ACCA

# Whole of government accounts: who is using them?

## About ACCA

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

Founded in 1904, ACCA has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability. We believe that accountants bring value to economies in all stages of development. We aim to develop capacity in the profession and encourage the adoption of consistent global standards. Our values are aligned to the needs of employers in all sectors and we ensure that, through our qualifications, we prepare accountants for business. We work to open up the profession to people of all backgrounds and remove artificial barriers to entry, ensuring that our qualifications and their delivery meet the diverse needs of trainee professionals and their employers.

We support our 170,000 members and 436,000 students in 180 countries, helping them to develop successful careers in accounting and business, with the skills needed by employers. We work through a network of 91 offices and centres and more than 8,500 Approved Employers worldwide, who provide high standards of employee learning and development.

### ABOUT ACCA'S GLOBAL FORUMS

To further its work, ACCA has developed an innovative programme of global forums which bring together respected thinkers from the wider profession and academia around the world.

**Global Forum for the Public Sector**
The Forum leads ACCA's work in finance and accounting issues in the international public Sector. The forum brings together senior figures from central and local government and other state institutions from all over the world. The Forum's agenda covers public financial management, budgeting,accounting, audit, governance and regulation.

www.accaglobal.com/globalforums



This report reviews the literature on the use of government consolidated accounts across five countries: the UK, Australia, New Zealand, Canada and Sweden.

This is the first stage of a two-part study and begins to explore whether transparency is currently being achieved and whether essential user information needs are being met.

# Whole of government accounts: who is using them?

**Caroline Aggestam**
Copenhagen Business School, Denmark

**Danny Chow**
Durham University, UK

**Ronald Day**
University of Sydney, Australia

**Raili Pollanen**
Carleton University, Canada

# 1. Introduction

In the last two decades, significant developments in public sector accounting and accountability systems in OECD countries have culminated in the implementation and/or consideration of advanced accounting ideas such as consolidated accruals-based public sector accounts. A central idea behind the introduction of consolidated accounts across the entire spectrum of government is to encourage greater accountability through greater transparency of links between government bodies and the amalgamation of financial obligations across the various bodies into one single figure.

The notion of a single bottom-line figure for consolidated public sector obligations such as debt and another for public sector assets has appeal for promoters of accounting reform, in that it draws attention to reporting transparency at a time where the complexity of government economic activity has made it difficult to track what the public sector owns and/or owes.

The objective of this study is to survey the literature on the use of consolidation in public sector accounting across five countries: the UK, Australia, New Zealand (NZ), Canada and Sweden. This is the first stage of a two-part study that begins to explore whether transparency is currently being achieved and whether essential user information needs are being met. It will provide new insights into the external drivers needed to promote consolidated financial reporting by governments.

The following chapter summarises the key issues from a comparative study and suggests ideas for future research. The remaining chapters set out the historical context of consolidated public sector accounts reforms in the five countries and present a review of the literature.

## 2. Summary and key findings

'New Public Management' (NPM) reforms, which were popular with a number of governments in the late 1980s and early 1990s, appear to be a significant driver for accounting reforms at the macro-level across all five country case studies considered here. The rate at which reforms were implemented and consolidation boundaries adopted for the whole of government accounts (WGAs) depended upon localised and constitutionally driven structures within countries.

The extension of accruals accounts to consolidation was primarily seen as a supplementary exercise and taken-for-granted addition to the reform of cash-based appropriation or budget-centric accounts across most countries.

Although a lot of activity and resource have been invested into consolidating government accounts, over a considerable number of years in some cases, there is little known about their usefulness to a broad range of users. Where there have been studies these have tended to focus on expected use of WGAs rather than their usefulness for a range of users. There is a need for further research to ask users directly about how they use WGAs, how useful they are, and what type of information or report users actually require for decision-making and accountability purposes. We hope the second stage of our study will help to address some of these questions.

In Australia the literature on public sector consolidation is sparse. It has primarily focused on the issue of accounting convergence and claims and observations about the use. The debate has focused on what WGAs can offer, as opposed to what they have offered. A number of benefits were identified, including increased control over all resources; better information for deciding priorities; better allocation of resources in accordance with priorities; and a better-informed public. In contrast, it was observed that in practice users, such as financial markets, credit rating agencies and other analysts generally make little use of WGAs.

New Zealand (NZ) is broadly recognised as the first national government to have introduced consolidated public sector accounts for the whole of central government, coupled with public sector reforms, therefore NZ is cited as an exemplar country by organisations such as the OECD. While there is some soft evidence from ministers, members of Parliament, chief executives, chief financial officers and operational managers that they potentially can obtain benefits from the financial management and accounting reforms, there have also been some concerns about the costs and unidentifiable and unintended consequences of the reforms.

In the UK, the previous Labour government largely drove the case for consolidation of accruals-based public sector accounts. As in both Australia and NZ, the literature is limited and focuses on the use of WGAs rather than their usefulness. Three claims were made for WGAs:

- improvements in accountability would result through greater coverage of the public sector balance sheet and other GAAP-based financial statements
- accounting information systems would improve, and
- macro-economic decision making would be enhanced.

There is some evidence that the WGAs are being reviewed by the National Audit Office (NAO) and parliamentary public accounts committee, but debates about WGAs' usefulness persist.

Despite the publication of three years' worth of UK WGAs, a significant amount of work is still needed to remove the three consecutive years' worth of audit qualifications. Disagreements over the boundary of WGAs' consolidation, inconsistent asset valuations, incomplete inter-entity eliminations on consolidation and timeliness of the accounts undermine their usefulness.

The implementation of government-wide consolidated financial statements in Canadian governments has been an invisible incremental process in the implementation of full accrual accounting. The government of Canada has been reluctant to upgrade accounting for appropriations and departmental financial statements to full accrual accounting. Consequently, accrual accounting and government-wide consolidated financial statements are not used, or perceived useful, for managerial planning, decision-making and control purposes. The major use of government-wide consolidated financial statements is accountability reporting to Parliament.

The key focus of the Swedish academic literature is on the effects of accounting change on public institutions and how accounting is being used in the public sector. There is a mixed picture of the use of accounting information in the Swedish public sector. Organisations that rely on central government grants lean towards reporting on an accountability basis. Accruals accounting is less used at the political and planning level as budgetary processes are still very much driven by cash.

# 3. History and context of consolidated accounting reforms

This chapter describes the historical context of consolidated accounting reforms in all five countries individually, starting with Australia and NZ, which pioneered the use of GAAP-derived and accruals-based consolidated accounts for the public sector.

## 3.1 AUSTRALIA

Australia, along with NZ, claims to be a leader in public sector financial reforms and at the forefront of pioneering accrual accounting frameworks and reporting technologies, and in developing government-specific accounting standards to guide reporting in public sector and for government (Funnell and Cooper 1998; Guthrie 1998; Carlin 2005; Day 2009). Public demands from the mid-1980s onwards for more efficient and responsive provision of government services was accompanied by a conceptual shift in public administration based on the view that the public sector should be organised more like the private sector, a phenomenon referred to as 'New Public Management' (NPM) (Hood 1995). As a result, a number of 'NPM' reforms were introduced that made sweeping changes to government accounting and reporting, and to public sector financial management. These changes were underpinned by two major accounting developments from 1994 onwards, accruals accounting and the consolidation of accruals at a whole of government level.

Accounting reforms at the government level received wide support because extant cash-based systems was seen as being easily manipulated, and did not report the full costs of programmes or activities required for sound financial management, performance assessment, determining budget priorities and efficient management of operations (Barrett 2004). Treasury officials justified the calls for reform by using economic-centric ideas such as public choice theory and new institutional economics. Christensen (2002, 2005) and Carlin (2005) attribute much of the decision in New South Wales (NSW) to the influence of visiting private sector consultants from American-based professional accounting firms. These consultants were able to persuade governments to reform by promoting themselves as accounting experts and selling their knowledge and experience to governments by 'offering a ready-made solution of turning the public sector into private sector look-a-likes' (Laughlin and Pallot 1998: 396).

Accrual accounting and related technologies on budgeting and Whole of Government Reporting (WGR) was said to be capable of providing a systematic record of the government's non-cash assets and non-borrowing liabilities, as well as better measurement and reporting to Parliament and the public on the efficiency of cost control, asset and liability management, service provision, rather than simply on expenditure compliance with budgets. A unique feature of the Australian definition of 'whole of government' for reporting purposes is that it is based on jurisdictional rather than national notions of consolidation. In other words, consolidation boundaries reflect the constitutional borders of individual governments within the Australian federation and no nationwide consolidation exists. Individual consolidated accounts are prepared for the federal (commonwealth) government, six state governments and two government territory governments with powers similar to the states. Because each jurisdiction is responsible for its own reforms, the development, timing and coverage of Whole of Government Reports (WGRs) for each of the nine separate government jurisdictions was not uniform, spanning over 14 years from the first government jurisdiction to prepare them in 1989 until the last in 2003 (Day 2009; Walker 2011).

The first consolidated WGRs were produced in 1989 for a New South Wales (NSW) Commission of Audit, and the first fully audited accrual WGR was published in 1993. This made NSW a pioneer in developing reports for the whole of government, although NZ is credited as the first sovereign nation to publish full accrual reports in 1992 (Christensen 2003). Other Australian government jurisdictions followed, with Western Australia (WA) first preparing them in 1995 and publishing audited reports in 1997; the Commonwealth in 1996, with published audited report in 1998; Victoria (VIC), Queensland (QLD), and South Australia (SA) in 1997 with published audited reports published in 1997,1998 and 1999 respectively; Tasmania (TAS) in 1999 and Northern Territory (NT) in 2003 (Wines and Scarborough 2006; Day 2009; Walker 2011). Barrett (1996: 56) suggests that these were decision-useful in that they: 'provide one reference source detailing total government resources and obligations, allowing governments (and others) to better assess the financial position, enabling medium to longer term comparisons of major accounting aggregates'.

In addition to Australian Accounting Standards (AAS) requirements for WGR preparation and publication, the Charter of Budget Honesty Act 1998 also required that a Final Budget Outcome Report (FBO Report) present the budget and General Government Sector (GGS) fiscal outcomes for a financial year, and that these be based on external reporting standards with any departures from these to be identified.  A Uniform Presentation Framework (UPF), was agreed to by the Commonwealth and State/Territory governments in 2000 resulting in the FBO being presented on an accrual Government Finance Statistics (GFS) framework developed by the Australian Bureau of Statistics (ABS 2000) based on the UN System of National Accounts(SNA, 93)). However, several governments also provided the FBO reports on a GAAP basis in a dual presentation, or highlighted one report framework (and aggregates), in preference to the other, resulting in confusion by many users (Day, 2011). After the move to the Australian Accounting Standards Board (AASB) standard 1049 Whole of Government and General Government Sector Financial Reporting in 2009, a converged GFS and AAS (GAAP) framework was used in the WGR and FBO Report presentation. Nonetheless, some concerns were raised in the literature on the relevance of various accounting standard changes for users, which are discussed in section 4.1 of this report.

