



Comparative International Governmental Accounting Research

Newsletter

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Editorial Board

Susana Jorge—University of Coimbra—Portugal (susjor@fe.uc.pt)
Marine Portal—University of Poitiers—France (mportal@iae.univ-poitiers.fr)
Eugenio Caperchione—University of Modena and Reggio Emilia
(cigar2009@unimore.it)
Jan van Helden—University of Groningen (g.j.van.helden@rug.nl)

Important Notices:

- CIGAR Board Renewal
- Special Issues in *Public Money & Management*

www.cigar-network.net

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Reflecting on the Accrual Revolution

For the past year, the CIGAR Newsletter has been a vehicle for discussion around a theme raised by Jan van Helden: “what financial topics make politicians lose sleep”. Loosely, Jan’s provocation to our community – and beyond – was to develop practice-oriented research on the “use of accounting information by politicians”. Supporting Jan’s call this commentary proposes a nuanced variation and suggests some avenues for specific practice-orientations that may throw light on the central curiosity. Away from the halls of academia, the offices of consultants, the corridors of professional bodies and the counting houses of Treasuries, how have managers, politicians and practitioners reacted to the public sector accounting ‘revolution’? Whilst we await an informed answer, this commentary aims at assisting the process of understanding when we might reach an answer.

First, a suggestion to modify Jan’s call: instead of asking about politicians’ use of *accounting information*, we should enquire about their use of *accounting as a tool*. That is, the ‘information’ that politicians may be choosing to ‘use’ or to ignore is really only a small part of the story. The bigger story is how accounting as a tool can assist politicians’ rhetorical purposes. The art of politics is aligning public opinion (or acceptance) and public policy so politicians and their ‘spin doctors’ spend most of their woken hours attempting to influence public opinion. Given that, it would be surprising if they did not consider the persuasive power of accounting (not just accounting ‘information’) and if we observe a lack of usage, like the Holmesian Dog that did not bark and thus indicated something, we can deduce that the available accounting information was not conducive to the politician’s desired public policy settings. Thus in Australia there have been instances where the same Government and the same politicians have indicated in one discussion that cash reports were of relevance whilst later they will argue that accrual-based information is the ‘real story’. That type of selective use of accounting as a tool belies the rhetorical usefulness to politicians.

Second, I suggest some avenues in order to look beyond accounting information. Specifically, it is worthwhile to seek settings where accounting as a tool is either invoked or where it would be expected but instead appears to be absent. Some of those settings could include:

- Commissions of Audit where a body of experts is empowered by a new Government to make recommendations as to means to reduce expenditures. Such Commissions have existed for decades – perhaps as early as the 1920s when the Geddes Commission reviewed UK expenditures. Such Commissions provide interesting opportunities for researchers to identify how the political discourse is – or is not – influenced by accounting.
- Public Accounts Committee hearings and reports are another fruitful area where politics and accounting coincide and present evidence on how accounting as a tool can influence political events.



Mark Christensen
Southern Cross
University
(Australia)
and
CBS Copenhagen
(Denmark)

(Continued on p.4)

IPSASs Conceptual Framework: a comment

Finally, the International Public Sector Accounting Standards Board (IPSASB) has published a conceptual framework on the International Public Sector Accounting Standards (IPSASs). With this publication, the IPSASB explains the principles and basic characteristics that will support the development of IPSASs and the Recommended Practice Guidelines (RPGs) in the following years. The goal of the framework is to make the objectives and the intentions of the standards clear in order to produce financial statements that satisfy the user's needs. In addition, the qualitative characteristics and the various elements of financial statements are explained and the valuation of assets and liabilities is discussed.

The focus is on high-quality financial reporting for accountability and decision making purposes. The framework is developed to facilitate the implementation of the IPSASs and to enhance the consistency of practice. The conceptual framework respects the characteristics of the public sector in its approach, valuation of assets and liabilities and the presentation of the financial reports.

Although we are convinced that the conceptual framework is necessary, we still have some recommendations. The first one is about the timing of the framework. The study from Eurostat (2012)¹ concluded that the IPSASs are an indisputable reference for harmonizing public sector accounting in Europe. However, it also concluded that the IPSASs could not be easily implemented in their current form, because of the lack of a conceptual basis. The publication of the IPSASB's conceptual framework deals with this concern. Nevertheless, the framework should have been written before the IPSASs were established, not now when this process is already in full development and is already applied. After all, the framework is like an 'architect plan', from which the standards are composed (Mayston, 1992)².

