

Journal of Public Policy and Administration (JPPA)

The Adoption and Implementation of the International Public Sector Accounting Standards: The Levels of Adoption and Implementation of IPSAS by United Nations in Nairobi.

Aleg A. Whitefield

The Adoption and Implementation of the International Public Sector Accounting Standards: The Levels of Adoption and Implementation of IPSAS by United Nations in Nairobi.

Aleg A. Whitefield

Post graduate student

University of Leicester

Corresponding Author's Email: alegpow@yahoo.co.uk

Abstract

Purpose: The purpose of this study was to assess the Levels of Adoption and Implementation of IPSAS by United Nations in Nairobi.

Methodology: The study used a mixed research design involving both descriptive and explanatory research designs to describe the state of affairs of the study variables as well as test the cause and effect relationships between variables. According to United Nations (UN) website, there are 13 United Nations agencies in Nairobi Kenya with a total of 540 accountants. The choice of accountants as a population is because they are the most knowledgeable users. The study units for this study were the junior and senior accountants. The sampling units for the study were drawn from the 13 agencies in the UN team of Kenya. A sample size of 20% of the population was taken as the sample size. This yielded 108 accountants. Random sampling was done. A close ended questionnaire based on a likert scale was used to collect data. Data was analysed by use of descriptive and inferential statistics. Specifically, frequencies count and regression analysis results were generated using SPSS version 20.

Results: Based on the results majority of the agencies have implemented IPSAS to a high level. This significant level of adoption may have been as a result of UN general assembly agreement and resolution to encourage the agencies to implement IPSAS. The results were also confirmed by other results which revealed that majority of the agencies have already implemented between 51 and 75% of the IPSAS modules.

Unique contribution to theory, practice and policy: The study recommended that IPSAS adoption would be improved if IPSAS software developers and funding organizations took into consideration the cost of modules, cost of training and general cost of implementing the IPSAS modules. The study also validates the Contingency theory which means that one thing is dependent on other things, and for organizations to be effective, there must exist a “goodness of fit” between their structure and the conditions in their external environment.

Keywords: *levels of adoption, implementation of IPSAS by UN, International Public Sector Accounting*

1.0 INTRODUCTION

Since time in memorial accounting systems have been undergoing reforms in a bid to perfect in accountability and transparency. For instance, the public sector organizations have used a variety of financial reporting processes, mostly cash-based accounting systems. However, they face challenges caused by a lack of standardized international reporting practices. Many public sector entities are now adopting uniform standards but are still experiencing new challenges. Adoption of uniform standards will enhance comparison of data between states (IPSAS, 2009).

Progressively there has been an increase in the number of governments and intergovernmental organizations using the accrual-basis of accounting in accordance with IPSAS or IPSAS-similar standards to produce financial statements. They consider the information contained in accrual accounting IPSAS financial statements useful, both for accountability and for decision-making purposes. This has led to improved consistency and comparability of financial statements as a result of the detailed requirements and guidance provided in IPSAS standard. Accounting for all assets and liabilities improves internal control and provides more comprehensive information about costs that will better support results-based management (Deloitte & Touch, 2013).

Many countries have already introduced IPSAS or similar standards while more countries have expressed plans to adopt IPSAS in the future. In addition, many supranational organizations including the European Commission, NATO, the Organization for Economic Co-operation and Development (OECD), and the United Nations currently use IPSAS-based financial accounting and reporting or have decided to do so in the near future. For instance, Nigeria is currently in the process of adopting the Cash-basis IPSAS and has plans to implement accrual-based IPSASs across its three tiers of government (federal, state and local) by January 2016 (IPSAS Outlook, 2014; IPSAS, 2009).

Feedback from organizations using accrual accounting based on IPSAS revealed that their previously existing accounting procedures had to undergo major changes to deliver IPSAS-compliant information. Nonetheless, achievement of these changes is dependent on a joint effort by accountants, auditors, and management to identify the starting point for implementing SAP for Public Sector solutions, not neglecting cooperation with the consultants performing the implementation (IPSAS, 2009).

