Analysis of Rate of IPSAS Adoption among the Public Sector in the South Western States in Nigeria

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ABSTRACT

The study investigated the extent of IPSAS adoption in Nigeria using the south-west geopolitical zone of the country as case study. The public service in the six states of the south western Nigeria is the focus of the study. A total of 400 respondents are covered in the survey and professional staff like auditors and accountants in the public service form the nucleus of the respondents. A well-structured questionnaire was constructed and administered. The data harvested was analysed using purely descriptive statistics. Findings from the analysis revealed that IPSAS adoption varied by states in the South-western Nigeria depending on jurisdiction. Some jurisdictions were still using the cash based IPSAS, while others have adopted the full accrual-based IPSASs. In addition, some other jurisdiction adopted a hybrid IPSASs system. The study recommends harmonization of pattern of adoption of IPSAS in the country. This will pave way for level playing assessment of public officers in the Nigeria public sector.

Key Words: IPSAS Adoption, South-Western Nigeria, Public Sector

INTRODUCTION

The financial activities of public sectors characterized with financial impropriety is attracting significant and global interest and debates among policy makers and scholars across the globe. The debate which centers on accountability and transparency is more of criticism about lack of proper and efficient utilization of public fund. The appearance of financial statements of public sector are marred by inadequate and improper disclosure of financial and accounting information. Economies in the world, are usually categorized as ether public or private sectors and the public sector encompasses all government enterprises including the Ministries, Department, and Agencies (MDAs). The debate and criticism which is still ongoing and have lasted for more three decades, have forced economies, especially the developing economies to embark on reforms to reposition the public service.

Though, the Nigerian federal government mandated all states and public sector organisations to migrate to IPSASs accounting system, but evidence may vary on the extent of adoption among the states and the Ministry, Department, and Agencies (MDAs). The argument is that IPSASs is a principle-based standard and its flexibility allow diverse application by different jurisdictions (Benito, Brusca, & Montesinos, 2007). While some jurisdictions may adopt the accrual-based standards, others may adopt the cash-based standards. Furthermore, some other jurisdictions may choose between modified cash – or- accrual basis. These different applications will result in various implementation results (Adhikari & Mellemvik, 2010). While majority of studies have distinguished between adopters and non-adopters of IPSASs (Mnif & Gafsi, 2020), other studies have focused on the determinants of IPSAS either in a single economy or comparatively (Amiri & Hamza, 2020) without regard to varying levels of IPSASs adoption (Sellami & Gafsi, 2019). Thus, the empirical evidence on the extent of IPSASs adoption has been largely scarce (Amiri & Hamza, 2020). This gap calls for additional research on the extent of adoption of IPSASs by different jurisdiction with distinct socio-

political structures (Van Helden & Uddin, 2016). Therefore, this study will bridge the empirical gap by assessing the extent of IPSASs adoption in south-western states of Nigeria.

The rest of the paper is divided into the literature review, methodology, results and discussion, conclusion and recommendations.

LITERATURE REVIEW

The bulk of studies on the extent of IPSASs adoption have been conducted in developed economies. Accrual based IPSASs has been adopted in developed economies at various levels including, gradual, partial, or full adoption. Many developing economies are still adopting the cash-basis of accounting. The latest report by ACCA (2017) shows that specifically West African countries are still lagging behind in the implementation of full accrual accounting system. For instance, the financial statement of the government of Zimbabwe is still being done using the IPSAS cash accounting basis (Joel, 2015). Zambia started partial adoption of IPSAS cash basis in 2016 with a roll-out plan of full adoption of the cash-basis by 2020 (ACCA, 2017).

Polzer, Adhikari and Garseth-Nesbakk (2021) examined the international public sector accounting standards adoption in developing economies through a review of existing literature with the key aim of proposing policy agenda for future research. The study was built on an analytical framework base on diffusion theory and the sample of the study yielded 42 articles from the 427 articles available in four different databases with the aid of PRISMA flow diagram. The study found that IPSAS is a relevant issue in developing countries based on the outcome of many research. These studies are known to have relied on secondary data for analysis mainly through content analysis and few of them relied on primary analysis through the use of interviews and questionnaires. The study identified the need for future research to contextualise the use of IPSAS in most developing economies.

Mustapha, Ku Ismail and Ahmad (2019) examined the link between professionalism, competency and quality of financial reporting considering the finance director's perspective in reporting standard of public sector entity. Data for the study were mainly obtained from self-administered questionnaires distributed to 118 local government finance directors in four states in Northwestern Nigeria. Structural least squares equation modelling (PLS-SEM) was used in the study. The findings indicate a positive and statistically significant relationship between competence and the quality of financial reporting, although professionalism is not a significant variable in public sector reporting standards.

