



## IMPLEMENTATION OF ACCRUAL BASE ACCOUNTING TO IMPROVE ACCOUNTABILITY: A CASE OF GAMBIA

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### ABSTRACT

*Public sector changes in Gambia started within the 1980s with the essential objective of moving forward the adequacy, effectiveness, and straightforwardness of governmental operational and financial administration. This paper was executed by adopting qualitative research method to obtain its findings. This paper points to look at the opportunities and accountability by the Gambian public sector in executing accrual-based accounting. A survey of past writing in this range appeared that accrual-based accounting improves decision-making processes, advances way better financial administration, and enhances public accountability. Be that as it may, the move handle between these two accounting strategies isn't without challenges. Human resources competency, software and technology capability, accounting policies, and measures appropriateness are recognized as major challenges within the usage effort. These challenges should be taken into thought carefully by the government in order to guarantee effective movement towards accrual-based accounting.*

**Keywords:** *Accrual-based accounting, Accountability, Gambian public sector*

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### I. INTRODUCTION

So many years several countries, public sector offices in the Gambia are going through a revolutionary stage that came with the recent paradigm of public sector governance (Pamungkas, 2018). Over a decade now many countries' public sector office has moved from cash base accounting to accrual base accounting. The accrual base accounting has been the *modus operandi* in private institutions over the decades, but in the public sector offices in the Gambia, numerous sectors prepare their budget and accounts in accrual base accounting. In the cash base, all transactions undertaken are only recognized when money is paid or received and when there is the likelihood of transfer of economic benefit either inflow or outflow is not

reported unless there is the transfer of cash (IFAC, 2002). Accrual accounting allows for the maximization of resources in the best efficient and effective manner, especially regarding capital assets Ellwood & Newberry, (2007). Public sector accountants are usually motivated to capitalize on these lapses of cash base accounting by deferring cash payments or bringing cash receipts forward to increase the balance of accounts. And also public sectors that prepare cash base accounting are deemed not to have or maintain a comprehensive and up-to-date record of the actual value of liabilities and assets (Biswas, Rahman, & Rahman, 2015). The implementation of accrual base accounting in public sectors, is intended to assist those charge with by producing better information

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for decision making, such as cost and price calculation, make-or-buy selections, outsourcing or external use, escalate transparency, accountability and performances assessment (Mohammadi, Maher, & Zare, 2012). The most fundamental aspect of adopting accrual base accounting is that it recognizes when it's probable that there will be a transfer of an economic benefit in the report at the time they occur (Surepno, 2015). This paper focuses on the advantages that Gambia's government will reap by switching from cash base accounting to accrual base accounting, and its way of strengthening its transparency. Governments in the country as wealth managers definitely have a duty to provide the society with a form of accountability and transparency to ensure that good governance exists (Thoha, 1999: 55-56). The form of government financial reporting is one type of accountability and transparency that is expected to be released by the government. The government's duty to issue a financial report is laid down in the Gambia Constitution of 1997. It is expected that the presentation of the financial statements would provide a summary of all operations and the provision of public services carried out by the government. The research has never been conducted in the Gambia, so the study takes problems from other parts of the globe and merges them into the context of the Gambian. The essence of the study is to examine accrual implementation in order to enhance public sector transparency in The Gambia.

The shift from cash-based accounting to accrual-based accounting in the public sector offices of several countries has evoked, it is wake, debate on a lot of issues. The attractiveness in the first instance is the primary instance of adopting accrual base accounting in the public sector offices especially in developing countries like The

Gambia. This is alleged by the Accountants, Auditors, and Accounting Academics. The second aspect is the work type on the belief of the stakeholder group on the proposed adoption of Accrual Accounting model in the public sector offices in The Gambia, whether full Accrual System, Modified Accrual System or an Accrual System peculiar to The Gambia should use as the basis of its transition to the Accrual system. This research is aimed at producing the perception or belief of the inflated stakeholder groups about the government's decision to adopt the Accrual Basis of Accounting in the Gambia's public sector offices.

