



THE ROLE OF GOVERNMENT ACCOUNTING POLICIES IN FACING CRISES AND IMPLEMENTING IPSAS IN THE IRAQI GOVERNMENT SECTOR: AN APPLIED STUDY

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| Article history: | Abstract: |
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| Received: 26 th March 2024 Accepted: 14 th April 2024 | Government accounting policies a set of rules and procedures related to recording and financial reports for local national governments. These policies aim to achieve transparency and accountability in the use of public financial resources and enhance confidence in the governments financial system to counter the crises it is exposed to at the financial and economic levels. Where the Accounting Standards Board built Issuing high – quality accounting standards that are applied to financial reports IPSAS intergovernmental Intended for general purpose for all governmental organizations Which includes central and regional governments such as (ministries, state and territory) and local governments such as (City and town) and constituents such as (Hospitals and universities and other administrative bodies) The Intergovernmental Accounting Board believes that adoption of these standards will improve the quality of reporting general- purpose finance in addition to rationalizing resource allocation decisions taken by governments Which are reflected in increasing transparency reliability and accountability . Intergovernmental accounting standards are a reference point in public financial management reform programs in many developing countries International and transcontinental organizations contribute to setting or recipients of funding The importance of adopting reports on the accrual basis in accordance with international accounting standards International organizations such as the World Bank and the International Monetary Fund include the assistance programs offered by those agencies to develop financial capabilities through reforming financial and economic management. |

Keywords: Accounting policies and procedures, accounting standards in the government sector

FIRST AXIS: RESEARCH METHODOLOGY

FIRST: RESEARCH PROBLEM:

The current Iraqi government accounting system focuses on procedural financial control in accordance with expenditure regulations and inputs rather than outputs. This makes it difficult to compare between time periods because revenue and expenditure items for the current fiscal year may include revenues and expenses from previous and subsequent years. It also does not reflect the purpose of allocating expenses, does not provide effective financial control over funds and programs, and lacks sufficient disclosure of financial results.

The global trend towards developing government accounting systems through the application of international government accounting standards. According to these standards, financial reports are prepared, including the statement of financial position, statement of financial performance, statement of cash flows, and statement of changes in net assets. When the data is made available to the public, a comparison must be made between the approved budget and the actual amounts, leading to the development of the chart of accounts and the accounting measurement basis by transitioning from cash basis to accrual basis, which is used in government administrative entities when transitioning to the application of international government accounting standards.

SECOND: RESEARCH OBJECTIVE:

The main objective of the research is to prepare a proposed framework to activate the application of International Public Sector Accounting Standards (IPSAS) in the Iraqi government accounting system.

It branches out into the following set of sub-objectives:



- 1- The main objective of government accounting policies is to achieve an efficient and sustainable financial government in the use of financial resources.
- 2- Modern trends in the development of the Iraqi government accounting system in light of the application of International Public Sector Accounting Standards (IPSAS).
- 3- The direction towards activating the application of International Public Sector Accounting Standards (IPSAS) and stating its impact on government financial reports.
- 4- Stating the importance of activating the application of modern government accounting mechanisms and standards (accrual basis, performance indicators) on government financial reports.
- 5- Preparing a proposed framework for the development of the Iraqi government accounting system in light of the study of International Public Sector Accounting Standards issued by the International Public Sector Accounting Standards Board (IPSASB).
- 6- Measuring the impact of activating the application of International Public Sector Accounting Standards (IPSAS) on the Iraqi government accounting system.

THIRD: THE IMPORTANCE OF RESEARCH:

Scientific Importance:

The scientific importance of the research lies in the novelty of the study topic in the Arab environment and the limited countries moving towards implementing international governmental accounting standards, the scarcity of research, and references on this topic. The researcher will address the development of the Iraqi governmental accounting system and its impact on the application of international governmental accounting standards and governmental financial reports, on governmental accounting disclosure and measurement, and the possibility of Iraqi governmental administrative entities applying International Public Sector Accounting Standards (IPSAS) to obtain highly credible governmental financial reports, achieve transparency, and comparability with international governmental institutions.

FOURTH: RESEARCH METHODOLOGY:

- 1- Theoretical Aspect: The theoretical aspect is based on the inductive method by providing Arabic and foreign literary sources.
- 2- Applied Aspect: Relies on the practical aspect using the descriptive method through various means of data collection and necessary information to complete the research.

