

Assessment of the Challenges and Benefits of the Adoption and Implementation of IPSAS in some selected NGOs in Ethiopia

Saron Firdawok and Sabela Amlaku, St. Mary's University

Abstract

This study assesses the benefits and challenges of adopting and implementing the International Public Sector Accounting Standards (IPSAS) in some selected NGOs working in Ethiopia. The objective of the study was to provide an insight on the contribution of adopting IPSAS in enhancing the level of accountability, transparency and taking educational and professional responsibilities. The population of the study was non-governmental organizations which have already adopted and started to implement IPSAS. Using purposive sampling five NGOs were selected for the study. 51 sample respondents, who understood IPSAS's objectives and were responsible for the adoption process, were taken from the above five institutions to fill the questionnaire. The methods used for the study were descriptive analysis and interview with concerned officials of accounting and auditing board of Ethiopia and professionals found in NGOs. The findings show that the adoption of IPSAS enhances level of accountability and transparency of managements by providing timely and clear financial reports. It was also found that IPSAS adoption is realistic target and clearer understanding of the standard leads to effective implementation. However, the adoption of IPSAS has challenges including additional cost, lack of training, unavailability of adequate staffs in the market, lack of wide participation in the organization, difficulty in recognition, measurement and valuation of assets, delay in amendment to local regulations and lack of coordination and communication. It was also observed that the government higher officials should be committed to implement IPSAS to enhance the quality and comparability of financial reports; the government should give emphasis to implement IPSAS to attract foreign direct investment; AABE should assist public sectors by providing training and consultancy in the adoption process; and universities and professionals need to take the educational and professional responsibilities qualifying for the standard. It was recommended that NGOs should adopt IPSAS for better management, accountability and transparency in financial reporting. And also, AABE should encourage the use of IPSAS that helps to attract more donors.

Keywords: accountability, transparency, IPSAS and NGO

1. Introduction

1.1 Background of the Study

The International Public Sector Accounting Standards Board (IPSASB) develops the International Public Sector Accounting Standards (IPSAS) for public accounting entities with the aim of improving the quality of overall financial reporting. The implementation of International Financial Reporting Standards (IFRS) by developing countries improves the quality and comparability of financial information provided by government agencies to external consumers. Achieving shared prosperity and long-term poverty reduction requires

strong governance and effective institutions. Public accountability and good governance help improve the provision of public services, encourage competition and growth, especially by working with government agencies. Globalization, the ability to manage international trade, and the implementation of international development cooperation projects require equivalent and similar financial accounting standards. This is because the implementation of standards for cash accounting or accrual accounting varies widely from country to country (Samuel, 2020).

The International Public Sector Accounting Standard (IPSAS) is the government version of the International Financial Reporting Standards (IFRS). The adoption of the IPSAS in the public sector has the potential to improve changes in accounting and financial reporting practices in this sector. The adoption of IPSAS is attracting worldwide attention (ACCA 2010).

As the influence of NGOs grows rapidly and depends on third-party funding, the performance of NGOs and financial information systems is attracting attention. There are many concerns and worries about how they measure and manage performance. They generate reports of different types and styles, depending on the target audience of the information. Furthermore, financial reporting is not only dependent on potential users or recipients of information, but also often lacks consistency in some countries due to lack of regulation (CFG, 2012).

Financial reporting is somehow not consistent across countries around the world because of the lack of international financial reporting standards for NGOs. The CFG Symposium (2012) has put the need for a "common understanding, commonly known term or agreement" on NPO financial reporting so that donors, recipients, and global networks can use this financial information in an appropriate manner and as intended.

The Ethiopian government recognized the size and importance of NGOs and identified the lack of international standards appropriate to the accounting and reporting needs of NGOs in Ethiopia. The absence of these reporting standards contributes to the lack of credible data on the number of NGOs, financial performance and overall contribution. The preparation of financial statements for Ethiopian NGOs is complicated by the diversity and scarcity of accounting and reporting. To solve these problems, the Ethiopian government has issued financial reporting proclamation no. 847/2014 for the implementation of the International Public Sector Accounting Standards (IPSAS) (Sanni, 2017).

1.2 Statement of the Problem

Non-governmental organizations (NGOs) are increasingly working internationally with government-funded grants for development and relief efforts, while private donors and international organizations increasingly take a holistic approach to their work. As a result, NGOs face a variety of international funding schemes, often complicated by the lack of a consensus approach to financial planning and reporting (CCAB, 2013).

In addition, stakeholders require financial statements to be presented in a great deal of accountability and transparency. This has facilitated the need for meaningful internal control and monitoring of public resources (ICPAK, 2014). The cash accounting system previously adopted by the public sector does not provide an overview of the actual balance sheet and financial performance of companies. Therefore, the International Public Sector Accounting Standards are necessary to have a clear financial reporting framework for the public sector.

Most developing countries use a cash-based financial accounting system and there is so much variation between units and even within the same organization that it is impossible to compare. The adoption and implementation of the IPSAS provides a solution to ensure consistency and comparability. Ethiopian NGOs work with a wide range of stakeholders, such as state-funded and UN-funded organizations. According to other studies, the financial statements of these NGOs are not used to being consistent, transparent and accountable. For this reason, it is essential to adopt and implement the internationally recognized principles of the AABE-led non-profit organization (IPSAS).

