

# Government Accounting System Reform and the Adoption of IPSAS in Iraq

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## Abstract

This research examines the needs of reforming the government accounting system in Iraq as a developing country through the adoption of an accrual accounting based on IPSAS. It tries to search the reasons and requirements to apply IPSAS, discover the challenges which may face the Iraqi public financial management; and discuss what the supported factors that help public management to adopt the accrual base based on IPSAS are. Based on that, the research generally aims to contribute in the development of the public sector accounting and evaluate comprehensively the usefulness, feasibility and abilities of adopting the IPSAS through accrual base in Iraq. Our study, mainly focused on the central government. The research uses qualitative methodology through a questionnaire sent to accountants in the finance ministry, auditors in Iraqi supreme audit board and lecturers in Iraqi universities, specialized in government accounting to get data about reasons, requirements, challenges and supported factors of adopting the IPSAS to the government accounting in Iraq. The study strongly reveals the need to reform the government accounting system through the adoption of an accrual accounting based on IPSAS.

**Keywords:** Government Accounting Reform, IPSAS, Accrual Base, Iraq.

## 1. Introduction

The past few years have shown that the global financial system is in need of a variety of reforms (Ernst & Young, 2011). One of the most important aspects is the tendency of reforms in the financial information systems (Christiaens et al., 2013). The government accounting reform is regarded as part of improving information system in public financial Management based on accruals as a tool to gain a wider accountability in a democratic system and in a free market (Chan, 2006); The movement to accrual accounting was pioneered by the developed countries as a part of the public sector reform (Hassan, 2013); thus, the annual financial statements play a significant role in the accountability of governments to their citizens and their elected representatives (Huges, 2013). Therefore, the priority of the developing countries was moving from the cash to the accrual basis of accounting (Tudor & Mutiu, 2006); because the cash and cash moderated-based accounting does not allow obtaining the necessary information in order to provide better support for planning and managing resources and more generally for the decision-making processes, allowing greater comparability, even between different entities (Christiaens et al., 2013). Thus, the international public sector accounting standards (IPSAS) have become *de facto* international benchmarks for evaluating government accounting practices worldwide (Chan, 2008). Therefore, the governments of developing countries have started implementing IPSASs to enhance the credibility of financial information, public trust and attracting foreign investments (SAFA, 2006: 2).

Depending on the evidences above, this study aims to provide qualitative evidences about reasons of the need to reform the government accounting system in Iraq through the adoption of full accrual accounting based on IPSAS. The motives behind this research are, firstly, the shift in political regime and economy system and strong direction of the government to convergence with the world; the direction of the Iraqi government after the American occupation in 2003 from macro-economic based on central planning toward micro-economic based on free market; beside high- direction to attract foreign investments; Second, the American Coalition Provisional Authority after occupation of Iraq in 2003 issued the financial management and public debts order, next law (95) in 2004; This law based on the adoption of the IPSAS and government finance statistics manual (GFSM); that issued by international money fund (IMF) in 2001; but, until this moment, it does not actually apply. Third, According to Transparency International (2012), the corruption perceptions index placed Iraq as ranking 169 out of 174 countries. In addition, the absence of transparency about the result of implementation of budget lead consequently to the absence of the accountability of the government. Fourth, there is high weakness of the public services, beside the absence of any evaluation process of performance.

These problems are essential reasons for the need to improve the public financial management and decision-making of the government, when there is a relationship between a country's government accounting development and its political and economic development (Chan, 2006). In this field, the introducing IPSAS, provides more and accurate information about government performance (Pina and Torres, 2003; Christiaens et al., 2013). Therefore, many countries, including developing countries, in various degree started to depend on the IPSAS; thus, the report of price water house cooper (PWC) (2013) indicates "More than 30 countries have either already adopted or are in process of adopting IPSAS for financial reporting by all or part of their public sectors.

In developing countries, Hughes (2013) emphasizes the adoption of IPSAS concern very important matter because it improves the capacity of governments to provide the legislative bodies, citizens, media and other stakeholders with understandable, relevant, reliable, and comparable financial statements; this will improve the quality of financial accountability and governance ; Up-front development of the harmonised accounting policy is a key step in strengthening the budget execution process and improving the quality of financial reporting. In addition, the PWC survey report (2013) indicates that greater transparency and accountability stands out as the greatest benefit of adopting IPSAS; this case required trend toward accrual accounting that applied to achieve the need for transparency, efficiency and performance management.

This research aims to examine the reasons of the need to reform the government accounting system, and capabilities of financial public management of Iraq as a developing country to apply the full accrual accounting based on IPSAS and its reasons, in addition to the study of the requirements and challenges those face in applying these standards, as we try to identify the supported factors that affect and help in the level of adopting IPSAS in Iraq. In this context, (Chan, 2006; Trang, 2012; Chrisiaens et al, 2013) analyzes government accounting reform and IPSAS, and issues relating application of IPSAS, and advantages and disadvantages of accrual accounting based on IPSAS standards to the government accounting, the extent of IPSAS adoption, and some recommendations of the application of the IPSAS to the developing countries especially. Nonetheless, Chrisiaens et al. (2013) emphasize that capabilities among countries depend on the differences in culture, historical context or in structural elements of each country that may influence the public sector reforms and the accounting systems.

This study can be regarded as the first attempt to explore the usefulness and feasibility of reforming the government accounting system in Iraq through adoption the accrual-base accounting based on IPSAS standards. Therefore, this study depends on the contribution in the economic development; in this area, Chan, (2006) emphases that government accounting reform contributes to government performance and at least indirectly contributes to a nation's development. Thus, this study intends to enhance the importance of adoption of IPSAS in Iraq; and the impact of adoption of accrual accounting on transparency and accountability; and the conditions that help to apply these standards to achieve the transparency, accountability and corruption problems in Iraqi public sector and its negative effects on the Iraqi economy . The literature revealed that accrual accounting is an important element in public sector reforms directed to improve the efficiency and responsiveness of government services and enhancing the accountability for the use of public resources (Ouda, 2007). Therefore, the findings of this study may provide reference for legislators and policy makers. It may be of importance to regulatory authorities in the Iraqi economy, private and institutional investors, academics, politicians and public servants. This research uses a questionnaire which contains questions concerning the need to reform the public financial management and apply the IPSAS in the Iraqi government accounting system; and requirements and challenges that face applying accrual accounting based on IPSAS in Iraq, in addition to presents the supported factors that help in adopting IPSAS. The questionnaire was sent to finance ministry and supreme audit board and universities, so as we can have a good image about feasibility and to what extent will people concerning accounting and auditing units agree about these questions. We will analyze these questions to get data of ideas and observations of applying the IPSAS in Iraq.

The remainder of our paper is organized as follows. The next section presents the reality of government accounting and budgetary systems in Iraq. The third section discusses the relevant literature in reform public financial management and adopting the IPSAS studies. The fourth section focuses on the research methodology and data collection. The fifth section presents the results and discussion of findings. The final section presents a summery and the conclusions.

