INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS) IMPLEMENTATION IN KANO STATE PUBLIC SERVICE: PROSPECTS AND CHALLENGES

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Abstract
Although the Kano State Government has formally adopted accrual-based International Public Sector Accounting Standards (IPSAS), the transition remains incomplete due to unresolved asset valuation requirements under IPSAS 33 exemptions and perceived technical complexities among public personnel. Addressing this problem, this study examines the prospects and challenges surrounding IPSAS implementation within the Kano State Public Service. A theoretical framework was provided by Rogers' Diffusion of Innovations (DOI) theory, while a qualitative documentary research design was adopted. Secondary data comprising peer-reviewed journal articles and published Kano State Government financial statements (2015-2025) were systematically evaluated using thematic analysis. The findings indicate that while accrual-based IPSAS presents major opportunities to improve financial reporting quality, transparency, and accountability, Kano State faces lingering transition hurdles and user-level adoption friction. The study concludes that IPSAS implementation in Kano State is an evolving process that necessitates targeted institutional capacity building and policy commitment to satisfy outstanding reporting requirements. Notably, as this study relies entirely on secondary documentary data, its findings offer a contextual synthesis rather than direct empirical evidence gathered from state administrative personnel.

Keywords: Accrual-based accounting, financial transparency, ipsas implementation, kano state public service, public sector accounting.

1.0 Introduction

International Public Sector Accounting Standards (IPSAS), promulgated by the International Public Sector Accounting Standards Board (IPSASB), constitute an internationally recognized framework designed to enhance transparency, operational accountability, and financial reporting quality across public sector entities (IPSASB, 2023). Historically, public administration systems in many developing economies relied predominantly on cash-basis accounting. While cash accounting simple tracks immediate cash inflows and outflows, it fails to record non-cash assets, long-term liabilities, or future financial commitments. In contrast, accrual-based IPSAS mandates the recognition of revenues, expenses, assets, and liabilities at the time economic events occur, regardless of when cash is exchanged. This transition provides oversight institutions, policymakers, resource providers, and the public with a realistic and comprehensive assessment of a government's true financial position and stewardship (IPSASB, 2023; Scannell & Tawiah, 2024).

Driven by global calls for improved public financial management (PFM) and fiscal sustainability, governments worldwide have increasingly moved toward accrual accounting. Within developing countries and sub-Saharan Africa specifically, IPSAS implementation is framed as a strategic reform to curb corruption, improve fiscal discipline, enhance sovereign creditworthiness, and align public reporting with international best practices (Scannell & Tawiah, 2024). In Nigeria, the drive toward IPSAS adoption gained formal momentum in May 2010 when the Federal Executive Council (FEC) approved the adoption of both Cash-Basis and Accrual-Basis IPSAS for the public sector across all three tiers of government Federal, State, and Local (Federal Republic of Nigeria, 2010). Under the auspices of the Federation Account Allocation Committee (FAAC) Sub-Committee on IPSAS Implementation, a national roadmap was created, establishing uniform charts of accounts and target timelines to standardize financial reporting nationwide.

In Kano State one of Nigeria's most populous states with a sizable public service infrastructure comprising various Ministries, Departments, and Agencies (MDAs) the adoption of IPSAS represents a pivotal component of broader public financial administration reforms. Governed by state financial regulations and overseen administratively by the Office of the Accountant-General and the Office of the Head of Service, Kano State has systematically integrated IPSAS standards into its public accounting frameworks. However, global public administration literature demonstrates that formal policy adoption does not automatically guarantee effective operationalization. The transition from cash to accrual reporting requires extensive institutional capacity, sophisticated financial information management systems, comprehensive physical asset identification, and continuous workforce retraining (Ademola et al., 2020). Examining how these transition dynamics unfold within the Kano State Public Service provides valuable insights into the operational realities and systemic challenges of sub-national public sector accounting reforms in Nigeria.

Despite the official transition to accrual-based IPSAS within the Kano State Public Service, significant execution gaps and transition deficiencies persist. Primary documentary evidence reveals that while the Kano State Government prepared its 2024 financial statements under IPSAS accrual guidelines, the state continues to rely on transitional exemptions under IPSAS 33 because a conclusive valuation and recognition of state-owned assets remain uncompleted (Kano State Government, 2025). The inability to fully account for public assets weakens a core pillar of accrual accounting comprehensive balance sheet integrity and leaves the state's true financial position incompletely reported.

