



Introduction: The Gordian knot of public sector accounting and the role of the International Public Sector Accounting Standards

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The international framework: accrual accounting prevalence

European countries, as well as other countries worldwide, have recently witnessed profound changes in their accounting systems at all levels of government. These reforms have at their core the need for high-quality and relevant financial information that would eventually be used for transparency and accountability purposes. They have mainly been inspired by the private sector and they encapsulate almost unanimously the application of accrual accounting (Lapsley et al., 2009). In their effort to develop a robust accrual accounting reference framework, several countries have considered the use of the International Public Sector Accounting Standards (IPSAS) as a benchmark of high-quality standards that enjoys international acceptance. Even if they would not adopt IPSAS, developing IPSAS-like standards would automatically elevate the perceived suitability and quality of their national standards. From another point of view, as the International Public Sector Accounting Standards Board (IPSASB) has no formal authority in imposing them, the adoption of the IPSAS by local and central governments would be completely voluntary. However, early voluntary adoptions could influence other countries around the world and, in this sense, IPSAS served

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as an important stimulus for the harmonization of financial accounting systems in the public sector (Benito et al., 2007).

Academia has been active in assessing public sector accounting reforms. Apart from supporters of the transition to accrual accounting, some scholars highlight that accrual-based accounting would not necessarily be consistent with the main characteristic of public entities (Christiaens and Rommel, 2008; Mack and Ryan, 2006). However, the criticism against accrual accounting has recently decreased, although it has not disappeared judging by the number of papers raising this concern. The main focus of the discussion is now placed not on the question as to whether accrual accounting actually fits the public sector, but on the choice of the most adequate set of accrual accounting standards. In this new debate, the IPSAS hold a predominant position.

At the institutional level, the European Commission and other international and supranational organizations (such as the Organisation for Economic Co-operation and Development [OECD], the North Atlantic Treaty Organization [NATO], the United Nations and Interpol) have promoted and supported the modernization of their financial management and accountability. Furthermore, all of them have adopted accrual accounting systems that are IPSAS-compliant (Bergmann, 2009; Grossi and Soverchia, 2011).

The demand for international harmonization and the role of the IPSAS

The need to achieve a wide comparability at the international level, coupled with the demand for common fiscal and economic policies, has created a request for a new accountability in public administrations, aiming at harmonizing different accounting methodologies and systems in order to obtain comparable financial reporting. For example, in the European Union, under the pressure of the financial crisis, the need for a common set of accounting principles eligible to further support fiscal and budgetary integration among countries has been prioritized in the Commission's policy agenda. While there is an ongoing debate about the merits of public sector harmonization, about its effects, advantages and disadvantages, the IPSAS stand out as a possible harmonization option either in their present form or partly altered, forming a separate distinguishable set of standards to meet specific needs.

This latter option is promoted by the European Union. Even though Eurostat recognises the pivotal role of IPSAS in the path towards harmonization, the need for the development of a set of European Public Sector Accounting Standards (EPSAS) has been raised. However, the road towards harmonization is long and winding, considering that, as recent research has demonstrated (Brusca et al., 2015; Christiaens et al., 2015), public sector accounting in Europe is a pluralistic mosaic, where different accounting systems exist not only among countries, but also sometimes among different governmental levels in the same country. This has been considered a consequence of the accounting environment, legal system and traditions (Hopwood, 1990; Lüder, 1992; Otley, 1980).

However, in the IPSAS or EPSAS dilemma, there are also alternative approaches supporting the coexistence of different financial reporting standards (Manes Rossi et al., 2016) that deserve further attention and possibly empirical studies to test their actual *pros* and *cons*. While the preparation of financial reporting based on IPSAS or EPSAS could be required to satisfy the need for harmonization, each country, in parallel, could be able to choose to keep its national reports and accounting standards as long as they were considered useful for policy shaping and decision-making. Accordingly, the adoption of international accounting principles for governmental reporting does not need to supersede all existing accounting tools currently in use for reporting or for decision-making purposes. A separation between mandatory reporting under the harmonized set of standards and alternative accounting reports preserving national characteristics and preferences would be sustained.