In the past, governments had few qualified accountants in their civil service because of the simplicity of their cash accounting systems. For instance, in 2002 Norway had only one professionally qualified accountant on the staff of its Ministry of Finance. Since time in memorial the UK public sector, especially local government, employ qualified accountants whereby they even have their own professional body GIPFA. As a result, the number of professionally qualified accountants working across the UK central governments increased nearly fourfold from almost 600 in 1989 to 2200 in 2003 (the period over which accrual based accounting was introduced) (Wynne, 2007). In addition, the auditors fees for the UK national Audit office increased by 67% with the introduction of accrual accounting in 2001/02 (NAO, 2002).

IPSAS is developed by the International Public Sector Accounting Standards Board (IPSASB), a private, independent standard setting body under the auspices of the International Federation of Accountants (IFAC). IFAC's International Public Sector Accounting Standards Board (IPSAS Board) has set itself the task of developing a full set of accruals – based international public

sector accounting standards, promoting its standards and ensuring that these are adopted as widely as possible (IPSAS Board, 2008b). The Board arranges its meetings in different places around the world, for instance, China, Ghana, Russia, Switzerland and several of the central governments of the largest economies in the world (IPSAS, 2009; Laughlin, 2012).

In summary, IPSAS compliance calls for adherence to all applicable standards. As with private sector frameworks such as IAS, compliance is certified for an organization's or groups entire body of general-purpose financial statements only. In order to be in compliance, an organization must faithfully represent transactions, other events, and conditions in accordance with the requirements set out in IPSAS. During annual audits, auditors must determine that the accounting and reporting practices of the organization have been carried out in accordance with the requirements stated in the pertinent standards within IPSAS (IPSAS, 2009; Christiaens, Reyniers, & Rollé, 2010; Bergmann, 2012).

The United Nations (UN) emerged in 1945 from the devastation of global conflict. Its main aim is to save succeeding generations from the scourge of war. Its mission is to maintain international peace and security and to promote friendly relations between countries. The UN Charter upholds human rights and proposes that states should work together to overcome social, economic, humanitarian and cultural challenges. UN is led by Ban Ki-moon, a former South Korean foreign minister, who took up the post on 1 January 2007 (BBC News, 2011).

The UN comprises 193 member states having South Sudan as the newest member since it joined in July 2011. Membership grew as colonies became independent and the Soviet Union disintegrated. The Vatican and Taiwan remain non-members. Most members have permanent missions at the UN's main headquarters in New York. Potential members are recommended by the Security Council and are admitted by a two-thirds majority vote in the General Assembly. Member nations contribute to the running costs of the UN whereby a country's contribution is assessed on its ability to pay. The US is the top most contributors (BBC News, 2011).

The UN system comprises of fourteen independent agencies alongside them many of the organization's own programmes and agencies. The independent agencies include the World Bank, the International Monetary Fund and the World Health Organization. They are linked to the UN by cooperation agreements (BBC News, 2011).

1.2 Problem Statement

Many countries are yet to adopt and implement IPSAs which are set by International Public Sector Accounting Standards Board (IPSAS Board). For example, China, Germany, Italy, Japan and Russia had not implemented IPSAS by the year 2008 (IPSAS Board, 2008). In December 2007, Mike Hathorn (chair of the IPSAS Board) said that only six governments across the world had actually issued financial statements on the full accrual basis (at the FEE Public Sector meeting, Brussels). The motivation of this study stems from the low adoption and implementation of IPSAS by the public sector.

