

**THE FACTORS AFFECTING THE IMPLEMENTATION OF INTERNATIONAL  
PUBLIC SECTOR ACCOUNTING STANDARDS IN KENYA**

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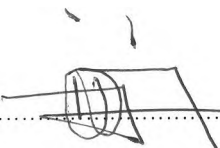
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## DECLARATION


I, the undersigned declare that this project is original work and has never been presented to any other university for any academic credit.

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This project has been submitted with my approval as the university supervisor

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## **DEDICATION**

This research study is dedicated to my family younger son Amisa and daughter Aniza for inspiration they gave during this project.

May you go beyond this!

## ABSTRACT

Reforms in Government's financial management systems and processes are becoming critical in response to increasing demands for greater transparency and accountability in the management of the public's finances. In Kenya as is widely acknowledged, there are **fundamental problems that currently inhibit the efficiency and effectiveness of the GOK's finance and accounting functions**. This is due to poor performance of basic financial functions, poor supervision, inadequate financial information and decision support, poor staff motivation and attitudes to accounting and accountability. These **inherent problems have suggested as contributing to the slow progress by the Government of Kenya in implementing its Public sector reforms in Particular the IPSAS compared to other Countries of the World**. The study sought to established factors affecting the implementation of IPSAS in Kenya hence the level of implementation. This study therefore was a descriptive study. It was designed to describe the extent of IPSAS **implementation at the Ministry Finance**. The target population was 38 Heads of accounting units and their deputies in 14 key ministries headquarters'. The sampling procedure used the stratified sampling method. This study gathered both primary and secondary data. Primary data was collected at the source by the researcher. Secondary data was **data previously collected by other researchers which was also used in this study**. This study used descriptive statistics to describe a phenomena or an object. Infereretial statistics regression and correlations were done to establish the extent to which the factors affected implementation of international public sector accounting standards in Kenya. From the findings, the study established that failure to tackle specific accounting issues, **lack of adoption of information technology, lack of international financial support significantly affected implementation of international public sector accounting standards in the public sector in Kenya**. The study concluded there are fundamental problems that currently inhibit the efficiency and effectiveness of the IPSAS implementation. Low level of technology adoption, poor NPFM reforms and adoption of IFMIS by the Kenya Government, **lack of political and weak legal framework, failure by parliament to enact new Financial management Act 2004 to recognize IPSAS, lack of trained and competent staff on the adoption of IPSAS systems of financial reporting were the factors that affected implementation on IPSAS in the government sectors**. The study recommends that a **legal framework to be crafted in order to prescribe IPSAS, all stakeholders and partners in the government embrace IPSAS reporting system in order to enhance financial management in the public sector, goverment upgrade Information technology and enhance adoption of ICT in order to cope with the financial data requirements of the IPSAS standards**.

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## ABBREVIATIONS

<b>AGD</b>	Accountant Generals Department
<b>CABS</b>	Car Accounting and Budgeting System
<b>FRAB</b>	Financial reporting Advisory Board
<b>GAAP</b>	Germany Accepted Accounting Principles
<b>GAO</b>	Government Accounting Office
<b>GOK</b>	Government of Kenya
<b>IFAC</b>	International Federation
<b>IFMS</b>	Integrated Financial Management System
<b>IMF</b>	International Monetary Fund
<b>IPSASB</b>	International Public Sector Accounting Standards Board
<b>IPSB</b>	International Public Sector Bulletin.
<b>MTFF</b>	Medium Term expenditure framework
<b>NAO</b>	National accounting office./ National Audit Office
<b>NPFM</b>	New public financial management
<b>OECD</b>	Organization of economic co-operation and Development
<b>PAC</b>	Public accounts committee
<b>PSC</b>	Public Sector committee
<b>SICA</b>	Scottish institute of chartered Accountants
<b>UK</b>	United Kingdom
<b>UN</b>	United Nations
<b>US</b>	united States
<b>WB</b>	World Bank
<b>WGA</b>	Whole of Government Accounts

## CHAPTER ONE

### INTRODUCTION

#### **1.0 Research Background**

Reforms in Government's financial management systems and processes are becoming critical in response to increasing demands for greater transparency and accountability in the management of the public's finances. The current financial management systems in Government are not providing timely and accurate financial information for statutory reporting requirements and for decision making in such critical areas as budget planning and management, procurement and asset management, GOK (1997).

Key stakeholders, especially donors who need to get some assurance that their financial assistance is properly accounted for, have mainly facilitated these financial reforms. In some situation where donors cannot rely on Government's financial systems, they obviously have had no choice but to bring in their own. Fragmented and uncoordinated computerization has resulted in a plethora of systems that have increased the variations in how financial information is processed and presented, thereby increasing the already difficult task of meeting Government's statutory obligations for financial reporting.

According to a report of the Government of Kenya on strengthening Government finance and Accounting functions 20 June 1997, the Accountant General's Department (AGD) with assistance from KPMG, who were commissioned by the then overseas Development Administration (ODA), undertook a review to assess the current functioning of the Accountant General's Department within the Government of Kenya (GOK). The focus of their work was the finance function at all levels (Treasury, line ministries, districts); the

Government's financial management and accounting systems; and the role of internal and external audit in financial management. The report also assessed the reasons for the **shortfall in performance from a range of perspectives including, application of existing financial regulations; current procedures and systems and further computerization and the potential for increasing efficiency through further computerization; organization structure and management and supervision arrangements in respect of the accounting cadre; and skills, career development, performance and impact of the current scheme of service.**

The following are in summary the factors which have been universally identified as affecting IPSAS;-The **more correspondent the public administrators culture with the culture upon which the governmental accounting system is premised, the more easily change occurs; Support from leaders in the public sector, both political and within the bureaucracy, support from professional and academic bodies; establishment of intensive communication strategy; Willingness and qualifications of the staff required to develop and implement the accounting changes; consultation and co-ordination with the governmental entities that will apply the accrual accounting; estimation of the adoption costs is critical in determining the financing required for the implementation process; overcoming and tackling of some specific accounting issues in initial phase and building an appropriate information technology capacity (Ouda, 2004).**

### **1.1 Accrual Accounting for the Public Sector**

For the last decade accrual accounting has been presented as the reform for the wider **New Public Management reforms and the marketisation of the public sector (Baron 2005, Ellwood and Newberry 2007, Ouda 2004 & 2005, Wynne 2007, etc).** However, it is becoming increasingly clear that the **claimed benefits of introducing accrual accounting**

are bit being realized in practice. In the few countries which have actually adopted this reform, for example, Australia, New Zealand, the UK, the evidence is now suggesting that, if their governments' knew then what they know now, that the move to accrual accounting may never have taken place (Dorotinsky, 2008). Several other countries have also reviewed the evidence and have decided that a move to accrual accounting is appropriate, at least in the long-term (for example, China, Ghana Malaysia, Mauritius, Namibia, Netherlands, Pakistan). So what are the claims made for the advantages of moving to accrual accounting and what is the actual evidence for the extent to which they have been delivered? This study will review this evidence which is available in kenya so that governments considering this type of reform can base their decisions on the actual experience of those few countries which have adopted this approach. This is important as those individual and organizations which promote this idea appear to base this on their faith in the value of the public sector adopting private sector rather than objective evidence. Just as the current fall-out from the credit crunch is undermining the previously dominant view on the efficacy of the free market, so is the failure of accrual accounting to deliver on its promises having a demoralizing effect on at least some of its previous supporters.

## **1.2 Research Problem Statement**

IFAC's International Public Sector Accounting Standards Board (IPSAS Board) has set itself the task of developing a full set of accruals – based international public sector accounting standards, promoting its standards and ensuring that these are adopted as widely as possible (IPSAS Board,2008b). The Board arranges its meetings in different places around the world, including, for example, China, Ghana, Russia , Switzerland and several of the central governments of the largest economies in the world have yet to

introduce such changes, for example, China, Germany, Italy, Japan and Russia. In December 2007, Mike Hathorn (chair of the IPSAS Board) said that only six government across the world had actually issued financial statements on the full accrual basis (at the FEE Public Sector meeting, Brussels). In their summary of the extent of adoption of IPSAS, the IPSAS Board, 2008a) list more than 50 countries which have made moves towards adopting IPSAS, but then admit that only five countries have fully implemented accrual accounting in line with their approach. Governments that already apply full accrual accounting standards and apply accounting standards that are broadly consistent with IPSAS requirements include; Australia, Canada, New Zealand, United Kingdom, and the United States of America. So what is the actual evidence of the real benefits achieved by introducing full accrual accounting in these countries? The literature review of the selected countries of the UK, Australia and New Zealand reveal the evidence.

The UK has possibly the most extensive experience of adopting this approach for its public sector financial statements. Birmingham City Council, then the sixth biggest economic entity in the UK, moved to a form of accrual accounting in 1850, current moves to accrual accounting in the UK only really started with the health service in 1991. Central Government only introduced accrual accounting from around 2000 (Wynne, 2007). Despite this long experience of using accrual accounting in the public sector, the use of cash accounting and budgeting, for central government at least, was almost universally accepted until relatively recently.

In Kenya as is widely acknowledged, there are fundamental problems that currently inhibit the efficiency and effectiveness of the GOK's finance and accounting functions. This is due to poor performance of basic financial functions, poor supervision, inadequate financial information and decision support, poor staff motivation and attitudes to accounting and accountability. These inherent problems have suggested as contributing to the slow progress by the Government of Kenya in implementing its Public sector reforms in Particular the IPSAS compared to other Countries of the World. The consequences are lack of management information for decision support; lack of confidence in the



information is available because it is not compatible with the Donors and other Partners, lack of credibility and generally overall poor performance. It is therefore necessary to carry this study in order to understand the factors which have contributed to these shortfalls with the current system Reporting/Accounting.

### **1.3 Research Questions**

- i) To what extent has (IPSAS) influence accrual accounting adopted in different levels of government in Kenya?
- ii) What explains the differing level of adopting IPSAS in different levels of government in Kenya?
- iii) What problems and conflicts have been experienced in the implementation of IPSAS
- iv) How does the adoption of IPSAS influence financial controls?
- v) What is the management perception regarding the need for IPSAS?

### **1.4 Research Objectives**

- i. To find out the factors affecting the implementation of IPSAS in Kenya hence the level of implementation.
- ii. To determine how adoption of IPSAS influence financial management in public sector.

### **1.5 Significance of the Study**

- i. **For further research-** Researchers in this area of study will find the contributions from this study as a basis for further studies or improvements on existing knowledge.
- ii. **For reference by research students-** students from institutions of higher Learning will find this study as one of their areas for reference and especially as a case study and a source of assembled literature.

- iii. **For use by the Government Ministries-** The is to be compiled into a report that will be of use to the Government Ministries and Departments. Suggestions for improvements will therefore be argued from this point or from the findings.

### **1.6 Scope of the Study**

Was limited to the IPSAS implementation in the public sector in Kenya

## CHAPTER TWO

### LITERATURE REVIEW

#### **2.1 Introduction**

Literature review is a summary of the past studies carried out in respect of the topic under investigation. It is on the basis of this review the research gap is exposed as well as guiding on how the research methodology and design will be achieved. It also 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 Literature Review**

The debate on the use of accrual accounting in the public sector has been ongoing for nearly two decades. In 1993 the OECD 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 often associated with a quest to strengthen efficiency and accountability (NPM reforms). Nevertheless, despite numerous governments and other public sector entities embracing accrual accounting, a number of studies have criticized such reforms of accounting systems in the public sector. Chan (2003), has raised the issue of appropriateness of public sector to uncritically imitate private sector practices (Newberry and Pallot, 2005; Johnsen and Lapsley, 2005; Benito and others 2007; Wynne, 2007. Johnsen and Lapsley (2005) suggest that the public sector accounting system needs innovative approaches that go beyond that of imitating the

private sector. Benito and others (2007) emphasize that it is necessary that public accounting conform to the informational requirements of its cast of actors. These studies reiterate the idea that reform rarely satisfies the prior intention of those who initiate it (March & Olsen, 1989). In practice uncertainties over the outcome of adopting accrual accounting in any governmental organization setting frequently creates resistance and skepticism to such accounting changes. Taking into account such intent resistance and skepticism when planning the adoption of new accounting practices is critical. In this context studies that deal with the organizational and implementation aspects of the adoption of accrual accounting are the organizational and implementation aspects of the adoption of accrual accounting are highly relevant.

Public sector reforms have been said to be particularly influenced by specific national traditions and political cultures. In particular, an increasing number of studies deal with phenomenon of homogeneity and convergence of reforms ( Brunsson, 1989; Pollit, 2001, 2006; Knill, 2001; 2003; Christensen and Laegreid, 2001, 2003, 2007; Pollit and Bouckaert, 2004; schnapp, 2004, Kickert, 2005; Olsen 2006; Bouckaert, 2007; Gualmini, 2008). Benito et al. (2007) prove that the IPSAS are an important stimulus for the harmonization of financial information systems in the public sector.

