

Accrual accounting and IPSAS implementation in developing countries: The Moroccan case

La comptabilité d'exercice et la mise en œuvre des IPSAS dans les pays en développement : le cas du Maroc

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Résumé

Depuis plus d'une décennie, des organisations du monde entier, ainsi que des institutions financières internationales, poussent les gouvernements à fournir au public des informations budgétaires et comptables plus complètes. Le mouvement en faveur d'une plus grande transparence des finances publiques a pris plus d'ampleur ces dernières années ; la récente crise financière mondiale a encore accentué l'importance de la transparence budgétaire (ACCA, 2017). Les appels à la transparence, à la reddition des comptes et à l'équité ont émergé à travers le monde, notamment dans les pays en développement. Plusieurs pays ont donc commencé à mettre en œuvre les normes comptables internationales du secteur public (IPSAS) afin d'améliorer la qualité des informations financières des entités du secteur public ; de permettre des décisions basées sur des informations plus fiables, et ainsi d'améliorer la transparence et la responsabilité financières dans ce domaine.

Le Maroc a lancé une large gamme d'initiatives de réforme dans le domaine des finances publiques au cours des dix dernières années : la refonte de la loi organique des finances en 2015 et, par conséquent, de l'ensemble du système comptable. Il a mobilisé le soutien des institutions régionales et mondiales pour renforcer l'efficacité et l'efficience de la gestion des finances publiques (OCDE, 2015).

Cet article essaye d'analyser l'état actuel et les défis de la mise en œuvre complète des IPSAS dans les pays en développement, et en particulier au Maroc, ainsi que son rôle dans l'amélioration de la transparence et de la reddition des comptes.

La méthodologie adoptée dans cet article est descriptive. La méthode du TextMining a été utilisée. La littérature et les recherches se rapportant au sujet ont été examinés en se référant à des livres, des rapports, des articles scientifiques et d'autres documents pertinents.

Mots-clés : Pays en développement ; IPSAS ; Comptabilité d'exercice ; Finances publiques Marocaines ; Gouvernance financière

Abstract

For more than a decade, organizations around the world, as well as international financial institutions, have been pushing governments to provide the public with more comprehensive budget, and reporting information. The movement for greater public finance transparency has been gaining motion in recent years; the recent global financial crisis has put even more emphasis on the importance of budget transparency (ACCA,2017). Calls for transparency, accountability, and equality have emerged in the whole world, especially in developing countries. Several countries have therefore started the implementation of the International Public Sector Accounting Standards (IPSAS) in order to improve the quality of the financial information of public sector entities; to empower decisions based on more reliable information, and thus to improve financial transparency and accountability in this area.

Morocco has launched a wide range of reform initiatives in the area of public finances over the past ten years: the redesign of the organic budget law in 2015 and therefore the whole accounting system. It has mobilized the support of regional and worldwide institutions in order to strengthen the efficiency and effectiveness of public finance management (OECD, 2015).

This article has analyzed the current status and challenges of full IPSAS implementation in developing countries and especially in Morocco as well as it has examined its role in enhancing transparency and accountability.

The method adopted in this article is a descriptive one. A text mining and a library method was used. Literature and research history were reviewed by referring to books, reports, scientific articles and other pertinent documents.

Keywords : Developing countries; IPSAS; Accrual accounting; Moroccan public finances; Financial governance

Introduction

During the 1990s, several states reorganized their public finances by launching ambitious programs to reform their budgetary procedures. These generally included the development of general and cost accounting. The introduction of accrual-based accounting has pushed several countries to use International financial reporting standards.

International Public Sector Accounting Standards (IPSAS) are the public sector equivalent of International Financial Reporting Standards (IFRS). IFRS have been credited with providing a more transparent and accurate financial overview of companies around the world, using accruals accounting as opposed to cash accounting. The move towards using IPSAS in the public sector has the potential to radically change the practice of accounting and financial reporting in the sector, just as IFRS have accomplished with the private one.

In the public sector there was a similarly clear need for the adoption of the IFRS equivalent, IPSAS. Generally, there have been two reasons why developing countries have looked to transition to IPSAS. The first is a desire to strengthen transparency, accountability and general financial management practices. The second is the growth of donors and funders demanding a funding requirement for the country to improve its financial management and financial reporting practices.

Unlike developed countries, developing countries are characterized by weak regulations and low financial transparency (Fan et al., 2009). Hence, they are forced by international organizations such as the World Bank and the International Monetary Fund (IMF) to adopt high-quality international standards such as IPSAS to fight corruption (Manes Rossi et al., 2016). So far, most countries are slow to adopt these standards due to insufficient evidence of the benefits of these international standards in developing countries. Moreover, the dominance of developed countries in the literature (Cuadrado-Ballesteros & Bisogno, 2020) makes it appear that developing countries adopt international standards for just legitimacy, not for its perceived benefits. Consequently, this paper is timely in revealing the benefit of IPSAS, which can drive the global adoption of IPSAS, especially by developing countries.