Various studies have been conducted in line with the adoption and implementation of IPSAS. For instance, Ernst and Young (2010) developed a survey to investigate the adoption of accrual accounting and the difference in adoption of IPSAS the public sector in Europe and identified the cost of accounting reforms as the most common reason governments cite for not adopting accrual accounting. This posed an interesting contrast to the most common justification given for choosing accrual accounting "to improve cost awareness and efficiency". UN (2009) sought to

find out whether UNICEF should adopt IPSAS. Results showed that most bodies in the UN approved the adoption of IPSAS. Biraud (2010) sought to understand why and how United Nations system organizations had decided to transit to IPSAS, with the main benefits, challenges and difficulties involved. Results revealed that some United Nations system organizations have long been using accrual-based accounting to record certain revenues or expenses while are in their initial stages. There exists a gap in that no study yet has sought to identify the levels of Adoption and Implementation of IPSAS by United Nations in Nairobi. This study seeks to fill this gap.

1.3 Study Objective

- i. To establish the levels of adoption and implementation of IPSAS by UN.

2.0 LITERATURE REVIEW

2.1 Theoretical Literature Review

2.1.1 Contingency Theory

Contingency theory means that one thing is dependent on other things, and for organizations to be effective, there must exist a “goodness of fit” between their structure and the conditions in their external environment. As such the correct management approach is contingent on the organization’s situation (Daft, 2001). This study accepts the concept of contingency theory, which suggests that IPSAS adoption and implementation must conform to its contextual factors. Contingency theory represents a rich blend of organizational theory such as organizational decision making perspectives and organizational structure (Lawrence & Lorsch, 2004; Pugh, Hickson, Hinnings & Turner 1969; Donaldson, 2001). The fundamental nature of the contingency theory paradigm is that organizational efficacy is dependent on fitting characteristics of the organization, (such as its cultures) to contingencies that reflect the situation of the organization (Burns and Stalker, 1961; Lawrence and Lorsch, 2004). According to Donaldson (2001), organizations seek to attain the fit of organizational characteristics to contingencies which leads to high performance. Therefore the organization becomes shaped by the contingencies (fit) to avoid loss of performance. Thus, there is an alignment between organization and its contingencies, creating an association between contingencies and organizational contextual characteristics (Burn and Stalker, 1961). This theory is relevant to the study because one thing depends on another to be effective hence to ensure successful adoption and implementation of IPSAS at the UN Nairobi, there needs to be successful management organization.

2.2 Empirical Review

To start with, Hamisi (2012) identified factors affecting the level of implementation of IPSAS in Kenya. This study used a descriptive research design which was meant to describe the extent of IPSAS implementation at the Ministry Finance. The target population comprised of 38 Heads of accounting units and their deputies in 14 main ministries headquarters. Sampling was done through the stratified sampling method. The study used both primary and secondary data whereby primary data was obtained from the source. Secondary data was obtained from data previously collected by other researchers. Descriptive statistics and inferential statistics were prepared to get the results. Results showed that the factors hindering adoption and implementation of IPSAS in Kenya included failure to tackle specific accounting issues, lack appropriate technology and lack of financial support. The study concluded that key problems

hindered the IPSAS implementation process. They included inappropriate technology, poor NPFM reforms and weak level of adoption of IFMIS by the Kenya Government, lack of political and weak legal framework, and failure by parliament to enact new financial management Act 2004 to recognize IPSAS, lack of trained and competent staff. The study recommended that a legal framework is to be drafted to be in line with IPSAS, all stakeholders should embrace IPSAS to enhance better and transparent financial management of resources in the public sector, encourage the government to upgrade the Information Technology System and to enhance the adoption of ICT in order to cope with the financial data transformation process as per the IPSAS standards.

Secondly, UN (2009) investigated whether it was necessary for UNICEF to adopt IPSAS. The study used an in-depth review research design. An in-depth review was conducted by the Task Force on Accounting Standards for the CEB HLCM. The task force recommended that the United Nations system adopt IPSAS to support the reform agenda. The HLCM accepted the recommendation, after endorsement by its Finance and Budget Network, on 30 November 2005 (CEB/2005/HLCM/R.25). In April 2006, the CEB approved the HLCM recommendation for the adoption of IPSAS throughout the United Nations system. This decision was backed up by the Secretary General, General Assembly, Advisory Committee on Administrative and Budgetary Questions (ACABQ) and the United Nations Board of Auditors suggested that the United Nations adopt IPSAS-based accounting principles for the preparation of its financial statements by 2010.

