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## **The obstacles of IPSAS Application in Lebanon (Case study: Ministry of Finance)**

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### **Abstract:**

Due to the current economic situation in Lebanon the Lebanese government need international assist and grants in order to relaunch the economic cycle, the International Monetary Fund and World Bank request from the Lebanese government to apply IPSAS in order to have transparent financial statement.

Lebanon is experiencing a severe financial crises that impact the economic and business. The impact includes a significant public debt burden. This has created liquidity pressure in most business. The prime minister in 7<sup>th</sup> march 2020 declare officially that Lebanese government will not pay be able to pay Eurobond due on March 2020 witch is considered a debt default.

This study aims to determine obstacles of Applying International Accounting Standards for Public Sector in Lebanese Ministry of Finance; the descriptive approach is adopted through books, journals and previous studies in the composition of secondary data; and a sample of the study community to form the preliminary statements using the interview with members of IPSAS committee at the ministry of finance. The results have shown that there were difficulties evidences in the infrastructure and in the accounting system. Finally, the study recommended the importance of continuous reforming for the accounting programs in the public institutional sectors in Lebanon to reach up with rapid development in the accounting sector.

**Keywords:** The obstacles, International Accounting Standards for Public Sector, Ministry of Finance, Lebanon, Accounting system, Infrastructure.



## المخلص

بسبب الوضع الاقتصادي الحالي في لبنان ، تحتاج الحكومة اللبنانية إلى مساعدات ومنح دولية من أجل إعادة إطلاق الدورة الاقتصادية ، يطلب صندوق النقد الدولي والبنك الدولي من الحكومة اللبنانية تطبيق المعايير المحاسبية الدولية للقطاع العام من أجل الحصول على بيان مالي شفاف.

يعاني لبنان من أزمات مالية حادة تؤثر على الاقتصاد والأعمال. يشمل التأثير عبء دين عام كبير. وقد أدى ذلك إلى خلق ضغوط سيولة في معظم الأعمال. أعلن رئيس الوزراء في 7 مارس 2020 رسمياً أن الحكومة اللبنانية لن تدفع لتكون قادرة على دفع سندات دولية مستحقة في مارس 2020 ، وتعتبر ساحرة التخلف عن سداد الديون.

تهدف هذه الدراسة إلى تحديد معوقات تطبيق معايير المحاسبة الدولية للقطاع العام في وزارة المالية اللبنانية. تم اعتماد المنهج الوصفي من خلال الكتب والمجلات والدراسات السابقة في تكوين البيانات الثانوية. وعينة من مجتمع الدراسة لتكوين البيانات الأولية باستخدام المقابلة مع أعضاء لجنة المعايير المحاسبية الدولية للقطاع العام بوزارة المالية. وأظهرت النتائج وجود صعوبات في البنية التحتية والنظام المحاسبي. وأخيراً أوصت الدراسة بأهمية الإصلاح المستمر لبرامج المحاسبة في القطاعات المؤسسية العامة في لبنان للوصول إلى التطور السريع في قطاع المحاسبة.

الكلمات المفتاحية: المعوقات ، معايير المحاسبة الدولية للقطاع العام ، وزارة المالية ، لبنان ، النظام المحاسبي ، البنية التحتية

## List of abbreviation:

Term	Meaning
IMF	International Monetary Fund
IFAC	International Federation of Accountant Chartered
IASB	International Accounting Standards Board
IFRS	International Financial Report Standards
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
FS	Financial statements
FR	Financial reports
GBE	Government business entity
VAT	Value-added tax
IASC	International accounting standard committee
MOF	Ministry of finance
DV	Dependent variable
JV	Independent variable
WB	World bank
SAI	Supreme audit institution
ACCA	Association of chartered certified accountants



## **Introduction**

Government units in various countries applied new functions, in addition of managing many activities and programs that enhance the economic and social development, after that their function was limited to traditional public functions. This has forced government units to adopt new accounting information system. Good planning, effective follow up and transparent monitoring of accounting information contributes to development and innovation. This change will provide reliable data and information that can be used by government units.

