

Impact case study (REF3)

Institution: University of Essex		
Unit of Assessment: 17		
Title of case study: Enhancing Public Sector Accountability in Nepal through the Implementation of the First Government Accounting Manual and Standard		
Period when the underpinning research was undertaken: 2011-2020		
Details of staff conducting the underpinning research from the submitting unit:		
Name(s):	Role(s) (e.g. job title):	Period(s) employed by submitting HEI:
Pawan Adhikari	Reader in Accounting	September 2011 to present
Period when the claimed impact occurred: 2014-2020		
Is this case study continued from a case study submitted in 2014? N		
1. Summary of the impact		
<p>Adhikari's research has changed three important areas within Nepal's public sector accounting: developing and implementing the first government accounting manual; accounting standardisation; and capacity building. The accounting manual, arising from the research, provides the first consistent approach to accounting practice across over 4,000 public sector entities. The accounting standard has harmonised the reporting of 42 central level agencies. The training on the accounting manual and standard delivered to over 448 government accountants has enhanced their capacity to discharge accountability. The research has benefitted the government itself, investors, development partners such as the World Bank and citizens by providing a sound basis to ensure accountability.</p>		
2. Underpinning research		
<p>Adhikari has been conducting theoretical and empirical research in Nepal's public sector accounting and accountability for the last two decades and has contributed to policy making. Comparative and empirical studies were undertaken between 2012 - 2015, in which public sector accounting and accountability practices in Nepal were analysed and compared with those operating in Russia, Norway and Sri Lanka [R1; R2; R3]. At the request of development partners, Nepal has been very active in terms of adopting public sector accounting and accountability reforms. However, such reforms have not always functioned as intended. This has inspired the government to engage with research when engaging in policy debates about public sector accounting and accountability reforms [R2; R4].</p> <p>The research undertaken by Adhikari delineates the Nepalese public sector accounting context and the challenges faced by the country in implementing accounting reforms, due to the limited attention paid to country-specific contexts [R2; R5]. The research underpins how a consistent approach to accounting practice, guided by a manual, has enabled similar reforms to be undertaken in different contexts, reforms that have been more effective than in Nepal in rendering public accountability. Adhikari's work demonstrates the benefits of using a consistent approach to accounting practice as guided by the manual, within government itself, investors and development partners such as the World Bank, and the important role that this approach can play in advancing reforms in the Nepalese public sector accounting context.</p> <p>The standardisation of public sector accounting practices has been part of the reform agenda of Nepal since 2009. Adhikari's research identified the benefits and technical issues relating to the standardisation of accounting practices and reporting in Nepal, especially at the central government level, and was instrumental in triggering reforms [R3; R4; R5; R6]. Through its analysis of international public sector accounting reforms, the research informs the role of the standard in improving the quality of accounting information that is produced thereby promoting comparability and achieving greater consistency in financial reporting. High quality, comparable and consistent accounting information and reporting is important for the government, investors and</p>		

development partners such as the World Bank in undertaking rational decision-making and discharging financial accountability.

Adhikari's research highlights how the standardisation of accounting practices promotes consistency in financial reporting by government agencies and enables the government, investors and development partners to compare the financial performance of public sector entities [R3; R4; R5; R6]. The research shows how accounting practices in Nepal should be standardised and highlights the accountability requirements that are achieved through harmonised reporting, comparing it with the Cash Basis International Public Sector Accounting Standard of the International Public Sector Accounting Standards Board.

Adhikari's work on public sector accounting [R5; R6] informs the challenges faced when reforming public sector accounting practices in the implementation phase, due to the limited involvement of government accountants. It also outlines the technical nature of the accounting manual and standard and therefore, the importance of developing the capacity of government accountants prior to introducing such reforms [R5].

