and functions of the Katsina State committee on IPSAS are:

I. The committee should set up an interdepartmental IPSAS project steering committee or equivalent body tasked with ensuring that senior management understand the goals and vision driving the transition to IPSAS;

II. The committee should be responsible for the creation of proven project planning and implementation method which should include well defined strategic objectives, deliverables, timeliness, milestones and mentoring procedures.

III. The committee should determine and recommend to the board of governors the budget for the additional human resources required in the administrative budgetary and finance areas to ensure not only effective implementation of the transition to IPSAS but also adequate capacity to maintain future IPSAS compliance.

IV. The committee should thoroughly analyze existing information system for comparability and synergy with IPSAS requirements and, as a major element of the initial gap analysis, appreciates the changes that the system must undergo to support IPSAS;

V. The committee should as much as possible adopt and enforce risk assessment, management and mitigation strategies and practices for project implementation in accordance with the IPSAS adoption objectives in Katsina State.

VI. The committee should plan and prepare interim financial statements for review by external auditor(s) well ahead of the final implementation data to avoid unpleasant surprises.

VII. The committee should institute a mechanism that will continuously perform the testing of internal controls during the preliminary implementation stage of an IPSAS project to ensure the accuracy of the data and system acceptance of the model.

I. The committee should ensure that an independent and comprehensive validation and verification of the system is performed towards the end of its completion and close all gaps that could lead to circumvention.

I. The state committee should be responsible in the provision of training and development within the respective local government areas and ensure adequate compliance, and sound understanding;

II. The committee should carefully carry out the continued maintenance of the virtues of IPSAS in all transactions in Katsina State 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 nationwide in the federal republic of Nigeria.

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III. The committee should 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 ministerial guidelines provided and report accordingly to the board of governors.

Conclusion

The accounting system is in effect the "nerves of government" - to use Karl Deutsch's phrase this is because it is the core of a government's financial command and control center. A government accounting system can be rudimentary or sophisticated, as in business system. A good government accounting system at the minimum keeps accurate financial scores; a better government accounting system directs the attention of policy makers and managers to problem areas; and at its best, a government accounting system provides information useful for decision making. Following to this development and in order to achieve ambitious socioeconomic goals, developing countries require public sector institutional capacity for setting and implementing public policy, which in turn necessitates government accounting reform. The social value of government accounting reform therefore lies in its contribution to development goals, including poverty reduction. This rationale has led international and multilateral lenders and donors to endorse International Public Sector Accounting Standards (IPSAS) for adoption to all developing countries.

IPSAS is composed with emphasis on assuring financial integrity and a shift to accruals can make IPSAS more useful in government accounting reform. In addition to the foregoing, the UN Millennium Development Goals and poverty reduction strategies can be realized only if state governments and government officials have the necessary capacity to manage scarce resources, especially financial resources. Herein lies the contribution of accountants and auditors to institutional capacity building programs. The success of government accounting reform depends on political and management support, in addition to the availability of budgetary and human resources, and information technology. Government accounting systems' hardware is useless without software applications, and software is mindless without accounting standards. This why I urge Katsina State to champion the crusade of IPSAS adoption and become one in a million in the field of transparency and accountability that will eventually lead to sustainable quality of life for all.

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