Mihut and Crisan (2020) reviewed international public sector accounting standards (IPSAS) harmonization processes at the international level and especially at the European level. The result of the study shows that the application of public sector accounting standards is limited to European public sector accounting standards (EPSAS) and that international public sector accounting standards are mainly applicable between countries, especially between other countries. Matekele (2018) scouted the accrual-based implementation of the IPSAS among local government authorities. The study adopted the use of survey questionnaires and these are administered through drop and pick method to accountants and auditors in the local government areas of Dodoma region. The study was able to identify 15 factors influencing the implementation of the accrual-based IPSAS and it is found that they significantly influence the adoption and the implementation of IPSAS.

Christiaens *et al.* (2015) looked into the impact of international public sector accounting standards on state accounting reform based on an international comparison. The study arises from the fact that the IPSAS adoption process is not elaborate coupled with their increase relevant, which then calls for harmonisation. The data for the study were obtained from the distribution of questionnaires among local experts to be able to derive relevant information from them from the sample of countries in the international domain. The study reveals the need

to move to IPSAS accrual-based standards than any other usable standards or basis in the public sector.

It is very obvious from the available literatures that little efforts have been made by researchers to examine the extent of adoption of IPSAS in Nigeria generally. Consequently, this study will be contributing to the existing literatures in this regard.

METHODOLOGY

Research Design

The particular study adopted survey research design. The quantitative research involved the analysis of data. The survey research design captures data through the viewpoints, demographic details, perceptions, and motivations of the respondents. This method was considered appropriate because it allowed quantitative analysis to gain direct and deeper insight into the research questions. The method was recognized as valuable because it allowed direct access to critical data valuable for the research.

Area of the Study

The area of study for this research was South-western Nigeria. The South-western region consisted of Lagos, Ekiti, Ondo, Ogun, Oyo, and Osun States. The study area was chosen because all the South-western States had directed the migration to IPSASs for the preparation of financial statements. The South-western region was one of the four regions of the country, and is reputed as the economic nerve centre of the country. Studies had shown that two States in the South-western Nigeria, that is, Lagos and Ogun States, had very high internally generated revenues and a huge number of businesses domiciled in the States.

Population, Sample Size and Sampling Technique

The study population comprised 1, 492 respondents comprised all accountants and auditors from grade level 12 and above in the Southwest States. These set of respondents had adequate experience and knowledge to give appropriate responses to the study's research questions. The sample size was determined using Yamane formula. Table 1 showed the distribution of the population and the sample size for each State in the South-western Nigeria. Simple random sampling was applied as basis for the distribution of the sample among the States.

Table 1: List of Population, Sample Size and Sampling Techniques

SN	States	Population Total	Sample size by Yamane formula	Margin of error	Final sample
1	Lagos	378	80	21	101
2	Ogun	327	69	19	88
3	Oyo	265	56	15	71
4	Osun	176	37	10	47
5	Ondo	192	41	11	52
6	Ekiti	154	32	9	41
	TOTAL	**1,492**	**315**	**85**	**400**

Source: Field Study, 2023

The Taro Yamane formula is as follows:

$$n = \frac{N}{1 + N(e)^2}$$

Where "n" represented sample size; "N" represented the population of the study; and "e" represented the margin error of 5%

$$n = \frac{1,492}{1 + 1,492(0.05)^2} = \frac{1,492}{4.73} = 315$$

Data and Sources of Data

The study used both secondary and primary sources of data. The primary data were extracted from the administration of questionnaire on relevant respondents (accountants and auditors on grade level 12 and above in all South-western States).

Research Instrument

The administration of a structured questionnaire was adopted in eliciting information from the targeted respondents. The questionnaire design was achieved through the combination of deductive and inductive approaches (Tharenou, Donohue, & Cooper, 2007). The deductive approach involved an extensive literature review of pre-existing scale while the inductive approach involved opinions gathered from relevant respondents. The instrument will be assessed using a 5-point agreement scale, with scores ranging from 0 to 4.

The purpose of scaling is to facilitate the conceptualisation and management of a construct and to produce quantitative metrics that are used to test hypotheses (Neuman, 2006). The scaling system is in line with literature that standard estimations performed well with indicators measured on 5 or more categories. Indicators measured with fewer categories may result in non-trivially attenuated covariances and inflated fit statistics (Joreskog, 1994; Muthen, 1984; Hoyle, 2000). Responses to each item in the questionnaire were constructed in such a way that higher scores will indicate a more favourable agreement. The survey instrument was pre-tested on 20 accountants and auditors in Kwara public sector in order to ascertain face and content validity of the instrument. Comments made at the level of pre-test were incorporated in the instrument. The instrument was divided into 3 sections.

