



The Perception Of Accountants Of The Potential Challenges To Effective Implementation Of Accrual-Based Accounting In Government Ministries In Bayelsa State

¹Ebi Augustine & ²Okagbare, Esther Avurakoghene

¹Department of Business Education
University of Nigeria, Nsukka, Nigeria

²Delta State Polytechnic, Ozoro
Delta State, Nigeria

ABSTRACT

The research understudies the perception of accountants of the potential challenges that may forestall effective implementation of accrual-based accounting in government ministries in Bayelsa State. This study employed the descriptive survey research design was used in the study. This is because simple questionnaire items were used to obtain data for the study. The geographical coverage of this research effort was restricted to Bayelsa State of Nigeria. The population of this study is five hundred and fifty one accounting staff in Bayelsa State. Using Yaro Yamane's formula for a finite population the sample size of two hundred and thirty-two was obtained. The instrument contains questionnaire items prepared on four point response options of Strongly Agree (SA), Agree (A), Disgraced (D) and Strongly Disagree (SD) with values ranging from 4, 3, 2 and 1 respectively. Reliability coefficient value of 0.88 was obtained using Cronbach alpha. The data obtained from the respondents were analyzed using Mean values to answer the research questions while Analysis of Variance (ANOVA) on the other hand was used to test the null hypothesis at 0.05 level of significance. Findings showed that the potential challenges that may forestall effective implementation of accrual-based accounting in government ministries in Bayelsa State which include; shortage of trained or skilled staff, lack of commitment from political leaders, deliberate resistance to innovation, increased complexity of financial control, lack of proper awareness among operational managers, insufficient monitoring by internal audit among others. It was finally recommended that Flexible time frames should be allowed for revision as progress is made, while the roadmap should provide a starting point to adjust and incorporate new information and circumstances as this becomes available in a department. The recommended approach should also address the priorities upfront to ensure sufficient time to be spent and the limitation of delays later in the process. It should be noted, however, that the approach is formulated with achievable steps, which makes it both practical and reasonable, assuming that sufficient and appropriate resources are made available.

Keywords: Perception, Accountants, Challenges, Implementation, Accrual-Based Accounting

INTRODUCTION

Typically, accrual accounting is defined as the system where revenue is recorded when earned and expenditure recorded when benefits are received (Daniel, 1999). In the International Public Sector Accounting Standards Handbook Published in March, 2012, accounting bases means the accrual or cash system or methodology of accounting. In essence, there are basically two bases of accounting namely cash and accrual and later a third one which is the commitment basis. It defines the earliest activity in the

process of a transaction with reference to which the transaction is recognized to be recorded in the books of account (Asechemie, 1995). In accounting, we have cash basis, accrual basis and commitment basis.

According to Lapsley and Pallot in Christeans (2009) stated that the international literatures reviewed affirmed that the implementation of accrual accounting comes up against difficulties such as: the identification of assets held, the determination of the cost and useful life of assets, the identification and measurement of public sector assets at market value. In the same vein, Yolanda (2012) investigating potential challenges and risks in the implementation process, all the respondents agreed that the actual conversion cannot take place without a fully integrated accrual information system having been implemented and being operational in all departments. It is noted that a process of this nature and complexity, with all the different role-players, dependencies and over such an extended period, is subject to numerous challenges and risks that have to be managed in order to succeed without any unreasonable delays or compromises.

Owing to the overview therefore, the following challenges and risks were highlighted in the research work: shortage of trained or skilled staff; organizational structures not adequate to support the business processes, units under-resourced with a high vacancy rate; lack of system integration and standardization, insufficient capacity and availability of subsystems and functionalities required; insufficient support and capacity of the risk management unit; insufficient monitoring by internal audit due to the lack of capacity and skilled staff; insufficient or lack of policies, business processes and control environments to manage risks, for example no inventory management and, in case of asset management, most departments still struggling to implement the basic requirements; and without continued commitment and support from political heads and senior management of a department, sufficient resources will not be made available to treat the project as a priority, which, again, will jeopardize timelines.