It was necessary to establish international accounting standards to regulate the practice of accounting, the classification of financial policies, and the issuance of transparent financial statements, with the proper disclosure and measurement of the effects of various events on the financial statement.

Hence, before noting the need to standardize the language of accounting worldwide, the Board of the International Federation of Accountants (IFAC) determined the appointment of the International Public Sector Accounting Standards Board (IPSASB) as a responsible entity to launch those standards within the limits of its powers and within its general terms and conditions. The interest in achieving this aspect of its mission where it has reached the formulation of 42 standards.

Effective and efficient financial system is a key for protecting public money by rationalizing its use to achieve the country's development goals, so it is imperative that this department be based on a set of principles that help achieve it.

## **Objective of the study:**

The application of international accounting standards in the public sector is important in the development of the national economy, in raising the level of professionalism, and contributing effectively to the development of employee performance in the public sector. It also contributes to support local development, economic growth and the preservation of public funds by using it properly, and this will be reflected to economic development.

The aim of this study is concluding on the obstacles facing IPSAS implementation in Lebanon. It also aims to identify the current situation of accounting system in public sector through its definition and characteristics, its legal and theoretical organization and the field of application and presenting.

## **Problematic the study:**

The problem is the extent to which the Lebanese government will be facing challenges and obstacles with limited possibilities and working on current laws to comply with the requirements of the international public sector accounting standards - cash basis. Then



moving to the adoption of international public sector accounting standards - accrual basis.

To produced from this problem the study will be using the following questions:

- 1- Are the current laws applied by the public sector in Lebanon are enough to publish reliable financial Statement?
- 2- Does the application of international accounting standards contribute to the development of the effectiveness of accounting system in Lebanese public sector?
- 3- Is it possible transit from cash basis to accrual basis in public sector?

### **Hypnotizes study**

**H1-** There are not qualitative relationship between the rules for the application of public accounting in Lebanon and the recallability on the financial statement.

**H2-** There are not qualitative relationship between the application of international accounting standards and the development of the public accounting system in Lebanon.

**H3-** There are not qualitative relationship between the cash basis and achieving the transition at the accrual basis in public administrations in Lebanon.

### **The methodology of the study:**

The descriptive approach is adopted by using books, journals and previous studies in the composition of secondary data; and a field study will be based on interview with the committee responsible of applying IPSAS at the ministry of finance.

### **Contents of the study**

This study starts with an introduction that presents the importance, the purpose and the problematic of this research, then divided to two parts as below;

First theoretical part that presents the general overview of the IPSAS then the explanation of the accounting system that IPSAS is proposing; with some examples. In-addition to the present Lebanese case of IPSAS adoption. Thus, a presentation of the current public accounting laws and it's amendments in Lebanon.

The Second part related to field study by developing:

- An explanation of the methodology used in this study of the study than describe the population.
- The quantitative method, the analysis of the data collected from the interview with members of IPSAS committee at the ministry of finance.
- The conclusions and the recommendations of this study.

### **Part One: Theoretical Part**

This part will develop the possibility of applying IPSA to the Lebanese public sector:

#### **1- International Public Sector Accounting Standards (IPSAS):**

An introducing of the international public sector accounting standards in general, and a presentation of the basis of IPSAS in order to define the key point of the application of IPSAS in Lebanon.



### **1-1 IPSAS definition:**

The Public Sector International Accounting Standards Board issues accounting standards dealing with financial reporting under the cash basis and accrual basis. The international accounting standards for the public sector, on accrual basis,

The adoption of international accounting standards in the public sector by governments will improve the quality and comparability of financial information prepared by public sector around the world. Standards and accounting guidelines for preparing financial statements within their specialties has been provided.

### **1-2 The importance of IPSAS standards in the public sector:**

Formulate high-quality accounting standards and other publications for use by public sector entities around the world, in preparing public-purpose financial reports and improving the quality and transparency of the preparation of financial reports in the public sector, by providing better information for financial management to contribute to public sector decision-making. In-addition, the International Accounting Standards Board in the public sector supports the comparison of international and local accounting standards in the public sector.