FIFTH: RESEARCH ASSUMPTIONS:

The research assumptions are as follows:

- 1- There is no relationship between the application of the accrual basis in governmental accounting and the suitability of financial reports for preparing the public budget.
- 2- There is no relationship between performance indicators in IPSAS international governmental accounting standards and oversight of public budget estimates.
- 3- There is no relationship between the application of International Public Sector Accounting Standards (IPSAS) and the accuracy of measuring resources and uses in the state's public budget.
- 4- There is no relationship between the application of program budgeting and performance and the accuracy of planning the resources of the public budget.
- 5- There is no relationship between the application of program budgeting and performance and the accuracy of estimates of the uses of the public budget.

SECOND AXIS: FIRST: THE ROLE OF GOVERNANCE IN THE IRAQI SECTOR

1- The Concept of Governance

The term "governance" is one of the modern administrative terms, also known as good governance or sound management. It reflects a set of modern methods, mechanisms, and decisions that ensure justice, discipline, accountability, and other governance principles aimed at achieving quality and excellence in performance through management actions and the utilization of economic resources. To achieve this, management and employees must adhere to ethical and professional standards to mitigate practices that threaten the future of management (Al-Saadi, 2011:67).

The definitions of governance have varied, as it has been defined by the Institute of Internal Auditors (IIA) as the processes carried out through the procedures used by stakeholders to provide oversight of risk management, monitor economic unit risks, and ensure the sufficiency of controls to achieve objectives and preserve management values.



Williamson defines it as a system for strategically managing the company to achieve its primary objectives and comprehensive control in an ethical and committed manner, being an independent moral entity with its own administrative structure, systems, and regulations that ensure the achievement of those objectives with its own capabilities, independent of any individual's dominance within it (Williamson, 2009).

(Sulaiman) sees it as: a set of laws and rules that define the relationship between management on one hand, and funders and stakeholders on the other hand, to ensure that funders ensure the proper use of their funds by management, maximizing profitability, and achieving effective control over management (Sulaiman, 2008, 45).

2- The Importance of Governance

Governance has attracted the interest of researchers, scholars, and other stakeholders, due to the state of failure and financial collapse of many large organizations in the world, and the collapse of markets in the United States and East Asian countries. Therefore, countries where governance practices weaken are considered more vulnerable to serious consequences beyond just financial crises (Al-Taie, 2008:56).

Borsley and others point out the importance of governance as follows:

- 1- Enhancing administrative efficiency: Governance encourages following the correct approach in managing institutions and promotes modern management practices.
- 2- Facilitating access to financing at lower cost: Because institutional governance creates trust among funders and investors.
- 3- Enhancing supervisory and auditing procedures by increasing and continuously updating supervisory and regulatory procedures in institutions.
- 4- Applying governance principles encourages institutions to play a more effective social role.
- 5- Enhancing fairness and transparency among all parties, whether they are shareholders or investors.
- 6- Eliminating conflicts of interest, as the application of governance principles encourages companies to commit to ethical approaches in dealing with other parties.
- 7- Contribute to encouraging the flow of foreign capital into financial markets through the confidence of foreign investors and foreign companies in the domestic economy.

3- Governance Objectives

The implementation of governance aims to achieve a number of objectives that benefit the organization, including (Khalil, 2005):

- 1- Support the nature of the functions of managers and board members in the organization.
- 2- Evaluate the performance of senior management and enhance trust between them and all relevant parties.
- 3- Differentiate between the tasks and responsibilities of executive managers and the board of directors.
- 4- Emphasize the principle of separation of ownership, management, and control in the organization.
- 5- Reduce the risks related to administrative and financial corruption that organizations may face.
- 6- Encourage investment attraction and protect investors.
- 7- Transparency, accuracy, integrity, and clarity in all organization activities.

THIRD AXIS: THE REALITY OF THE PUBLIC BUDGET IN IRAQ

First: The Concept of the public Budget

The public budget has become a tool of economic planning seeking to achieve economic and social objectives that the state aims to achieve during an upcoming financial period. The public budget serves multiple functions as a planning tool, reflecting the state's plan to provide services to citizens (Yoshino and Hesary, 2014).