Furthermore, Tikk (2010) has also identified the following as problems in implementation of accrual-based accounting in the public sector which are similar to the ones listed above. They can be categorized as follows: Problems arising from the development of the structure of the governmental accounting system: Administrative reform which will bring along a change in the number of accounting entities and in the structure of the accounting system; Consolidation of statements problems arising from the complexity of administrative structure: In accordance with accrual basis of accounting, a true and fair collection of information about all assets, liabilities, revenues and expenses is of great significance at the level of both an individual organization and the whole system; Qualification training for specialists and the quality of financial statements: Accrual accounting is much more complex than cash basis of accounting. At present we can feel that accountants do not have enough theoretical knowledge. It means that practical ways of accounting are passed on and the same mistake or misinterpretations recur "from generation to generation". Financial accounting for the public sector is taught at few universities or in a very limited scope.

In addition consequently, staff of ministries, the auditors, the government, members of parliament, they all need continuous training in this field; Sociological and psychological problems: The reform has been slower in the public than in the business sector. Also academic circles have been passive in reforming accounting in the public sector. Sometimes general resistance to innovations has been noticed; Departmental conservatism: Reforms in the public sector began later and progressed at a lower speed than in the business sector. Therefore the public sector was an impediment to the economic development of the country; Problems arising from internationalization: The implementation and amendment of equivalents of the international public sector accounting standards ensure the transparency and understanding of the statements, increased complexity of financial control. Thus, these identified issues when not attended to logically and appropriately brings discouragement and yields no fruitful results. The research at hand is geared towards identifying these gaps and seeks to bring the needed succor.

In Wynne (2004), National Audit Office (NAO) review of the implementation of accrual accounting in the UK departments identified a number of barriers which they considered and explained as why progress has not been more uniform in the achievement efforts: insufficient Financial Expertise: Some 63 percent (29 departments) considered that this was a barrier though many are making good progress in addressing it; understating and Awareness: Some 39 percent (18 departments) consider that the main barrier to

changing the focus of control from cash to accrual was raising awareness and understanding among operational managers who often lacked the necessary financial expertise; IT System's Capacity: Some 11 percent (5 departments) consider that their existing IT systems were not capable or not sophisticated enough to produce integrated financial and output performance information. The issues pinpointed above were also identified gaps that require adequate attention for there to be headway in the accounting reform. More so, as contained in the parliamentary document in The Hague (2010) it is revealed that the most significant disadvantages of accrual basis of accounting mentioned by all countries are: Its complexity: Most countries concur to the view that an accrual basis of accounting system is more complex than a cash basis system. They report that the financial information provided by an accrual basis system is more complex; Accessibility of financial data: France, Germany and Norway prefer not to prepare the budget on an accrual basis as this makes the financial data less accessible for Parliament. Cash basis budgeting is seen as more reliable, as it gives a better overview of the budget. Australia and the United States had similar experiences. This is one of the reasons why most countries that introduced accrual basis of accounting still choose cash basis accounting for the budget; little added value: Germany reports that accrual basis of accounting provides little added value in the core ministries. Accrual basis information is relevant for a maximum of 20 percent of the expenditures of the core departments; for the remainder it makes little difference which system issued; Decentralization of authority: Norway, Australia, New Zealand, United Kingdom, Canada, etc state that accrual basis of accounting involves a decentralization of authority. The authority comes to lie more with the administrators and financial experts. It is shifted from the political level to the administrative level. Experience with the effects of accrual basis of accounting on Parliament's authorization function varies considerably from country to country. In Germany, the budget process has changed little over the past few decades. Parliament has gained an affinity with the budget process over the years and is cautious about suddenly discarding all of the experience and knowledge that has been built up.

The Canadian Parliament has recommended to the government that the budgets of the ministries also be prepared on an accrual basis. Sweden differs in arguing that the difference between the two systems is minimal, but it does deliberately choose to prepare the budget on a cash basis. It is therefore clearly revealed that although accrual basis of accounting has been implemented in various ways in the countries studied, it appears that for all countries it was a complex and wide-ranging process. The training of staff, compliance with accounting directives, the introduction of updated information systems, the valuation of assets, and the decision on where accrual basis accounting was to be implemented (budget and/or the accounts) were all factors.

