ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES

ASSESSMENT OF INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS) IMPLEMENTATION AT AFRICAN UNION

A THESIS SUBMITED TO ST.MARY'S UNIVERSITY SCHOOL OF GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION IN ACCOUNTING AND FINANCE

BY

PROSPER MUNEZERO

SGS/0176/2008B

MAY, 2018
ADDIS ABABA

APPROVED BY BOARD OF EXAMINERS

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Dean, Graduate Studies Signature

_________________________________ ________________________

Advisor Signature

__________________________________ ________________________

External Examiner Signature

__________________________________ ________________________

Internal Examiner Signature

DECLARATION

This research project is my original work; prepared under the guidance of Assistant Professor Asmamaw Getie. I further declare that the thesis has not been presented for award of any degree in any University.

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Name Signature

St. Mary's University, Addis Ababa June, 2018

ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a university advisor.

________________________________	___________________
Advisor	Signature
St.Mary's University, Addis Ababa	May, 2018

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ACKNOWLEDGEMENTS

First and foremost, I owe special thanks to God Almighty for the life, wisdom, time and knowledge that he gave me in order to complete this challenging and time consuming research.

Next, I would like to thank my thesis advisor and courses instructor of St. Mary's University, Assistant Professor Asmamaw Getie who helped me a lot with his kindness, regular feedback, valuable guidance and comments.

I feel honored to acknowledge here the overall support and help I got from my elder brother Mr. Apollinaire NDIKUMAGENGE and his family whom in one way or another contributed to the successful completion of my study. This accomplishment would not have been possible without him.

I wish to thank my teachers at St. Mary's University and colleagues for their valued support, encouragement and sharing during the course. My gratitude also goes to my classmates, mainly Mr. Daglas Teferi who encouraged and supported me in overcoming numerous obstacles I have been encountering during the journey.

I would like to thank the all respondents from African Union Commission for their participation in the survey who helped me to get results of better quality.

Finally, I must express my very profound gratitude to my parents, sisters, brothers and friends for providing me with unfailing support, prayer and continuous encouragement throughout my years of study and through the process of researching and writing this thesis.

ACRONYMS & ABBREVIATIONS

1st, 2nd, 3rd and 4th Qtr. = First, Second, Third and Fourth Quarter

AGSA = Auditor- General of South Africa

AIMS = Administrative Information Management System

AU = African Union

AUC = African Union Commission

CABS = Cash Accounting and Budgeting System

CAGD = Controller and Accountant-General's Department

EC = European Commission

ERP = Enterprise Resource Planning

FEE = Fédération des Experts ComptablesEuropéens (*European Federation of Accountants)*

FRC = Financial Reporting Council

GAAP = Generally Accepted Accounting Principles

GBE = Government Business Enterprises

GRAP = Generally Recognised Accounting Practice

GSM = Global Management System

IASB = International Accounting Standards Board

ICAG = Institute of Chartered Accountants Ghana

ICPAU = Institute of Certified Public Accountants of Uganda

IFAC = International Federation of Accountants

IFRS = International Financial Reporting Standards

IMF = International Monetary Fund

IOC = IPSAS Oversight Committee

IOs = International Organizations

IPSAS = International Public Sector Accounting Standards

IPSASB = International Public Sector Accounting Standards Board

NAOT = National Audit Office of Tanzania

NATO = North Atlantic Treaty Organization

NI = Northern Ireland

NPM = New Public Management

OAU = Organisation of African Unity

OECD = Organisation for Economic Cooperation and Development

PAO = Professional Accountancy Organisation

PBFA = Programming Budgeting Finance and Accounting

PFM = Public Financial Management

PSC = Public Sector Committee

RAB = Resource Accounting and Budgeting

UK = United Kingdom

UN = United Nations

UNESCO = United Nations Educational Scientific and Cultural Organization
UNICEF = United Nations Children's Fund
WB = World Bank

WFP = World Food Programme

WGA = Whole of Government Accounts

WHO = World Health Organization,

WIPO = World Intellectual Property Organization

ZICA = Zambian Institute of Chartered Accountants

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ABSTRACT

In the context of the increasing international integration and requirements of public sector management reform, the African Union has adopted IPSAS since 2013.A review of IPSAS adoption revealed that it presents international best practices for public sector entities, Intergovernmental and International Organizations. It emphasized the benefits for improved governance, strong accountability and transparency. The research specifically assesses the implementation of International Public Sector Accounting Standards at African Union. The purpose of the study was to identify the gap existing between the expected results and the current situation regarding IPSAS implementation. It looked into the driving forces that led the African Union to implement IPSAS after one year of adoption. Going forward, it located the advantages or benefits of African Union resulted from the adoption of IPSAS. It was able to highlight the challenges encountered by African Union all along the period. This study therefore was a descriptive study. It was designed to describe the extent of IPSAS implementation at African Union. The population size for the study is Headquarter, Regional and Liaison Offices of AU. Data for the study was primarily and secondarily sourced. Primary data was collected at the source by the researcher and Secondary data was collected from AU's financial statements. From the findings, the study established that lack of ongoing and focused training to the key staff, lack of Permanent Technical Team to review technical and operational issues, recommend policy changes, and look after the enforcement of recommendations have contributed to the slow progress in implementing IPSAS standards. The study revealed that transparency, accountability, comparability, and management and decision making have been improved. The study concluded that driving forces of IPSAS adoption in AU were to align its operations with financial year, meet partners' requirements, to attract donors and to be competitively comparable with other International Organizations.

Keywords: *African Union, IPSAS implementation, Benefits, challenges and driving forces*

CHAPITER ONE

INTRODUCTION

1.1. Background of the Study

Designed to promote enhanced quality and consistency in public sector accounting across the world, the International Public Sector Accounting Standards (IPSASs) provide an accounting framework which can be followed by all public sector entities, including national and regional governments, local authorities and intergovernmental organizations.

Throughout the world, both developed and developing countries are starting the amendment of their Public Financial Management (PFM) laws whilst others have already amended them in order to make express provisions that the financial statements of public sector entities are to be prepared in accordance with or based on IPSAS.

IPSASs are accounting standards issued in sets by IPSASB. “IPSAS are high-quality global accrual-based accounting standards which enable governments to produce high-quality financial information that leads to better decision making and builds accountability and trust with citizens” (IFAC, 2017).

Multilateral institutions, such as the International Monetary Fund (IMF) and the World Bank have been the main providers of financial support for the International Public Sector Accounting Standards Board in developing its accrual based financial standards. These institutions have also encouraged government especially in developing countries to introduce accrual accounting (Hepworth, 2003).

In developed countries as well as in developing ones, some of them have completed IPSASs adoption using them in their financial reporting, whereas others are in progress or have partially adopted them. Australia, New Zealand and United Kingdom are in the very few developed countries that have introduced IPSASs quite a long time ago. The African countries have also been at the forefront of IPSAS adoption, and a few of them have actually achieved IPSAS implementation, such as South Africa, Tanzania, and Nigeria.

The New Zealand is one of developed countries that have the most extensive experience of adopting IPSASs for its public sector financial statements. Benefits brought by international accrual accounting standards in New Zealand including greater fiscal transparency, greater fiscal debate, enhanced credibility and clearer understanding of real impacts of political decisions and reduced potential of corruption (Fergus, 2013)

However, it is not only governments that have adopted IPSAS but it worth mentioning that , intergovernmental organizations and independent non-governmental organizations are embracing or have adopted IPSAS standards as well. In order to improve the financial management of public services and help all users of financial statements to understand in an equal manner the information provided, different international and intergovernmental organizations namely the United Nations system organisations, the European Commission (EC) or the Organization for Economic Co-Operation and Development (OECD), and African Union (AU) have also adopted IPSAS standards (Bergman et al, 2017).

For the international Organizations, WHO can be given as one that has successfully achieved IPSAS implementation.The main benefits of IPSAS for WHO are increased transparency which provides a better understanding of WHO's financial performance, greater accountability to make informed decisions about resource utilization, and improved financial information to support governance, management of assets, and decision-making (Margaret Chan, 2013)

As mentioned above, the African Union is one of the Intergovernmental Organizations that have adopted IPSASs. The latter (AU) is a continental union consisting of 55 countries making the African continent. It was established on 26 May 2001 in Addis Ababa, Ethiopia, and launched on 9 July 2002 in South Africa, with the aim of replacing the Organisation of African Unity (OAU).

Before 2014, the African Union Commission was using Inter-national Financial Reporting Standards (IFRS) and other applicable International accounting standards which do not adequately accommodate and address the institutional needs and contextual issues of an inter-governmental organization.

However, financial information provided by African Union and its liaison offices was not full, consistent, standardized and comparable, which may lead to ineffective financial management.

In January 2013, as part of the AU reform agenda, the Assembly of Heads of State and Government approved the adoption of IPSAS as its future financial reporting framework. The objective was to harmonize financial reporting practices, improve transparency, promote efficiency, and Comparability of AU's financial statements.

The implementation of IPSAS has taken effect from 1 January 2014 union wide, with view that 31 December 2014 financial statements would be prepared on full accrual based (African U., 2016).

The alignment of the changes required by IPSAS pushed AU to undertake a lot preparatory works in order to put in place various systems and platforms ready for IPSAS implementation such as IPSAS governance structure and a road map.

According to their plan, the financial statements of the year ended on 31 December 2014 have been prepared in accordance with International Public Sector Accounting Standards and the requirements of African Union Financial Rules and Regulations. For the transitional period to be fully compliant with the standards there are five years following the date of first adoption of IPSAS and therefore, AU will continue to benefit from this measure until 2018.

A significant number of challenges and changes should be expected during the IPSAS implementation process, for all new set of IPSASs. Thus, this study aims to examine the overall process of IPSASs implementation in AU, related issues and implications, benefits and driving forces that led AU to rush on these standards.

1.2. Problem Statement

Different researchers did researches on IPSAS adoption which are designed to be used in government and International or Intergovernmental Organizations.

The financial information of Government and IGOs or IOs is used by a wide range of stakeholders; all of whom have an interest in the financial health and management of public resources. Financial information should be transparent in order to effectively hold government and IGOs or IOs accountable for its use of public funds. It should also provide the basis for evaluating the current financial position and past performance for decision-making purposes. A review of IPSAS adoption revealed that it represents international best practices for public sector entities, intergovernmental and international organizations. Its adoption would improve the quality, comparability, and credibility of the financial reporting.

Conversion to accrual-based IPSAS or equivalent standards is considered to be especially useful for citizens and donors. As taxpayers and services recipients, citizens need not only to know how the public sources have been used but also understand the current financial position.

Donors may use the financial statements and disclosures to make decision on financing certain programmes and projects as they now possess and can keep an eye on the accurate and reliable information related.
By adopting IPSAS, AU as an Intergovernmental Organization, the objectives were to provide useful information for decision making and to demonstrate accountability of the entity for the resources entrusted to it.

AU's financial statements, prepared in accordance with IPSAS, should have all the following six items: statement of financial position, statement of financial performance, statement of changes in net asset/equity, cash flow statement, comparison of budget and actual amounts and notes to the financial statements.

As of the year ended 31 December 2014, the financial statements of AU have been prepared in accordance with IPSASs and the AU financial Rules and Regulations. However, up to the year ended 31 December 2017, the financial statements of AU are not in fully compliance with IPSAS. Based on AU's financial reporting for the year 2014, the comparative information has not been provided in the Financial Statement presentation (IPSAS 1) and in the initial recognition of some property, plant and equipment (IPSAS 17). African Union's budget and accounting bases were differed. Budgets were prepared and approved on cash basis rather than the full accrual basis of IPSAS.

The implementation of IPSAS in AU was not only stagnated, but also declined for the year ended 31 December 2015, because the new IPSASs applicable to the AU released by IPSASB in 2014 have not been implemented. A very little progress has been made for the year ended 2016 but the same declination was still noticed. The significant progress on IPSAS implementation has been done for the year ended 31 December 2017 due to repetitive recommendations from external auditors.

The transitional period to be fully compliant with the standards following the date of first adoption of IPSAS is five years. In accordance with transitional provision, the Union did not recognize in the balance sheet assets that are in the process of being valued by experts. However, the same assets that were under valuation in 2014 still in the same process up to year ended 31 December 2017.

Here the following question arises: How could AU not fully implement the IPSAS within the four years? Is it because it has been waiting for the end of the transitional period or has just encountered problems along the way?

This is due to lack of ongoing and focused training to the key staff , lack of Permanent Technical Team to review technical and operational issues, recommend policy changes, and look after the enforcement of recommendations , and IPSAS requires additional tasks to be completed in preparing and maintaining AU financial records . These inherent problems contribute to the slow progress in implementing IPSAS standards. It is therefore necessary to conduct this study in order to understand the obstacles behind that low progress of IPSAS implementation at African Union.

1.3. Research Questions

The main research question of this work is:

- How far the current state of IPSAS implementation in AU is from the expected result?

Therefore, in order to answer to the main research question, some sub questions have been examined as follows:

i. What benefits has AU derived from the implementation of IPSASs/Accrual accounting?
ii. What challenges has AU encountered?
iii. What was the projected timeline and did AU meet it? Was it sufficient enough?
iv. What driving forces led African Union to the decision to implement IPSAS?
v. What should be the recommendations addressed to the AU as well as to the other organizations, governmental bodies, or individual engaged in the adoption/ implementation of IPSAS?

1.4. Research Objectives

1.4.1. General objective

The general objective of this study is to discover the gap between expected and current state of IPSAS implementation.

