

CHALLENGES OF IMPLEMENTING INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS) IN DEVELOPING COUNTRIES: THE NIGERIAN CONTEXT

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Abstract

The adoption of International Public Sector Accounting Standards (IPSAS) is widely regarded as a major reform strategy for enhancing transparency, accountability, and comparability in public sector financial reporting. Nigeria formally adopted IPSAS with the expectation that global accounting standards would strengthen its public financial management systems. However, over a decade after adoption, effective implementation of IPSAS remains limited. This paper critically reviews the major challenges inhibiting IPSAS implementation in Nigeria, including institutional weaknesses, human capital deficits, technological limitations, political instability, cultural resistance, and weak regulatory enforcement. Drawing on existing literature, the study highlights the structural, administrative, and socio-political constraints that undermine IPSAS adoption and offers policy recommendations to strengthen implementation. It concludes that while IPSAS holds significant promise for improving financial reporting in Nigeria's public sector, addressing systemic challenges is vital to realize its full benefits.

Keywords: Institutional And Administrative Challenges, Human Resource And Professional Competence Barriers, Technological And Infrastructural Limitations, Socio-Political, Cultural, And Regulatory Challenges.

Introduction

Sound public financial management is essential for effective governance, transparency, and accountability. In response to global demands for better financial reporting, many countries have embraced International Public Sector Accounting Standards (IPSAS), promoted by the International Federation of Accountants (IFAC) through the IPSAS Board (IPSASB). IPSAS provide a comprehensive accrual-based accounting framework tailored for the public sector, aimed at enhancing the quality and reliability of government financial statements (IPSASB, 2015).

Nigeria, as Africa's largest economy and a developing nation, formally adopted IPSAS in 2010, with the primary aim of improving accountability and financial transparency within its public sector entities (Olugbenga & Umeora, 2015). The adoption was motivated by a desire to align Nigeria's public sector reporting with global best practices, instill investor confidence, curb fiscal mismanagement, and enhance public trust in governmental institutions.

Despite the formal adoption of IPSAS, Nigeria's progress toward full implementation has been slow and inconsistent. Evidence shows that a large number of ministries, departments, and agencies (MDAs) still produce financial reports that do not meet IPSAS requirements, raising concerns about the viability of existing reforms (Eze et al., 2020). Consequently, there is a growing need to critically examine the challenges that undermine effective IPSAS implementation in the Nigerian context.

Statement of the Problem

The adoption of International Public Sector Accounting Standards (IPSAS) in Nigeria was intended to improve transparency, accountability, and the overall quality of public sector financial reporting (Olugbenga & Umeora, 2015; IPSASB, 2015). Despite this formal adoption in 2010, evidence indicates that the implementation of IPSAS across Nigerian ministries, departments, and agencies remains limited and inconsistent (Eze et al., 2020). Many public entities continue to prepare financial reports that fail to comply with IPSAS requirements, undermining the objectives of the reform.

Several systemic challenges contribute to this persistent implementation gap. Weak institutional and administrative frameworks create coordination difficulties and bureaucratic delays, impeding timely adoption of IPSAS (Emeh & Ofoegbu, 2019; Okoye, 2016). Human resource constraints, including limited expertise in accrual accounting and insufficient professional training programs, further hinder effective compliance (Ofoegbu & Abiola, 2019). Additionally, technological and infrastructural limitations such as outdated accounting systems and inadequate financial management software restrict the capacity to maintain IPSAS-compliant records (Adewale, 2017).

Beyond technical and structural issues, socio-political instability, cultural resistance to change, and weak regulatory enforcement exacerbate the problem. Political transitions and policy inconsistencies often disrupt ongoing reforms, while cultural resistance among public officials can impede acceptance of new accounting practices perceived as threatening to entrenched interests (Gill, 2002; Okoye, 2016). Finally, inadequate oversight and monitoring by external audit institutions reduce compliance incentives, allowing non-conformance to persist (Eze et al., 2020).

Collectively, these challenges highlight a critical gap between policy adoption and practical implementation of IPSAS in Nigeria. Without addressing these multifaceted barriers spanning institutional, human capital, technological, socio-political, and regulatory dimensions the potential benefits of IPSAS for enhancing accountability, financial transparency, and public trust will remain largely unrealized.

Objective of the Study

The general objective of the study is to examine the **challenges impeding the effective implementation of International Public Sector Accounting Standards (IPSAS)** in Nigeria and to propose practical strategies for strengthening public sector accounting reforms. Specifically, the study attended to the following specific objectives:

1. To identify institutional and administrative challenges affecting IPSAS implementation in Nigeria.
2. To examine the human resource and professional competence barriers to IPSAS adoption.
3. To assess technological and infrastructural limitations in Nigeria's public sector accounting systems.
4. To evaluate socio-political, cultural, and regulatory challenges that influence IPSAS adoption.

Research Questions

1. What institutional and administrative challenges hinder the implementation of IPSAS in Nigeria?
2. How do human resource constraints affect the adoption of IPSAS in Nigeria?
3. To what extent do technological limitations impede IPSAS implementation in the Nigerian public sector?
4. What socio-political, cultural, and regulatory barriers influence IPSAS implementation in Nigeria?

Review of Related Literature

Conceptual Understanding of IPSAS

International Public Sector Accounting Standards (IPSAS) are accounting standards intended to improve public sector financial reporting and comparability. They are developed by the IPSAS Board

(IPSASB) under the auspices of the International Federation of Accountants (IFAC). IPSAS are classified as either cash-basis or accrual-basis, with the latter offering more comprehensive financial information that reflects economic realities beyond mere cash transactions (IPSASB, 2015).