To attain the research objectives and to remedy the gap addressed in the previous studies, two research questions will be discussed in this study; (1) What impact will the implementation of accrual base accounting bring to the public sector of The Gambia?; (2) How can accrual base accounting improve accountability in the public sector of the Gambia?

It is expected that this research will lead to policies related to the introduction of sustainability accounting in Gambia organizations. Some accounting bodies, such as the SASB (Sustainability Accounting Standard Board), have issued principles or recommendations for applying the definition of sustainability accounting for business organizations and non-business organizations. The presence of sustainability accounting principles or guidelines indicates that more and more organizations are committed to applying the principle of sustainability accounting to corporate operations. The Sustainability Accounting Implementation Policy is not only prepared for business organisations, but can be used in non-business organizations later on. One of the things that can be done in order for companies to broadly apply the process of



applying the principle of sustainability accounting is to issue recommendations or criteria for the application of sustainability accounting concepts. The key goal of introducing accrual-based accounting in the public sector in the Gambia is to achieve greater transparency and greater accountability. Accounting standards for accrual-based accounting set by IPSAS promote openness and access to information by citizens and their understanding on decision-making mechanisms. Therefore, the decision making will be more transparent and corruption can be reduced. According to reports, Gambia is ranked among the highest corrupt countries in the world. Therefore, it can be argued that one of the reasons for The Gambia government to implement accrual-based accounting in the public sector is to seek greater transparency and also to reduce the level of corruption in The Gambia public sector.

## **II. LITERATURE REVIEW**

Prior research analyzing the introduction of accrual accounting in Gambia's government does not exist, and no concrete proof of the effect of accrual accounting adaptation at the level of government can be ascertain prior to this study. According to the study of (Tickell, 2010), the shift of or the move from cash base accounting to accrual base accounting will increase transparency, and the results will call for greater accountability. The study further highlighted that, due to the nation's low-skilled public service, high labor turnover, and insufficient investment in capital equipment, undertaking the move to accrual accounting for this and similar developing nations require a different approach to that used by developing economies. Improvement of the financial statements quality that occurs in local governments triggers more effective and efficient decision making by users of financial

statements. More effective and efficient decisions made by financial statement user indicating an increase in accountability and public transparency (Connolly & Hyndman, 2006). This increased in accountability and transparency is the ultimate goal that every government must fulfil. Good quality financial statements also guarantee the quality of the information generated from that report (Cohen, Krishnamoorthy, & Wright, 2004). One form that can guarantee the realization of financial statements quality is to realize the qualitative characteristics of financial statements (Cohen et al., 2004). One of the transformations bring by this development is within the shape of the adjustment of accrual-based bookkeeping inside the open division (Karunia, Payamta, & Sutaryo, 2019). This development anticipated bringing a change towards the effectiveness, viability, responsiveness, and responsibility to the open division. In this way, it can be said that the activating activity causing the application of accrual-based bookkeeping in nearby governments. According to Abeysinghe & Samtanthi, (2016) states, the collection premise within the current bookkeeping system does not work since it does not address the political intrigued overwhelming over public sector organizations. It concludes emphasizing the requirement of re-examining the bookkeeping system of the public sector having regard on political intrigued within the public sector sometime recently presenting accrual accounting. Fundamentally, government accounting practices are classified into two categories of pure cash basis and pure accrual basis which applied widely in private sectors (Pamungkas, 2018). But in the development, the base of the accounting system broke down into four classifications namely, cash accounting, modified cash accounting, modified accrual



accounting, and accrual accounting (PwC, 2015).