1.4.2. Specific Objectives

i. To determine challenges encountered by AU during the implementation of IPSAS;

ii. To locate the benefits resulted from the adoption of IPSAS

iii. To find out the driving forces that led the AU to adopt IPSAS standards.

1.5. Significance of the Study

- For use by the African Union

The findings of this study can be compiled into a report that will be of use to the African Union. The recommendations for improvements will therefore be useful to the full IPSAS implementation.

- For further research

Researchers in International Public Sector Accounting Standards will find the contributions from this study as a basis for further studies or improvements on existing knowledge.

The students from Saint Mary's University in MBA in accounting and finance department will find this study as one of their areas for reference and especially as a case study and a source of assembled literature.

1.6. Scope of the Study

The scope of this study is the African Union, one of Intergovernmental Organizations. Focus was on the implementation of IPSAS in African Union Commission. In term of time, the period considered is four years of IPSAS implementation, from the year ended 2014 up to the one ended 2017.

1.7. Limitation of the Study

The limitation in this study was that the respondents considered some information as confidential and might refuse to reveal it. The study gets over the limitation by presenting a letter from Programming Budgeting Finance and Accounting department that allow researcher to distribute questionnaires. The second limitation was the limited literature on IPSAS implementation process.

1.8. Organization of the paper

The thesis consists of Five Chapters. Chapter one presents background, statement of problem, basic research questions, objectives, significance, scope and limitations of the study. Chapter two presents definitions of basic concepts and literature review. Chapter three presents research design, study population, data collection instruments, data analysis and reporting. Chapter four presents data analysis, results and discussions of the study. Chapter 5 provides summery of findings, conclusion and recommendations.

CHAPTER TWO

BASIC CONCEPTS AND LITERATURE REVIEW

2.1.Introduction

A literature review is an account of what has been published on a topic by accredited scholars and researchers. It highlights the conceptual framework as well as the operational framework. This chapter also highlights the empirical evidence/reviews that have been ongoing on this topic. As with the case of literature review, empirical reviews aid the research in arriving at the appropriate methodology.

2.2.Conceptual Review

2.2.1. IPSAS

Designed to promote enhanced quality and consistency in public sector accounting across the world, the IPSASs provide an accounting framework which can be followed by all public sector entities, including national and regional governments, local authorities and intergovernmental organizations.

The IPSASs are a set of accounting standards issued by the IPSAS Board for use by public sector entities around the world in the preparation of financial statements. These standards are to be applied by central government, local government, and controlled entities with non-market activities.

Sabrina Bellanca(2014)emphasized that the goal of the IPSAS is to improve the quality of the financial information of public sector entities, to strengthen the transparency of public accounts and to make decision makers more accountable. IPSASs are widely considered best accounting practice for public sector organizations, as they improve the quality of financial reporting. IPSAS do not apply to government business enterprises.

These standards are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Financial statements prepared in accordance with IPSASs must present fairly the financial position, financial performance and cash flows of an entity. In order to meet this requirement, a public sector entity must first of all observe general qualitative characteristics of financial reporting. Such qualitative characteristics of financial reporting are fundamental principles for preparing financial statements in accordance with IPSASs. The four principal qualitative characteristics are understandability, relevance, reliability and comparability (Ernst and Young, 2012).

The financial statements include a statement of financial position; a statement of financial performance; a cash flow statement; a statement of changes in net assets/equity; and the notes to the financial statements, or annex.

2.2.2. Public Sector

Public sector refers to that segment of the national economy whose activities both economic and non-economic are under the control and direction of the government.

According to Okoye, E. and Ani, W. (2004), the public sector can be defined as that sector of the economy established and operated by the government or, its agencies, distinguished from the private sector and organized on behalf of the whole citizens.

Public sector includes the general government sector (often briefly referred to as government) and public sector corporations (Bergmann, 2009, p.3).

Athukorala and Reid (2003, p.3, 4) found that the public sector environment differs from the private sector environment. Among other things: (i) government fiscal activities intentionally impact the economy; (ii) government generally has power to create money and to coercively impose levies and taxes; (iii) government objectives are broader than those of private sector organizations and include equity, justice and poverty reduction; (iv) in many cases government not only owns an organization, but also is the major purchaser of its goods and services; and (v) governments are accountable to a wider group of stakeholders. Examples of public sector activity among others include delivering social security, administering urban planning and organizing national defense.

Public sector refers to the segment of a country's economic agents, whose activities are managed, on behalf of the public, by government-appointed individuals (Acho, 2014). It includes all corporations which are established, run and financed by government on behalf of the public (Adams, 2010).

2.2.3. Public Sector Accounting

The accounting at all levels of government and Intergovernmental Organizations is closely related to the budget process.

The Board of Public Entities or Corporations are appointed by the government to oversee the activities of the management of these entities. However, the regulation of the accounting standards of public sector entities is vested on the International Public Sector Accounting Standards Boards (IPSASB) with the exception of Government Business Enterprises (Heald, 2003).

Bergmann, (2009, p.9), Public sector accounting used to be a mere record keeping of budget execution. Adequate records and information are produced, maintained and disseminated to meet decision-making control, management and reporting purposes (Bergmann, 2009, p.17). Speaking on the need for a suitable framework for public sector accounting, Izedonmi, F., Ibadin, P. O. (2013), argued that sound public sector accounting rests on an articulate framework which has been defined to reflect best practices around the world.

Odike B.(2006), stated that Public Sector Accounting is the information system that records, analyzes, classifies, summarizes and communicates public sector entities financial and economic events, and their impacts, in terms of both: - The provision of information required by management and senior executives for planning, organizing and control and the preparation and provision of financial statements and fiscal reports under specific accounting and reporting standards for external users.

Anyafor, A. M. O. (2002) identified the following as the concepts of public sector accounting:

Budget: The governmental unit prepares an operational budget and incorporates it directly into the financial report and into the systems account where useful; such a budget indicates the estimated revenue for the next period, the estimated expenditures referred to as appropriations which must be met by the revenue and other sources of financing which may be necessary. While the commercial sector acknowledges the benefits arising from budgets, such data are not introduced into the accounts as in public sector groups where demonstration of compliance with legal limitations is a critical factor.

Revenues: Additions to assets or reductions in liabilities always give rise to increase in the residual equity in a fund. This could be equated to inflows of working capital. Distinct revenue elements include property taxes or other taxes receivable, fees for permits, charges for services rendered, and interest received. Revenue also encompasses contribution from the general fund to the capital project fund to cover a portion of a project.

Expenditure: Outflows or commitments for outflows of working capital include those charges that relate to the current fiscal period as well as capital outlays and provisions for debt requirements. Expenditure differs from expenses (as defined in commercial accounting) because expenditure includes in addition to charges that benefit the current period, capital outlays and payment of principal for debt retirement.

Encumbrances and Obligations: A system of encumbrances is a means of restricting or reserving available spending authority pending the recording of actual liabilities and expenditure. The encumbrance system is used by most governmental funds, general fund, special revenue, capital projects and social assessment funds to demonstrate compliance with legal requirements and to prevent over expenditure.

2.2.4. Cash and Accrual Accounting

The choice between cash or accrual accounting systems for the public sector has been the cause of debate at both the practical and theoretical levels (Deaconu, Nistor, &Filip, 2011). The basis of accounting determines the extent of information that an accounting system can collect and therefore report.

2.2.4.1.Cash Accounting

The cash-based method is appropriate if transactions are recorded with the objective of assessing the government's cash flow. Conversely, accrual accounting refers to a method in which the use of resources is recognized irrespective of when a cash transaction takes place (Bhatta, 2006, p. 7, 82).

Cash accounting has been considered as a method very easy to learn and carry out and requires no special accounting skills. It is used in the public sector for many years and remains in place for many governments. However, an increasing number of governments are now using accrual-based accounting frameworks.

Cash basis accounting has been the main accounting system in the public sector of many countries for many years (Christiaens, Reyniers, &Rollé, 2010; Bergmann, 2012). In this type of system, revenues are not recorded until they are actually received, and expenses are recognized in the accounting records when they are actually paid.

The Cash accounting system presents some major pitfalls: no records of the full costs of a programme and department, no records of government noncash assets and liabilities, no reporting on performance efficiency, cost control, assets and liabilities; and the performance measure is based on budget compliance only. It presents also a mismatch between revenues and expenditures, which misrepresents operation costs and reflects revenue incorrectly.

On another hand, this accounting system offers advantages such as ease of operation, a high degree of objectivity, and a limited number of choices.

2.2.4.2.Accrual Accounting

The accrual basis 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 books of account when incurred and not when money is paid.

Accrual basis accounting is defined by the Federation des Experts Compatibles Europeans (FEE, 2007) as a method of recording financial transactions in which all transactions are recorded during the period to which they relate.

OECD (1993) expressed a need to adopt accrual accounting to facilitate and include accounting and reporting on the allocation and use of total economic resources (both cash and non cash) at the disposal of managers.

Converging to accrual accounting within the public sector is considered as a mean for strengthening efficiency and accountability. The budget constraints and the evaluation of government actions were among the main aspects that were behind the movement toward accrual accounting.

IFAC (2011) recognizes modified cash and modified accrual basis accounting methods as intermediate stages between cash and accrual basis accounting systems. In modified cash basis accounting, transactions and other events are recognized on a cash basis during the year, and accounts payable and receivable are only recognized at the end of the year. Modified accrual basis accounting recognizes transactions and other events under accrual basis accounting, but certain classes of assets and liabilities are not recognized. Alternatively, expenses may be recorded when acquired resources are received, and revenues may be recorded as they become measurable during the year.

Adoption of accrual accounting requires the preparation of public sector financial statements on an accounting model that is based on efficient and effective reporting and was inspired by International Public Sector Accounting Standards or International Accounting Standards (Seenivasan R.2014)

There is a range of benefits for governments or Organizations that use accrual accounting such as improved accountability and increased efficiency, enhanced transparency of government operations, improved system of resource allocation, reporting of more information on the full costs of operations.

Table 2.2.4.1: Comparison of usefulness of cash and accrual basis accounting systems in the public sector.

criterion	**Cash Basis**	**Accrual Basis**
understanding	*Simple but not familiar to most people*	*Very complex, but more familiar to most people*
Manipulation	*Relatively easy to manipulate*	*Easy to manipulate, depending on auditing and accounting standards*
Comprehensibility	*Only cash information*	*Includes information on cash as well as additional information*
Usefulness in managing cash flow	*Provides only basic information*	*Provides information about cash and commitments*
Management of non-financial assets	*Does not provide information*	*Provides information about general assets*
comparability	*Counties use a variety of forms of accounting methods that are not consistent with each other*	*Countries use different accounting standards for accrual based accounting that are not consistent with each other*
Measuring the sustainability of fiscal policy	*Very limited usefulness*	*Useful, but must be supplemented with additional information*
Credibility	*limited*	*More familiar to rating agencies, creditors and the media*
Bases for determining fiscal strategy	*limited*	*Good, when used together with cash information*

Accountability	*Limited*	*Provides information*
Basis for pricing products and services	*Limited*	*Good*
Disincentive to fraud and corruption	*Limited*	*Better than cash, depending on control environment and other aspects*
Implementation	*High cost of information systems (customization and limited availability)*	*Cost of information system can be lower, but additional efforts are needed for the identification and valuation of assets and other components*
Continuity of operation	*Little skill required on the part of accountants, but increased demand for personnel to operate*	*Easy to retain and to train operators and integrate records (payments, assets)*

Source: Adopted from Athukorala& Reid (2003).

"Accrual accounting as defined and introduced by NPM reforms provides more and accurate information about government solvency, their patrimonial goods and determining costs of public services" (Pina and Torres, 2003, p. 335). While cash accounting only pays attention on budget compliance management, accrual accounting improves the management of government resources and enhances efficiency of operations (Barton, 2005, p. 143).

2.3. IPSAS Adoption and Implementation

The public sector committee of IFAC developed IPSAS to guide government entities in the preparation of high quality financial reports. IFAC encouraged public sector entities to adopt accrual basis of accounting for their general-purpose financial statement so as to ensure uniformity and comparability of financial reporting across countries (Udeh&Sopekan, 2015). The nature and speed of the transition to accrual accounting may be influenced by the system of government and the political environment, the reforms based on accounting change, the changes are being driven from the top down, or bottom up, the completeness and accuracy of existing information, particularly in relation to assets and liabilities, The level of political commitment to the adoption of accrual accounting; and The capacity and skills of the people and organizations responsible for implementing the changes.

Implementing IPSAS is an enormous and important task. For that reason, it must be implemented in a structured, orderly and deliberate manner. The first steps in IPSAS implementation after obtaining the necessary approvals is the preparation of implementation strategy and setting up of project management structures. Whichever comes first will depend on the approach adopted. The absence of good project management structures and a quality implementation strategy are early warning signs that IPSAS implementation is in real and present danger.

*Joe Cavanagh, Suzanne Flynn, and Delphine Moretti*have proposed phases which provide an indicative road map to accrual accounting for a country or an Intergovernmental organization starting with incomplete cash accounting**.** It is designed to recognize the simplest and most important stocks and transaction first, and then to gradually recognize more complex stocks and transactions in subsequent phases.

