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INSTITUTO UNIVERSITÁRIO DE LISBOA

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European Group for Public Administration    Groupe Européen pour l'Administration Publique

**New challenges for Public Sector Accounting:  
IPSASs, Budgetary Reporting and National Accounts**  
Lisbon, May 8-9, 2014

## **Book of Abstracts**

**Instituto Universitário de Lisboa (ISCTE-IUL)**

ISCTE Business School

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**Title:** New Challenges for Public Sector Accounting: IPSASs, Budgetary Reporting and National Accounts

Abstracts of the 2014 EGPA Spring Workshop, XII Permanent Study Group Public Sector Financial Management, ISCTE-IUL

**Editors:** Maria Antónia Jesus – Instituto Universitário de Lisboa (ISCTE-IUL)  
Susana Jorge – University of Coimbra (FEUC), NEAPP-UMinho  
Raul M. S. Laureano – Instituto Universitário de Lisboa (ISCTE-IUL)  
Ilídio Lopes – Instituto Universitário de Lisboa (ISCTE-IUL)

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## Welcome address

Dear participants,

Welcome to the EGPA PSG XII Spring workshop, EGPA Lisbon 2014!

The broad topic of the event is

### **New challenges for public sector accounting: IPSASs, Budgetary Reporting and National Accounts**

Nowadays an important debate exists within the EU about the adoption or adaptation of IPSASs (namely through European Public Sector Accounting Standards – EPSASs) by EU member-States in order to get high-quality financial reporting by governments. Given that the macro accounting information (National Accounts – NA), whose outputs are used to control and assess the Maastricht Treaty criteria, is derived from micro accounting (Governmental Accounting – GA), good quality reporting systems for accounting at micro level are demanded to assure debt and deficit data at accruals-based macro-accounting level.

This debate also requests a harmonised micro-accounting system to obtain more transparency and quality in GA across the EU member-States so that governmental accounts are more reliable and trustable to investors in capital markets, and macroeconomic aggregates reported by these countries may be comparable and accurate. Nevertheless, one remaining question is whether the IPSASs approach, covering financial reporting systems, is the most suitable to avoid problems of deficit and debt reporting, considering that information to NA is obtained from the micro budgetary accounting systems, mainly cash-based, hence requiring for adjustments when translating data from micro into macro accounting. Therefore, comparability and accuracy problems remain regarding reporting within NA framework.

This is particularly relevant in the current context of financial crisis, when a government does not accomplish the deficit and debt levels under the EU fiscal surveillance requirements, questioning the quality of those ratios reported based on NA data.

The relationship between governmental accounting, budgetary reporting and NA is also an important concern worldwide, outside the EU context, given that supranational communities and entities (e.g. OECD, IMF, ...), as well as donor agencies, often assess governments' performance on the basis of their National Accounts, prepared under the SNA2008 framework and following an accrual basis regime. Adding to this issue is the fact that many developing countries apply the cash-based IPSAS, so again adjustments when translating data from micro into macro accounting are required, raising questions about the reliability of the information finally reported.

The challenge launched seems to have caught the interest of many authors, making the choice of presentations a hard task for the Scientific Committee. Still, we believe we were able to select a wide range of very interesting papers that will allow vividly

and stimulating discussions during the sessions. The twenty papers finally accepted have been organised in five topics: Fiscal Policy and Budgetary Reporting, IPSASs and Harmonization in PSA, Governmental Accounting and National Accounts, EPSAS and PSA in Europe, and Accountability and Consolidation. Additionally we were able to accept a poster, which seems to be an innovative model of presentation in EGPA PSG XII events. Despite the European focus, we also have contributions from Indonesia, Egypt and USA. Finally, we can also count with the expertise of national and international keynote speakers of the most important authorities currently involved in new challenges and reforms faced by public sector accounting worldwide.

We trust that all this will contribute to a successful workshop that we were very happy to organize, so we have to thank to the EGPA PSG XII co-chairs for the opportunity.

We hope we all can enjoy.