Morocco has experienced a historical turning point through the adoption of the constitution of 2011, which preserves a better balance of powers and a new organization of the approaches of public management as well as the consecration of the principles of transparency, responsibility and accountability.

This constitution was consolidated by the establishment of a new organic budget law in 2015, with the aim of giving a new push to the modernization of the State by strengthening the

transparency of public finances and by reorienting financial management from a perspective of means and resources to a logic based on results and performance.

The main objective of this article is to analyze the current status and challenges of accrual-based accounting and IPSAS implementation in developing countries and especially in Morocco and its contribution to enhancing transparency and accountability. This paper will be divided into two parts, the first one will deal with the concept of IPSAS, its benefits and examples of developing countries, either from Africa or Europe, that use partially or fully the accrual-based accounting standards or lean towards using them in the near future. The second part, will be devoted to discussing the Moroccan accounting system and its specificities. It will include some recommendations that are formulated on the basis of the experience of some developed countries.

1. IPSAS implementation : definition, objectives and examples

The first part of the article will be devoted to the clarification of the IPSAS and its global aims by giving illustrative examples of some developing countries that are currently adopting these standards and others which intend to adopt them in the next few years.

1.1. The concept of IPSAS

IPSAS is an acronym for International Public Sector Accounting Standards. IPSAS are global accounting standards used as guidelines for the preparation and presentation of financial statements in the public sector (Adoagye, 2012). IPSAS are delivered by the International Public Sector Accounting Standard Board (IPSASB), a committee of International Federation of Accountants (IFAC) responsible for developing IPSAS. The major objective of the IPSASB is strengthening Public Financial Management (PFM) globally through increasing the adoption of accrual-based standards.

The IPSAS board focuses on two main objectives:

- Developing and maintaining IPSAS and other high-quality financial reporting guidance for the public sector;
- Raising awareness of IPSAS and the benefits of accrual adoption.

The IPSASB follows an open and transparent due process to guarantee that IPSAS are developed in the public interest. This process provides the opportunity for all those interested in public sector financial reporting, including those directly affected by the Standards, to make their views known to the IPSASB, and ensures that all views are considered in the standard-setting development process.

The adoption and implementation of IPSAS, according to Ngama (2012), would serve as a basis for the creation of a harmonized budgetary system for all levels and tiers of government and also boosts the country's eligibility to access economic benefits from donor agencies since The IPSAS have been accepted by the World Bank and the International Monetary Fund (IMF). Hence, they are requiring that all countries use these standards for accounting for funds. In the same way, other international organizations which provide funds to developing countries stipulate IPSAS conformity as a condition. Therefore, creditor countries are starting to use public sector accounting compliance to IPSAS to assure themselves that the given funds are being used in the public (Izedomi & Ibadin, 2013).

According to Okolieaboh (2013), the introduction of IPSAS is a constant reminder that the evolution of accounting is not changeful. Rightly or wrongly, IPSAS has come to be accepted as the flagship accounting and reporting standards for the public sector. Globally, the acceptance and adoption rate are increasing by the day.

Ngama (2012) noted that the adoption of IPSAS would provide the basis for the establishment of a harmonized budgetary system for the government. He further stressed that the era of IPSAS would also improve eligibility to access economic benefits from donor agencies, private sector, Financial Institutions and Worldwide Financial Institutions such as the World Bank. Preparing countries' financial statement using IPSAS which is an international standard would definitely encourage investors.

Nongo (2014) is also of the opinion that the adoption of IPSAS in the public sector accounting reporting system would enhance better service delivery in the public sector, support efficient internal control and bring into focus the performances of the agencies. It would also enhance creditability of government financial information and help build confidence of citizens and development partners both within and abroad. The adoption of IPSAS would also enhance access of information to the public thereby promoting the aims of freedom of information Act 2011 and facilitating the expression of individuals' opinion on government activities. Adoption of IPSAS at the Local Government would also help fighting corruption which can be easily traced to the local government because of lack of proper accounting system.

IPSAS board has so far been able to issue forty-two (42) accrual IPSAS and one (1) comprehensive cash IPSAS, in line with IPSAS handbook published in March, 2021 (IFAC).

1.2. Accrual-based accounting and IPSAS: Benefits of adoption

According to several authors, using the accrual basis of financial reporting can evaluate the performance of public sector information such as the cost of programs and services, evaluation

of resources used, efficiencies, cost reduction and programs economies. In this way the organizations can meet the main goal that is response to the citizens. Accountability through financial reporting based on accrual basis should be developed in such a way that contains the success of economic stability. Obviously, we must consider that financial reporting on accrual basis is not the only source of information for decision-making and accountability to citizens. In many cases, users of financial and non-financial information can access information from other sectors of society such as economic reports (Saffar and Rahimian, 2001).