Table 2.3.1.Summarized phases for IPSAS implementation

TRANSITION TO ACCRUAL ACCOUNTING: MAIN ELEMENTS ADDED AT EACH PHASE						
Phases	BALANCE SHEET		OPERATING STATEMENT			**Institutions**
	Assets	Liabilities	Revenues	Expenses	Other flows	
Phase 0: Cash Accounting	Cash balances	Bank overdrafts Debt	Cash receipts	Cash payments	None	Budgetary Central Government
Phase 1: Elementary Accrual Accounting	Trade receivables Prepayments	Trade payables	Accrued trade revenue	Accrued expenses *excluding depreciation*	None	Central Government
Phase 2: Advanced Accrual Accounting	Equity Investments	Other financial liabilities Long term liabilities (e.g., pensions)	Accrued non-tax receivables	None	Valuation changes in financial assets and liabilities Provisions	General Government
Phase 3: Full Accrual Accounting	Fixed and intangible assets Inventories Tax receivables	Monetary financial instruments	Accrued receivables	Depreciation	Valuation changes in nonfinancial assets	Public Sector

Source: Joe Cavanagh, Suzanne Flynn, and DelphineMoretti (IMF Fiscal Affairs Department)

- *Phase Zero: Cash Accounting*

This phase brings out the accounting policies, operations, and financial statements required for a well-functioning cash accounting system**.** Operating in a cash accountingenvironment mainly involves producing reliable and complete information on the cash transactions, cash holdings, and the short-term debt position of budgetary central government.The Cash basis accounting ismore appropriate for countries that need to build capacities and improve the reliability andintegrity of their systems before moving to accrual accounting because it does not require a lot of technics.

- *Phase One: Elementary Accrual Accounting*

This elementary form of accrual accounting enables governments to monitor the accumulation of expenditure obligations, ensure they are liquidated in timely manner, and prevent expenditure arrears.

- *Phase Two: Advanced Accrual Accounting*

The second phase of the transition completes the recognition of financial liabilities and financial assets in the balance sheet, records changes in the value of those stocks in the operating statement, and further extends the institutional coverage of financial statements to the consolidated general government. This phase gives government a complete picture of its financial balance sheet and its Net Financial Wealth.

- *Phase Three: Full Accrual Accounting*

This third phase is a final phase of the transition from advanced to full accrual accounting. The governments need to publish a complete set of accrual-based financial statements including a full balance sheet and operating statement, provide a full set of disclosures in the financial statements, and expand the institutional coverage of the financial statements to the whole of the public sector. Therefore, the stakeholders will get a comprehensive overview of public sector revenues, expenditures, assets, liabilities, and net worth.

2.4. Scope, Authority, advantages and challenges of the IPSAS

2.4.1. Scope and Authority

The IPSASs are a set of accounting standards issued by the IPSASB for use by public sector entities around the world in the preparation of financial statements. The IPSASB (formerly Public Sector Committee (PSC)) is a Board of the IFAC formed to develop and issue under its own authority IPSAS. The role of the IPSASB is to provide a complete description of each standard, along with plentiful case studies and examples demonstrating how to apply it in practice. Detailed guidance is also provided on managing the transition from local standards to IPSAS, under either accrual or cash accounting.
The IPSASB strongly encourages the adoption of IPSAS and the harmonization of national requirements with IPSAS (IPSASBoard, 2007).

IPSASB focuses on the accounting and financial reporting needs of national, regional and local governments, related government agencies and the constituencies they serve.
It addresses these needs by issuing and promoting benchmark guidance and facilitating the exchange of information among accountants and those that work within the public sector.
It addresses these needs by issuing and promoting benchmark guidance and facilitating the exchange of information among accountants and those that work within the public sector.
The dynamism of the IPSAS-Board is probably one important characteristic of public sector accounting in recent years (Benito et al., 2007, p. 294).

The IPSAS set out recognition, measurement, presentation and disclosure requirements dealing with transactions and events in general purpose financial statements. The IPSAS are designed to apply to the general purpose financial statements of all public sector entities, including International and Intergovernmental Organizations.

IPSAS address the rationale of financial measurement and financial reporting to the public. Specifically, they define the content of the so-called "general purpose financial statements" and related financial disclosures in a government's annual report. These financial statements consist of a statement of financial position and a statement of financial performance produced by an accrual financial accounting system, as well as a statement of cash flows produced by a cash accounting system. However, IPSAS do not deal with "special purpose reports" such as budget execution.

The IPSAS do not apply to Government Business Enterprises (GBE). The GBE applies IFRS which are issued by the IASB (IPSAS-Board, 2007). Unlike IFRS, the IPSAS require the presentation of an actual against budget comparison. However, the budget is not the main determinant for the presentation of the entire financial statements (Bergmann, 2009b).

There are two types of the IPSAS Standards.

The cash IPSAS.standard: The cash basis IPSAS has been effective since 2004. This standard has been developed taking into account the circumstances and requirements of the public sector and as such there is no equivalent standard for the private sector within the IFRS/IAS framework. Compliance with the cash basis IPSAS supports public sector entities to enhance accountability in regards to cash receipts, cash payments and cash balances at the reporting date.

IPSAS Accrual Standards: Accrual based IPSAS (like IFRS/IAS) embeds what is referred to as the principles based approach of accounting. Key to the principles based approach is the exercise of professional judgment and as such the principles based approach is to be underpinned by the IPSASB Conceptual Framework.

They focus on revenue, cost, liability and equity instead of cash flow only. Currently there are 40 IPSAS accrual standards.

2.4.2. The Benefits and Challenges of IPSAS Adoption

2.4.2.1.Benefits

The adoption and implementation of IPSAS is claimed to have a number of benefits. Bergmann (2011) suggests that the financial crisis of 2008 brought to the fore the poor state of Public Financial Management (PFM) systems which government financial reporting systems failed to point out because of poor reporting standards. The absence of or non-application of high quality accounting standards by governments for reporting government financial transactions reduces the level of accountability which Danaee and Anvary (2007) found to be associated with low levels of trust and confidence in government. Low level of trust and confidence in government has the effect of reducing the amount of both local investments and foreign direct investment in the economy which in turn reduces opportunities for accelerated economic growth and development. The absence of a quality reporting framework for government financial transactions is therefore associated with under development and economic deprivation.

IFAC (2000), listed a range of benefits that accrue to the use of accrual accounting in government as:

a. Improve accountability and increased efficiency;

There is compelling evidence that IPSAS provide greater clarity on the financial position of public sector entities across the world. The adoption of IPSAS has become essential in improving efficiency and effectiveness in financial reporting and auditing processes across the sector. Increased standardisation supports the delivery of more effective audits and helps mitigate the risks of significant material misstatements. IPSAS can streamline standard reporting processes and support the consolidation of all the activities and accounts of various government entities and sub-entities; so providing a meaningful audit report.

Information prepared in accordance with internationally recognised accounting standards provides a basis for comparing governments with one another and making comparisons across individual government units.

b. Enhance transparency of the operations;

According to Ignatius (2004), “Transparency is a process whereby relevant information of an organization is made accessible to the stakeholders, including the public, to enable them to assess, evaluate, and make their own judgment about that organization.”

IPSAS are important in promoting transparency and thereby curbing fraud and corruption. Financial statements prepared in accordance with IPSAS capture what a government receives and allocates, as well as what it owns and owes. Intergovernmental Organizations are also required to publish all the information related their activities in order to build trust and confidence on the part of stakeholders and the public in general. Transparent accrual-based financial statements help government or Intergovernmental Organizations to demonstrate, and users to evaluate, accountability for the use of public funds.

c. Improve system of resource allocation;

A comprehensive inventory of government or Intergovernmental Organizations assets and liabilities provides a view of their resources and future obligations. A better management of resources provides a basis for building more effective administrative processes and controlling costs. Equally, bringing liabilities onto the government balance sheet provides a view of the long-term implications in terms of spending commitments and borrowing needs

With adoption of accrual accounting standards based on IPSAS, the country or Organization will be able to better project its cash flows, evaluate and compare itself with other countries. Better understanding of revenue and expenses and improved management of commitments, risks and uncertainties, Comparison of performance from different periods, improved planning and the availability of comprehensive cost information, lead to better resource allocation.

Accrual accounting improves decision making by providing information on full cost of operations and resources used to deliver services to the public and information on assets and liabilities at the end of accounting period (Monari, 2015). Better accounting leads to better reporting, which provides information for better decision-making, which should in turn lead to better use of public resources.

d. Reporting of more information on the full costs of operations.

Government and Intergovernmental Organizations are under growing pressure not only to manage their fund effectively, but also to show how their management has been effective. To achieve this, governments or public entity need to complete information about their expenses/expenditures in order to assess their revenue requirements.

IPSAS requires the recognition of expenses on the basis of the “delivery principle”. Under this principle, expenses are recognized when goods and/or services are delivered rather than when cash is exchanged. Thus, Government or Public entity reports expenses when they are incurred and when the benefit to Government or Public entity is received rather than when the expense is paid. This will help to better understand the full cost of operating in the financial period when the activity takes place, leading to improved budget management.

2.4.2.2.Main Issues of IPSAS Implementation

The successful implementation of accrual basis IPSAS is predicated on factors such as the level of skill of available accounting personnel, rate of labour turnover, and the level of investment in technological and capital equipment in public sector organizations (Tickell, 2010)

From the study conducted by Patrick A. (2016), Implementation of IPSAS in Africa, some issues have been identified and developed:

Lack of legal framework: Inconsistencies between Public Finance Act, Public Audit Act and Local Government Finance Act lead to the poor IPSAS implementation. A legal framework consider and builds on the revised IPSAS compliant Financial Rules and Regulations to facilitate harmonized IPSAS compliant reports Government or any other Public Sector Entity wide.

Inadequate Information and Communication Technology (ICT): lack of adequate ICT to drive the program contributes to a slow progress in implementing IPSAS;

Institutional challenges: Most of the first time adopters lack the necessary personnel to adequately carry out the changes in IPSAS as opposed to the financial reporting framework currently existing in the Public Sector. The institutional culture also resists to the use of common language due to some uniqueness in its financial or management operations.

Technical challenges: Recognition of assets especially infrastructure assets, accounting for shared assets, development of asset register and valuation of assets, accounting for tax revenue

System and procedures: Some organizations including central admin, regions and a large number of other public sector bodies lack of accounting manuals. Accounting manuals must incorporate IPSAS terminologies, show how the standards will be applied at the Entity and provide guidance in transitioning from previous to new standards.

Finance cost: A lot of preparatory works need to be undertaken. The staffs must be trained, accounting manual must be rewritten, and an ongoing training is also required for key staffs.

Chan (2003) advised governments to first put in place a robust legal system cultivate a culture of accountability and build strong institutions before going ahead to adopt IPSAS

2.5. Adoption of the IPSAS across the World

2.5.1. Governments

IPSASB believes that adoption of IPSASs by governments will improve both the quality and comparability of financial information reported by public sector entities around the world. However, the IPSASB also recognizes the right of governments and national standard-setters to establish accounting standards and guidelines for financial reporting in their jurisdictions. The IPSASB encourages the adoption of IPSASs and the harmonization of national requirements with IPSASs. Financial statements should be described as complying with IPSASs only if they comply with all the requirements of each applicable IPSAS

Governments, in both developed and developing countries across the world are starting to amend their PFM laws in order to make express provisions that the financial statements of public sector entities be prepared in accordance with or based on IPSAS. However, very few governments have actually adopted the standards such as Australia, New Zealand, Colombia, UK, the United States, and Canada (IMF report, September, 2009).

The extent of applying the IPSAS is different between countries because each country has particular conditions of economics, politics, and legislation, especially, relating to financial management.

Developed countries

The United Kingdom (U.K) government moved to accrual accounting from April 2001 under the Resource Accounting and Budgeting (RAB) reform programme. The RAB programme was a commitment by the central government to change budgeting system from cash to accrual basis. However, the commitment started in 1993 and has been published in a in July 1995. According to Seenivasan R.(2014) stated that the biggest change in government accounting has been observed in 2001. He pointed out that this was not the first time that accrual accounting was tried in U.K. public sector. It was first tried by the British Army in the 1919, but was abandoned due to the problems encountered in running both cash and accrual systems concurrently.

In New Zealand accrual accounting was introduced in 1990 as one of the measures designed to tackle socio-economic problems facing the country (Seenivasan R.(2014)). Richardson R. (1997) stated that the introduction of the accrual accounting system was part of the programme for implementing the 1989 Public Finance Act, which established departmental reporting requirements in accordance with Generally Accepted Accounting Principles (GAAP). The implementation of IPSAS in New Zealand has positively impacted the efficiency and accountability so that there was no wish anywhere in New Zealand to return to cash accounting system.

In Australia, the introduction of accrual accounting for government budgeting and accounting taken place in 1990. The objective was to make the public sector more efficient and improve transparency (Bellanca S, VandermootJ. 2014).Barret P.(2006) claimed that the adoption of an accrual based regime in the Australia public sector has enhanced efficiency, effectiveness, accountability and allowed for better costing of programmes and services provided by government.

Developing countries

In East Africa, the adaptation of IPSAS has not taken firm root and nations are at different levels of implementation. The heads of state of the East African countries (Kenya, Uganda, Tanzania, Rwanda, Burundi), signed the East African Monetary Protocol on 30 November 2013, which meant that there was need to harmonize financial reporting across the region. The Partner States in principle adopted the use of International Public Sector Accounting Standards (IPSAS), accrual basis for central and local governments and non-trading State Owned Enterprises and regulatory bodies. However, implementation across partner states is at varying levels.

Tanzania adopted IPSAS in 2012/13 for the entire government. A number of implementation problems have been observed by the National Audit Office of Tanzania (NAOT). For the year ending 30 June 2016, of 222 audited financial statements, 24 had qualified opinions, three had adverse opinions and five had disclaimers (Central Government Annual General Report, 2015-16). The same report stated that the initial adoption of IPSAS in Tanzania was based on legislation that was inconsistent with accrual basis IPSAS and as a result significant accounting issues were identified.