The public Budget is the primary tool used by the state to implement its economic priorities on citizens (Al-Kanani, 2013). The public Budget is an official document containing government expenses and revenues within a financial plan that enables the government to implement decisions related to activating the overall policies it implements towards the society it serves (Abd Jassim, 2009). Saadallah (2012) also defined the budget as a dynamic process that reflects a continuous movement of the government sector from one year to another through the implementation of various economic, social, and developmental programs based on estimates built on practical and economic foundations and a strategic dimension for the period covered within the outlined objectives.

Secondly: Objectives of the public Budget

The public Budget helps achieve the following objectives (Saraya and Mohammed, 2000):

- 1 - Assisting in achieving the economic and social development plan.
- 2 - Achieving social justice.
- 3 - Improving the level of performance of state-provided services.



- 4 - Providing stability for government employees.
- 5 - Providing the necessary production and services for government agencies and administrations.

Thirdly: Characteristics of the public Budget

The characteristics of the public Budget are as follows (Saloum and Drouiche, 2008):

- 1 - The public Budget is a predictive document of revenues and expenditures for a future period.
- 2 - Issued by a law called the Budget Law, which is the authorization from the legislative authority to the executive authority.
- 3 - A future plan that reflects the financial, economic, and social objectives and programs of the state derived from its political philosophy.

Fourthly: The financial and accounting importance of the budget:

The budget has financial and accounting significance. From a financial perspective, the public budget figures clearly reveal the financial position of the state. Additionally, the budget shows the nature of government public expenditures, their allocation, the nature of public revenues, and their sources. From an accounting perspective, the budget is of great importance, especially in terms of expenditures. Accountants are required to spend within the limits set in the budget and according to financial regulations. Furthermore, the budget is crucial in determining the types of expenditure and revenue accounts held by government entities. These accounting aspects of the public budget are of significant regulatory importance in terms of ensuring the compliance of executive units with their allocations in the budget and revealing any exceeding of approved allocations (Khoshnaw, 2012).

Fourth Axis: Is the Iraqi environment suitable for applying international standards?

What are the standards and who issues them?

Before answering the question: Is the Iraqi environment suitable for applying international standards? It is necessary to provide an introduction to this topic in general...

The accounting profession faces an unprecedented wave of development and change in information technology, privatization, global trade, scarcity of economic resources, and trade liberalization. This has led to a reevaluation of accounting treatments, making financial information more complex and requiring accountants to adapt and keep up with new developments by increasing their knowledge in the fields of computers and the internet. Adapting to the constantly changing business environment and considering the impact of information technology on the accounting profession. Today, the Iraqi economic policy is moving towards liberalism, opening up to foreign markets, and transitioning to administrative decentralization in managing the economy. Implementing this economic policy requires effective government financial and administrative control to prevent it from deviating and turning into financial and administrative corruption. This highlights the need to consider implementing necessary reforms in the accounting system by aligning and reducing the differences between it and international accounting standards, leading to a reduction in corruption and serving the maximum number of users of the accounting system outputs. It will also contribute to unifying the multiple accounting systems used in both the public and private sectors and enhancing control methods and their effectiveness.

Firstly, Accounting Convergence:

It is an attempt to bring together different accounting systems and reduce differences by approximating accounting practices in a structured methodology that provides consistent results by comparing accounting systems to identify points of divergence and convergence, and working to reduce deviations between accounting standards by consolidating those systems together.

Nobes defines it as setting limits to the degree of difference between accounting practices and increasing harmony among those practices.

Belkaoui defines accounting standards as a globally recognized set of standards for preparing financial statements by business entities, describing items that must be recognized as assets, liabilities, income, and expenses, as well as describing how to measure and present those items in financial statements.

Secondly/ Accounting Standards Development:

The differences in accounting practices among different countries around the world, resulting from economic and social developments, the increase in international business activities, the emergence of multinational entities, and the growth of the global economy and financial markets, have required the presence of some kind of standards that help narrow the scope of differences and diversity in accounting treatments that assist in making comparisons between the financial reports of local and international entities in a way that enhances investors' confidence in the credibility of those reports.



Thus, the need for uniform accounting standards that can be applied at the international level has emerged, and the International Financial Reporting Standards Board is one of the most important organizations that have focused on this issue and is the most active and prominent international body in issuing international accounting standards. The aim is to develop accounting standards that can be applied in all business environments regardless of the size and type of companies operating in them, as well as to develop and coordinate accounting systems and standards, as well as procedures related to the presentation of financial statements for those economic entities.