## 3.2 NEW ZEALAND

NZ is broadly recognised as the first national government to have introduced consolidated public sector accounts for the whole of central government, in the form of Crown Financial Statements (Pallot 1994, 1996; Guthrie 1998; Lye 1998; Barrett 2001). The preparation of such consolidated Crown reports is required by the Public Finance Act 1989 (Lye et. al, 2005) and can be seen as a part of the wider revolution in public sector administrative reforms that started in the late 1980s. IFAC's Public Sector Committee (now IPSAS board) described the reforms as a fundamental improvement from dysfunctional management systems based on compliance with centralised input controls, cash budget appropriations and reports. Instead, the new regime of public sector management operations was based on accountability and responsibility. This was accompanied by extensive reforms to the accounting and reporting of those operations, including the implementation of full accrual accounting and whole of government reports (Public Sector Committee 1994).

As in Australia, accounting motives were not seen as the sole driver of financial reporting initiatives but constituted part of a programme of public sector management reform (McCulloch and Ball 1982). According to Simpkins (1998), the main driver for significant accounting and budgeting developments was the concern of an incoming government about the perceived scale of inefficiency and macroeconomic mismanagement in the public sector. Simpkins (1998) and McKinley (2000) identify this as the growing fiscal deficit; a desire for greater transparency and accountability in the provision of public services; dissatisfaction with centralised input controls and the dissatisfaction and frustration of Ministers that the existing system did not provide them with the information they needed for making decisions.

McKinley (2000) notes that the scale of the NZ government made reforms easier to implement. For example, differences between the structure of the NZ government and other Westminster systems, including the absence of an upper house, and the compact size of the NZ Parliament, enabled the prime minister (who was concurrently the finance minister) to push through a comprehensive programme of reform in a short period without significant opposition. The support from leaders of the public sector, both politically and within official state functions (e.g. NZ Treasury and Audit Office), was seen to facilitate the rapid agreement of the need for change and its subsequent implementation (Public Sector Committee 2003).

The Public Finance Act (1989) represents a central piece of legislation underpinning NZ's NPM movement and subsequent WGR publication. The legislation removed many of the previous administrative controls associated with the parliamentary appropriation process by implementing an output-based budgetary system that focused on accountability of what is produced (outputs) rather than on cash appropriations to produce it (inputs). It also made executives accountable for their financial management of the functions they controlled. Crown government departments and entities were tasked with implementing GAAP, including full accrual accounting, which was achieved in 1991, followed by the first consolidated Crown Whole of Government financial statements, prepared in 1992. In 1993, the scope of the consolidation was extended to include state-owned enterprises (SOEs) and other Crown entities or public bodies over which the government exercised ownership control, through use of the modified equity accounting method. This made NZ the first country to implement audited WGA financial statements on a full accrual basis. Subsequent legislation, the Fiscal Responsibility Act 1994, set out principles for linking accounting reforms with fiscal policy, requiring the government to publish regular statements of forward estimates of its short-term and long-term fiscal strategy.

The New Zealand Accounting Standards Review Board (NZASRB) and the Australian AASB agreed to harmonise accounting and reporting requirements between the two countries, although essentially this was more a one way process with Australia the dominant partner. Similarly, the standard setters within each of the two countries also issued sector (transaction) neutral standards applicable to both private and public sectors, unless a specific issue justified a separate and specific treatment (Simpkins 1989). In 2007, NZ followed Australia's lead of two years earlier, by adopting NZ equivalents to International Reporting Standards (NZ IFRS) to be applied in a sector-neutral way, where appropriate for public benefit entities. However, in 2011 the government decided to reverse this policy by moving from a single set of sector-neutral accounting standards to a multi-sector differential standards approach, and in March 2012 it announced a new Accounting Standards Framework with part implemented in 2012 and the remainder by 2016.

The new framework includes an independent External Reporting Board (XRB), established under the Financial Reporting Act 2013 to oversee and set the strategy of a New Zealand Accounting Standards Board (NZASB), a Committee of the XRB. The NZASB has now issued a new set of differential reporting pronouncements that apply different standards to 'for-profit entities', 'public-benefit entities' (PBEs) that are public sector entities, and PBEs that are not-for-profit entities. The new standards for public sector PBEs took effect on 1 July 2014, and are largely based on International Public Sector Accounting Standards (IPSAS) published by the International Public Sector Accounting Standards Board (IPSASB).

## 3.3 UNITED KINGDOM

In the UK parliamentary system, the executive is required to produce an annual budget and later a set of accounts for parliamentary scrutiny and approval, but this can sometimes be perceived as a rubber-stamping exercise with its implied accountability deficits (Brazier 2007). The generalist nature of the UK Parliament means that its members are reliant on the expertise and advice of the auditor (Comptroller and Auditor General (C&AG)) to hold the government to account, which is a system inscribed by the Exchequer and Audit Departments Act dating back to 1866. Such a system relied on a cash-based appropriations account and it was argued that the system should be modernised by introducing private-sector-style accruals accounting and budgeting (appropriations) for government (ie resource accounting and budgeting or RAB).

Before the initial proposal to reform government accounts in 1994, the UK parliament believed that a consolidation, bringing together all the expanded accruals-based accounts of government, was needed to produce a more coherent picture, given the significant change involved (Comptroller and Auditor General 1995: para.32). The consolidation boundary was initially to include central government and potentially local government and public corporations, subject to further research on its feasibility. The ruling Conservative government rejected considerations for UK consolidated public sector accruals-based accounts (WGA), however, because it wanted to focus on the development of RAB. Despite parliamentary interest in WGA, no formal commitment was made until the change of governments in 1997.

In 1997, the in-coming Labour government proposed, in the UK WGA scoping study (HM Treasury 1998), to link WGA explicitly to new economic policies such as the Code for Fiscal Stability. The alignment of WGA with the Code was presented as a cornerstone policy that underpinned the new government's attempts to repair its past reputation for imprudent macroeconomic policymaking (Chow et al. 2007). Three claims were made for WGA in the scoping study: improving accountability to parliament through greater transparency; better economic decision making; and enhanced accounting information systems for the public sector.

In the scoping study, it was envisioned that WGA would complement existing accounting information systems in government, such as the National Accounts, by replacing data generated on a statistical basis with data based on GAAP accounting principles. The scale of WGA was also significantly expanded from a central government-only consolidation boundary (CGA) to include other areas of the public sector such as local government and public corporations. This led HM Treasury (2003, para.3.26) to claim that the UK WGA was the most comprehensive set of public sector consolidated accounts in the world, as it extended beyond organisational boundaries such as central government to the whole public sector.

The legislation for both WGA and RAB (Government Resources and Accounts Act 2000) required the creation of a new body – the Financial Reporting Advisory Board (FRAB) – to provide advice on, and monitor the implementation of accounting standards for WGA. In addition to retaining his historical remit to audit central government bodies' individual accounts, the C&AG's role was also significantly expanded by the legislation to include new powers, such as to audit the overall consolidation of WGA. Nonetheless, existing auditors for non-central government bodies, such as the Audit Commission for local government and private sector auditors for public corporations, retained their existing roles as the primary auditors for their respective bodies. Other stakeholders such as the media, academia and lay members of the public only had a peripheral role to play in the governance arrangements as external observers to the process, and thus have had to rely on progress reports provided by bodies monitoring the reforms, such as the C&AG and his team at the National Audit Office (NAO), FRAB, parliamentary special committees such as the Public Accounts Committee and the Treasury Committee, and reports from HM Treasury itself.

## 3.4 CANADA

Financial management reforms, among them government-wide consolidated financial statements prepared on the full accrual accounting basis, were part of wider administrative reform efforts by the government of Canada. Financial management reform efforts – or at least the associated rhetoric – have been in progress for decades, dating back to the works of the Canada Royal Commissions on Government Organization (1962) and on Financial Management and Accountability (1979) (Baker and Rennie 2006; Pollanen and Loiselle-Lapointe 2012). Unlike other Anglo-Saxon countries, Canadian jurisdictions have been extremely slow in their adoptions of NPM practices. Furthermore, Canadian adoptions have been less extensive than those in other Anglo-Saxon countries (Pollitt and Bouckaert 2004).

Many reform efforts that were started under conservative governments in the 1980s and early 1990s seem to have vanished without significant lasting outcomes (Pollitt and Bouckaert 2004). In the late 1990s, under a liberal government, a more moderate and politically centrist Canadian approach emerged, and many reforms surviving to date were implemented during the following few years (Ohemeng 2014). As Canadian federal ministers do not have the same level of power to drive major reforms at the national level as do ministers in unitary states, such as NZ and the UK, Canadian reforms were incremental, stressed sharing and cooperation between governments, and often appeared to be loosely connected and rather short-lived (Pollitt and Bouckaert 2004).

Since the end of liberal government rule in 2006, successive conservative governments have not demonstrated much interest in continuing and improving the administrative reforms begun by their liberal predecessors (Pollanen and Loiselle-Lapointe 2012). With an increasing concentration of powers allegedly in the hands of the prime minister and a few key ministers and staff members (Aucoin 2012), expedient political decisions appear to trump administrative reforms and science-based decisions. A noteworthy exception, following the Federal Accountability Act of 2006, is a requirement for departments and agencies to create audit committees (Shepherd 2011).

The adoption of accrual accounting by the government of Canada has been regarded as 'the biggest change in accounting for the federal government since Confederation' (Wiersema 2004, as cited in Baker and Rennie 2006: 84). The government announced its decision to adopt full accrual accounting as part of the 1995 budget process. Administratively, accrual accounting implementation was handled as part of the Financial Information Strategy (FIS), which, in turn, was a response to the recommendations of the Independent Review Panel on Modernization of Comptrollership in the Government of Canada (1997). Accrual accounting was applied only to the government-wide financial statements. Departments and agencies were not required to use accrual accounting for their financial statements.

Major pressure to adopt accrual accounting came from the Office of the Auditor General of Canada (OAGC), which in several audit reports had discussed potential benefits of accrual accounting for the government of Canada (Baker and Rennie 2006). The 2002/3 federal government-wide financial statements and the 2003 federal budget were the first ones officially prepared on the full accrual accounting basis. In its 2002 report, the OAGC urged the government to resolve the remaining major accounting issues, such as accrual of tax revenues, valuation of capital assets, and accounting for environmental and pension liabilities, which had delayed implementation. It also emphasised that the government had not made significant progress on its promised study of accrual budgeting and appropriations (OAGC 2002).