Rwandahas put in place a road map aiming at achieving full compliance to accrual based IPSAS by 30 June 2020.

In Uganda, a legal framework adopting IPSAS as the financial reporting framework has not yet been adopted. However, the Public Finance Management Act 2015 gives the Accountant General the powers to decide the accounting framework to be used in the meantime. The country is however, aiming at full adoption of cash basis IPSAS by the end of financial year 2016/17; as an interim attempt to standardize the manner in which general-purpose financial statements are presented under the cash basis accounting. In 2006, the Institute of Certified Public Accountants of Uganda (ICPAU), the country's Professional Accountancy Organisation (PAO) adopted the accrual based IPSAS as its accounting framework in order to streamline its financial reporting.

In Kenya In July 2014, the board adopted IPSAS cash basis of accounting as the financial reporting framework for National Government (Ministries, Departments, and Agencies) and County Governments.

The situation in East Africa therefore shows that full time adoption of IPSAS is still a long way but the intention is made.

Nigeria's federal government fully adopted IPSAS from January 2016 (Ugwumadu, 2015), but each of Nigeria's 36 independent states will determine its own implementation period. IPSAS implementation in Nigeria was phased out over two-stages:

•Implementation of cash basis IPSAS

•Implementation of Accrual based IPSAS

The implementation period for IPSAS Cash was set to take 5years from 2010. Before implementation of IPSAS cash, the Government of Nigeria had to review its processes and systems including legislation. Nigeria began IPSAS implementation in 2016. Each of Nigeria's 36 independent states has to determine its own implementation period. Under the Financial Reporting Council (FRC) of Nigeria Act of 2011, Nigeria's FRC is responsible for setting public sector accounting standards which are in line with IPSAS. Nigeria's expectations from IPSAS were not only financial management improvement, transparency and accountability, but also tackling corruption

Ghana announced in 2014 that the country would implement accrual basis IPSAS from 2016, with full roll-out expected to take five years. Ghana has adopted IPSAS for all public sector accounts, beginning from 2016 (ICA-Ghana, 2016). However, the complexities involved have been taken in consideration, and a step-by-step approach to implementation has been encouraged by the government.

The adoption was recommended by the Institute of Chartered Accountants Ghana (ICAG), the Controller and Accountant-General's Department (CAGD) and the Audit Service.

South Africa has partially adopted IPSAS, but is awaiting completion of the Financial Management Information Systems project that supports Generally Recognised Accounting Practice (GRAP) before full implementation can be enabled. Current reporting uses accruals, but is not fully compliant with GRAP standards.National and provincial public entities report on modified cash basis using either adopted IFRS or GRAP.
There remain significant problems with the quality of public sector accounts in South Africa, though the number and proportion of qualifications is reducing.
The Auditor- General of South Africa (AGSA) has noted that the main reason for qualified, adverse and disclaimed opinions is inadequate or missing documentation for amounts disclosed in the financial statements (AGSA, 2017).

Zambia began adopting cash basis IPSAS in 2016 and is committed to fully adopting cash basis IPSAS in 2020.

Zambia's Government announced in 2013 that, as part of its public finance management reform, IPSAS will be adopted as its reporting framework by 2020 (Government of the Republic of Zambia, 2013; IMF, 2015). Preparation for IPSAS is underway, with the Zambian Institute of Chartered Accountants (ZICA) holding sensitisation workshops in 2016 and 2017 on IPSAS implementation (ZICA, 2017). Funding has been allocated by the World Bank to assess the 'Road Map for Zambia' (World Bank n.d.). The accounts of the Republic of Zambia for the financial year ended 31 December 2016 were not prepared in accordance with cash or accrual basis IPSAS.

Zimbabwe has announced it will adopt accrual basis IPSAS by 2021. Central government and local authorities are currently using cash accounting.
Zimbabwe has announced that it will adopt IPSAS by 2021. Central government and local authorities are currently using cash accounting. Zimbabwe is being supported by a range of international institutions in moving to IPSAS such as World Bank and IFAC.

IFAC is funding the Institute of Chartered Accountants Zimbabwe to do this, with the Institute holding a sensitisation workshop in 2016 on IPSAS implementation (IFAC, 2016).

2.5.2. International Organizations and Intergovernmental Organizations

Beyond governments, international organizations and Intergovernmental organizations are embracing IPSAS.

Among intergovernmental institutions and international organizations we can observe a number that have chosen to adopt IPSASs directly.

The OECD was an early adopter of IPSAS. It issued its first set of IPSAS compliant financial statements in 2000 and was followed by North Atlantic Treaty Organization (NATO) in 2008; but well before most national governments, except Switzerland and a few smaller countries which had taken the samedecision slightly earlier (Bergmann 2006, p.47).

International Organizations (IOs), such as the United Nations (UN), the World Health Organization (WHO), the World Food Programme (WFP),AUC, just to mention a few of them, have recently undertaken major reforms of their financial reporting. The reforms, which are in most cases in the context of wider management reforms, are aiming for an improvement towards ‘transparent financial reporting, strong accountability and good governance (UN, 2006a) Others, such as the EC are more explicitly targeting the elimination of technical weaknesses of previous accounting systems, such as the reporting of assets and liabilities (EC, 2002; Grossi and Sovericha, 2011)

WHO began implementing IPSAS in 2006. IPSAS was a key requirement of WHO’s Enterprise Resource Planning project, the Global Management System (GSM), which went live in 2008. The alignment of the changes required by IPSAS to the design and implementation of GSM was an important step towards introducing accrual accounting and avoided costly additional system modifications. WHO achieved partial IPSAS compliance by 2010, and proceeded toward full implementation when GSM was adopted by all WHO Regional Offices. In 2012, WHO’s Financial Report and Audited Financial Statements fully complied with IPSAS (Margaret Chan, 2013).

Between 1999 and 2001, World Intellectual Property Organization (WIPO) also began to make preparations for a project which would provide an integrated Administrative Information

Management System (AIMS) that would include Finance, payroll, Human Resource Management, budgeting, procurement, enterprise reporting, and program management. The decision of IPSAS adoption was taken in 2006.
By 2010, the Finance Department shifted to using the International Public Sector Accounting Standards (IPSAS) and implement procedures which are compatible with the requirements of this specific accounting framework.

The accounting treatment of revenues in many IOs can be seen in a wider context about the relevance, importance and impact of different contributions schemes. According to Graham(2017a) considers how different funding sources (e.g. assessed contributions vs. voluntary contributions) influences IO's governance. He argues that the shift towards increased voluntary contributions has the capacity to undermine the multilateral decision-making and the authority of IOs, however acknowledges that voluntary contributions might empower non-state actors to contribute funds. For this view, Reinsberg(2017) shows that influence is a dominant motive behind donor contributions, particularly for medium-sized donors and emerging donors. Ege and Baur(2017) end up by studying the consequences of increasing financial dependence on voluntary contributions and show that an increase in voluntary contributions is associated with a significant decrease in the share of permanent staff.

Taking into account these statements above, we may understand why financial reporting of IOs is in many respects similar to public sector financial reporting; which means that many IOs are influenced in their financial reporting by their member states. It is therefore, understandable how financial reporting of IOs has developed over time. Both, Intergovernmental and IOs are strongly influenced by budgets and budget executions statements, which are published and approved in a political process.

2.6. The Presentation of financial statements under IPSAS

The objective of general purpose financial statements is to provide information about the financial position, financial performance and cash flows of an entity that is useful to a wide range of users in making decisions about the allocation of resources and to demonstrate the accountability of the entity for the resources entrusted to it. Fundamental principles underlying the preparation of financial statements, including going concern assumption, consistency of presentation and classification, accrual basis of accounting, and aggregation and materiality.

A complete set of financial statements in accordance with IPSASs comprises of the following components:

2.6.1. The statement of financial position (IPSAS 1)

Current and non--current assets and liabilities are normally shown as separate classifications in the statement of financial position. It is, however, also allowed to present assets and liabilities in order of liquidity if this provides information that is reliable and more relevant. An asset that is classified as current must satisfy one of the following criteria. It must be expected to be realized in, or be intended for sale or consumption in, the entity's normal operating cycle.
The criteria are:

a. The asset is held primarily for trading;
b. The asset is expected to be realized within 12 months after the reporting date;
c. The asset is cash or cash equivalent;

All other assets are classified as non--current *(*IPSAS 1 paragraph 88*).*

2.6.2. The statement of financial performance (IPSAS 1)

A statement of financial performance is required that includes only those items which must be recognized in surplus or deficit. The following items are, as a minimum, presented on the face of the statement of financial performance.

a. Revenue;
b. Finance costs;
c. Share of surplus or deficit of associates and joint ventures accounted for using the equity method;
d. Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations;
e. Surplus or deficit for the period.

An analysis of expenses using a classification based on either the nature or function of expenses within the entity is also required to be presented by the entity either on the face of the statement of financial performance or in the notes.

2.6.3. The cash flow statement (IPSAS 2)

An entity which prepares and presents financial statements under the accrual basis of accounting should prepare a cash flow statement present it as an integral part of its financial statements for each period for which financial statements are presented (IPSAS 2.1, p. 74). This statement presents the way cash and cash equivalents are generated and used. It should report cash flows during the period classified by operating, investing, and financing activities if using the direct method (IPSAS 2.18, p. 80).

The cash flow statement should reconcile to "cash and cash equivalents" in the statement of financial position. Cash equivalents are somewhat vaguely defined as short-term highly liquid investments that are readily convertible to known amounts of cash, and carry an insignificant risk of changes in value.

Cash flows from interest or dividends either received or paid can be classified as operating, investing or financing. Non cash transactions should not be included in the statement of cash flows, but should be disclosed in the notes.

2.6.4. The statement of changes in net assets/equity (IPSAS 1);

According to ACCA(2016), a statement of changes in equity is required to be presented as part of the financial statements. Changes in equity reflect the increase or decrease in net assets/equity during the period. The following items are presented:

a. Total revenue and expenses for the period, showing separately the total amounts attributable to owners of the controlling entity and to minority interests;
b. For each component of net assets/equity, the effects of retrospective application of an accounting policy or retrospective restatement recognized in accordance with IPSAS3 on accounting policies;
c. For each component of net assets/equity, a reconciliation between the carrying amount at the beginning and the end of the period.

2.6.5. The notes to the financial statements, or annex (IPSAS 1).

The disclosure notes are an integral part of the financial statements. They provide the narrative description and/or disaggregation of items disclosed in the primary financial statements plus information about items that do not qualify for recognition in the primary statements.

It provides information about the basis of preparation of the financial statements and significant accounting policies including details of the measurement basis used in preparing the financial statements and details of other accounting policies relevant to an understanding of financial statements. The disclosure notes supports information for items presented in the primary financial statements.

2.7.IPSAS Implementation Project within the African Union

Before 2014, the AU had been using IFRS and other applicable International accounting standards which do not adequately accommodate and address the institutional needs and contextual issues of an intergovernmental organization. Furthermore, financial information provided by African Union and its liaison offices was not full, consistent, standardized and comparable, which may lead to ineffective financial management.

In January 2013, as part of the AU reform agenda, the Assembly of Heads of State and Government approved the adoption of IPSAS as its future financial reporting framework. The objective was to harmonize financial reporting practices, improve transparency, promote efficiency, and Comparability of AU's financial statements

The implementation of IPSAS has taken effect from 1 January 2014 union wide, with view that 31 December 2014 financial statements would be prepared on full accrual based (African U. 2016 p III.).

The implementation phase of the International Public Sector accounting Standards within the AU has been launched during the IPSAS Oversight Committee first meeting on the 21 October, 2013 in Johannesburg, South Africa; where the Deputy Chairperson stressed the importance of the IPSAS project. According to him, the Union should not to remain behind but be in tune with comparable organisations since the resources are mobilising from the same sources.

2.7.1. IPSAS implémentation Project Gouvernance Structure

The African Union has initiated various actions to implement the Executive Council Decision with the establishment of IPSAS governance structures.