(Burks & Paul) clarified that in today's global financial markets, multinational entities have no specific geographical boundaries and have a desire for a unified set of financial data and a common language for the preparation of uniform international financial reports between the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) to issue quality and efficient standards. The real beginning of the international accounting standards industry dates back to 1973 when the International Accounting Standards Committee (IASC) was established. Since 2002, there has been a transition from generally accepted accounting principles to international financial reporting standards, and in 2007, entities in nearly a hundred countries adopted these standards, including Australia, New Zealand, Canada, European Union countries, and followed by Arab countries. These standards improve comparability, transparency, reduce the costs of preparing financial reports, and provide investors and other users with the required and sufficient information.

The concept of accounting standards is the guiding principles and standards for preparing financial reports. The financial statements of a company can be prepared using generally accepted accounting principles (GAAP) or International Financial Reporting Standards (IFRS). All listed companies in the United Kingdom were required to prepare their accounts using international financial reporting standards for financial years beginning on or after 1 January 2005, and public sector entities are also required **to apply international accounting standards for financial reporting preparation.**

Financial data is of great importance to both internal and external stakeholders. It essentially serves as a company's reporting card, so it is important that it is organized and not reported misleading information, as well as providing us with accounting standards (AS) framework for this organization.

What are accounting standards?

Accounting standards are the fundamental financial policy documents of the company. Their main objective is to ensure transparency, reliability, consistency, and comparability of financial data. This is achieved through standardizing accounting policies and principles of the nation/economy. Therefore, transactions of all companies will be recorded in a similar manner if these accounting standards are followed.

Accounting standards are issued by an accounting body, regulatory board, or sometimes directly by the government.

Accounting standards primarily deal with four key accounting issues, which are:

- Recognition of financial events
- Measurement of financial transactions
- Presentation of financial data in a fair manner
- Provision of disclosure requirements for companies to ensure stakeholders are not misled

In general, accounting standards are a common set of principles, standards, and procedures that define the basis of financial accounting policies and practices in an attempt to enhance the transparency of financial reports.

Accounting Standards Objectives

Accounting is often considered the language of business because it communicates the financial position of a company to others. Like any language, it has specific syntactic and semantic rules, and the same applies here. These rules in the case of accounting are accounting standards. They are the framework of rules and regulations for accounting and financial reporting in a country. Let's look at the main objectives of shaping these standards.

The main objective is to enhance the reliability of financial data. Financial data must be prepared in accordance with standards that users can rely on. They know that non-compliance with these standards can have serious consequences for companies.

Then there is the aspect of comparability. Following these standards allows for comparisons between companies and within them. This enables us to assess the progress and market position of the company.

There is also the aim of providing a single set of accounting policies that include necessary disclosure requirements and valuation methods for various financial transactions.

Benefits of Accounting Standards

Accounting standards are the governing authority in the accounting world. They ensure that the information provided to potential investors is not misleading in any way. Let's take a look at the benefits.



For the purpose of applying the Iraqi environment appropriately with international standards, an analysis of the Iraqi environment should be conducted based on the influencing factors and requirements for its application with international standards.

Table (1)

Factors influencing the Iraqi environment and requirements for its application with international standards

| Environmental Factors | Analysis of the Iraqi Environment | Requirements to be implemented with international standards |
|--|---|---|
| Cultural | | |
| 1) Individualism versus collectivism | Iraqi society tends towards collectivism and is met with accounting values (legal control, consistency, prudence, confidentiality). | The prominence of individuality within the collective and its reflection on the accounting values that should prevail (legal control, consistency, prudence, transparency) |
| 2) Power distance | The authority concentrated in the hands of the state through its legal tools is met with accounting values (legal control, consistency, confidentiality). | Decentralization of power reflects on accounting values (legal control, consistency, transparency) |
| 3) Uncertainty avoidance | The lack of inclination towards sudden change, i.e., avoiding uncertainty to a reasonable degree, is met with accounting values (legal control, consistency, prudence, confidentiality). | Balancing between avoiding strong and weak uncertainties is met with accounting values (legal control, consistency, prudence, transparency) |
| 4) Masculinity versus femininity | Male roles align with the nature of Iraqi society and are met with accounting values (professionalism, optimism, transparency). | The intersection of masculine and feminine roles is met with accounting values (legal control, prudence, consistency, transparency) |
| 5) Long-term orientation versus short-term orientation | Long-term orientation represents Iraqi society in the researcher's opinion, as the corresponding accounting values are prevalent in society and are in harmony with other dimensions, namely legal control, prudence, and confidentiality. | To achieve the requirements, the researcher sees the necessity of the intersection between the two approaches met with accounting values represented by (legal control, prudence, consistency, transparency) |
| 6) Indulgence versus restraint | The researcher sees that Iraqi society tends towards self-regulation, which is met with accounting values (legal control, prudence, and confidentiality). | Self-regulation with some indulgence to meet accounting values (legal control, prudence, consistency, transparency) |
| Political | According to Al-Shujairi, 2011, the philosophy of centralization is prevalent in the political system in Iraq, and the government intervenes in various basic social activities. The truth is that this was prevalent before 2003, but after that date, there was a fundamental shift. According to the Iraqi constitution, which came into effect in 2006, Iraq is a state with a republican, parliamentary, democratic system, in addition to a | Activating what is stated in the constitutional articles (25, 26) by improving investment opportunities, attracting capital, diversifying economic sources, and encouraging the private sector. Compliance with international standards in this regard by improving the quality of accounting information and making it understandable beyond the borders of Iraq, making it easier for investors to analyze data and make investment decisions in the Iraqi economy, |