## **2. Current Budgetary System and Government Accounting in Iraq**

In the early seventies, Iraq has started using the decentralized system, and proved its success with great expansion in public services and public expenses; in the eighties and nineties, it was adopted under the State law of the general budget No. 107 of 1985, amended with law no.20 of 1990 and public accounting principles law no. 28 of 1940 (Mahdi, 2012, 35). After 2003, the American occupation influence on Iraqi budgeting stemmed from its Order 95. Next, the Financial Management and Public Debt Law 95 in 2004, which codified a new system of governance for Iraq's budgetary process. The order promoted democratic governance by requiring parliamentary approval of the budget. It also enhanced the powers of the Ministry of Finance, returning it to the coordinating role; set a timetable for formulating and approving the budget; encouraged budgetary transparency; and initiated a rudimentary system of fiscal federalism. While, the Ministry of Planning retained its responsibilities for developing an investment budget (Savage, 2013, 4). Moreover, the World Bank (WB) and the International Money Fund (IMF) made separate efforts to encourage improvements in Iraq's budgetary institutions. Besides, the USAID awarded its economic governance contract to the firm BearingPoint to advise the Iraqi government on economic policy, build up the technical skills of Iraqi Finance Ministry and Central Bank officials, and install a financial management information system. In 2006, in a radical departure in Iraqi budgeting, the budget law

authorized these governments to participate in the budget process by proposing capital projects. The Ministry of Finance proved exceptionally resistant to coalition contractors, as suggested by USAID's attempt to bring Iraq's budgetary record keeping up to the standards of international best practices. USAID's economic governance contract with BearingPoint called on the firm to install what would be called the Iraq Financial Management Information System (IFMIS) throughout the ministries, the goal of which was to connect all levels of government into a computerized network. Installing IFMIS provided the cornerstone for rebuilding Iraq's fiscal administration. This system would replace the bureaucracy's pencil and paper ledgers and promote efficient budget formulation, transparency in bookkeeping, and accountability in the use of public funds. For its part, Iraq's government agreed to install IFMIS as part of a broad set of financial management reforms it would undertake in response to repeated coalition demands, as a signatory to the International Compact with Iraq, and as a condition for receiving IMF donor assistance (Savage, 2013, 3-7).

The general treasury of the state is administrative governmental accounting by which the State gathers all the money received from various funds sources after being collected from citizens by government departments and commits the State to pay out the expenses they need to exercise their activities with the condition that those expenses should be within the limits of credits for each department falls under the budget law. The state treasury serves as the Directorate of government departments' accounts that are associated with. It takes all accounting services of the related government departments (Mahdi, 2012, 36). Thus, the Iraqi government budget and GFS reporting on cash basis, and all Government Business Enterprises (GBEs) accrual based Constraints, and Absence of integrated Financial Management Information System, therefore, there are multiple public sector entities with different accounting systems and accounting. There are considerable efforts directed to design the unified chart of accounts for cash and accrual basis accounting, but there is a lack of staff trained in production of financial statements in Iraq (WB, 2011, 23). Therefore, law no.95 of 2004 (Para 11) emphasizes "The financial statements should be prepared according to IPSAS". In addition to estimates of expenditures for the upcoming financial year that should be prepared according to economic and functional classification and according to IPSAS (Para 7-4). And estimating revenues should be arranged according to economic, functional and organizational classification (Para 7-2). The general budget is related to the country's overall plan for socio-economic development. Therefore, this budget is considered as a financial program for the following financial year to achieve specific objectives in the framework of the general plan and public policy of the country. The budget method is the items (traditional) budget. The cash basis should be used in the preparation and execution of the budget. This basis of accounting records transactions when payments are made, independent at the time when goods and services are ordered, delivered and consumed. Because of the use of the cash basis, the amount of appropriation, which is not expended until the end of the financial year, is cancelled and considered to be a surplus. In addition, the revenues that are not collected in the budgetary year should not be added to the revenues of that year but should be added to the year in which they are collected. This, in turn, will result in the financial statements disclosing the monetary position of the government. On the other hand, the investment budget is prepared and executed according to the accrual basis (Savage, 2013).

Over the last decades, Iraqi national budgets have been widely criticized for their lack of transparency. Therefore, Iraq is one of the worst performers in the Open Budget Survey, with a score of 4 out of 100 in 2012 (transparency international, 2013, 4). International Budget Partnership (2013) indicating that close to no budgetary information is made available to the public. While, Iraq produces a number of budget documents for internal government use, such as the proposed and enacted budgets, as well as in-year and audit reports, most of them are not publicly released. In addition, no public consultation mechanisms are in place during the budgetary process, leaving ordinary citizens no opportunity for participation. This means that the government cannot be held accountable by the public, neither for its decisions on the allocation of public resources nor for its actual spending, leaving significant space for arbitrary decision making. Procurement in Iraq has also been known in the past as a hot spot for corruption. While a relatively comprehensive legal framework is in place, including for the prevention of conflicts of interest for procurement officials, it remains inadequately implemented (ICG, 2011, 4).

Moreover, Transparency international, (2013, 2) emphasizes "There is a broad consensus that corruption is widespread in Iraq and that it constitutes a threat to state building efforts". The Corruption Perception Index has repeatedly ranked Iraq amongst the worst-performing countries. In the 2012 CPI, Iraq was ranked 169th out of 175 countries, with a score of 18 out of 100 (Transparency International, 2012). In line with these findings, Iraq was ranked in the bottom 10 percentile in terms of control of corruption in the WB's 2011 Worldwide Governance Indicators. Scores on other dimensions are not as bleak, but Iraq remains in the bottom quintile of the ranked countries. The WB's Enterprise survey indicates that for 62% of surveyed firms, corruption is a major obstacle to conducting business. According to a study based on IMF & WB data conducted by Global Financial Integrity, an estimated US\$ 65 billion in illicit funds left Iraq (about twice its 2005 GDP, or 56% of its 2011 GDP) between 2001 and 2010, suggesting massive fraud, corruption, tax evasion and money laundering (Global Financial Integrity, 2012). An audit by Iraq's Board of Supreme Audit gives an even higher

figure, estimating in up to US\$ 40 billion the flows of funds that could be leaving the country annually through money laundering schemes that use the Central Bank's activities because of corruption (SIGIR, 2013, 2-3)

### 3. Literature Review

#### 3.1 Government Accounting Reform and Developing Countries

Many previous studies argued the concept of reforming the government accounting, and especially its reasons in the developing countries. In this context, Chan, (2006) says that the government accounting reform is regarded as part of improving the public financial management. Roje et al. (2012) Starting from the concept that information is the most important resource needed in the managing process, a comprehensive accounting information system is crucial for successful public management performance. Moreover, Christiaens et al. (2013) indicates the cornerstone of reforming financial information systems is the introduction of accrual accounting in the public sector, at the expense of traditional cash accounting systems. The reform emphasis on assuring financial integrity and a shift to accruals can make IPSAS more useful in the government accounting reform in the developing countries. Therefore, Hughes (2013) indicates "The government's accounting system should be able to record more than just cash transactions; because the IPSAS Cash and GFSM 2001 standards, met at least at the central government level, are the most relevant; the production of financial reports compliant with these international standards should be considered a benchmark output for a successfully functioning FMIS and a requirement for moving to further reforms. Thus, Chan (2006) says that the social value of government accounting reform lies in its contribution to development goals, including poverty reduction which has led international and multilateral lenders and donors to endorse IPSAS for adoption by the developing countries. Therefore, Christiaens et al. (2013) emphasizes that over the past 25 years significant New Public Management reforms, particularly towards accrual accounting, have characterized the public sector in many countries. Based on this important WHO (2013) recommends that IPSAS provides high-quality, independently produced accounting standards, underpinned by strong due process and supported by governments, professional accounting bodies, and international development organizations, representing best practices for governments and not-for-profit organizations. SAFA report (2006) indicates that the presence of an efficient and transparent Financial Reporting System has become extremely important for the governments especially in view of increasing awareness for use of public funds by governments and can be very helpful for countries in enhancing the credibility of financial information, public trust and attracting foreign investment. Therefore, Ouda (2013) emphasizes that absence of an appropriate accounting system may undermine the implementation of performance budgets; the budgeting system should be integrated with the accounting system, which is used to carry out the budget. Therefore, the basis on which the budget is prepared should be consistent with the basis of accounting utilized; thus, budget reform makes accounting reform inevitable. In addition, Babatunde (2013) emphasises the links between public budgeting systems and transparency and accountability accounting practice; therefore, government needs to adopt a strategy for acceptance of its financial activities; and as such, the need for a review of an accounting basis of budgeting is of concern to the public sector. Also, Atulik (2013) indicates that the relationship between the adoption of IPSAS by governments and the perceived levels of corruption, however, perceptions of corruption differ significantly between developing countries that have announced IPSAS adoption and developing countries that have not adopted IPSAS.