### **2.3 The Evaluation of Government Activities**

A key-piece of the NPM reforms is the decentralization of public sector activities. Guthrie et al, (1999) states that NPM has encouraged the promotion of performance measurement, auditing and business accounting systems for a wide range of public sector organizations. The quid pro quo for increased autonomy and discretion on the part of

managers or subordinate levels of government, however, is increased accountability for results and the emphasis on more extensive accounting practices. (Pallot, 2000).

Repeatedly, NPM reforms have been seen to flounder on a central, technical task of relating service inputs to outputs and outcomes, especially with respect to attempts to arrive at full product costs of public services (Humphrey, 1998). In this way, the GASB (1994), concluded that service efforts and accomplishments (SEA) information is an essential part of the information necessary for general purpose external financial reporting but that it had not been developed sufficiently.

#### **2.4 Theoretical Orientations**

Two universally accepted theories were used to explain the universal need for harmonization and synchronization of universal accounting standards the world over. Developed by the Harvard school of Business, the Economic and Academic theories are applied. Adopting a set of standards like IFRS can be more appealing to a country if other countries have adopted them as well, in this sense, IFRS can be a product with "network effects". In other words, countries do not adopt IFRS all at once, and the observed inter-temporal increase in IFRS adoption across countries can be due to the growing value of the IFRS "network".

#### **2.5 The Economic network Theory**

Economic network theory predicts that in addition to network benefits (synchronization Value), a product with network effects can be adopted due to its direct benefits (autarky value) (Katz and Shapiro, 1985; Liebowitz and Margolis, 1994). In the case of the IFRS adoption decision by a country, the theory argues that the direct benefits are represented

by both the net economic and net political value of IFRS over local standards. According to this theory the net economic value of IFRS is intended to capture direct pecuniary benefits as they are usually conceived in economic models of networks (Leuz, 2003; Barth, 2008).

According to this theory economies with high levels of or expected increases in foreign investment and trade are more likely to adopt IFRS. The benefits from adopting IFRS, however, are likely to diminish with the relative quality of local governance institutions, including the quality of local GAAP. As result high quality institutions present higher opportunity and switching costs to adopting IFRS. Thus, IFRS adoption decreases with the quality of domestic governance institutions. The net political value of IFRS is the benefit arising from the potential political nature of International accounting standard setting. If IFRS standard setting can be influenced by political lobbying, more powerful countries are more likely to be able to shape IFRS. The prevailing position of the EU in IFRS standard setting, however, can override this argument. If countries expect the EU to have a dominant role in IASB affairs (Brackney and Witmer, 2005), they are likely to have to cede some authority over standard setting to EU interests. Ceding authority over local standards is, in turn, likely to be less palatable to more powerful countries, which leads to the prediction that more powerful countries are less likely to embrace IFRS. In addition to standard-setting power, cultural sensitivities can also affect the net political value of IFRS to a country. If the IASB is perceived as a European institution, countries that are culturally more distant from Europe are likely to be less accepting of IFRS (Ding *et al.*, 2005; Ciesielski, 2007 and Norris, 2007).

According to this Theory apart from the macro-level economic and political factors , it is likely that a country's decision to adopt IFRS is influenced by its internal politics: e.g., the actions of special-interest lobbyists and ideology-driven regulators. It is also difficult to specify the nature of such within-country politics in a large sample of countries, let alone measure it with a reasonable degree of accuracy, only in more transparent societies like the United States is such an exercise possible. This Theory reveals evidence of regional trends in IFRS adoption, such that a country is more likely to implement IFRS if other countries in its geographical region are IFRS adopters. The theory also supports evidence that a country is more likely to adopt IFRS if its trade partners are IFRS adopters.

More powerful countries are less likely to adopt IFRS, because more powerful Countries are less willing to surrender standard-setting authority to the IASB. Country-level power is measured as the first principal component of a set of proxies for countries' abilities to influence international decision making including their size and popularity within the United Nations. In contrast to the results on power, the theory finds evidence of countries' cultural closeness to the EU as influencing their IFRS adoption decisions, whereby more Christian countries and countries with long-settled colonial relations with EU powers are considered culturally closer to the region. The facts above represent Network Effects.

## **2.6 The Academic Theories**

Academic theories yield mixed predictions on whether the adoption of IFRS is beneficial to a country. Some scholars have argued that international harmonization in accounting can improve capital-market efficiency .A common set of international accounting standards can reduce the information processing and auditing costs to market participants

(Barth, 2007; 2008). Other academics argue that accounting standards evolve in the context of domestic, cultural, legal, and other institutional features (including auditing). **International harmonization in accounting, if it is not accompanied by changes to related capital market institutions, can be costly (Ball *et al.*, 2000; Ball *et al.*, 2003; Ball, 2006).** Case on the cross-sectional variation in country-level IFRS adoption decisions suggests there is evidence consistent with these sets of arguments. The evidence of a higher IFRS adoption rate among countries with moderate governance standards is consistent with IFRS being adopted for reasons that can be beneficial to a country. At the same time, the evidence that the best governed and most powerful non-EU countries were, as of 2007, less likely to adopt IFRS, suggests that several countries still perceived IFRS as being costly.

The existing empirical literature on IFRS has focused largely on the determinants and consequences of IFRS adoption at the firm level. The firm-level studies are conditional on countries' decisions to allow or mandate IFRS, suggesting that studies of IFRS adoption at the country-level can complement firm-level studies. A study by Hope *et al.* (2006) provides some preliminary evidence on country-level IFRS adoptions through 2005 in a sample of 38 countries (including 14 EU countries). Their evidence suggests countries with weaker investor protection and more easily accessible financial markets are more likely to adopt IFRS. Other factors that have been found to affect IFRS in these academic theories include political power, opportunity and switching costs, and network effects.



## **2.7 The organization Theory of the firm**

The conceptual foundation of corporate financial reporting is the theory of the firm that emphasizes managers as agent of the owners of the firm. Government accounting needs a broader theory of government accountability, which can be derived from Herbert Simon's organization theory (Simon, 1945). When applied to the public sector, the essence of the theory states that a variety of stakeholders have a vested interest in financially viable government. Their incentive to use a government's financial statements – a source of their common knowledge about the government (Sunder, 1997) – comes from their desire to know the amount, timing and degrees of uncertainty of the benefits they expect to receive from government. General purpose financial reporting reduces the information asymmetry between the stakeholders and government officials in control of government financial accounting system.

## **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. A good empirical review should be able to identify the topic, what was studied in this topic, the period studied and the findings of the study. Normally in these studies there appears to be no conclusive evidence. The empirical studies on IPSAS have mainly been in areas that are closely interlinked to the operational aspects as discussed in the sub topics that follow. These topics are part of discussion with specific IPSAS,s. Specific empirical reviews done in these areas and the empirical findings are now highlighted.

### **The UK**

In 2005, researchers from Queens University, 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.

There was little evidence that (accrual accounting) information was extensively used in decision making within the NI public sector. Many interviewees identified the problems of unnecessary complexity and incomprehensibility of their information undermining its potential use. 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, For example, in 2002 Norway had only one professionally qualified accountant on the staff of its Ministry of Finance. The UK public sector, especially local government, has a tradition of employing qualified accountants and they have their own professional body GIPFA. Despite this the number of professionally qualified accountants working across the UK central governments increased nearly fourfold from almost 600 in 1989 to 2200 in 2003(the period over which accrual based accounting was introduced)(Wynne,2007). In addition, for example ,the auditors fees for the UK national Audit office increased by 67% with the introduction of

accrual accounting in 2001/02(NAO,2002). The UK health service is highly capital intensive and so it may be assumed that the move to accrual accounting from 1991 would have provided significant benefits in terms of the more efficient use of these Capital Assets, for example, hospitals and medical equipment. However a research report by leading UK academics in the field (Mellet,Macniven@Marriot ,2007),funded by the Scottish institute of chartered Accounting concluded that there was no evidence that the perceived benefits from the introduction of accrual accounting were realized. In an article for the international public sector bulletin(February,2008) outlining the results of this study, the lead researcher, Howard Mellet provided further details, indicating that no positive impact on decision making was found. Accounting measures did not influence rent or buy or retain or dispose decisions, although the desire not to take an adverse hit to the bottom line could impede disposal decisions. Similarly no evidence was found of the opportunity cost of capital expenditure being recognized as reflected through the measures based on resource accounting, this being a matter for active consideration when acquiring or constructing fixed assets. In this article, Milette concluded by saying governments which have undertaken to implement accrual accounting should therefore be aware that any potential benefits may not be realized.

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 (Chow et al 2008). Several other people from the UK are concerned that

the claimed benefits of accrual accounting are being over sold especially to the governments of developing or transitional countries for example, Noel Hepworth, the former leader of CIOFA (The UK's public sector accounting body) and formally chair of the federation of European Accountants "public sector Committee, Who Based on his experience of moves towards the introduction of accrual accounting in Eastern Europe, 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. As parliament is also affected because of the changes that will be needed to the cash allocation and budgetary control processes it too will need to be consulted. What is more, accrual accounting provides wide scope for the exercise of judgment and this requires technical knowledge, a disciplined approach and an audit system capable of monitoring how judgment is exercised. For these reasons the introduction of accrual accounting also carries considerable risk.

Members of the UK parliament have recently complained about the complexity of the Government's financial reporting. They claimed that 'even members with financial or business experience struggle to understand the financial information provided' and that 'had such a system been deliberately designed, it could fairly be assumed that it had been set up with the specific purpose of making it impossible to hold the Government and Departments to account' (House of Commons, 2008). It also recognized by HMT treasury (the ministry of finance in the UK) that current arrangements can cause confusion and inefficiency and make parliamentary scrutiny of public spending more

difficult. This is, moreover, a reform that many in parliament have themselves called for (Financial Reporting Advisory Board, 2007). As a result, HM Treasury is currently working on a project designed to achieve better alignment between ministries budgets, estimates and financial accounts. The aim is to create a single, coherent regime that improves the effectiveness, efficiency and transparency of the process, supports delivery of public services, incentivizes good value for money and enhances accountability to parliament and underpins the Government fiscal framework (NAO, 2008). The wide ranging nature of these aims suggests that the British Government has been forced to recognize that the benefits claimed for its move to accrual accounting have not actually been delivered and that further major reforms to financial reporting are needed over the next few years.

### **Australia**

In an academic review of international public financial management reforms (Guthrie, Humphrey, Jones and Olson, 2005), it was noted that ‘observations of actual outcomes of the NPFM change processes( including accrual accounting) have been limited to those made by the initiators themselves, while formal independent studies of public sector change impact have been rare. Another leading Australian academic has claimed that the ‘present mode of presentation of the accrual budgets and financial statements of Australian Government departments has become a controversial matter. It has led to a widespread dissatisfaction in Parliament and parts of the Public Service (Barton, 2004). In March 2007, the Australian senate finance and public administration committee noted that; the commonwealth Government adopted accrual accounting in 1997 and in 1999 - 2000 for the first time presented a budget based on accrual accounting principles. In that

budget the Government also adopted an outcomes and outputs reporting framework. The committee considers that the adoption of accrual accounting and budgeting has the potential for enhancing the management of the Commonwealth's funding and expenditure and has done so to an extent. Nevertheless, accrual budgeting and especially the associated outcomes and outputs framework, while resulting in some improvements in transparency, have posed challenges for Parliament's control of the appropriations processes (Jones and Olson, 2005).

The fact that a decade after its introduction Australian parliamentarians are still noting the potential for accrual accounting and budgeting does not really provide a ringing endorsement of this type of reform. In addition, as in the UK, members of parliament are complaining about its detrimental effect on parliamentary financial control. 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.

In a recent multi – country review of accrual accounting and budgeting, the US Government Accountability Office (GAO, 2007) noted that; Australia also reported that it is considering a model that would give the Parliament both cash and accrual information in a form that better meets its needs and preferences.

### **New Zealand**

In the case of New Zealand, often held up as a model of this type of reform, two academics (Ouda, 2008), (Guthrie et al,2005) concluded that various financial mechanisms built on the accrual accounting base have, over the long term, had a

detrimental effect on departmental capability in a manner that has escaped parliamentary understanding and control. They also argued that this reform ‘promised significantly more in terms of efficiency, better service, and increased public choice than it delivered in practice. They also point out that much of the literature evaluating New Zealand’s financial management reforms has been written by the key reformers themselves and appears more promotional than objective. In addition it has been noted in the context of accrual accounting reforms in the UK and New Zealand that the fundamental purpose of governmental accounting is protection of public money, and that business sector accounting practices were not devised for that purpose’(Ellwood and Newberry,2007). As with the UK and Australia, the introduction of accrual accounting accounting in New Zealand has been accompanied by misunderstandings and confusion. Debits and Credits were muddled with fiscal targets and capital expenditure; and cash and accruals were muddled with departments being expected to retain cash from their accrual-based appropriations (Ellwood and Newburry2007). In addition, there was controversy over the accounting treatment of heritage Assets with the regional museums refusing to neither value their collections nor include the result in their balance sheets (Ellwood and Newwberry, 2007).