Furthermore, empirical evidence specific to Kano State highlights acute capacity and implementation hurdles at the personnel level. Yakasai et al. (2025) observed that state civil servants frequently perceive accrual IPSAS frameworks as overly complex and operationally difficult to execute. While broader Nigerian literature points to systemic deficits in technical training, technological infrastructure, and institutional funding (Ademola et al., 2020), there remains a distinct shortage of empirical synthesis detailing how these variables specifically interact with Kano State's ongoing transition exemptions.

The core research problem, therefore, is not whether Kano State has formally declared IPSAS adoption, but rather that critical transitional requirements (such as complete asset valuation under IPSAS 33) and staff-level adoption friction remain unresolved. Without integrating Kano-specific empirical data with broader public financial management literature, the administrative

prospects and structural impediments facing the Kano State Public Service cannot be fully evaluated. Accordingly, this study examines these specific implementation gaps using a systematic documentary research approach.

2.0 Literature Review

Conceptualization of International Public Sector Accounting Standards (IPSAS)

International Public Sector Accounting Standards (IPSAS), promulgated by the International Public Sector Accounting Standards Board (IPSASB), represent a comprehensive accounting framework designed to reform financial reporting in public institutions. Under accrual-based IPSAS, financial transactions including revenues, expenses, assets, and liabilities are recognized when economic value is created, transformed, or extinguished, rather than when cash settlements occur (IPSASB, 2023).

A critical synthesis of recent literature reveals two distinct scholarly perspectives regarding the operational impact of IPSAS in developing economies. On one hand, public financial management (PFM) optimists argue that adopting accrual-based IPSAS significantly elevates financial transparency, administrative accountability, and cross-jurisdictional comparability (Ademola et al., 2020; Muraina & Dandago, 2020; Adewara et al., 2024). Studies across various Nigerian tiers argue that transitioning away from traditional cash-accounting dismantles information asymmetry, prevents off-balance-sheet liabilities, and enhances governance credibility (Muraina & Dandago, 2020).

Conversely, a growing body of implementation literature cautions against assuming that formal standard adoption automatically translates to improved reporting quality (Scannell & Tawiah, 2024). Scholars in this camp argue that in many developing sub-national contexts, IPSAS adoption is often isomorphic a symbolic policy shift driven by external reform pressures rather than internal institutional readiness. Implementation outcomes are strongly moderated by contextual factors, including technical skill deficits, inadequate financial management information systems (FMIS), substantial compliance costs, and institutional inertia (Ademola et al., 2020; Beredugo, 2021; Scannell & Tawiah, 2024).

Within Kano State, this tension between policy intention and administrative reality is particularly pronounced. While official state records demonstrate structural commitment through the preparation of IPSAS accrual-based financial statements, operational execution remains hampered by unresolved transition requirements most notably the incomplete valuation and recognition of state assets under IPSAS 33 transitional exemptions (Kano State Government, 2025). Furthermore, empirical evidence from Kano State civil servants indicates that despite recognizing the relative advantage of IPSAS, accounting personnel routinely experience significant cognitive and technical complexity in applying the standards (Yakasai et al., 2025).

While existing literature extensively documents broad Nigerian PFM reform trends (Ademola et al., 2020; Adewara et al., 2024), a key contextual gap remains: few empirical inquiries synthesize how sub-national institutional realities specifically Kano State's administrative structures, asset accounting constraints, and civil service capacity interact to shape the ultimate success of accrual-based IPSAS implementation. This study addresses that explicit gap.

Prospects of IPSAS Implementation in Kano State Public Service

The full transition to accrual-based International Public Sector Accounting Standards (IPSAS) presents significant opportunities to modernize public financial management (PFM) and

administrative oversight across the Kano State Public Service. By replacing cash-basis accounting with accrual principles, IPSAS requires Ministries, Departments, and Agencies (MDAs) across Kano State to systematically record assets, liabilities, revenues, and expenses as they occur (IPSASB, 2023). Synthesizing public administration literature highlights three primary prospects associated with this accounting reform within the state.

First, full IPSAS implementation substantially enhances financial transparency and fiscal reporting quality. Evidence from Nigerian sub-national jurisdictions demonstrates that accrual accounting reduces off-balance-sheet transactions, limits financial misstatement, and provides oversight bodies such as the Kano State House of Assembly and the Office of the State Auditor-General with comprehensive financial reports (Adewara et al., 2024). Kano State's commitment to preparing its 2024 financial statements under an accrual framework reflects measurable progress toward aligning state accounting with international best practices (Kano State Government, 2025). This transition enables more credible budget monitoring, better revenue management, and heightened public accountability.