The AU IPSAS governance structure was composed by:

a. *IPSAS Oversight Committee (IOC)*: It has been assigned to provide overall guidance and direction, approve the project plan and strategies, address project issues and risks, provide ad-hoc direction and advice, to assess and decide project changes.

b. *Sponsor*: Director, Programming Budgeting Finance and Accounting (PBFA)

c. *Technical Implementation Task Force*: The members of this team are recommendation providers to the IOC. They are assigned to review status report, review technical and operational issues, recommend policy changes, and escalate cross cutting issues to the IOC.

d. *IPSAS Coordinator*: The coordination was between Technical Implementation Task Force and different work stream such as : Policy work stream, ERP systems work stream, Training work stream, Management & Communication work stream

2.7.2. IPSAS Implementation Road Map

A road map has been established for transition from the previous accounting system to IPSAS and an operational framework for its implementation. The transition has been planned incrementally and in phases as below:

a. *Political Decision*: Policy Decision Adopted (1st Qtr 2013)
b. *Governance:* Oversight Committee & Implementation Task Force Formed (2nd Qtr 2013)
c. *Organizational Impact Analysis* : Road Map adopted with Estimated Resource requirements, Inception Workshop held (1st Qtr 2013)
d. *Review of Policy Documents*: Reviewing the Financial Rules and Regulations and other related policy and procedures (2nd & 3rd Qtr , 2013)

e. *Training Needs*: Training Need Analysis and Development of Training plans (3rd Quarter, 2013)

f. *Training*: Implementation of Training plan (4th Qtr thru 2014)

g. *First Time Adoption*: First Time Adoption Financial Statements under Accrual based IPSAS (Dec 2013)

h. *Complete Adoption*: Financial Statements for the year ending 2014 in full compliance accrual IPSAS (Dec 2014);

i. *Audit*: Board of External Auditors first fully IPSAS compliant Financial Statement of African Union

Table 2.7.1: Differences between AU's previous accounting practices and IPSAS

Financial Statements	AU's previous practices	IPSAS
Statement of financial position	Previously statement of assets, liabilities and reserves and fund	Statement of financial position
Fund accounting	Financial position by shown on face of statement	Consolidated position only shown on face of statement (individual funds shown in notes to the financial statement under segment reporting
Assets and liabilities	No distinction between current and non-current	Presentation of assets and liabilities by current (<12months) and non-current
Assets	Limited categories of assets reconized,expenditure on fixed assets expensed immediately	Wider recognition of asset- notably property, plant and equipment and intangible assets
Accounts receivable/payable	No distinction between exchange and non-exchange balances	Balances relating to exchange and non-exchange transactions to shown separately
Employee benefits	Recognition and disclosure in notes for post-employment benefits do not exist	Recognition of long-term employee benefits liabilities, most notably concerning post-employment benefits
Unliquidated obligations	Unliquidated obligations appear as a liability on the face of the statement	No longer recognized as liabilities. However, can be disclosed in the notes
Statement of financial performance	Previously statement of Income and Expenditure and changes in reserves and Fund Balances	Statement of financial performance
Fund accounting	Financial result by fund shown on face Statement	Consolidated result only shown on face of statement (individual funds shown in notes to the

		financial statements under segment reporting)
Expenses	Disclosed in one single line in the face of financial position. Include amounts relating to asset purchases and unliquidated obligations	Split on face of statement by type of expense. Expenses do not include asset purchases but include depreciation/amortization and accruals
Depreciation	No depreciation charge (cost charged immediately to expenses)	Property, plant and equipment recognized and related depreciation charge shown on the statement
Exchange rate	UNORE used	UNORE more closely aligned to the market
Statement of changes in net assets/equity	Statement not previously prepared	Statement required under IPSAS. Includes adjustment for initial recognition of assets and liabilities not previously recognized
Cash flow statement	Statement prepared using indirect method for operating, investing and financing activities	Statement using indirect method for operating, investing and financing activities
Statement of comparison of budget and actual amounts		
Disclosure		Based on annual budget amounts. Also compares original and final budgets. Explanation of material variances required in conjunction with the financial statement
Disclosure	Reconciliation not relevant	Budget to actual reconciliation required reflecting the difference in bases for the financial statement and the budget
Notes to the financial Statement		
Disclosure	Disclosure requirements are comparatively limited	IPSAS 1 outlines note structure and other IPSAS standards outline specific disclosure requirements, which are more detailed and comparatively comprehensive
Segment reporting	Partial	Required disclosure will be made by fund
Budget reconciliation	none	Reconciliation between budget (prepared on budgetary basis) and financial statement (full accrual basis) required

Source: AU's Policy Guidance Manual for IPSAS

2.7.3 Significant IPSASs applicable to the AU

Since the year ended 31 December 2014, the financial reporting of the AU has been prepared in accordance with International Public Sector Accounting Standards and the requirements of African Union Financial Rules and Regulations.

Based on AU's financial statements for the year ended December 31th, 2016, the significant IPSASs applicable to the AU are:

IPSAS1: Presentation of Financial Statements

IPSAS 2: Cash Flow Statements

IPSAS 3: Accounting Policies, Changes in Accounting Estimates and Errors

IPSAS 4: The Effects of Changes in Foreign Exchange Rates

IPSAS 6: Consolidated and Separate Financial Statements (superseded by IPSAS 34, 35)

IPSAS 9: Revenue from Exchange Transactions

IPSAS 12: Inventories

IPSAS 13: Leases

IPSAS 14: Events after the Reporting Date

IPSAS 15: Financial instruments, disclosure and presentation (superseded by IPSAS 29,30)

IPSAS 17: Property, Plant and Equipment

IPSAS 18: Segment Reporting

IPSAS 19: Provisions, Contingent Liabilities and Contingent Asset

IPSAS 20: Related Party Disclosures

IPSAS 21: Impairment of Non--Cash Generating Assets

IPSAS 23: Revenue from Non--Exchange Transactions (Taxes and Transfers)

IPSAS 24: Presentation of Budget Information

IPSAS 25: Employee Benefits (will be superseded by IPSAS 39 in 2018)

IPSAS 28, 29, 30: Financial instruments

IPSAS 31: Intangible Assets

IPSAS 34: Separate Financial Statement.

IPSAS 35: Consolidated Financial Statements

IPSAS 36: Investments in Associates and Joint Ventures

IPSAS 37: Joint Arrangements

IPSAS 38: Disclosure of interests in other Entities

IPSAS 39: Employee Benefits

Among the said IPSAS standards above, six of them (IPSAS 34, IPSAS 35, IPSAS 36, IPSAS 37, IPSAS 38, and IPSAS 39) are not included in Policy Guidance Manual of AU.

2.8.Empirical Review

According to Mugenda and Mugenda (1999) empirical review refers simply to the ongoing studies about the topic or area under study. The empirical studies on IPSAS have mainly been developed in Governments than International or Intergovernmental Organizations.

According to Oulasvirta, (2008**,** p. 225**),**it is quite a contradictory solution when IPSAS standards are issued on the basis of IAS/IFRS applied to enterprises without preparing a general framework for public sector entities that differ in many crucial aspects from for-profit organizations.

Christiaens et al. (2010, p. 552) concluded that the IPSAS are still relatively unknown, especially in comparison with accrual accounting, thus some jurisdictions choose not to apply IPSAS. Benito et al. (2007, p. 314) stated that at present in general most accounting systems are not adapted to IPSAS and it is a long road to achieve this because IPSAS have appeared recently.

In 2005, researchers from Queens University in UK, Belfast published the results of their research in the costs and benefits of adopting accrual accounting in Northern Ireland (NI), a region of the UK (Hyndman and Connolly, 2005). Their research concluded that serious deficiencies in the accounting skills available contributed to a rushed, confusing and uneven implementation process.

International journal on governmental financial management in (2008) found out that while no department had prepared a budget for the introduction of accrual accounting, or kept records of actual costs, the costs were perceived as being substantial. Many of the costs of introducing accrual accounting will be ongoing rather than being ‘one off. This will include, for example, the increased costs of employing significantly more professionally qualified accountants (Hyndman and Connolly, 2005). Governments have traditionally had few qualified accountants in their civil service because of the simplicity of their cash accounting systems.

Chow et al (2008), the final stage of the move to accrual accounting in the UK was to have been the production of Whole of Government Accounts (WGA). However, recently published research suggests that this is facing significant problems; the longer the delays in publication of

WGA financial statements, the more it is likely to be argued that the problems encountered are fundamental ones, rather than initial teething troubles or resource issues.

Hepworth (2003) concluded that, to introduce accrual accounting is costly, time consuming and requires a diversion of resources from other activities. It requires a great deal of co-operation from key actors and will need significant changes of substance to the organization, procedures and responsibilities of managers.

According to the Australian academic Researchers, the presentation of the accrual budgets and financial statements of Australian Government departments based on IPSAS has become a controversial matter. It has led to a widespread dissatisfaction in Parliament and parts of the Public Service (Barton, 2004).
Despite the advantages of IPSAS standards, the Australian parliament has noticed that the resulting in some improvement in transparency, have posed challenges for Parliament's control of the appropriations processes (Jones and Olson, 2005). Indeed a leading Australian academic, Prof Alan Barton (2007), recommended to the same committee that the reintroduction of the Cash Accounting and Budgeting System (CABS) is necessary for fiscal policy determination and management purposes.

According to study conducted by Ijeoma (2014) in Nigeria, the implementation of IPSAS will improve the reliability, credibility and integrity of financial reporting in state Government administration in Nigeria. Margaret C. (2013) claimed that the main benefits of IPSAS are increased transparency which provides a better understanding of WHO's financial performance, greater accountability to make informed decisions about resource utilization, and improved financial information to support governance, management of assets, and decision-making. IPSAS accounting and financial reporting standards are internationally recognized and are being adopted by all United Nations organizations. Complying with IPSAS necessitates an enhanced system of internal control to support the additional reporting needs and requires WHO to recognize and disclose information that is both useful and relevant to users of its financial statements

Australia and New Zealand were pioneers in the adoption of accrual basis accounting in the public sector and are often used as practical examples in the debate over the application and effects of accrual accounting in the public sector (Champoux, 2006). A study by Kober et al. (2010) discusses the controversial question of how useful the information generated through the adoption of accrual accounting has been in Australia. These authors aimed to determine how well the needs of information users have been served under different accounting systems based on an examination of the perceived usefulness of public sector financial information by internal and external users and preparers.

Atuilik (2013) found that there is significant statistical inverse relationship between announcement of adoption of IPSAS by developing countries and the level of perceived corruption in those countries, suggesting that the announcement of IPSAS adoption by governments is associated with a reduction in the perception of corruption.

2.9.Summary and Gap in the Existing Literature

Firstly, this literature has emphasized the key concepts of the study by giving the meaning of IPSAS, what public sector refers to, and the public sector accounting (cash and accrual basis accounting). Moreover, the phases to undertake for a smooth IPSAS implementation have been discussed.

Regarding to the literature, the International Public Sector Accounting Standards provide an accounting framework which can be followed by all public sector entities, including Governments and intergovernmental organizations in order to enhance quality and consistency in public sector accounting across the world.

Many governments, in both developed and developing countries across the world have started the amendment of their PFM laws in order to set up an accounting system based on IPSAS. However, very few governments have actually adopted the standards. In fact IPSAS adoption depends on the economics, politics, and legislation conditions. The financial support for the IPSASB in developing its accrual based financial standards has been mainly provided by IFM and WB.

In this study, the Literature on IPSAS adoption has revealed that the improvement of the quality, comparability, and credibility of financial reporting has been an everlasting need in public sector. The different views of researchers on accrual basis accounting, may helpfully serve as an input for IPSAS implementation.

The Studies on the use of accrual - based accounting in the public sector have reported both, negative and positive impact. According to the studies conducted on IPSAS implementation in New Zealand, Australia, UK and Nigeria, revealed that the implementation of IPSAS has positively impacted financial reporting. The main benefits of IPSAS are increased transparency which provides a better understanding of financial performance, greater accountability to make informed decisions about resource utilization, and improved financial information to support governance, management of assets, and decision-making. It has been the same appreciation of IPSAS by International and Intergovernmental Organizations, especially United Nations system organizations (WHO, WOP, WFP, UNESCO,UNICEF,..), where the IPSAS has successfully implemented.

On the other hand, researchers claimed that the IPSAS have a limited contribution, and make problems sometimes to users and preparers of financial reporting. Accrual accounting introduction is costly, time consuming and requires a diversion of resources from other activities (Hepworth, 2003). Despite the advantages of IPSAS, the parliament's control of appropriations processes in Australia has been affected; the government has been advised to reintroduce Cash accounting and Budgeting System for fiscal policy determination and management purposes.Therefore, the past studies indicate that both the cash basis and accrual basis accounting models serve a particular purpose in the public sector.

Despite the fact that IPSAS adoption in governments and others public entities across the world has been a concern for many researchers,there is a lack of empirical study that provide an overview of the transition to and implementation status of the International Public Sector Accounting Standards (IPSAS) in African Union Commission and show how this process has been carried out. This study attempts fill the gap and enable AU as well as stakeholders to understand the current status of IPSAS implementation, benefits and challenges of IPSAS adoption.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1. Introduction

This chapter introduces the research methodology which used to collect data in order to answer the research question. The chapter discussed the sources of information, study population and the target population. It emphasized the types of data, sampling design and the sample size that was used. The data collection methods, techniques, instruments, and data analysis and reporting were clarified**.**

3.2. Research Design

A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure (Claire S. 1962)

According to Mugenda and Mugenda (1999) there are three types of research designs: *Explanatory study design* which is a study that focuses on the discovery of ideas and insights as opposed to collecting to statically accurate data. *Descriptive study design*s are scientific studies done in order to describe a phenomenon or object. They require rigorous research planning and execution and often involve testing of hypothesis or answering research questions. *Causal study designs*, like descriptive research, causal research is a quantitative in nature as well as pre-planned and structured in design. It explains the cause and effect between variables, which is opposed to the observational style of descriptive research.

This study therefore is a descriptive study; it is designed to describe the current status of IPSAS implementation in one of Intergovernmental Organisations which is African Union.

A research design was used to structure the research to show how all major parts of the research project work together and also will try to address the central research questions.

3.3. Study Population

A population is defined as all elements (individuals, objects and events) that meet the sample criteria for inclusion in a study. The African Union headquarter has organs, regional and liaison offices. AU headquarter has a Finance department with five divisions, which are: Accounting division, Financial management division, Programing & Budgeting division, External Resources Mobilization division and Peace & Security Finance division.

The financial reporting of AU is always consolidated with its regional and liaisons offices in order to give the picture of the Organization in a whole. African Union has fifteen Regional Offices and ten Liaison Offices. Each office from both Regional and Liaison offices has a finance and administrative officer who is in charge of accounting and finance activities. The population is AU headquarter and its regional and liaison offices. The targeted population is, those directly or indirectly involved in technical implantation tasks, such as, members of IOC, the heads of accounting and/ or finance divisions in Finance department at AU headquarter, and finance and administrative officers in Regional and Liaison offices (all), and head of audit service.