So, again, welcome to this workshop, welcome to ISCTE-IUL, and welcome to Lisbon!

Maria Antónia Jesus  
Susana Jorge

# Organisation

## Organising Committee

Maria Antónia Jesus – ISCTE Business School (antonia.jesus@iscte.pt)

Susana Jorge – University of Coimbra (FEUC), NEAPP-UMinho (susjor@fe.uc.pt)

Raul M. S. Laureano – ISCTE Business School (raul.laureano@iscte.pt)

Ilídio Lopes – ISCTE Business School (ilidio.tomas.lopes@iscte.pt)

## Scientific Committee

Isabel Brusca – University of Zaragoza (ibrusca@unizar.es)

Eugenio Caperchione – University of Modena and Reggio Emilia (cigar2009@unimore.it)

Sandra Cohen – Athens University of Economics and Business (scohen@aueb.gr)

Maria Antónia Jesus – ISCTE Business School (antonia.jesus@iscte.pt)

Susana Jorge – University of Coimbra (FEUC), NEAPP-UMinho (susjor@fe.uc.pt)

Francesca Manes Rossi – University of Salerno (fmanesrossi@unisa.it)

## Workshop Chairs

Maria Antónia Jesus – ISCTE Business School (antonia.jesus@iscte.pt)

Francesca Manes Rossi – University of Salerno (fmanesrossi@unisa.it)

Eugenio Caperchione – Modena & Reggio Emilia University (cigar2009@unimore.it)

Isabel Brusca – University of Zaragoza (ibrusca@unizar.es)

Susana Jorge – University of Coimbra (FEUC), NEAPP-UMinho (susjor@fe.uc.pt)

Sandra Cohen – Athens University of Economics and Business (scohen@aueb.gr)

Ilídio Lopes – ISCTE Business School (ilidio.tomas.lopes@iscte.pt)

## Support Team

Carla Firmino – Instituto Universitário de Lisboa (ISCTE-IUL)

Sofia Moura – Instituto Universitário de Lisboa (ISCTE-IUL)

Filipa Carvalhal – Instituto Universitário de Lisboa (ISCTE-IUL)

Ana Rita Queiroz – ISCTE Business School

Marlene Gonçalves – ISCTE Business School

We thank to all the students that under ISCTE – IUL social responsibility project supported this workshop.

## Journal

A special issue of *International Journal of Public Administration* will be published, gathering a symposium of 8 to 10 select papers of the workshop and due to come out by the end of 2014.

## Practicalities

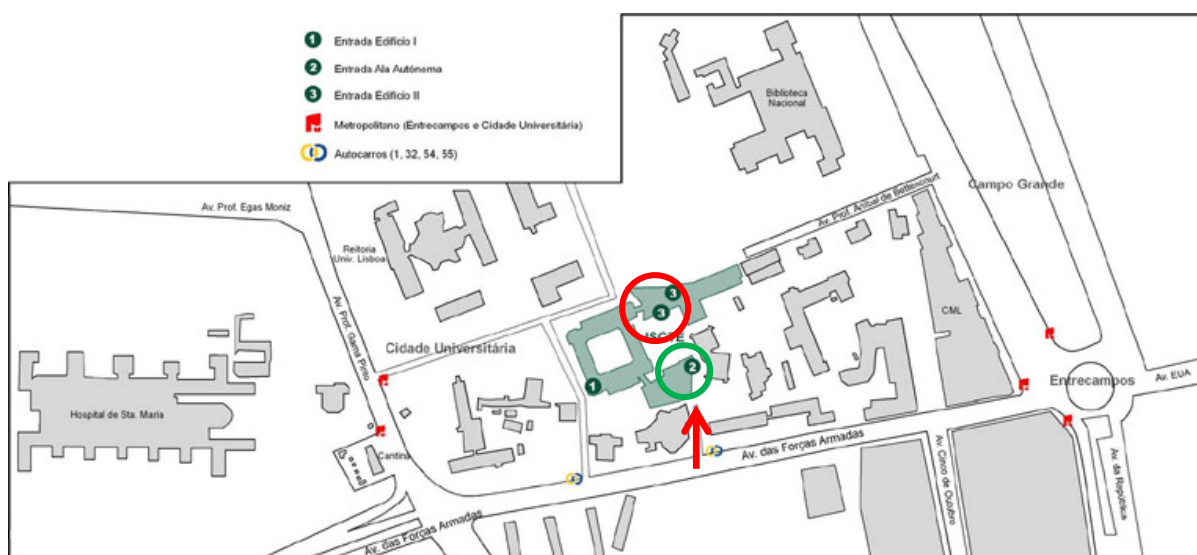
The conference venue is **ISCTE Business School**.