Second, IPSAS adoption strengthens strategic resource allocation and financial decision-making. Accrual-based financial statements provide state policymakers with complete visibility over government assets and long-term liabilities, including contractual obligations, pension liabilities, and public debt burdens (Scannell & Tawiah, 2024). In the context of Kano State, where large-scale infrastructure projects and public service delivery demand sustained fiscal planning, timely accrual information provides an accurate foundation for multi-year budgeting and fiscal sustainability assessments.

Third, empirical evidence demonstrates strong institutional buy-in regarding the perceived benefits of reform. Applying Rogers' Diffusion of Innovations framework to Kano State, Yakasai et al. (2025) found that civil servants specifically accountants, auditors, and planning officers perceive a strong relative advantage in adopting IPSAS over legacy cash-accounting systems. This indicates that administrative personnel recognize the operational value of standardized reporting, creating a receptive internal environment for institutionalizing PFM reforms.

However, recent literature emphasizes that these prospects cannot be fully realized automatically (Scannell & Tawiah, 2024). For Kano State, realizing the full benefits of IPSAS remains tied to addressing outstanding operational prerequisites specifically completing full state-wide asset valuations to conclude IPSAS 33 transitional exemptions and reducing perceived technical complexity through continuous personnel training (Kano State Government, 2025; Yakasai et al., 2025).

Challenges of IPSAS Implementation in Kano State Public Service

While the adoption of International Public Sector Accounting Standards (IPSAS) promises enhanced financial stewardship, transitioning from cash to accrual-based accounting presents acute administrative and technical impediments. Public financial management literature emphasizes that standard adoption without complete operational execution exposes sub-national governments to implementation risks (Scannell & Tawiah, 2024). Within the Kano State Public Service, these challenges manifest primarily at two levels: institutional-transitional constraints and personnel-level capacity deficits.

First, Kano State faces significant technical and transitional bottlenecks in full balance sheet recognition. Preparing complete accrual-based financial statements mandates the systematic identification, historical cost valuation, and depreciation accounting of all public assets and liabilities. However, official state reporting reveals that the Kano State Government continues to rely on transitional exemptions under IPSAS 33 because the comprehensive valuation and recognition of state-owned real estate, infrastructure, and capital assets remain uncompleted (Kano State Government, 2025). This ongoing exemption underlines a structural operational gap: until physical asset registries are fully reconciled, the state's accrual financial statements remain incomplete, limiting full transparency.

Second, implementation progress is constrained by perceived complexity and technical skill shortages among accounting personnel. Transitioning to accrual IPSAS requires public officers to master complex accounting treatments such as impairment testing, provisions, and financial instrument valuation that differ radically from legacy cash accounting practices. Empirical evidence specific to Kano State indicates that civil servants across state Ministries, Departments, and Agencies (MDAs) routinely perceive accrual IPSAS as complex and operationally difficult to execute (Yakasai et al., 2025). This cognitive friction highlights a direct misalignment between policy expectations and internal technical readiness.

Third, broader Nigerian PFM literature identifies systemic challenges such as insufficient financial management information systems (FMIS) infrastructure, high implementation costs, inadequate specialized training programs, and weak institutional monitoring (Ademola et al., 2020; Beredugo, 2021). However, as noted in methodological literature, findings from other geopolitical zones cannot automatically be treated as direct measures of priority in Kano State. Instead, they provide a broad contextual baseline against which Kano State's specific institutional realities must be evaluated.

Overview of Kano State Public Service

To evaluate the prospects and challenges of accounting standard implementation, it is necessary to examine the institutional and administrative framework within which public financial management reforms occur. Kano State, created on May 27, 1967, represents one of Nigeria’s primary administrative and economic centers, structured administratively into 44 Local Government Areas (Kano State Government, 2025). The Kano State Public Service serves as the administrative organ responsible for formulating, executing, and monitoring state government policies, managing public expenditures, and delivering social infrastructure.

Operationally, the state public service functions through a network of Ministries, Departments, and Agencies (MDAs), overseen by key central finance and administrative organs. Administrative leadership across the civil service is driven by the Office of the Head of Service, while public financial administration, treasury management, and general-purpose financial reporting fall under the custody of the Office of the Accountant-General. The financial administration of these MDAs is governed by state financial regulations, annual appropriation laws, internal audit mechanisms, and statutory public financial management (PFM) guidelines (Kano State Government, 2025).

