Country-level practical implementation experiences

Presented by

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UNCTAD-ISAR Workshop on IPSAS and Nigeria’s Practical Implementation Experiences

Presented by Chidi O. Ajaegbu FCA
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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;
### Nigeria’s IPSAS Implementation Challenges

<table>
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<tr>
<th>Challenges</th>
<th>How it was tackled</th>
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<tr>
<td>Resistance to change</td>
<td>Sensitization of the National assembly – Legislative arm of the Nigerian government on the need for the transition;</td>
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<tr>
<td>Legislation</td>
<td>Bill awaiting legislative amendment of the 1958 Finance and Control Management Act to recognize IPSAS and accrual basis of accounting;</td>
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<td>Harmonization of the Financial Regulations (Federal), Financial Instructions (State governments) and Financial Memoranda (local governments) which were divergent to financial management;</td>
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<td>Skill availability</td>
<td>Sensitization (for top government officials) and several trainings for all relevant staff of the Federal, States and Local governments;</td>
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<td>Technology</td>
<td>An evaluation of the needs of the various levels of government and the arrangement of trainings for all relevant staff</td>
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<td>Conversion Costs</td>
<td>These have been huge. But the Federal Government is fully committed to the process.</td>
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IS Related 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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• Japonica Partners (2015)
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Thank You