The adoption of IPSAS is motivated by the need for uniform, transparent, and credible financial reporting in the public sector. These standards seek to enhance comparability across jurisdictions, support effective budgeting, and provide stakeholders with reliable financial information (IFAC, 2014). In practice, accrual IPSAS enable governments to recognize assets and liabilities, improving accountability for public resources.

Public Sector Accounting Reforms in Nigeria

Nigeria's journey toward IPSAS adoption began in the late 2000s, following fiscal challenges and global pressures for improved accountability. The Federal Government mandated the adoption of IPSAS (initially based on cash-basis accounting) in 2010, with the Accountant-General's Office responsible for implementation (Olugbenga & Umeora, 2015).

However, while the policy for IPSAS adoption exists, actual implementation has been uneven. Many public entities have struggled to transition from cash reporting to accrual practices, resulting in inconsistent financial disclosures. Scholars argue that this disconnect stems from systemic challenges that are deeply rooted in the country's administrative, institutional, and socio-political context (Eze et al., 2020; Ofoegbu & Abiola, 2019).

Key Challenges to IPSAS Implementation in Nigeria **Weak Institutional and Administrative Frameworks**

Institutional capacity is fundamental to public sector reforms. In Nigeria, many ministries, departments, and agencies lack clearly defined structures and procedures to support IPSAS reporting (Emeh & Ofoegbu, 2019). Overlapping responsibilities and weak governance frameworks often result in poor coordination and accountability, making consistent implementation of IPSAS difficult. Moreover, institutional inertia and bureaucracy slow decision-making processes, impeding timely adoption of new accounting practices. The limited capacity of oversight agencies further weakens enforcement and compliance (Okoye, 2016).

Human Resource and Professional Competence Constraints

Effective IPSAS implementation requires skilled accountants with specialized knowledge of accrual accounting and public sector financial reporting. However, many accountants in Nigeria are trained primarily in traditional cash-based accounting systems, lacking expertise in the complexities of IPSAS (Ofoegbu & Abiola, 2019).

Professional development programs on IPSAS are limited, often poorly funded, and fail to reach practitioners across different levels of government. This capacity gap undermines the production of reliable and IPSAS-compliant financial statements.

Technological and Infrastructure Limitations

Accrual accounting and IPSAS compliance depend heavily on robust financial management information systems (FMIS). Many public institutions in Nigeria use outdated, fragmented, or incompatible accounting software that cannot support complex IPSAS reporting requirements (Adewale, 2017). The cost of upgrading technology, integrating systems, and training staff poses significant financial challenges, especially given competing budgetary priorities in a developing economy.

Socio-Political and Cultural Barriers

Implementation of public sector reforms is never only technical; it is deeply influenced by socio-political contexts. Nigeria's public sector has witnessed frequent policy shifts, leadership

changes, and political instability, leading to inconsistent support for long-term reforms like IPSAS (Okoye, 2016).

Resistance to change is another cultural barrier. Public officials may perceive IPSAS as bureaucratic or threatening to entrenched interests, especially where transparency could expose inefficiencies or mismanagement (Gill, 2002).

Weak Regulatory Enforcement and Compliance Monitoring

Even where IPSAS frameworks are formally adopted, the mechanisms for monitoring and enforcing compliance are inadequate. External audit institutions often lack the authority, resources, and independence to hold public entities accountable for non-compliance (Eze et al., 2020). This weak oversight environment reduces incentives for government agencies to consistently apply IPSAS.

CONCLUSION

IPSAS adoption in Nigeria is a well-intentioned reform aimed at strengthening public sector accountability and financial transparency. However, many systemic challenges have hindered effective implementation. Institutional weaknesses, human capital shortages, technological gaps, political instability, cultural resistance, and weak enforcement mechanisms collectively undermine Nigeria's ability to achieve full compliance with IPSAS.

Addressing these challenges requires sustained institutional support, investment in capacity building, technological modernization, and strong political commitment. Without concerted efforts across these areas, the potential benefits of IPSAS will remain unrealized.

RECOMMENDATIONS

To improve IPSAS implementation in Nigeria, the following recommendations are proposed:

1. **Strengthen Institutional Frameworks:** Clarify roles and responsibilities across government entities, and establish dedicated units responsible for IPSAS reporting.
2. **Invest in Human Capital Development:** Provide comprehensive training programs, professional certification pathways, and continuous education on IPSAS for public sector accountants.
3. **Upgrade Technology Infrastructure:** Allocate resources for modern financial management systems that support accrual accounting and integrated reporting.
4. **Promote Change Management:** Develop awareness campaigns that highlight the benefits of IPSAS adoption and build positive attitudes among public servants.
5. **Enhance Regulatory Enforcement:** Empower audit institutions with the authority and resources to monitor compliance, enforce standards, and sanction non-compliance.

Contribution to Knowledge

This paper makes several important contributions to the literature on public sector accounting reform in developing countries:

1. **Contextualized Analysis:** It provides an in-depth, Nigeria-specific review of IPSAS adoption barriers, adding to the sparse literature on developing country experiences.
2. **Multidimensional Framework:** It identifies and integrates institutional, human capital, technological, socio-political, and regulatory factors, offering a holistic understanding of IPSAS challenges.
3. **Policy Insights:** It supplies actionable recommendations that can guide policymakers, public sector managers, and accounting professionals in improving IPSAS implementation.

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