

This study is on the role of adoption of international public sector accounting standard on accounting for local government. The total population for the study is 200 staff of selected local government in Akwa Ibom state. The researcher used questionnaires as the instrument for the data collection. Descriptive Survey research design was adopted for this study. A total of 133 respondents made up directors, cashiers, administrative staff and junior staff was used for the study. The data collected were presented in tables and analyzed using simple percentages and frequencies

CHAPTER ONE

INTRODUCTION

Background of the study

Over the years, countries of the world have defined and set the standards of financial reporting in their individual territories. However, globalization has brought about ever increasing collaboration, international trade and commerce among the countries of the world; hence, there is grave need for increased uniformity in the standards guiding financial statements so that such statement would remain comprehensible and convene the same information to users across the world. The need for the development of unified accounting standards has been the primary driver of international public sector Accounting Standards for public sector financial reporting. While the commercial entities across the world are moving toward international financial Reporting standards (IFRS), governments are harmonizing with International Public sector Accounting Standards (IPSAS). The international Public sector Accounting Standards govern the accounting by public sector entities, with the exception of Government Business Enterprises.

IPSAS ensures high standards which serve as catalyst for the preparation of sound and transparent financial statements. This in turn improves operational performance, accountability and efficient allocation of resources. Adeboye (2011) noted that IPSAS ensures good financial practices with the capability of disclosing financial irregularities

swiftly within the public sector irrespective of the size of such public institution. This is possible because IPSAS provides a self-regulated internal control system. Fajobie (2010) argued that the significant drop in local government receipts in recent times is attributable to lack of leadership creativity in seeking alternative sources of funds in order to complement federal allocation. They are yet to break away from the practice of relying almost entirely on handout from federal government. Given their role as the primary movers of grass root development in Nigeria, and their impact on the lives of local dwellers as the first contact with government from cradle, it was high time for the local authorities to show that they can sustain themselves and continue to impact the lives of the people positively through multiple stream of income and efficient utilization of funds. In the past, achieving this has been difficult due to porous accounting standards and practices, as both internally generated revenue and government allocations leak away in the absence of proper accounting control system, worst with the ridiculous weakening of auditing departments and personnel. While increment in the local government allocation and non-interference by the states in the finances of local authorities have remained topical, sensitive and critical issues in Nigeria, and have therefore attracted significant amount of academic contributions (Adeboye, 2011), a correspondingly insignificant inroad has been made and concern shown in the management of the same insufficient receipts. It is on account of this dearth of concern and apathy in local government expenditures that we examine the effort of the Nigerian government to introduce IPSAS for cash and accrual basis, and to investigate the challenges inherent in its full adoption with respect to the management of local government financial resources.

STATEMENT OF PROBLEM

Briefly stated, accounting and financial functions in the public sector are not exactly different from those of the private sector, at least functionally. In its simplest form, they involve the following: recording accounting transactions; extracting, collecting and collating accounting data; preparing and presenting financial statements; analysing

financial statements; and taking decisions in financing, investment, liquidity and rewards or dividends. (Dagogo & Ohaka 2015). To be meaningful, these functions are benchmarked against established standards, making them useful parameters in achieving set goals and objectives. It is the definition of the goals and objectives that draws the line between private sector and public sector in this respect. It is also for this reason that different standards (between private and public sector) in the performance of the above-mentioned functions makes sense. Accounting standards for financial reporting place emphasis on accountability and transparency. Such standards applicable in the private sector may be at variance with that required in the public sector because of differences in objectives. Accountability and transparency are important in government accounting because they are ingredients of good democratic governance. However, with the numerous local governments in Nigeria, it is clear that the most recurring are financial and sizeable mismatch between their statutory functions and responsibilities, the flow of financial resources available to them, constraining limits of their tax-raising powers or fiscal jurisdictions, and recurrent and capital expenditures trade-off. This paper addresses the problem associated with the adoption of cash and accrual bases of IPSAS for local authority's financial management, taking into account issues on sensitization and promotion, publication of guidelines and allied supporting documents, links between the local authorities and states, capacity building, and acquisition of hard and soft skills.

OBJECTIVE OF THE STUDY

The objectives of the study are;

To ascertain the role of IPSAS on local government accounting

To assess the impact of the adoption of the IPSASs on the financial reporting in local government.

To identify the challenges of IPSAS in local government accounting

To determine how IPSAS improve the quality of general purpose financial reporting in local government

1.4 RESEARCH HYPOTHESES

For the successful completion of the study, the following research hypotheses were formulated by the researcher;

H₀: there is no role of IPSAS on local government accounting

H₁: there is role of IPSAS on local government accounting

H₀₂: there are no the challenges of IPSAS in local government accounting **H₂**: there are the challenges of IPSAS in local government accounting

SIGNIFICANCE OF THE STUDY

This study would increased level of confidence and improved decision-making and in government financial reporting by emphasising on disclosures and presentations of information relevant to the key stakeholders in Government financial reporting. The study would develop a framework for reporting satisfaction of key stakeholders in Government accounting, it would also go a long way in harmonization of public sector reporting would go a long way in improving the Public Finance Management principles and reporting guidelines of public resources by critically examining the generally accepted accounting and financial standards for maintenance of proper books of account for government and prescribe quality control procedures. In addition, this study would improve the public financial management and decision-making of the government by making Government accounting more transparent and improving its governance framework. The study would provide chronological history of the adoption path of IPSAS in Nigeria, thus providing the historical perspective of IPSAS adoption in Nigeria. This research work will help the entire nation in modifying the methods and approaches used by different ministries, parastatals and other inter-ministerial departments in the implementation of IPSAS for government financial transactions and also it will help them in improving revenue generations and minimizes expenditures since public sector is differentiate able from private sector or bodies. Lastly, this research work will as well be of benefit to students and researchers because it will widen their scope from the information contained in this research work.

1.5 SCOPE AND LIMITATION OF THE STUDY

The scope of the study covers the role adoption of international public sector accounting standard on accounting for local government. The researcher encounters some constrain which limited the scope of the study;

a) AVAILABILITY OF RESEARCH MATERIAL: The research material available to the researcher is insufficient, thereby limiting the study

b) TIME: The time frame allocated to the study does not enhance wider coverage as the researcher has to combine other academic activities and examinations with the study.

1.7 DEFINITION OF TERMS

IPSAS means International Public Sector Accounting Standard

International Public Sector Accounting Standards (IPSAS) are a full suite of standards, designed for the public sector set by an independent, international standard setter. IPSAS is held up as the best government accounting ideas that the global accounting profession has to offer.

Public sector accounting

Public sector accounting (PSA) is defined as a process of recording, summarizing, analyzing, communicating and interpreting financial transactions of government units and agencies. It reflects all levels of transactions, involving the receipt, custody and disbursement of government funds.

Accountability: accountability is defined as the obligation to demonstrate that work has been conducted in accordance with agreed rules and standards and the officer reports fairly and accurately on performance results vis-à-vis mandated roles and plans.

Cash basis of accounting

Cash basis of accounting is the system of recording receipt or income when actual cash is received and record expenditure when actual payment is made irrespective of the accounting period in which the services are rendered or benefit received.

Accrual basis of accounting

Accrual basis of accounting states that revenue/ income should be recorded and recognized in the accounts when earned and not when money is received, similarly expenses should be recorded and recognized in the accounts when incurred and not when money is paid.

THE ROLE OF ADOPTION OF INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARD (IPSAS) ON ACCOUNTING FOR LOCAL GOVERNMENT

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