### **1-3 Qualitative characteristics:**

The seven main qualitative characteristics are: (understanding, convenient, reliability, comparability, relevance, faithful representation, timeliness)

### **1-4 Similarities and differences between cash basis and accrual accounting.**

There are several accounting bases that can be pursued in the accounting system. The selection of any depends on the nature of the outcome data required, according to the needs of management. The progress of accounting applications in the country, is related to the level of qualification of individuals assigned to prepare the financial statement.

The accounting basis that can be used are highlighted below:

#### **1-4-1 Cash Basis**

It is intended to prove in the calculation of the fiscal year the income and expenses earned by the Unit during this year, even if the right to such income or obligation to such expenses before or later for the fiscal year, and the final account of this situation is a physical account that has nothing to do with the statement of what arises for the Unit.



**a- Advantages of cash basis:**

- a. Simplicity, clarity and ease of application as it relies on a simple and uncomplicated accounting system.
- b. The results of its implementation can be relied upon in the preparation of the next budget and in the implementation and control of the general budget.
- c. The speed of extraction of results and the failure to require accounting adjustments and judgment at the end of the period.
- d. It doesn't require much skill and qualification in applying it.

**b- Disadvantages of cash basis:**

- a. It does not lead to a fair presentation, honest financial position and to show the real results of the activities. Therefore, the need for a more effective system of governance is essential to the sustainability of the economy.
- b. It is not suitable to provide the data needed to determine the cost of government activities and programs and determine the completion unit or service unit performed.

**1-4-2 Accrual Basis:**

The financial year accounts should include all income and expenses resulting from actions during the year. Regardless of the date on which the income was collected or expense was spent.

This method gives the fiscal year a reliability to which all rights are added, and is entitled to all the obligations that arise during it, and therefore some call it (the method of the fiscal year) and the introduction of the accrual basis keeps making the necessary adjustments to determine the specificity of each fiscal year of revenue and expenses to loaded them out.

**a- Advantages of accrual basis:**

Entitlement accounts automatically give a correct list of assets and liabilities; enable comparisons between income and expenses, because it recognizes inventory goods, advance payments, deferred expenses and capital expenses.

**b- Disadvantages of accrual basis:**

Long time to implement the system, an additional period of time is required for the fiscal year, resulting in accounts remaining for more than a fiscal year, thus creating confusion and making it difficult to obtain accurate financial information during the implementation phase to make the appropriate decision and to assist in the preparation of the general budget.

**1-4-3 Modified Cash Basis**

The simplicity application of cash basis, strict the countries to it, but some countries started to come out cautiously by deducting amounts on budget allocations, although they are not disbursed, most probably at the end of the fiscal year, where there are amounts that cannot be disbursed for reasons that may not be considered to be included in the expenses of this year, so that non-payment does not prevent it from being calculated



within its expenses, so that the final expense account is representative of reality. These amounts will be deducted from the expenses before they are disbursed and the value of one type of average account will be increased, with the amount to be disbursed after that booked in the following fiscal year.

### **1-5 IPSAS adoption phases:**

The steps of adoption of IPSAS based on adoption status in some Arabic countries and some western countries that are moving from cash accounting to accrual basis of accounting. Can be split to four levels:

**Level 1:** Includes the countries that are the most advanced in applying international standards in public accounting, such as: Canada, New Zealand, Australia, Britain and the United States of America.

**Level 2:** The countries that have prepared an accounting plan in accordance with international standards, and since 2006 they still in the implementation phase as France, Japan, Italy.

**Level 3:** The countries that have begun to prepare a planned accounting project, in accordance with international standards. They amended their legal legislation. As for Pakistan, Afghanistan, Azerbaijan, Indonesia, Lebanon, Mongolia, The Netherlands and Norway.

**Level 4:** The countries that have decided, either under pressure or encouraged by the IMF and the World Bank, to move to new international standards, and therefore to ensure transparent control of the funds provided to these countries.

### **1-5 IPSAS adoption in some countries**

In the following part we are presenting the adoption of IPSAS in some countries, there two categories of studies, there is experience from Arabic countries and western countries.