Thirdly, Nongo (2014) explained the extent of IPSAS adoption and implementation in Nigeria. The study used a qualitative research design. The study used primary data which was obtained from Nongo, who is the deputy director of the Office of the Accountant General (OAG) for the Federation of Nigeria and secretary of the Federal Accounts Allocation Committee's (FAAC) subcommittee on the Roadmap for the Adoption of IPSAS. The data was obtained after conducting an in-depth-interview. Results showed that there is a major feature of the IPSAS implementation in Nigeria. The process of implementation has been phased over two stages namely implementation of Cash-basis IPSASs first and then followed by accrual-based IPSASs. Results showed that for the past 40 years, Nigeria used cash accounting in the public sector and not IPSAS-compliant. The study then recommended that for accrual-based IPSASs to be implemented and new ways of doing things needed to be put in place. For instance, implementing Cash-basis IPSASs first paved way for the preparations of accrual-based IPSASs. The time frame allowed for Nigerian public sector entities to implement accrual-based IPSAS was less than five years, which stands out compared to other countries.

Finally, Pogiolini (2014) explained the extent of IPSAS adoption and implementation in South Africa. The study used a qualitative research design. The study used primary data which was obtained from Pogiolini, who is the project manager at the Accounting Standards Board (ASB) in South Africa. This data was obtained after conducting an in-depth-interview. Results showed that entities in the South African public sector have recently finished their transition to accrual accounting, by applying accounting standards which are based on IPSAS. More findings revealed that entities that were transitioning from cash basis of accounting other than the full accrual basis were given three years to comply with the measurement requirements of the asset recognition standards.

3.0 RESEARCH METHODOLOGY

The study used a positivism paradigm since the research instruments were designed in a way that would only allow a rigid answering of questions which are based on a Likert scale. This study used a mixed research design to achieve the study objective. The mixture included the descriptive and explanatory research designs. The target population was 13 United Nations agencies in Nairobi Kenya with a total of 540 accountants. The study units for this study were the junior and senior accountants. The sampling units for the study were drawn from the 13 agencies in the UN team of Kenya. A sample size of 20% of the population was taken as the sample size. This yielded 108 accountants. Random sampling was done. Primary information was gathered by use of a Likert scale questionnaire. The questionnaires consisted of close ended questions only. The questionnaires were self-administered by the researcher with the help of two well experienced research assistants. The pilot study in this study was pretested on a selected sample, similar to the actual sample that is intended for this research. Data analysis involved the use of quantitative data analysis techniques (descriptive and inferential) and the tool of analysis was SPSS version 20. Descriptive techniques made use of descriptive statistics such as means, frequencies and counts. Binary logistic regression model was used for the inferential statistics.

4.0 RESULTS AND DISCUSSIONS

4.1 Response Rate

The number of questionnaires that were administered was 100. A total of 80 questionnaires were properly filled and returned. This represented an overall successful response rate of 80% as shown on Table 1.

Table 1: Response Rate

Response	Frequency	Percentage
Returned	70	65%
Unreturned	38	35%
Total	108	100%

4.2 Demographic Characteristics

4.2.1 Gender

Table 2 presents the gender of the respondents, which indicates that 68.6 % constituted of male respondents while 31.4% comprised of female respondents. From this conclusion it was noted that majority of the accountants working in the UN agencies in Nairobi, Kenya are male who comprised of 68.6% of the respondents.

Table 2: Gender of respondents

Indicator	Frequency	Percent (%)
Male	48	68.6
Female	22	31.4
Total	70	100.0

4.2.2 Work Period

Figure 2 presents the work period of the accountants working in the UN agencies. Based on the results majority of the respondents have been working with UN for 6-7 years. This explains the high level of validity of the data collected. This also implies that majority of the accountants who filled the questionnaires were the senior accountants.