#### 3.2 Adoption of IPSAS in the developing countries

Many studies have been tackling the adoption of IPSAS in several areas of world; generally, Chan, (2006) states that the IPSAS is the centrepiece of the worldwide accounting profession's efforts to influence government accounting reforms in developing countries. Therefore, Roje et al. (2012) examined the adequacy of governmental accounting and financial reporting model in Slovenia, Croatia and Bosnia and Herzegovina, in light of IPSASs development and adoption; it is becoming more and more relevant as many countries are moving towards applying full accrual accounting using IPSASs. Christiaens et al. (2013) shed a light on the actual level of reforms in the direction of the adoption of the IPSAS for European countries. Trang, (2012) examines that whether or not the Vietnamese government accounting should apply the IPSAS, and to what extent apply them in current conditions of Vietnam and evaluate comprehensively the usefulness and feasibility of the IPSAS for the Vietnamese government accounting and financial statements. Roje et al., (2012) examines the implementation level of accounting solutions defined by IPSASs in Croatian public sector, and specify eligible tendencies towards more comprehensive IPSASs appliance. Tudor & Mutiu, (2006) analyzes the evolution of movement from cash to accrual accounting in public sector, the factors that influenced the movement in the case of Romanian accounting public sector. Christianes & Reyniers, (2010) examined the extent to which governments in Europe adopt IPSAS-inspired accrual accounting and how the differing levels of adoption can be explained. Adhikari & Mellemvik, (2010) studied whether, how, and to what extent the South Asian countries have or are planning to move in the IPSASs direction; that the majority of the South Asian countries have envisaged the adoption of the cash basis IPSAS as a way forward in order to implement accrual accounting.



However, the countries' efforts are to a large extent directed at adapting rather than adopting IPSASs in all material respects.

Many studies have been issued about the feasibility of applying IPSAS. Chan (2008) indicates the reasons behind adopting the IPSAS; it increases global comparability between countries, creates greater transparency, enables governments to make more informed decisions and facilitate the sharing of best practice around the world. While the report of PWC (2012) indicates "The objectives of the IPSASB are to serve the public interest by developing high quality public sector financial reporting standards and by facilitating the convergence of international and national standards, thereby enhancing the quality and uniformity of financial reporting throughout the world. Deloitte (2013) indicates that the development of the IPSAS has its origins in the accounting profession as a way to improve the transparency and accountability of governments and their agencies by improving and standardising financial reporting. Babatunde (2013) appraises the effects of adopting the accrual-based budgeting on transparency and accountability in the Nigerian public sector. He found significant impact of accrual budgeting on transparency and accountability, and that there is also a significant impact of transparency and accountability on economic growth in the Nigerian public sector. While Hughes (2013) emphasize that the effectiveness of public organizations' financial management systems can be strengthened by establishing procedures that ensure ongoing accountability aimed at creating a preventive environment that does not promote or encourage fraud and other types of wrongdoing. An effective financial management system imposes accountability by collecting and reporting complete and accurate information in a timely manner, thus limiting the opportunities for irregularities. Atuilik (2013) examines the relationship between the announcement of adopting IPSAS and the perceived levels of corruption in the developing and developed countries. He found that the levels of perceptions of corruption for developed countries that have announced IPSAS adoption do not differ significantly with the levels of perceived corruption for the developed countries that have not announced their IPSAS adoption. The governments of developed countries may however not expect the IPSAS adoption necessarily to improve their ratings on the perceptions of corruption.

Therefore, Deloitte (2013) shows that the information contained in accrual accounting IPSAS financial statements is considered useful, and it allows users to assess the accountability for all resources the entity controls and the deployment of those resources, assesses the financial position, financial performance, and cash flows of the entity and make decisions about providing resources to, or doing business with, the entity. Trang, (2012), in his study, shows that cash or modified cash-based information fails to show a suitable picture of financial position and performance. While accrual-based accounting shows financial position and performance because it recognizes assets, liabilities, revenues and expenses. Tudor and Mutiu (2006) emphasize that the government accounting should adopt based on accrual accounting, which can maximize the effects of the process of competition, and enabling and public management efficiency.

### **3.3 The capabilities and Requirements of Developing Countries to Adopt the IPSAS**

In the field of capabilities to apply the IPSAS in developing countries; many countries, regardless of their political and economic systems, are encouraged to harmonize their national standards with IPSAS. In this context, Adhikari, and Mellemvik (2010) indicate that the majority of the South Asian countries have envisaged the adoption of the cash basis IPSAS and international financial institutions have seemingly created a myth in the region that accrual accounting cannot be introduced without first complying with the cash basis IPSAS. However, the countries' efforts are to a large extent directed at adapting rather than adopting IPSASs in all material respects. Nonetheless, in many developing countries, the capacity among the accounting staff is not sufficient to fully implement the IPSAS, the data collection procedures are not adequately identified to collect the necessary data, or the software is not sophisticated enough to handle the various financial transactions (Hughes, 2013). Therefore, Chan (2006) suggests two different strategies of promoting government accounting reform in the developing countries; in countries where the political will exists, only funding and technical support are necessary. In countries where the government lacks both the political will and financial ability, external financial and technical assistance are necessary but insufficient; domestic political reform may hold the key to improving their government accounting, although conditions associated with external financial assistance may provide additional incentives.

Government accounting reform in the developing countries requires political and management support. Success depends on the ability to mobilize support from political leaders, who set the tone by demanding greater accountability and transparency. Their political determination will stand a better chance of realization if it is reinforced by the support of ministers and senior managers to change the way the government operates. Because of its technical nature, the "marketing" of reform proposals to politicians and senior managers is a challenging task (Chan, 2006, 5).

In recent years, the IPSAS Board has addressed the developing countries in two ways. First, it issued a set of comprehensive "cash basis IPSAS" in 2003. Since the requirements of that standard are closer to current practice and are less costly to implement, it runs the risk of becoming the *de facto* IPSAS for the developing

countries. If that were the case, it would be an unfortunate situation indeed. Second, the IPSAS board is in the process of preparing a standard on the disclosure of external assistance under the cash basis of accounting. The cash basis will, by definition, exclude the recognition of grants receivable and loans payable, and other non-cash assets and liabilities. These two standards can hardly be regarded as an adequate response to the needs of government accounting reform in the developing countries.

### **3.4 The challenges of adopting IPSAS in the developing countries**

The developing countries face the daunting challenge of raising the standards of living to their people. The success of government accounting reform depends on political and management support, in addition to the availability of budgetary and human resources, and information technology (Chan, 2006, 9-10). Christiaens et al. (2013) finds that one of crucial factors in not applying IPSAS, are still the fear of losing its standard setting authority, the unfamiliarity with IPSAS and the lack of attention for budgetary accounting. While Hassan (2013) says that findings show that most sources from practitioners opt for accrual accounting while most of literatures from academicians were not in support of accrual accounting. Chan, (2006) states that resource support is critical to successful government accounting reform; sufficient budgetary support is necessary to acquire software and hardware, and to hire a qualified staff. In many developing countries, the shortage of technical personnel imposes a severe constraint; thus human resources are another obstacle to overcome. Reforming involves changing policies and procedures of government accounting. Most countries have some type of rules and regulations for their government accounting systems, even though their institutional arrangements for setting such rules and regulations may be different. IPSASB (2009), the adoption of IPSAS must not leave an illusionary feeling that their adoption and implementation will be an easy sail. It will not. To a great magnitude the adoption will be halted by various challenges. Thus, the report of PWC (2012, 9) indicates that the Key challenges are:

1. Cost to implement: Accounting manuals need to be rewritten; manuals must incorporate IPSAS terminologies and also conform to local requirements. The Controller and Accountant General Department is drafting an accounting manual to assist the public sector which is likely to set the stage for the gradual and smooth take off of IPSAS. Education and training will also constitute a substantial amount of government outlay as the nation prepares to adopt IPSAS.
2. Availability of qualified accountants: Most of the Public sector and government agencies lack the necessary personnel to adequately carry out the changes in IPSAS as opposed to the financial reporting framework currently existing in the Public Sector.
3. Apparent complexities: The use of common language to bring uniformity across cultures and governments in the Public sector is also very challenging. Some terminologies used in the IPSAS may not apply to the country or Governments financial reporting system due to some uniqueness in its financial operations.
4. Readiness of government departments and agencies: Some organizations, including central admin, regions and a large number of other public sector bodies, still use traditional modified cash based accounting even if the cost and management accounting is compulsory.
5. Resistance: Not all government systems and administrative machinery will support IPSAS. Currently most of the Government agencies and departments have the Budget and Performance Monitoring Software (BEPEM) which is yet to be put to full use.