A common argument against accruals is that the information is difficult and challenging for non-accountants to comprehend (Algemene, 2004). Politicians and managers may make the wrong decisions if they are faced with accrual information, and this could even risk the overall control of government finances (Blöndal, 2004). However, the consequence of this for the debate about unified or dual systems is not clear cut. It is sometimes argued that introduction of accrual budgeting in order to get a unified system adds to complexity, while other commentators argue that running a dual system is even more complex (Blöndal, 2004). Jones (1995) argues that accruals-based systems are too technical and rationalistic to function well in the political organization. His conclusion is a harsh critique against the Resource Accounting and Budgeting reform (RAB) in the UK.

Therefore, proper lead time should be allowed for development and roll-out of training prior to the implementation. A large dedicated team that is available full time for the duration of roll-out and implementation is needed to assist departments, even if proper training is provided beforehand. Training has to be ongoing and, even though it has to be scheduled before implementation, the problem of having it too far in advance will confuse staff because they will still be using the previous systems and they may not remember their training by the time of implementation. Difficulties have also been experienced in communicating with the staff involved and affected by the changes as a result of location and unavailability of information to identify them all. The retention of trained staff also is a concern. Conclusively, the challenges identified so far are enormous but they are surmountable.

Purpose of the Study

The study aims to examine the perception of accountants of the potential challenges that may forestall effective implementation of accrual-based accounting in government ministries in Bayelsa State. Specifically, the study sought to:

1. Find out the perception of accountants of the potential challenges that may forestall effective implementation of accrual-based accounting in government ministries in Bayelsa State.

Research Questions

The following research was used as guide for the study:

1. What is the perception of accountants of the potential challenges that may forestall effective implementation of accrual-based accounting in government ministries in Bayelsa State?

Hypothesis

The following null hypotheses were structured based on the research questions for the study and will be tested at a probability level of 0.05:

Ho₁: Educational qualification is not a significant source of difference in the mean ratings of accountants' responses with respect to their perception of the potential challenges that may forestall effective implementation of accrual-based accounting in government ministries in Bayelsa State.

Delimitation of the Study

This study was delimited to the introduction of accrual-based accounting in financial reporting in government ministries in place of the usual cash basis of accounting, and not accrual budgeting. Specifically, the study intends to determine the perception of accountants on the implementation of accrual-based accounting in government ministries in Bayelsa state. The researcher concentrated on the State ministries in the State.

Literature Review

Financial reporting

In the Oxford accounting dictionary (2005), the financial report of any entity is its financial statement. Therefore, a financial statement as contained in Companies and Allied Matters Act, 2004, is any periodic report which gives a summary of the financial condition for the period represented. It may reflect the income, the source of such income and the application made of it. In Rkein, 2008, general purpose financial report was defined as "a financial report intended to meet the information needs common to users who are unable to command the preparation of reports tailored so as to satisfy, specifically, all of their information needs.

Users of the financial information would normally be interested in assessing whether the reporting entity is achieving its objectives or operating economically and efficiently. "General purpose financial reports can provide information useful for these purposes by disclosing information about the performance, financial position, financing and investing of the reporting entity, including information about compliance. The general purpose financial reports are, normally, the statement of financial position (balance sheet), the statement of financial performance (income statement) prepared on an accrual basis and the cash flow statement. Therefore, the information provided in these statements should "provide information to users for making and evaluating decisions about the allocation of scarce resources. General purpose financial reporting by all types of reporting entities, whether legal, administrative or economic entities, and therefore encompasses all types of government entities, including government departments, statutory authorities, and as a whole, Federal, State, Territorial and local governments.

Although in theory, cash or accrual accounting can be implemented with either a manual or an electronic system. In practice, it would be inadvisable for a government to attempt to implement full accrual accounting without the aid of a modern Government Financial Management Information System (GFMS) with proven functionality in areas such as general ledger, accounts payable, purchases, assets management and so on. Implementation of such a system would be a major project which would normally be a subset of the accrual accounting project.