#### **1-5-1 Arabic countries:**

The Certificate in International Public Sector Accounting Standards in Arabic (Cert IPSAS in Arabic) has been specifically developed as a collaboration between ACCA and Deloitte for Arabic speaking and local finance professionals to help meeting the challenges of implementing IPSAS.

#### **1-5-2 western countries:**

##### **1-5-2-1 Italy**

"IPSAS and Accounting Systems in the Italian Public Administrations: Expected Changes and Implementation Scenarios"

The study aims to identify the main features of the Italian government's financial statements, by preparing them according to the accounting accrual basis, to adopt intergovernmental accounting standards by the Italian Ministry of Finance, and apply them to different types of non-profit institutions (local and regional governments, universities, cultural institutions, municipalities, etc.) considered by senior officials of the Italian Ministry of Finance as a reference point for good government accounting practices, and internationally as a result of their short-term effects in terms of the possibility of Comparison and accountability of funds on the one hand, and reducing the differences between financial statements prepared by the private sector and financial



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statements prepared by the non-profit public sector in a way that leads to convergence between the two sectors on the other. Concerned with the accounting profession, working to create a kind of symmetry and convergence between Italian (domestic) and intergovernmental accounting standards in order to standardize accounting fundamentals to enhance transparency and accountability for public funds.

(Noemi Rossi ‘Raffaele Trequatrini University of Cassino ‘Cassino ‘Italy ‘2005)





### **1-5-2-2 United States of America**

Various environmental factors in the United States of America have helped to develop the foundations and methods of government accounting, in such a way as to make the U.S. government more transparent to different users and to achieve public accountability by adopting accounting standards. The intergovernmental entities, which has not brought significant changes to U.S. standards (improvements only) to achieve the set of advantages of its accounting and financial system and has affected the reduction of administrative and financial corruption.

### **1-5-2-3 Australia**

Australia is no different from the United States of America, the government accounting progresses in it, and this is evident, through its financial statements, which are prepared in accordance with the accrual basis, despite the adoption of intergovernmental accounting standards, to achieve multiple advantages, helping to correct the adequacy of performance State finance during the fiscal year, which helps it reduce administrative and financial corruption.

### **1-6 IPSAS in Lebanon**

This paragraph will be treating the problems of implementation of IPSAS in Lebanon and the necessity of this implementation in order to resume the research question: Can Lebanese government apply IPSAS in Lebanon?

There are several problems in Lebanon that prevent the application of international accounting standards, as there is no scientific study within the framework of scientific research on international accounting standards in the public sector and the possibility of its application in Lebanon, and there is no research to address the problems that prevent the application of these standards and find appropriate application methods. There are even some studies of many accounting experts and academics that have been presented as working papers in many conferences and seminars that addressed the problems of application in part. The problems of applying international accounting standards in Lebanon can be limited to the following:

#### **1-6-1 Awareness problem:**

The process of applying international accounting standards in Lebanon faces a fundamental problem. Manly the lack of adequate awareness and the lack of generalization of the normative culture among employees.

#### **1-6-2 Laws problem:**

The lack of adequate awareness at the state level and its administration is an obstacle to the application of international standards. Lebanon may face the problem of not applying international standards with those providing concessional loans, donations and assistance to countries such as the International Monetary Fund, the World Bank and UN institutions, as the general accounting design was developed in 1981 and has not been developed to keep pace with developments.

#### **1-7 previous studies:**

"International public sector accounting standards conceptual and institutional issues"

The study of James Chan aims to demonstrate the impact of IAS in the public sector on the conceptual framework of accounting design, and the ability of international



accounting systems to adopt these standards in a way that achieves a range of improvements to the output of the government accounting system, in order to provide accountability. Regardless its political and economic system, Government tend to create kind of harmonization between national and intergovernmental accounting standards, under the supervision of the International Federation of Accountants (IFAC). the study reached a set of conclusions, the most important is that the intergovernmental accounting standards, reflects the global revolution in the field of public accounting as a result of the removal of government financial statements from the traditional objectives of achieving financial, formal and legal control, In addition, it aims to help assess the adequacy and effectiveness of the government apparatus's performance in exploiting the state's public resources.