### **4. Methodology and Data**

This study uses qualitative research methods with research instrument questionnaire to collect data from field survey. Questionnaire of this research includes a total of twenty four questions (index 1), divided into five main variables. The first variable consists of four questions regarding the reasons of need to reform the government accounting in Iraq. The next four variables (twenty questions), regarding the motivators to apply the accrual based on IPSAS, requirements of adoption IPSAS, challenges and supported factors to adopt the IPSAS in Iraq respectively. The last four variables comply with Trang (2012) and Christiaens et al., (2013). These questions are based on multiple choices to explore issues covering the objectives of this research in the Iraqi government accounting as a developing country.

The closed-ended questions are measured in ordinal level in which respondents choose their answers from the provided continuum scale. The Likert scale is used in this research because it is one of the most widely used itemized scales.

A questionnaire was sent to a sample consisting of sixty people including regulators who are head or vice-chief at the Ministry of Finance, and the supreme audit board. They are well-informed about accounting; auditing and budget are taking part in building and developing the system of public accounting in Iraq. In addition, questionnaire is sent to ten people per university specialists in government accounting. They can be considered the representative of the whole Iraq experts in accounting population.

The completed copies of the questionnaire were used for the analysis from (53) valid respondents out of the (60)

distributed. The response rate is 88% of the total sample. Most respondents are in the accounts and audit sections at 87% and 13% in budget planning as shown in table 1.

**Table 1: Job of respondents**

Class	No	%
Accounts	26	49%
Audit	20	38%
Budget planning	7	13%
Total	53	100%

In field of job designation of respondents, mostly executive officers at 66%, about 21% of them are directors, while 13% academic as shown in table 2.

**Table 2: Job designation of respondents**

Class	No	%
Professor	7	13%
Director	11	21%
Executive officer	35	66%
Total	53	100%

Most of the respondents have spent between 5- 10 years in the public sector of 62%; while 30% more than 10 years and 8% from them less than 5 years as shown in table 3 below.

**Table 3: Experience years of respondents**

Class	No	%
Less than 5 years	4	8%
5-10 years	33	62%
More than 10 years	16	30%
Total	53	100%

In overview, the most respondents are executive officers; who spent over 5-10 years on the job in accounts. This adds reliability of this study because the result is coming from familiar and knowledgeable people in the area of this research topic.

## 5. Results and Discussion

In the field of statistical descriptive according to respondents characteristics; Table 4 illustrates that the respondents working in budgetary planning think that the importance of reforming the government accounting system in Iraq through adopting accrual accounting based on IPSAS, in light of presented requirements, challenges and factors, with highest mean (4.696) and lowest derivative (0.316). While, audits are agreed with second level with mean (4.331) and derivative (0.398). In the final level, accounts have mean (3.74) and derivative (0.727).

**Table 4: Statistics according to job of respondents**

Job of respondents	Mean	Std. Deviation	Minimum	Maximum
Accounts	3.740	0.727	1.77	4.69
Audits	4.331	0.398	3.15	4.80
Budgetary planning	4.696	0.316	3.86	5.00
Total	4.256	0.642	1.77	5.00

Table 5 explains the statistical descriptive according to respondents job designation. The professors as academics think that reform by applying IPSAS with these requirements, challenges and supported factors are important with the highest mean (4.696) and derivative (0.675). In second level; the directors as practitioners agree with mean (4.45) and derivative (0.268). In the lowest level, the executive officers agree with mean (3.854) and

derivative (0.675).

**Table 5: Statistics according to job designation**

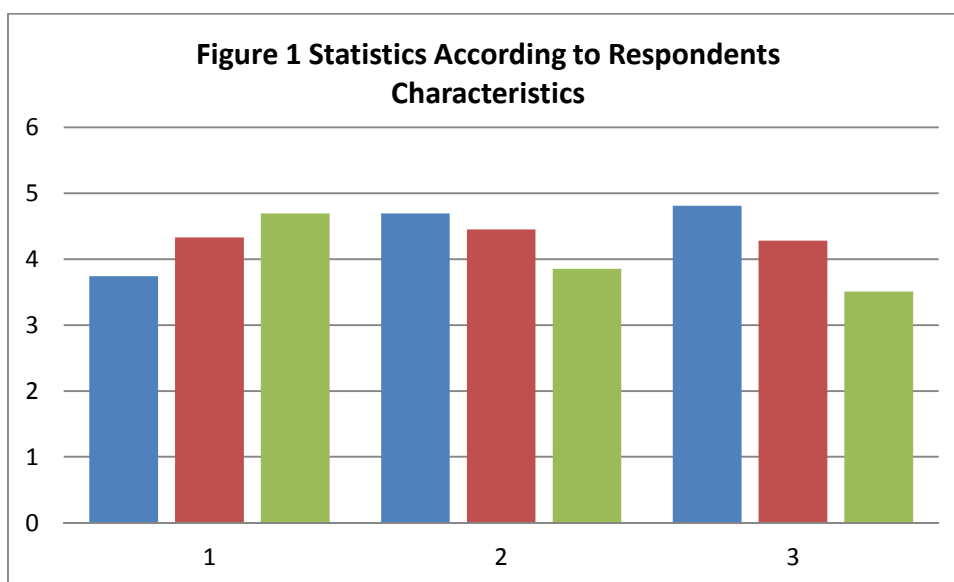
Job designation	Mean	Std. Deviation	Minimum	Maximum
professor	4.696	0.675	3.86	5.00
director	4.450	0.268	3.82	4.91
Executive officer	3.854	0.675	1.91	4.69
Total	4.0657	0.574	1.91	5.00

Table 6 describes the statistics according to respondents experience periods. In overview, all the respondents agree with applying IPSAS to reform the government accounting system in Iraq. Nevertheless, the respondents with experience less than 5 years have the highest agreement with mean (4.812) and derivative (0.286). Respondents with 5-10 years have second level with mean (4.283) and derivative (0.475). In the lowest level, the respondents with more than 10 years with highest resistance to reform through applying IPSAS, with mean (3.51) and derivative (0.785).

**Table 6: Statistics according to experience periods**

Experience periods	Mean	Std. Deviation	Minimum	Maximum
Less than 5 years	4.812	0.268	4.00	5.00
5-10 years	4.283	0.475	2.88	4.76
More than 10 years	3.510	0.785	1.81	4.81
Total	4.202	0.766	1.81	5.00

In overview, the figure 1 below summarizes the opinion of respondents according to three respondents' characteristics that are described above.



In context of the general results of all respondents, Table 7 presents the results about the reasons of the need to reform the governmental accounting system in Iraq. Thus, the corruption is thought to be the first slightly and strongly reason by 37 and 15 out of 53 respondents respectively. Therefore, the mean is (4.697) with (94%) and derivative (0.51). The need to improve the transparency of the accounting system is thought to be the second strong reason for the need to reform, by 28 and 23 out of 53 respondents slightly and strongly reason with mean (4.491) and (90%) and deviation (0.576). The reform improves the accounting system quality is ranked as the third reason, by 24 and 26 out of 53 respondents slightly and strongly respectively, with mean (4.321) and (86%) and derivative (0.85). Finally, 18 and 33 out of 53 respondents claim that reform will improve the accountability



about performance is a slightly and strongly reason, with mean (4.245) and (85%) and derivative (0.731).