Section A comprised information about the demographic characteristics of the respondents to validate the suitability of the respondents. Section B elicited information about financial reporting quality, while Section C detailed information about the extent of IPSASs adoption in South-western Nigeria.

Reliability and Validity of Research Instrument

Pre-administration Tests

Content validity was adopted as a pre-administration test to determine the suitability of the contents of the questionnaire. According to Rubio (2005), content validity "relies on people's judgement of the extent to which the item and/or measure is valid". Two methods for assessing content validity are face and logical validity. This study adopted the face validity measure by administering the questionnaire on 6 experts on IPSASs adoption both in academia and the public sector.

Post-administration Test

The study conducted reliability and validity tests on the research instrument after it was administered to the respondents. The reliability of the instrument was determined by Cronbach's alpha (with benchmark to 0.7). The validity of the research instrument was determined by discriminant validity tests.

Method of Data Analysis

Analysis of the Extent of Adoption of IPSASs in South-western Nigeria: In the achievement of this objective, descriptive statistics such as mean, median, and mode were adopted.

RESULTS AND DISCUSSION

This aspect of the papers analyse the data interpret and discuss the empirical results. This starts with the response rate analysis.

Response Rate

An initial sample of 315 respondents was determined using the Taro Yamane formula, and an additional 85 respondents were added to compensate for the margin of error. Therefore, a sample of 400 respondents was considered as the final sample. 389 separate copies of the questionnaire were returned, while 13 copies of the questionnaire were discarded because of deliberate omission by the respondent to avoid some of the questions. Therefore, 376 validly filled copies of the questionnaire, which amounted to 94%, were used for the study.

Table 2: Response Rate statistics

Total copies of Questionnaire Administered	Total copies of questionnaire retrieved	Total copies of questionnaire correctly filled	Total copies of Questionnaire Discarded
400	389	376	13

Source: Field Survey, 2023

Demographic Analysis

Table 3 displayed the findings related to the demographic characteristics of the respondents. The respondents were asked to indicate their State of residence, post occupied, gender, age group, marital status, highest academic degree acquired, professional qualification, position in office, work experience, number of trainings attended, place of training, and training sponsor. With regard to the respondents' State of residence, the results showed that 93 (24.7%) of the respondents resided in Lagos, 63 (16.8%) resided in Oyo, 50 (13.3%) resided in Ondo, 39 (10.4%) in Osun, 43 (11.4%) in Ekiti, and 88 (23.4%) resided in Ogun State. Table 3 also showed that 237 (63%) respondents were accountants and 139 (37%) were auditors. In relation to gender, 191 (50.8%) were male, while 185 (49.2%) were female. Furthermore, the respondents were required to indicate their age group; the results showed that 26 (6.9%) respondents were between the ages of 18-30 years, 206 (54.8%) were between the ages of 31.45 years, and 144 (38.3%) were between the ages of 46-60 years.

With regards to the respondents' marital status, Table 3 showed that 36 (9.6%) were single, 338 (89.9%) constituting the larger proportion of respondents were married, while 2 (0.5%) were divorced. In addition, 15 (4.0%) respondents had only SSCE, 278(73.9%) had B.Sc./HND, 78 (20.7%) had M.Sc., while 5 (1.3%) respondents had a PhD. The results also showed that 247 (65.7%) respondents were associate members of relevant and recognised professional bodies, while 86 (22.9%) respondents were fellows of the professional bodies, while 43 (11.4%) indicated other qualifications.

Respondents were also requested to specify their office positions. As shown in Table 3 284 (75.5%) respondents were on grade level 12-14, 59 (15.7%) were on grade level 15 while 33 (8.8%) were on the management cadre. For work experience, 26 (6.9%) had less than 5 years' work experience, 102 (27.1%) had between 5 and 10 years, 107 (28.5%) had between 10- and 15-years' experience, 79 (21%) had between 15- and 20-years' experience, while 62 (16.5%) had above 20 years' experience. Table 3 also showed that 66 (17.6%) respondents had

not attended any training, while 226 (60.1%) had attended between 1-5 trainings, 54 (14.4%) had attended training between 6-10 times, while 30 (8%) had attended training more than 10. Furthermore, the results showed that 334 (88.8%) respondents had local training while 42 (11.2%) attended the oversea trainings. Table 3 also showed 282 (75%) respondents had their trainings sponsored by the government, 82 (21.8%) self-sponsored their training, while 12 (3.2%) respondents were sponsored by private organisations.