3.4 Sampling

A sample is elements selected with the intention of finding out something about the total population from which they are taken. The sampling technique used in this study is purposive or judgment sampling technique. Purposive sampling technique occurs where a researcher selects a sample size or study unit with a purpose or because they are convinced that the selected study unit has the information he/she is looking for.

The sample size is the five head of divisions from Finance Department at AU headquarter fifteen Finance and administrative officers from Regional Offices, and ten Finance and administrative officers from Liaison Offices.

Table 3.1. Sampling procedures

The table below shows the targeted population and the sample size per sector

Target Population	**Sample size**
Divisions of Finance Department at AU headquarter	5
Regional finance and administrative offices	15
Liaison finance and administrative offices	10
Total	**30**

Source: Primary data

3.5. Data collection

This study gathered both primary and secondary data. The researcher collected Primary data at the source, and Secondary data are the ones collected from AU's documents.

3. 5. 1. Document analysis

Document analysis focuses on reconstructing processes and events; evaluating documents in terms of author, target group, authenticity and clarity; identifying main topics; and comparing the document for internal consistency and coherence.

The document analysis is the convenient, quick and effective way to collect the data for doing research. According to Berg (1989; cited in Truong, 2011, p. 37), content analysis will provide data triangulation for the questionnaire results. Despite its ineffectiveness in testing casual relationships between variables, it will be supported by data gained from questionnaires.

Types of documents analyzed in this research include the current Financial Rules and Regulations of the AU, financial statements and Policy Guidance Manuel of the AU. The consolidated financial statements produced from the year ended 31 December 2014 up to 31December 2017 are analyzed in comparison with Policy Guidance Manual ,and Financial Rules and Regulations of AU.

Considering the importance of information provided in financial statement, it is quite obvious that they are the most useful document for this study.

3.5.2. Questionnaire

Monette et al. (1994, cited in Truong, 2011, p. 38) stated that the research survey has some advantages. First, data can be gathered more low-cost and much more than in interviews. Second, the questionnaire can be sent by email, which helps the research to solve the problem that it is difficult to directly meet respondents who are often busy. Third, the respondents may tend to provide more accurate and honest responses when they do not have to face with the researcher.

Questionnaire both open-ended and closed-ended were distributed. The study population consisted of the Head of divisions of PBFA, finance and administrative officers of both Regional and Liaison offices.The researcher sent the survey questionnaires by email, annexed with a permission letter for research because the targeted population are located in different countries.

The choice of respondents is based on the following characteristics:

- Internal users: persons responsible for, or managers of, programs, sectors, departments, that use information generated by the Organization to which they are connected;
- Preparers: persons responsible for accounts preparation, bookkeeping, and other actions related to accounting information (accountants and accounting sector managers).

The fact that all these respondents are experienced and involved in IPSAS implementation at AU is because the information given by they are reliable.

3.6 Data analysis technics

This study used descriptive analysis to describe a phenomenon or an object. The phenomenon in this case is the current status of IPSAS implementation at African Union. The researcher describes the challenges encountered, benefits derived from IPSAS adoption and the driving forces led AU to adopt IPSAS. Mainly, the responses from survey questionnaires have shown the degree of agreement on the statements related to the research question. The gathered data in this study are analyzed through the use of descriptive analysis. Analyzed data are presented in tables and graphs.

CHAPTER FOUR
RESULTS AND DISCUSSION

4.1 Introduction

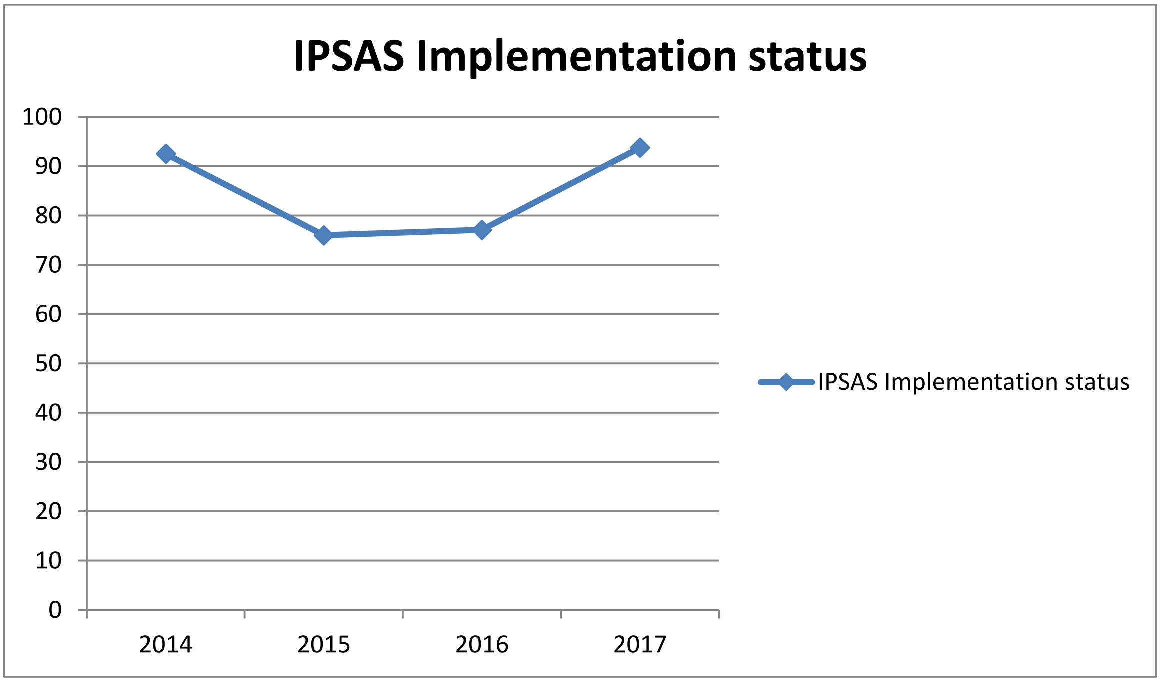
This chapter presents the data analysis of the study on the implementation of International Public Sector Accounting Standards at AU. The data presented in this chapter was not only collected through questionnaires but also via Financial Statements and AU's Guidance Manual. In this study, out of 30 questionnaires administered 28(93.3%) filled in and returned, this questionnaires return rates was deemed adequate for the study.

4.2. Descriptive Analysis

4.2.1. IPSAS implementation status

Figure 4.2.1: State of IPSAS implementation within a period of four years

The graph below shows the IPSAS implementation within four years, and also emphasizes how IPSAS implementation has been getting progressive. The vertical axis shows in percentage (%) the number of IPSASs applied, and horizontal axis shows the period (years)



Source: AU's financial statements

Based on the above graph, the application of IPSAS has not been taken as a growing line all along the four years of implementation. This is due to the new standards revealed and recommended by IPSASB in 2014 which were applicable to the AU that have not been implemented in the two following years (2015 and 2016).

For the year ended 2014, the IPSAS implementation has reached 92.50%. The financial reporting at AU was not prepared on full accrual basis of IPSAS but as it was implemented at the very first time, the achievements are very considerable. However, in terms of IPSAS standards number, the level of IPSAS implementation is high but the compliance with IPSASs is not very consistent because comparative information has not been provided in the financial statement, no disclosure, and budgets were prepared and approved on cash basis. The 7.5 % unachieved were the three IPSAS standards partially implemented, while another one has not been applied at all.

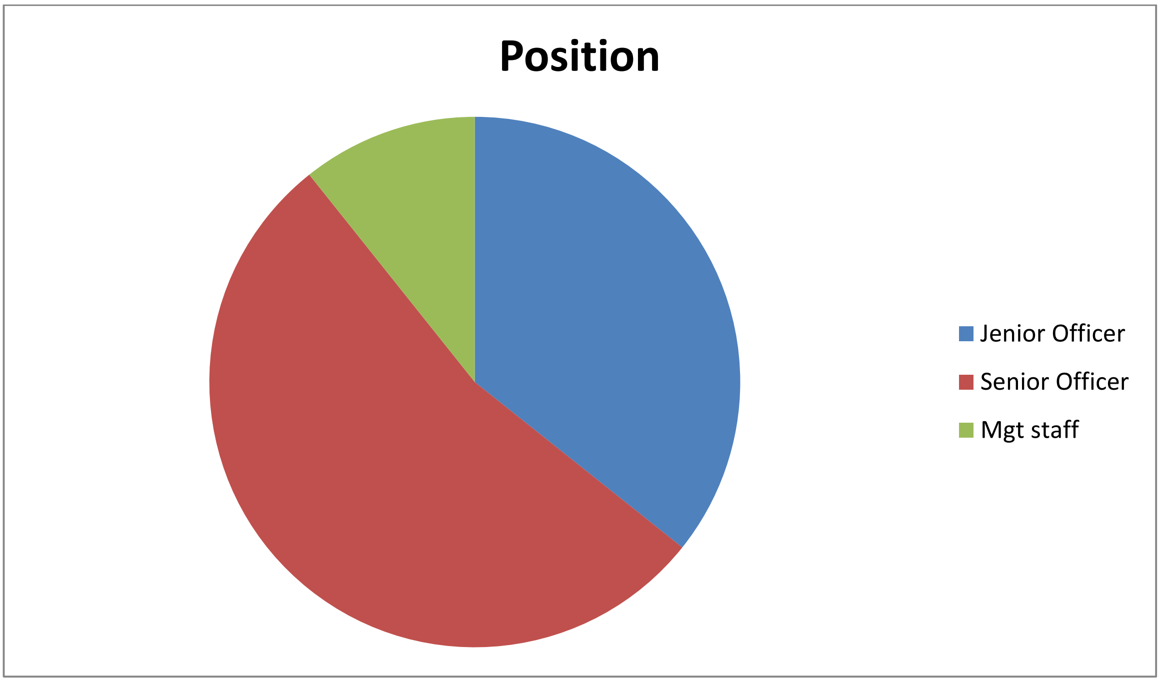
Considering the above graph, the year ended 31December 2015 compared to the year ended 2014; the AU did not keep the same implementation speed. The IPSAS implementation state was at 76 %. For that said year, the number of IPSASs that AU applied in comparison with the previous one, the declination is obvious but based on the implemented standards, the financial reporting was in compliance with accrual basis accounting. The 24% unachieved comprise three IPSAS unimplemented for the year ended 2014 plus five new IPSAS released by IPSASB in 2014.

For the year ended 31 December 2016, 77.08 % of IPSAS have been implemented. During the recently said year, it is the only non-implemented standards in 2014 that have been applied in that mentioned year. In comparison with the year ended 31 December 2015 the consistency in compliance with IPSAS standards was a little bit increased.

The year ended 31 December 2017, the IPSAS implementation at AU has reached a significant level. 93.75% of IPSAS standards have been implemented. The 6.15% non-implemented are IPSAS 17 which is being partially implemented while IPSAS 39 is expected to be implemented in 2018.The financial reporting of the year 2017 was very compliant with accrual basis accounting because the comparative information and disclosures were provided in the financial statements, and the other new standards released by IPSASB have been applied.

4.2.2. Questionnaire Result

Figure 4.2.2: Position information in the AU



As per figure 4.2.2 above 53.6% indicated Senior Officers, 35.7% indicated Junior Officers and 10.7% indicated Management Staff. The researcher concluded that most of the respondents were Senior Officers, followed by Junior Officers and then Management Staff.

4.2.3. Benefits, Challenges and Driving forces of IPSAS adoption

Tables below indicate the extent to which respondents agreed with the given statements concerning the Benefits, Challenges and Driving forces of adopting IPSASs in AU.
The scale ranging from 1 to 5 with 1 indicating full disagreement and 5 indicating full agreement and 3 neither agree nor disagree being at the midpoint was used. In this case 1 corresponds strongly disagree, 2 corresponds disagree, 3 corresponds Neutral, 4 corresponds Agree and 5 corresponds strongly agree.

Tables 4.2.1. Benefits of IPSAS Adoption

The tables below Indicate the responses on the extent to which respondents agreed with the given statements concerning benefits from IPSAS adoption: Accountability, Comparability and Consistency, management and Decision making, and Transparency and Internal control

A. Accountability

Statements relating to the Accountability level		**Frequency**				
		1	**2**	**3**	**4**	**5**
1	Under IPSAS, the External Auditor audits AU's financial statements and reports on the results of the audit to the AU Assembly every year instead of every two years.	0	0	0	0	28
2	The trust among contributors and Member States has been promoted due to the Reliable financial and operational information, resulted from IPSAS adoption	0	0	0	23	5
3	The implementation of IPSAS has significantly increased effectiveness of carrying out activities to fulfill the organization's mission, respecting donor intent, and using good governance practices	0	0	0	25	3
4	By following accounting standards that have been rigorously reviewed by independent Board, AU's financial statements can be viewed with increased confidence within the international community	0	0	0	22	6
5	With IPSAS accrual basis of accounting proper utilization of public resources has been enhanced	0	0	2	16	10

As can be seen in the above table, the given statements related to accountability as a benefit of IPSAS adoption in AU, the findings show that 100% of the respondents strongly agreed that under IPSAS, the External Auditor audits AU's financial statements and reports on the results of the audit to the AU Assembly every year instead of every two years. From the findings, 82% of the respondents agreed and 18% strongly agreed that the trust among contributors and Member States has been promoted; 89% agreed and 11% strongly agreed that the effectiveness of carrying out activities has been increased; 78% of respondents agreed and 22% strongly agreed that AU's financial statements can be viewed with increased confidence within the international community, and 57% agreed , 7% neutral and 36% strongly agreed that the proper utilization of public resources have been increased.