**Table 7: The needs to reform the government accounting**

No.	Question	Frequency					Mean	%	Std.
		disagree	disagree strongly	No opinion	Agree	Agree strongly			
1	The reform improves the transparency of financial information.	-	-	2	23	28	4.491	90	0.576
2	The high corruption is main reason to reform accounting in public sector.	-	-	1	15	37	4.679	94	0.510
3	The reform improves the accountability about performance of public sector.	1	1	-	33	18	4.245	85	0.731
4	The reform improves quality of accounting system.	2	-	1	26	24	4.321	86	0.850
Total							4.434	89	0.667

In general, the results present that almost all respondents claim that these are important reasons to reform the Iraqi government accounting system for total mean (4.434) with (89%) and derivative (0.667). Thus, these results emphasize the need to reform the Iraqi government accounting to improve public financial management. Chan, (2006, 2) emphasizes that the government accounting contributes to a country's socioeconomic development through its effect on public financial management and accountability. While, Trang (2012, 13) indicates that in the last two decades, government accounting systems have played a key role in the development of administrative reforms based on the new public management doctrine that has inspired processes undertaken to modernize the public sector in numerous OECD countries. Moreover, it could improve planning, decision making comparability and provide a greater accountability of the public resources, as the financial data will become more transparent (Guthrie, 1998, 38).

Table 8 presents motives to apply the full accrual accounting based on IPSAS to the Iraqi government accounting. The first motivator in view of respondents is the IPSAS conform to international organizations or development aid providers, for 20 and 29 out of 53 respondents agree slightly, strongly and respectively, at mean (4.434) and (89%) and derivative (0.772). The second motive that accrual accounting is more effective than cash or modified cash based accounting in giving information of the financial position and performance of government, for 21 and 24 out of 53 respondents agree slightly and strongly respectively, at mean (4.208) and (84%) and derivative (0.968). The other motivator is that IPSAS enhance (inter)national comparability of financial information of the Iraqi government with other governments makes up 25 and 22 out of 53 respondents agree slightly and strongly respectively, at mean (4.189) and (84%) and derivative (0.941). The motivator that accrual accounting gives a better financial integrity assurance compared to cash or modified cash based accounting has 18 and 22 out of 53 respondents agree slightly and strongly respectively, at mean (3.962) and (79%) and derivative (1.208). The IPSASs are a benchmark for evaluating and improving government accounting in the world, it is a motivator that makes up 21 and 19 out of 53 respondents agree slightly and strongly respectively, with mean (3.925) and (79%) and derivative (1.141). Motivator six that IPSAS enhance information transparency and accountability of government to citizens, voters, their representatives and the general public have the numbers of respondents has 21 and 17 out of 53 respondents agree slightly and strongly respectively, at mean (3.793) and (74%) and derivative (1.246). Regarding motive nine, that IPSAS facilitate the consolidation of financial statements better than the present accounting system has 16 and 20 out of 53 people agree fairly and strongly with it respectively, at mean (3.736) and (75%) and derivative (1.347). Regarding motivator five, that it is more efficient to make use of the knowledge of the IPSAS Board than to create one's own accrual standards in the Iraqi government, the numbers of people quite agree, and strongly agree are 19 and 17 out of 53 people respectively, at mean (3.698) and (74%) and derivative (1.309). 22 and 14 out of 53 respondents agree slightly and strongly respectively with reason three; that the fight against corruption is easier with accrual accounting than with cash or modified cash based accounting, for mean (3.585) and (72%) and derivative (1.321).

**Table 8: Motives for applying a full accrual-based accounting**

No.	Question	Frequency					Mean	%	Std.
		disagree	disagree strongly	No opinion	Agree	Agree strongly			
1	Accrual accounting is more effective than cash or modified cash based accounting in giving information of the financial position and performance of government	2	1	5	21	24	4.208	84	0.968
2	Accrual accounting gives a better financial integrity assurance compared to cash or modified cash based accounting	4	3	6	18	22	3.962	79	1.208
3	The fight against corruption is easier with accrual accounting than with cash or modified cash based accounting	6	7	4	22	14	3.585	72	1.321
4	IPSAS conform to international organizations or development aid providers	1	-	3	20	29	4.434	89	0.772
5	It is more efficient to make use of the knowledge of the IPSAS Board than to create own accrual standards in the Iraqi government.	6	4	7	19	17	3.698	74	1.309
6	IPSAS enhance information transparency and accountability of government to citizens, voters, their representatives, and the general public.	5	4	5	21	17	3.793	74	1.246
7	IPSAS are a benchmark for evaluating and improving government accounting in the world.	3	4	6	21	19	3.925	79	1.141
8	IPSAS enhance (inter)national Comparability of financial information of the Iraqi government with other governments.	1	4	1	25	22	4.189	84	0.941
9	IPSAS facilitate the consolidation of financial statements better than our Present accounting system.	5	7	5	16	20	3.736	75	1.347
Total							3.948	79	1.139

In general, the total mean of this main variable is (3.948) for (79%) and derivative (1.139). That means that the sample encourages applying the full accrual based IPSAS in Iraq. Nonetheless, this result indicates the existence of the resistant to change. Nevertheless, the applying of full accrual-based IPSAS requires the

development of all accounting information system's elements, besides qualifying the environment parties to understand its benefits for the government in addition to the citizens. The lack of complete, reliable, and timely information about financial obligations, and non-cash financial resources weaken the debtor government, ability and incentive to discharge its responsibility, hampers the government, collection effort, and reduces its ability to convert these resources into cash to pay off the liabilities. The inability to match financial assets and liabilities in terms of amounts and timing is a fundamental cause of liquidity and solvency problems, which can become full-blown fiscal crises (Chan, 2006, 36). Therefore, reasonable application of accrual-based IPSAS standards to the Iraqi government accounting system will provide effective accountability and transparency to minimize the corruption and achieve a more effective performance than using the current modified cash-based accounting. These benefits are important reasons to adopt the IPSAS, which all respondents agree with.

Nevertheless, the accounting system of each country has particular characteristics because of the differences in the legal system, the organization of the public sector, specific objectives of public financial reporting, principal users of the financial reporting, suppliers of financial resources, the political and administrative environment, etc (Benito et al., 2007, 297). Therefore, The IPSAS Board acknowledges the right of governments and national standard-setters to establish accounting standards and guidelines in their jurisdictions (IPSASB, 2007, 6). But Iraq doesn't have enough developed accounting standards for governments and public sector entities. The survey result shows that respondents agree for (74%) with the benefit of adopting the IPSAS that it may be more efficient for the Iraqi government to make use of the knowledge of the IPSAS Board than to create their own accrual standards. In our opinion, the Iraqi government accounting system can take advantage of the IPSAS but it should adapt it with its real conditions.

The objectives of the IPSASB are to serve the public interest by developing high quality public sector financial reporting standards and by facilitating the convergence of international and national standards. Thus, the adoption of the IPSAS will improve the international comparability of the financial information (Christianens et al., 2013, 552). Benito et al. (2007, 314) indicates that, in the near future, countries will tend to move towards IPSAS more and more because of the need of increasing the comparability of public sector accounting information demanded by academics and professionals and different international organizations. In Iraq, the current government accounting regime is much different from the IPSAS. Hence, the Iraqi government accounting should adopt the IPSAS to obtain consistent, standardized and comparable financial information. Many respondents agree strongly with this benefit of applying IPSAS.

The IPSAS have become recognized benchmark for evaluating and improving government accounting in the developing countries (Chan, 2006, 35). Governments have a greater need to improve their record of financial accountability and transparency, but they are more reluctant and less able to adopt the IPSAS because the costs of change overweight the benefits to governments. Due to the lack of enforcement power, the IPSAS-Board has prudently allied itself with development aid providers which have incentive and ability to demand good accounting and informative financial reporting by their beneficiaries because IPSAS serve as a common instrument for fostering transparency and accountability of the programs and activities they finance and of the government at large (Trang, 2012,59). The result shows that the Iraqi government accounting is motivated to adopt the IPSAS to conform the demands of international organizations or development aid providers. In our opinion, the Iraqi government strongly encourages attracting the foreign investments. Thus, the Iraqi government encourages meeting with IPSAS as a benchmark for evaluating and improving government accounting.