| | | |
|-----------------------|---|---|
| | number of fundamental issues related to accounting work, such as the state's responsibility to reform the Iraqi economy according to modern economic principles, ensuring full investment of its resources, diversifying its sources, and encouraging and developing the private sector. | thereby driving the national economy forward. |
| Legal | The Iraqi environment is characterized by legislative law, which means less flexibility in preparing financial reports, as legal texts will affect accounting practices. | The need to amend a number of laws to allow more freedom in practicing professional governance and give a greater role to professional unions, and the necessity of linking tax laws with accounting rules to achieve compatibility between Iraqi accounting rules and international standards. |
| Economic | Until 2003, the centralized inclusive economy was prevalent, but after that date, the government adopted a policy of economic openness to the world through joining the World Trade Organization and signing an agreement with the World Bank for loans to Iraq. One of the conditions of the agreement is to improve the reality of the banking sector and adopt international standards for preparing financial statements. | The pursuit of implementing economic openness in reality and analyzing government intervention in economic activities to the lowest possible extent and developing the Iraqi stock market and encouraging foreign investment in the market. |
| Environmental Factors | | |

Source: Prepared by the researcher based on (Iraqi Facts, 2005, Al-Shujairi, 2011:303-306, Salman et al., 2012, 66-60)

Fifth Axis: Procedures and Accounting Methods Followed in the Iraqi Government Sector

The government sector is considered one of the important economic sectors due to the significant role played by government units in economic and social development. There is a strong link between government performance and the level of economic development and social welfare. Government units in various countries have taken on new functions and managed a number of activities and programs that align with the requirements of economic and social development, after their role was limited to traditional state functions. Government units rely on accounting information systems for good planning, effective control, and transparency in presenting accounting information that contributes to development. This reliance is based on accounting information systems that can provide reliable data and information trusted by government units. This paper will identify economic sectors and the accounting systems applied in them, with a focus on government accounting systems.

The accounting systems in place in Iraq

There is a difference in the nature of the administrative and financial divisions of government departments in terms of their activities, financing methods, which determine the type of accounting system adopted by these groups. Based on this, government departments can be classified into three categories according to their economic activities, nature of work, and objectives: (Documenting the general framework of the unified government accounting guide, 2013, 16)

- A. Units of the central government sector include units with free service activities funded from the public budget, not aimed at making a profit from their activities. These units collectively form the state public budget and their activities are governed by their budget allocation. These units include all ministries, main government formations, and other service departments that apply the government accounting system.