What initiated us to work on this topic is that, as mentioned above, it is time for NGOs for transition from the accounting system that they used to operate on to the recommended and proclaimed IPSAS. This means that it is more likely that they are going to face some challenges, and at the same time enjoy the benefits of IPSAS throughout the process. In addition, there are only a few studies done about the topic, and most of those are about the first-time adoption and implementation of IPSAS by NGOs. What we aim to focus on more is on the challenges being faced and benefits being enjoyed during the adoption and also through the process of transition and implementation. The NGOs we have selected for this study have faced some challenges during their transition to the accrual-based IPSAS. Therefore, this study aims to examine the application of IPSAS challenges and opportunities based on accountability, transparency, and relationship consistency.

1.3 Research Questions

1. What is the impact of IPSAS on the accountability of NGOs in Ethiopia?
2. What is the impact of IPSAS on the transparency of NGOs in Ethiopia?
3. What is the impact of IPSAS on increasing the desired educational and professional responsibilities in NGOs in Ethiopia?
4. What are the major challenges that hinder the implementation and realization of first-time adoption of IPSAS in NGOs in Ethiopia?

1.4 Objectives

1.4.1 General Objectives

This study is aimed to provide an insight towards benefits and challenges of the adoption and implementation of the International Public Sector Accounting Standards (IPSAS) using some selected NGOs in Ethiopia.

1.4.2 Specific Objectives

1. To determine whether the adoption of the international public sector accounting standard (IPSASs) increases accountability in the selected NGOs' financial reporting.
2. To determine whether the adoption of the international public sector accounting standard (IPSASs) improves transparency in the selected NGOs' financial reporting.
3. To assess whether the adoption of IPSAS increases the desired educational and professional responsibilities in the selected NGOs working in Ethiopia.
4. To examine the major challenges that hinder the adoption of IPSAS as first time adopting of IPSAS in the selected NGOs working in Ethiopia.

1.5 Significance of the Study

The study findings are believed to benefit NGOs in Ethiopia to increase the level of public trust in terms of accountability, transparency and increase level of perception and professionalism in improving their compliance to donor requirements and thus, improve their capability to attract more funding and ensure their organizational sustainability. Moreover, as there is not much study made on the topic on BA degree basis, the research aims to fill the gap and create a better environment for further research on related topics and contribute for the improvement on existing knowledge on the area.

1.6 Scope and Limitation of the Study

1.6.1 Scope of the Study

The scope of this study was delimited to assess professionals' view towards challenges faced in the implementation of IPSAS for not for profit organizations and the important factors to consider in IPSAS implementation in Ethiopia. The study focuses on five NGOs found in Ethiopia; The Well in Action, Action against Hunger, GOAL, JSI_DUP and Christian Aid. Government organizations and NGOs that have not started to implement IPSAS yet are excluded from this study. The detailed study of technical procedures is also beyond the scope of this study. Other Financial reporting standards such as IFRS will be excluded from the study.

1.6.2 Limitation of the Study

During the process of preparing the paper, we have faced some challenges. The main challenge that we faced was the current COVID-19 status in the country. This situation has inconvenienced us to go to the companies we could have selected for the study. As the concept of IPSAS is nearly new to the country, and since the time period that AABE set for NGOs during which they are obligated to fully implement IPSAS has been postponed to 2016 E.C, there were not as much NGOs that have implemented IPSAS to the fullest. The time during which we were doing the paper was the budget closing season for most of the NGOs. This made us have some trouble getting the help and cooperation from the companies. And the issue of confidentiality has made the process somehow difficult as companies do not want their information and especially financial information revealed.

2. Methodology

2.1 Research Approach

The study used a mixed research approach, i.e. both qualitative and quantitative types of data are used. Qualitative information that describes something based on quality or characteristics; whereas quantitative data is expressed in number. The data we gathered through our close-ended questionnaire is quantitative data and our qualitative data were collected through interview questions, and financial statements and reports of the respective companies.

2.2 Research Design

This study is a descriptive design of the study conducted to examine the challenges faced in implementing and factors to consider when conducting IPSASs. According to Polit and Hungler (1999), the goal of descriptive research is to interpret and confirm the results. That is, data is collected from a certain population group at specific times and gives the opinion of the respondents.

2.3 Data Source

The study used both primary and secondary sources of data to gather answers for the prepared questions. Primary data is the kind of data that is collected directly from the data source without going through any existing sources. It helps to get the first-hand data. Whereas secondary data is the one that has been collected in the past by someone else but made available for others to use (Kothari, 2004).

2.4 Data Collection Method

The primary sources of data were collected through close-ended questionnaire and unstructured interview. Whereas secondary source data were collected through review of written documents of the companies, to some extent financial statements, reports, and other related papers and materials that can be used to support the empirical findings of the respective companies.

2.5 Population

Mugenda (2003) explains that the target population should have some observable characteristics, to which the researcher intends to generalize the result of the study. Accordingly, the population of this study included NGOs that have begun to fully implement IPSAS according to the information obtained from ACSO.

2.6 Sampling

In research terminology, a sample is a group of people, objects, or items taken from a large population for measurement. Sampling is the process of getting any part of a population as a characteristic of that population (Nzewi, 2009). From the NGOs that have started the adoption and implementation process, the aforementioned 5 were selected by convenient

sampling method. And from these selected NGOs, census was applied for the financial and accounting staff for each, who are 51 in number.

2.7 Data Analysis and Presentation

The data collected through questionnaire were analyzed by descriptive statistics, using mean and standard deviation. And it was presented with tables, charts and graphs. The data gathered through interview was analyzed using content analysis.

3. Data Presentation and Interpretation

3.1 Introduction

This chapter shows the findings of several statistical tests on data obtained through questionnaires in order to identify the benefits and challenges of adopting and implementing international public sector accounting standards on financial reporting in non-government organizations found in Ethiopian. The study's findings are analyzed through descriptive statistics and content analysis, and are presented using tables, charts, and graphs.