The government accounting reforms by adopting full accrual-based accounting of IPSAS will increase the governmental financial accountability and transparency because it provides information that is more comprehensive, comparable and consistent than information provided by cash accounting. The promotion of accountability through greater transparency is an explicit stated goal of the IPSAS (Tang, 2012, 59). The adoption of IPSAS, together with disclosure of compliance with them will lead to a significant improvement in the quality of general purpose financial reporting by public sector entities. This, in turn, is likely to lead to better informed assessments of the resource allocation decisions made by governments, thereby increasing transparency and accountability (IPSASB, 2007, 6). Iraq has reformed its economy shifting from planned economy into free market economy since 2003. In the context of the market economy, the government needs to implement public management reforms and public sector accounting reforms in order to meet the increasing requirements of transparency and accountability. Moreover, financial statements made according to the current Iraqi government accounting system have not yet met beneficiaries who do not belong to government firms.

The accrual-based accounting may strongly contribute to distort the corruption by ensuring financial integrity because of the availability of good quality financial information. Therefore, Chan (2006, 39) says the numbers in financial statements may be distorted depending on unethical behavior and fraud. The research results show that most of respondents agree with this motivator of financial integrity. In comparison with cash-based accounting, accrual-based financial information also reduces opportunities for fraud and corruption, particularly as regards stewardship of assets. However, most of efforts of improving basic governmental financial management have failed, or at least failed to deliver significant improvements, in the face of corruption

(Trang, 2012, 60). Thus, in view of respondents, the first benefit of adopting the IPSAS in Iraq is the fight against corruption, which is easier with accrual-based accounting than with cash or modified cash based accounting. Nevertheless, it is not easy to fight against corruption, irrespective of any accounting system. Corruption can undermine efforts of improving government financial management. Again, it is a sophisticated and inveterate problem in the developing countries, requiring much time and effort of all government system (Trang, 2012, 60).

The Iraqi government accounting system demanding government financial statements are only one component of the budget settlement reports. Although national accounting figures play the most important role for international macro-economic comparisons, harmonized government accounting information could be synthesized into aggregated amounts more easily and reliably. Furthermore, comparable accounting reports may make the direct use of consolidated financial reports possible, a more reliable and useful tool than estimations taken from national accounts (Benito et al., 2007, 297, 309). Besides, year-ended consolidated financial statements make building institutional capacity limited in developing countries because they only address external accountability at best (Chan, 2006, 38). Thus, the respondents agree strongly with this notion that making consolidated financial statements as applying IPSAS is better than the current government accounting system.

The accrual-based accounting provides full information, cash flows included for public financial management, which in turn include planning, budgeting, budget execution, auditing, controlling, and evaluation, that leads to improvements in public financial management, thereby contributing to a country's socioeconomic development, especially, poverty reduction in developing countries (Chan, 2006, 3-4). Thus, the accrual based accounting will enhance previous reforms of the Iraqi government because it provides everything comprehensively and fully. We strongly agree that this benefit of applying accrual-based accounting will improve public financial management. .

With the aim of promoting efficiency, effectiveness and accountability of the public sector, new public management emphasizes a wide range of changes such as decentralization, deregulation, replacement of input control by output control, management by results, the introduction of private sector management techniques, etc (Trang, 2012, 61). Thus, accrual-based reporting helps governments to measure the performance of their policies, manage by results and manage resources (FEE, 2007, 8). The Iraqi government has been improving public sector management in accordance with the free market economy. Hence, the Iraqi government accounting system should apply accrual-based IPSAS standards, which will enhance public management reforms. This means that there are many factors affecting the move to accrual-based accounting.

Table 9, represents the point of view of the respondents about five given recommendations, these results explain the importance of these recommendations. The first recommendation of the respondents is to reform the financial management of the public sector for 19 and 32 out of 53 respondents agree relatively and strongly respectively, by mean (4.547) of (91%) and derivative (0.637). Likewise, implementing reforms in public sector management such as classifying and remodeling public sector activities and entities, managerial decentralization for 20 and 29 out of 53 respondents agree relatively and strongly respectively, by mean (4.453) and (89%) and derivative (0.695). While, 25 and 26 out of 53 respondents think that training high qualified and professional accountants in public sector, is very important, with mean (4.415) and (88%) and derivative (0.718). For recommendation four, building and developing an accounting information processing system together with information technology, for 24 and 26 out of 53 respondents agree slightly and strongly respectively, of mean (4.396) and (88%) and derivative (0.742). Finally, recommendations five have 21 and 20 out of 53 people agree slightly and strongly respectively, for mean (3.887) and percent (78%) and derivative (1.265).

**Table 9: Reforming requirements to apply the IPSAS successfully**

No.	Question	Frequency					Mean	%	Std.
		disagree	disagree strongly	No opinion	Agree	Agree strongly			
1	Implementing reforms in public sector management (such as classifying and remodeling public sector activities and entities, managerial decentralization)	-	1	3	20	29	4.453	89	0.695
2	Reforming more public sector financial management (such as modifying Budget Law and financial mechanisms for public entities, medium-term and performance-based budgeting and more real decentralization in budget management)	-	1	1	19	32	4.547	91	0.637
3	Training high qualified and professional accountants in public sector.	1	-	1	25	26	4.415	88	0.718
4	Building and developing an accounting information processing system together with information technology.	1	-	2	24	26	4.396	88	0.742
5	Choosing a suitable accrual-base accounting degree between the scales from modified accrual to full accrual	5	4	3	21	20	3.887	78	1.265
Total							4.339	87	0.811

In overview, the respondents think that all these recommendations are very important in a total mean (4.339) and (87%) with derivative (0.811). Nonetheless, the Iraqi government needs to improve the existing financial management mechanism and policy to enable accrual-based accounting and IPSAS to be implemented. Firstly, there is the State Budget Law with clear regulation of expenses, revenues, budget decentralization, etc. Secondly, it is required to grant more autonomy and discretion to the spending units so that the spending unit managers can manage their own units. Finally, the government needs to improve more medium-term and performance budgeting, and medium-term budget allocations so as to provide information of outputs, outcomes, influences for accounting because accrual-based accounting recognizes short-term assets and liabilities, and long-term ones which are future obligations and effects of transactions.

The success of government accounting reform depends on political and management support, in addition to the availability of budgetary and human resources, and information technology (Chan, 2006, 38). Public sector accountants are used to cash-based accounting. Therefore, when moving to accrual-based accounting which is a new method and requires accountants with many skills as well knowledge, the government accounting needs to train high qualified and professional accountants. Moreover, the government needs to develop the current integrated financial management information system (IFMIS) together with information technology to gain financial information promptly, timely and exactly.

The movement in the accounting systems from cash to an accrual basis is normally part of a wider set of their reforms, those reforms are increased in delegation, departments are governed in order to provide a service for citizens rather than follow set rules, and there is an increased openness of public sector in terms of reporting and performance measurement (Trang, 2012, 62). Therefore, the Iraqi government accounting can apply the IPSAS with a moderated level; in order to feasibly transfer to the basis of accrual accounting, the government should implement public sector management under new public management principles. For instance,



it should classify and remodel current public sector service provision-based units to become factual economic units and balance themselves in revenues and expenses.

There are many different ways in which accrual-based financial information can be reported in financial statements. How financial information is presented can determine the extent to which accrual accounting is developed (Pina and Torres, 2003, 335-336). Hence, there are degrees of accrual, ranging from mild to moderate and then strong. With the mild level, only the current financial resources and the current liabilities are recognized and measured accurately. For the next level, long-term financial resources and liabilities could be added. With the strong level, all long-term assets, and long-term and contingent liabilities can be recognized and reported. This gradual symmetrical approach is preferable for developing countries. Gradualism takes into account cost considerations, the need to accumulate experience, secure political support, and build systems and the human resource capacity (Chan, 2006, 36).

The implementation of a full accrual accounting system requires a comprehensive registration of assets and a sound cost measurement system. Therefore, a high compliance is required with accrual accounting principles (Trang, 2012, 64). Countries which have been implementing accrual accounting for many years have a high compliance with accrual accounting principles (FEE, 2007, 22). IPSAS standards are mainly full accrual-based ones. Currently, mainly some Anglo-Saxon countries which apply the same standards as the business sector have a high level of homogeneity with IPSAS (Benito et al. 2007, 314). As such, the Iraqi government accounting system can apply accrual-based accounting gradually and implement a dual accounting system.