Address: Avenida das Forças Armadas, 1649-026 Lisbon

You must enter from Avenida das Forças Armadas, walk straight ahead until you find a patio and enter the building in front of you.

In the map below, the entrance is signed with a red arrow and the building Edifício II, number 3 signed with the red circle. You will enter Floor 2 and need to go down to Floor 1.

Please pay attention to the directional signage for the reception & registration desk and conference rooms placed in strategic points on each floor.



### Conference Venue Facilities

The Auditorium B103 and the Room C103 are in Floor 1, one floor below the entrance. The reception & registration desk will be in this floor near the elevators and coffee breaks are served in the hall near the conference rooms.

### Computer Facilities

If you have your own computer there are free Wi-Fi networks that you can connect to. If you are an academic, you can search for EDUROAM and connect using your own credentials.

Alternatively, you can look for ISCTE-IUL and connect using the password 12345678.

In case you need a computer, Room D111 is available near the conference rooms – User name: EGPA

Password: Lisbon. 2014

In both rooms of the conference computer and PowerPoint facilities are provided.

### Lunches and Dinner

Lunches and formal dinner are served in **Clube ISCTE-IUL** in Floor 4 of building Ala Autónoma, number 2 signed with a green circle in the map above.

# Program

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## May 8 – Thursday – Auditorium B103

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8:45 to 9:15am	Registration
9:15 to 9:30am	Welcome by the Head of Department/Dean of School
9:30 to 11:00am	<p><b>Luís Viana</b>, Deputy General-Director of Budget (Portugal)  <i>"The Role of Accounting in Public Financial Management"</i></p>
	<p><b>Maria Teresa Ferreira</b>, Senior Technician Expert in National Accounts, Court of Auditors (Portugal)  <i>"The Protocol on the Excessive Deficit Procedure - is the Respect of ESA Methodology Sufficient to Ensure Genuine Comparability of the Results?"</i></p>
	<p><b>Susana Jorge</b>, Professor at FEUC, Researcher at NEAPP-UM and Member of the Public Sector Accounting Standard Setting Committee (Portugal)  <i>"Public Sector Accounting in Portugal: Reforms Towards International and Business Accounting Harmonization"</i></p>
	Chair: <b>Maria Antónia Jesus</b>
11:00 to 11:30am	Coffee break
11:30 to 1:00pm	<p><b>Andreas Bergmann</b>, Full Professor at Zurich University of Applied Sciences, Chair of IPSASB  <i>"The New IPSAS Rules of the Road for GFS Alignment"</i></p>
	<p><b>Alexandre Makaronidis</b>, Head of Task force EPSAS – European Public Sector Accounting Standards  <i>"EPSAS – Developments and Challenges"</i></p>
	<p><b>Ali Farazmand</b>, Professor and Editor in Chief of the International Journal of Public Administration  <i>"Navigating through the High Sea Storms: How the Global Financial Crisis Affect the Future of Public Financial Management; an Institutional Analysis"</i></p>
	Chair: <b>Francesca Manes Rossi</b>
1:00 to 2:30pm	Lunch

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**May 8 – Thursday – Auditorium B103**