### **Developing Countries**

Given the dominance view of the supposed advantages of accrual accounting and the belief that it is the modern approach to government accounting, many governments have indicated their intention of adopting accrual accounting. However, whether these intentions will or even should be realized is perhaps another matter. The eight countries of South Asia, for example, have apparently ‘expressed a desire to move in the direction

of accrual accounting (Subramanian, 2008), but, with the possible exception, of Sri Lanka, this is only likely to be achieved 'in the long run'. In Africa a number of countries have adopted public financial management laws in recent years with assistance from international consultants. In several countries these laws require the government's financial statements to 'be prepared in accordance with generally accepted accounting practice' e.g. Ghana, Tanzania, Uganda and Zimbabwe. The implications of such statements (that the accrual basis of accounting should be adopted) may not have been realized by the relevant parliamentarians or subject to appropriate public debate. As a result, in few, if any, of these countries has any progress been made in actually implementing accrual accounting. In Ghana despite the administration law having been passed into law in 2003, little, if any, action has been taken to introduce accrual accounting. This is understandable; Ghana has suffered enough with such 'state of the art reforms'. A senior manager from the Integrated Financial Management System said recently that the project had "spent US\$30 million and 8 years and still can't produce basic budget reports" (Sharples, 2008). Similarly with its Medium Term Expenditure Framework, after a promising start, it led to disillusionment and few clear benefits (Wynne, 2005). In addition, as with all countries, basic financial management control is more important than leading edge, state-of-the-art reforms. A recent assessment of public financial management in Ghana found that financial controls and the timeliness of submission of audited accounts to parliament were only just within acceptable limits. (World Bank, 2006). Despite, or because of this lack of progress with the implementation of accrual accounting, Ghana was rewarded with the International Public Sector Accounting Standards Board holding its March 2007 meeting in Accra, the capital of



Ghana. As usual, a seminar of the virtues and benefits of accrual accounting was organized alongside the IPSAS Board meeting for the local accounting profession.

### **International Financial Institutions**

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). This has included the World Bank's recommendation to Nepal in 1981 and SIGMA, the advisory body for new and candidate countries of the European Union, making the same proposals for Cyprus in 2006 (Wynne, 2007). However, this support for accrual accounting has not always been consistent. So, for example, in an IMF working paper (the following points were made; often emerging economies have too eagerly accepted this reorientation (to accrual accounting) and have overlooked a number of important issues while agreeing that accrual accounting systems are more comprehensive and provide a wealth of financial information, it is important at the same time not to overstate the case (Diamond, 2002). The experience of OECD Countries is that the implementation of accrual accounting is not easy.

It takes time and requires sustained political support. Not surprisingly it cannot be considered a top priority for most countries. In addition, staffs from the World Bank and IMF have recently encouraged more critical views to be expressed over the introduction of accrual accounting. This has been reflected on the IMF's Public Financial Management Blog (OECD, 2002).

## 2.9 Costs of introducing Accrual accounting

Whilst the above research has shown that the potential benefits of any move to accrual accounting may be difficult to achieve, the costs of implementing accrual accounting are also difficult to estimate although they are generally accepted to be substantial. As a result, few organizations which have adopted accrual accounting developed a specific budget for this reform (and in the case of the UK this was actively discouraged (Hyndman and Connolly, 2005). Thus limited data is available on the associated costs of introducing accrual accounting in the public sector, however, the following examples confirm the view that this has involved significant on going investments.

The United Nations agreed in July 2006 that the accounts of all its member organizations would move to the accrual basis by 2010. A budget of US\$23 million was agreed for this reform or around 1.8% of the UN Organization's annual budget (UN General Assembly, 2006). In 2002 Hong Kong agreed a one-off budget equivalent to US\$ 6.3 million (only 0.02% of annual expenditure) with an estimated re-current cost of US \$ 1.2 million (Hong Kong Treasury, 2002). The Hong Kong reforms were less expensive because they have not adopted the full requirements of the accrual based IPSAS, for example, infrastructure assets are not usually valued and valuation of capital assets was estimated to be 90% of the cost of the Hong Kong reforms (Wynne, 2007). The approach to accrual accounting which is generally being adopted requires regular revaluations of all capital assets. When Tanzania undertook such an exercise in 2005 the cost was comparable to the annual salary of all accountants employed within its central government ministries (Wynne, 2007).

## **Methodology**

In order to investigate the common research questions stated, a field study across seventeen European countries was set-up by using a survey. In order to get an idea of the accounting legislation in the public sector in Eastern Europe, Lithuania, which entered the EU in 2004, was added to the sample. Norway was also included in the sample. This country is specifically interesting because the public sector reform in Norwegian local governments had different sources and different intentions in comparison to the central government reform, but they ended up having (temporarily) similar effects (Guthrie et al., 1999; Mellempvik and Pettersen, 1998). Finally, Switzerland was included, because of the front running role of the Cantons in the NPM reforms (FEE, 2007; Guthrie et al., 1999). For the federal countries in the sample, the sub national levels were included as well, so that the group of governments under study is larger than the number of countries. For instance in Belgium, the different regions (i.e. Flemish Region, Walloon Region and Brussels Capital Region) have their own sovereign legislative powers regarding public sector accounting regulations. In Germany, the Bundeslander have considerable autonomy and are responsible for their own accounting legislation.

Because of the lack of reliable accurate data concerning the adoption of the financial information systems in the public sector in Europe, a questionnaire was developed. The questionnaire asked for the main motivations to choose for a specific accounting system and to (not) make use of the IPSASs. The multiple choice list of potential reasons was mainly derived from the studies of Anessi-Pessina and Steccolini, 2007; Benito et al., 2007; Bossert, 2005; Brusca and Condor, 2002 and Groot and Budding, 2008. In addition, some open ended questions were included. Therefore, three experts in public

sector accounting were contracted in each jurisdiction. Professional public sector accountants make use of the statutory regulations on a daily basis. Consultants are often called in to assist in the process of modernizing the accounting legislation. Academics are often a critical observer, overlooking the modernization process. . As the input from the three categories of experts was complementary, this method leads to reliable and accurate information. Based on these completed questionnaires, it was possible to investigate the accounting situation in local and central governments in the selected jurisdictions. (Table1)

Table 1, panel A gives an overview of the results in some of the selected jurisdictions above. The column “IPSAS” showed that these jurisdictions are generally compliant with IPSAS, although the financial information systems of these jurisdictions are not per se 100% IPSAS compliant. The third column shows the jurisdictions that currently account on a cash basis but are planning to introduce an IPSAS compliant accrual accounting system in the near future. All jurisdictions that make use of a non-IPSAS compliant accrual accounting system are shown in the fourth column. The “planned accrual reform” column lists the jurisdictions that still account on a cash basis, but are planning to transform their accounting system to a non IPSAS compliant accrual version. Those jurisdictions that account on a cash basis and not plan to introduce an accrual accounting system are shown in the last column.

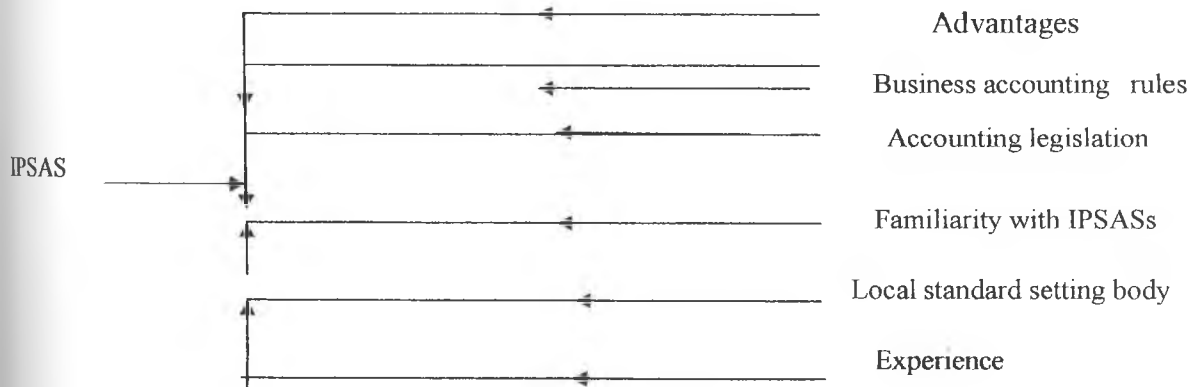
**Table 2. 1 Overview of financial information systems**

Panel A Central government Accounting legislation	IPSAS	Planned IPSAS reform	Accrual accounting	Planned accrual reform	Cash accounting
Austria	-	-	Yes	-	-
Baden- Wurttemberg (Ger)	-	-	-	-	Yes
Bavaria (Ger)	-	-	-	-	Yes

**2.10 Conceptual Framework**

Conceptual issues are debatable points about the standards themselves, including their substances and underlying ideas, in contrast to institutional or organizational issues. The lack of guidance from a sound conceptual framework is partly responsible for the current state of IPSAS. Up to this time, IPSAS are characterized by numerous detailed rules about specific elements of financial statements and only few general principals.

**Figure 2. 1 Conceptual Framework**



Government accounting principles are not likely to be derived from the kind of conceptual framework being formulated at the IPSAS Board. Furthermore, if the experience of other accounting standards boards is any guide, constructing conceptual framework is a never-ending exercise and requires a delicate balance between generality and specificity. Conceptual framework has not been helpful in making *specific* accountable requirements.

Most IPSAS;s are imitated from IFRS to the point that the so-called “core” set of initial IPSAS (Sutcliffe, 2003) amount to slightly modified IFRS. IFRS are necessitated by global capital markets and the operations of multinational corporations. By imitating the IFRS, the public Sector Committee (IPSAS Board’s predecessor) spent resources over six valuable years and incurred considerable opportunity costs. It could have developed a set of accounting standards specifically to meet the common needs of international lenders and donors to governments. Or it could have spent the time addressing *public sector* issues. These public sector issues arise from some fundamental differences between government and businesses.

The “non-business” characteristics of government have a number of consequences for its accounting. The accounting equation – “assets – liabilities = residual equity” – befits the nature of business firms. Since the government is seen as a legal person, owning property and being held liable, the accounting equation is used to structure the financial data of government. Even so, the residual equity or net assets of a government cannot be easily explained or interpreted. In addition, some government assets (e.g. heritage assets)

are difficult to measure with accounting techniques developed for a market economy. Some potential government liabilities (e.g. social security) are difficult to define because of political and legal considerations. The indivisible nature of public goods makes it impossible to recognize tax revenue on the basis of services rendered or goods sold, i.e. the full accrual basis used by business firms. Instead, government benefits are distributed primarily through the budgetary process, making the budget the government's primary fiscal document. The extent to which accounting (and accounting rules) should be independent of budgeting (and budgeting rules) is a contentious issue. In any event, year - end financial reporting complements budgetary disclosures and is a component of fiscal transparency.

### **Local conditions for the Kenyan IPSAS**

In view of the discussion on the literature reviews of the IPSAS adoption and implementation in various localities over the world, the Kenyan case is no exception although environments differ. To conceptualize the Kenyan case few factors have been experienced to be directly associated to slow down the process. These include political, Legal and administrative issues, training/skills, costs of implementing and the level of technology available.

#### **2.11 The Level of Technology Available**

One of the conditions for the effective implementation of IPSAS by the bodies which sponsor it was a sound accounting information system in place by governments(WB, 1999).One such reform among the NPFM reforms was the adoption and implementation of IFMIS by the Kenya Government in the years that followed shortly after the year 2000(GITS,2001). Training of staff followed shortly thereafter and a limited capacity of

staff at the AGD were initially trained to roll out this system. This was a pilot with one department out of the fourteen. This information system like that of IPSAS has its own limitations although now being rolled to the other departments piecemeal beginning 2012(AGD,2012). With the adoption and implementation of IPSAS the financial information management system of the Government will have to be upgraded to cope with the financial data requirements of the IPSAS standards (Price Waterhouse Coopers,2011). According to this report, the current integrated Financial Management System (IFMIS) in use by the government for financial management will require to be evaluated for adequacy with the adoption of the new accounting standards. The report sums up by emphasizing on capacity building required in this area to ensure that it does not become an implementation drawback.