3. References to the research [available from HEI on request]

[R1] Adhikari, P., Timoshenko, K. and Gårseth-Nesbakk, L. (2012), "Reforming Central Government Accounting in Diverse Contexts: A Three-Country Comparison", *International Journal of Public Sector Performance Management*, Vol. 2 No. 1, pp. 44-60. <http://doi.org/10.1504/ijpspm.2012.048743>

[R2] Adhikari, P., Kuruppu, C. and Matilal, S. (2013), "Dissemination and Institutionalization of Public Sector Accounting Reforms in Less Developed Countries: A Comparative Study of the Nepalese and Sri Lankan Central Governments", *Accounting Forum*, Vol. 37 No. 3, pp. 213-230. <http://doi.org/10.1016/j.accfor.2013.01.001>

[R3] Adhikari, P., Kuruppu, C., Wynne, A. and Ambalangodage, D. (2015), "Diffusion of the Cash Basis International Public Sector Accounting Standard (IPSAS) in Less Developed Countries (LDCs) – The Case of the Nepali Central Government", *The Public Sector Accounting, Accountability and Auditing in Emerging Economies (Research in Accounting in Emerging Economies, Vol. 15)*, pp. 85-108. <https://www.emerald.com/insight/content/doi/10.1108/S1479-356320150000015004/full/html>

[R4] Adhikari, P. (2017), *Public Sector Accounting Practices and Reforms in Nepal*, in Zhijun, L. (ed), *Handbook of Accounting in Asia, 2017*, Routledge. ISBN: 9781138189034.

[R5] Adhikari, P. and Jayasinghe, K. (2017), "'Agents-in-focus' and 'Agents-in-context': The Strong Structuration Analysis of Central Government Accounting Practices and Reforms in Nepal", *Accounting Forum*, Vol. 41 No. 2, pp. 96-115. <http://doi.org/10.1016/j.accfor.2017.01.001>

[R6] Adhikari, P. and Kuruppu, C. (2018), "International Public Sector Accounting Standards (IPSASs) in Sri Lanka: What lessons can Nepal learn?", *Journal of the Institute of Chartered Accountants of Nepal*, Vol. 20 No. 3, pp. 9-12 (available on request).

4. Details of the impact

Adhikari's research and his involvement in reform efforts, have underpinned the Nepalese public sector accounting and accountability in three key areas:

- Development and implementation of the first accounting manual.
- Standardisation of accounting through the implementation of Nepal Public Sector Accounting Standard (NPSAS).
- Capacity building to support the implementation of the manual and standard.

Development and implementation of the first accounting manual

Adhikari has been collaborating with the Financial Comptroller General Office (FCGO), the Ministry of Finance (MoF), Nepal, since 2001. This collaboration was further strengthened after undertaking comparative research in which Adhikari compared public sector accounting practices in Nepal with

those of Russia, Norway, Sri Lanka [R1, R2], as well as with the international accounting standard [R3]. The importance of having a consistent approach to accounting practice was emphasised in his research. In 2014, the FCGO started developing the first accounting manual appointing an accounting firm, Suvod Associates. Adhikari was consulted by Suvod Associates for input and his research [R1, R2, R3] was drawn upon throughout the development of the manual [S1]. Suvod Associates confirms that Adhikari's research was valuable *"to get insights into different aspects of Nepal's public sector accounting, accounting requirements of the country and international best practice in public sector accounting"* [S1].

The MoF states *"We are aware that your work [Adhikari's] has also been used in the process of developing an accounting manual for government entities"* [S2]. In 2016, the accounting manual was enforced in more than 4,000 public sector entities [S3]. The enforcement of the manual's recommendations has promoted consistency in accounting practices, helping to ensure that public entities discharge the accountability of resources entrusted to them. One member of the State Assembly Kathmandu 1 (one of the 10 constituencies of the City) confirms: *"Reference to your work is consistently made during the discussion on government accounting... These works have been used in deciding on reform strategies, developing the manual for government entities and implementing Nepal Public Sector Accounting standards and has helped develop a policy of capacity building of government accountants"* [S4].