Table 10 shows the challenges in adopting the IPSAS in the Iraqi government accounting system. Overall, respondents all argue that these are obstacles. For a challenge of human resources not available enough to understand and follow IPSAS, for 19 and 33 out of 53 respondents argue that it is a big challenge, while 1 out of 53 thinks that it is a minor obstacle, for mean (4.566) and (91%) and derivative (0.694). As to the development of government IT- accounting systems not good enough to make IPSAS possible in the Iraqi government accounting, for 21 and 31 out of 53 people believe that this is a big obstacle, while only 1 person claims that these are not Obstacles at all, with mean (4.528) and (91%) and derivative (0.696). 20 and 27 out of 53 people argue that the big implementation costs of IPSAS is a big problem, and only 4 out of 53 respondents think that this is a minor obstacle, and 2 out of 53 respondents cannot say, with mean (4.245) and (85%) and derivative (1.09).

**Table 10: Affective challenges the extent of applying the IPSAS.**

No.	Question	Frequency					Mean	%	Std.
		disagree	disagree strongly	No opinion	Agree	Agree strongly			
1	Big implementation costs of IPSAS	4	-	2	20	27	4.245	85	1.09
2	Human resources not available enough to understand and follow IPSAS.	1	-	-	19	33	4.566	91	0.694
3	The development of government IT- accounting systems not good enough to make IPSAS possible in the Iraqi government accounting	1	-	-	21	31	4.528	91	0.696
Total							4.446	89	0.826

The overview of surveying the results indicates that these challenges are important obstacles to apply IPSAS to reform the government accounting system in Iraq, for mean (4.446) and (89%) and derivative (0.826). But in Iraq, and in many developing countries, the lack of technical personnel imposes a severe constraint, thus human resources are an obstacle to overcome the government accounting reform (Chan, 2006, 35). Hence, the survey result indicates that most respondents agree that the lack of high qualified and professional accounting human resource is the big difficulty in the application of IPSAS to the Iraqi government accounting system.

The development of government IT-accounting systems is not good enough to make IPSAS possible in the Iraqi government accounting. According to the survey results, this is an obstacle. So at present, the Iraqi government accounting system faces the problem of the government IT-accounting systems being not good enough, but in the near future, it will address this problem.

The challenge based on there are a number of new processes that governments must adopt in order to

move from a cash-based system to an accrual-based system and changes are needed throughout the government, from the agency or departmental level to the whole of government level. The change also involves human costs. Some people will resist change because it involves an effort and may move them from the familiar to the unfamiliar (Trang, 2012, 64). The survey results illustrate that some of the respondents think that this obstacle is a minor one but some of them argue that this is a big obstacle. We think that the implementation costs of IPSAS can be a small or big difficulty depending on other involved changes in human resources, finance, structure of organization, etc.

Table 11 presents supported factors that would encourage the Iraqi government accounting to adopt the IPSAS. The respondents claim that only the first factor is a good supported factor, being supported from financial sponsors such as WB is thought to be a strong factor for 15 and 29 out of 53 respondents agree slightly and strongly respectively. While, 3 and 4 out of 53 disagree slightly and strongly respectively, and 2 out of 53 cannot say, with mean (4.189) and (84%) and derivative (1.177). 14 and 9 out of 53 respondents claim that Iraq's experience in issuing Iraqi accounting standards for private sector entrepreneurs is a slightly and strongly supported factor respectively, while 9 and 17 respondents disagree slightly and strongly respectively, and 4 cannot say, with mean (2.943) and (59%) and derivative (1.406). The government has implemented the public financial management reform which includes a government accounting innovation is ranked third for 7 and 10 out of 53 respondents agree slightly and strongly respectively. While, 13 and 16 out of 53 respondents disagree slightly and strongly respectively about this factor, and 2 respondents cannot say, with mean (2.717), and (54%) and derivative (1.459).

**Table 11: Supported factors for applying the IPSAS**

No.	Question	Frequency					Mean	%	Std.
		disagree	disagree strongly	No opinion	Agree	Agree strongly			
1	Being supported from financial sponsors such as WB.	3	4	2	15	29	4.189	84	1.177
2	The government has implemented the public financial management reform which includes a government accounting innovation.	13	16	7	7	10	2.717	54	1.459
3	Iraqi's experience in issuing Iraqi accounting standards for private sector entrepreneurs.	9	17	4	14	9	2.943	59	1.406
Total							3.283	66	1.347

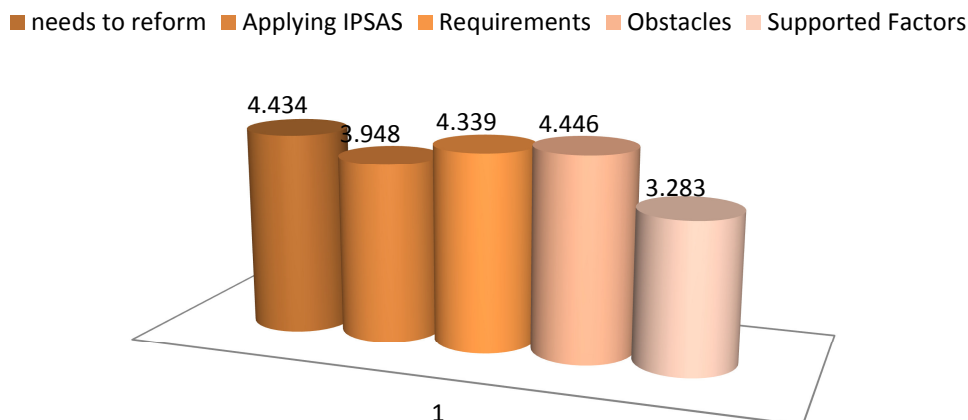
In general, the total result indicates weakening these factors to support applying IPSAS in Iraq successfully for mean (3.283) and (66%) and derivative (1.347). The receiving aid from WB to reform the government accounting system is one of the favorable support means to reduce the costs of implementing IPSAS. However, the amount and types of assistance may influence the transition path. The survey result illustrates that this is the strongest favorable condition.

The Iraqi government has been implementing innovations of public financial management with financial and accounting policies suitable to the process of market oriented economy reform and integration. This is a weak favorable factor because of the resistance to the change, and the absence of the experience.

The Iraqi government had small experience in issuing private sector accounting standards. Furthermore, IPSAS standards are based IFRS/IAS standards which are international accounting standards used for private sector enterprises. However, due to differences between public sector and private sector, drafting and issuing public accounting standards are not the same (Trang, 2012, 65). We think that this is a strongly unfavorable factor for the Iraqi government accounting system in applying the IPSAS.

In overview, figure 2 below describes the comparison of the general results of the main five variables. This figure explains the challenges that face the adoption of IPSAS in Iraq. The first main variable shows that the respondents agreed with the highest response rate among the main variables; next, with the need to reform the government accounting system. While, the requirements according to respondents set up on the third level. Finally, in applying the IPSAS, the supported factors are in the fifth level. This emphasizes important reformation, in spite of the challenges that face the reform.

**Figure 2: Government Accounting Reform in Iraq**



## 6. Summary and Conclusions

The main respondents' characteristic according to their job is accounts with (49%), and according to the job designation as executive officer with (66%). while, the main characteristic according to experience is 5-10 class with (62%). Therefore, these results indicate that almost all the sample according to the job as accountants, executive officers, are according to the job designation and their experience between 5 to 10 years.

The results survey according to respondents characteristics indicate that the budgetary planning is the highest agreement with reforming the government accounting system in Iraq through the adoption of an accrual-based accounting, based on IPSAS with mean (4.696); then the audits and accounts respectively. While, the results according to job designation indicate that the professors agree more with mean (4.696), the next director and executive officer respectively. While, based on respondents' experience, the results indicate that the respondents who have less than 5 years of experience agree more with mean (4.812); then, the respondents who have 5-10 years of experience and more than 10 years respectively.