A second suggestion is to develop scientific empirical 'user-need' studies in order to confirm the current framework. Taking into account the views of the respondents to the initial consultation paper about this framework, the IPSASB identified the primary users of the financial statements, albeit from just a theoretical point of view without conducting interviews or field studies. The primary users are identified as the citizens, the resource providers, the legislators and some other user groups (e.g. other service recipients and their representatives) (p. 20). The suggestion is to carry out a study of the requirements of all the stakeholders and their different needs of information, instead of only using the views of voluntary respondents. The answers of all the stakeholders could be a solid basis to build the framework on. An accounting framework should include examined user's needs and how these needs will be met by designing and developing the appropriate accounting principles and rules.

Only in the discussion 'fair value or market value' (p. 97) in the framework, there is a reference to IFRSs. Hence, in the media the remark was raised that the IPSASB could have provided a closer link with IFRSs to keep the consistency between the different accounting rules in different sectors (mainly public *versus* private). On the one hand, IPSASB can be inspired by IFRSs when likely and possible. On the other hand, one should not forget that the two accounting frameworks are structurally different since the two sectors have almost completely different stakeholders (e.g. shareholders *versus* constituents) showing different reporting expectations and thus requiring different accounting policies.

Finally, the IPSAS-framework containing 122 pages is very extensive and somewhat overlapping with the existing standards themselves. This overlap might create inconsistencies when later on standards are revised or updated.

In summary, a conceptual framework driving the standards is very important and fortunately for governments this has been developed, but improvements are welcome. ■



Johan Christiaens
Ghent University
(Belgium)



F. Vandendriessche
ARPS Centre – EY
Ghent University
(Belgium)

Johan Christiaens and Freya Vandendriessche, March 2015

¹Eurostat (2012). Suitability of the international Public Sector Accounting Standards for EU Member States [Public Consultation] <http://ec.europa.eu/eurostat/about/opportunities/consultations/ipsas>.

²Mayston, D. (1992). Capital accounting, user needs and the foundations of a conceptual framework for public sector financial reporting. *Financial Accountability & Management*, 8(4), p.227-248. ■

Conferences Announcements

The EGPA Annual Conference will be held in Toulouse, 26-28 August 2015.

The **PSG XII “Public Sector Financial Management”** invites academics and practitioners to participate in its panel under the topic **Management Accounting in the Public Sector: exploring a Terra Incognita**. Papers within the field of the broad area of public financial management, including financial accounting, management accounting and auditing, are also welcome.

The research may be contemporary, historical or comparative, addressing, among others, the following themes: the role of management accounting in public sector financial management; the application of new management accounting and cost accounting tools in the public sector; operating and developing management accounting; main difficulties, challenges and limitations; international comparative studies on management accounting; the role of the IPSASs for implementing management accounting; and control and audit of public sector financial management.

Abstracts by **May 10, 2015**; full papers by **July 25, 2015**. Further information at <http://www.egpa-conference2015.org/>. ■

The IPSAR Edinburgh organizes a Research Workshop on “Innovations in Public Services”, the New Public Sector Seminar, 5-6 November 2015.

This is linked to a special issue of **Qualitative Research in Accounting & Management (QRAM)**.

This research workshop is interdisciplinary, welcoming contributions from all disciplines interested in innovations in public services. However, its primary focus is on the role of accounting in framing and shaping everyday experiences of citizens, managers and policy makers in public services delivery: there is substantial evidence of the influence of accounting work, despite debates over the status of professional accounting expertise and critiques of the provenance, uniqueness and usefulness of accounting.

This workshop seeks to debate issues admitting contributions from accounting, management, regulatory or policy making dimensions.

Manuscripts to be sent by **30 June 2015** to Irvine.Lapsley@ed.ac.uk and Yvonne.Crichton@ed.ac.uk in a Word file. ■

The New Zealand Massey University School of Accountancy and the Victoria University School of Accounting and Commercial Law will host the CIGAR 2016 Workshop and PhD colloquium, July 7-9, 2016, Wellington.

The workshop will deal with “*IPSAS: uses, users and uptake*”. Governments and municipalities around the globe are operating in a rapidly changing world. Within these public sector entities, there are increasingly diverse reactions to the adoption of accrual accounting and IPSAS standards.

The problems of slow growth post the GFC, unemployment, other legacies of financial crisis and the fight against corruption and fraud in others all take attention away from issues of transparency and accountability in WOG and Municipal financial reporting. This workshop offers an opportunity to further develop the public profile of the importance of accountability in this sector of reporting.

The *Pacific Accounting Review* will produce a Special Issue of Governmental and Public Sector research.

The call for papers will follow. Further info soon on www.cigar-network.net ■

‘Public Sector Accounting and Budgeting for Non-Specialists’ (Book published in March 2015)

This is the title of a text book, co-authored by CIGAR Board members Jan van Helden and Ron Hodges. They clarify the aims and scope of their book as follows.

“Most of the users of financial information, such as politicians, managers and other employees of public sector organizations do not have a financial background. We have written this book to help readers to get a better understanding of the purposes, structures and limitations of financial statements. It will help them to become more effective users of these documents and bring them onto speaking terms with financial experts inside and outside their organization.