IPSAS adoption has started to provide significant and common advantages across the public sector. important challenges, however, remain in the roadmap to full adoption. The Association of Chartered Certified Accountants, listed in a report the main benefits of IPSAS adoption (ACCA, 2017):

- *Greater accountability and transparency:* There is evidence that IPSAS provide greater clarity on the financial position of public sector entities across the world. IPSAS are important in promoting transparency and as a result of that reducing fraud and corruption. Financial statements prepared in accordance with IPSAS capture what a government receives and allocates, as well as what it owns and owes.
- *Better decision-making:* Knowing both the financial position of an entity and the financial implications of a proposed policy measure helps decision-makers to make better financial judgements about an entity and its activities. Public bodies and other stakeholders are assisted in planning for the future.
- *Improved efficiency:* The adoption of IPSAS has become essential in improving efficiency and effectiveness in financial reporting and auditing processes across the public sector. Standardization supports the delivery of more effective audits and helps reduce the risks of significant material misstatements. The use of IPSAS is instrumental in forging closer integration between financial and critical non-financial information, providing a full understanding of the true performance of public sector entities. IPSAS can update standard reporting processes and support the consolidation of all the activities and accounts of various government entities. Consolidated accounts are the basis for more informed, and subsequently better, decision-making.
- *Data consistency and application:* Greater standardization of the reporting processes and underlying data provides more opportunities to analyze data and improve decision making. Supreme audit institutions can access standardized information created through the use of

IPSAS to make meaningful judgements and comparisons through the application of techniques such as data analytics.

- *Sound financial management:* The adoption of IPSAS is helpful in improving financial management practices in the public sector, providing a robust platform on which internal reporting practices can flourish, and acting as a catalyst for stronger financial capability and value add. The pillars of sound financial management practices such as budgetary control, cost accounting, financial performance management, strategic investment planning and forecasting are better supported.
- *Professionalization and access to talent:* The adoption of IPSAS plays a significant part in increasing professionalization of the finance function and accounting across the public sector. It presents significant opportunities to increase the influence of the finance organization, while capitalizing on the skills of younger entrants into the profession within the sector, ensuring that the public sector becomes an attractive career destination of choice for professional accountants.
- *Broader economic and social advantages:* A key driver for IPSAS adoption is the importance of attracting ongoing private investment into the public sector, particularly in emerging economies. Financial statements prepared in accordance with IPSAS provide confidence and comparability for investors at an international level. These investments potentially create benefits for the broader economy in terms of jobs, welfare and societal improvement.
- *Government stability:* Reforms brought about through IPSAS adoption can help create a more stable government, leading to a better investment climate, more jobs and higher incomes. Adoption of IPSAS can support policy makers in explaining, and generating support for, their plans for government. The reporting and consolidation process brings together all stakeholders in the reporting supply chain. Truer and fairer reporting, and greater disclosure, leads to more engagement from stakeholders and service users.
- *International comparability:* Speaking the universal IPSAS language leads to better international comparability between public sector entities, while strengthening understandability through uniformity. The adoption of IPSAS also removes additional reporting requirements from donors, many of whom report using the standards.

1.3. IPSAS adoption in developing countries (examples from Africa and Europe)

This part will be dedicated to foreign experience, we will focus on developing countries either from Africa or from Europe in order to perceive the adoption status and the specificity of each country. Our empirical review will be limited to three countries from each continent.

1.3.1 African countries

Africa has been at the lead of IPSAS adoption, with several countries intending to formally adopt the standards as part of financial management reform programs. Some of the incentives and programs for IPSAS adoption in Africa have been funded by donors (ACCA, 2017).

Various challenges have faced countries in Africa that adopted IPSAS. Those challenges have been identified in national audit reports and other publicly available documents, including presentations, articles and research reports. Other documents reviewed include annual reports of supreme audit institutions and finance ministries.

In this part, we will discern three different examples of African countries: those which partially adopted IPSAS (Nigeria), those where the IPSAS adoption is planned (Zimbabwe) and finally those which have fully adopted the IPSAS (Tanzania).

Nigeria's federal government adopted IPSAS from January 2016 (Ugwumadu, 2015), but each of Nigeria's 36 independent states will determine its own implementation period. Under the Financial Reporting Council of Nigeria Act of 2011, Nigeria's Financial Reporting Council (FRC) is responsible for setting public sector accounting standards which are in line with IPSAS. The FRC developed a roadmap for the adoption and implementation of IPSAS at all levels of Nigeria's federal government (IFAC: Nigeria). Nigeria says that it expects IPSAS to assist with attracting foreign investment, improving financial management, transparency and accountability, and in tackling corruption.