The OAGC, along with the Canadian Institute of Chartered Accountants (CICA), supported the government in implementing accrual accounting. During the next decade, the CICA issued a government financial reporting model and various public sector accounting standards and guidelines. The provincial/territorial governments implemented full accrual accounting in the mid-2000s, but municipalities were not required to capitalise and amortise tangible capital assets until 2009 (Beauchamp 2009; CICA 2004). Federal experiences and the work of the CICA facilitated adoptions by the provincial/territorial governments, but most municipalities were already required by provincial laws to follow the *Public Sector Accounting (PSA) Handbook* (Beauchamp 2009). Very little, however, has been written about implementing accrual accounting at the provincial and municipal levels, perhaps because the issues are no longer new or unique.

Similarly, no Canadian literature exists on consolidated government-wide (summary) financial statements. The CICA addressed consolidation requirements in 2005 by revising the criteria for a government reporting entity (CPA Canada 2014). They appear to have been almost taken for granted by governments and integrated concurrently and incrementally as part of wider accrual accounting initiatives. For example, the Standing Committee on Public Accounts of Canada (Canada, House of Commons 2006) reported to Parliament that the revised 2006 government entity includes five foundations (not previously consolidated), reducing the opening deficit by $5.1bn, and then proceeded seamlessly to discuss outstanding accrual accounting issues. The 2011/12 government-wide financial statements were the first ones explicitly titled as 'consolidated financial statements'.

## 3.5 SWEDEN

As in most of the countries discussed above, the onset of diffused ideas on NPM reforms during late 1980s and early 1990s was spurred on by domestic concerns, during the time when Sweden wanted to shrink the welfare state (Olson and Sahlin-Andersson 1998). Unlike the developments in Anglo-Saxon countries, however, NPM reforms in Sweden were not defined by specific accounting-based initiatives, though the country did move to accruals and introduced consolidation. Another unique characteristic of reforms in Sweden is that the government has always had a close and cooperative relationship with academia. Such cooperation started in the 1970s, more than two decades before the adoption of accrual accounting in the Swedish public sector.

For example, academics Brorström and Olson (1985) were directly involved in action research (a mixture of consulting work with government reformers in addition to, or resulting in, academically oriented research) on developing accounting models for local government. Brorström and Olson (1985) proposed accounting models that were worked out for two organisational tiers: an accounting model on a consolidated level and an accounting model at the departmental level. These models were subsequently applied in two local governments in the late 1970s. The models developed through their work sparked wider interest in adapting commercial accounting ideas to the public sector, leading to the adoption of accruals accounting by Swedish central government in 1993 (Olson and Sahlin-Andersson 1998).

Before the move to accruals, public sector accounting practices had remained heterogeneous for a long time, with governments at each level (municipality, county and national) developing their own accounting policies and systems (cf. Olson and Sahlin-Andersson 1998). Local governments have, since 1980, adapted corporate accounting systems for their own purposes, working closely with academia in this regard. In addition, academics also played a particularly crucial role in the introduction and implementation of consolidated reporting across government tiers (Svenska Kommunforbundet 1989; Bergevärn et al. 1995; Grossi and Tagesson, 2007).

At the national level, the Swedish government set up a quasi-independent body, the National Financial Management Authority (ESV), tasked with the management and compilation of financial and statistical data. In addition, the ESV was also instrumental in advising the government on the merits/costs of various accounting reform ideas disseminated from abroad. In its 2001 study on accruals accounting in central government of Sweden, it noted that a 'new accounting model makes it possible to monitor performance such as total costs of government programs and activities. It also facilitates the analysis of more specific information such as cost per product, etc.' (ESV 2001: 6). ESV also reports that financial management reforms have improved transparency and control at the central government level (ESV 2001: 7). Nevertheless, it also highlights that one of the critical issues remained to be resolved, namely that of the link between the budget and the accounting.

The issue of consolidation is not seen as one that is separate and distinct from accruals in Sweden. In contrast, the literature presumes that consolidation is seen as a taken-for-granted aspect of accruals accounts, and one that is integral to the implementation of accruals at the central level of government. The submission of a whole of central government annual report is, since 1996, stipulated in law (ESV 2001: 27). In a later document, and perhaps implicitly referring to the distinct consolidated accounts produced in the UK and other countries, the ESV explains that the submission of a consolidated whole of government annual report was not the aim of the reform, but rather a possibility provided by the reform (ESV 2013: 21).

## 3.6 SUMMARY

The ubiquity of the NPM movement and its diffusion across the above five countries appear to have driven reforms at the macro-level, but it is also important to consider the rate at which the reforms have been adopted, and the extent to which they have been shaped to fit with more localised and constitutionally driven structures. In countries more advanced in their adoption of consolidated accounting techniques such as Australia, New Zealand and the UK, reformers construct the need to move beyond cash-based accounting by incorporating economic decision-making motives to complement the accountability focus of existing accounting systems. The extension of accruals to consolidation is seen as a supplementary exercise and taken-for-granted addition to reforming cash-based appropriation or budget-centric accounts. In the UK, there was some debate over the move to consolidated accounting but, as in NZ and Australia, such reforms are felt to be part and parcel of the wider NPM process of organisational/institutional change. Even countries that have adopted smaller scale consolidation such as Canada and Sweden nevertheless are monitoring public sector accounting developments elsewhere.

# 4. Literature review

This section reviews the academic as well as relevant practitioner literature on consolidated accounting reforms in the public sectors of all five countries.

## 4.1 AUSTRALIA

According to Walker (2009), the literature on public sector consolidation accounting and whole of government reporting is sparse, despite the experience of many governments and countries in publishing such accounts, including Australian government jurisdictions. The Australian literature has mainly focused on two areas:

- issues of convergence, including a trend to cohere private and public sector standards and later government finance statistics (GFS) and GAAP-based accounting in WGRs; and
- claims, observations and some limited empirical research on the use and usefulness of WGRs.

### Issues of convergence

Since a new regulatory framework was introduced in 2000, several harmonisation and convergence strategies have affected WGRs and their users. This first was the convergence of private and public sector standard-setting bodies, resulting in a single set of standards applied to both profit and not-for-profit sectors using a sector-neutral approach. The literature is mainly critical of this approach, with critics arguing that it is inappropriate owing to the non-identical characteristics and functions of the public sector (see Walker 1989; Barton 1999, 2002, 2005; Ellwood and Newberry 2006), the unique problems in measuring certain public sector transactions and assets (see Carnegie and Wolnizer 1999; Carnegie and West 2003), and different accountability and constitutional objectives or judgements requiring a different approach (see Newberry 2003, Robb and Newberry 2007, Walker 2009). In addition to this, a policy of international harmonisation and convergence culminated in a Financial Reporting Council (FRC) directive in June 2002 to adopt Australian-equivalent International Financial Reporting Standards (IFRS) from 2005, and consequently to apply them also to the public sector using the sector-neutral approach. Critics of this also argue this is inappropriate as IFRS standards were originally designed for the for-profit sector, and because it meant Australia would be pursuing a different pathway from most other countries (Day and Guthrie, 2008; and Day 2011). The FRC and AASB have persisted with this policy despite a growing trend among countries towards adoption of International Public Sector Accounting Standards (IPSAS), and even though NZ has abandoned it to set national differential standards, including standards for public sector entities based predominantly on IPSAS.

A further convergence issue culminated in a second FRC directive to the AASB in December 2002 to develop a standard that converged GFS and GAAP in whole of government (WGR) and general government sector (GGS) financial reports. This was an attempt to end the divergent use of different (cash accrual GFS and/or accrual GAAP) reporting frameworks, and reduce user confusion over which reporting framework or aggregate they should use. At the time of this decision, there was little evidence that a converged GAAP/GFS was the best option or that it would cause greater comparability, lead to less user confusion, or increase the quality of reporting, than the choice of one method or the other. In addition, the directive would impose quite significant compliance costs, with little known about the real benefits to public sector entities and users of the reports (Kaufman 2004; Barrett 2001; Day and Guthrie 2008) . Even after the issue of AASB 1049, which was meant to result in the use of a comparable converged reporting framework by all government jurisdictions, the Commonwealth government prepared its 2008/9 GGS financial reports in its Budget papers on a GFS basis, with adjustments where accounting standards provided a better financial alternative (Barton 2011). According to Kober et al. (2013), 'the reluctance to fully commit to this standard suggests unresolved issues with the appropriateness of AAS for the public sector'.

Several commentators have debated which accrual reporting framework (GAAP or GFS) is the most useful to users, most favouring GFS. For example, Challen and Jeffrey (2003: 49) observe: 'the most serious users of Government financial reports, including the financial markets, financial commentators, ratings agencies, the Reserve Bank of Australia and the Australian Bureau of Statistics, all focus on GFS based reports'. Barrett (2004: 16) also suggests that GFS is more applicable for government reporting, considering its different nature, objectives and purpose, and because it had been specifically designed for government and to meet its needs for economic analysis. Barton (2009 and 2011) use an analytical methodology to outline the role and activities of government and the information that should logically be determined by these, and concluded that GFS should be used for the government's budgetary reporting and management system. Day (2011) followed up a previous study by Wines and Scarborough (2006) on the use of reporting frameworks in the nine government jurisdictions over the dual accruals reporting period (2000–9) until AASB 1049 was operational. He found that several government jurisdictions preferred GAAP or GFS (or showed both) as their main report and headline aggregate, although the predominant framework used was GFS and Net Operating Balance aggregate.

### Uses, users and usefulness of WGRs

Much of the Australian research talks about the uses of WGRs rather than their users and usefulness. As a result, the approach is generally normative, and the debate focuses on the rhetorical point of what WGRs can offer, as opposed to what they have offered (the usefulness concept). For example, Micaleff (1997) claims that WGRs would provide significant benefits to users such as Parliamentarians, the media, credit rating agencies, government financers, other governments, and the general public; and that they would help to ensure consistency and comparability of financial information across different jurisdictions. Mellor (1996), a former Treasury official, argues that WGRs would provide a full picture of a government's financial position, disclose the impact of policy and the sharing of the burden between current and future taxpayers over the longer term, focus attention on the management of total resources and obligations, and introduce discipline and integrity in the reported information. She identified and claimed several benefits from use of WGRs by politicians, such as increased control over all resources, better information for making decisions about priorities; and better allocation of resources in accordance with priorities. In addition, they would enable the public to be better informed in assessing government performance. Challen and Jeffrey (2003) observe that in practice, however, users such as financial markets, credit rating agencies and other analysts generally make little use of WGRs, citing delays before they become publicly available and because 'the reports were not comparable with the primary budget documents for the relevant year'. These may no longer be constraints since AASB 1049 was issued, as it has addressed some of these problems.