In their view also, The Government Accounting Standards Advisory Board in India (A Primal on Accrual Accounting) highlighted the following as some issues to be addressed at the time of transition to accrual accounting. The decision on the format of financial statements on migration to accrual accounting and generation of first set of financial statements is of key importance in transition. The format has to facilitate transparent, accurate and complete depiction of financial position. Checks and balance have to be in place to ensure appropriate measurement and recording of accounting data, issues like preparation of Assets register and valuation of assets have to be addressed. Internationally, the role of auditor has been significant in ensuring a smooth transition to accrual basis of accounting. Auditor may be helpful in ensuring framing the accounting policies on assets and liabilities, recognition of revenues and expenses citizen's net worth reporting period measurement basis etc.

Accurate information of revenues is essential for assessing the impact of taxation and other revenues on the government's fiscal position in assessing the need for borrowing in the long term and also to assess whether current revenues are sufficient to cover the costs of current programs and service. It is necessary to take a decision on the types of revenues that are capable of accruing with reasonable degree of certainty. In case there are few line items that are not suitable for accruing, they may be continued under cash basis of accounting. The decision in this regard has to be taken by government.

Efficient allocation of scarce resources will be enhanced if those who make resource allocation decisions have the appropriate financial information on which to base their decisions. The purpose is to provide a mechanism to enable managements and governing bodies to discharge their accountability. Managements and governing bodies are accountable to those who provide resources to the entity for planning and controlling the operations of the entity. In a broader sense, because of the influence reporting entities exert on members of the community at both the microeconomic and macroeconomic levels, they are accountable to the public at large. It provides a means by which this responsibility can be discharged.

It therefore recognizes the operations of the accounting personnel to summarizing the transactions or economic events of governments in the ministries, agencies and parastatals in a cycle period. This is a very important aspect of management because it causes government through the management of departments and agencies to know the trend of government's economic events and to make adjustment when or where necessary. Government therefore can assess her performance at every given point in time in terms of services rendered to satisfy yearning of the citizenry.

Legitimacy Theory

The legitimacy theory is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions. This was propounded by Suchman in 1995. The theory suggests that the motivation for change in organizational practices might be to bring legitimacy to the respective organization and so it focuses on the social contract that exists between the organization and society. Such a contract is believed to represent the expectations of society. Legitimacy theory implies that organizations may change and adopt the norms of society to appear legitimate to that society. This suggests that when societal norms and values change, the managers will work to preserve the organization's legitimacy by incorporating, or appearing to incorporate the new norms and values. Similarly, a particular government may change its public sector organizational practices in order to appear legitimate and consistent with other governments. The awareness of the rationales of accounting has allowed accounting to be seen also as a legitimating device that is an important means by which organizations respond to environmental pressures to enhance their legitimacy. Organizations would generally incorporate practices that are perceived as rational by using prevailing concepts in order to increase their legitimacy and enhance their prospects of survival. Public sector organizations would generally conform to institutional pressures to be seen as legitimate and not different from other organizations in the same field.

METHODS

This study employed the descriptive survey research design was used in the study. This is because simple questionnaire items were used to obtain data for the study. The geographical coverage of this research effort was restricted to Bayelsa State of Nigeria. It is one of the 36 States created in 1996 by the then military head of State, General Sani Abacha. More specifically, the research was conducted in the State government ministries and agencies in the state. The state is located in the Niger Delta, the heart of the South-South Geo-Political Zone with a population figure of approximately two million people according to 2006 census figure. It is geographically located within Latitude $04^{\circ}15'$ North, $05^{\circ} 23'$ South and Longitude $05^{\circ} 22'$ West and $06^{\circ} 45'$ East. It shares boundaries with Delta State on the North, Rivers State on the East and the Atlantic Ocean on the West and South (National Bureau of Statistics in Samuel, 2015).

The population of this study is five hundred and fifty one accounting staff in Bayelsa State. Using Yaro Yamane's formula for a finite population (as contained in Uzoagulu, 1998) this yielded a sample size of two hundred and thirty-two.

For this study, the structured questionnaire coined from the literature review in the study was utilized to elicit the required data from the sampled respondents. The instrument contains questionnaire items prepared to uncover the perception of the accounting personnel on the potential challenges that may impede effective application of accrual-based accounting in government ministries in Bayelsa State. The four point response options of Strongly Agree (**SA**), Agree (**A**), Disgraced (**D**) and Strongly Disagree (**SD**) with values ranging from 4, 3, 2 and 1 respectively. Three experts conducted face validation on the instruments. Two from the Department of Vocational Teacher Education, Nsukka and one from Niger Delta University, Wilberforce Island, Amassoma, Bayelsa State.