For the purpose of analysis and interpretation, we classified the mean values of the findings of respondents as follows:

Table 3.1 Range of the Mean values of Respondents

Range of the Mean values	Level of Agreement/Disagreement
1.00-1.80	Strongly Disagree
1.90-2.60	Disagree
2.70-3.40	Neutral
3.50-4.20	Agree
4.30-5.00	Strongly Agree

Source: Questionnaire and own computation

3.2. Response Rate

The target population of the study focused on NGOs working in the country that have adopted IPSAS. Thus, the study targeted 5 NGOs in Ethiopia.

51 questionnaires were distributed to the respective and concerned professionals of the NGOs, of which a total of 42 questionnaires were filled and returned from the 5 organizations. This represents response rate of 82%.

According to Mugenda (2009), a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. This means that the response rate for this study was excellent and is, therefore, enough for data analysis and interpretation.

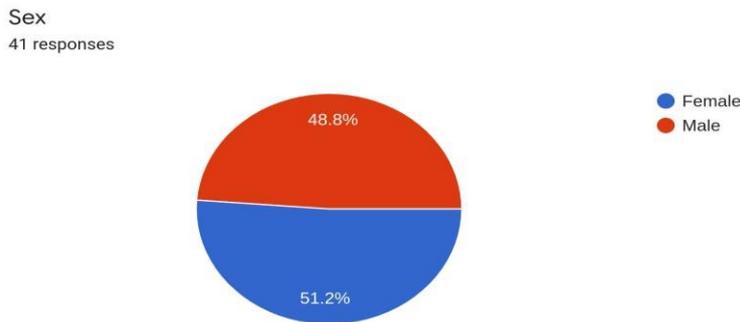
3.3. Demographic Information

The study tried to find out the characteristics of the respondents' profile by providing information regarding sex of respondents, position they have in the organization, their educational level, their work experience in their current position, and the management level they have in the organization.

The findings were discussed below.

3.3.1. Sex of Respondents

Figure 3.1 Sex of Respondents

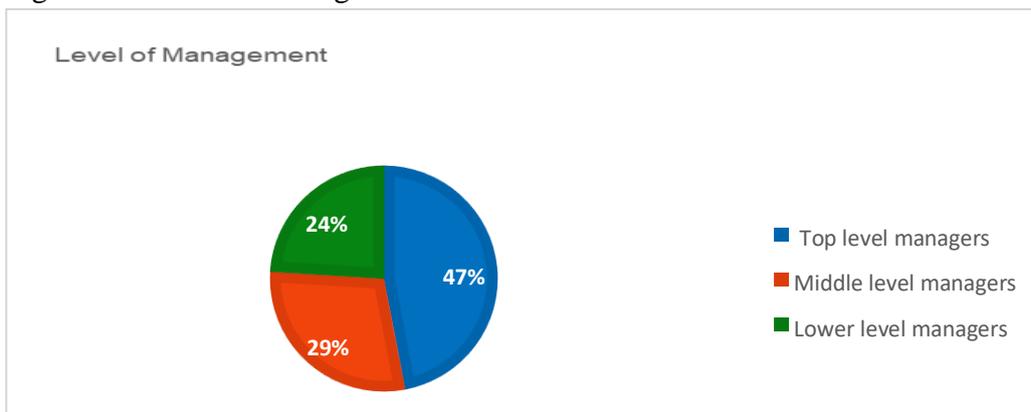


Source: Questionnaire and Own computation

Out of the total respondents of our questionnaires, 51.2 % are females, while the rest 48.8 % are males. This indicates that the number of female respondents and male respondents is almost balanced, and that the data is unbiased.

3.3.2 Level of Management

Figure 3.2 Level of Management



Source: Questionnaire and Own computation

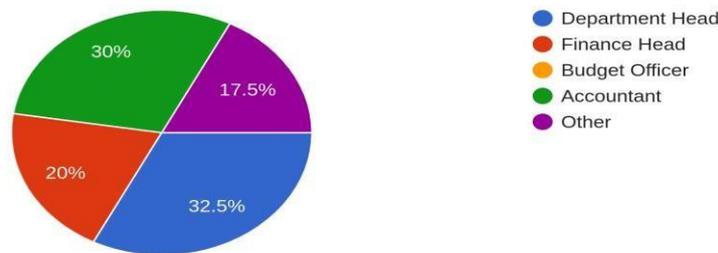
As shown in the above figure, Lower level, Middle and Top managers are found to be 24%, 29%, and 47%, respectively. The majority of the respondents in this study work in higher

position in the companies, and are the ones who are more responsible for the adoption and implementation process of IPSAS.

3.3.3 Position in the Company

Figure 3.3 Positions in the Company

Your Position
40 responses



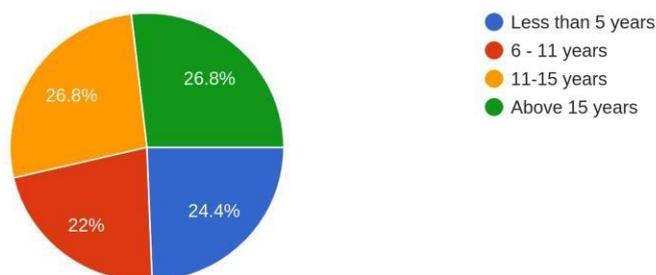
Source: Questionnaire and Own computation

The study identified that majority (32.5%) of the respondents are heads of their departments: 20% are finance heads, and 30% are accountants. 17.5% of the respondents are found to be internal and external auditors grouped under the category of others. This shows that most of the responsibility of the adoption and implementation of IPSAS lies on department heads of the respective organizations.