### **The Conceptual of Accountability**

Jonas and Blanchet (2000) suggest that the quality metrics of financial statements must be rigorous and must be able to assist both stakeholders and consumers of financial statements in evaluating the quality of financial statements. Jonas and Blanchet (2000) are creating a theory for how to measure financial statements on the basis of this thinking. This structure derives qualitative characteristics of the financial information system from the FASB. The new proposed structure emphasizes any recipient of the financial statement, not just the concern of the shareholder/investor. Beest, Braam, & Boelens (2009) then used this concept as the ground thinking to establish the calculation and operationalized measure of the consistency of financial statements. In this analysis, this model is then used to assess the consistency of the financial statement. Accountability can be described as the duty to have an account (not essentially a financial account) or the measurement of actions for which one is liable (Gray et al. 1996). Researchers and specialists have advertised various definitions of accountability. For instance, Johnson, (1974) defines accountability as to how people and institutions or organizations report to a recognized authority are held responsible for their activities. Awuku, (2020) argues that accountability speaks to a commitment to effectively engage, illuminate, and clarify to partners what is being done and for which reason. According to Sinclair (1995), accountability implies a relationship in which individuals are required to reveal and take obligation for their actions. Consequently, accountability includes the proper of one party to get data from another party (Gray et

al. 1996;). Non-profit organizations handle government funds from the government, and they have to oversee the stores well. Subsequently, one way a non-profit organization can release its responsibility is by communicating monetary and non-monetary data to the interested parties.

### **Accrual Accounting Benefits in the Public Sector**

Benefits of accrual accounting incorporate expanded comparability, better choice-making, and way better administration of capital resources. Accrual accounting could be a gadget that will not consequently result in benefits, but potential benefits will be yielded when directors act on the data it gives (Evans, 1995). It makes it conceivable to center on assets, on the administration of liabilities, and the total cost of programs and administrations, rather than fair short-term cash flow balance as in a modified accrual framework. An advantage inferable to the execution of accrual accounting found in other governments is an increment in comparability both from year to year and with the private sector (Boxall, 1998; Pallot & Ball, 1996, 1997;). Comparability may be a characteristic of the relationship between two pieces of data. It empowers the users of that data to distinguish likenesses and contrasts between the data given by the two sets of financial statements (CICA, 2007). Changes in accounting standards from initially using cash-based accounting to accrual-based accounting have several objectives. These objectives, among others, are intended to improve the quality of information presented to the community and public-stakeholders, as well as to make the community better understand the budget and expenditure needed to provide public services (Caperchione, 2003). Changes to these standards can be said to be a form of



improvement of public accountability and transparency carried out by local governments

Accrual accounting smoothed vacillations in financial data. This smoothing increases its comparability. As well, accrual accounting is the, for the most part, acknowledged hone within the private sector. The government will compare itself against the private sector for output estimation and outsourcing purposes by using accrual accounting for financial detailing purposes (Pallot & Ball, 1996). This comparison leads to greater efficiency because, by outsourcing, it provides the government with a strong elective value conveyance method (Carlin, 2005, 2006). Earlier to the usage of accrual accounting, there was no instrument to completely assess the choice to outsource. Expanding the comparability of the government's financial data, both from year to year and with private industry, the increments decision making, and the value of the data.

### **III. METHOD**

This section presents the steps on the choice and rationale about all decisions in the implementation and planning of strategies that will be adopted data and undertake analytical aspects. Henning (2004:36) describe the technique as a coherent group of method that complements one another which can fit to provide information and discoveries that reflects the investigate address and suit the investigate reason. This research points to supply a few prove that's able to clarify whether there are contrasts within the quality of government money related explanations within The Gambia after the selection of accrual-based accounting. The consider was conducted on the quality of money related explanations from the public sector of The Gambia distributed between 2015 and 2019.

This is often the set of individuals or substances to which discoveries are to be generalized. In deciding how the appropriation of accrual base bookkeeping can move forward responsibility within the public sector of The Gambia, the consider will center on public sector accountants executives, vote controllers, and the users of financial statements. There will be two major implies of information collection and which are primary and secondary information collection.

Under this segment, surveys will be issued out to procure data from the respondent. A survey was utilized for the selected studies focusing on public sector accountant's, executives, vote controllers and the users of financial statements to supply answers to the inquire about questions, in the questionnaire. The secondary data are information received from the second or third parties. Such information is obtained from the literature review. Surveys will be embraced for the inquire about as an instrument for collecting information.