- B. Units of the public sector (formerly known as the socialist sector) are government units engaged in commercial economic activities aimed at making a profit, considering cost accounting. They are self-funded through their capital and resources and may generate profit or loss, but their goal is profit. They operate according to this theory and include public companies and institutions in the ministries of industry, trade, transport, agriculture, housing, and others.
- C. Outside the public budget by virtue of its financial independence (some of them currently, due to circumstances and the suspension of their activities and not practicing an activity that generates resources, are funded from the public budget in the form of grants or loans, and this is an exceptional case that cannot be compared, and these units remain independent). The accounting system applied in this group is the unified accounting system, which is a system based on commercial accounting principles, fully based on accrual basis, and ensures accounting treatment of its transactions to show the result of the activity as profit or loss, and it complies with international accounting standards. It was prepared during the 1980s by a committee of experts and legal accountants.
- D. Banks and insurance companies are the third group of government units. This group consists of units that engage in service activities, aim for profit, are financially independent, and are similar in nature of their financial activity, which differs from industrial, commercial, and other activities. Therefore, a special accounting system, called the unified accounting system for banks and insurance, has been designed for them, which aligns with the nature of the activity and the goal of profit in terms of accounting principles, structure of accounts, and their division.
- E. The unified accounting system for municipalities represents a system or plan that consists of a set of procedures for recording accounting data at the unit level and preparing financial statements and final accounts within a unified framework of principles, rules, terms, definitions, and accounting treatments to serve specific objectives. Due to the specificity of municipal institutions and their qualitative nature, it is necessary to prepare a unified accounting system specific to municipalities, derived from the unified accounting system by creating and analyzing some accounts required by the nature of municipal institutions' work and operating within the same principles, principles, and rules on which the unified accounting system is based.

After this brief idea about the nature of governmental units and the accounting systems applied in them, we return to discussing the governmental accounting system according to the following axes:

A- Nature of the system: (Applied systems)

First: Central government system: This is where a treasury (accounting department) exists in the center of the province, linked to the province's departments. This treasury is responsible for all accounting tasks for those units, from auditing transactions, disbursement, recording, preparing data, and monitoring suspended accounts (debts). The accounting unit in the department has a secondary role, preparing expenditure requirements and submitting them to the treasury.

This system was implemented in Iraq since the beginning of national rule, i.e. since the beginning of the 1920s, and the reason was the lack of accountants who could be distributed to departments to have an accounting unit. This system has shrunk since the beginning of the 1980s after the decentralized system was adopted. A small number of departments in the provinces continued in this manner due to the unavailability of accounting personnel to take on the responsibility of accounting work. For example, real estate registration departments, health departments, traffic and police departments in the provinces.

Secondly, the decentralized government system: This system was gradually transitioned to from 1980 in most state departments, meaning that each department becomes a treasury that carries out full accounting work after having qualified and trained accounting and auditing staff, where the process of expenditure, organization, registration, auditing, data preparation, and monitoring is carried out by them. This is now the system adopted in most departments.

B. Accounting principles:

Three accounting principles are applied in the government accounting system in Iraq, each in specific areas and based on legal provisions in the current Frozen General Accounting Principles Law No. 28 of 1940 and the Public Finance and Debt Management Law No. 95 of 2004. These principles are:



First: Cash basis: This principle is primarily applied in revenues and expenses, confirmed by Articles 11, paragraph A, and 12, paragraph A of the Accounting Principles Law and also referred to in the Public Finance Management Law, meaning that the fiscal year bears the revenues and expenses received or paid, regardless of the due date.

Secondly: Modified Cash Basis: The government accounting system is based on the cash basis for the most part with some exceptions for applying the accrual basis to certain items. It is called the modified cash basis (mixed basis), which relies on the philosophy of matching or comparing expenses to the benefits realized regardless of the timing of cash flows. This basis is based on the principle that accounting is about providing decision-makers with information to help them make sound economic decisions. One of the key pieces of information required is to determine the extent to which the accounting unit can achieve its objectives, ensuring that expenses match the benefits realized, regardless of revenue collection or expense payment.

Thirdly: Accrual Basis: This basis has specific applications in the field of revenues that are earned but not received during the fiscal year. These are recorded as accrued revenue in the current fiscal year to present the financial position accurately. There are also cases in expenses where the accrual basis is applied, such as salaries, imports, contracts, and constructions that have been earned but whose documentation is not yet complete, so they are recorded as accrued expenses. This is referenced in Articles 11, Paragraph B, and 12, Paragraph B of Accounting Principles Law No. 28 of 1940, as well as in the Investment Plan Instructions and Budget Laws.