3.3.4 Work Experience of the Respondents

Figure 3.4 Work experience on the current position

Work Experience on current position
41 responses



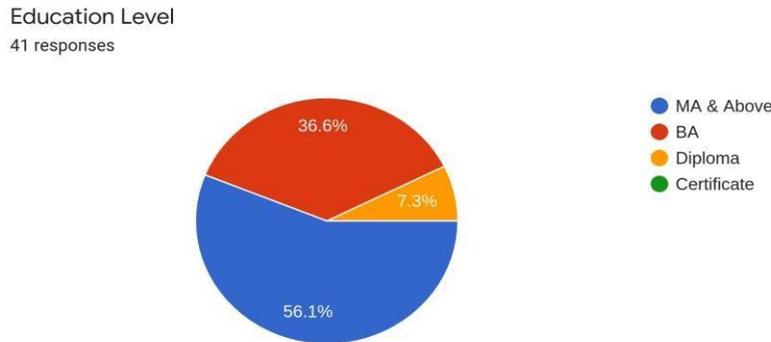
Source: Questionnaire and Own computation

As shown in the above figure, 26.8% of the respondents indicated that they have been working in the organization for over 15 years, 26.8% from 11 to 15 years, 22% of the respondents indicated that they have been working in the organization for 6 to 11 years and 24.4% of the respondents indicated that they have been working in the organization for less than 5 years. Accordingly, the study indicates that the respondents have been working in the

organization for a good number of years to know about how the organization adopted and implemented IPSAS in relation to their past experience.

3.3.5 Educational Level

Figure 3.5 Educational level



Source: Questionnaire and Own computation

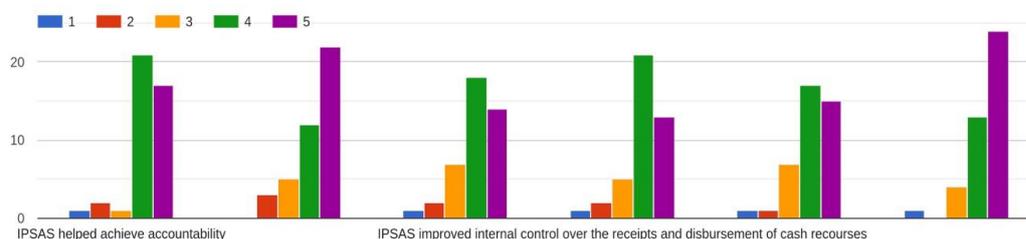
The respondents were required to indicate their academic qualification. The majority of the respondents (56.1%) indicated that they were graduates, meaning that they have Master's degree. 36.6% of the respondents indicated that they are BA degree holders. Only 7.3% of the respondents have diploma. It indicates that the respondents were knowledgeable and have expertise, and are aware of the benefits and challenges of the adoption of IPSAS on financial reporting in their organization. This makes the data we collected more reliable.

3.4 Benefits of IPSAS Adoption

3.4.1 Accountability

The study tried to determine whether the adoption of IPSASs will enhance the accountability of NGOs. The findings are indicated under:

Adoption of IPSAS brought Accountability in your company



Source: Questionnaire and Own computation

Figure 3.6 Adoption of IPSAS brought accountability in the NGOs

Table 3.2 Results of Questionnaire related to Accountability

Adoption of IPSAS brought Accountability in NGOs in Ethiopia	1	2	3	4	5	Mean	SD
IPSAS helped achieve accountability	1	2	1	21	17	4.21	0.89
IPSAS adoption increased donor's confidence		3	5	12	22	4.26	0.93
IPSAS promoted cross border assistance thereby enhancing the flow of foreign donor	1	2	7	18	14	4	0.95
IPSAS improved internal control over the receipts and disbursement of cash recourses	10	2	5	21	13	4.02	0.91
IPSAS aligned government accounting with best accounting practices through the application of credible, independent accounting standard	1	1	7	17	15	4.07	0.92
IPSAS led to transparent decision-making, and efficiency and honest reporting of resource use	1		4	13	24	4.40	0.85

Source: Questionnaire and own computation

From the table above, some of the respondents have strongly agreed that IPSAS leads to a transparent decision-making, and efficient and honest reporting of resource use with a mean response of 4.40, and deviation of 0.85. While the majority of the respondents have agreed on the statements that IPSAS aligns government accounting with best accounting practices through the application of credible and independent accounting standards (mean=4.07), IPSAS improves internal control over the receipts and disbursement of cash recourses (mean=4.02), IPSAS promoted cross border assistance thereby enhancing the flow of foreign

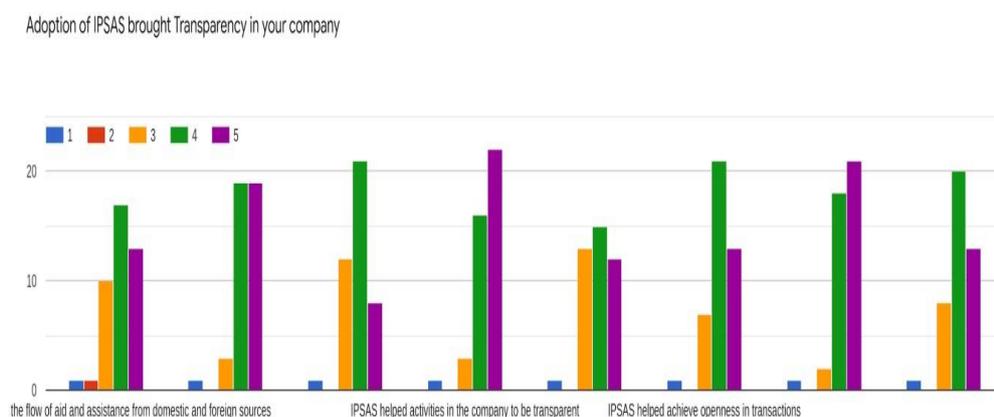
donor (mean=4), IPSAS adoption increased donor's confidence (mean=4.26), IPSAS adoption increased donor's confidence (mean=4.21). And the deviation of the responses from the mean value ranges from 0.85 to 0.95.

