

IPSAS APPLICABILITY BY PUBLIC SECTOR ENTITIES IN NIGERIA

(THE APPLICABILITY STATEMENT)

1. In March 2016, the International Public Sector Accounting Standards Board (IPSASB) approved the Applicability of IPSASs and a revised Preface to IPSASs, (“Applicability Statement”). IPSASB in 2018 revised the Applicability Statement which provided high-level characteristics of Public Sector Entities (PSEs) designed to apply IPSASs in the preparation of their General Purpose Financial Statements and replaced the term Government Business Entities with Commercial Public Sector Entities.
2. The Financial Reporting Council of Nigeria (“FRC” or “the Council”) did not give any regulatory guidance to PSEs purposely to allow implementing entities time to fully grasp the new financial reporting framework and to allow for transitional exemptions accorded those transiting to the IPSAS Accrual Accounting Basis in line with IPSAS 33 (First Time Adoption of Accrual Basis IPSASs).
3. The Council has observed inconsistencies in the choice of appropriate financial reporting framework by quite a number of PSEs. Thus, some PSEs which are supposed to apply IPSASs are applying IFRSs, some others are still applying the Statement of Accounting Standards issued by the defunct Nigerian Accounting Standards Board, and yet a few others combine both IFRS/IPSAS frameworks.
4. In view of the foregoing, it has become necessary for the Council, in line with its statutory mandate, to clarify the criteria for the choice of the appropriate financial reporting framework for Public Sector Entities in Nigeria. In determining these criteria, the Council has taken cognizance of the Applicability Statement issued by IPSASB in 2016, which is set out below.

IPSAS shall apply to Ministries, Departments and Agencies (MDAs) that:

 - (a) are responsible for the delivery of services to benefit the public and/or to redistribute income and wealth;
 - (b) mainly finance their activities, directly or indirectly, by means of taxes and/or transfers from other levels of government, social contributions, debt or fees; and
 - (c) do not have a primary objective to make profits.
5. **Without prejudice to (a), (b) and (c) above and considering jurisdictional factors as well as the Paragraph 7 of IPSAS 1, the Council has taken notice of certain peculiarities of some PSEs in Nigeria and directs as follows.**

Entities that shall apply IPSAS in the preparation of their financial statements include:

 - A. **Fully Funded Entities:**
 - i. Those PSEs that are fully funded by governments and/or derive up to 80% funding from the government;
 - ii. Those PSEs that are, by virtue of the enabling laws that created them, expected to be significantly funded by government transfers and/or derive up to 80% funding from non-exchange government transfers.
 - B. **Oscillating Entities**
Where there is a temporary reduction in the suggestive percentage (80%) for upward of 5 years and are expected to remain lower than 80% for the foreseeable future, the entity shall apply IFRS.
 - C. **Strategic Public Sector Entities**
For avoidance of doubts: PSEs in sectors like education, research, legal, judiciary, justice, health (hospitals), security, defence, agriculture, services, et cetera as described in (a) and (c) above shall apply IPSAS.
6. **Public Sector Entities that shall or continue to apply IFRS:**
PSEs that are significantly self-funded and have in substance exited government funding, like Commercial Public Sector Entities (CPSEs), shall apply IFRS in spite of (a) and (c) above;
7. All Commercial Public Sector Entities (CPSEs), formerly referred to as Government Business Enterprises (GBEs) and all incorporated government entities at Federal, State and Local Government levels, shall apply and/or continue to apply the IFRS reporting framework.
8. All affected Public Sector Entities shall comply with the provisions of this Applicability Statement, henceforth.
9. If an MDA encounters any challenge or indistinct as to which financial reporting framework to apply after this guidance, such shall seek clarification from the Council.

SIGNED: MANAGEMENT