Reliability coefficient value of 0.88 was obtained using Cronbach alpha. The data obtained from the respondents were analyzed using Mean values to answer the research questions while Analysis of Variance (ANOVA) on the other hand was used to test the null hypothesis at 0.05 level of significance.

In application of the decision rule, any item with a mean value of 2.50 or above was deemed as agree while an item with the mean value below 2.50 was considered as disagree. The null hypothesis with a P-value greater than 0.05 level of significance was accepted as postulated otherwise it was rejected.

DATA ANALYSIS

Research Question

What are the accountants’ perceptions of the potential challenges to effective implementation of accrual-based accounting in government ministries in Bayelsa State?

To answer this research question, the relevant data collected for the research purpose were analyzed and presented as shown in Table 1.

Table 1. Mean and standard deviation ratings of accountants’ perceptions of the potential challenges against effective implementation of accrual-based accounting in government ministries in Bayelsa State

S/N	Questionnaire Items		SD	Decision
29.	Shortage of trained or skilled staff	3.14	.83	Agreed
30.	Lack of commitment from political leaders	3.30	.78	Agreed
31.	Deliberate resistance to innovation	3.07	2.74	Agreed
32.	Increased complexity of financial control	2.89	.75	Agreed
33.	Academic circles not well revamped for the reform	2.78	.80	Agreed
34.	Lack of proper awareness among operational managers	2.97	.77	Agreed
35.	Low computer literacy in the government sector	3.03	.83	Agreed
36.	Implementation will require much resources	3.01	2.83	Agreed
37.	Authority seen to be with the administrators and not politicians	2.65	.88	Agreed
38.	Insufficient monitoring by internal audit	2.82	.88	Agreed
39.	Insufficient or lack of policies to manage risks	2.90	.81	Agreed
40.	Accrual-based information challenging for non-accountants	3.05	.80	Agreed
41.	Difficulties due to wide spread areas of implementation	3.13	2.17	Agreed
42.	Difficulty in valuation of assets and liabilities	3.10	2.10	Agreed
43.	Little added value perception	2.86	2.07	Agreed
44.	Social insurance program may be recognized in public liability	2.76	.85	Agreed
45.	Difficulty in determination of useful life of assets	3.03	2.76	Agreed
46.	Difficulty in determination of useful life of assets	2.84	.79	Agreed
47.	Difficulty in measurement of assets at market value	2.88	.77	Agreed
	Overall Cluster mean	2.99	1.21	Agreed

Keys: = mean, SD = Standard Deviation.

The data analysis presented in Table 1 shows that the responses to questionnaire items 28-47 are also within the mean limit of numbers ranging from 2.5-3.49 indicating that the responses were in the affirmative also. The results pinpointed that items 30, 29, 41, 42 and 31 with mean values of 3.30, 3.14, 3.13, 3.10 and 3.07 had the first five high mean values while items 37, 44, 33, 38 and 46 with mean values of 2.65, 2.76, 2.78, 2.82 and 2.84 had the five lowest mean values. The overall cluster mean of 2.99 is above the criterion mean of 2.50 used in the study. This implies that the respondents agreed that there were perceived potential challenges that may forestall effective implementation of accrual-based accounting in government ministries Bayelsa State.

Hypothesis 1

H₀₁: Educational qualification is not a significant source of difference in the mean ratings of accountants’ responses with respect to their perception of the potential challenges that may forestall effective implementation of accrual-based accounting in government ministries in Bayelsa State.