The Kano State Public Service provides an ideal institutional baseline for this study because the State Government formally adopted accrual-based International Public Sector Accounting Standards (IPSAS) for state financial reporting. The annual financial statements produced by the

Office of the Accountant-General offer direct documentary evidence regarding the progress, transitional exemptions, and operational hurdles associated with IPSAS accrual adoption.

Crucially, an analytical distinction must be maintained between the Kano State Government (state-level MDAs) and its 44 Local Government Councils. In Nigeria's fiscal federation, local government councils operate with distinct financial reporting arrangements, separate accounting records, and independent audit processes. Accordingly, this study focuses specifically on IPSAS implementation within the Kano State Public Service (state MDAs), avoiding broad generalizations regarding local government accounting frameworks.

Theoretical Framework: Diffusion of Innovations (DOI) Theory

To analyze the prospects and operational challenges of IPSAS implementation in the Kano State Public Service, this study adopts Rogers' (1962, 2003) Diffusion of Innovations (DOI) Theory. The theory posits that innovation adoption depends on five perceived attributes: relative advantage, compatibility, complexity, trialability, and observability. Within public financial management, accrual-based IPSAS represents an institutional innovation replacing legacy cash accounting.

These theoretical constructs directly map onto the implementation realities of Kano State. Relative advantage frames the prospects of IPSAS adoption, where perceived gains in fiscal transparency and reporting quality may drive reform momentum. Empirically, Yakasai et al. (2025) found that relative advantage has a significant positive relationship with IPSAS adoption among Kano State civil servants. Conversely, compatibility and complexity provide useful theoretical lenses for understanding potential implementation challenges. Incompatibility with existing administrative and accounting practices may create operational difficulties, while the perceived complexity of accrual-based standards may make IPSAS difficult for personnel to understand and apply (Yakasai et al., 2025). This implementation difficulty is illustrated by Kano State's continued use of certain IPSAS 33 transitional exemptions, which the State Government attributes to the inconclusive valuation of its assets (Kano State Government, 2025). Finally, trialability and observability reflect the phased nature of reform implementation and the visibility of published financial statements, respectively. Thus, DOI theory provides an analytical framework for linking perceptions of innovation attributes and institutional readiness to IPSAS implementation outcomes.

Empirical Review

Yakasai, Abdullahi, and Umar (2025) examined IPSAS adoption in Kano State using the diffusion of innovations theory. The study focused on accountants, auditors, and planning officers of the state civil servants. A total of 300 five-point Likert-scale questionnaires were administered, and the data were analyzed using descriptive statistics.The findings of the study indicated that relative advantage and compatibility of IPSAS have a strong influence on public sector financial reporting over the traditional cash basis. Similarly, most of the civil servants perceived that IPSAS adoption sometimes becomes complex and difficult to understand.

Muraina and Dandago (2020) examined the effects of implementationof International Public Sector Accounting Standards on Nigeria'financial reporting quality. The study employed a survey research design to determine the effects of the implementation of the IPSAS on Nigeria's financial reporting quality. The Partial Least Squares 3 (SmartPLS3) technique of analysis was applied to achieve the research objective. The study found that accountability positively and

significantly affects the quality of financial reporting in Nigeria; specifically, IPSAS has improved the level of accountability, which in turn improved Nigerian financial reporting quality.

Ademola, Ben-Caleb, Madugba, Adegboyegun, and Eluyela (2020) investigated International Public Sector Accounting Standards (IPSAS) adoption and implementation in the Nigerian public sector. The study focused on Ministries, Departments, and Agencies (MDAs) in Southwest Nigeria, especially Oyo, Osun, Ogun, and Kwara States. Primary data were collected from 180 accountants in Southwest Nigeria and analyzed using tabulation, graphs, factor analysis, and Goodman and Kruskal's Gamma statistics. The findings revealed that IPSAS implementation is not significantly influenced by institutional commitment, cultural, sociological, legal, political, and environmental factors.

Adewara, Dagunduro, Owonifari, Ajoloko, and Osatuyi (2024) examined the implementation of IPSAS on financial reporting quality in the Nigerian public sector. A survey design was utilized, and questionnaires were distributed to participants, who were the revenue officers of Ekiti State Internal Revenue Service (EKSIRS). The total population consisted of 521 revenue officers, and a census sampling method was employed, 417 were returned with complete responses and used for the analysis. Descriptive, correlation, and regression analysis were employed in the analysis of the data. The result revealed that IPSAS has a significant and positive relationship on financial reporting quality (transparency, accountability, and comparability) in the Nigerian public sector.