Pat Barrett, a former Commonwealth Government Auditor-General, was generally supportive of WGRs, but nevertheless outlined several uncertainties, inconsistencies and inherent limitations that indicated a concern with WGR's effectiveness as a satisfactory measure of the wealth of the country, and as an adequate response to the parliamentary accountability needs (Barrett 2001). He also questioned the limited relevance of concepts of profitability, liquidity and solvency for government in comparison with the private sector, arguing that a net surplus or deficit did not have the same significance given the government's broader agenda of social and political considerations. These normative observations require more theoretical support, but Walker (2009) argues that: 'until recently there has only been limited discussion of the theoretical rationale for the production'. He surmises that while there is widespread support for the proposition that governments should produce WGRs on an accrual basis, 'there remains disagreement in the advocacy literature as to the target readership of those reports, and what judgments they are intended to inform'.

Research that adopted a more empirical approach and that focused on users (rather than uses) had contrasting findings to the studies previously discussed. For example, Jones and Puglisi (1997) tested the rationale of AAS 29 'Financial Reporting by Government Departments' (Australian Accounting Research Foundation 1996, now withdrawn) against the senior government department officials' perceptions of their use of them, and whether their department was likely to have external users dependent on them for economic decisions. The results fell far short of the claims of AAS 29 that these general-purpose financial reports would satisfy a wide range of users. The highest perceived user group was Parliament, which they argue was an internal rather than external user, given it '…has potentially unlimited authority to command the preparation of financial information that it seeks from government departments' (Jones and Puglisi 1997: 122). Mack and Ryan surveyed users of government department financial reports to determine how appropriate they were, given that they were premised on a decision-useful objective, but they find that the reports were used to satisfy financial accountability and public accountability rather than for decision-making purposes (Mack and Ryan 2006). One limitation of these surveys, however, is that they focus on users and uses of government department reports, rather than on WGRs.

Kober et al. (2010) report the results of a survey of internal users', external users' and preparers' perceptions of the usefulness of information for government department decision making, prepared under the CASH, accrual GAAP, and accrual GFS bases. Their results suggest that in the situations they examined GAAP-based information was mostly meeting public sector users and preparers' needs for decision making (Kober et al. 2010: 283), which appears to contradict some previous observations that indicated a preference for GFS. They suggest this may be because those surveyed were still using GAAP, so their findings may reflect unfamiliarity with GFS, because the external users in their survey, with more experience with GFS, had far greater regard for the usefulness of GFS, reflecting a 'learning effect'. A limitation of this study is that the survey examined GFS–GAAP harmonisation at a government department level, so the results might differ for users and preparers at WGR level. In addition, user perceptions were only sought on two accrual frameworks (GAAP and GFS), while the converged GAAP–GFS framework was not measured. Kober et al. (2013) followed up this with a survey of different public sector stakeholders on the appropriate accounting treatment and presentation of selected WGR items as a result of the application of GFS, GAAP or the converged AASB 1049 framework. Their results suggest that respondent's perceptions of the presentation of the government's fiscal aggregates are largely consistent with those adopted by AASB 1049, and provide support for claims that the standard enhances the usefulness of the presentation format. The results also showed that respondents had different preferences for specific accounting treatments of items, and no overall preference for GAAP or GFS. They conclude from this that users choose the most appropriate treatment rather than have a preference for either system, and therefore this provides some limited support for the converged approach in AASB 1049.

### Summary

The review of the literature on the development of WGRs and normative arguments of their use and usefulness indicates that the choice of reporting framework for use in WGRs is far from resolved or internationally harmonised. In addition, the normative nature and limited availability of empirical research on the use and usefulness of WGRs and GGS financial reports is, except for some recent work, inadequate and not sufficiently focused. There is a need for further research to ask users directly of their use and of the usefulness of WGR and GGS financial reports, and what type of information or report they require to meet their needs for decision making and for accountability purposes.

## 4.2 NEW ZEALAND

The public sector reforms in New Zealand have been held out by other countries and institutions, such as the OECD, as an exemplar for public sector reforms from which other countries can learn (See Ball 1994; Public Sector Committee 1994; Canadian Audit Office 1995, Goldfinch 1998; Simpkins 1998; Newberry and Pont-Newby 2009). Even so, Goldfinch (1998) suggests that although there is some evidence of significant efficiency gains in the public sector, it is possible that these have been oversold. He argues that efficiency gains are hard to measure, and could be partly attributed to other factors such as improvements in compliance, deregulation, technology improvements, and political will.

Pallot (2001) agrees that assessing any differences in efficiency and effectiveness due to the resources and budgeting reforms, even if they could be measured, is difficult because the effects cannot be isolated from other effects of wider economic reforms. Nonetheless, she points to:

Soft evidence [through]…a number of studies by academics, consultants, central agencies and the Audit office, government appointed working parties and overseas observers…that] managers and politicians, on the whole, share the view that the specification of outputs has been improving progressively with the result that objectives are clearer, expenditure is better targeted, and transparency is enhanced…[and] there does not seem to be any support at any level for a return to cash accounting and input controls. (Pallot 2001)

In addition, she argues that the shift to accrual accounting and decentralisation of the accounting system has improved the information available to the department to manage effectively by improving management of debtors and creditors and the ability to make informed choices, and the department is able to target expenditure better (Pallot 2001). Similarly, at the 'whole of government' level, she argues that there has been a large increase in the range and clarity of information available, with financial statements exceeding the comprehensiveness of those available to private sector companies, providing a more complete picture of assets, liabilities, revenue and expenses and, therefore, a better view of financial performance and position. This allows better assessment of the long-term consequences of current decisions, and enables identification of high-risk strategies combined with the ability to compare actual performance with what was planned. She concludes that:

'Even if there could be doubts about the value of Crown financial statements by themselves, such scepticism is difficult to sustain when they are an integral part of an accountability cycle for the whole of Government. Ultimately, however, accountability will depend on Parliament, select committees, and the public at large having the skills, time, resources and motivation to make use of the enhanced information now available.' (Pallot 2001)

The PSC Occasional Paper #2 (Public Sector Committee 1994) adopted similar sentiments by concluding that:

'better accounting and the production of financial statements must not be viewed as ends in themselves…Each of the parties must be convinced of the benefits to themselves – Department managers need to see the scope for better management of resources; Parliamentarians are persuaded by possibilities for improved efficiency and accountability; and policy makers by enhanced information available.'

Although there is some evidence from ministers, Members of Parliament, CEOs CFOs and operational managers that they can potentially obtain benefits from the financial management and accounting reforms, there have also been some concerns of the costs and unidentifiable and unintended consequences of the reforms (Goldfinch 1998; Pallot 2001, Robb and Newberry 2007). For example, Goldfinch (1998) suggests that these include: increased costs through growth in reporting and compliance; a focus on short-term financial and quantifiable measurements (with neglect to qualitative and other intangible measures); comparative neglect of ownership issues; considerable transitional cost in implementing the changes; and loss of accountability following some of the reforms and decoupling of department structures. Pallot (2001) outlines concerns with

- the time taken and cost incurred in meeting the information requirements for purchasing agreements and monitoring reports
- the operation of financial management incentives, and
- the appropriateness of performance measures, in particular the link between outputs, outcomes and strategic result areas.

Other issues in the literature that affect the use and usefulness of whole of government reports include the moving boundary for consolidation that initially did not include SOEs in 1992, but later included them by a controversial one-line consolidation through a modified form of equity accounting; then a narrow definition of ownership control, and inclusion of the clause 'where appropriate to Public Benefit Entities' as an excuse not to apply GAAP at times. Another issue that is prominent in the literature are concerns about the restructured public sector and government financial management and reporting that results from it, with regard to implications for the constitution and reduction of accountability (Boston et al. 1991; Robb and Newberry 2007; Newberry and Pont-Newby 2009).

## 4.3 UNITED KINGDOM

In the UK in 1998, the Labour government largely drove the case for consolidation of accruals-based public sector accounts. Three claims were made for WGA – improvements in accountability through greater coverage of the public sector balance sheet and other GAAP-based financial statements, improved accounting information systems, and enhanced macroeconomic decision-making (Chow et al. 2007 and 2008; Heald and Georgiou 2009 and 2011). This third claim of macroeconomic potential has not been made for private sector accounting use of consolidation. Rather, consolidation was historically seen in the private sector as a way in which to increase the transparency of linkages between groups of companies and allows users to understand a group's net assets and combined profits (for fuller coverage of history, see Chow et al. 2007: 42; Walker 2009: 203).

Plans to develop a public sector balance sheet for economic policy considerations did not start with UK WGA. Instead, public sector net worth and other fiscal measures can be traced back to debates among UK accountants and economists in the 1980s (and probably further back, given that accountants helped to develop the UN's System of Nations Accounts; cf. Suzuki 2003). These early macro-economic ideas have been resurrected in the 1998 plans for UK WGA despite being rejected in the early 1990s because the Conservative government then wanted to focus on developing Resource Accounting and Budgeting. These plans considered including information on future assets/liabilities such as pensions and the potential to generate tax revenues, in addition to recording assets/liabilities generated from past transactions.

However, Chow et al.'s review (2007: 34) of the pre-1998 literature notes that there are considerable practical problems with trying to operate such a balance sheet. Instead, the most recent plans for UK WGA has dropped the economic decision-making claim, so much so that the UK's Public Accounts Committee, in its review of WGA published for 2010/11, concluded that HM Treasury need to do more to move WGA from an accounting exercise to one that helps with the management and reporting of public finances (Public Accounts Committee 2013, para.1, p.5).

During the period in which UK WGA was developed, a number of important conceptual justifications were used to support expanding WGA to include not just past but also future liabilities. The 'Long Term Reports', a series of publications now discontinued, provided insights into HM Treasury thinking on the boundaries and scope of WGA coverage. Figures 4.1, 4.2 and 4.3 illustrate proposals for WGA and beyond, showing coverage of public sector assets and liabilities under different accounting systems (all charts reproduced from HM Treasury, 2003).

Figure 4.1 highlights the coverage of existing government accounts, while Figure 4.2 demonstrates the coverage of the (then proposed) UK WGA balance sheet and Figure 4.3 represents projected as well as historical data that economists would ideally like to work with and report on. From a theoretical perspective, there are strong calls for WGA to be used to assist economic planning in the way demonstrated in the charts above. David Heald, a former member of FRAB and adviser to the Public Accounts Commission (sic), and his colleague George Georgiou, emphasise that the 1998 WGA conception, from a macroeconomic perspective, was to go beyond the data in national accounts (ie Figure 4.1) to improve data for macroeconomic policy and fiscal transparency (Heald and Georgiou 2011: 447).