<b>2:30 to 4:00pm</b>	<b>Session 1   Chair:</b> Eugenio Caperchione   <b>TOPIC:</b> Fiscal Policy and Budgetary Reporting
	GOVERNMENTAL ACCOUNTING AND AUSTERITY POLICIES: ACCOUNTING REPRESENTATIONS OF PUBLIC DEBT AND DEFICIT IN EUROPE AND ABROAD (Yuri Biondi, Cnrs – ESCP Europe, France)
	DYNAMICS OF EU-MEMBER STATES' RELATIONS IN MANAGING THE EUROPEAN FINANCIAL CRISIS: A THEORETICAL AND INSTITUTIONAL ANALYSIS WITH IMPLICATIONS FOR GOVERNANCE AND PUBLIC ADMINISTRATION (Parisa Faridian and Ali Farazmand, Florida Atlantic University, USA)
	REPORTING ON THE LONG-TERM FISCAL SUSTAINABILITY OF PUBLIC FINANCES AT THE SUBNATIONAL LEVEL IN SWITZERLAND (Andreas Bergmann, Iris Rauskala, Sandra Fuhrmann, ZUAS School of Management and Law, Switzerland; and Robin Braun, E&Y, Switzerland)
	DO NASTY AND PLEASANT SURPRISES REGARDING TAX REVENUE EXPLAIN UNDER AND OVERSPENDING? THE CASE OF THE SWISS CANTONS (Nils Soguel and Cécile Ecabert, University of Lausanne, Switzerland)
<b>4:00 to 4.30pm</b>	<b>Coffee break</b>
<b>4:30 to 6:00pm</b>	<b>Session 2   Chair:</b> Isabel Brusca   <b>TOPIC:</b> IPSASs and Harmonization in PSA
	THE INTERNATIONALLY STANDARDIZED PROCESS OF PUBLIC ACCOUNTING: THE PERSPECTIVE OF DIFFERENT STAKEHOLDERS IN PORTUGAL (Patrícia Gomes, Maria José Fernandes and João Carvalho, Polytechnic Institute of Cávado and Ave (IPCA), Portugal)
	DEVELOPMENTS IN PUBLIC SECTOR ACCOUNTING HARMONIZATION PROCESS: THE CROATIAN EXPERIENCE (Gorana Roje, Centre for Public and Nonprofit Sector Development, Croatia; Vesna Vašiček, Faculty of Economics and Business, University of Zagreb, Croatia and Davor Vašiček, Faculty of Economics, University of Rijeka, Croatia)
	MODERNIZING GOVERNMENTAL ACCOUNTING STANDARDS IN GREECE: A CASE OF "GARBAGE CAN" DECISION-MAKING (Sandra Cohen and Sotirios Karatzimas, Athens University of Economics and Business, Greece)
	THE AUTHORIZING FUNCTION OF BUDGETS IN PUBLIC ADMINISTRATION. THE APPLICABILITY OF IPSAS 24 IN ITALY (Fabio Giuglio Grandis and Giorgia Mattei, "Roma Tre" University, Italy)
<b>8:00 to 11:00pm</b>	<b>Formal dinner</b>

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**May 9 – Friday – Room C103**

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**9:00 to 11:00am****Session 3 | Chair:** Susana Jorge | **TOPIC:** Governmental Accounting and National Accounts

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BRIDGING GOVERNMENTAL ACCOUNTING REPORT & ECONOMIC REPORT: THE CASE OF LG IN INDONESIA

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(Indra Bastian, Gadjah Mada University, Indonesia)

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INFORMATION GAPS AND PUBLIC GOVERNANCE: WHAT ACCOUNTING FRAMEWORK FOR PUBLIC CORPORATIONS?