3.0 Methodology

This study adopted a qualitative documentary research design based exclusively on secondary data. A documentary approach is particularly suitable for evaluating public sector accounting reforms because official financial statements provide non-reactive, institutionally verified evidence, avoiding the self-reporting biases associated with primary surveys. Documentary sources published between (2015 – 2025) were systematically retrieved from peer-reviewed journals and official Kano State Government publications, specifically published audited financial statements. Sources were selected based on strict inclusion criteria: direct relevance to public sector accounting standards in Kano State, publication within the specified ten-year timeframe, and methodological authenticity. Source quality was validated through peer-review status and official government publication channels. The selected documentary evidence was coded and analyzed using thematic analysis, structuring findings around reporting prospects, transitional asset valuation exemptions, and personnel capacity constraints.

4.0 Findings and Discussion

IPSAS Implementation Progress and Transitional Exemptions

Documentary evidence confirms that the Kano State Government has formally adopted accrual-based IPSAS for its public reporting. However, the state continues to rely heavily on IPSAS 33 transitional exemptions most notably regarding the conclusive recognition and valuation of Property, Plant, and Equipment (PPE) assets (Kano State Government, 2025).

Benchmarked against the broader Nigerian sub-national landscape, Kano State’s implementation trajectory reflects a regional pattern. While early-adopting states such as Lagos and Kaduna have advanced further in establishing comprehensive asset registers and full balance-sheet integration, Kano State’s reliance on IPSAS 33 aligns with the majority of northern Nigerian states. These entities have achieved presentation compliance on financial statements but face structural delays in baseline physical asset capitalization.

Determinants of Adoption and Theoretical Implications

Synthesizing empirical findings through Rogers' (1962, 2003) Diffusion of Innovations (DOI) framework reveals the underlying mechanics driving adoption in Kano State. The construct of relative advantage serves as the primary catalyst for reform. Empirically, perceived benefits such as enhanced fiscal transparency and improved reporting quality exhibit a statistically significant positive effect on IPSAS adoption among Kano State civil servants (Yakasai et al., 2025). This demonstrates that administrative personnel recognize the inherent superiority of accrual reporting over legacy cash accounting.

Conversely, compatibility and complexity frame the institutional barriers. Compatibility between IPSAS requirements and existing state administrative rules shows a positive but statistically insignificant effect on adoption (Yakasai et al., 2025), indicating ongoing friction between international accounting standards and legacy local public finance routines.

Relative Weight and Prioritization of Implementation Challenges

Evaluating the relative importance of adoption challenges reveals a clear hierarchy: technical-capacity deficits in asset valuation and accounting complexity represent the primary structural hurdles, while general employee resistance to change is merely secondary.

Consequently, institutional friction in Kano State stems less from ideological opposition to reform, and more from a fundamental capacity deficit in executing advanced IPSAS requirements. This places Kano State in a transitional middle tier among Nigerian states having successfully institutionalized the legal and policy frameworks for IPSAS, but remaining constrained by technical execution capacity during the final asset recognition phase.

5.0 Conclusions and Recommendations

This study evaluated the prospects and implementation challenges of accrual-based IPSAS in the Kano State Public Service using a qualitative documentary approach. The findings confirm that while Kano State has achieved presentation-level compliance on its financial statements, full accrual transition remains constrained by reliance on IPSAS 33 transitional exemptions for asset valuation.

Because this study relied exclusively on secondary documentary data and empirical literature, the findings must be interpreted with caution. General conclusions drawn from broader Nigerian IPSAS studies cannot fully capture the real-time operational experiences or informal priorities of Kano State public sector accountants and auditors. Methodologically, while documentary analysis provides an objective evaluation of official statutory reports and eliminates primary self-reporting bias, it lacks the depth required to measure the precise relative importance of individual human resource and capacity challenges. Consequently, IPSAS implementation in Kano State should be viewed as an evolving institutional reform operating under significant technical constraint rather than active personnel resistance.

Based on the documentary evidence, the study recommends that:

1. The Office of the Accountant-General of Kano State should create a dedicated technical committee to complete physical asset inventories and fair-value valuations, enabling the structured phase-out of IPSAS 33 exemptions.
2. Capacity-building for state accounting staff should shift from generic PFM overviews to practical, standard-specific workshops on accrual entries, asset impairment, and liability recognition.

3. Future academic research should use direct field surveys and interviews with Kano State finance officers to validate secondary findings and map operational bottlenecks in real time.

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