Therefore, from the respondents' point of view, it shows that the adoption and implementation of IPSAS enhances accountability of NGOs in Ethiopia.

3.4.2. Transparency

The study tried to determine if the adoption and implementation of IPSAS enhances the transparency of information provided in the financial reports of NGOs. The findings are indicated below.

Fig 3.7 Adoption of IPSAS brought Transparency



Source: Questionnaire and Own computation

Table 3.3: Results of Questionnaire Related to Transparency

Adoption of IPSAS brought Transparency in NGOs in Ethiopia	Rating					Mean	SD
	1	2	3	4	5		
IPSAS facilitated the flow of aid and assistance from domestic and foreign sources	1	1	10	17	13	3.95	0.92
IPSAS improved consistency and comparability of financial statement	1		3	19	19	4.31	0.80
IPSAS made available comprehensive information about cost that better supported result-based management	1		12	21	8	3.83	0.81
IPSAS helped activities in the company to be transparent	1		3	16	22	4.38	0.82
IPSAS implementation met the company's vision, mission and objectives	1		13	15	14	3.90	0.91
IPSAS helped achieve openness in transactions	1		7	21	13	4.07	0.83

IPSAS improved disclosure and measurement of financial elements and hence presented true and fair financial position of the company	1		2	18	21	4.38	0.79
Comparable information assisted the stakeholders in assessing how well their resources should be utilized	1		8	20	13	4.05	0.84

Source: Questionnaire and own computation

From the above table, some of the respondents have strongly agreed that IPSAS improved consistency and comparability of financial statement (mean= 4.31, deviation=0.80), IPSAS helped activities in the company to be transparent (mean=4.38, deviation=0.82) and IPSAS improved disclosure and measurement of financial elements and hence presented true and fair financial position of the company (mean=4.38 deviation=0.79). Most of the respondents have agreed that IPSAS facilitated the flow of aid and assistance from domestic and foreign sources (mean=3.95, deviation=0.92), IPSAS made available comprehensive information about cost that better supported result-based management (mean=3.83, deviation=0.81), IPSAS implementation met the company’s vision, mission and objectives (mean=3.90, deviation=0.91),

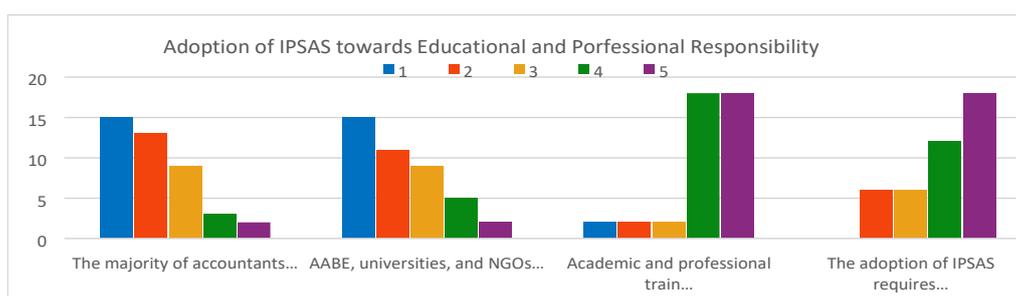
IPSAS helped achieve openness in transactions (mean=4.07, deviation=0.83), and that Comparable information assisted the stakeholders in assessing how well their resources should be utilized (mean=4.05, deviation=0.84)

Therefore, from the respondents’ point of view, it shows that the adoption and implementation of IPSAS enhances transparency of NGOs in Ethiopia. It also provides better information for decision making.

3.4.3 Educational and Professional Responsibility

The purpose for the questions shown in the table was to identify the educational and professional responsibility related to the adoption of IPSAS.

Fig 3.8 Educational and Professional Responsibility



Source: Questionnaire and Own computation

Table 3.4 Results of Questionnaire related to Educational and Professional Responsibility

Adoption of IPSAS towards educational and professional responsibility in NGOs in Ethiopia	1	2	3	4	5	Mean	SD
The majority of accountants and auditors understand about IPSAS	15	13	9	3	2	2.14	1.12

AABE, universities and NGOs have given emphasis to implement IPSAS in all over Ethiopia by giving training and also preparing a manual	15	11	9	5	2	2.24	1.19
Academic and professional training will speed up the level of IPSAS implementation	2	2	2	18	18	4.14	1.04
The adoption of IPSAS requires a high level of education, competence, and expertise to be able to understand, interpret and then make use of the standards		6	6	12	18	4	1.07