Even though Nigeria is committed to the improvement of financial reporting and accountability, there is more to be done in terms of best practice. Some government agencies have failed to move to IPSAS as required (Premium Times, 2016) and Nigeria's Accountant General has conceded that the country needs to build accountancy capacity to cope with the demands of IPSAS implementation (World Stage, 2017). One academic study concluded that the quality of financial reporting and accountability in Nigeria's public sector 'leaves a lot of room for improvement' (Akhidime, 2012). There are also on-going challenges in terms of the internal audit function in some entities.

Tanzania adopted IPSAS in 2012/13 for the entire government. A number of implementation problems have been observed by the National Audit Office of Tanzania (NAOT). For the year

ending 30 June 2016, of 222 audited financial statements, 24 had qualified opinions, three had adverse opinions and five had disclaimers (Central Government Annual General Report, 2015-16). Specific accounting areas that needed improvement included the identification and recognition of intangible assets and reconciliation between cash book and bank statements. Weaknesses in the IT system resulted in IPSAS cash accounting being used instead of IPSAS accrual accounting. Moreover, the financial reporting framework used IPSAS accrual accounting, while the budget was compiled under a cash basis, so financial statements contained some entries based on accruals and others on cash. Another problem was inadequate capacity building through training of staff involved in the preparation of financial statements (ACCA, 2017).

The initial adoption of IPSAS in Tanzania was based on legislation that was incoherent with accrual basis IPSAS and as a result significant accounting issues were identified: Consolidated financial statements did not include the revenue, expenditure, assets and liabilities of local government authorities. The government also lacked actuarial evaluation of benefits plans for government retirees. Without performing actuarial valuations, the government was unable to report the initial liability for the defined benefit plans, the amount of actuarial gains and losses, past and current service, or the interest cost of the benefit plan. Intangible assets also did not meet the definition and recognition criteria under IPSAS 31; inventory valuations breached IPSAS 12; debts were incurred but not reported in the statement of financial performance; there were errors in asset valuations; and grant and borrowing were not properly separated in financial reports and more other issues (Central Government Annual General Report, 2015-16).

Zimbabwe has announced that it will adopt IPSAS by 2021 – central government and local authorities are currently using cash accounting. Zimbabwe is being supported by a range of international institutions in moving to IPSAS. The World Bank offered a \$20m grant to improve the country's public finance management system (The Herald, 2015). IFAC, through CIPFA, is funding the Institute of Chartered Accountants Zimbabwe to do this, with the Institute holding a sensitization workshop in 2016 on IPSAS implementation (IFAC, 2016).

There are weaknesses in the quality of accounts at present, despite the fact that the Auditor-General has found improvements in transparency and accountability in the 2016 year. There was a reduction in the proportion of audited fund accounts with material audit findings that warranted management attention, falling from 85% in 2015 to 76% in 2016. Outstanding issues include governance weaknesses, reconciliations, lack of invoices and receipts, delays in

submitting accounts and weak debt recovery systems, which meant that debts were often uncollected for many years (Auditor General, 2016).

1.3.2 European countries

The European Union announced the formal adoption of European Public Sector Accounting Standards (EPSAS) in 2015. However, it has not specified the date that each country is required to adopt EPSAS. The main explanation behind the EPSAS implementation is to ensure uniform and comparable accrual basis accounting practices for all sectors of general government within the European Union (EU). This will enhance the quality of the data on which European System of Accounts (ESA) reporting is based, and consequently improves budget surveillance and fiscal monitoring at macro level to enable sound fiscal policy decision-making. Comparability will be improved across member States, government levels and individual government entities. This is crucial to meet the objectives of fiscal stability and deeper economic and financial integration within the EU.

Certain countries within the EU have already decided to adopt IPSAS prior to the pronouncements of EPSAS and have made substantial progress towards full adoption. The United Kingdom has been applying accrual-based standards using IFRS as the basis for a number of years.

In 2004, Estonia Fully adopted IPSAS-type standards after a relatively short implementation period. Public sector accounting reform took a little longer and was completed a year after that. In 2009, the government decided that all state agencies should use one software platform to allow the country to consolidate and prepare national accounts, while introducing a number of shared services. Since then, a collection of electronic initiatives, including e-invoices and a self-service portal, have been introduced by the Ministry of Finance. Consequently, Estonia's accounting under IPSAS is relatively mature, and the focus has turned to specific technical issues rather than overall financial management.

The National Audit Office of Estonia (Riigikontroll) produces an annual report of the state. Recent reports have highlighted issues around delays in the consolidation process because of late sign-off by private sector auditors, and a lack of disclosure of the reasons for unspent funds being carried forward (National Audit Office of Estonia).