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(João Fonseca, IPSASB; and Virginia Granate, University of Aveiro, Portugal)

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THE POTENTIAL IMPACT OF ACCRUALS-BASED PUBLIC ACCOUNTING HARMONIZATION ON PUBLIC POLICY-MAKING FROM THE PERSPECTIVE OF NATIONAL GOVERNMENTS

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(Giovanna Dabbicco, Parthenope University, Naples, Italy)

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DO REALLY ACCRUAL NUMBERS AFFECT THE FINANCIAL MARKET? AN EMPIRICAL ANALYSIS OF ESA ACCOUNTS ACROSS EU

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(Alessandro Giosi, Sandro Brunelli and Marco Caiffa, University of Rome "Tor Vergata", Italy)

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**11:00 to 11:30am****Coffee break and poster presentation**

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ASSESSING THE VALUE OF ACCOUNTING INFORMATION FOR HERITAGE ASSETS MANAGEMENT: A PROPOSED FINANCIAL REPORTING INDEX FOR HERITAGE ASSETS MANAGEMENT

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(Nabiela Noaman and Hassan Ouda, German University of Cairo, Egypt; and Johan Christiaens, Ghent University, Belgium)

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**11:30 to 1:00pm****Session 4 | Chair:** Sandra Cohen | **TOPIC:** EPSAS and PSA in Europe

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EPSAS - WORRYING THE WRONG END OF THE STICK?

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(Rowan Jones, University of Birmingham, UK; and Josette Caruana, University of Malta, Malta)

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CONSTRUCTING A EUROPEAN GOVERNANCE SPACE: THE CASE OF HARMONISED PUBLIC SECTOR ACCOUNTING STANDARDS FOR EUROPEAN UNION MEMBER STATES

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(Caroline Aggestam, Copenhagen Business School, Denmark; Isabel Brusca, University of Zaragoza, Spain; and Danny Chow, University of Durham, UK)

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HERITAGE ASSETS FROM A USER NEEDS PERSPECTIVE: A COMPARATIVE ANALYSIS BETWEEN ITALY AND FLANDERS

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(Natalia Aversano, University of Salerno, Italy; Johan Christiaens and Tine Van Thielen, Ghent University, Belgium)

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ACCOUNTING FOR INFRASTRUCTURE ASSETS IN THE PUBLIC DOMAIN: AN ANALYSIS OF THE ACCOUNTING NORMS IN EUROPEAN COUNTRIES

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(Magdalena Kuntner, Vienna University of Economics and Business, Austria)

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**1:00 to 2:00pm****Lunch**

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**May 9 – Friday – Room C103**

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**2:30 to 4:00pm**

**Session 5 | Chair:** Ilídio Lopes | **TOPIC:** Accountability and Consolidation

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PURSUING PRIVATE SECTOR ACCOUNTING AND ACCOUNTABILITY SYSTEMS IN THE PUBLIC SECTOR: THE CASE OF MUNICIPAL CONSOLIDATION

(Giuseppe Grossi, Kristianstad University, Sweden; and Iliana Steccolini, Bocconi University, Italy)

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THE DEFINITION OF CONTROL IN PUBLIC SECTOR CONSOLIDATED FINANCIAL STATEMENTS

(Marco Bisogno, Serena Santis and Aurelio Tommasetti, University of Salerno, Italy)

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THE INTRODUCTION OF PUBLIC SECTOR CONSOLIDATED FINANCIAL STATEMENTS

(Barbara Schallmeiner, Vienna University of Economics and Business (WU Wien), Austria)

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THE TRANSPARENCY AND THE DEMOCRACY OF LOCAL GOVERNMENTS: A SURVEY ON ITALIAN AND SPANISH MUNICIPALITIES' WEBSITES

(Isabel Brusca, University of Zaragoza, Spain; Francesca Manes Rossi and Natalia Aversano, University of Salerno, Italy)