One of the assumed limitations of a set of accounts modelled as in Figure 4.1 is that the focus on debt measures in national accounts leaves out reporting on assets (in contrast to Figure 4.2), which is important because it highlights the extent to which assets are being impaired and need replacing. Past UK governments have attempted to tackle debt and deficits by postponing asset replacement, which has led to a significant deterioration of infrastructure. Heald and Georgiou (2011) added that WGA also helps to highlight the issues of capital starvation by bringing to attention the scale of the government's procurement of assets such as schools, hospitals and transport infrastructure through off-balance sheet financing programmes. The effect is to move debt from off to on-balance sheet through the reporting of high capital interest paid. In addition, the more complete Figure 4.2 also highlights the costs of dealing with an ageing population and the funding structure of existing pensions and other welfare arrangements that are needed to deal with such change. Before UK WGA, such huge pension liabilities remained off-balance sheet and are hard to find and interpret for public users of government accounts.

Although three years' worth of UK WGAs have now been published, a significant amount of work is still needed to remove the three consecutive years' worth of audit qualifications. Major issues over the qualifications are:

- disagreement over the boundary of WGA consolidation
- inconsistent asset valuations
- incomplete inter-entity eliminations on consolidation
- persistent audit qualifications of individual bodies that are consolidated within WGA, and
- problems over the valuations of schools' assets held by local authorities.

The first four qualifications are long-standing issues highlighted by the comptroller and auditor general even before the first WGA was published, but which continue to remain unresolved.

Figure 4.1: National accounts measure of net debt

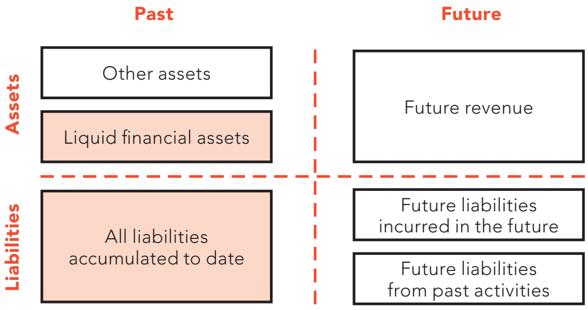



Figure 4.2: Accruals-based balance sheet

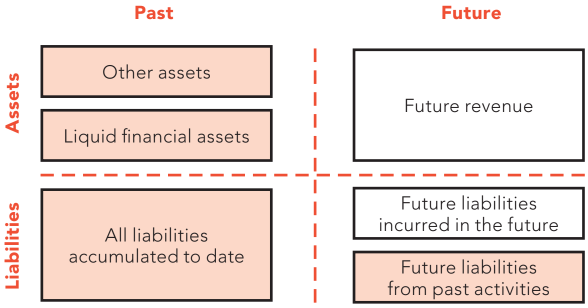
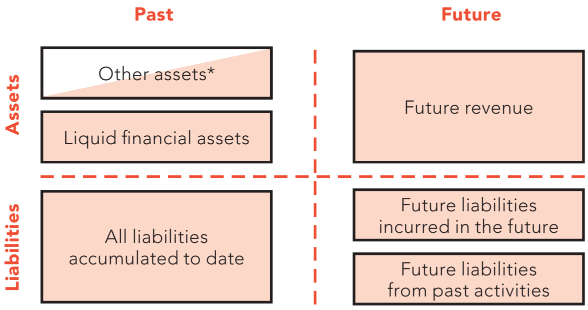



Figure 4.3: Comprehensive projections




* Comprehensive projections usually only include financial assets.

## 4.4 CANADA

The government of Canada does not engage in national-level consolidation exercises like the UK, Australia and New Zealand. Instead, consolidated financial reporting occurs separately at each of the three major levels of government: federal, provincial, and municipal. With provincial and federal responsibilities established in the Constitution Act (Canada, Department of Justice 1867), each level is relatively autonomous and independent. Although municipalities are under provincial jurisdiction, they have also been granted a relatively high degree of operational independence (Noe and Ross 2004). Therefore, financial statements cannot legally be consolidated across these three levels of government.

### Reporting entity and accounting standards

The concept of control is integral to determining the organisations that comprise a government reporting entity and are consolidated for financial reporting purposes. Section 1300 of the CPA Public Sector Accounting (PSA) Handbook—subsequently referred to as the PSA Handbook (CPA Canada 2014), revised in 2005, defines control as '…the power to govern the financial and operating policies of another organization'. Indicators of control include: appointing members of the governing body; establishing its fundamental purpose; significantly limiting its decision-making authority; directing its policies on a permanent basis; and vetoing, overruling, or modifying its policies. Such evidence needs to be weighed collectively in accordance with organisational circumstances. Neither the government's ability to regulate an organisation, nor an organisation's financial dependence on the government, constitutes control by itself. Government organisations that meet these control tests are combined into a single reporting entity for government-wide consolidated financial reporting. As judgement is required in determining a reporting entity, differences in interpretation can exist among jurisdictions.

The recommended structure and content of government financial statements in Section 1201 of the *PSA Handbook* (effective 2012) has gone through several reviews and revisions over two decades. As many governments ignored the reporting model approved in 1997, despite six years of extensive consultations, this project was restarted within two years (Jones Denning 2003). The current model contains four financial statements: consolidated statement of financial position, consolidated statement of operations, consolidated statement of change in net debt, and consolidated statement of cash flows. Furthermore, the following five measures should be explicitly reported on these statements:

- net debt – measures the difference between financial assets and liabilities and reflects future revenues required to pay for past transactions
- change in net debt – measures the change in financial condition and reflects the sufficiency of revenues raised in a period to cover expenses
- annual surplus/deficit – measures the excess/shortage of revenues over expenses raised in a period and reflects the maintenance of the previous net asset position
- accumulated surplus/deficit – measures net economic resources (assets) and indicates the capacity to provide future services
- annual cash flow – measures the change in cash in a period and reveals the sources and uses of funds.

The public sector accounting standards in the *PSA Handbook* do not, however, apply to all government organisations. Some organisations should use the *PSA Handbook*, some should use the IFRS, and others are allowed some choices. For accounting purposes, public organisations are categorised into four groups:

- federal, provincial, and municipal governments, including their consolidated agencies
- government business enterprises (GBEs)
- government not-for-profit organisations (GNFPOs), and
- other government organisations (OGOs).

GBEs are separate legal entities that carry on business activities similar to those performed by private companies. GNFPOs are government not-for-profit organisations established by legislation, which could have counterparts in the non-governmental charitable sector. OGOs are any other government-controlled organisations, which may sell goods/services or rely on grants from other levels of government. The accounting standards that these four types of organisation should use are noted in Table 5.1 in the next chapter. GBEs are excluded from consolidated financial reporting, and they are accounted for as investments using the modified equity method.

The adherence to the public sector accounting standards of CPA Canada,[1] however, is voluntary for the federal, provincial, and territorial governments, as CPA Canada does not have the authority to mandate accounting standards for sovereign governments. On the other hand, municipalities are required to comply with the *PSA Handbook* by provincial Municipal Acts. There did not appear to be any insurmountable obstacles to implementing accrual accounting at the provincial and municipal levels, or the new consolidation entity requirements by the provinces, in the 2000s. As of 2010, all provinces had included schools, universities, colleges, and hospitals, except for universities in Ontario (CICA 2011). Municipalities were excluded from consolidation with provincial public accounts. Further accounting reform efforts at the federal level, however, halted soon after the government-wide full accrual financial statements were implemented, commencing for 2002/3 (OAGC 2002, 2006, 2010, 2011). Unless all governments use same accounting standards and consolidate consistently, the reliability, comparability, and usefulness of consolidated financial reporting is reduced.

### Use of accounting information

Regardless of continuous urging by the Auditor General, the federal government's appropriations are still prepared on the cash basis, and departmental financial statements remain unaudited (OAGC 2006, 2010, 2011). Therefore, continuous efforts are required to reconcile appropriations and financial statements, and accrual accounting is considered only as a bureaucratic exercise, not useful to departments (OAGC 2006; Pollanen and Loiselle-Lapointe 2012). Furthermore, the departmental financial statements, many of which are still prepared on the basis of modified accrual accounting, do not directly correspond to the government-wide consolidated financial statements. These practices weaken the comparability of departmental financial statements and render them 'unauditable' (OAGC 2010). Reduced reliability could also potentially contribute to detrimental broader economic, social, and political consequences (Pollanen 2002).

The decision by the government of Canada to adopt full accrual accounting was largely motivated by a quest for legitimacy (Pollanen and Loiselle-Lapointe 2012). Hence its primary objective has become to serve as a mechanism for control by, and accountability to, legislators and oversight agencies, and as a symbol of good governance, rather than as being a useful managerial decision-making tool (Lapsley et al. 2009; Arnaboldi and Lapsley 2009; Pina et al. 2009). Such practices result in wasted resources, inefficiency and lost potential benefits. Departments and agencies still maintain their own old 'duplicate' accounting systems for managerial decision-making purposes. Consequently, maintaining and transmitting the accrual accounting information required for government-wide consolidated financial statements is seen as a technical bureaucratic exercise or burden. These practices can render government-wide consolidated financial statements of little value to senior administrators and managers for planning, decision-making and control purposes, and their main function becomes to serve as accountability devices for reporting to Parliament.

Persistent resistance by the government of Canada to comply with all aspects of the public sector accounting standards can only be explained by the lack of political will to legislate for compliance with these standards. Under the present voluntary professional approach, controversial and contentious issues can be ignored. These behaviours were illustrated by the unwelcoming reaction to the government-reporting model (Jones Denning 2003), as well as by the demise of two more recent proposals on entity-level reporting and appropriations (CICA 2009). On the basis of unfavourable responses received to its proposed entity-level reporting principles, the CICA 'reconstituted' this project, and subsequently issued two separate but related exposure drafts on the use of appropriations and on related-party transactions in 2012. While the first is still in the process of being 're-exposed', the CICA terminated the second owing to the lack of consensus. These examples demonstrate that expected voluntary use of new standards by governments is a critical criterion in public sector standard setting.

In the Canadian decentralised political, legal, and administrative environment, many public sector managers and politicians rely heavily on budgets and other tools for planning, decision-making and control purposes. As public sector budgets constitute legal documents that, by law, create authority for expenditure within the limits

1. CPA Canada is the accounting standard setter, with effect from 2013, when the merger of the Canadian Institute of Chartered Accountants (CICA), CMA Canada, and CGA Canada was announced.

approved by the authorising legislature (CICA 2004), they will always be important. While early financial reforms focused on budgets and expenditure management, for example, a structured approach to 'prudent budgeting' in 1994 (Joyce 2008), more comprehensive results-based management tools, however, also began to emerge in the late 1990s. Comprehensive result-based tools can link estimated and actual resources to activities, programmes, and strategic outcomes at departmental and government-wide levels (Joyce 2011). As these systems are capable of integrating both financial and non-financial information, the role of financial information, such as consolidated financial statements, for managerial planning, decision-making and control purposes, presumably diminishes.