The general survey result illustrates that almost all the respondents with (89%) think that the Iraqi government accounting system needs an important reform. They think that the high corruption is the main reason. In addition, there is a need to improve the transparency, quality of accounting system and accountability respectively. Therefore, they think that this area should apply accrual accounting based on IPSAS standards with (79%). The respondents agree that the main reason is the IPSAS conform to international organizations or development aid providers. While, they think that the accrual accounting is more effective than cash or modified cash based accounting in giving information of the financial position and performance of government as a second reason. Regarding the reason that IPSAS promotes (inter)national comparability of financial information of the Iraqi government with other governments, is the third reason. The rest of the reasons respectively are; Iraqi government accounting should adopt the IPSAS because accrual accounting gives a better financial integrity assurance compared to cash or modified cash based accounting; the IPSAS is a benchmark for evaluating and improving government accounting in the world; the IPSAS enhance information transparency and accountability of government to citizens, voters, their representatives, and the general public; the IPSAS facilitating the consolidation of financial statements better than the present accounting system and the IPSAS is more efficient for the Iraqi government to make use of the knowledge of the IPSAS Board than to create its own accrual standards; The fight against corruption is easier with accrual-based accounting than with cash or modified cash based accounting. Most of the respondents quiet agree with these reasons, but some disagree with these reasons.

In the field of requirements of adopting IPSAS in Iraq, the result explains that all requirements presented are important with (87%). The respondents think that reforming more public sector financial management (such as modifying Budget Law and financial mechanisms for public entities, medium-term and performance-based budgeting and more real decentralization in budget management), is a basic requirement; with agreement (91%). Followed the other requirements with small different.

In terms of the challenges that face the adoption of IPSAS in Iraq, lack of high qualified and

professional accounting human resource is the biggest obstacle. While, the development of government IT accounting systems are not good enough and that the big implementation costs of the IPSAS are important challenges in the second class. Moreover, the respondents think that these challenges are important element in the field of adopting IPSAS in Iraq. Therefore, this axis has the biggest agreement with (88.9%), and is the highest among the axis in the questionnaire.

The survey result demonstrates that being supported from financial sponsors is the most strongly supported factor. While concerning the other two factors, almost all the respondents think that they are not favorable factors.

Based on the points mentioned above, we can summarize the main factors in the respondents' point of view to reform the government accounting and adopt the accrual-based accounting based on IPSAS in the Iraqi public sector. These factors are:

- Corruption is the main reason to reform accounting in the public sector.
- Applying IPSAS in Iraq is based on conformation with international organizations or development aid providers.
- The adoption of accrual-based accounting based on IPSAS in Iraq requires reforming public sector financial management more, such as modifying Budget Law and financial mechanisms for public entities, medium-term and performance-based budgeting and more real decentralization in budget management.
- The main challenge that faces applying the IPSAS in Iraq is human resources, which are not available or cannot understand and follow IPSAS.
- The best supporting factor in applying accrual-based accounting based on IPSAS in Iraq is to receive the support of financial sponsors.

The result survey indicate that the workers in the field of budgetary planning and auditing as beneficiary parties prefer the reforming government accounting through the adoption of accrual accounting based on IPSAS; while, the workers in accounts less preference, this return to their perceived for difficulties of achieving its requirements. As the results indicate that the professors and directors prefer the reform more than executive officers. This refers to the gap between the academics and the practitioners in perceiving the reality and challenges that face this task. The respondents who have less years of experience support the reform and the adoption the IPSAS in Iraq are more than they those have more years of experience. This indicates that the oldest worker resistant the change fearing from losing their jobs.

One of the important characteristics of public sector accounting in Iraq during recent years is the corruption, in addition to the absence of transparency. This emphasizes the importance and the need to reform the accounting system in the public sectors. Therefore, The Iraqi government accounting will be improved with gradually applying accrual based IPSAS standards. The IPSAS will bring many advantages to the government accounting including meeting requirements of international financial organizations or sponsors and providing financial position and performance, assuring a better financial integrity, being more efficient to make use of the knowledge of IPSASB, improving accountability and transparency for resources, being a benchmark for evaluating and improving government accounting, enhancing (inter)national comparability of financial information of the Iraqi government with other governments, facilitating the consolidation of financial statements better than the present accounting system, improving public financial management.

The Iraqi government accounting encounters challenges affecting the level of applying the IPSAS standards; namely big costs of implementation, shortage of high qualified and professional accountants, and the not good enough government IT-accounting system. The shortage of trained human resources is the biggest challenge.

The Iraqi government accounting has supported factors to implement the IPSAS including being supported by donors, having implemented the public financial management reform which includes a government accounting innovation, and having experience in issuing domestic standards. The aid from donors such as WB is the most properly supported factor.

Based on the reality, abilities and history of government accounting in Iraq and the current big international support and the available resources; in addition to the big shift that is happening with current conditions of socio-economic framework, and politics, legal system, financial mechanism and policies, human and physical resources, requirements of full accrual IPSAS standards, etc the Iraqi government accounting can adopt the IPSAS fully in the near future because the applying modifications manner is achieved in Iraq for more than a decade ago. Moreover, a change to accrual accounting rarely occurs in isolation-often the introduction of accrual-based accounting will be merely a subset of a much larger reform project. Therefore, the Iraqi government needs to implement more reforms of public sector management and public financial management, to train high qualified and professional accountants, and to build and develop an accounting information system together with information technology applied.

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## Appendix 1: Questionnaire

### General information:

1. Job in public sector: accounts ... Audit ... budget planning ....
2. Job designation: professor .... Director .... Executive officer ....
3. Experience years: less than 5 years ... 5-10 years ... more than 10 years ...

No	Question	Disagree	Disagree strongly	No opinion	Agree	Agree strongly
<b>needs to reform the government accounting</b>						
1	The reform improves the transparency of financial information.					
2	The high corruption is main reason to reform accounting in public sector.					
3	The reform improves the accountability about performance of public sector.					
4	The reform improves quality of accounting system.					
<b>Reasons to applying a full accrual-based accounting</b>						
1	Accrual accounting is more effective than cash or modified cash based accounting in giving information of the financial position and performance of government					
2	Accrual accounting gives a better financial integrity assurance compared to cash or modified cash based accounting					
3	The fight against corruption is easier with accrual accounting than with cash or modified cash based accounting					
4	IPSAS conform to international organizations or development aid providers					
5	It is more efficient to make use of the knowledge of the IPSAS Board than to create own accrual standards in the Iraqi government.					
6	IPSAS enhance information transparency and accountability of government to citizens, voters, their representatives, and the general public.					
7	IPSAS are a benchmark for evaluating and					

	improving government accounting in the world.					
8	IPSAS enhance (inter)national Comparability of financial information of the Iraqi government with other governments.					
9	IPSAS facilitate the consolidation of financial statements better than our present accounting system.					
<b>Reforming requirements to apply the IPSAS successfully</b>						
1	Implementing reforms in public sector management (such as classifying and remodeling public sector activities and entities, managerial decentralization)					
2	Reforming more public sector financial management (such as modifying Budget Law and financial mechanisms for public entities, medium-term and performance-based budgeting and more real decentralization in budget management)					
3	Training high qualified and professional accountants in public sector.					
4	Building and developing an accounting information processing system together with information technology.					
5	Choosing a suitable accrual-base accounting degree between the scales from modified accrual to full accrual					
<b>Affective challenges on applying the IPSAS</b>						
1	Big implementation costs of IPSAS					
2	Human resources not available enough to understand and follow IPSAS.					
3	The development of government IT- accounting systems not good enough to make IPSAS possible in the Iraqi government accounting					
<b>Supported factors for applying the IPSAS</b>						
1	Being supported from financial sponsors such as WB.					
2	The government has implemented the public financial management reform which includes a government accounting innovation.					
3	Iraqi's experience in issuing Iraqi accounting standards for private sector entrepreneurs.					

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