Similar to Estonia, Lithuania has fully adopted IPSAS-type standards across the country; the process was completed in 2014. All public bodies were instructed by the Ministry of Finance to adopt full accrual accounting from January 2010. There was resistance to change, but a careful and structured approach to implementation (which included issuing national standards

based on IPSAS, public sector staff training and the creation of a center to support implementation), along with EU funding, helped to smooth the process.

Lithuania still faces challenges. Consolidated national accounts have been qualified for various reasons, including underlying issues with some entities, technical problems over which entities to consolidate, the recognition and measurement of tax revenue, and accounting practices in some of the country's municipalities (National Audit Office of Lithuania).

The IPSAS project in the Maltese Public Service started in 2012 following the establishment of an Accounting Standards Technical and Advisory Committee. An IPSAS seminar was organized by the Ministry of Finance in the same year, followed by the engagement of the UK-based Chartered Institute of Public Finance and Accountancy (CIPFA) in 2013. The Maltese Authorities engaged CIPFA to provide a gap analysis for the transition to accrual accounting based on the application of IPSAS (The Treasury Department of Malta).

Malta is still in the process of adopting IPSAS starting from 2014, some standards were adopted and other are still under review. Nevertheless, several issues were identified so far by the National Audit Office for instance the recording of capital expenditure and the absence of verification; weaknesses in internal controls related to payroll payments; collection of outstanding balances of amounts due to the government; collection of outstanding balances of amounts due to the government; disclaimed and qualified audit opinions of local councils; and the inability to produce financial statements (Camilleri, 2014).

1.4. IPSAS Adoption for accountability and transparency

The need for greater transparency and accountability in government financial reporting was heightened by the global financial crisis, which reduced the resources that governments had available. In some cases, information contained in cash based financial statements had been insufficient for countries to predict and prevent sovereign liquidity crises. To attract foreign direct investment, countries have initiated financial management reform programs, including the adoption of accrual accounting as part of wider reform programs (Olusegun, 2019).

Some authors have hypothesized that a lack of transparency and accountability facilitated the growth of the country's debt, since the country's money is not well managed and controlled. At the same time, some have said that budget transparency is even more pertinent because countries around the world face lower foreign and domestic investment, aid and tax revenues, which make decisions about how to spend public money more doubtful and argued. (Ameur, 2018).

Accountability and transparency are two essential elements of public finance management. Accountability is defined by Otuya and Okolo (2019) as the course of giving satisfactory explanation or accounting for stewardship actions and results of effort. It implies being responsible for one's decisions or actions and giving explanations when asked to do so. Effective accountability requires much more than simply reporting performance, but involves evaluation, appropriate corrective actions and directly addressing likely consequences for individuals. Public service is accountable when it conducts the business of the government in an open, transparent and responsive way. Transparency on the other hand refers to the openness with which government business is conducted. Transparency makes it possible for stakeholders to clearly see the activities of government and understand what the government is doing. It requires openness which makes it easier for those outside the government to monitor and evaluate the performance of the government and its steadiness with the policy intentions for fairness, propriety and good governance.

According to several studies, the adoption and implementation of IPSAS accrual-based accounting in the public sector would enhance accountability and transparency and by extension improve good governance. The IFAC (2012) states that governments must institute necessary measures required to enhance public sector financial management transparency and accountability. Application of IPSAS accrual-based accounting is an integral part of these measures.

2. The case of Morocco

The second part of this paper will be devoted to the reform of the accounting system of Morocco and the implementation of IPSAS. As everybody knows, Morocco has started several reforms in the public finances area during the past years that boost transparency, accountability and good governance. We will initially speak of the Organic budget law of 2015, then we will speak of the legal framework of the accounting system and finally we will draw some recommendations based on the experience of developed countries.

2.1. Morocco's Organic Budget Law (LOLF): for better Transparency and Accountability

The Constitution of 2011 and the adoption of the Organic Budget Law in 2015 (*Loi Organique relative aux Lois de Finances, or LOLF*) demonstrates progress towards improving budget transparency and accountability in Morocco.

Over the past decade, Morocco has made ongoing efforts to develop an effective system of good governance. The LOLF is the widest-reaching in its implications for the entire public

financial management system, allocating roles and responsibilities at all stages of the budget cycle with a view to achieving a high-performing, transparent and democratic budgetary process including through enhanced involvement of Parliament.

Specifically, the LOLF, with implementation spanning from 2016 to 2020, aims at more efficient management of public expenditure with regards to policy goals, via:

- Adoption of multi-annual budget programming at all levels;
- Renovation of the budget format and classification around newly designed programs, projects and actions, each associated with specific policy goals (and no longer according to a classification by administrative unit or nature of expenditure);
- Creation of “program managers”, accountable for all public expenditure in their fields of operation;
- Presentation to the Parliament of ministerial Annual Performance Plans accompanying the draft Finance Law, and of a consolidated Annual Performance Report accompanying the draft year-end financial report;
- Adoption of the accrual accounting system for programs, projects, and actions, focusing on the efficiency of public action;
- Monitoring, audit and evaluation of the performance of expenditure.