## **2.12 Political, Legal and Administrative Issues**

It is notable that some progress has been made towards IPSAS adoption in Kenya (Price Waterhouse Coopers, 2011); the office of the AGD has issued a circular requiring the governments donor funded projects to prepare their financial reports on the basis of IPSAS. The Ministry of local government through the Kenya Local Government Reform Programme has also prepared an IPSAS based financial reporting template to be adopted by all the 175 local Authorities in the preparation of their financial reports. It is also important to note that we have a Kenyan Board member on the IPSASB who is the only representative from Africa. The Financial management Act or any other legal framework for the preparation of Governments financial statements will have to be revised in order to entrench IPSAS basis in the financial management law. The Financial management Act 2004 which is in use today as the basis of the preparation of



Governments financial statements and as well as the Governments financial regulations and procedures 1989,do not mention IPSAS neither prescribe it as the basis of financial statements preparation(KNAO,2010). A' Legal framework will therefore require to be crafted which prescribe IPSAS as the basis of preparation of governments financial statements. The IPSAS concept needs to be embraced by all stakeholders including Parliament, KNAO, Treasury, Government departments, Development Partners ,as well as the NGO;S. This is a good learning lesson to the Kenya Government given the experience of the earlier reforms in adopting and implementing the World Banks other Reforms of MTEF,IFMIS and performance contracting(WB, 2009)

### **2.13 The costs of implementation**

There are costs to be incurred in the implementation of IPSASs. Statutory bodies responsible for enforcing accounting regulations require funding to roll out implementation of IPSAS. These costs include research, training, technology, and consultancy (Delloite and touch,2011) There is call for political goodwill in the implementation of better accountability in the public sector due divergent views on accountability.

### **2.14 Training and Skills required**

The number of qualified accountants in Kenya has increased tremendously over the years in both the private and public sectors. However the IPSAS is a new concept which is not understood by many (Price water House Coopers, 2011). The Government as the leading user of these standards will have therefore requires to undertake massive capacity building to enlighten its accountants on IPSAS. This is going to be a challenge both in terms of capacity building costs and the required change management issues from the

traditional cash accounting to a more business like accounting under accrual basis IPSAS (KNAO, 2011). The adoption of this new financial reporting framework will herald significant changes to the systems and process of financial reporting by the Government. This may come with new formats and financial reporting templates requirements of the various government entities. It will require Government accountants in various ministries to adopt changes from the usual, routine reporting structure. People generally resist change and therefore change management processes require to be incorporated to the adoption and implementation roadmap. In Kenya there is currently on going training which is organized by ISAAG (AGD, 2008).

## **2.15 Summary of the Reviews**

### **Literature Review**

The accounting literature as described provides insight into the complex nature of instituting accounting changes within the public sector. This insight may serve as an important input throughout the implementation process.

However, a large proportion of the literature dedicated to accrual accounting in the public sector focuses on whether it is actually beneficial or not. Studies on the use of accrual – based accounting in the public sector (in this case on the government of the United Kingdom) have reported that accrual-based accounting has assisted decision-makers to better understand how they are using their financial resources by, among other things, offering more detailed information to manage assets and liabilities. This has assisted decision-makers to identify under utilized assets and to dispose of those no longer required (National Audit Office, 2008). Other studies have taken a more critical approach to accrual accounting in the public sector, pointing to the fact that there is a lack of

empirical research indicating that benefits outweigh costs in moving from cash based to accrual-based accounting (Wynne, 2007). Arguments are also being made that accrual accounting is based on a private sector model that is not appropriate for the public sector as it may divert attention away from the real issues (Christensen, 2007).

## **Empirical Review**

The overall objective of this literature review is to encourage scholars and practitioners to read, discuss on the relevance and the usefulness of international accounting standards in the context of public sector administration. On the basis of the review above, this study intends to critically explore the changing process and to forecast future development of IPSASB's standards and frame work in order to define both its theoretical structure and practical implementation, according with the information accounting system. The study intends to generate new knowledge able to enlighten practitioners' activities and by comparing experiences in a theoretical framework it could be possible to extrapolate sets of "practices" suitable for practitioners; to effectively operate in the new complex structure of the IPSASs. One may draw an analogy between reforming government accounting and constructing a new building to replace an old one. Before the new building is realized, many steps have to be executed: (1). An architecture sketches a conceptual design and refine it into a blue print.

The planning documents reflect design principles and the architect's interpretation of tradition and style. He considers the function of the building when deciding its form, as well as characteristics of the site and the larger surroundings. The architecture must also comply with the building code promulgated by the government authorities to ensure safety, among other objectives. (2) A structural engineer will come in to make sure that

the building the architecture has designed will not collapse under various stressful scenarios, such as earthquakes, strong winds, and extreme temperatures. (3) The assessment of the structural engineer may compel the architect to revise his design, sacrificing beauty for stability and other practical considerations. (4) A developer then makes economic assessment of the project, and looks for financing. If the old building has architectural or cultural significance, the approval of government regulators is often required to demolish or significantly alter it. (5) Assuming adequate financing is secured; contracts with contractors are negotiated and signed. Construction begins. Cost overrun and “other surprises” may be encountered and overcome... Eventually, the ribbon is cut and the building opens. The reader can envision an analogous process in building a new, or modifying an old government accounting system in a country. The system is designed and tested, financing and approval is secured, and the work is done and redone as necessary. In other words, accounting standards such as IPSAS are similar to the conceptual design for a building. Standard setting is only a preliminary step in the long process of reforming accounting in one government. The process is repeated in all the governments in a country, and for all governments around the world.

Developing IPSAS is similar to formulating a universal building code. One may raise questions about the feasibility and desirability of having such a code. Is there enough reliable knowledge that enables us to confidently specify the requirements for all governments? Comparative international government accounting (CIGAR) is still in its early stage of development (Lueder, 2008). Researchers are still very far away from having found the laws of human nature as counterpart of the laws of physics which have served as foundation of structural engineering. Given the inadequate knowledge base,

prescribing a set of uniform accounting requirements for all governments in view of their diverse environments requires a leap of faith.

This study also intends to identify the “design” issues to be resolved while the conceptual sketch or the blue print is on the drawing board.

Judging from the information available from the IPSAS Board, the process of adopting and implementing IPSAS has already begun. That would be similar to starting the construction process while the conceptual design is still being drawn. The hopes are high, but the risks may be higher. The current transformation of the government accounting is likened to a global revolution staged by accountants. Many revolutions were started with high ideals and an incomplete conceptual design. Most failed because the revolutionaries ignored local conditions, or did not have the patience to prepare a blueprint on how to govern a country afterwards. It remains to be seen whether the global revolution in government accounting is premature.

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.1 Introduction

This chapter introduces the research methodology which will be used to collect data in order to answer or test the hypothesis. The chapter sought to identify the source of information, research population and the target population. It elaborates the sampling methods, sampling design and the sample size that will be used. The data collection methods, techniques, instruments and procedures are clarified. It explains how the data analysis, interpretation and presentation were achieved. The expected problems, ethical issues and expected outcome are also detailed in this chapter.

#### 3.2 Research design

According to Mugenda and Mugenda (1999) there are three types of research designs: Casual study design which is a study that involves control of variables for the purpose of observation. They are sometimes referred to as experiment and are common with pure sciences or laboratory experiments. Explanatory study designs are studies done for the first time in which a researcher seeks to explore certain issues. They do not require stating of research objectives or research questions. They are often done to preserve knowledge. Descriptive study designs 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.

This study therefore was a descriptive study. It was designed to describe the extent of IPSAS implementation at the Ministry Finance. It involved testing of hypothesis and answering research questions. It is designed to test the validity of existing knowledge

besides preserving and creating knowledge. It was based on a well – founded literature review and identifies the existing knowledge gaps, which it sought to bridge.

### **3.3 Study Population**

The study population consisted of all the 43 heads of accounting units who are the employees of the entire ministries headquarters. Data for the preparation of these reports is collected from District, departmental and Headquarters data and compiled into consolidated statements. The Heads of Departments were more experienced, professional and were held responsible for ensuring compliance and submit these reports to Parliament. There are a total 43 Ministries.

#### **3.3.1 Types and sources of Data**

The type of data was primary data. Primary data is the data collected at the source by the researcher himself. The source of the data was by questioning using the interview technique and interview schedules.

#### **3.3.2 Target population**

The target population was 38 Heads of accounting units and their deputies in 14 key ministries headquarters' who were involved in the implementation process and understand its objectives. They were also able to assess the factors affecting the implementation.

### **3.4 Sampling Design**

This refers to any technique that was used in selecting an appropriate sample size. This study used the triangulation sampling design in which the researcher uses or combines two or more sampling techniques. This was necessary in order to minimize sampling errors.

#### **3.4.1 Sampling techniques**

The sampling techniques which the researcher used was triangulation of both the probability and non-probability techniques namely the stratified sampling and purposive sampling techniques. Stratified sampling technique involved grouping the target population into homogenous strata and proportionately selecting the appropriate sample size. 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.

### 3.4.3 Sampling procedure

The sampling procedure used the stratified sampling method. It was also systematic by using the same percentage to estimate the sample size per sector as shown in the table below.

**Table 3. 1 Sampling Procedures**

<b>Ministry/sector</b>	<b>Target population</b>	<b>Percentage proportions</b>	<b>Sample size.</b>
Head of Departments	14	100%	14
Assistants Head of Departments	24	100%	24
<b>Total</b>	<b>38</b>		<b>38</b>



### **3.5 Data Collection**

This study gathered both primary and secondary data. Primary data was collected at the source by the researcher. Secondary data was data previously collected by other researchers which was also used in this study. Primary data was both qualitative and quantitative while secondary data was quantitative in nature.

#### **3.5.1 Data Collection Methods and Techniques**

The researcher used both the questioning and interview methods of data collection. The technique that was used was interviews using interview schedules.

#### **3.5.2 Data collection instruments / Tools.**

This study used personal interviews and interview schedules as the tools for data collection. These checklists were filled and analyzed.

#### **3.5.3 Data Collection Procedures**

This study used triangulation in the data collection procedure. The researcher used the observation and personal interviews to collect data. These were selected because they were the most suitable to collect the data in this research.

### **3.6 Data analysis and Reporting**

This study used descriptive statistics to describe a phenomena or an object. In this case the phenomenon was the implementation process of IPSAS in Kenya. The researcher described the factors affecting the implementation of IPSAS in Kenya. A Likert 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 to the lowest degree and 5 the highest. SPSS Version 17 was used in order to analyze the data collected via the Survey Questionnaires as one the most common statistical package. The study involved the analysis of the relationship between the

independent and dependent variables by determining the significance levels of each variable

and the level of confidence. The variance will be determined by the standard deviation.

The researcher gathered both qualitative and quantitative data. Qualitative data was analyzed through use of descriptive statistics as well as a measure of variances.

Quantitative data was analyzed through content data analyses methodology. Analyzed data was presented in tables, graphs, pie charts and bar graphs.

### **3.7 Study limitations**

The study was limited by the responses from the respondents and willingness to give the required information. Government information is governed by the official secrets act requiring the researcher to sought authority so as to access some information.

### **3.8 Ethical issues**

Before the interview the researcher sought consent from the respondents. There was an assurance by the research that the data collected would be used only for the purpose of the study was not divulged. The names of the respondents would also not be disclosed.

### **3.9 Expected outcome**

The data collection in this research was analyzed and compiled into a report which helped the ministry of finance to implement the adopted IPSAS as well as asses its benefits. If the ministry adopts the report, it will know the areas to improve on so as to achieve the desired standards. The research project submitted to University of Nairobi in partial Fulfillment of the requirements of Masters Degree in business administration.

### **3.10 Models on Change in Public Sector Accounting Practices**

A number of studies have been carried out to explore change in the public Sector Accounting Practices. Important contributions to understanding Public Sector

Accounting change have been built on Luder's government Accounting Innovation Model also known as the Contingency Model (Luder,1992). The key intention of luder's contingency Model is to allow for a better understanding of the factors that affect implementation of public sector Accounting.

### **3.11 Luder's Contingency Model**

Through his model Luder explains change by interactions between four modules: stimuli, structural variables of information users, structural variables of information producers, and implementation barriers (Luder 1992). The studies carried out, in large drawing on the contingency model, were however criticized by Ouda (2004) for suffering from shortcomings, such as:

Black boxes, the lack of treatment of government accounting innovations from a comprehensive perspective, emphasis of the context of innovations rather than their content, greater concern with the initiation phase rather than the actual transition phase and, being considered as explanatory models rather than prescriptive models".