Source: Questionnaire and own computation

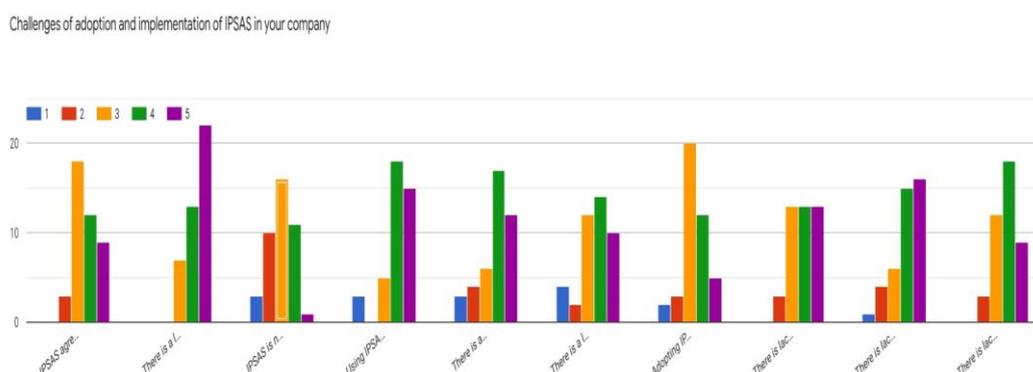
Accordingly, most respondents have disagreed that the majority of accountants and auditors understand about IPSAS (mean=2.14, deviation=1.12) and that AABE, universities and NGOs have given emphasis to implement IPSAS in all over Ethiopia by giving training and also preparing a manual (Mean=2.24, deviation=1.19). And a significant number of respondents have agreed on the statements that academic and professional training will speed up the level of IPSAS implementation (mean=4.14, deviation=1.04) and that the adoption of IPSAS requires a high level of education, competence, and expertise to be able to understand, interpret and then make use of the standards (mean=4, deviation=1.07)

From these data, we can say that most accountants and auditors don't have understanding about IPSAS yet, and that much emphasis has not been given to IPSAS by AABE, universities and NGOs with respect to giving enough training and preparing the necessary manuals about the adoption and implementation of IPSAS in NGOs. Providing academic and professional training will significantly facilitate the process of adoption and implementation of IPSAS in NGOs as it requires knowledge to be well understood.

3.4.4 Challenges of IPSAS Adoption

The purpose of the following questions was to determine the challenges expected while adopting and implementing IPSASs in the selected NGOs working in the country.

Fig 3.9: Challenges of IPSAS Adoption



Source: Questionnaire and Own computation

Table 3.5 Results of Questionnaire related to the Challenges of adoption and implementation of IPSAS

Challenges of adoption and implementation of IPSAS in NGOs in Ethiopia	1	2	3	4	5	Mean	SD
IPSAS agrees with the proclamation of Ethiopian law (Proclamation 847/2014)		3	18	12	9	3.64	0.91
There is lack of enough number professionals who have detailed IPSAS training and Knowledge to guide in the adoption and implementation of IPSAS			7	13	22	4.36	0.75
IPSAS is not easily understandable because it is complicated	3	10	16	11	1	2.93	0.95
Using IPSAS incurs additional costs	3		5	18	15	4.02	1.07
There is a poor means of communication, training, and documentation on awareness creation on the transition to IPSAS	3	4	6	17	12	3.74	1.18
Lack of proper direction and focus from top management will affect the successful implementation of IPSAS negatively	4	2	12	14	10	3.57	1.18
Adopting IPSAS will create resistance and skepticism to the accounting changes	2	3	20	12	5	3.36	0.95
There is lack of coordination and communication among the company, AABE, audit firms, professional associations in ensuring compliance with IPSAS		3	13	13	13	3.89	0.94
There is lack of on going and focused training and communication to relevant staff on IPSASs and changes resulting from IPSAS	1	4	6	15	16	3.98	1.06
There is lack of an in-depth analysis of gap between existing business processes, procedures, financial reporting and functionalities and the requirements of each IPSAS standard		3	12	18	9	3.79	0.86

Source: Questionnaire and Own computation

From the findings in the table above, the respondents strongly agreed that there is lack of enough number professionals who have detailed IPSAS training and Knowledge to guide in the adoption and implementation of IPSAS. (Mean=4.36, deviation=0.75). the respondents agreed that IPSAS agrees with the proclamation of Ethiopian law, Proclamation 847/2014(Mean=3.64, deviation=0.91), Using IPSAS incurs additional costs(Mean=4.02, deviation=1.07), There is a poor means of communication, training, and documentation on awareness creation on the transition to IPSAS (Mean=3.74 , deviation=1.18),Lack of proper direction and focus from top management will affect the successful implementation of IPSAS negatively(Mean=3.57, deviation=1.18), There is lack of coordination and communication among the company, AABE, audit firms, professional associations in ensuring compliance with IPSAS(Mean=3.89, deviation=0.94), There is lack of ongoing and focused training and communication to relevant staff on IPSASs and changes resulting from

IPSAS (Mean=3.98, deviation=1.06), and There is lack of an in-depth analysis of gap between existing business processes, procedures, financial reporting and functionalities and the requirements of each IPSAS standard (Mean=3.79, deviation=0.86)

However, the respondents were neutral that IPSAS is not easily understandable because it is complicated (Mean=2.93, deviation=0.95) and Adopting IPSAS will create resistance and skepticism to the accounting changes (Mean=3.36, deviation=0.95)

Therefore, from the above data we can conclude that by adopting and implementing of IPSAS NGOs face incurring additional cost and also challenge with the lack of well-trained accountants, consultants, and audit firms to relay on. Also, significant challenges are faced because of lack of coordination and communication among the company, AABE, audit firms, professional associations in ensuring compliance with IPSAS.

3.5 Interview Analysis

To explore the benefits and challenges of IPSAS implementation and factors to consider in IPSAS implementation, we have conducted an unstructured interview with one AABE expert; one external auditor, and one finance head from one of the NGOs we selected for the study (JSI-DUP). The interview data is analyzed based on content analysis.