The LOLF strengthens the role of the Parliament in the budget debate through provisions like the enhancement of information provided by Government and the revision of the voting modalities of the annual Finance Laws.

The redesign of Morocco’s public financial management system has led to an increased interest in public policy evaluation. It proposes to develop the annual Finance Laws in reference to a rolling three-year plan, updated annually. The approach consists on the one hand in clearly defining and determining responsibility while explaining the operational objectives and expected results of operations, and on the other hand, surrendering more flexibility to managers in their capacity as stewards of public expenditure. This will pave the way for evaluating the performance of policy actions through a set of indicators, and will lead to reinforcing the Parliament’s control over budget execution through performance audits.

2.2. Legal framework of state accounting in Morocco

According to the Organic Budget Law n° 130-13 (LOLF), the State or the government accounting includes:

- Budget accounting;
- General accounting;
- Cost analysis accounting.

The State accounting includes all State services which don't have a legal personality, namely the general budget (BG), State services managed autonomously (SEGMA) and special treasury accounts (CST), with the exclusion of public establishments and the local government.

The State accounting consists of the description, the control of budgetary and financial operations and finally the information of the state authorities in charge of control and management missions.

It aims to:

- Know and control the budget and treasury operations of the State;
- Determine the annual results of the execution of budgetary and financial operations;
- Know the state's patrimony;
- Know the government commitments;
- Calculate the cost and performance of services;
- Integrate the government accounting operations into national accounts.

Hence, the State will continue to keep budget accounting known as cash accounting to track revenue and expenditure transactions.

Budget accounting traces the execution of the general budget (BG), special treasury accounts (CST) and state services managed autonomously (SEGMA) from a cash perspective. It is based on the principle of recording cash flow.

Budget accounting allows:

- Follow the execution of the finance law;
- Trace the revenue and expenditure transactions for the year during which they were cashed or paid;
- Verify the conformity of these operations with the authorizations given by the Parliament.

Consequently, incomes are taken into account for the budgetary year during which they are collected by the public accountant;

On the other hand, expenses are taken into account for the budgetary year during which the payment orders are approved by the public accountants; they must be paid out of the credits for the said year, regardless of the date of the claim.

In parallel with keeping budget accounting, the State now has general accounting which tracks all the assets and liabilities of the State's patrimony.

General accounting is based on the principle of recognition of contractual rights and obligations. It traces the transactions for the financial year to which they relate, regardless of their date of payment or collection.

The State's general accounting is designed and kept in harmony with the International Public Sector Accounting Standards (IPSAS).

In addition to budget accounting and general accounting, the State can also keep cost analysis accounting which has its bases in general accounting. It is intended to trace and analyze, the costs of the various projects undertaken within the budgetary programs.

It constitutes a real budget management and arbitration tool that enhances the financial and accounting information from both budget accounting and general accounting.

- Accounting standards adopted by Morocco

The General Treasury of the Kingdom (TGR) joined the International Public Sector Accounting Standards Board (IPSASB) in January 2012. As a member of the Board, Morocco became the first Arab country and the third African country that has joined this board after South Africa and Kenya.

It represents the result of an ambitious reform process of the central government accounting system and the efforts to set public sector accounting standards. Morocco's membership at this board was supported by allies' countries and the national association of accountants.

In order to better surround the State accounting and its alignment with the accounting standards in force at the international level in terms of public sector accounting, the thirteen (13) accounting standards below have been adopted by the National Council of Accountancy (CNC) in 2008:

Table N°1: The Standards adopted by Morocco, 2021

Standards adopted by Morocco
Standard 1: Financial statements

Standard 2 : Intangible assets
Standard 3: Tangible assets
Standard 4: Financial Immobilizations
Standard 5: Stocks
Standard 6: Revenue from non-exchange transactions (taxes and transfers)
Standard 7: Components of the State Treasury
Standard 8: Financial debts and borrowing costs
Standard 9: Provisions for risks and charges, non-financial debts and other liabilities
Standard 10: Products related to the exercise of the State's sovereignty
Standard 11: Products unrelated to the exercise of the State's sovereignty
Standard 12 : Charges
Standard 13: Off-balance sheet commitments

- Accounting principles

The following worldwide accounting principles are adopted by the Moroccan central government:

- Principle of the permanence of method: The focus of this principle is that there should be a consistency in the procedures used in financial reporting. The accountants should enter all items in exactly the same way that it has been fixed. If the standards are changed or updates, the accountants are expected to fully disclose and explain the reasons behind the changes.
- The accrual principle: According to this principle, transactions should be recorded in the time period in which they occur, regardless of when the actual cash flows for the transaction are received. The idea behind is that financial events are properly recognized by matching revenues.
- Principle of Prudence: The financial data representation should be done "as it is" and not based on any speculation.
- The principle of clarity: It requires that financial statements be easy to read and easy to understand.
- Principle of materiality: it states that an accounting standard can be ignored if the net impact of doing so has such a small impact on the financial statements that a reader of the financial statements would not be misled.