### **1-8 Distinguish from previous studies**

Previous studies addressed the conceptual framework of international accounting standards for the public sector and the various international bodies and organizations that issue, modify and update them, and neglected the various studies project reform and development of the public accounting system, and this is what our study focused, through To define the project of updating the accounting and balance sheet system, and to present the reform project, and the measures taken to implement the objectives of the public accounting system reform project with IPSAS.

### **- Second: Public accounting in Lebanon**

It discusses the Lebanese public accounting:

#### **2-1 Public accounting in Lebanon**

In the following we are explaining the Lebanese public accounting:

##### **a- The following legal documents:**

- Decree 14969 Dated 30-12-1963: Public Accounting Act
- Decree 10388 Dated 9-6-1997: General Design of State Accounts, Public Institutions and Municipalities
- Decree 3373 of 11-12-1965: Determining the assets and deadlines for the organization, auditing and consolidation of accounts and financial statements
- Decree 13684 dated 23-8-1963: Consolidation of public administrations and institutions in the Treasury Fund
- Decree 16573 dated 5-6-1964: Regulation of the consolidation of public administrations and institutions in the Treasury Fund
- Decree 8620 Dated 12-6-1996: Regulating material accounting
- General accounting for general budget departments and departments with budgets includes the form of public accounting: through the accounting design of the state (main and subsidiary accounts divided into categories 1 to 7) and those responsible for preparing public accounting (local/central accounting) Public accountant duties daily/weekly/monthly/yearly.

##### **b- The approved accounting principles are:**

- Double restriction (Article 26 of Decree 10388).



- The principle of monetary basis (treasury operations are booked on their execution date as date of collection for revenue and date of signature for payment order for expensed).
- Annual Accounting Principle (Article 27 of Decree 10388).

### **c- The mechanism adopted in the preparation of the budget**

The general budget is the most documents submitted by the government to the House of Representatives, a practical translation of the government's policy during a given year. Budget preparation, including projections for both expenditures and revenues, and four forms of financial controls, is a key pillar that reflects the effectiveness of public financial management. This event requires the budget must:

- Control the total mass of public expenditures, so as not to exceed the capacity of the state, including exceptional resources such as loans and donations, i.e. to conform to the macroeconomic realities.
- Improve effective methodology that allows resources to be distributed by public spending policy
- Improve effectiveness of public services provided to citizens.
- Minimizing the costs of public financial management.
- The general principles that should govern the preparation of the general budget are as follows:

- Annual principle: The budget is prepared for one year, covering only one fiscal year, and the executive must return to the legislature again to approve the budget for the following year.
- The principle of unity: the principle of budget unity requires that the state's expenditures and revenues be fixed in one bond so that the state, whatever the faces of hypocrisy, whatever the sources of the single revenues and the single budget
- The principle of inclusiveness: the budget includes all state expenditures and revenues, i.e. all expenditures must be recorded in the expenditure section of the budget and all revenues in the revenue section of it without any accounting tender between them
- Common principle: Total revenues are used to cover total expenditures, which allocate certain revenues to a expenditure
- In addition to these principles are other principles, such as the principle of financial balance, as well as some modern principles, such as economic stability and good performance. The application of these general principles in budget preparation would enhance financial transparency and accountability, and budget preparation has historically been associated with both parliament and the constitution, noting that the primary role of parliaments in the world is not the devolution of executive power to collect taxes annually. The authority of the Lebanese parliament in this regard has been violated by the Lebanese Constitution in articles 81, 82 and 83 of it. This also applies to the approval of the general budget, to which a regular session was allocated to article 32 of the Constitution. It should be noted that the legal rules governing the content of the



budget and the manner in which it is prepared are based on the constitutional articles, which are mostly due to the Constitution of 1926, amended by the Constitutional Law of 21 September 1990, as well as in addition to the decisions of the Public Accounting Act issued under the Decree No. 14969 dated December 30, 1963, issued by the Minister of Finance or the Council of Ministers and the regulatory decrees issued by this Council.

- The budget is a legislative instrument in which state expenditures and revenues are estimated for the next year, and taxes and expenditures are authorized.