### Conclusion

The implementation of government-wide consolidated financial statements in Canadian governments has been an invisible incremental process – an added-on annexe to the implementation of full accrual accounting. The government of Canada has, however, been reluctant to upgrade accounting for appropriations and departmental financial statements to full accrual accounting. Consequently, accrual accounting, and, by extension, government-wide consolidated financial statements, are not used, or perceived useful, for managerial planning, decision-making and control purposes. Budgets, supplemented by departmental financial statements and results-based management tools, appear to be key financial management mechanisms. The major use of government-wide consolidated financial statements is for accountability reporting to Parliament.

## 4.5 SWEDEN

The key focus of the Swedish academic literature is on the effects of accounting change on public institutions and how accounting is being used in the public sector. There are no specific papers discussing the nature of consolidation. Nevertheless, it is still informative to survey the literature to understand the forces acting on accounting-driven change in the Swedish public sector.

Studies in the 1980s and 1990s were dominated by the accounting systems of local governments, reflecting, in part, the freedoms they have to set their own financial reporting standards. In line with the collaborative nature of the relationship between Swedish academics and government institutions (ie 'action research'), Brorström and Olson (1985) debate how the accounting systems of local governments should be changed, in view of their actual use and misuse. Their article examines two specific accounting models that had been developed for local governments. These models, through the authors' own action-research studies (see Brorström 1982 and Olson 1983), were implemented by two local governments in the late 1970s.

A few years later, Bergevärn and Olson explored the development of municipal accounting in Sweden from 1862 to the 1980s, concentrating primarily on the consequences of the Swedish reform. Their analysis (Bergevärn and Olson 1989) of municipalities, federations of municipalities and the Parliament focuses on how myths surrounding the promises of accounting had developed and became institutionalised. Their study was extended in a comparative and historical study of municipal accounting in Sweden and Norway that looks at the way in which accounting itself is becoming institutionalised (Bergevärn 1995). Accounting here is understood as consisting of two systems: the norm system and the action system. The relations between norms, and action and their environment are discussed in light of ideas derived from institutional theory and organisational learning.

It is argued that there are two modes of learning; one ideological and one hierarchic. Regardless of the mode of learning, the norms are closely associated with the environment of accounting. Bergevärn (1985) illustrates that in the ideological mode this connection is made through the action system while in the hierarchic mode it is made through the norm system. One conclusion drawn is that 'depending on how strongly the norm system forces the action system to respond, the learning processes in which accounting as a whole is involved will reveal a greater or lesser degree of variation' (Bergevärn 1985: 1).

In another comparative study, Mattisson and colleagues examined the similarities and differences of the accrual accounting reform processes in local governments in Sweden and Finland. They deduce that Swedish local government financial report practices lean more towards accountability than those of Finnish local governments (Mattisson et al. 2004). They go on to explain that in Sweden, the central government is one of the most important stakeholders of local government and uses financial reporting as a monitoring device to ensure that local governments comply with statutory requirements to balance their budgets as well as other demands that are connected to central government funding. Local government in Finland, however, is more independent of central government. This is reflected in the greater use of accruals accounting information for budgetary and financial control purposes in the municipal councils and at different levels of the organisations of each municipality. Other comparative Nordic studies also latch on to the decision-centric versus accountability theme, for instance, Grossi and Tagesson (2007) conclude that the Swedish Council for Municipal Accounting (SCMA) standards lean more towards an accountability perspective for financial reporting.

Paulsson (2006) analyses accrual accounting changes at the Swedish central government, focusing on two main groups of users – officials in the government and managers in the agencies. He finds that accrual accounting information is used more in management situations rather than in budgetary politics and policymaking.

He adds that the result is well in line with the initial intentions behind the introduction of accrual accounting in the central government in Sweden, i.e. to support performance management and other public management innovations. It also means that the contribution of accrual accounting to the attainment of the objectives of financial management in the central government in Sweden is probably linked to the third objective, i.e. high efficiency and effectiveness in the use of central government resources (Finansdepartementet 2000). The fact that accrual accounting is not used in budgetary politics in Sweden is probably because the central government still has a cash-based budget.

Paulsson concludes that his results support findings from other empirical studies that accrual accounting information is less useful for public organisations. In fact, a more detailed analysis of the data clearly shows that this overall result does not give the full picture of the use of accrual accounting information in the central government in Sweden. Firstly, Paulsson's interviewees argue that the accrual accounting information is used to a relatively large extent, but that it is difficult to link this use to individual phases in the budget process or to specific decisions. Rather than being used directly in such situations, it forms a general source of information used in different situations both in the agencies and in the government office.

To conclude, there is a mixed picture in the use of accounting information in the Swedish public sector. Organisations that rely on central government grants lean towards reporting on an accountability basis. Accruals accounting is less used at the political and planning levels as budgetary processes are still very much driven by cash.

# 5. Discussion and research agenda

The point of consolidation under GAAP is to introduce a single bottom-line figure for the whole of the organisation and uniformity in standards. The review of the literature in the previous chapter suggests, however, that there are multiple definitions of what constitutes a government bottom line and little uniformity in the way in which consolidated accruals accounting models are developed across the five countries examined in this report. Table 5.1 provides a quick overview of the key differences discussed above, drawing attention to differences in government structures, consolidation boundaries and parliamentary systems of accountability.

The analysis here suggests that in the context of using government consolidated accounts, constitutional or jurisdictional boundaries feature heavily, as one would expect, in determining the way in which commercial sector notions of consolidation are reshaped for public sector application. The localisation of globalised or generic concepts of consolidation has a strong impact on the resulting output here, and is driven largely by government priorities or preoccupations rather than necessarily by user demand. Federated structures of government found in Australia, Canada and Sweden consolidate on the basis of jurisdiction, reflecting political notions of control and accountability boundaries rather than more economic ideals on which GAAP is based. New Zealand and the UK, on the other hand, adopt more expansive models of consolidation, with a macroeconomic emphasis on usability (for government policymaking rather than public accountability). At face value, the way in which GAAP notions of consolidation are being adapted to fit local (ie national) needs raises a number of questions that are worthy of further exploration.

First, the balance between internal (ie government institutions') conceptions of adapting GAAP models of consolidation needs to be further contrasted against perceived public demand for such elaborate models as a way of improving systems of accountability. It appears that much of the demand for more complex GAAP-based consolidation accounting is being driven internally by government reforms, but only where the politics of resource allocation still reside at the budgetary level and are underpinned by statistical notions of accounting values (eg the UN's System of National Accounts) rather than GAAP.

This leads to the second question, which examines the embedded or implicit contests or 'trials of strength' between nations and/or institutions jockeying for influence. There are three arenas where such contests are being played out.

The first is statistical versus GAAP notions of accounting value, which features in all accounting debates over the merits and costs of ex-ante versus ex-post notions of value (ie the relevance versus reliability debate).

The private versus public sector divide – many questions can be raised about Australia and New Zealand's seesaw approach to the harmonisation of private/public sector accounting standards, with NZ's latest being a move back to separate standards for the public sector after a period of sector neutrality and close cooperation with their Australian counterparts. The blurring of lines is never far away, either, in the UK, Canada and Sweden, , where strong accounting professional bodies and the fluidity of expertise interchange between the two sectors (eg Swedish academics) ensure a strong diffusion of ideas from private to the public. All countries rely in particular on the (unproven NPM) rhetoric that ideas originating from the private sector can be successfully adapted for resolving long-standing public sector issues, and none more so than consolidation accounting, which appears to be all things to all people.

The final contest of interest is between national and global standard-setters – witness the growing influence of IPSAS and the cooperation–competition tension between national standard-setters aware of the benefits of a more harmonised approach but also wary of conceding too much autonomy over their own jurisdictions. The European Union's push for EPSAS is one emerging example.

So who are the users of public sector consolidation accounts and how are they affected by the various national/institutional/political contests outlined? This is perhaps the most important question and one that is most neglected, not just in the professional literature but also by academics. The academic surveys of how long-standing Australian and New Zealand WGRs are used indicate limited use of accounts for public accountability purposes, despite claims to the contrary. Anecdotally, it appears that the budgetary process in which resource allocation decisions are taken remain the key arena in which significant scrutiny, debate and politics take place.

Table 5.1: Summary of comparison of government/public sector financial reporting set up in five countries

| | Australia | New Zealand | UK | Canada | Sweden |
|---|---|---|---|---|---|
| **Government structure** | Three tier:<br>Commonwealth (Federal)<br>State<br>Local government | Two tier:<br>Central government<br>Local government | Two tier:<br>Central government<br>Local government | Three tier:<br>Federal government<br>Provincial/territorial government<br>Municipal government | Three tier:<br>Central government<br>Regional government<br>Local government |
| **Accounting standard(s)** | AASB 1049: Whole of Government and General Government Sector Financial Reporting<br>Australian equivalent IFRS-standards with Aus paragraph guidance for public sector) | Separate standards for Public Benefit Entities (PBE) for profit (IFRS with NZ adaptation)<br>PBE not-for-profit adapted from IPSAS | IFRS adapted for UK public sector | PSA for governments<br>IFRS for government business enterprises<br>PSA or PSA modified for not-for-profit organisations; PSA for all other government organisations (IFRS if publicly accountable) | Statute issued by the government: Budget Act (2011, c.10) |
| **Definition of consolidation boundary** | Government-controlled entities | Government Public Benefit Entities | Bodies of a public nature or funded substantially from the public purse | Power to govern organisation's financial and operational policies | Central government defined as a 'juridical person'. All controlled units are consolidated |
| **Bodies included in consolidation** | All governments within and between tiers have their own separate consolidation<br>Local government excluded | Central government, including offices of Parliament and state owned enterprises<br>Local government excluded | Central and local government; and public corporations<br>Parliament, the Royal Household and Auditor General excluded | Each government tier consolidated separately<br>Government business enterprises excluded | All government agencies consolidated<br>Government-owned enterprises and the General Pension Funds excluded |
| **Parliamentary scrutiny** | Public Accounts Committee (PAC)<br>Auditor General for each separate government | Finance and Expenditure Committee<br>Auditor General of the NZ Audit Office | Public Accounts Committee (PAC)<br>Treasury Committee<br>Comptroller and Auditor General | Standing Committee on Public Accounts (Committee of Parliament)<br>Treasury Board (Cabinet committee) | Swedish National Audit Office<br>The Swedish National Financial Management Authority or ESV (Ekonomistyringsverket) |
| **Publication record** | NSW: Since 1993<br>Commonwealth: Since<br>1998. Other states and territories 1995– 2003 | Since 1992 | WGA 2009/10<br>WGA 2010/11<br>WGA 2011/12 | Public Accounts of Canada 1995 – 2013 | Central Government consolidated accounts published since 1996 |
| **Latest accounts:** | WGR 2012-2013 | WGR 2012/2013 | WGA 2012/13<br>Total assets: £1.3tr.<br>Total liabilities: £2.6tr. | Public Accounts of Canada 2012/13<br>Total assets: C$408bn.<br>Total liabilities: C$1,011bn. | Annual accounts of government (Statens resultaträkning, 2012)<br>Total assets: SEK 1,285,078 million<br>Total liabilities: SEK 1,177,631 million |

In the UK at least, parliament has become more interested now that WGAs have been published for three years, but much remains unanswered about how WGA will bridge the divide with the budgetary process. This was also a question grappled within the Australian system where the dual bottom line reporting caused confusion among parliamentarians.