According to Iii & Turner, (2010), a research design is a plan, a guide, and an outline methodology of examination conceived to get answers to inquire about questions. It is the heart of any ponder. Research design may be a model or an activity arrange upon which the whole consider is built. It moreover manages how a to consider is conducted and gives the guide of the ponder within the term of test information collection instrument and examination strategies. This can be qualitative research to look at the execution of accrual basis accounting in the public sector and the issues emerging amid the usage. From the transcripts, the data are looked into and analyzed. The analysis begins with the division of issues concurring to questions tended to within the think about



taking after the standard method of subjective substance information examination.

#### **IV. RESULT AND DISCUSSION**

This area gives information on the findings, analysis of the information collected, and the presentation of the discoveries. This area is organized into four particular parts. It shows demographics, primary questions, area, and display an analysis of the performance indicators

##### **Demographics**

This area presents the results collected from the responses assembled from the respondents counting the gender of the respondents, the Government departments the respondents have a place to, the number of years they had within the organization, their academic qualifications, and after that frequency tables were utilized to analyze the information from the respondents.

##### **Gender Distribution**

###### **Analysis**

The over table appears a gender extent of male respondents of 60% and female respondents of 33.33%, even though the dispersion was not of break even with extent both categories of sex taken an interest in this research.

###### **Findings**

This makes a difference to create beyond any doubt that there's no bias within the investigate instrument within the case of the sexual orientation of respondents. The distribution was reasonable between the sexes.

##### **Organization Distribution**

###### **Analysis**

The questionnaire was distributed to three distinct public sector (Ministry of Finance,

Accountant General Office, and National Audit Office) offices. A total of 28 responded and only 2 failed to do so.

###### **Findings**

All questionnaires were distributed to the distinctive respondent needed to acquire information.

##### **Experience Distribution**

###### **Analysis**

In analyzing the experience of the respondents, 50% of respondents have been working for 4 years and below, 26.67% representing 8 respondents had 5-10 years of experience in the company, and a proportion of 16.67% of the survey has been in the company for 11 years and above.

###### **Findings**

Studies appeared that the larger part of the respondents have been working for at least 5 years. This appears that workers inside my overview are well experienced in responding to the survey.

##### **Qualification Distribution**

###### **Analysis**

The above table appears that the lion's share (56%) have a bachelor's degree qualification, and 23.33% of the respondents are diploma holders, as it were 3 correspondent accomplished master's degree, which constitute 13.33% of the entire respondents

###### **Findings**

As far as educational attainment is concern the majority of the respondents have attained university degrees or professional qualification. The outcome shows that the respondents had no issues in responding to the questionnaires thus they have all the reasonable capacity and ability to understand the questions.



### **Main Question**

This section presents the analysis of the hypothesis presented on the questionnaires and then gathered the main findings of the survey.

**Question 1.** There are significant differences in relevant values for the financial statements presented before and after the implementation of accrual-based accounting

### **Analysis**

As clearly indicated in the above table with a proportion 73.33% of the respondent strongly agreed that there is a significant difference in relevant values for the financial statements presented before and after the implementation of accrual-based accounting, and 30% of the respondents agreed.

### **Findings**

Base on the respondent's perception, the result showed that all the respondents express the opinion that, there is a significant difference in relevant values for the financial statements presented before and after the implementation of accrual-based accounting.

**Question 2.** There are significant differences in reliable values for the financial statements presented before and after the implementation of accrual-based accounting.

### **Analysis**

As clearly indicated in the above table, whereas 76.67% of the respondent strongly agreed, and 16.67% agreed to the statement that, there are significant differences in reliable values for the financial statements presented before and after the implementation of accrual-based accounting.

### **Findings**

Base on the response received from the respondents we can conclude that there are significant differences in reliable values for the financial statements presented before and after the implementation of accrual-based accounting.

**Question 3.** There are significant differences in comparability values for the financial statements presented before and after the implementation of accrual-based accounting

### **Analysis**

Regarding this hypothesis, 83.33% strongly agreed and 10% agree to the suggestion that there are significant differences in comparability values for the financial statements presented before and after the implementation of accrual-based accounting.