Table 3: Demographic analysis

Variables	Items/Options	Freq	%
Respondents' State of residence	Lagos	93	24.7
	Oyo	63	16.8
	Ondo	50	13.3
	Osun	39	10.4
	Ekiti	43	11.4
	Ogun	88	23.4
	Total	**376**	**100.0**
Post Occupied	Accountant	237	63
	Auditor	139	37
	Total	**376**	**100.0**
Sex	Male	191	50.8
	Female	185	49.2
	Total	**376**	**100.0**
Age group	18-30 years	26	6.9
	31-45 years	206	54.8
	46-60 years	144	38.3
	Total	376	100.0
Marital Status	Single	36	9.6
	Married	338	89.9
	Divorced	2	0.5
	Total	**376**	**100.0**
Highest Educational Qualification	SSCE	15	4.0
	B.Sc./HND	278	73.9
	M.Sc.	78	20.7
	PhD	5	1.3
	Total	**376**	**100.0**
Professional qualification	ACA/CAN	247	65.7
	FCA/FCNA	86	22.9
	Others	43	11.4
	Total	**376**	**100.0**
Position in office	Grade level 12-14	284	75.5
	Grade levels 15	59	15.7
	Management	33	8.8
	Total	**376**	**100.0**
Work experience	Less than 5 years	26	6.9
	From 5 to less than 10	102	27.1
	From 10 to les than15	107	28.5
	From 15 years to less than 20	79	21.0
	From 20 years and above	62	16.5

	Total	**376**	**100.0**
Number of trainings attended	None	66	17.6
	1-5 times	226	60.1
	6-10 times	54	14.4
	Above 10 times	30	8.0
	Total	376	100.0
Place of training	Local	334	88.8
	Overseas	42	11.2
	Total	**376**	**100.0**
Training sponsor	Government	282	75
	Self	82	21.8
	Private Organisation	12	3.2
	Total	**376**	**100.0**

Source: Data Collected from Field Survey in 2023

Analysis of the Extent of Adoption of IPSAS

The extent of IPSASs adoption was measured using four items: cash-based IPSAS accounting, full accrual based IPSASs accounting, partial accrual-based accounting, and cash accounting and then accrual accounting. The descriptive statistics as shown in Table 4 of cash-based IPSASs accounting revealed a mean of 2.8 (SD=0.9), full accrual based IPSAS accounting showed a mean of 2.95(SD=0.95). Partial accrual-based accounting showed a mean of 2.65(SD=0.87) while cash accounting and then accrual accounting. The results in Table 4 indicated an above average extent of implementation of each of the IPSAS standards in the public sector. Full accrual based IPSAS accounting had the highest mean of 2.95 which indicated the higher adoption.

Table 4: Descriptive Statistics of Survey Items (Extent of IPSAS Adoption)

Code	Items	N	Min	Max	Mean	Std. Dev	Skewness		Kurtosis	
							Statistic	Std. Error	Statistic	Std. Error
AD1	Cash-based IPSASs Accounting	376	0	4	2.8	0.932	-0.534	0.126	-0.243	0.251
AD2	Full accrual based IPSASs Accounting	376	0	4	2.95	0.955	-0.841	0.126	0.593	0.251
AD3	Partial accrual-based Accounting	376	0	4	2.65	0.878	-0.659	0.126	0.664	0.251
AD4	Cash accounting and then accrual accounting	376	0	4	2.58	0.963	-0.743	0.126	0.402	0.251
IPSAS Adoption		**376**			**2.75**	**.57**	**-.723**	**.126**	**2.091**	**.251**

Source: Field Survey, 2023

Along with pairwise correlation, which is typically used as a generalization to say that multicollinearity does not exist if the correlation among independent variables is minimal. The highest correlation in Table 4, 0.452548, led to the conclusion that multicollinearity was not a problem. To determine if multicollinearity existed or not, the VIF - technique for gauging degree of collinearity between regressors in an equation—was also put to the test. VIFs illustrate the extent to which collinearity with other regressors has inflated a regressor's coefficient estimate's variance. The findings of the analyses were displayed in Table 4. It is

demonstrated that none of the independent variables have tolerance values below 10% or Variance inflation factors more than 10. As a result, it may be concluded that multicollinearity exist not and the outcome is accurate.