In reflecting on the identity of the real users, and how they use consolidated accounts, this report has, through the questions raised, emphasised the need to re-examine institutional structures and processes that produce consolidation accounts. However well intentioned, the existence of users that are assumed, imagined or constructed from the perspective of governments or standard-setters needs to be tested against the real world. Pertinent questions can be raised over the capability of real world users (whoever they are and wherever they may be) to use consolidation accounting reports to hold governments to account – do they have the requisite ability to understand and interpret the accounts and are they able to exert the requisite power to demand changes, like private sector users who can exercise their right to exit (eg sell shares) or use their voice (eg voting on executive remuneration). In a proposed extension to this study, the present researchers will try to answer to the questions raised here by seeking out these real users and providing a better understanding of the issues that affect their use of consolidated public sector accounts.

# References


Arnaboldi, M. and Lapsley, I. (2009), 'On the Implementation of Accrual Accounting: A Study of Conflict and Ambiguity', *European Accounting Review*, 18 (4): 809–36.

Aucoin, P. (2012), 'New Political Governance in Westminster Systems: Impartial Public Administration and Management Performance at Risk', *Governance: An International Journal of Policy, Administration, and Institutions*, 25 (2): 177–99.

Australian Bureau of Statistics (2000), *Information paper – accruals-based government and finance statistics*, (Canberra: AGPS).

AARF (Australian Accounting Research Foundation) and PSASB (Public Sector Accounting Standards Board) (1996), *AAS 29 Financial Reporting by Government Departments* (PSASB), June (now withdrawn).

Baker, R. and Rennie, M. D. (2006), 'Forces Leading to the Adoption of Accrual Accounting by the Canadian Federal Government: An Institutional Perspective', *Canadian Accounting Perspectives,* 5 (1): 83–112.

Ball, I. (1994), 'Reinventing Government: Lessons from the New Zealand Government Treasury', *The Government Accountant's Journal,* No. XLIII, Fall: 19–28.

Barrett, P. (1996), 'ANAO Plays a Key Role in the Development of Government Reporting', *Australian CPA*, 66 (2): 56–7.

Barrett, P. (2001), 'Wealth of the Country', Speech to the National Public Sector Convention, 29 March.

Barrett, P. (2004),'Developments in Government Accounting and Auditing in Australia', Presentation for the Institute of Chartered Accountants of India, 12 March.

Barton, A. (1999), 'Public and Private Sector Accounting – The Non-identical Twins' *Australian Accounting Review,* 9 (2): 22–31.

Barton, A. (2002),'Public Sector Accounting: A Common Reporting Framework? A Rejoinder', *Australian Accounting Review,* 12 (3): 41–5.

Barton, A. (2005), 'Professional Accounting Standards and the Public Sector – A Mismatch ' *Abacus*, 41 (2): 138–58.

Barton, A. (2009), 'The Use and Abuse of Accounting in the Public Sector Financial Management Reform Program in Australia', *Abacus*, 45 (1): 221–48.

Barton, A. (2011) 'Why Government Should Use the Government Finance Statistic Accounting System, *Abacus*, 47 (4): 411–44.

Beauchamp (2009), 'Municipalities on the Move', *CA* Magazine <http://www.camagazine.com/archives/print-edition/2009/sep/regulars/camagazine29518.aspx>, accessed 7 March 2014.

Bergevärn, L.E. and Olson, O. (1989), 'Reform and Myths – A History of Swedish Municipal Accounting', *Accounting, Auditing and Accountability Journal*, 2 (3), 22–39.

Bergevärn, L-E., Mellemvik, F. and Olson, O. (1995) 'Institutionalization of municipal accounting – A comparative study between Sweden and Norway', *Scandinavian Journal of Management*, 11 (1), 25–41.

Brorström, B. (1982). Planeringspolitik eller resultatpolitik : Användning och utformning av kommunala bokslut. Karlshamn, Doxa Ekonomi, 1982.

Brorström, B. and Olson, O. (1985), 'Accounting Models as an Inquiring System in Local Government', *Financial Accountability & Management*, 1 (2): 129–43.

Brazier, A. (2007), 'The Fiscal Maze: Parliament, Government and Public Money', *Parliamentary Affairs*, 60 (2): 346–55.

Canadian Audit Office (1995), *Towards Better Governance: Public Sector Reform in New Zealand (1984–1994) and its Relevance to Canada* (Ottawa: OAG).

Canada, Department of Justice (1867), *Constitution Act*, <http://laws.justice.gc.ca/eng/Const/Const_index.html>, accessed 9 March 2014.

Canada, House of Commons (2006), *Public Accounts 2006*, Report of the Standing Committee on Public Accounts <http://www.parl.gc.ca/HousePublications/Publication.aspx?DocId=2560008&Language=E&Mode=1&Parl=39&Ses=1>, accessed 31 May 2014.

Canada, Royal Commission on Government Organization (1962), *Report of Royal Commission on Government Organization* <http://epe.lac-bac.gc.ca/100/200/301/pco-bcp/commissions-ef/glassco1962-eng/glassco1962-eng.htm>, accessed 31 May 2014.

Canada, Royal Commission on Financial Management and Accountability (1979), *Report of Royal Commission on Financial Management and Accountability*, <http://epe.lac-bac.gc.ca/100/200/301/pco-bcp/commissions-ef/lambert1979-eng/lambert1979-eng.htm>, accessed 31 May 2014.

Carlin, T. (2005), 'Debating the Impact of Accrual Accounting and Reporting in the Public Sector', *Financial Accountability & Management*, 21 (3): 309–36.

Carnegie, G.H. and West, B. (2003), 'How Well Does Accrual Accounting Fit the Public Sector?', *Australian Journal of Public Administration*, 62 (2): 83–6.

Carnegie, G. and Wolnizer, P. W. (1999), 'Unravelling the Rhetoric about the Financial Reporting of Public Collections as Assets', *Australian Accounting Review*, 9 (1): 16–21.

Challen, D. and Jeffery, C. (2003), 'Harmonisation of Government Finance Statistics and Generally Accepted Accounting Principles' *Australian Accounting Review*, 13 (2): 48–52.

Chartered Professional Accountants (CPA) Canada (2014), *CPA Public Sector Accounting (PSA) Handbook* <http://edu.knotia.ca.proxy.library.carleton.ca/knowledge/ Home.aspx?productid=1>, accessed 24 February 2014.

Chow, D.S.L., Humphrey, C. and Moll, J. (2007), 'Developing Whole of Government Accounting in the UK: Grand Claims, Practical Complexities and a Suggested Future Research Agenda,' *Financial Accountability and Management*, 23 (1): 27–54.

Chow, D.S.L., Humphrey, C. and Moll, J. (2008), *Whole of Government Accounting in the UK*, ACCA Research Report No. 101 (London: Certified Accountants Educational Trust).

Christensen, M. (2002), 'Accrual Accounting in the Public Sector: The Case of the New South Wales Government', *Accounting History*, 7 (2): 93–124.

Christensen, M. (2003), 'Without Reinventing the Wheel: Business Accounting Applied to the Public Sector', *Australian Accounting Review*, 13 (2): 22–7.

Christensen, M. (2005), 'The Third Hand: Private Sector Consultants in Public Sector Accounting Change' *European Accounting Review*, 13 (3): 447–74.

CICA (Canadian Institute of Chartered Accountants) (2004), *Accounting Bases Used in Canadian Government Budgeting*, Research report (Toronto).

CICA (2009), *Entity Level Financial Statements: Statement of Principles*, <http://www.docstoc.com/docs/45108864/Entity-Level-Financial-Statements>, accessed 30 May 2014.

CICA (2011), *Public Sector Accounting Board 2010–2011 Annual Report* <http://www.frascanada.ca/public-sector-accounting-board/news-and-publications/annual-reports/item53328.pdf>, accessed 31 May 2014.

Comptroller and Auditor General (1995), *Resource Accounting and Budgeting in Government*, Session 1994–95, HC 123 (London: HMSO).

CPA Canada (2014), *CPA Public Sector Accounting Handbook* <http://edu.knotia.ca.proxy.library.carleton.ca/knowledge/Home.aspx?productid=1>, accessed 24 February 2014

Day, R. and Guthrie, J. (2008), 'Whole-of-Government Reports in Australia: Early Adoption within a Changing Regulatory Environment', Whole of Government Reporting: International Trends Workshop, Siena, 31 August to 2 October.

Day, R. (2009), 'Implementation of Whole-of-Government Reports in Australia', *Public Money and Management*, 29 (4): 229–34.

Day, R. (2011), 'Dual Accrual Budget Reporting Pathways: The Australian Experience of Divergence and Convergence: 2000–2009', 13th Biennial – Comparative International Governmental Accounting Research (CIGAR) Conference: Bridging public sector and non-profit sector accounting, Ghent, Belgium, June.

Ellwood, S. and Newberry, S. (2006), 'A Bridge Too Far: A Common Conceptual Framework for Commercial and Public Benefit Entities', *Accounting and Business Research*, 36 (1): 19–32.

Ernst & Young (2012), *Overview and Comparison of Public Accounting and Auditing Practices in the 27 EU Member States*, Prepared for EuroStat, 19 December.

ESV (The Swedish Financial Management Authority/ Ekonomistyrningsverket) (2001), *Accrual Accounting in Swedish Central Government*.

ESV (2013), *Comparison with International Accounting Standards, etc*, Report to the Swedish government.

Funnell, W. and Cooper, K. (1998), *Public Sector Accounting and Accountability in Australia* (University of NSW Press: Sydney.

Goldfinch, S. (1998) 'Evaluating Public Sector Reforms in New Zealand' Have the Benefits Been Oversold?', *Asian Journal of Public Administration*, 20 (December): 203–32.