- Principle of regularity and sincerity: The principle states that the accountant has complied to the rules and regulations. At the same time, he should provide the correct description of the financial situation of an organization or a department.

2.3. An overview of some developed countries

The adoption of accrual accounting is an opportunity to improve administrative and financial processes. The shift to accrual accounting has a major impact on administrative processes in the public sector, most importantly in terms of the Information Technology (IT) infrastructure. Three Member States of the European Union: France, Estonia, Lithuania and the city of Essen in Germany in addition to The United Kingdom, list audit and internal control enhancement and a reduction in the administrative burden among the major benefits of accrual accounting. The study referred to above states that the adoption of accrual accounting in public accounting systems “provides an opportunity to upgrade management information systems and streamline administrative processes to increase efficiency in public administration” (The French *Cour des Comptes*, 2016).

The Member States often refer to centralization of certain processes as one of the important features of their public-sector management reforms. Moreover, they noted that a cost-saving could be achieved if accounting standards were drawn up in a centralized fashion at European level.

A survey by the British Association of Chartered Certified Accountants, Durham University Business School and several foreign universities shows that the adoption of accrual accounting in five States (*The United Kingdom, Canada, Australia, New Zealand and Sweden*) improved accounting practice and highlighted some deficiencies, especially where liabilities were concerned.

2.4. Issues to consider in the transition towards successful full adoption of IPSAS

Despite the strong benefits enumerated previously, there is a varied rate of progress made with IPSAS adoption. Taking some developing countries as examples, the review of some institutions for instance the Association of Chartered Certified Accountants (ACCA) emphasizes that the progress made remains slower than it should be. Specific, complex and consistent implementation challenges have faced adopting countries, which need to be overcome.

Here are further issues to consider in the transition towards successful full adoption of IPSAS:

- *Stakeholder engagement:* The level of awareness and understanding of the IPSAS framework varies significantly across jurisdictions, as does the level of stakeholder engagement in its adoption. Public sector entities, ministries, parliaments, politicians and the public are accustomed to cash accounting principles. Successful IPSAS adoption requires the understanding, education and engagement of key stakeholders, including political office holders, auditor generals, accountants general, state banks and ministries. This is difficult and the executive arm of government needs to be engaged and supportive of the process, along with the public accounts committee (or equivalent), and the audit and finance functions. The change will not succeed if it is imposed: implementation requires political will to create momentum. Similarly, IPSAS adoption requires successful internal engagement too, a strong partnership between finance and audit. The support of the audit function is particularly essential.
- *Structural and legal transformation:* The task of structural reform to accommodate IPSAS implementation presents a significant challenge. Legal changes are required, as well as new regulations and governance practices. A government standards body and a finance committee will also be required, in order to consider and deliberate on country specific interpretations and applications. Some countries have opted for an advanced cash standard to be introduced as a helpful milestone towards full IPSAS implementation. Several consultants believe a ten-year time period for transition to full IPSAS is realistic, nevertheless countries operating a federal and state model may take longer perhaps up to twenty years. Implementation plans need to reflect the circumstances of each country.
- *Transformation and change management:* Most countries that have adopted IPSAS benefited from a consequent and important transformation and change imperative. IPSAS program adoption requires effective project management, supported by change management ability and relevant experience. Effective communication is also essential. The cultural change that IPSAS necessitates is a significant challenge and cannot be underestimated.
- *Skills capacity:* Governments and public sector organizations may not have the skills, competence and staffing levels needed. Adopting IPSAS has been a challenge in many countries. Implementation requires a program of training to raise skills and there will be additional pressures to recruit and retain IPSAS-focused and skilled staff. The skills challenge goes beyond a lack of core IPSAS knowledge and understanding. Other

challenges will include the translation of standards and guidance materials. Skill gaps identified by a study done by the ACCA include some reporting areas, particularly in the narrative reporting accompanying the financial statements to clarify what the financial data is telling the users. IPSAS adoption not only requires a paradigm shift in skills, but also a change in finance culture and mindset to exploit the opportunities presented by professional accountants in order to add value. In addition to the technical skills required, there are country specific language challenges that need to be addressed. The overall accountancy capacity within a country will impact on its ability to recruit and retain qualified staff within government, and implementation will require up skilling. This may lead to staff leaving the organization, but can also be viewed as an opportunity to develop existing staff. A consideration here should be the balance between internal and also external resources. External consultants should be used with care, while ensuring the appropriate knowledge transfer to internal staff takes place in the longer term. Lengthy implementation timescales mean that entities must consider how to retain institutional memory and tacit organizational knowledge throughout the process as staff may not be involved for the duration. Implementation will also require new business models and charts of accounts.

