

**UNCTAD-Intergovernmental Working Group of Experts on
International Standards of Accounting and Reporting**

**Workshop on the practical implementation of International Public Sector
Accounting Standards**

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Afternoon Session

Country-level practical implementation experiences

Presented by

Chidi Ajaegbu
Past President

Institute of Chartered Accountants of Nigeria

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The Institute of Chartered
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UNCTAD-ISAR Workshop on IPSAS and Nigeria's Practical Implementation Experiences

Presented by

Chidi O. Ajaegbu FCA

Past President, ICAN

Brief Data on Nigeria

- Nigeria is a Federation – the Federal/Central, 36 States and 774 Local Governments operate autonomously;
- Country data:
 - Population over 178 million people;
 - GDP \$568.5 billion;
 - Growth rate 4.2%;
 - Biggest economy in Africa;
- Between 2001 and 2014, Nigeria’s aggregate budgeted government expenditure totaled US\$ 266 billion; aggregate oil revenues during the same period came to US\$397 billion;
- Nigeria’s economy is the 22nd largest economy in the World.
- Despite this apparent prosperity, the country is embroiled in huge domestic and foreign debts.

Benefits of IPSAS to Nigeria

- A better evaluation of the Nigerian Debt profile. For instance, Japonica partners (2015) in analyzing Greece's Debt to GDP profile found that the local public accounting practice did not convey a fair view of Greece's financial state. Greece's net Debt-GDP ratio went down from 175% to 18% with IPSAS driven verification done in 2013; [Ireland 124% to 76%; Portugal 129% to 70%; Spain 94% to 63%; and Italy 133% to 112%]
- Transparency associated with IPSAS – based financial statements lead to better informed electorates and a more accountable government (Ian Ball, 2015);
- High – quality public financial management enables tighter fiscal control;
- Better performance evaluation of governments activities.

Need for change

- With the return of Nigeria to democratic governance in 1999, the country had initiated various reforms aimed at strengthening transparency and accountability.
- This led to the various Public Financial Management initiatives being implemented by Government since then.
- In 2010, the FRN took another bold decision in respect of public sector entities accounting and reporting to migrate to the International Public Sector Accounting Standards (IPSAS).
- This decision was taken by the Federal Executive Council at its meeting held on the 28th July, 2010.
- In order to implement this decision, the Federation Account Allocation Committee (FAAC) set up a Technical Sub-Committee to draw up the Roadmap for IPSAS Implementation.

Setting Time-Line for Transition to IPSAS

- “Nigerian Federal Executive Council at 28th July 2010 decided to adopt IPSAS as standards of accounting” ;
- To implement the decision, the Federal Accounts Allocations Committee, set up a technical sub-committee to draw up the Roadmap for IPSAS Implementation in Nigeria:
 - Initial timeline
 - Adoption of Cash basis IPSAS January 2013
 - Migration to accrual basis IPSAS January 2015
 - Present timeline
 - Adoption of cash basis IPSAS January 2014
 - Migration to accrual basis IPSAS January 2016

Nigeria's Implementation Status

- With effect from January 2014, the Federal Government had implemented cash basis IPSAS;
- The Nigerian government is committed to migrate to Accrual basis IPSAS come January 2016;
- PPE Valuation
 - Register of assets presently being compiled for all government assets;
 - Classification of assets on-going for valuation purposes;

Implementation Challenges

Challenges	How it was tackled
Resistance to change	Sensitization of the National assembly – Legislative arm of the Nigerian government on the need for the transition;
Legislation	<p>Bill awaiting legislative amendment of the 1958 Finance and Control Management Act to recognize IPSAS and accrual basis of accounting;</p> <p>Harmonization of the Financial Regulations (Federal), Financial Instructions (State governments) and Financial Memoranda (local governments) which were divergent to financial management;</p>
Skill availability	Sensitization (for top government officials) and several trainings for all relevant staff of the Federal, States and Local governments;
Technology	An evaluation of the needs of the various levels of government and the arrangement of trainings for all relevant staff
Conversion Costs	These have been huge. But the Federal Government is fully committed to the process.

Implementation Issues

- Federal system:
 - At the Federal Level, public sector accounting system computerized;
 - At the states level, most states have moved from manual to computer assisted accounting
 - At the Local government level, most are manual;
- Software challenges – it is still unclear what software will be utilized
- Training – It will be crucial to train relevant personnel on the use of the new information system

Conclusion

- Nigeria was the first in Africa to move to IPSAS;
- Nigeria came up with a road-map for transitioning from cash accounting basis to Cash Basis IPSAS and subsequent migration to Accrual Basis IPSAS;
- Gap analysis conducted by the implementation committee revealed necessary milestones for successful transition;
- The transition timeline had to be adjusted by one year in line with revelations from the Gap Analysis;
- Nigeria did not ask for and consequently did not received any assistance from IPSASB, IFAC on its transition initiative.

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Thank You