Fourthly: The basis of commitment: According to this basis, the fiscal year bears the expenses that have been committed but not yet earned, in order to maintain the budget allocation until the end of the year and to avoid the inability to spend the amounts when needed and committed. The law allows for recording the amount as an expenditure in the subsequent budget year and placing it in the trust account for spending in the following year. These are limited and specific cases referred to in Article 32 of the Public Accounting Law No. 28 of 1940, which is currently not being implemented after the issuance of the Financial Management and Public Debt Law No. 95 of 2004. There are several procedures that regulate the work of economic units applying the government accounting system in Iraq, including: (Al-Ani and Al-Khattab, 2013: 7-9)

1. The accounting unit in the department implementing the system is granted accounting independence and bears full responsibility for executing and controlling its financial transactions, including receipts, payments, account reconciliations, contracts, obligations, and any other financial transactions, as well as conducting inventory, observation, inspection, and record examination in accordance with a specialized program designed for this purpose. These units operate independently under the supervision of the highest authority in the department and the accounting department in the Ministry of Finance.
2. The unit is required to apply the provisions of Public Finance and Public Debt Law No. 95 of 2004 and the accounting instructions issued by the Accounting Department, in a manner that does not conflict with the mentioned law and instructions, while continuing its responsibility to apply the provisions of the laws, regulations, and financial instructions issued by the relevant authorities within the financial powers granted to the unit.
3. The unit shall open a current account exclusively with the government bank close to its headquarters, to cover its expenses and deposit its cash receipts. This account shall be funded as follows:
 - a) The current accounts of main units that have a dedicated section in the administrative or sectoral tabulation guide in the federal budget shall be funded by the Accounting/Cash Department.
 - b) Main units shall fund the current accounts of their subsidiary units according to the branch current system. Subsidiary units shall send their accounts to the main units, and the main unit shall be responsible for issuing the unified monthly account and sending it to the Accounting Department for consolidation with the state's monthly account.
 - c) Provincial treasuries may fund the above-mentioned subsidiary units' accounts according to special instructions set by the Accounting Department at the appropriate time.
4. Financing current accounts according to the method outlined in paragraph (3) above is considered the main source that grants the unit the authority to withdraw from it to cover its expenses. It is not permissible to increase it from grants, donations, subsidies, assistance, various loans, or any other sources of funding, such as transferring between current accounts of the department when multiple, and therefore, the following must be complied with:



- A. The unit responsible for collecting final revenues for the federal budget shall open a closed current account (dedicated for deposits only) and the Accounting Department shall establish the operational guidelines for this account when requested to open it at the designated bank.
- B. The unit engaged in accepting cash deposits extensively shall open a current account dedicated for depositing and disbursing these amounts to their beneficiaries upon meeting the conditions, and the Accounting Department shall establish the operational guidelines when requested to open the account at the designated bank.
5. The unit must inventory its fixed assets and inventory assets held and recorded in its accounting records through regular entries for the purpose of ensuring control and oversight, based on the types of assets, with monthly or quarterly entries based on the total purchases made.
6. The unit must record the amounts of guarantee letters (bank guarantees) received from third parties and the amounts of guarantee letters issued to third parties, as well as settle these amounts when necessary, through regular accounting entries.
7. The unit should, as much as possible, ensure clarity in the organizational structure for managing accounts, outlining the tasks of each employee in accordance with the main principles of internal control requirements, particularly separating the tasks of record-keeping employees from those responsible for custody, and avoiding combining the responsibility of reconciling current accounts at the bank with the employee responsible for organizing vouchers or the employee responsible for disbursement.

The sixth axis: The financial crises facing the Iraqi economy

There is no specific definition or concept of financial crisis, but one of the simplified concepts of the term financial crisis is that it is a severe and sudden disturbance in some economic balances followed by a collapse in a number of financial institutions whose effects extend to other sectors (Al-Bukari, 16:2009).

In Iraq, we will discuss some of the impacts on the economy:

1- Oil prices

Iraq relies 95% on oil revenues in its public budget, and despite the significant precautions taken by the Iraqi Ministry of Finance in the 2008 budget, which was designed based on the assumption that a barrel of oil is equivalent to \$57, the oil price has dropped significantly to less than that, reaching \$40 per barrel in January 2009. This had an impact on the budget, which had to be revised multiple times with the decrease in oil prices, meaning that the budget fluctuates as the world fluctuates.

The Iraqi budget, like other international budgets, contains variable costs that can be controlled in size, and fixed costs that cannot be controlled, such as (salaries, wages, aid, in addition to the allocations of the ration card) (Al-Bukari: 162, 2009).