B. Comparability and Consistency

Comparability and Consistency level		Frequency				
		1	**2**	**3**	**4**	**5**
1	Aligning AU's accounting with best accounting practices through the application of credible, independent accounting standards on a full accrual basis has allowed AU to report its results on a consistent and comparable basis	0	0	0	9	19
2	The adoption of IPSAS results in improved financial reports, allowing AU to provide more meaningful information to users of its financial statements	0	0	0	5	23
3	The application of IPSASs enhanced AU's comparability of financial report across various periods and other similar organizations using IPSASs in financial reporting	0	0	0	1	27

It is obvious that participants when asked about comparability and consistency, 96% of them strongly agreed; 4% agreed that IPSASs enhanced AU's comparability of financial report across various periods and other similar organizations; 82% agreed and 18% strongly agreed that due to IPSAS AUC is able to provide more meaningful information to users of its financial statements.

C. Management and Decision-Making

Statement relating to the Management and Decision-Making level		Frequency				
		1	**2**	**3**	**4**	**5**
1	Adoption of IPSASs has improved AU's Asset management through recognition, measurement, valuation and reporting	0	0		26	2
2	Accrual accounting provides a clearer picture of AU's liabilities, such as employee salaries. Better knowledge of liabilities supports better management of AU's liabilities.	0	0	0	21	7
3	IPSASs adoption has enhanced capacity to measure costs and better expenditure management and improved value for money expenditure.	0	0	2	20	6
4	By recognizing receivables when revenue is earned, AU is able to better manage collection on a timely basis.	0	0	0	1	27
5	Adoption of IPSASs enhanced decision making due to availability of accurate, timely, relevant and reliable financial information	0	0	0	24	4

The study sought to know the extent to which the respondents agreed on the given statements that relate to management and decision-making. The research found out that 93% of respondents agreed and 7% strongly agreed that IPSASs adoption has improved AU's Asset management; 86% of the respondents agreed and 14% strongly agreed that Adoption of IPSASs enhanced decision making; 75% of respondents agreed and 25 % strongly agreed that accrual accounting has supported better management of AU's liabilities; 71% of respondents agreed and 7% neutral and 22% strongly agreed that IPSASs adoption has enhanced capacity to measure costs and better expenditure management and improved value for money expenditure. The study shows that 96% of the respondents strongly agreed and 4% agreed that by recognizing receivables when revenue is earned, AU is able to better manage collection on a timely basis.

D. Transparency and Internal Controls

	Statement relating to the Transparency and Internal Controls level	Frequency				
		1	**2**	**3**	**4**	**5**
1	Since IPSAS adoption in AU, financial transactions are recognized or disclosed either in financial statements or in notes to financial statements.	0	0	0	20	10
2	Financial statements prepared under IPSAS have helped AU to demonstrate, and users to evaluate, accountability for the use of public funds.	0	0	0	21	7
3	Adoption of IPSASs improved AU's internal control systems and increase disclosure in accounting reports.	0	0	6	22	0
4	IPSAS provides a clearer indication of how financial resources have been used in a given period.	0	0	0	28	0

The study requested the respondents to indicate the extent to which they agreed with the transparency and the quality of internal control after IPSAS implementation in AU. Findings show that 78% agreed and 22% neutral that the adoption of IPSASs improved AU's internal control systems; 75% of respondents agreed and 25% strongly agreed that Financial Statements prepared under IPSAS have helped AU to demonstrate, and users to evaluate, accountability for the use of public funds; 71% agreed and 29% strongly agreed that since IPSAS adoption in AU, financial transactions are recognized or disclosed. Based on the respondents 'answers, 100 % agreed that due to IPSAS adoption, AU is able to provide a clearer indication of how financial resources have been used in a given period.

Table 4.2.3: Challenges of Adopting IPSAS

The table 4.2.3.indicates the responses on the extent to which respondents agreed with the given statements concerning challenges faced during IPSAS implementation.

A. Training aspect

Training		**Frequency**				
		1	**2**	**3**	**4**	**5**
1	AU has provided IPSAS training to its employees. However, changes resulting from IPSAS implementation require that ongoing and focused training should be provided to key staff as they report under the new standards, but in vain.	0	0	5	23	0
2	The IPSAS orientation Courses did not offer the essential knowledge about basic IPSAS concepts, the differences between IPSAS and the IFRS, and the benefits and challenges of IPSAS adoption	0	3	4	21	
3	The staff whose undertook the courses did not have the necessary professional and academic qualifications to adopt this new order		24	2	2	
4	The trainers were not enough skilled to provide essential knowledge about IPSAS	0	20	8	0	0

When responding on IPSAS training, 82% of the respondents agreed and 18% neutral that IPSAS implementation requires ongoing and focused training to the key staff; and 75 % agreed, 14% neutral and 11% disagreed that IPSAS orientation Courses did not offer the essential knowledge about basic IPSAS concepts, the differences between IPSAS and the IFRS, and the benefits and challenges of IPSAS adoption. However, 86 % of the respondents disagreed, 7% neutral and 7% agreed that trainees did not have the necessary professional and academic qualifications to adopt this new order, and 71% of the respondents disagreed and 29% neutral that the trainers were not enough skilled to provide essential knowledge about IPSAS.

Thus, the study shows that the lack of ongoing and focused training; and orientation courses which did not offer the essential knowledge about basic IPSAS concepts, the differences between IPSAS and the IFRS, and the benefits and challenges of IPSAS adoption contributed to the low progress of IPSAS implementation.

B. Time and Resources

Time and Resources		Frequency				
		1	**2**	**3**	**4**	**5**
1	IPSAS requires additional tasks to be completed in preparing and maintaining AU financial records. These tasks need to be completed each year, which is significantly more demanding than in the former biennial process.	0	0	0	21	7
2	Donors did not fully meet the implementation costs	0	25	3	0	0
3	The projected timeline has not been met because the preparation period was not sufficient enough	0	7	21	0	0

The present study attempts to determine whether time and resources have challenged IPSAS implementation in AU. 75% of respondents agreed and 25% strongly agreed that IPSAS requires additional tasks to be completed in preparing and maintaining AU financial records, which is significantly more demanding than in the former biennial process. 89 % strongly disagreed and 11% neutral that sources from donors did not fully meet the implementation costs. As far as the projected timeline is concerned, 75% were neither agree nor disagree and 25% disagreed that it has not been met because the preparation period was not sufficient enough. Concerning the projected timeline, the majority of respondents were neutral because it’s still not yet reached.

The study concludes that additional tasks are more demanding in terms of time and resources than in the former biennial process, that IPSAS implementation cost has been covering by donors.

C. Technical and Managerial aspect

Technical and managerial aspect		Frequency				
		1	**2**	**3**	**4**	**5**
1	Lack of Wide Participation in the organization, and collaboration across locations (Head Quarter, Regional Offices, liaison Offices etc.) for the successful implementation of IPSAS	0	23	5		
2	Under IPSAS, it is no longer possible to make even minor adjustments to accounting records since any event which impacts the reporting entity's wealth must be recognized at the time it occurs.	0		3	25	0
3	Most staffs are not adequately trained to produce report on the basis of SAP	0	0	0	28	0
4	The current SAP Software IT Processing facility is not adequate for IPSAS reporting	0	19	3	6	0
5	Management culture has adversely affected the implementation of IPSAS	0	22	2	4	0

When responding whether technical and managerial aspects challenged IPSAS implementation in AU, 82% of the respondent disagreed and 18% neutral that there was a lack of wide participation in the organisation and collaboration across location. 68% of respondents disagreed, 11% neutral and 21% agreed that the current SAP Software IT Processing facility is not adequate for IPSAS reporting. 79% of respondents disagreed, 7% neutral and 14% agreed that management culture has adversely affected the implementation of IPSAS. However, 89% agreed and 11% neutral that under IPSAS, it is no longer possible to make even minor adjustments to accounting records, and 100% of respondents agreed that most staffs are not adequately trained to produce report on the basis of SAP. The study shows that technical and managerial aspect have challenged IPSAS implementation on impossibility of making adjustments to accounting records and the most staffs that are not adequately trained to produce report on the basis of SAP.

Table 4.2.4: Driving Forces of IPSAS Adoption at AU

Statement of driving forces		Frequency				
		1	**2**	**3**	**4**	**5**
1	Need to align its operations with the financial year.	0	0	0	23	5
2	Taking into account partners requirements in terms of reporting and make sure income and expenditures are recognized in real time	0	0	0	27	1
3	To be competitively comparable to like international organizations and to attract funding from more Donors	0	0	0	20	8
4	Political will and support from Member States	15	10	3		0
5	There was an assistance received from IFAC, IPSASB, or other sources throughout the implementation.	0	24	4	0	0

The study sought to know the extent to which the respondents agreed on the given statements on driving forces that led AU to the IPSAS adoption. Findings show that 82% of the respondents agreed and 18% strongly agreed that AU need to align its operations with the financial year; 71% agreed and 29% strongly agreed that to be competitively comparable to like international organizations and to attract funding from more donors is one of the motivation that pushed AU to adopt IPSAS; and 96 % of respondents agreed and 4% strongly agreed that consideration of partners requirements in terms of reporting and make sure income and expenditures are recognized in real time was also another driving force that led AU to adopt IPSAS.

As per political will and support from member States, 54% of respondents were strongly disagreed, 36% were disagreed and 11% were neutral. 86% of the respondents disagreed and 14% neutral that there was an assistance received from IFAC, IPSASB throughout IPSAS implementation. The study shows that driving forces of IPSAS adoption in AU were to align its operations with financial year, meet partners' requirements, to attract donors and to be competitively comparable with other IOs.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the data analysis in the previous chapter and gives conclusions and recommendations of the research based on the findings obtained and interpreted from the data collected. The main objective of this study was to identify the gap existing between the expected results and the current situation regarding IPSAS implementation at African Union.

5.2. Summary

Regarding to the position of the respondents in the Organisation, 53.6% indicated Senior Officers, 35.7% indicated Junior Officers and 10.7% indicated Management Staff.

Regarding to IPSAS standards implementation for the year ended December 31th, 2014, the first year of implementation, 92.50% of standards have been achieved. Despite the fact that the level of IPSAS implementation is high, the compliance with IPSASs was not very consistent due to the lack of comparative and disclosure information in the financial statement. The budgets were also prepared and approved on cash basis rather than accrual basis. The 7.5 % unachieved were the Three IPSAS standards partially implemented, and another one which has not been applied at all.

For the year ended December 31th, 2015, the IPSAS implementation status was at 76 %. The speed of IPSAS implementation declined in comparison with the previous one but it is admitted that the financial reporting was in compliance with accrual basis due to the major standards applied. The 24% unachieved comprise three IPSAS unimplemented for the year ended 2014 plus five new IPSAS released by IPSASB in 2014.

From the findings, the year ended December 31th, 2016, 77.08 % of IPSAS have been implemented .It is obvious that AU continued to take advantages of transitional period to be fully compliant with the standards following the date of first adoption of IPSAS. Even though IPSAS implementation level was still declining, the consistency in compliance with IPSAS standards was a little bit enhanced rather than 2015.The 22.92% unimplemented standards are IPSAS 17 and those five new IPSASs released by IPSASB in 2014.

The year ended December 31th, 2017, IPSAS implementation at AU has reached a significant level, and 93.75% of IPSAS standards have been implemented. In 2017 the speed of IPSAS implementation restarted. In addition to the comparative information and disclosures provided in the financial statements which were lacked in these ones for 2014, AU applied the new standards released by IPSASB. The 6.15% non-implemented are IPSAS 17 which is being partially implemented and IPSAS 39 which is expected to be implemented in 2018.

The findings indicate the responses on the extent to which respondents agreed with the given statements concerning benefits from IPSAS adoption such as accountability, comparability and consistency, management and Decision making, and Transparency and Internal control.
Regarding to the given statements related to accountability as a benefit of IPSAS adoption in AU, all respondents strongly agreed that under IPSAS, the External Auditor audits AU's financial statements and reports on the results of the audit to the AU Assembly every year instead of every two years. The findings show that the majority of the respondents agreed that the trust among contributors and Member States, the effectiveness of carrying out activities, and the proper utilization of public resources have been increased as indicated by a frequency/percentage of 89% , 82% , 78%, and 57%.

Obviously, the majority of participants strongly agreed that the compliance with IPSAS has allowed AU to report its results on a consistent and comparable basis across various periods and other similar organizations, and to provide more meaningful information to users of its financial statements. It is indicated by a frequency/percentage of 96%, 82%, and 68%.
On the management and decision-making aspect, the study shows that most of the respondents agreed that the accrual accounting has helped to better management of AU's liabilities, to better asset and expenditure management, and enhanced decision making due to availability of accurate, timely, relevant and reliable financial information, as indicated by frequency/percentage of 93%, 86%, 75%, and 71%. The study shows also that 96% of the respondents have strongly agreed that by recognizing receivables when revenue is earned, AU is able to better manage collection on a timely basis.

As per transparency and the quality of internal control after IPSAS implementation in AU, the majority agreed that since IPSAS adoption in AU, financial transactions are recognized or disclosed either in financial statements or in notes to financial statements which is helpful for AU to demonstrate, and for users to evaluate, accountability for the use of public funds, and that the internal control system has been improved as indicated by a frequency/percentage of 78%, 75%, and 71%. According to the study, 100 % of the respondents agreed that due to IPSAS adoption, AU is able to provide a clear indication of how financial resources have been used in a given period.