### **Findings**

The opinion from the respondents regarding. Then we can conclude that, after the implementation of accrual-based accounting there are significant differences in comparability values for the financial statements

**Question 4.** There are significant differences in understanding ability values for the financial statements presented before and after the implementation of accrual-based accounting

### **Analysis**

Base on the table above 66.67% representing 20 respondents strongly agreed, and 26.67% representing 8 respondent agreed to the suggestion that, There are significant differences in understandability values for the financial statements presented before and after the implementation of accrual-based accounting



### **Findings**

With regards to the information-driven from the respondent through the questionnaire, the opinion is yes to the statement which states that there are significant differences in understandability values for the financial statements presented before and after the implementation of accrual-based accounting.

## **V. CONCLUSION AND IMPLICATIONS**

Changes in the accounting perspectives was driven to the activity of the Government of The Gambia. During the foundation of PEC (Public Enterprise Committee) and GICA (Gambia Institution for Chattered Accountant) energizes the Government Financial Statements to be displayed as Private Sector Financial Statements. There were statements of financial position to encourage the government in making choices. To realize that, the finance ministry of the Government of The Gambia ought to look reference and meeting with important scholarly planning of accrual-based government financial statements.

The method of implementation of gathering bookkeeping within The Gambian Government begins with the arrangement of the four primary components to bolster the effective usage of accrual-based accounting. Four keys of fruitful usage are as follows.

### **Leaders Commitment**

The Gambian Government as portrayed already had the activity to show financial statements as the private sector. This activity was displayed in the field of accounting in arrange to be realized. The informational is gotten in an accounting look to conduct discussions with different parties. Discussion is done basically by academics and practitioners.

### **Drafting Regulation**

Regulation gets to be lawful security and direction for implementers to be able to apply changes to the accounting framework legitimately. The regulation serves as rules for implementers to be able to run the modern framework. The regulation is exceptionally critical for the Government of The Gambia for the presentation of usage of it.

### **Information System Development**

The Gambian government accounting framework is not coordinated among the accounting entity and the reporting entity. In any case, within the course of execution of the accrual accounting framework that's to be improved by contracting the administrations of framework designers. Accounting frameworks and strategies got to be one implies that ended up advocates for the effective execution of accrual accounting within The Gambian Government.

### **Human Resource Development**

The public sector of the Gambia within the planning of execution accrual accounting focuses on the preparation of human assets. The built accounting framework would be aimless if the human resources are not able to run the framework legitimately. Hence the public Sector of the Gambia construct two segments of human assets arranged for the usage prepare, to be specific HR for Concept Improvement and Control and HR for Execution and administrator.

### **Conclusions**

The move from the current practice to accrual-based accounting in public sector within The Gambia is anticipated to supply more effective and viable financial administration and way better government financial reporting. In this way, this would contribute to greater transparency and





accountability. This topic is in line with the spirit of reform declared by local governments in the Gambia through the adoption of accrual-based accounting. Boosting public accountability and openness is the spirit of transition. This study found that the quality of local government financial statements has increased. In three of the four qualitative characteristics, increases also occur. These findings suggest that the accounts prepared on an accrual basis are more appropriate for public use. Financial statements are also more accurate and more comparable on an accrual basis. This outcome is consistent with Cohen, Kaimenakis and Venieris (2013) finding that the application of accrual accounting will improve transparency and accountability. Despite showing a considerable increase in the quality of local government financial statements in The Gambia, the quality of financial statements can be said to be poor. The Gambian government's execution

operations seem so remote that there will be a significant shift in accounting procedures within Gambian public bodies. From all of the earlier research, it can be concluded that accrual-based accounting gives a large number of benefits but it may take more time to be effectively executed and there are perspectives to be considered to guarantee smooth move arrange is input. Based on the experiences of nations that have received the accrual-based accounting system in their public sector some time recently, this move to the modern accounting administration will bring forward different challenges. In this way, significant thought has to be given to ranges such as competency of human assets, accessibility and adequacy of technology and relevant software and changes to existing accounting policies and standards to guarantee effective usage of accrual-based accounting.

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