Other Benefits:

It is difficult to say much about the benefit because it is still in the early stage of implementation but one major change that is shown among staff involved in this system is that IPSAS has significantly increased accountability and transparency of the financial statements, which leads to a reliable and faithful presentation of reports. In doing so, IPSAS-based financial reports prepared by the companies have provided a clear and better understanding for the report users. The audit report has become clearer now that IPSAS has been implemented. This, together with the more consistent and standardized financial reports, has increased the trustworthiness of the NGOs in the eyes of donors, for which reason the fund they get from the donors has been increasing significantly. The true and accurate values of the assets are clearly identified with the use of IPSAS. Treatment of annual leave and payment of salary on leave are no more included under the salary account; they are categorized under leave payments instead. Moreover, senior managers other than finance personnel are now aware of the standards, and they have started to pay attention to its implementation. In addition, improvement areas are identified so that the organization will be able to minimize the gap in the future.

Other Challenges:

The major challenge that most concerned professionals agreed on is lack of awareness, appropriate enough, and effective training to staff members, and unavailability of the necessary documentation and manual about that describes about the procedures of adoption and implementation of IPSAS. Top level managers and board of directors of the NGOs, and governmental officials lack the commitment to enhance the process of IPSAS implementation; this is responsible for the lack of common understanding between those who

seem to understand IPSAS to some level and staff members outside the finance department. IPSAS adoption and implementation incurs additional cost, and the NGOs also faced time constraint to be able to complete the first-time adoption during the specified time period. As there are very few numbers of professionals and auditors who are expertise on IPSAS, they require higher cost to audit the NGOs who have started to implement IPSAS. To make the situation worse, these limited numbers of professionals don't even have enough network and connection among them. As the major source of fund for NGOs is the one obtained from donors, there should be similarity between the donors' accounting standard and the one used by the respective NGO; there is some trouble in creating this common language between the two. In addition, when the NGOs make transition from the cash basis of accounting to the accrual in the future, they have anticipated that there will be some incompliance between them and the donors' and stakeholders' requirements of the basis of accounting. This discrepancy is expected to happen at the year-end especially on the ways receivables and liabilities are going to be treated. Responsible organizations like AABE, charity organizations, civil society agency, and governmental organizations have not fully done their part to facilitate the process of adoption and implementation of IPSAS yet. And universities have not revised the curriculum according to the proclamation, and have not included the concept of IPSAS. In a related issue, there are not enough newly graduates who have enough knowledge and understanding about IPSAS.

Measures Taken to Overcome the Challenges:

In order to overcome the aforementioned challenges that the NGOs have faced while they adopt and implement IPSAS, the responsible officials have been taking some measures. They have coordinated programs and trainings to increase the awareness the staff has about IPSAS. They are still making communications with the responsible organizations (AABE, charity organizations and civil society agency) including the government to provide them with the necessary training. They have attempted to prepare their own documentation and manuals that could help employees comprehend more about the standard. To increase the number of expertise they have, the companies have hired new professionals with an in-depth knowledge of IPSAS, and tried to recruit international qualifiers as new staff members. They have also tried to accompany new approaches which are taken in the consultation of measuring assets and liabilities.

3.6 Secondary Data Analysis - Financial Statement Analysis

This section covers the analysis of financial statements of one of the NGOs we have selected for the study, JSI-DUP. The main aim being to assess how adopting and implementing IPSAS has affected and changed the company's financial reports, we were able to analyze the company's two years financial statements.

Three years ago, before it adopted and started implementing IPSAS, the company used to use GAAP as an accounting standard. The major difference of GAAP and IPSAS is that there is Statement of Comparison of Budget to Actual incorporated in the financial reports prepared under IPSAS. There is no such statement in GAAP. Notes to the financial reports are more detailed in IPSAS than in GAAP for the purpose of increasing accountability and transparency. Statement of Financial Position is not a major financial report in IPSAS. The

overall reporting format also differs from that of GAAP. During the adoption and implementation process, the main challenge the company faced especially at the beginning of the change was making sure that all payables and receivables have zero balance. There were also conflicts between the donor country's accounting standard (GAAP) and the field office's standard (IPSAS). Getting enough staff training on time and having enough knowledge about the standard to start the change has also been a challenge.

Over all, the contents of the financial statements prepared as per the requirements of IPSAS and those prepared using the previous standards are not that different. The basic difference lies in the extent of the necessity of the disclosure and notes to each of the financial statements prepared. Since the main aim of adopting and implementing IPSAS is to increase the level of accountability and transparency of the company, financial statements need to be supported by well-detailed notes beneath them that give enough and appropriate explanation about the items and amounts stated in them. This is how NGOs boost the confidence of their local and foreign donors, and increase the trust the public has towards them.

4. Summary, Conclusion and Recommendations

4.1. Summary of Findings

We have distributed 51 questionnaires to the expected respondents. Of which 42 have been completely filled out and collected. We have also had unstructured interview with professionals, and have analyzed audited financial reports prepared as per GAAP and IPSAS of one NGO. The summary of the findings from these collected data is presented as follows:

In terms of accountability, nearly all respondents agree that the IPSAS mandate for more disclosure in accounting reports improves NGOs' accountability. IPSAS implementation will also boost donor confidence, cross-border aid by increasing the flow of both internal and foreign donors, and internal control over cash receipts and disbursement.

In terms of transparency, the majority of respondents feel that IPSAS enhances the flow of aid and assistance from both domestic and international sources, as well as improving financial statement consistency and comparability. Furthermore, the respondents stated that it enhances resource allocation by identifying the full cost of operations and asset management by recognizing, measuring, valuing, and reporting assets. so, it promotes NGOs due to better transparency and also help to meet their objectives.