Grossi, G. and Tagesson, T. (2007), *Consolidated Financial Reports in Local Government: A Comparative Analysis of IPSASB and SCMA*, Working Paper Series 2007:4 (Kristianstad: Kristianstad University College).

Guthrie, J. (1998), 'Application of Accrual Accounting in the Australian Public Sector – Rhetoric or Reality?', *Financial Accountability and Management*, 14 (1):.1–18.

Heald, D. and Georgiou, G. (2009), 'Whole of Government Accounts Developments in the UK: Conceptual, Technical and Timetable Issues', *Public Money and Management*, 29 (4): 219–27.

Heald, D. and Georgiou, G. (2011), 'The Macro-Fiscal Role of the U.K. Whole of Government Account,' *Abacus*, 47 (4): 446–76

HM Treasury (1998), *Whole of Government Accounts* (London: HM Treasury).

HM Treasury (2003), *Long-term Public Finance Report: Fiscal Sustainability with an Ageing Population*, December (London: TSO).

Hood, C. (1995), 'The New Public Management in the 1980s: Variations on a Theme', *Accounting Organizations and Society*, 20 (2–3): 93–109.

Independent Review Panel on Modernization of Comptrollership in the Government of Canada (1997), *Report of the Independent Review Panel on Modernization of Comptrollership in the Government of Canada*, No. BT22-52/1997E (Ottawa: Government of Canada).

Jones Denning, M. (2003), 'Multi-message Model', *CA Magazine* (April): 41–4.

Jones, S. and Puglisi, N. (1997), 'The Relevance of AAS 29 to the Australian Public Sector: A Cause for Doubt', *Abacas*, 33 (1): 115–32.

Joyce, M. (2008), *Prudent Budget Planning and Budgetary Process Effectiveness: The Canadian Federal Government's Experience*, Working Paper 47 <http://www.queensu.ca/sps/publications/workingpapers/47-Joyce.pdf>, 31 May 2014

Joyce, M. (2011), 'Performance Information and Innovation in the Canadian Government', in Graham, A. (ed.), *Innovations in Public Expenditure Management: Country Cases from the Commonwealth* (London: Commonwealth Secretariat/The Institute of Public Administration of Canada), 13–28.

Kober, R., Lee, J. and Ng, J. (2010), 'Mind Your Accruals: Perceived Usefulness of Financial Information in the Australian Public Sector under Different Accounting Systems', *Financial Management and Accountability*, 26 (3), August: 267–96.

Kober, R., Lee, J. and Ng, J. (2013), 'GAAP, GFS and AASB 1049 Perceptions of Public Stakeholders', *Accounting and Finance*, 53: 471–96.

Lapsley, I., Mussari, R. and Paulsson, G. (2009), On the Adoption of Accrual Accounting in the Public Sector: A Self-evident and Problematic Reform, *European Accounting Review*, 18 (4): 719–23.

Laughlin, R. and Pallot, J. (1998), 'Trends, Patterns and Influencing Factors: Some Reflections' in Olson, O., Guthrie, J., and Humphrey, C. (eds), *Global Warning: International Financial Management Changes* (Bergen, Norway: Cappelan Akademisk Forlag), 376–99.

Lye, J. (1998), 'The Evolution of Crown Financial Statements in New Zealand', The University of Melbourne Research Seminar, February.

Lye, J., Perera, H., and Rahman, A. (2005), 'The Evolution of Accrual-Based Crown (Government) Financial Statements in New Zealand', *Accounting, Auditing and Accountability Journal*, 18 (6): 780–815.

Mack. J. and Ryan, C. (2006), 'Reflections on the Theoretical Underpinnings of the General-purpose Financial Reports of Australian Government Departments', *Accounting, Auditing and Accountability Journal*, 19 (4): 592–612.

Mattisson, O., Näsi, S. and Tagesson, T. (2004), 'Accounting Innovations in the Public Sector – A Comparative Analysis of the Accrual Accounting Reform Process in the Swedish and Finnish Local Governments', Paper presented at the 27th

Annual Congress of the European Accounting Association, 1–3 April, Prague, Czech Republic.

McCulloch, B. and Ball, I. (1992), 'Accounting in the Context of Public Sector Management Reforms', *Financial Accountability & Management*, 8 (1): 7–12.

McKinley, P. (2000), 'New Zealand Reforms – They Worked in Theory: What About the Practice?', Presentation by Peter McKinley, McKinley Douglas Limited, for the Hong Kong Civil Service Training and Development Institute November.

Mellor, T. (1996), 'Why Governments Should Produce Balance Sheets' *Australian Journal of Public Administration*, 55 (1): 78–81.

Micallef, F. (1997), 'AAS 31 – Drawing the Big Picture', *Australian CPA*, 67 (2): 38–9.

Newberry, S. (2003), 'Sector Neutrality and NPM Incentives: Their Use in Eroding the Public Sector', *Australian Accounting Review*, 13 (2): 28–34.

Newberry, S. and Pont-Newby, S. (2009), 'Whole of Government Accounting in New Zealand: The Ownership Form of Control', *Public Money and Management*, 29 (4): 235–42.

Noe, P. C. and Ross, A. C. (2004), *The Law of Municipal Finance* (Markham: LexisNexis, Canada).

OAGC (Office of Auditor General of Canada) (2002), 'Chapter 5, Financial Management and Control in the Government of Canada' in *The Report of the Auditor General of Canada to the House of Commons* <http://www.oag-bvg.gc.ca/internet/docs/20021205ce.pdf>, accessed 9 March 2014.

OAGC (2006), 'Chapter 1: Managing Government Financial Information' <http://www.oag-bvg.gc.ca/internet/English/parl_oag_200605_01_e_14958.html>, accessed 9 March 2014.

OAGC (2010), *Opening Statement to the Standing Committee on Public Accounts, Audited Departmental Financial Statements* <http://www.oag-bvg.gc.ca/internet/English/osh_20101021_e_34334.html>, accessed 10 March 2014.

OAGC (2011), 'Chapter 1: Managing Government Financial Information'. <http://www.oag-bvg.gc.ca/internet/English/parl_oag_200605_01_e_14958.html>, accessed 13 March 2014.

Ohemeng, F. L. K. (2014), 'New Public Governance: The Changing Landscape of Canadian Public Administration', in C. Conteh and I. Roberge (eds), *Canadian Public Administration in the 21st Century* (New York, NY: CRC Press), 21–40.

Olson, O. and Sahlin-Andersson, K. (1998), 'Accounting Transformation in an Advanced Welfare State: The Case of Sweden published in Olson et al., *Global warning: debating international developments in new public financial management* (Oslo: Cappelen Akad. Forlag).

Pallot, J. (1994), 'The Development of Accrual-based Accounts for the Government of New Zealand', *Advances in International Accounting*, 7: 289–310.

Pallot, J. (1996), 'Innovations in National Government Accounting and Budgeting in New Zealand, *Research in Government Nonprofit Accounting*, 9: 323–48.

Pallot, J. (2001) 'A Decade in Review: New Zealand's Experience with Resource Accounting and Budgeting', *Financial Accountability & Management* 17 (4): 383–400.

Paulsson, G. (2006), 'Accrual Accounting in the Public Sector: Experiences from the Central Government in Sweden', *Financial Accountability & Management*, 22 (1): 47–62.

Pina, V., Torres, L. and Yetano, A. (2009), Accrual Accounting in EU Local Governments: One Method, Several Approaches, *European Accounting Review*, 18 (4): 765–807.

Pollanen, R. (2002), 'Importance of Financial Statements and Reporting for the Government of Canada', *FMI Journal*, 13 (3): 26–9.

Pollanen, R. and Loiselle-Lapointe, K. (2012), 'Accounting Reform in the Government of Canada: Exploratory Evidence on Accrual Accounting Adoption and Impact), *Financial Accountability & Management*, 28 (4): 359– 77.

Pollitt, C. and Bouckaert, G. (2004), *Public Management Reform: A Comparative Analysis* (2nd ed.) (New York: Oxford University Press).

Public Accounts Committee (UK) (2013), "HM Treasury: Whole of Government Accounts 2010–11," Thirty-seventh Report of Session 2012–13, HC 867 (HMSO).

Public Sector Committee (PSC) (1994), *Implementing Accrual Accounting in Government: The New Zealand Experience*, occasional paper no. 1 (International Federation of Accountants)

Public Sector Committee (PSC) (2003), *Auditing Whole of Government Financial Statements: The New Zealand Experience*, occasional paper no. 2 (International Fedration of Accountants).

Robb, A. and Newberry, S. (2007), 'Globalization: Governmental Accounting and International Financial Reporting Standards', *Socio-Economic Review*, 5 (4): 725–54.

Shepherd, R. (2011), 'Departmental Audit Committees and Governance: Making Management and Accountability the Priority from the Top Down', *Canadian Public Administration*, 54 (2): 277–304.

Statens resultaträkning (2012), Statens resultaträkning, balansräkning och finansieringsanalys, m. m., – del av ESV:s underlag för årsredovisning för staten 2012, ESV 2013:24

Simpkins, K. (1998), 'Budgeting and Accounting Issues – New Zealand', Presentation to the International Federation of Accountants Committee: Executive Forum, Washington DC, April 30.

Suzuki, T. (2003), 'The epistemology of macroeconomic reality: The Keynesian Revolution from an accounting point of view,' *Accounting, Organizations and Society,* 28: 471–517.

Svenska Kommunforbundet (1989), Koncernredovisning for kommuner (Consolidated reporting in municipalities). (Stockholm: Svenska Kommunforbundet ).

United Nations, Eurostat, International Monetary Fund, Organization for Economic Cooperation and Development, and The World Bank (1993), *System of National Accounts 1993, Series F, No. 2, Rev. 4*, (New York: United Nations).

Walker, R. G. (1989), 'Should There Be Common Standards for the Public and Private Sectors?' in Guthrie, J., Parker, L. and Shand, D. (eds), *The Public Sector: Contemporary Readings in Accounting and Auditing* (Sydney: Harcourt Brace Jovanchovich).

Walker, R.G. (2009), 'Public Sector Consolidated Statements – an Assessment', *Abacas*, 45 (2): 171–220.

Walker, R.G. (2011), 'Issues in the Preparation Public Sector Consolidated Statements', *Abacas*, 47 (4): 477–500.

Wines, G. and Scarborough, H. (2006), 'Comparing Australian Commonwealth, State and Territory, Budget Balance Numbers', *Australian Journal of Public Administration Australia*, 65 (3): 74–89.

TECH-TP-WOGA

**ACCA** 29 Lincoln's Inn Fields London WC2A 3EE United Kingdom / +44 (0)20 7059 5000 / www.accaglobal.com