An overall concern that the literature did not provide any understanding of how an implementation framework could be formed to put accrual accounting into practice was raised (Ouda, 2004). In order to address such shortcomings Ouda introduced a basic requirements model for successful implementation of accrual accounting in the public sector (Ouda, 2004)

### **3.12 The basic Requirements Model**

The basic requirements model was introduced by Ouda as an improvement on luders Contingency Model. The basic requirement model proposes a number of critical assumptions that need to be present for successful transition to accrual accounting.

Drawing on the assumptions outlined Ouda concludes that “ successful implementation of accrual accounting in the public sector and attaining of the target benefits of that implementation demands efforts of different parties to create conditions appropriate for its introduction and to put it into practice” (Ouda, 2004). An important contribution of Ouda’s model is its emphasis on the fact that there is need for a number of factors and changes that can support and justify the introduction of accrual accounting.

Building further on the basic requirements model, a more comprehensive prescriptive model of the transition to accrual accounting in central government emphasizes that reform processes emerge as a result of the collaboration of a set of factors, namely: context factors such as culture; behavioral factors such as willingness; content factors such as the treatment of specific accounting issues; and capacity factors such as IT (Ouda, 2010, p.64). Echoing the project management approach to adopt accrual accounting , Ouda (ibid) also points to the important of carrying out the implementation in phases “ with a clear plan of progress established from the outset”. The BRM Model specifies the collaborated factors behind the successful implementation of accrual accounting in the government Sector. These factors and changes are reflected in the following equation,

$$AC (ps) = f (MCC + PBS + PAS + CS + WC + CC + BAC + SAI + ABC + ITC + IFS)$$

**Where:**

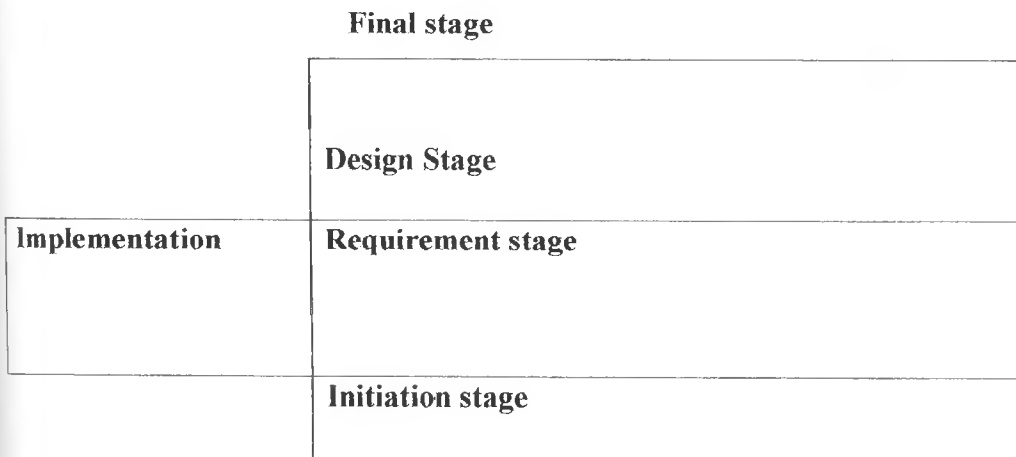
- AC (ps)** = *Accounting change* (transition to accrual accounting in the public sector)  
**f** = function  
**MCC** = *Management Culture Changes* (internal management changes/ NPM);  
**PBS** = *Political and Bureaucratic Support* (legislative, executive and bureaucracy support);  
**PAS** = *Professional and Academic* (advisory) *Support* (in the accounting field);  
**CS** = *Communication Strategy* (includes booklet, journal, conferences, seminars, etc);

- WC** = *Willingness to change* (staff motivation, will, training and qualification);
- CC** = *Consultation and Co-ordination* (an essential step for central guidance change);
- accounting**
- BAC** = *Budgeting of Adoption Costs* (for the whole implementation period);
- SAI** = *Tackling of Specific Accounting Issues* (assets identification and valuation, assets register, reporting entity, opening balances, etc.);
- ABC** = *Accounting and Budgeting Consistency* (integration);
- ITC** = *Information Technology Capability; and*
- IFS** = *International Financial Support.*

### 3.13 Adopting IPSAS- A Project Management Methodology

Making the transition from cash (or modified cash) to accrual accounting presents number of major technical, administrative, cultural and communicative challenges. To manage these challenges, the IPSAS Board has designed the implementation of I PSAS as if it is a normal project with the normal requirements of implementing a project. The guidelines of the IPSAS Project are outlined in the Guidance PRINCE 2 best project Methodology (FAO, 2009). According to these Guidelines a project is divided into implementation stages (figure 3.0).

**Figure 3. 1 Phases of Implementation**



### **3.14 Governing the implementation process.**

Prince 2 and other project management methods, divide any project into manageable stages, enabling efficient control of resources. A project management methodology should ensure that each process within a project is defined by specified key inputs and outputs and with specific goals and activities to be carried out working by pre- defined inputs and expected deliverables gives automatic control process of accrual accounting.

#### **The project management process**

When using a project management approaches, such as PRINCE2. To adopt accrual accounting the implementation project is divided into manageable components and phases designed by the project manager. What is important to note is that the specific design and deliverables of each phase will vary based on the organizational and/or governmental context. The project plans must thus be designed to fit the needs and context of the implementing entity. From a high-level perspective, adopting accrual-based IPSAS can be divided into a number of phases for example, an initiation stage a requirement stage, a design stage, and an implementation stage (figure 3.) The aim is the production of IPSAS-compliant annual financial statements and an organization in which business processes, practices and regulations have been aligned with the new accounting environment.

The purpose of the initiation stage is to complete the planning, scheduling and organizational aspects of the IPSAS implementation project. If the implementing entity follows the PRINCE2 methodology, the project will produce a standardized set of documents for start-up, implementation and closure of the project. This will provide a clear basis for the success of the IPSAS implementation. The writing and approval of a

business case will, following PRINCE2, be an integral part of the initiation stage. For an entity that draws on a project management method when adopting accrual accounting it will thus become compulsory to attend to the intentions of those who initiate new accounting practices through the establishment of a business case. A well defined and controlled business case and subsequent project management processes may thus strengthen implementing entities ability to satisfy the intentions of those who initiate the change of accounting practices. In addition a project management method such as PRINCE2 will enforce communication to all relevant stakeholders on the underlying motives of accounting reform. This supports a continuous awareness of the importance that the accounting reform fulfills its original planned intentions.

#### **Kenya's stage /level of IPSAS implementation**

Kenya is still in the initial stages of IPSAS implementation after officially adopting it (Price Water House Coopers, 2011). It has yet to meet the conditions of the other stages as stipulated in the PRINCE 2 aspects of the project management approach.

## CHAPTER FOUR

### DATA ANALYSIS, RESULTS AND DISCUSSION

#### 4.1 Introduction

This chapter presents the data analysis of the study on the factors affecting the implementation of international public sector accounting standards in Kenya. The respondents were from 14 sectors of economy. However, out of the total 38 questionnaires distributed to the respondents, a total of 31 questionnaires were filled and returned. This represented a response rate of 80%.

#### 4.2 Descriptive analysis

##### 4.2.1 Effects of Academic and professional Level

**Table 4. 1 Effects of Academic and professional Level**

Statement of Effects of Academic and professional Level	Mean	Standard Deviation
Most of staff were trained to the level of a professional body	1.78	0.64
Majority of the staff understand IPSAS	1.61	0.59
Most of the staff apply IPSAS	2.68	0.64
The reports /standards the staff produce were based on IPSAS	1.59	0.51
The staff are adequately trained on IPSAS	2.55	0.53
Most of the reports are acceptable as IPSAS compliance	2.93	0.89
Adequate number of staff have been trained on IPSAS compliance	2.88	0.65
Compliance with IPSAS will enhance the level of reporting	2.90	0.86
Academic and professional standard enhance level of implementation of IPSAS	4.47	0.48
IPSAS standard were adequate for the needs of reporting	4.245	0.34



The table 4.1 indicates the extent to which respondents agreed with the given statements concerning the effects of academic and professional level on the implementation of IPSAS in Kenya. A likert scale was used where 1 was awarded to those who strongly disagree while those who strongly agreed upon were awarded 5. The study found that majority of the respondents strongly disagreed that most of the reports were acceptable as IPSAS compliance, which in turn affects the level of reporting, adequate number of staff have been trained on IPSAS compliance and to the level of a professional body and hence applies IPSAS as indicated by a mean of 2.93, 2.90, 2.88, 2.18 and 2.68 with a standard deviation of 0.89, 0.86, 0.65, 0.64 and 0.64. The study further found that most of the respondents strongly agreed that majority of the staff were inadequately trained on IPSAS making them not understand IPSAS and produce reports based on IPSAS as indicated by a mean of 1.61, 1.59 and 2.55 with a standard deviation of 0.59, 0.51 and 0.53. Respondents agreed that academic and professional standard enhanced the level of implementation of IPSAS and that IPSAS standards were adequate for the needs of reporting as indicated by a mean of 4.47 and 4.45 with standard deviation of 0.48 and 0.34.

## 4.2.2 Effects of Political and Bueuracratic Support

**Table 4. 2 Effects of Political and Bueuracratic Support**

Statement of Effects of Political and Bueuracratic Support	Mean	Standard Deviation
The current financial management act does not allow smooth implementation of IPSAS	4.58	0.60
Legistrative power such as parliament are not for the use of IPSAS and other financial reforms	4.29	0.39
Parliament has an influence on the implementation of IPSAS	4.71	0.64
The controller and Auditor general does not ensure compliance with IPSAS	4.41	0.46
Kenya National Audit office has helped in the implementation of IPSAS	2.05	0.33
IPSAS was adopted with the support of parliament	1.93	0.71
There are legal issues still pending regarding implementation of IPSAS	4.00	0.32
Parliament is adequate to ensure compliance with IPSAS	2.70	0.64

The table 4.2 indicates the responses on the extent to which respondents agreed with the given statements concerning the effects of political and bueuracratic support on the implementation of IPSAS in Kenya. From the findings, majority of the respondent strongly agreed that Parliament has an influence on the implementation of IPSAS and that the current financial management act does not allow smooth implementation of IPSAS as indicated by a mean of 4.71 and 4.58 respectively with standard deviation of 0.64 and 0.62. The study further found that the controller and Auditors general does not wholly ensure compliance with IPSAS, legistilative power such as parliament is not for the use of IPSAS and other financial reforms whereas there were legal issues still pending regarding implementation of IPSAS as indicated by a mean of 4.41, 4.29 and 4.00 with standard deviation of 0.46, 0.39 and 0.32. This implied that political factors greatly affected the implementation of IPSAS in public sectors in Kenya.

### 4.2.3 Communication Strategy

**Table 4. 3 Communication Strategy**

Statement of Effects of Communication Strategy	Mean	Standard Deviation
IPSAS strategy was effectively communicated at inception	1.76	0.64
Communication was frequently done through booklets, journals	2.71	0.69
Staff understood the source and origin of IPSAS communication	1.50	0.67
Staff communicate on IPSAS	2.13	0.74
Staff read through and have knowledge about such communication	1.39	0.57

The study sought to know the extent to which the respondents agreed on the given statements related to effects of communication strategy on the implementation of IPSAS in Kenya. From the findings, majority of the respondents strongly disagreed that staff understood the source and origin of IPSAS communication and communicated on it, IPSAS strategy was effectively communicated at inception, communication was frequently done through booklets, journals, conferences, seminars and that staff readthrough and had knowledge about such communication as indicated by a mean of 1.39, 1.50, 1.76, 2.13, and 2.13.

### 4.2.4 Management and Culture Change factors

**Table 4. 4 Effects of change factors**

Statement of Effects of change factors	Mean	Standard Deviation
Staff were willing to change to new IPSAS system of reporting	1.18	0.14
Staff were motivated to adopt IPSAS reporting	2.30	0.19
Staff are adequately trained by bodies such as ICPAK	1.72	0.11
Staff have effective communication on the IPSAS reforms	2.73	0.20

The study sought to know the extent to which the respondents agreed on the given statements on effects of change factors. From the findings, majority of the respondents were neutral on whether the staff had been effectively communicated about the IPSAS reforms, were motivated to adopt IPSAS reporting, were adequately trained by bodies such as ICPAK and were willing to change to the new IPSAS system of reporting as indicated by a mean of 2.73, 2.30, 1.72 and 1.18 with standard deviation of 0.20, 0.19, 0.14 and 0.11.