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**4:00 to 4:30pm**

**Closing comments** (chairs of the 5 sessions) | **Chair:** Maria Antónia Jesus

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## List of participants

- 
- Alberto Nunes (alberto.nunes@dgo.pt) - DGO e CNCP
  - Alexandre Makaronidis (Alexandre.Makaronidis@ec.europa.eu) - Task Force EPSAS, European Commission, DG EUROSTAT
  - Ali Farazmand (afarazma@fau.edu) - Florida Atlantic University
  - Alper Deligezer (alper.deligezer@tkdk.gov.tr) - ARDSI
  - Ana Cristina Borges Gonçalves (marta.corrente@cfp.pt) - Conselho das Finanças Públicas
  - Ana Cristina Doutor Simões - Membro da OROC
  - Ana Luísa Duarte da Cruz (anadcruz@gmail.com) - Instituto Universitário de Lisboa
  - Anabela Rodrigues - Task Force EPSAS, European Commission, DG EUROSTAT
  - Andreas Bergmann (andreas.bergmann@zhaw.ch) - ZHAW School of management & Law
  - Anne Argent (jstittle@essex.ac.uk) - University of Essex
  - António Campos Pires Caiado - Membro da OROC
  - António Monteiro - Presidente da CNC
  - Barbara Schallmeiner (barbara.schallmeiner@wu.ac.at) - Vienna University of Economics and Business
  - Carlos Pereira (carlos.pereira@dgo.pt) - GAF MF - DGO
  - Carlos Bastos Rodrigues - Membro da OROC
  - Ceren Selanik (ceren.kiremitci@tkdk.gov.tr) - ARDSI
  - Claire Lewis (treasury.malta@gov.mt) - Ministry for Finance (The Treasury Department)
  - Cristina Mendes (angelina.ramos@tcontas.pt) - Direção-Geral do Tribunal de Contas
  - Daniela Sommer (daniela.sommer@bmf.gv.at) - Ministry of Finance
  - Eugenio Caperchione (cigar2009@unimore.it) - Modena & Reggio Emilia University
  - Filipe Sousa (filipe.sousa@dgo.pt) - GAF MF - DGO
  - Francesca Manes Rossi (fmanesrossi@unisa.it) - University of Salerno
  - Francisco Melo Albino - Membro da OROC
  - Giorgia Mattei (giorgia.mattei@uniroma3.it) - Università di Roma Tre
  - Giovanna Dabbicco (dabbicco@istat.it) - University of Naples Parthenope
  - Giuseppe Grossi (giuseppe.grossi@hkr.se) - Kristianstad University, Sweden
  - Gorana Roje (roje.gorana@gmail.com) - Centre for Public and Non-profit Sector Development
  - Hinrich Juerges (hinrich.juerges@ec.europa.eu) - Commission Européenne
-

- 
- Ihsan Bilici (ihsan.bilici@tkdk.gov.tr) - ARDSI
  - Ilídio Lopes (ilidio.tomas.lopes@iscte.pt) - Instituto Universitário de Lisboa
  - Indra Bastian Ibas (indra\_bastian@yahoo.com) - Accounting Department, Gadjah Mada University
  - Jari Sanaskoski (jari.sanaskoski@vtv.fi) - National Audit Office of Finland
  - Joao Carlos Fonseca (joaofonseca@ipsasb.org) - International Federation of Accountants
  - João Carvalho (jbccarvalho@gmail.com) - Presidente do IPCA e Membro do CNCP
  - Johan Christiaens (Johan.Christiaens@UGent.be) - Universiteit Gent
  - John Stittle (jstittle@essex.ac.uk) - University of Essex
  - José Azevedo Rodrigues - Bastonário da OROC
  - Josette Caruana (josette.caruana@um.edu.mt) - University of Malta
  - Luís Viana (luis.viana@dgo.pt) - Deputy General-Director of Budget, Portugal
  - Magdalena Kuntner (magdalena.kuntner@wu.ac.at) - Vienna University of Economics and Business (WU Wien)
  - Marco Bisogno (mbisogno@unisa.it) - University of Salerno
  - Maria Antónia Jesus (antonia.jesus@iscte.pt) - Instituto Universitário de Lisboa
  - Maria de Fátima Gonçalves (fatima.goncalves@dgo.pt) - GAF MF - DGO
  - Maria José Fernandes (mjfernandes@ipca.pt) - Polytechnic Institute of Cávado and Ave (IPCA)
  - Maria Teresa Ferreira (teresaferreira@tcontas.pt) - Court of Auditors, Portugal
  - Mariestell Dalli (treasury.malta@gov.mt) - Ministry for Finance (The Treasury Department)
  - Marion Sierra (marion.sierra@yahoo.fr) - Paris-Dauphine University - Poitiers University
  - Michael Zammit Munro (treasury.malta@gov.mt) - Ministry for Finance (The Treasury Department)
  - Miguel Ângelo da Cunha Gonçalves de Almeida (marta.corrente@cfp.pt) - Conselho das Finanças Públicas
  - Mihaela Bularca (mihaela.bularca@ec.europa.eu) - Commission Européenne
  - Mustafa Ermis (ceren.kiremitci@tkdk.gov.tr) - ARDSI
  - Nabiela Noaman (nabiela.noaman@ugent.be) - Ghent University
  - Natalia Aversano (naversano@unisa.it) - University of Salerno
  - Nathalie Vernet-Fimeyer (nathalie.vernet@ec.europa.eu) - Commission Européenne
  - Nils Soguel (nils.soguel@unil.ch) - IDHEAP University of Lausanne
  - Olga Maria Pacheco Silveira (adm@uab.pt) - Universidade Aberta
-