The majority of respondents agreed that adopting IPSASs improves financial disclosure and measurement, according to the study's findings. As a result, full disclosure is critical for the transparency of NGOs operating in the country. Furthermore, the respondents felt that IPSASs improve decision-making by providing accurate, timely, relevant, and trustworthy financial data. Adoption of IPSASs increases the transparency and harmonization of financial reports among NGOs, as well as support for result-based management through the supply of full cost information, according to the respondents.

Majority of the respondents agreed that those who are responsible to transmit knowledge about the implementation of IPSAS were universities, Accounting and Auditing Board of Ethiopia (AABE), Agency for Civil Societies in Ethiopia (ACSO), NGOs and professional

associations. These organizations have the best conditions to conduct the educational process for the adoption of IPSAS and need to exert joint effort so that the standards provide the expected benefits.

Moreover, respondents also agreed that academic and professional training speeds up the level of IPSAS implementation and common understanding of the international accounting standards with the partnership of all institutions to be involved in the convergence process. However, respondents agreed that there was shortage of competent and qualified professional accountants and auditors in understanding IPSAS

The respondents also highlighted that there are a number of obstacles to the adoption and implementation of IPSASs, the most significant of which is asset recognition, measurement, and valuation. Lack of specific practical guidance and training material on the adoption of IPSASs for the first time, a shortage of qualified accountants, and inadequate human resource training on practical skills in NGOs have all been identified as obstacles to implementation. Other issues raised include the high cost of implementation, which includes people training, the establishment of a new accounting manual or procedural adjustments, specific workflows and instructions, and a control system that enhances financial accounting and reporting, installation of adequate information and accounting software. Implementation may be also hindered by lack of coordination and communication among AABE, NGOs, audit firms, professional associations in insuring compliance to IPSASs. The response also revealed that delay in amendment to the local accounting standard regulations which doesn't allow for smooth transit to IPSAS. Lack of proper direction and focus from top management also affects the successful implementation of IPSASs were also cited as challenges.

4.2. Conclusion

The adoption and implementation of IPSAS enhances the level of accountability and transparency of NGOs, according to the study's findings. It was also shown that having a better grasp of IPSAS as a result of academic and professional training helps seamless convergence and accelerates IPSAS implementation. A good IPSAS implementation has a major impact on academic and professional responsibilities. Appropriate IPSAS training, according to respondents, will improve statement comparability, decrease probable fraud, boost information trust, and enable improved decision-making. Another important finding of the study was that Ethiopia's Accounting and Auditing Board, Ethiopia's Agency of Civil Associations, NGOs, and professional associations are all heavily involved in disseminating information about the adoption and implementation of IPSAS, implying that institutions are in charge of providing training on the standard.

The implementation of IPSAS in NGOs found in Ethiopia, according to the findings, would have a beneficial influence on operational processes and reporting methods, therefore strengthening good governance. Adoption of IPSAS will give important data for better management and decision-making, as well as expose the company to more public accountability. As a result, NGOs will be held more responsible for the efficiency and effectiveness of their services. The use of IPSAS fosters confidence between NGOs and the general public when it comes to sharing economic, financial, and other data.

Aside from the above-mentioned advantages of adopting and implementing IPSAS, Ethiopian NGOs have encountered several difficulties along the process. Less expertise capacity, high investment costs and less capacity in technology and arrangement, high implementation costs, increased need for knowledge management, time taking, and minimal understandability by nonfinancial workers, information and communication gap, and monitoring and controlling the gap are some of the issues.

Timely training for all concerned experts involved in the preparation of financial statements, a clear conceptual framework, and training of employees on the essential skills for effective implementation of IPSASs are the steps that need to be prioritized.

As a result, the adoption of IPSAS contributes to better financial information disclosure, improved accountability and transparency, better financial management, better information to NGOs in the country and donor and government assistance, and improved quality and credibility of financial reports, according to this study.

4.3. Recommendations

The main challenge that the selected NGOs faced during implementation process was NGOs that have not adopted IPSAS yet should make a commitment to adopt and implement the standard in order to increase people' socioeconomic benefits. They should also adopt IPSASs for better management, accountability, and transparency in financial reporting, and regulatory and supervisory organizations such as the Ethiopian Accounting and Auditing Board, universities, and professional associations should provide the necessary support and oversight during the adoption of IPSAS by public sectors. Accounting curricula should be reviewed by Ethiopia's Accounting and Auditing Board and the Ministry of Education.

We also propose that the government participate in providing training for competent employees to drive the process, as well as involve external specialists from other nations and finance for trainings, based on the findings of the study. Ethiopia's Accounting and Auditing Board, Ethiopia's Agency for Civil Societies, universities, non-governmental organizations, and professional associations should prepare for the transition to IPSAS by collaborating with training institutions to develop intensive IPSAS capacity building programs to meet the demand for IPSAS manpower. AABE should also guarantee that accounting curriculum at institutions/universities is reviewed to reflect IPSAS standards.

Management teams in NGOs need to get the awareness of the proclamation and the need to invest in IPSAS for its benefit for both the organization and the country as a whole. It is preferable to include IPSAS knowledge as a mandatory for finance staffs specifically and other non-finance staffs in general.

4.4 Recommendations for Further Study

The results show the benefits and challenges of adoption and implementation of IPSAS in financial reporting of some selected NGOs working in Ethiopia. The sample was taken from NGOs and we suggest for future studies on local charity organizations and societies working under supervision of government (CHSA). This study focused on NGOs which have implemented IPSAS. Further studies can be made on those public sectors other than NGOs

which have adopted and implemented the standard. And we only tried to cover the assessment of the challenges and benefits of adopting IPSAS. The factors that affect the implementation process and their relations could be undertaken by further studies.

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