#### 4.2.5 Effects of Coordination and Consultations

**Table 4. 5 Effects of Coordination and Consultations**

Statement of Effects of Coordination and Consultations	Mean	Standard Deviation
There was a coordination office for IPSAS	2.71	0.38
The coordination Office of IPSAS is fully in place and functioning	2.31	0.29
There was adequate role for the coordinating office	2.08	0.12
Consultations were adequate between coordinators and implementers	2.10	0.16
Consultations are done regularly before implementation	2.41	0.37

The study sought to know the extent to which the respondents agreed on the given statements that relate to effects of coordination and consultations. The study found out that most of the respondents were moderate on whether there was coordination offices for IPSAS, consultations were done regularly before implementation, coordination office of IPSAS was fully in place and functioning, consultation were adequate between

coordinators and implementers and whether there was adequate role for coordinating office as indicated by a mean of 2.71, 2.41, 2.31, 2.10 and 2.08 with standard deviations of 0.38, 0.37, 0.29, 0.16 and 0.12 indicating the responses were significance.

#### 4.2.6 Effects of Implementation Cost

**Table 4. 6 Effects of Implementation Cost**

Statement of Effects of Implementation Cost	Mean	Standard Deviation
Donors fully meets the implementation cost	1.78	0.44
The government meets the large portion of the implementation cost	2.31	0.39
Government partners meet the cost of the implementation	4.08	0.60
Cost of the implementation are insignificant	2.19	0.40
The implementation cost are wide ranging	2.45	0.213

The study requested the respondents to indicate the extent to which costs affected implementation of international public sector accounting standards in Kenya. From the findings, majority of the respondents disagreed that donors fully meet the implementation cost, that the cost of implementation are insignificant, that the government meets a large portion of the implementation cost and the implementation cost are wide ranging as indicated by a mean of 1.78, 2.19, 2.31 and 2.45 respectively. This cost of IPSAS hinder the effective implementation of international public sector accounting standards in the public sector in Kenya

#### 4.2.7 Effects of Links between Budgeting and Accounting

**Table 4. 7 Effects of Links Between Budgeting and Accounting**

Statement of Effects of Link Between Budgeting and Accounting	Mean	Standard Deviation
There exist a mismatch between budget and accounting requirements	4.58	0.64
The legal framework for budget conflicts reporting through IPSAS	4.11	0.39
Donor budgeting conditionalities affects IPSAS reporting	4.68	0.64
Budget do not factor budget implementation of IPSAS	4.69	0.41

The study sought the extent to which the respondents agreed with the effects of the link between budgeting and accounting on the implementation of international public sector accounting standards in Kenya. From the findings, majority of the respondents strongly agreed that budget do not factor enough funds for the implementation of IPSAS, Donor budgeting conditionalities affects IPSAS reporting and that there exist a mismatch between budget and accounting requirements as indicated by a mean of 4.69, 4.68 and 4.58 respectively. The study also found out that respondents agreed that the legal framework for budget conflicts reporting through IPSAS and affected implementation of IPSAS in public sectors as indicated by a mean of 4.11. This clearly indicated that failure to budget for IPSAS systems affects implementation of international public sector accounting standards in Kenya.

## 4.2.8 Effects of Information and Technology Capacity

**Table 4. 8 Effects of Information and Technology Capacity**

Statement of Effects of Information and Technology Capacity	Mean	Standard Deviation
The current IFMIS process facility is adequate for IPSAS	2.78	0.64
Most staff are adequately trained to report IPSAS on the basis of IFMIS	2.31	0.39
Reports provided by IFMIS are adequate for reporting	4.88	0.64
IFMIS affects production of timely and adequate IPSAS report	4.19	0.41
IFMIS needs reengineering to produce adequate reports	4.02	0.213
IFMIS has limitations	4.50	0.58

The study sought the extent to which Information and Technology Capacity affected implementation of international public sector accounting standards in Kenya. From the findings, majority of the respondents agreed that the reports provided by IFMIS were adequate for reporting and that IFMIS has also limitations as indicated by a mean of 4.88 and 4.50 respectively. The study found that respondents agreed that IFMIS affect production of timely and adequate IPSAS reports and that IFMIS need reengineering to produce adequate reports as indicated by a mean of 4.19 and 4.02 respectively. The study further found that majority of the respondents strongly disagreed that most staff are adequately trained to report on the IPSAS basis and that the current IFMIS process facility is adequate for IPSAS as indicated by a mean of 2.31 and 2.78 respectively. This implied that low levels of information and technology adoption affected the

implementation of international public sector accounting standards in Kenya to a great extent.

### Effects of International Financial Support

**Table 4. 9 Effects of International Financial Support**

Statement of Effects of International Financial Support	Mean	Standard Deviation
International Financial institutions have funded IPSAS implementation	2.18	0.64
International Institutions are limited in funding implementation of IPSAS	2.31	0.39
There are many international financing sources for implementation of IPSAS in Kenya	1.88	0.64
The cost of implementation of IPSAS was high for international financial institutions to support	1.19	0.41
The government is not able to fund the IPSAS project alone	1.16	0.56

The study sought the extent to which respondents agreed on how international financial institutions support the implementation of IPSAS reforms in the public sector. From the findings, majority of the respondents strongly disagreed that the government was not able to fund the IPSAS project alone, the cost of implementation of IPSAS was high for international financial institutions to support, International Financial institutions have funded IPSAS implementations as indicated by a mean of 1.16, 1.19 and 2.18. The study also found that respondents disagreed that International Institutions were limited in funding implementation of IPSAS. This implied that international financial institutions affected the implementation of international public sector accounting standards in Kenya.



### 4.3 Correlation Analysis

Table 4. 10 Correlation of the study variables

Independent Variables	Accounting change	Management Culture Changes	Political and Bureaucratic Support	Professional and Academic	Communication Strategy	Willingness to change	Consultation and Coordination	Budgeting of Adoption Costs	Tackling of Specific Accounting Issues	Accounting and Budgeting Consistency	Information Technology Capability	International Financial Support.
Accounting change	1	.765(**)	.612(**)	.541(**)	.389(*)	.612**	.564**	.781(***)	.354**	.653**	.723**	.721**
Management Culture Changes	.765(*)	1	.612(**)	.491(*)	.425(*)	.581(**)	.401(**)	.781(*)	.541(**)	.680(**)	-.712(**)	.701(**)
Political and Bureaucratic Support	.00011	.000	1	-.382(*)	.277*	.00012	.0001	.000	.00012	.0001	.000	.00012
Professional and Academic	.0254(*)	.491(**)	.382(*)	1	-.382(*)	.430(**)	.611(*)	.325(**)	.547(**)	.609(**)	.504(**)	
Communication Strategy	.000	.001	.000	.000	1	.416(*)	.416(*)	.206(*)	.318(*)	.600(*)	.467(*)	
Willingness to change	.000	.000	.000	.000	.000	1	.218(*)	.416(*)	.206(*)	.318(*)	.600(*)	.467(*)
Consultation and Coordination	.000	.000	.000	.000	.000	.000	1	.416(*)	.206(*)	.318(*)	.600(*)	.467(*)
Budgeting of Adoption Costs	.000	.000	.000	.000	.000	.000	.000	1	.416(*)	.206(*)	.318(*)	.467(*)
Tackling of Specific Accounting Issues	.000	.000	.000	.000	.000	.000	.000	.000	1	.416(*)	.206(*)	.467(*)
Accounting and Budgeting Consistency	.000	.000	.000	.000	.000	.000	.000	.000	.000	1	.416(*)	.467(*)
Information Technology Capability	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	1	.467(*)
International Financial Support.	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	1

Sig. (2-tailed)	0.0021	.330	.162	.000	0.00	0.0021	.000	.000	.001	.000	.000	
Willingness to change	0.612*	.581(**)	.469(**)	.430(*)	.416(*)	1	0.321	.216(*)	.400(*)	.291(*)	.600(*)	.400(*)
Sig. (2-tailed)	0.000	.000	.000	.003	.028	.028	0.001	.000	.002	.000	.001	.000
Consultation and Coordination	0.564*	.401(**)	0.433*	.331(*)	.218(*)	.216(*)	1	.412(*)	.400(*)	.291(*)	.589(*)	.387(*)
Sig. (2-tailed)	0.000	.0001	.000	.003	.020	0.001	.000	.002	.000	.001	.000	.003
Budgeting of Adoption Costs	0.789**	.781(**)	.611(**)	1	.416(*)	.400(*)	.410(*)	1	.387(*)	.231(*)	.455(*)	.279(*)
Sig. (2-tailed)	0.000	.000	.000	.003	.028	.028	.028	.028				
Tackling of Specific Accounting Issues	0.354*	.541(**)	.325(**)	.224(*)	.206(*)	1	.461(*)	.387(*)	1	.453(*)	.342(*)	.200(*)
Sig. (2-tailed)	0.0021	.000	.000	.001	.000	.000	.000	.0001	.0001			
Accounting and Budgeting Consistency	0.653*	.680(**)	.547(**)	.436(*)	.318(*)	.291(*)	.363(*)	.231(*)	.328*	1	0.342(*)	.212(*)
Sig. (2-tailed)	0.001	.000	.002	.000	.001	.000	.003	.002	.001	.001	0.001	0.003
Information Technology Capability	0.723*	-.712(**)	.609(**)	.672(*)	.600(*)	.589(*)	.455(*)	.453(*)	.342(*)	1	0.342(*)	.112(*)
Sig. (2-tailed)	0.0021	.000	.000	.003	.000	.000	.0001	.0000	.000	.0000	.0001	0.001

tailed)								4				
International Financial Support.	0.721*	.701(**)	.699(**)	.504(*)	.467(*)	.400(*)	.387(*)	.279(*)	.200(*)	.212(*)	.112(*)	1
Sig. (2-tailed)	0.001	.000	.001	.000	.0012	.000	.000	.003	.000	.000	.0003	.028

**Source: Author (2012)**

\*\* Correlation is significant at the 0.01 level (2-tailed). \* Correlation is significant at the 0.05 level (2-tailed).

From Table 4.10 above, the study shows that the factors have a strong positive correlation with implementation of international public sector accounting standards in Kenya. Management Culture Changes scored a correlation coefficient of 0.765 and a 95% precision level. The correlation was statistically significant since it had a P- Value < 0.005 at 0.000.

Political and Bureaucratic Support and management change management had correlation coefficient of 0.612 and a 95% precision level. The correlation was statistically significant since it had a P< 0.05 at 0.001. This implied that political factors and and management culture have a negative association with implementation of international public sector accounting standards. Professional and Academic levels had a negative association with implementation of international public sector accounting standards in Kenya with a score of 0.491 and a precision level of 95%. This correlation was statistically significant since its P< 0.05 at 0.001.

Communication Strategy and Professional and Academic had a strong negative relationship with implementation of international accounting standards in the public sector with a correlation coefficient of 0.635(\*) at 95 % confidence level. The association was significant as  $p > 0.05$  at 0.000.

Willingness to change and management culture changes had a strong negative association with implementation of international public sector accounting standards in the public sector with a correlation coefficient of 0.765 at 95 % confidence level. The association was significant as  $p < 0.05$  at 0.000. The study also found that there was a negative association between Consultation and Co-ordination and Willingness to change with implementation of international public sector accounting standards in the public sector with a correlation coefficient of 0.216 at 95 % confidence level. The association was insignificant as  $p > 0.05$  at 0.216. There existed a negative association between Budgeting of Adoption Costs with implementation of international public sector accounting standards in public sector with a correlation coefficient of 0.781 at 95 % confidence level. The association was insignificant as  $p < 0.05$  at 0.000

The study also found out that there was a significant negative association between Accounting and Budgeting Consistency and political and bureaucratic in the implementation of international public sector, accounting standards in the public sector with a correlation coefficient of 0.669 at 95 % confidence level with  $p < 0.05$  at 0.001.

The association between International Financial Support and implementation of international public sector accounting standards in Kenya had correlation coefficient of 0.701 at 95% confidence level and a  $P < 0.05$  at 0.000.

The study further found that there exists a significant strong negative association between International Financial Support and Information Technology Capability in implementation of international public sector accounting standards in Kenya with correlation coefficient of 0.712 at 95% confidence with a  $p < 0.05$  at 0.000.