Using the ADF-Fischer Chi-Square and PP-Fischer Chi Square tests, the unit root test was performed on the variables used in the regression. This was done to strengthen and guarantee the results' trustworthiness. To evaluate fore stationarity level, unit root tests were run. Thus, the unit root test assisted in ensuring the accuracy, efficiency, and consistency of the estimate of the strictures acquired from regression models using OLS.

Unit root was used as the null hypothesis test, and Table 4 shows the outcome of the test for ROE. The information demonstrated that each of the predictor factors that affect Share values was stationary at level.

Further Descriptive Analysis of Extent of IPSAS Adoption

The results were presented in Table 5. The analysis covered the six States in South-western Nigeria comprising Lagos, Ogun, Oyo, Ekiti, Osun, and Ondo. The respondents were asked to indicate the level of IPSASs adoption in their States. There were 93 respondents from Lagos State; and 74 (80%) indicated that the State has adopted full accrual-based IPSASs, while 19 (20%) indicated that the State adopted Cash-based IPSASs. The overall results showed that in Lagos State, while some parastatals adopted cash-based IPSASs, other public agencies have adopted the full-accrual bases IPSASs. In Ogun State, there were 88 respondents where 72 (82%) respondents indicated that full accrual-based IPSASs system had been adopted, and 16 (18%) respondents indicated cash-based IPSASs adoption.

Oyo State had 63 respondents, and 58 (92%) indicated full-accrual based IPSASs adoption, while 5 (8%) indicated cash-based IPSASs adoption. Osun State had 39 respondents, and 37 (95%) indicated full-accrual based IPSASs adoption, while 2 (5%) respondents indicated cash-based IPSASs adoption. Ekiti State had 43 respondents, and 34 (79%) indicated partial accrual-based IPSASs adoption, while 9 (21%) indicated cash-based IPSASs adoption. Finally, Ondo State had 50 respondents, and 47 (94%) indicated partial accrual-based IPSASs adoption, while 3 (6%) indicated cash-based IPSASs adoption.

These results showed varying levels of IPSASs adoption in each of the six States in South-western Nigeria.

Table 5: Extent of IPSASs Adoption in South-western Nigeria

Extent of IPSASs Adoption	Respondents	Cash-based IPSASs Adoption	Full Accrual-based IPSASs Adoption	Partial Accrual-based IPSASs Adoption	Cash-based IPSASs Adoption
Coding		AD1	AD2	AD3	AD4
States:					
(i) Lagos State	93		74 (80%)		19 (20%)
(ii) Ogun State	88		72 (82%)		16 (18%)
(iii) Oyo State	63	5 (8%)	58 (92%)		
(iv) Osun State	39	2 (5%)	37 (95%)		
(v) Ekiti State	43	9 (21%)		34 (79%)	
(vi) Ondo State	50	3 (6%)		47 (94%)	
TOTAL	376				

Source: Field Study, 2023

N.B: The figures in bracket represented percentages, while the figures outside the bracket represented the actual number

CONCLUSIONS AND RECOMMENDATIONS

The descriptive statistics on respondents' demographics showed that most of the entries were from Lagos and Ogun State while Oyo and Ondo trailed. The least of responses came from Osun State. Although most of the respondents were male, the female gender participation (49.2%) was significant. Given the gender inclusivity movement spanning decades, it is plausible to infer that the public sector is experiencing increased involvement of females in (1) the workforce and (2) the accounting profession. Most of the respondents were accountants, married and fell between the age range of 31-45years while 45-60years (approaching the peak of their careers) trailed. Based on the results, the respondents were fairly educated with most of them having at least a first degree (BSc/HND) and all of the respondents had professional qualification but mostly ACA/CAN. However, they were mostly Grade 12-14 staff with 10 to less than 15years of working experience and 1-5 training events attended. Government's sponsorship of local training programmes for most of their staff is an indication of the value placed on human capital development in the public sector and probably a pursuit of performance improvement in the sector.

In relation to the objective of the study, the study found that IPSASs adoption varied by States in the South-western Nigeria. This is in line with previous studies (e.g., El Haron & Din, 2023; Christianens et al., 2015) which argued that the level of IPSASs adoption varied from one jurisdiction to another jurisdiction. Some jurisdictions were still using the cash based IPSASs, while other have adopted the full accrual-based IPSASs. In addition, some other jurisdiction adopted a hybrid IPSASs system. The study recommend harmonization of pattern of adoption of IPSAS in the country. This will pave way for level playing assessment of public officers in the Nigeria public sector.

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