Standardisation of accounting through the implementation of NPSAS

Adhikari's research made the MoF aware of international trends in public sector accounting and identified the accounting requirements of the country [S2]. In particular, Adhikari's research [R3; R4; R5; R6] highlighted the challenges faced by developing countries when implementing international accounting standards and emphasised the importance of following an incremental approach. The MoF states *"the research [Adhikari's] has been used in the process of developing and piloting Nepal Public Sector Accounting Standard (NPSAS)"* [S2]. In 2017 Adhikari was approached by JBRH and Co. an accounting firm assigned by the government to pilot the accounting standard [S5]. Two ministries were selected to pilot the NPSAS so as to provide sufficient time to analyse the challenges experienced in the process and arrange the required resources to extend the standard to the remaining ministries. All 42 central level agencies now prepare their consolidated financial statements using the forms recommended in the NPSAS [S6]. The standardisation of accounting practices has increased international trust in public sector accounting, as the FCGO states that international investors and development partners have started using information generated by the government rather than pursuing their own accounting system, which was an established practice previously [S2, S6].

Capacity building of government accountants

Government accountants in the past have been reluctant to embrace change due to a lack of focus on capacity building. Adhikari's research highlighting the importance of capacity building prior to introducing reforms [R5], was used by JBRH and Co. to identify challenging areas and develop the competences of government accountants [S5]. The FCGO has used the research to develop a policy on capacity building for government accountants [S4, S4a]. During 2018-2019, 13 training sessions were offered across the country during which 448 government accountants were trained in different aspects of using the manual and the standard. The training programmes were facilitated jointly by the FCGO and JBRH and Co. [S7]. JBRH and Co. states that they have used [Adhikari's] research *"while facilitating trainings to government accountants and administrators on Nepal Public Sector Accounting Standards"* [S5]. The enhanced capacity of government accountants has provided the government with the opportunity to continue its reforms, thereby contributing to further impacts. These include:

- The FCGO developed new accounting forms in 2019 [S6]
- The FCGO developed the *Public Asset Management System* following the accounting manual in 2020 [S8]

These reforms are aimed at further strengthening public sector accountability in Nepal [S6, S8, S9].

5. Sources to corroborate the impact

[S1] Testimonial - Suvod Associates – an accountancy firm assigned by the Financial Comptroller General Office, Government of Nepal, to develop an accounting manual.

[S2] Testimonial from the Deputy Finance Controller General, the Financial Comptroller General Office (FCGO), the Ministry of Finance (MoF), Nepal.

[S3] Earlier and final draft of the accounting manual.

[S4] Testimonial from Deependra Shrestha, Member of the State Assembly, Kathmandu 1 - Testimonial stating that Adhikari's work has 'become valuable in policy making' and 'that these works have been used in deciding on reform strategies, developing the manual for government entities and implementing Nepal Public Sector Accounting Standards and has helped develop a policy of capacity building of government accountants'.

[S4a] Testimonial from Sanjaya Kumar Gautam, Member of Parliament, Nepal – testimonial stating Adhikari's work was 'referred to in debates on policy making and applied in regulating practices, implementing reforms and capacity development'.

[S5] Testimonial from JBRH and Co. authorised by the Government of Nepal to introduce reforms in government accounting. Testimonial stating that Adhikari's work 'has proved valuable while developing the accounting manual for central government in Nepal'.

[S6] Financial Comptroller General Office new accounting forms 2019.

[S7] JBRH and Co. correspondence detailing the trainings executed to government accountants.

[S8] Manual for the Public Asset Management System (PAMS). Providing guidance on registering and reporting different types of assets and the procedures public entities are required to follow (p. 4). Such a system of asset registration was not in effect until 2020 and was developed following the chart of accounts, as outlined in the accounting manual.

[S9] A draft of Nepal Public Sector Accounting Standard (NPSAS).