Three principles underpinned the writing of this book. First, how to use financial information has to be the core, with the provision of technical accounting activities supporting this objective. Second, illustrations of various types of financial documents will contribute to getting an understanding of their value for decision making and control. Last, but not least, a concise text is required, because the primary tasks and responsibilities of non-financial managers and staff members lie outside the financial domain.

The book comprises ten chapters. The following issues are addressed: financial accounting, budgeting, costing, auditing and investment analysis, and linked to financial management reforms in the public sector. Case illustrations, from a variety of countries, come from central and local government and from related sectors such as housing corporations and health care organizations. We believe that this book would be particularly useful on public sector MPA and MBA programmes as well as in-house courses for non-financial managers. Additionally, the book is integrated with the mainstream academic literature, making it useful as a text to support undergraduate and postgraduate teaching programmes. It is published in both paperback and e-book formats by Palgrave MacMillan (<http://www.palgrave.com/subjects/finance-and-banking/accounting-auditing-tax-and-law/>). ■

CIGAR Board Renewal

CIGAR is currently managed by a Board of 11 people, representing different geographical areas, who accepted to serve for a 4-year term (<http://www.cigar-network.net/home/board-members>).



Every Board member is in charge of one area of responsibility (e.g. contributing and editing the Newsletter, Website management, treasuring, organizing conferences and workshops, editing special issues of journals), but decisions are taken by the Board as a whole. Board meetings are held twice a year, but online consultations and conference calls occur more frequently.

In order to ensure continuity in the Board, terms are staggered; three positions are therefore to be renewed during the Malta Conference.

For this reason **we invite qualified individuals to express their interest to serve in the Board**, by sending an email to the Chair, Eugenio Caperchione, at cigar2009@unimore.it by **15 May, 2015**.

Applicants should refer to their preferred area of engagement, and clarify how they would like to contribute to the Network activities. A short CV is also required.

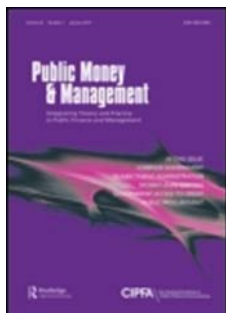
The current Board will consider with great attention all candidacies; but in making its proposal to the CIGAR members it will seek to warranty an acceptable mix of geographical areas, gender and age. ■

Call for Papers—*Public Money & Management* SPECIAL ISSUES

Connected to the CIGAR Biennial Conference in Malta in June 2015, a theme is planned on '**Obstacles to and opportunities for politicians' use of accounting information**'. Guest editors are J. van Helden, D. Argento, E. Caperchione and J. Caruana. Main papers, new development articles and debate articles are welcome, addressing topics relating to the use of accounting information by politicians. Interested researchers are invited to submit papers for consideration to Jan van Helden (g.j.van.helden@rug.nl), before **1 November 2015**.

Related to the IRSPM Special Interest Group on Accounting, Accountability and Performance Measurement, another theme is planned on '**Performance measurement of hybrid organizations**'. Guest editors are Giuseppe Grossi, Jan-Erik Johanson, Christoph Reichard and Jarmo Vakkuri. Papers, new development articles and debate articles are welcome, addressing topics concerning issues and implications on performance measurement of hybrid organizations. Contributions should be sent to Giuseppe Grossi (giuseppe.grossi@hkr.se) by **15 January 2016** (final deadline) for consideration by the editorial team.

All papers will be blind refereed by two reviewers: one a practitioner and the other an academic. Papers and arti-



Reflecting on the Accrual Revolution (*continued*)

- Efforts to introduce specific reforms that have a contentious nature (for example, privatizations, austerity programs) can reveal where accounting words – if not its numbers – have been invoked by politicians.
- Documents such as strategy statements can be framed by politicians in accounting terms as a means of improving the resonance of the subject matter or the absence of accounting in such situations can be enlightening too.
- For a single issue, contrast the uses of accounting as expressed in political campaigns or Parliamentary speeches by politicians in power and those wanting power. Here we can see an interesting juxtaposition of internal and external users given their different degrees of access to the accounting tools.

In such examples is the potential performativity of accounting which politicians and their advisors may attempt to mobilize. However, where such mobilization does not occur, we need to be alert to the likelihood that the accounting tool has failed to produce outputs or even images that suit the politicians' needs. And so this draws us back to Jan's provocative piece that accounting information can fail to capture the interest of politicians.

As a form of communication, accounting gives 'accounts' or tells stories: stories for decision making, and stories about accountability. But as a story reveals as much about the story-teller as about the story itself, accounting researchers also need to think of how politicians see the story which may extend beyond the information produced. If they do not see utility in the story it is likely that they will ignore it – and the (accountant) story maker. ■

Mark Christensen, April 2015