#### 4.7 Factors Affecting implementation of international public sector accounting standards in Kenya

A multivariate regression model was applied to determine the factors Affecting implementation of international public sector accounting standards in Kenya. The logistic regression used in this model was:

$$AC (ps) = f (MCC + PBS + PAS + CS + WC + CC + BAC + SAI + ABC + ITC + IFS)$$

Where:

- AC (ps) = *Accounting change function*
- MCC = *Management Culture Changes*
- PBS = *Political and Bureaucratic Support* (legislative, executive and bureaucracy support);
- PAS = *Professional and Academic* (advisory) *Support* (in the accounting field);
- CS = *Communication Strategy* (includes booklet, journal, conferences, seminars, etc);
- WC = *Willingness to change* (staff motivation, will, training and qualification);
- CC = *Consultation and Co-ordination* (an essential step for central guidance change);
- BAC = *Budgeting of Adoption Costs* (for the whole implementation period);
- SAI = *Tackling of Specific Accounting Issues* (assets identification and valuation, assets register, reporting entity, opening balances, etc.);
- ABC = *Accounting and Budgeting Consistency* (integration);
- ITC = *Information Technology Capability; and*
- IFS = *International Financial Support.*

The resulting model is as follows:

Table 4. 11 Model Summary

Model	R	R	Adjusted	Std. Error	Change Statistics
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		Square	R Square	of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.882(a)	.781	.691	4.60877	.009	8.640	5	1	.001(a)

Source: Author (2010)

**A. Predictors:** (Constant), Management Culture Changes, Political and Bureaucratic Support, Professional and Academic Communication Strategy Willingness to change, Consultation and Co-ordination, Budgeting of Adoption Costs, Tackling of Specific Accounting Issues, Accounting and Budgeting, Information Technology Capability, and International Financial Support.

**b.Independence:** Accounting change

Adjusted  $R^2$  is called the coefficient of determination which shows how implementation of international public sector accounting standards in Kenya vary in relation with factors Management Culture Changes, Political and Bureaucratic Support, Communication Strategy, Willingness to change, Consultation and Co-ordination, Budgeting of Adoption Costs, Tackling of Specific Accounting Issues, Accounting and Budgeting, Information Technology Capability, and International Financial Support.

From table 4.11 above, the value of adjusted  $R^2$  is .781. This implies that, there was a variation of 78.1% of variation between factors Management Culture Changes, Political and Bureaucratic Support, Professional and Academic level, Communication Strategy, Willingness to change, Consultation and Co-ordination, Budgeting of Adoption Costs, Tackling of Specific Accounting Issues, Accounting and Budgeting, Information Technology Capability, and International Financial Support and implementation of international public sector accounting standards in Kenya at a confidence level of 0.05

**Table 4. 12: Analysis of variance on Fcator Affecting Implementation of IPSAS**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	17.211	5	183.522	8.640	.001(a)
	Residual	54.080	12	21.241		
	Total	71.291	17			

**Source: Author (2012)**

a) **Predictors:** (Constant), Management Culture Changes, Political and Bureaucratic Support, Professional and Academic Levels, Communication Strategy, Willingness to change, Consultation and Co-ordination, Budgeting of Adoption Costs, Tackling of Specific Accounting Issues, Accounting and Budgeting Link, Information Technology Capability, and International Financial Support.

b) **Dependent Variable:** implementation of international public sector accounting standards in Kenya

In its simplest form ANOVA provides a statistical test of whether or not the means of several groups are all equal, and therefore generalizes *t*-test to more than two groups. The results between indicate that the relationship between factors Management Culture Changes, Political and Bureaucratic Support, Professional and Academic, Communication Strategy Willingness to change, Consultation and Co-ordination, Budgeting of Adoption Costs, Tackling of Specific Accounting Issues, Accounting and Budgeting Link, Information Technology Capability, and International Financial Support and implementation of international public sector accounting standards in Kenya was significant with  $p < 0.001$ .

### Coefficients of Factors

**Table 4. 13 Coefficients of Factor affecting Implementation of IPSAS**

Variables	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta	B	Std. Error
(Constant)	1.803	0.511		.207	.039
Management Culture	.750	0.754	1.564	3.729	.0017

Changes					
Political and Bureaucratic Support	1.850	0.258	1.020	097	.0025
Professional and Academic Level	3.400	0.412	2.786	1.623	0.000
Communication Strategy	1.289	0.733	0.714	1.010	.133
Willingness to change	1.765	0.317	1.588	1.006	.00024
Consultation and Co-ordination	-1.315	0.210	-1.023	1.511	0.001
Budgeting of Adoption Costs	.119	.076	.219	1.564	.1280
Tackling of Specific Accounting Issues	.170	.096	.191	1.763	.0088
Accounting and Budgeting Link	.243	.108	.295	2.244	.00032
Information Technology Capability	.517	.078	.165	1.512	.00141
International Financial Support.	.351	.085	.167	1.776	.0002

**Source: Author (2012)**

a) **Predictors:** (Constant), Management Culture Changes, Political and Bureaucratic Support, Professional and Academic Levels, Communication Strategy, Willingness to change, Consultation and Co-ordination, Budgeting of Adoption Costs, Tackling of Specific Accounting Issues, Accounting and Budgeting Link, Information Technology Capability, and International Financial Support

b) **Dependent Variable:** implementation of international public sector accounting standards

**The resulting model is as follows:**

From the above regression model in Table 4.13, holding all the factors constant implementation of international public sector accounting standards in Kenya would be



1.803. The study found that failure to improve management culture changes would affect the implementation of international public sector accounting standards by a factor 0.750,

The results from the regression indicate that lack of political and bureaucratic support would affect implementation of international public sector accounting standards by a factor of 1.850 with a  $p < 0.05$  at 0.0025.

From the regression results the lack of Professional and Academic level support would significantly affect implementation of international public sector accounting standards by a factor of 3.400 with a  $p < 0.05$  at 0.000.

The study found that lack of communication Strategy such as booklets, journals, conferences, seminars, would affect implementation of international public sector accounting standards by 1.289 with a  $P < 0.05$  at 0.024 in the public sector in Kenya.

The study found that lack of willingness to change affects implementation of international public sector accounting standards in public sector by a factor of 1.765 with a  $p < 0.05$  at 0.00024. This clearly shows that failure by the accounting staff in the public sector to change significantly affected implementation of international public sector accounting standards in the public sector in Kenya.

The study found that Consultation and Co-ordination affected implementation of international public sector accounting standards in public sector in Kenya by a factor 1.315 where the effect was significant with a  $p < 0.05$  at 0.001.

The study also found that lack of budgeting Costs insignificantly affected implementation of international public sector accounting standards in the public sector in Kenya by a factor 0.119 with a  $p > 0.05$  at 0.1280.

The results from the regression analysis also indicated that failure to tackle specific Accounting Issues would significantly affected implementation of international public sector accounting standards in the public sector in Kenya by a factor 0.170 with a  $p < 0.05$  at 0.0088. These results also indicated that failure to intergrate accounting and budgeting would significantly affected implementation of international public sector accounting standards in the public sector in Kenya by a factor .243 with a  $p < 0.05$  at 0.00032.

These results from regression anaysis indicated that lack of adoption of information technology would significantly affects implementation of international public sector accounting standards in the public sector in Kenya by a factor 0.517 with a  $p < 0.05$  at 00141.while lack of International Financial Support was found to significantly affects implementation of international public sector accounting standards in the public sector in Kenya by a factor 0.351 with a  $p < 0.05$  at 0.0002.

The results of the regression model was

$$AC (ps) = 1.803 - .750MCC - .1.850 PBS - 3.400PAS -1.289 CS -1.765 WC -1.315 CC - .119 BA - .170 SAI - .243AB - .517 ITC - .351 IFS)$$

From the above regression model, factors under the study were found to negatively affects implementation of international public sector accounting standards in the public sector in Kenya .

#### **4.7 Discussion of the Findings**

The study found that there had been factors affecting implementation of IPSAs in Kenya as there were, fundamental problems that inhibited the efficiency and effectiveness of the implementation of IPSAS due to poor performance of basic financial functions, poor supervision, inadequate financial information and decision support, poor staff motivation and attitudes to accounting and accountability.

The study found that reports were not acceptable as IPSAS compliance, which in turn hindered the level of reporting, inadequate number of staff have not been trained on IPSAS compliance and to the level of professionalism in making them understand IPSAS and produce reports based on IPSAS. The study revealed that academic and professional standards enhanced the level of implementation of IPSAS and that IPSAS standards were adequate for the need of reforms.

The study established that Parliament has an influence on the implementation of IPSAS and that the current financial management act does not allow smooth implementation of IPSAS. The study further found that the controller and Auditors general does not ensure compliance with IPSAS, Legislative powers such as parliament are not for the use of IPSAS and other financial reforms, whereas there were legal issues still pending regarding implementation of IPSAS. The findings concurred with Pollit, (2001) who indicated that Public sector reforms have been influenced by specific national traditions and political cultures.

The study established that staff did not understand the source and origin of IPSAS communication and were never communicated on it, IPSAS strategy was not effectively

communicated at inception, communication was not frequently done through booklets, journals, seminars nor workshops. The findings were similar to Humphrey, (1998) who found that **service efforts and accomplishments (SEA) information** is an essential part of the information necessary for general purpose external financial reporting but that it had not been developed sufficiently.

The study found that coordination offices for IPSAS, consultations were not done regularly before implementation, coordination office of IPSAS was not fully in place and functioning, consultation were not adequate between coordinators and implementers and there were no adequate role for coordinating office. The findings were similar to those of NAO, (2008) who indicated that the aim is to create a single, coherent regime that **improves the communication effectiveness, efficiency and transparency of the process**, supports delivery of public services, incentivizes good value for money and enhances accountability to parliament and underpins the Government fiscal framework.

The study established that donors failed to fully meet the implementation cost, their cost of implementation were insignificant to the extent that the government meets the large portion of the implementation cost and the implementation costs are of wide ranging and that implementation costs of implementing IPSAS hinders effective implementation of international public sector accounting standards in Kenya

The study found that **budget does not factor implementation of IPSAS**, donor funding conditionalities affect IPSAS implementation and that there exists a mismatch between budget and accounting requirements. The study also found that the legal frameworks for budget, conflicts reporting through IPSAS and affected implementation of IPSAS in

public sectors of international public sector accounting standards in Kenya. The findings were similar to Wynne, (2007) who indicated that international financial institutions support for accrual accounting has not always been consistent therefore affecting implementation of IPSAS in developing countries like Kenya.

The study further revealed that the reports provided by IFMIS were not adequate for reporting and that IFMIS has limitations which affected production of timely and adequate IPSAS reports.

The study established that government was not able to fund the IPSAS project alone, the cost of implementation of IPSAS was not high for international financial institutions to support and that International Institutions were limiting in funding for implementation of IPSAS therefore affecting the implementation of international public sector accounting standards in Kenya. The study shows that these factors had a strong negative correlation with implementation of international public sector accounting standards in Kenya. This indicated that Management Culture Changes, Political and Bureaucratic aspects, lack of Professional and Academic staff, Internal auditing standards. Ineffective Communication Strategy, Unwillingness to change, lack of consultation and Co-ordination, Ineffective link between accounting and Budgeting had significant negative association with implementation of international public sector accounting standards in Kenya at  $P < 0.05$ . From the above regression failure to improve management culture changes would affect the implementation of international public sector accounting standards. The results from regression analysis revealed that lack of political and bureaucratic support, lack of Professional and Academic support, lack of communication Strategy such as issuance of

booklets, journals, conferences, seminars, lack of willingness to change and lack of budgeting costs, insignificantly affected implementation of international public sector accounting standards in the public sector in Kenya .

The results from the regression analysis revealed that failure to tackle specific Accounting Issues, lack of adoption of information technology lack of International Financial Support was found to significantly affect implementation of international public sector accounting standards in the public sector in Kenya .

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter discusses interpretation 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 objective of the study was to determine the factors affecting implementation of international public sector accounting standards in Kenya

#### 5.2 Summary of findings

The study revealed that reports were unacceptable as IPSAS compliance, which in turn enhance the level of reporting, adequate number of staff have been trained on IPSAS compliance and that most staff were inadequately trained on IPSAS making them not understand IPSAS and produce reports based on IPSAS. The study revealed that academic and professional standards enhanced the level of implementation of IPSAS and that IPSAS standard were not adequate for the need of reforms

The study established that Parliament has an influence on the implementation of IPSAS and that the current financial management act does not allow the smooth implementation of IPSAS. The study further found that the controller and Auditors general does not ensure compliance with IPSAS, Legislative powers such as parliament are not for the use of IPSAS and other financial reforms and that there were legal issues still pending regarding implementation of IPSAS.

The study established that staff did not understand the source and origin of IPSAS communication and did not communicate on it, IPSAS strategy was not effectively communicated at inception, communication was not frequently done through booklets, journals, workshops and seminars and that staff did not read through and had no knowledge about such communication.

The study established that staff were not effectively communicated on the IPSAS reforms, were not motivated to adopt IPSAS reporting, were inadequately trained by bodies such as ICPAK and were not willing to change to the new IPSAS system of reporting

The study found that coordination offices for IPSAS were not active, consultations were not done regularly before implementation, coordination offices of IPSAS were not fully in place and functioning, consultations were not adequate between coordinators and implementers and there were no adequate roles for coordinating offices.

The study established that donors failed to fully meet the implementation cost, that their cost of implementation were insignificant, that the government met the large portion of the implementation cost, the implementation costs are wide ranging and that implementation costs of IPSAS hinders effective implementation of international public sector accounting standards in Kenya.