#### **d- Decree No. 10388 - Issued on 9 June 1997**

This decree sets out the technical principles that apply to state accountability, to municipal accountability, and to the accountability of public institutions that manage public facilities. The aim of the state, municipalities and public institutions is to describe and control financial operations, prepare information about them and report them to the competent authorities of management and supervision.

#### **2-2 The Directorate of General Accounting:**

The role of this department at the ministry of finance is to make:

- Periodic consolidation of general budget calculations. Auditing and matching the information and preparing the consolidated balance of accounts based on the consolidated balances prepared by the central account holders who implement this budget (finance, customs, and post).
- Preparing the weekly position of the Treasury, the Fund and the Bank, based on the information provided by the central accounting department of the General Accounting Directorate weekly.
- Weekly matching of bank account restrictions with The Bank of Lebanon.
- Evaluation of the Treasury plan related to the implementation of the general budget.
- Match the information and prepare the final balance of the general budget accounts after the settlement restrictions for the end of the year operations and determine the results and the balance of exit for the accounts.
- Preparing and monitoring the description of the state's ownership and its elements of the material and financial assets of the state.
- Determine the balance of entry for the central account holders of the general budget; deposit each central account, the information that must be recorded in its accounting.
- Preparing periodic accounting data on the status of the treasury and on financial operations related to the implementation of the general budget.

#### **Part Two: The Field Study**

This part it discusses: Explanation of the methodology used in this study of the study than describe the population, sampling size and the data collection procedure and interviews.



### **1-1 Population:**

The population in this study contains the members of IPSAS committed.

### **1-2 Sampling size and data collection:**

We did interviews with all members of the committee who answers on five questions in order to explain the current situation of IPSAS adoption in Lebanon and explain if we can adopt IPSAS or there are some difficulties.

### **2-3 Interviews:**

We will discuss the interview with members of IPSAS committee at the ministry of finance. The interview was made from 5 questions, the answers were divided between 2 points of view, theoretical one from the chief of committee who is in charge to receive the tasks from the IMF and transform them to who is in charge, and the second one is the active one from the members who are in charge to achieve the requirements.

### **Question 1: what are the main reasons to apply IPSAS in Lebanon?**

**Answer 1:** there is unification point of view concerning the reason to apply IPSAS in Lebanon, all the members confirm that there is internal reason that is the request of the public to have all information concerning the collection and the expenditure of public fund in order to improve the sue , and external request from the international society that ask to apply IPSAS in order to prepare financial reports that are comprehensive for all stakeholder, especially who will give Lebanon grants and loans.

### **Question 2: Can the current situation assist the implementation of IPSAS?**

**Answer 2:** as the current revolutions we live nowadays in Lebanon require improving transparency and suing so this situation can push the local politicians to take legal actions in this way in order to it.

### **Question3: Does the Lebanese government put procedure to implement and apply IPSAS in Lebanon.**

**Answer 3:** from the theoretical point of view In 2015 the Lebanese minister of finance M. Ali Hassan Khalil declared that Lebanon will start working on the implementation of IPSAS in Lebanon, but this decision is fictive, on the ground we need decision from the government to start, from the second point of view, we found that main purpose to create this procedure is to confirm that the ground is ready to apply IPSAS. However, there are currently scientific and material difficulties that hinder the application.

### **Question 4: what are the main obstacles to block IPSAS implementation in Lebanon?**

**Answer 4:** the main reason to delay IPSAS implementation in Lebanon is the laws used in Lebanon nowadays, and as we need to make some legal modifications in order to implement IPSAS, so this implementation is indirectly related to the parliament activity, in addition the infrastructure isn't ready yet to apply new procedures.



**Question5: what's the time schedule to apply IPSAS in Lebanon?**

**Answer 5:** the theoretical point of view confirm that the application of cash basis is easy but what will take time is the application of accrual basis, while the empirical point of view confirm that even the cash basis couldn't be applied completely for some managerial procedure in the public management in Lebanon, and the accrual basis couldn't covers all details in Lebanon.