Table 2

ANOVA Result of mean responses of accountants based on their educational qualifications regarding their perception of the potential challenges that may forestall effective implementation of accrual-based accounting in government ministries in Bayelsa State

	Sum of Squares	df	Mean Square	F	Sig.	Decision
Between Groups	.27	3	.09	1.27	.29	NS
Within Groups	5.15	72	.07			
Total	5.42	75				

F-tab = 4.13

The result presented in Table 2 is an unveiling of the ANOVA of the significant difference of the mean ratings of the different educational qualifications of the accountants. It shows that the F calculated is 1.27 whereas F calculated value is 4.13. The F calculated is less than F tabulated which suggests that there is no significant difference in the mean ratings of the accountants’ responses based on their educational qualifications. This was equally confirmed by the P-value of 0.29 which is greater than 0.05 maximum standard significant values. Therefore this study accepted the stated null hypothesis and affirmed that educational qualification is not a significant source of difference in the mean ratings of accountants’ responses with respect to their perception of the potential challenges that may forestall effective implementation of accrual-based accounting in government ministries in Bayelsa State. What this implies is that all accountants sampled were of the same opinion despite their divergent level of educational attainments that there are potential challenges that may impede the effective implementation of accrual-based accounting in government ministries in Bayelsa State. Similarly, the results in Table 2 also shows that the between group difference of 0.27 is less than the within group difference of 5.15. What this also signifies is that the difference inside each of the different years of experience is greater than the difference between these different years of experience.

DISCUSSION OF FINDINGS

Potential challenges against the effective implementation of accrual-based accounting in government ministries in Bayelsa State.

From the responses to research question 3, the study found that all the questionnaire items presented were perceived by accountants as potential constraints to the effective implementation of accrual-based accounting in government ministries in Bayelsa State.

However, the five most perceived potential challenges against the implementation are presented thus: Lack of commitment from political leaders, shortage of trained or skilled Staff, difficulties due to wide spread areas of implementation, deliberate resistance to innovation, difficulty in valuation of assets and liability with mean values of 3.30, 3.14, 3.13, 3.10 and 3.07 respectively, while other perceived challenges are authority seen to be with administrators and not politicians, social insurance program may be recognized as public liability, insufficient monitoring by internal audit, little added value perception, etc.

Considering the findings from hypothesis 1, this study accepted the null hypothesis and affirmed that educational qualification is not a significant source of difference in the mean ratings of accountants’ responses with respect to their perception of the potential challenges that may forestall effective implementation of accrual-based accounting in government ministries in Bayelsa State. Therefore the study maintained that though the introduction of accrual-based accounting in the ministries in Bayelsa State has so many accruable benefits but that there are also myriads of challenges that would be encountered in its implementation.

CONCLUSION

The pointed out that some potential challenges that may forestall effective implementation of accrual-based accounting in government ministries in Bayelsa State which include; shortage of trained or skilled staff, lack of commitment from political leaders, deliberate resistance to innovation, increased complexity of financial control, lack of proper awareness among operational managers, insufficient monitoring by internal audit among others.

RECOMMENDATIONS

It was finally recommended that Flexible time frames should be allowed for revision as progress is made, while the roadmap should provide a starting point to adjust and incorporate new information and circumstances as this becomes available in a department. The recommended approach should also address the priorities upfront to ensure sufficient time to be spent and the limitation of delays later in the process. It should be noted, however, that the approach is formulated with achievable steps, which makes it both practical and reasonable, assuming that sufficient and appropriate resources are made available.

REFERENCES

- Asechemie, D. P. (1995). *Anatomy of public sector accounting in Nigeria*. Port-Harcourt: Sundry Books Limited.
- Asechemie, D. P. (1995). *Anatomy of public sector accounting in Nigeria*. Port-Harcourt: Sundry Books Limited.
- Daniel, G.I. (1999). *Public Sector Accounting*. School of Postgraduate Studies, Department of Vocational Teacher Education, University of Nigeria Nsukka. Ahmadu Bello University Press, Zaria.
- International public sector accounting standards handbook*. Published in March, 2012. Features of IPSAS. Wikipedia, the free encyclopedia.
- Suchman, M. C. (1995). *Managing Legitimacy: Strategic and Institutional Approaches*. *Academy of Management Journal*, 20 (3), 571 - 610.
- Oxford Dictionary of Accounting (2005). Third Edition. Oxford University Press.
- Wynne, A. (2004). *Is the Move to Accrual Based Accounting a Real priority for public sector accounting?* Head of Public Sector Technical Issue, ACCA www.accaglobal.com
- Yolanda, M. S. (2012). *Assessment the readiness for the implementation of generally recognized accounting practice in the department of transport and public works in the Western Cape*. (A published manuscript).