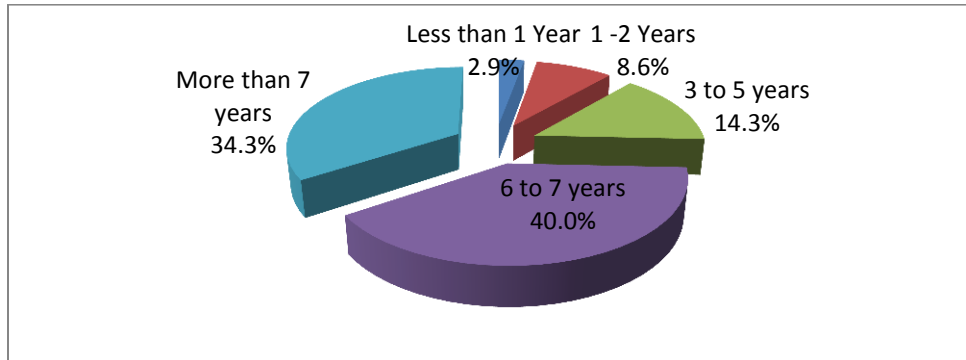


Figure 2: Work Period

4.3 Descriptive Statistics

4.3.1 Level of Implementation of IPSAS

Figure 3 presents the percentage levels of adoption and implementation of IPSAS by UN agencies. Based on the results 65.7% of the agencies have implemented IPSAS to a high level. This implies that since the general assembly agreed on the implementation of IPSAS. This significant level of adoption may have been as a result of UN general assembly agreement and resolution to encourage the agencies to implement IPSAS.

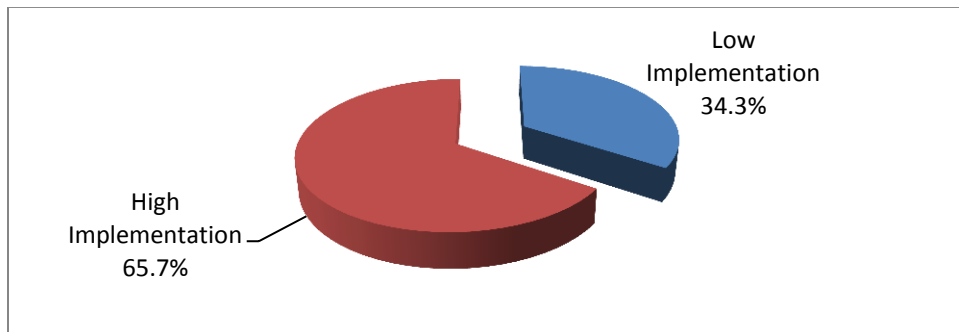


Figure 3: Adoption of IPSAS

4.3.2 IPSAS Modules Implemented

Figure 4 presents the percentage of modules implemented by the UN agencies. Based on the results majority of the agencies have already implemented between 51 and 75% of the IPSAS modules. This reflects a high level of adoption.