Aims of the symposium and contributions

This symposium aims to discuss some experiences in the adoption of IPSAS and the challenges for the adoption of EPSAS, but also to propose a possible path for further research in public sector accounting. To this end, the contributions presented explore the reasons that led to the adoption of IPSAS and even accrual accounting, as well as examine different tools through the lens of international standards, in a critical approach.

Brusca and Martínez analyse what is the state of the art and which factors have influenced the adoption of the IPSAS, as well as the main advantages that the implementation can achieve in practice, by focusing on the views of both American and European Union countries. Some stimuli have been identified for a national government's decision to adopt IPSAS – as well as barriers that threaten this adoption. According to the authors, there are differences in the way IPSAS are perceived by different countries. While both adopting and non-adopting countries value the characteristic of comparability as the direct benefit stemming from IPSAS implementation, many American countries, especially Latin-American ones, consider IPSAS as a tool for modernizing governmental accounting, while European Union countries show diverse opinions on their role.

The effort to introduce IPSAS in Malta provides valuable input on the circumstances that led to the implementation of accrual accounting standards. Jones and Caruana discuss the decision of the central government of Malta to embark on an accrual-based accounting reform since 1999. Originally, the accrual-based accounting reform envisaged developing and implementing a tailor-made set of accounting standards that, while developed, were never implemented. In 2011, the central government of Malta decided to adopt IPSAS instead. This study tries to identify the underlying factors that led to this decision. Jones and Caruana conclude that – differently to previous studies – the credibility provided by the adoption of internationally recognised and accepted standards is regarded as the most important factor in this decision.

Additionally, technical aspects of IPSAS are discussed in the contribution of Bergmann, Grossi, Rauskala and Fuchs on the consolidated financial statements published by central governments. The authors offer an overview of consolidation approaches in OECD countries, comparing legal requirements and standards for consolidation, as well as criteria adopted to define the perimeters of consolidation, using IPSAS as a benchmark. The need for more harmonised accounting practices has also involved consolidated financial statements, where public sector peculiarities require a careful consideration of the concept of control. The research focuses on 13 OECD member states following accrual accounting in accordance with IPSAS or comparable National Accounting Standards, but also offers an overview of 10 other OECD countries to extract general OECD practice. Interesting insights are presented about the scope of consolidation, the methods adopted and the perimeters of consolidation in the analysed countries; the possibility to develop specific EPSAS based on the experience already undertaken in Europe is also discussed.

Main findings and outlook

The three studies presented in the Symposium pave the way for further reflections and studies on the future steps needed in order to adopt of a common set of accrual-based standards for the public sector, possibly developed considering the specific features and reporting needs of European countries.

The experiences presented highlight that the adoption of IPSAS is well received in those contexts where the need for credibility is stronger (see Jones and Caruana, this issue): in these countries, the will to adhere to a well-established accounting framework as a means of gaining international acceptance has been the main driver for the adoption of IPSAS. On the other hand, there are contexts where accrual accounting has a long tradition but the strict approach followed by the IPSASB in setting its standards (Fuentes, 2008) creates difficulties and resistance to their implementation (Oulasvirta, 2014).

Another obstacle to the introduction of a common set of accrual accounting standards is the consideration devoted to the budget: in many countries, politicians and managers consider the budget as the basis for decision-making and this tool is often prepared according to the cash or modified-cash basis. Unless accrual accounting information gains equal importance in policy and decision-making, its prioritization is not self-evident.

The move towards accrual-based international accounting standards has to overcome a long list of obstacles related to the high costs of implementing a different accounting system, the costs of educating civil servants in accrual accounting, investments in proper information and communication technologies, and so on. Not all European countries start the journey from the same point and the time and resource requirements are therefore significantly different.

Moreover, another area deserving investigation refers to the effects caused by austerity measures and budget cuts on accounting reforms: while in some cases,

they may have slowed down the resource-consuming reform processes, in others they may have acted as accelerators to reforms as a means to overcome the crisis.

Finally the fact that changing accounting standards is not only a technical matter, but also a cultural issue, should be taken into consideration. Should IPSAS or EPSAS replace national standards or is there a possibility of a beneficial coexistence? This would open a new research agenda, urging scholars to empirically test the effects of the coexistence of two parallel systems, one attuned to favour harmonization and integration – and consequently consolidation – and the other supporting the definition of national policies and decision-making.

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