2- Financial Markets

It is known that the Iraqi stock market, represented by the Iraq Stock Exchange, has not been significantly affected by this crisis due to the limited total trading volume within these markets, and the limited number of foreign investors in the market shares as well. In addition, the number of investors in the Iraq Stock Exchange is relatively low compared to any other stock exchange in the world, and the scarcity of investors here is due to factors including lack of investment awareness, low income, and the absence of a successful advertising policy that encourages investment (Najib: 20, 2008).

3- Investments

It is obvious that government investments will be affected by the decrease in oil prices, as public budget revenues will decrease, leading to a reduction in the allocation for investment in the budget. There is a relationship between government investments and private investments in two cases:

- 1- Expansion of government investments in economies with limited opportunities will compete with private investments.
- 2- Weak government investments in economies in need of infrastructure investments will deter the private sector from entering certain areas due to the lack of infrastructure investment.

It is expected that the second case will apply to the Iraqi economy due to the current deterioration and the large investment gap in this economy (Saleh: 9, 2008).

4 - Banks



Regarding the possibility of a tangible impact of the global crisis that is affecting the world's banks on Iraqi government and private banks, Iraq is relatively distant from the financial crisis that is affecting the international financial system for several reasons. One of them is that the international reserves of the Central Bank of Iraq are still managed in a way that is distant from risks, and their investment is made in sovereign securities far from current market speculation (Al-Suweil, 2008).

To mitigate the financial crisis on the Iraqi economy, the following measures should be taken:

1 - The Ministry of Oil should increase production to compensate for the decline in oil prices. It is not reasonable for daily production to remain as it is.

2 - The government should seriously work on diversifying sources of revenue. The Iraqi economy is still a one-sided economy that relies on oil revenues. Therefore, the government is called upon to expand the agriculture, industry, and tourism sectors by supporting them (Al-Sheikh, 2010).

The seventh axis: Is it possible to apply sustainability in Iraq?

The concept of sustainability, as stated in the comprehensive dictionary of general language, means continuity and renewal (Al-Baalbaki, 2003). The word sustainability originates from Latin roots derived from the word "Sustainer," which means support from below to hold up, implying support from below for advancement. It also means continuity, longevity, providing reasons for life, and supporting environmental resources (Senosiain, 2003:3).

The concept of sustainability is not a new concept, as it clearly emerged within various development trends during the second half of the twentieth century, and it strongly asserted itself at the beginning of the twenty-first century. Its concept does not only mean economic exploitation of resources within allowable limits but extends to optimal utilization of resources (Kharoufa, 2006).

Theorists and organizations have previously put forth definitions of sustainability, including the definition by Phillip Sutton, who states that sustainability is embodied in preserving something, providing it with reasons for life and continuity, and is not just about integrating environmental, social, and economic issues or improving the quality of life alone (Sutton, 2000:9). This means that the concept of sustainability is not just about preservation but also about preservation, continuity, and improving human quality.

Also, the International Union for Conservation of Nature and Natural Resources defines sustainability as "improving the quality of human life within the available possibilities in the ecological system" (IUCN/UNEP/WWF, 1980, p2).

Through the previous definitions, we conclude that sustainability is based on the principle of balance in resource distribution, and it has three essential interconnected dimensions, including the environmental dimension which focuses on achieving environmental balance and preserving the environment whether natural or man-made, the social dimension which ensures improving the society's reality and including its share of available resources, and the economic dimension which focuses on achieving economic development, increasing productivity, and achieving economic performance efficiency.

CONCLUSIONS:

- 1- Management is responsible for implementing effective governance in addition to its responsibility towards disclosure and transparency of information.
- 2- All budgets in Iraq were only dependent on oil prices and the volume of exports.
- 3- Applying the Iraqi environment with international standards, like many countries that have adopted this approach.
- 4- Iraq is one of the countries in the world affected by the financial crisis, especially concerning oil prices.
- 5- Sustainability is based on the principle of balance in resource distribution, and it has three main interconnected dimensions, including environmental, social, and economic dimensions.

RECOMMENDATIONS:

- 1- Management should make decisions and distribute authorities within the organization to achieve its goals.
- 2- Those responsible for preparing the public budget in Iraq should avoid overestimating public expenditures when preparing the public budget.
- 3- Government and academic entities should keep up with the global trend in implementing international standards.
- 4- Follow a comprehensive centralized economic policy and provide sufficient supplies to overcome the financial crisis.



- 5- The primary task that current and future governments should undertake, in addition to ensuring internal security, is to achieve stability and provide sustainability that achieves the goals of economic unity.

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