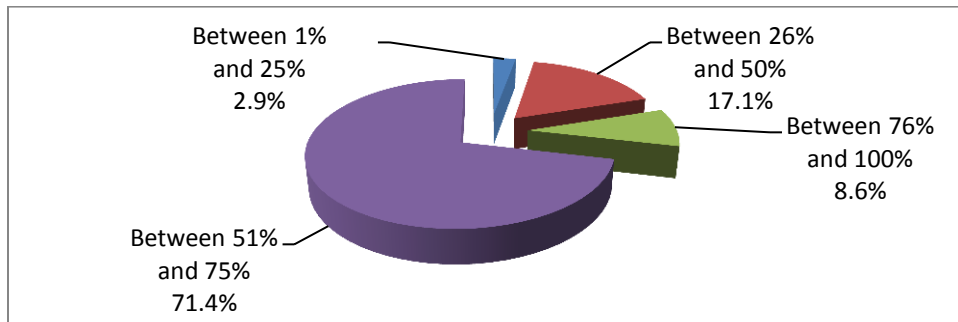


Figure 4: Percentage of IPSAS Modules Implemented

5.0 DISCUSSION CONCLUSIONS AND RECOMMENDATIONS

5.1 Discussion

The objective of the study was to establish the level of adoption and implementation of IPSAS by UN Nairobi. Based on the results majority of the agencies have implemented IPSAS to a high level. This significant level of adoption may have been as a result of UN general assembly agreement and resolution to encourage the agencies to implement IPSAS. The results were also confirmed by other results which revealed that majority of the agencies have already implemented between 51 and 75% of the IPSAS modules. Overall, this reflects a high level of adoption.

5.2 Conclusion

The study concluded that the level of adoption of IPSAS complaint financial accounting was high in UN Agencies. This was probably motivated by UN general assembly agreement and resolution to encourage the agencies to implement IPSAS.

5.3 Recommendations

The study recommended that the IPSAS adoption would be improved if IPSAS software developers and funding organizations took into consideration the cost of modules, cost of training and general cost of implementing the IPSAS modules.

5.4 Areas for Further Studies

The study suggests that IPSAS adoption is not limited to UN agencies only. Therefore, future areas of research should focus on other institutions that have adopted IPSAS financial reporting.

REFERENCES

- BBC News (2011) '*BBC News: Profile of United Nations.*' Retrieved from http://news.bbc.co.uk/2/hi/europe/country_profiles/3159028.stm.
- Biraud, G (2010) '*Preparedness of United Nations System Organizations for the International Public Sector Accounting Standards (IPSAS),*' Joint Inspection Unit, United Nations, Geneva.
- Daft, R.L. (1998) '*Organisation Theory and Design,* South-Western College Publishing, International Thompson'.
- Delloite and Touch (2013) '*IPSAS in your Pocket.*'
- Ernst and Young (2010) '*Toward transparency: A comparative study of Governmental Accounting in Europe.*'
- Hamisi S. (2012) '*The Factors Affecting the Implementation of International Public Sector Accounting Standards in Kenya,*' Unpublished Master's Thesis
- Hepworth, N. (2003) 'Preconditions for Successful Implementation of Accrual Accounting in Central Government,' *Public Money and Management, Vol. 23, pp. 37-44.*
- Hyndman, N. and Connolly, C. (2005) 'The Actual Implementation of Accruals Accounting: Caveats from a case within the UK Public Sector,' *Accounting, Auditing & Accountability Journal, 19(2), 2, p. 272-290.*
- IPSAS Outlook (2013) '*IPSAS issues for public finance management executives.*'
- IPSAS Outlook (2014) '*IPSAS issues for public finance management executives.*'
- Lawrence, P.R. and Lorsch, J.W. (2004) '*Organisation and Environment,* Harvard University Press. London'.
- Lawrence, P.R. and Lorsch, J.W. (2004) '*Organisation and Environment,* Harvard University Press. London'.
- Mellett, H. (2007) 'Determinants of changes in accounting practices: Accounting and the UK Health Service,' *Critical Perspectives on Accounting* 18 (91–121).
- Nongo, Y. (2014) '*Spotlight on Nigeria's IPSAS Implementation,*' Retrieved from <https://www.ifac.org/sites/default/files/uploads/IPSASB/EY-IPSAS-Outlook-March-2014.pdf>.
- Peloetletse, E. (2014) '*The Role of ESAAG in Promoting IPSAS Adoption in East and Southern Africa.*'
- Pogliolini, J. (2014) '*The South African experience and IPSASB's ED on First-time Adoption of IPSAS.*' Retrieved from <https://www.ifac.org/sites/default/files/uploads/IPSASB/EY-IPSAS-Outlook-March-2014.pdf>.
- Rogers, M. (1983) '*Diffusion of Innovation's,*' New York: Free Press.