- *Cost:* The costs of implementation (both financial and resource based) should not be underestimated from both a finance and audit perspective. Costs will be incurred for training, the use of specialized external consultants, IT upgrades and the development of appropriate guidance and translation tools. Adequate financial resources should also be devoted to targeted stakeholder engagement and for other engagement and awareness activities. Most countries in the same study adopted IPSAS in conjunction with a wider public financial management improvement program, which requires additional investment.
- *Technology and infrastructure:* Existing technology will not necessarily support implementation. This can be costly and will require expert advice and consultancy to support configuration, training of users and transfer to business as usual. Adoption is expected to require the replacement or adaptation of some existing IT systems, data structures and charts of accounts. Reporting systems and structures may need to be updated as part of the transition process.
- *Implementation approach:* Implementation plans should be considered on a country wide basis. Most countries we examined favored a phased approach, as opposed to a

'big bang' implementation. A project management approach including change management is important for implementation. It is necessary to learn from others who have already undertaken the process and identify best practices. Implementation of IPSAS may have a short-term opposing impact on service delivery and this risk must be managed.

- *External support:* Governments and public sector entities can benefit from external support. Professional accountancy organizations can help to raise awareness of the need for transparent financial reports in the public sector, including – but going beyond – providing training on accounting standards. Donors can support the professionalization of public sector financial management, while audit firms and other stakeholders can assist with public finance management training, expertise and capacity building.

Conclusion

The financial crisis of 2008 became the stimulant for a number of public sector challenges. One of the most perturbing was the sovereign debt problem. Creditors worried to what extent they could trust debtor governments' financial reports and their faculty to meet their obligations including those for newly issued bonds. Though, one positive outcome from this crisis was the widespread recognition of the need to adopt transparent and reliable financial reporting (ACCA,2017).

Several studies have shown that quality accounting reporting through the adoption of international accounting standards can serve as a good mechanism for enhancing transparency and accountability in developing countries.

Nevertheless, this apparent positive effect of IPSAS, the transition to IPSAS requires improvement of infrastructure and training of staff, which is likely to be costly for developing countries (Diamond, 2006). Hence, international financial institutions need to commit large financial resources for effective implementation of IPSAS. Furthermore, IPSAS is not a magic tool for improving the government information environment; it requires other administrative reforms and political commitment to achieve the desired outcome (Allen, 2009; Blöndal,2003). In effect, as suggested by Allen (2009), there must be strong coordination between the country and international financial institutions during the adoption and implementation of IPSAS. They should focus more on quality adoption than pressuring countries because the quality and timely adoption create internal incentives for developing countries to harness the benefits.

The low rate of IPSAS adoption in developing countries is not only because of the difficulties in identifying benefits but also because of technical issues and the cost of implementation.

Many developing countries, have in recent years announced their intention to adopt IPSAS standards. As it has been shown previously, few have completed the process successfully particularly as measured by the outcomes of government audits. Fully adopting and conforming to IPSAS standards has been difficult for many countries, and it remains at best what can be described as 'adoption in progress'.

Like other developing countries, Morocco has benefited from the international best practices in terms of public sector accounting. However, more IPSAS standards should be implemented in order to strengthen our accounting system; up to now only 13 standards have been adopted. Moreover, there are normally three parts that intervene in the Moroccan accounting process; the standardizer which is the entity in charge of setting the standards, the producer of the accounts and finally the certificatory entity. Normally these three parts should be totally independent. However, in Morocco the General Treasury of the Kingdom (TGR) is in charge of both: the standardization and the production of the accounts. Nevertheless, the state accounts are going to be certified by an independent third party which is the National Court of Audit.

To sum up, IPSAS full adoption should be done with a clear strategy, a realistic timescale and resources. Some of the current challenges relating to IPSAS adoption are broader change management and program management issues; others are more basic, such as poor IT infrastructure, bad record keeping, and rareness of core accounting information under previous financial reporting practices (ACCA,2017). Yet governments and their public sector entities do not have to act individually. Accountancy organizations should consider what role they can play in increasing awareness of the need for transparent financial reports in the public sector, including providing training on accounting standards. Perhaps donors and funding entities could also do more to support the expansion of public sector financial management as we move forward. Other stakeholders, including the audit firms, can also contribute through improving the public finance management training environment.

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