**1- 3 Analyze the answers and conclusions of the interview:**

The answers were analysed, and the following was concluded:

**1- Reasons for demanding international accounting standards now:**

- There is unification point of view concerning the reason to apply IPSAS in Lebanon.
- Internal reason that is the request of the public to have all information concerning the collection and the expenditure of public fund in order to improve the sue.
- External reason from the international society that asks to apply IPSAS in order to prepare financial reports that is comprehensive for all stakeholders, especially who will give Lebanon grants and loans.

These reasons lead to accepting the first hypothesis, namely: The current government accounting system no longer meets the needs of users of financial statements as the current revolutions we live nowadays in Lebanon require improving transparency and suing so this situation can push the local politicians to take legal actions in this way in order to it.

**2-The lack of serious measures taken by the Lebanese government to adopt IPSAS :**

- From the theoretical point of view In 2015 the Lebanese minister of finance M. Ali Hassan Khalil declared that Lebanon will start working on the implementation of IPSAS in Lebanon, but this decision is fictive, on the ground his need decision from the government to start it .
  - From the second point of view, we found that main purpose to create this procedure is to confirm that the ground is ready to apply IPSAS.
  - It is concluded that the Lebanese government is not serious about implementing IPSAS.
- Therefore, the second hypothesis is accepted that the application is not serious, and this is one of the most important obstacles and difficulties, Due to scientific, practical, material and legal difficulties

**3- The main obstacles to block IPSAS implementation in Lebanon:**

- The main reason to delay IPSAS implementation in Lebanon is the laws used in Lebanon nowadays, and as we need to make some legal modifications in order to implement IPSAS, so this implementation is indirectly related to the parliament activity, in addition the infrastructure isn't ready yet to apply new procedures.
- The theoretical point of view confirm that the application of cash basis is easy but what will take time is the application of accrual basis, while the empirical point of view confirm



that even the cash basis couldn't be applied completely for some managerial procedure in the public management in Lebanon, and the accrual basis couldn't covers all details in Lebanon.

As we see from the analysis of the recent answers, the inability to move to the monetary basis in the first stage, and thus the application of the merit basis, due to the laws and regulations by Parliament, and acceptance of the third hypothesis, is the inability to the application now.

### **Conclusions and Recommendations**

#### **- First: Conclusions**

Refer to the above the study concludes that the adoption of IPSAS is a necessity for the Lebanese government that will lead to prepare useful financial reports. But the main obstacles in adopting IPSAS will be as below:

- 1 - Legal texts, because the accounting framework used by Lebanese government is related to several decrees that cannot don't match with IPSAS requirements and must be modified or amended is order to legalize the preparation of new format of financial reports.
- 1- The managerially processes currently used by the ministry of finance is different from the one used by the public entities and other ministries.
- 3- Train the staff in order has the proper knowledge and qualification that match with IPSAS requirement.
- 4 - There are two different points of view concerning the adoption of IPSAS in Lebanon:
  - Theoretical point of view confirming the ability to apply IPSAS but it will take time to create and modify the current regulation in order to match with IPSAS requirement.
  - The field work should have based on qualified committee members to apply IPSAS, noting that the hardest obstacle will be the delay to collect the financial information from different sources and consolidate it.
- 6 - The IPSAS will improves many important characteristics of financial reports as transparency, accountability, comparability, and reliability... that are common request from all financial reports users.
- 7 – A real gap is between the current financial reports prepared by the Lebanese government and the reports prepared as per IPSAS requirements, but this gap can be eliminate once the Lebanese government will start adopt the IPSAS correctly.
- 8-There are inabilities to the application now due to scientific, practical, material and legal difficulties.

#### **Second: Recommendations**

- 1- Amend Lebanese Public Accounting Law in order to match with IPSAS requirement
- 2- Or the Lebanese Parliament must publish a law obliging the Lebanese government prepare the financial statement according to IPSAS requirement and abandonee some code the Lebanese Public Accounting Law in order to match with IPSAS requirement.



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- 3- Recruit staff with appropriate knowledge and skills to apply the IPSAS.
- 4- Prepare training course for current employee to enhance their knowledge in IPSAS.

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