The study found out that budget does not factor funds for implementation of IPSAS, donor budgeting conditionalities affect IPSAS reporting and its implementation, that there exist a mismatch between budget and accounting requirements. The study also



found out that the legal framework of the budget conflicts the reporting through IPSAS and affected implementation of IPSAS in public sectors in Kenya.

The study further revealed that reports provided by IFMIS were not adequate for reporting and that IFMIS has limitations and that IFMIS affected production of timely and adequate IPSAS reports.

The study established that government was not able to fund the IPSAS project alone, the cost of implementation of IPSAS was not high for international financial institutions to support and that International Institutions were limiting in funding for implementation of IPSAS thereby affecting the implementation of international public sector accounting standards in Kenya.

The study also shows that implementation factors had a strong negative correlation with implementation of international public sector accounting standards in Kenya. This indicated that Management Culture Changes, Political and Bureaucratic issues, lack of Professional and Academic qualifications. Ineffective Communication Strategy, Unwillingness to change, lack of consultation and Co-ordination, Ineffective link between accounting and Budgeting, had significant negative association with implementation of international public sector accounting standards in Kenya as indicated by  $P < 0.05$ .

From the above regression, failure to improve management culture changes would affect the implementation of international public sector accounting standards.

The results from regression analysis revealed that lack of political and bureaucratic support, lack of Professional and Academic support, lack of communication Strategy such as through booklets, journals, conferences, seminars, lack of willingness to change and lack of budgeting Costs insignificantly affected implementation of international public sector accounting standards in the public sector in Kenya .

The results from the regression analysis revealed that failure to tackle specific Accounting Issues, lack of adoption of information technology lack of International Financial Support was found to significantly affect implementation of international public sector accounting standards in the public sector in Kenya.

### **5.3 Conclusions of the study**

The study concluded that low levels of technology adoption affected effective implementation of IPSAS and the bodies which sponsor. The study found out that poor NPFM reforms and adoption of IFMIS by the Kenya Government greatly affected the implementation of IPSAS and other reforms in the public sector.

From the findings, the study concluded that lack of political will and a weak legal framework affected implementation of IPSAS as it hinders preparation of government's financial statements. The study concluded that failure by parliament to incorporate the new Financial Management Act 2004 to recognize IPSAS and prescribe it as the basis of financial statements preparation affected implementation of IPSAS in the public sector reforms. The study concluded that lack of trained and competent staff on the adoption of IPSAS systems of financial reporting affected implementation of IPSAS in the government sectors. The staffs were found to have less capacity to use IPSAS hence

challenge affected the implementation of IPSAs in terms of capacity building costs and the required change management issues.

The study concluded that inadequate funds affected implementation of IPSAS where the Statutory bodies such as KNAO responsible for enforcing accounting regulations lack sufficient funds to roll out implementation of IPSAS.

The study also concluded that inadequate support from international financial institutions such as International Monetary Fund and World Bank which has always been inconsistent was found to affect implementation of IPSAS financial reporting systems. This was due to the fact that emerging economies have too often accepted IPSAS while overlooking number of important issues and agreeing that accrual accounting systems are more comprehensive but should not be overstated.

#### **5.4 Limitations of the Study**

The study faced challenges of time resource, limiting the study from collecting information for the study particularly where the respondents delayed in filling the questionnaire and travelling time for collection of the filled questionnaire.

The study also faced limitations where the management were failing to reveal the information and sometimes delayed in filling of the questionnaire. However the researcher did follow up to ensure data was collected without further delays.

#### **5.5 Policy Recommendations**

The study recommends that a Legal framework is required to be crafted to prescribe IPSAS as the basis of preparation of government's financial statements. The study also

recommends that the IPSAS reporting system needs to be embraced by all stakeholders and partners in the government including Parliament, KNAO, Treasury, Government departments, Development Partners such as World Bank, other Reforms of MTEF, IFMIS and performance contracting to enhance financial management in the public sector.

The study recommends that the government needs to upgrade Information technology and enhance adoption of ICT to cope with the financial data requirements of the IPSAS standards and implementation of IPSAS as the financial information management system of the Government. According to the study the current integrated Financial Management System (IFMIS) in use by the government for financial management was inadequate with the adoption of the new accounting standards.

### **5.6 Recommendations for Further Study**

This study determined the relationship of the factors affecting the implementation of international public sector accounting standards in Kenya. The study recommends that a further study should be carried out to investigate the impact of implementation of international public sector accounting standards on financial reporting in public sector in Kenya

A further study should be carried out to determine strategies that should be adopted for successful implementation of international public sector accounting standards in relation to financial management in the public sector in Kenya.

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## APPENDICES

### APPENDIX 1 – LETTER OF INTRODUCTION

S.HAMISI KUTI  
University of Nairobi  
P.O. Box 30197-00100  
Cell: 0727 175 214  
Email: kutiha@yahoo.com

**Dear Respondent,**

I am a Student pursuing a postgraduate degree at the School of Business University of Nairobi.

The title of my study: The Role of Accounting Theory in the Accounting Practice.

I would appreciate if you could spare a few minutes of your 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 taxation in the country.

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

Thank you in advance.

Yours sincerely,

S.HAMISI KUTI

**APPENDIX 2 QUESTIONNAIRE**

**PART ONE**

1) Kindly indicate your work station

- a) Dept [ ] b) Province [ ] c) Local Council [ ] d) headquarters.

2) Position in the Institution / Station

- a) Junior Officer [ ] b) Supervisory [ ] c) Middle mgt [ ] d) Top mgt [ ]

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

- a) Yes [ ] b) No [ ] c) I don't know

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

- a) Budget  
b) Financial Statements / Reports  
c) Audit  
d) All

4) What is the source of reference / legislation for the preparation of the reports above

.....  
.....

5) Who introduced IPSAS reporting to:

- a) Your office

.....  
.....

b) Was it communicated to you?

- a. Yes [ ]
- b. No [ ]
- c. I don't know [ ]

6) How do you process your transaction;

- a) Manual system [ ]
- b) Computerized [ ]
- c) Integrated system [ ]
- d) Using a package [ ]

7) Who is in charge of implementing IPSAS in your organization.

- a) C.E.O [ ]
- b) H.O.D [ ]
- c) ME [ ]

8) Have you been trained on IPSAS application.

- a) Yes [ ]
- b. No [ ]

9) In your own view, does the government have enough resources towards implementation in the budgetary allocation?

- a) Yes [ ]
- b. No [ ]

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

- a) Yes [ ]
- b. No [ ]

If Yes, state

.....

.....

.....

11) How does staff in the account section view the use of IPSAS?

**Explain:**.....

.....

.....

12) In your view , is the government slow or fast in implementation?

- a) Yes [ ] b. No [ ]

If Yes, state

.....  
.....  
.....

13) When did you start using IPSAS?

- a) 2010 [ ] b) 2011 [ ] c) I don't know [ ]

b) State when .....

14) In your view are you adequately trained to meet the challenges of IPSAS?

- a) Yes [ ] b. No [ ]

If Yes, when were you trained ?.....

15) From your past experience which is the best system to adopt?

- a) IPSAS [ ] b) the old system [ ]

16) What are the problems you encounter while implementing IPSAS?

.....  
.....

17) How does IPSAS fit with the values or culture of the working environment?

.....  
.....  
.....

18) Who audits your reports when produced on the IPSAS basis?

.....  
.....

19) Is there a legal framework that allows use of IPSAS in the financial management act?

.....  
.....

20) How many people use IPSAS in their routine reporting?

.....

21) From your experience do you think that there are any political influences when using IPSAS?

If any state,

.....  
.....

22) Is the level of technology in use adequate for the purpose of IPSAS?

Yes [ ]      b. No [ ]

## **PART TWO**

**INSTRUCTIONS:** Please rate how strongly you agree or disagree with each of the following statements by placing a check mark in the appropriate box.

**Key: 1. Strongly disagree   2. Disagree   3. Neutral   4. Agree   5. Strongly Agree**

**PART A. ACADEMIC AND PROFESSIONAL LEVEL**

		1	2	3	4	5
1.	Most of the staffs are trained to the level of a professional body					
2.	Majority of the staffs understand about IPSAS					
3.	Most of the staffs apply these standards on daily / routine basis					
4.	The reports / standards you produce are based on IPSAS					
5.	Your staffs are adequately trained on IPSAS reporting					
6.	Most of your reports are accepted as IPSAS compliance					
7.	Adequate number of staffs have been trained for IPSAS compliance					
8.	Compliance with IPSAS will enhance the level of reporting					
9.	Academic and professional training speed up the level of IPSAS implementation					
10.	IPSAS standards are adequate for needs of reporting.					

**PART B: MANAGEMENT CULTURE CHANGES.**

		1	2	3	4	5
1.	Management likes new public sector reforms like IFMIS / MTEF and the public procurement and disposal act of 2004					
2.	The management is at ease with the current financial reforms and other public sector reforms					
3.	The management is responsible for the wider public sector reforms					
4.	The management supports the wider public sector financial reforms.					
5.	Management is actively participating in the implementation of public sector financial reforms					
6.	Management culture has adversely affected the implementation of IPSAS					

**PART C: POLITICAL AND BUREAUCRATIC SUPPORT.**

		1	2	3	4	5
1.	The current financial management act does not allow a smooth implementation of IPSAS					
2.	Legislative powers like parliament are not for the use of IPSAS and other financial reforms					
3.	Parliament has an influence on the implementation of IPSAS					
4.	The controller and auditor general does not ensure compliance with IPSAS					
5.	Kenya National Audit Office has helped in the implementation of IPSAS					
6.	IPSAS was adopted in the support of Parliament					

7.	There are legal issues still pending as for the implementation of IPSAS					
8.	Parliament is adequate to ensure compliance with IPSAS implementation					

PART D: COMMUNICATION STRATEGY.

		1	2	3	4	5
1.	IPSAS strategy was effectively communicated at inception					
2.	Communication is frequently done through booklets, journals, conferences and seminars					
3.	The staff are well versed with the sources and origin of this communication					
4.	Staff communicate to each other about such communications					
5.	Staffs read through and have knowledge about such communications					

PART E: CHANGE FACTORS

		1	2	3	4	5
1.	Staff are willing to change to the new IPSAS way of reporting					
2.	Staff are motivated to adopt the new way of reporting					
3.	Staff are adequately trained by relevant bodies such as ICPAK, ECAAG to adopt the new IPSAS order					
4.	All staff have the necessary professional and academic qualifications to adopt this new order					
5.	Staff have full communication on the latest changes of IPSAS					



PART F: COORDINATION AND CONSULTATION

		1	2	3	4	5
1.	There is a coordination office for this IPSAS changes					
2.	The coordinating office of IPSAS is fully in place and functioning					
3.	There is an adequate role for the coordinating office					
4.	The coordinating office is fully operational					
5.	Consultations are adequate between the coordinators and the implementers					
6.	Consultations are regularly done before implementation					
7.						

PART G: IMPLEMENTATION COSTS.

		1	2	3	4	5
1.	Donors fully meet the implementation costs					
2.	The government meets the largest portion of the implementation costs					
3.	Other development partners meet the costs of implementations					
4.	The costs of implementation are insignificant					
5.	Implementation costs are wide ranging					

PART H: LINK BETWEEN BUDGETING AND ACCOUNTING

		1	2	3	4	5
1.	<b>There is a mis-match between budget and accounting requirements</b>					
2.	The legal framework for budgets conflicts reporting by IPSAS					
3.	<b>Budget inconsistency affects IPSAS reporting</b>					
4.	Donor budgeting / conditionalities affect IPSAS reporting					
5.	<b>Budget does not take care of Implementation costs</b>					

PART I: INFORMATION TECHNOLOGY CAPACITY

		1	2	3	4	5
1.	The current IFMIS IT Processing facility is adequate for IPSAS reporting					
2.	<b>Most staffs are adequately trained to produce report on the basis of IFMIS</b>					
3.	The reports provided by IFMIS are adequate for this reporting					
4.	IFMIS affects production of timely and adequate reports for IPSAS					
5.	IFMIS is adequate for producing these reports					
6.	IFMIS needs re-engineering to produce adequate reports for this purpose					
7.	Staffs are adequately trained to produce desired reports					
8.	IFMIS reports still have some short comings					

PART J: INTERNATIONAL FINANCIAL SUPPORT

		1.	2.	3.	4.	5.
1.	<b>International Financial Institutions have funded IPSAS implementations</b>					
2.	Funding is adequate for implementations					
3.	<b>Funding is limited for the purpose of this project</b>					
4.	There are many sources of funding for this project					
5.	Funding sources are limited					
6.	<b>GOK is not able to fund whole project</b>					
7.	The costs involved are high					