The findings of this study indicate the responses on the extent to which respondents agreed with the given statements concerning challenges faced during IPSAS implementation.
When responding on IPSAS training, the majority of the respondents agreed that IPSAS implementation requires ongoing and focused training to the key staff, and IPSAS orientation Courses did not offer the essential knowledge about basic IPSAS concepts, the differences between IPSAS and the IFRS, and the benefits and challenges of IPSAS adoption as indicated by a frequency/percentage of 82% and 75 %. The majority of the respondents 86 % disagreed that trainees did not have the necessary professional and academic qualifications to adopt this new order. The findings indicated that trainers were enough skilled to provide essential knowledge about IPSAS as indicated by a frequency/percentage of 71%.

As far as time and resources are concerned, the majority of respondents agreed that IPSAS requires additional tasks to be completed in preparing and maintaining AU financial records, which is significantly more demanding than in the former biennial process as indicated by a frequency/percentage of 75%. The most of respondents 89 % strongly disagreed that sources from donors did not fully meet the implementation costs. For the projected timeline, the most respondents were neither agreed nor disagreed 75% that it has not been met as the preparation period was not sufficient enough.

In the technical and managerial aspects, the majority of the respondents disagreed that there was a lack of wide participation in the organisation and collaboration across location, the current SAP Software IT Processing facility is not adequate for IPSAS reporting and that management culture has adversely affected the implementation of IPSAS as indicated by a frequency/percentage of 82%, 78% and 68% respectively. Also, the most respondents 89%

strongly agreed that under IPSAS, it is no longer possible to make even minor adjustments to accounting records, and 100% of respondents strongly agreed that most staffs are not adequately trained to produce report on the basis of SAP.

The study sought to know the extent to which the respondents agreed on the given statements on driving forces that led AU to the IPSAS adoption. From the findings, majority of the respondents agreed that need to align its operations with the financial year, to be competitively comparable to like international organizations and to attract funding from more donors, and consideration of partners requirements in terms of reporting and make sure income and expenditures are recognized in real time were the most driving forces led AU to adopt IPSAS standards as indicated by a frequency/percentage of 96 %, 85% and 71%.

As per political will and support from member States, 54% of respondents were strongly disagreed, 36% were disagreed and 11% were neutral. 86% of the respondents disagreed and 14% neutral that there was an assistance received from IFAC, IPSASB throughout IPSAS implementation.

5.3. Conclusion

The study demonstrated that during IPSAS implementation in AU, transitional provisions have been applied for the year ended December 31th, 2014. The comparative information has not been provided in the Financial Statement presentation (IPSAS 1) and in the initial recognition of some property, plant and equipment (IPSAS 17). African Union's budget and accounting bases were differed. Budgets were prepared and approved on cash basis rather than the full accrual basis of IPSAS.

The study revealed that the speed of IPSAS implementation in AU declined for the year ended December 31th, 2015 as well as 2016, because the new IPSASs applicable to the AU released by IPSASB in 2014 have not been implemented for both 2015 and 2016.Therefore, the AU continued to take advantages of transitional provisions that allow entities 5 years of transitional period to be fully compliant with the standards following the date of first adoption of IPSAS. The Union adopted IPSAS in 2014 and hence will benefit from this measure till 2018. For the year ended December 31th, 2017, the study concluded that the implementation of IPSAS standards has reached a significant progress. All applicable new standards to the AU except IPSAS 39 and IPSAS 17 have been applied

The position of respondents in the Organization, the researcher concluded that most of them were Senior Officers, followed by Junior Officers, and Management staffs, all of them have knowledge on IPSAS.

The study showed that the accountability for AU has been enhanced due to IPSAS adoption. In fact, the AU actually publishes its financial statement and reports on the results of the audit to the AU Assembly every year instead of every two years. The trust among contributors and Member States, the effectiveness of carrying out activities, and the proper utilization of public resources has been increased.

As can be seen in the findings of this study, the comparability and consistency have been enhanced due to IPSAS adoption because since IPSAS implementation, AU has been reporting its results on a consistent and comparable basis across various periods and other similar organizations, and providing more meaningful information to users of its financial statements.

The study indicated that management and decision-making system have been improved. The study showed that the accrual accounting helped to better management of AU's liabilities, to better asset and expenditure management, and to great management collection on a timely basis. The decision making has also been enhanced due to availability of accurate, timely, relevant and reliable financial information.

The study concluded that transparency and quality of internal control after IPSAS implementation in AU have been increased. In fact, financial transactions are recognized or disclosed either in financial statements or in notes to financial statements which is helpful for AU to demonstrate, and for users to evaluate, accountability for the use of public funds.

The findings in the present study demonstrated that the lack of ongoing and focused training to the key staffs affected the implementation of IPSAS. The study was able to show that IPSAS orientation Courses did not offer the essential knowledge about basic IPSAS concepts, the difference between IPSAS and the IFRS, and the benefits and challenges of IPSAS adoption.

The study highlighted also that the trainees had enough skills; professional and academic qualification to adopt those new standards.

The study concluded that IPSAS requires more sources and time than the former biennial process because of additional tasks to be completed in preparing and maintaining AU financial records. The study revealed that implementation costs have been covering by the sources from donors. The study sought out that preparation period will or not affect the projected timeline for IPSAS implementation.

The study showed that technical and managerial aspects have challenged IPSAS implementation, especially on the impossibility of making adjustments to accounting records and the staff non-adequately trained to produce report on the basis of SAP.

The study revealed that driving forces of IPSAS adoption in AU were to align its operations with financial year, meet partners' requirements, to attract donors and to be competitively comparable with other IOs.

5.4 Recommendations

5.4.1. Recommendation for AU

In line with the findings and conclusion of the study, the researcher made the following recommendations:

- There should be need of ongoing and focused IPSAS training to the key staff, especially from Finance and Accounting Department.
- According to the study, the staffs need a consistent training on the current SAP Software IT processing in use by the AU for aligning it with IPSAS reporting.
- The AU needs to upgrade its Policy Guidance Manual for IPSAS standards.
- There should be the need of Permanent Technical Team to review technical and operational issues, recommend policy changes, and to look after the enforcement recommendations.

5.4.2. Recommendations for Further Study and University

This study forecasted on the IPSAS implementation at African Union after four years of IPSAS implementation.

Thus, the researcher recommends:

A) To other University students:

- A further study on the same topic should be carried out after projected timeline to investigate if theIPSAS standards will have beenmastered and fully implemented.
- Another study should be done to determine the costs and benefits of adopting accrual accounting.

B) To Saint Mary's University:

There should be an introduction of IPSAS subject in MBA program in order to improve the knowledge of students in accounting and finance department.

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Appendixes

PROSPER MUNEZERO

St. Mary's University

Cell: +251 929 080 794

Email: muneprosper@gmail.com

Dear Respondent,

I am a Student pursuing a postgraduate degree at St. Mary's University, Masters of Business Administration in Accounting and Finance. I am intern within the Directorate of Program Budget, Finance and Accounting (PBFA) as shown herewith attached appointment letter.

The topic of my study is: "**International Public Sector Accounting Standards Implementation at the African Union."**

I would appreciate if you could devote a few minutes of your precious time to fill in the blanks in the attached list of questions to the best of your knowledge.

Your participation is essential to this study and will enhance knowledge of accounting system in Intergovernmental and International Organizations.

The information you provide will only be used for academic purposes.

Thank you in advance.

Yours sincerely,

PROSPER MUNEZERO

Survey Questionnaires

PART ONE

1) Kindly indicate your Position in the Organization

a) Junior Officer ☐ b) Senior Officer☐ c) MgtStaff ☐d) Top mgt☐

2) (i) Do you think your organization applies IPSAS?

a) Yes ☐ b) No ☐ c) I don't know☐

(ii) If Yes, in what areas of operations.

a. Budget☐ b. Financial Statements ☐ c. Audit☐ d. All☐

3) How do you process your transactions?

a. Manual system☐ b. computerized ☐ c. integrated system ☐ d. using a package ☐

4) Have you been trained on IPSAS application?

a. Yes ☐ b. No ☐

5) (i) Did African Union Commission (AUC) achieve partial IPSAS compliance implementation by :

a. 2014 ☐ b. 2015 ☐ c. 2016 ☐ d. 2017☐

(ii) Did AUC achieve full IPSAS implementation by :

a. 2014 ☐b. 2015 ☐c. 2016 ☐d. 2017 ☐e. None of them☐

6) Did AUC use its existing staff for IPSAS implementation?

a. Yes ☐ b. No☐

7) Do you encounter any form of resistance in the implementation of the IPSAS?

a) Yes ☐ b. No ☐

If yes, kindly explain

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8. How do staffs view the use of IPSAS? (It should be better not to focus on accounting section only)

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9. What driving forces led African Union Commission to the decision to adopt IPSASs and/or accrual accounting?

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10. What specific steps did AUC undertake to prepare for conversion from the existing system to the IPSAS?

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11. How would you characterize the success of the IPSAS implantation?

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12. Looking back, what might your organization have done differently (by using the IPSAS)?

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PART TWO

To what extent do you agree with the following statements on the **Benefits, Challenges and Driving forces** of adopting IPSASs in your organization? Please rate how strongly you agree or disagree by placing a check mark in the appropriate box.
Key: - Strongly disagree, - disagree, - Neutral, -Agree and - Strongly agree

I. BENEFITS OF IPSAS ADOPTION

BENEFITS						
A	**Accountability**	**Strongly disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly agree**
1	Under IPSAS, the External Auditor audits AU's financial statements and reports on the results of the audit to the AU Assembly every year instead of every two years.					
2	The trust among contributors and Member States has been promoted due to the Reliable financial and operational information, resulted from IPSAS adoption					
3	The implementation of IPSAS has significantly increased effectiveness of carrying out activities to fulfill the organization's mission, respecting donor intent, and using good governance practices					
4	By following accounting standards that have been rigorously reviewed by independent Board, AUC's financial statements can be viewed with increased confidence within the international community					
5	With IPSAS accrual basis of accounting proper utilization of public resources has been enhanced					
B	**Comparability and Consistency**					
1	Aligning AUC's accounting with best accounting practices through the application of credible, independent accounting standards on a full accrual basis has allowed AUC to report its results on a consistent and comparable basis					
2	The adoption of IPSAS results in improved financial reports, allowing AUC to provide more meaningful					

	information to users of its financial statements					
3	The application of IPSASs enhanced AUC's comparability of financial report across various periods and other similar organizations using IPSASs in financial reporting					
C	**Management Decision-Making**					
1	Adoption of IPSASs has improved AU's Asset management through recognition, measurement, valuation and reporting					
2	Accrual accounting provides a clearer picture of AU's liabilities, such as employee salaries. Better knowledge of liabilities supports better management of AU's liabilities.					
3	IPSASs adoption has enhanced capacity to measure costs and better expenditure management and improved value for money expenditure.					
4	By recognizing receivables when revenue is earned, AU is able to better manage collection on a timely basis.					
5	Adoption of IPSASs enhanced decision making due to availability of accurate, timely, relevant and reliable financial information					
D	**Transparency and Internal Controls**					
1	Since IPSAS adoption in AU, financial transactions are recognized or disclosed either in financial statements or in notes to financial statements.					
2	Financial statements prepared under IPSAS have helped AU to demonstrate, and users to evaluate, accountability for the use of public funds.					
3	Adoption of IPSASs improved AU's internal control systems and increase disclosure in accounting reports.					
4	IPSAS provides a clearer indication of how financial resources have been used in a given period.					

E. List any other benefits provided to the AUC by the implementation of IPSAS.
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II. THE CHALLENGES OF ADOPTING IPSAS

N°	**CHALLENGES**	**Strongly disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly agree**
A	**Training**					
1	AU has provided IPSAS training to its employees. However, changes resulting from IPSAS implementation require that ongoing and focused training should be provided to key staffs as they report under the new standards, but in vain					
2	The IPSAS orientation Courses did not offer the essential knowledge about basic IPSAS concepts, the differences between IPSAS and the IFRS, and the benefits and challenges of IPSAS adoption					
3	The staff whose undertook the courses did not have the necessary professional and academic qualifications to adopt this new order					
4	The trainers were not enough skilled to provide essential knowledge about IPSAS					
B	**Time and Resources**					
1	IPSAS requires additional tasks to be completed in preparing and maintaining AUC financial records. These tasks need to be completed each year, which is significantly more demanding than in the former biennial process.					
2	Donors did not fully meet the implementation costs					
3	The projected timeline has not been met because the preparation period was not sufficient enough					
C	**Technical and managerial aspect**					
1	Lack of Wide Participation in the organization, and collaboration across locations (Head Quarter, Regional					

	Offices, liaison Offices etc.) for the successful implementation of IPSAS					
2	Under IPSAS, it is no longer possible to make even minor adjustments to accounting records since any event which impacts the reporting entity's wealth must be recognized at the time it occurs.					
3	Most staffs are not adequately trained to produce report on the basis of SAP					
4	The current SAP Software IT Processing facility is not adequate for IPSAS reporting					
5	Management culture has adversely affected the implementation of IPSAS					

D. List any other challenges faced during the implementation of IPSAS.

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III. DRIVING FORCES

No	Driving forces	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	Need to align its operations with the financial year.					
2	Taking into account partners requirements in terms of reporting and make sure income and expenditures are recognized in real time					
3	To be competitively comparable to like international organizations and to attract funding from more Donors					
4	Political will and support from Member States					
5	There was an assistance received from IFAC, IPSASB, or other sources throughout the implementation.					

C. List any other driving forces led AUC to implement IPSAS in short period after adoption decision.

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