- 
- Oscar Figueiredo (ofigueiredo@oroc.pt) - Coordenador do CNCP
  - Parisa Faridian (pfaridia2013@fau.edu) - Florida Atlantic University
  - Patricia Semião (patricia.semiao@dgo.pt) - GAF MF - DGO
  - Patrícia Gomes (pgomes@ipca.pt) - Polytechnic Institute of Cávado and Ave (IPCA)
  - Paul Kazarian (nreineke@japonica.com) - Japonica Partners
  - Raul M. S. Laureano (raul.laureano@iscte.pt) - Instituto Universitário de Lisboa
  - Roxana Moldovan (roxanamoldovan@yahoo.com) - Babe Bolyai University
  - Sandra Cohen (scohen@aueb.gr) - Athens University of Economics and Business
  - Sandra Kaiser (s.kaiser@bmf.gv.at) - Ministry of Finance, Austria
  - Sandro Brunelli (brunelli@economia.uniroma2.it) - University of Rome Tor Vergata
  - Sotirios Karatzimas (skaratzimas@aueb.gr) - Athens University Of Economics And Business
  - Susana Jorge (susjor@fe.uc.pt) - University of Coimbra (FEUC), NEAPP-UMinho
  - Vesna Vasicek (vvasicek@efzg.hr) - University of Zagreb, Faculty of Economics&Business
  - Virgínia Granate Costa Sousa (virginiagranate@ua.pt) - ISCA da Universidade de Aveiro
  - Yuri Biondi (yuri.biondi@gmail.com) - Cnrs - ESCP Europe
-

# **Abstracts**

(listed by session and order of presentation)

## THE ROLE OF ACCOUNTING IN PUBLIC FINANCIAL MANAGEMENT

**Luís Cracel Viana** (luis.viana@dgo.pt)

Deputy-Director at Direção-Geral do Orçamento (General Budget Directorate), Portugal.

### ABSTRACT

Portugal was particularly affected by the financial crisis, loosing access to financial markets and being subject to a bailout by international institutions with fiscal and economic conditionality. In this context, the Portuguese authorities committed to implement reforms in Public Financial Management (PFM), especially: i) to change the current fragmented and out of date accounting framework in direction to a more integrated accounting system aligned with the International Public Sector Accounting Standards (IPSAS), in order to address the needs of different users of financial and non-financial information; and ii) to align the Portuguese PFM structure with the best practices worldwide, namely adopting innovations such as a medium term budget framework, programme budgeting, fiscal rules, fiscal council, and better integration of budget, accounting and statistics, in order to generally increase the sustainability and transparency of public finances.

We argue that, to obtain the benefits of these PFM innovations, the successful implementation of the new accounting model, integrating budgetary accounting, financial accounting (accrual-based and aligned with IPSAS) and management accounting (accrual-based), is a cornerstone.

Finally, we take stock that for the accounting function to be effective in supporting the implementation of PFM innovations and in accomplishing the PFM objectives, it is necessary to: improve the internal financial controls; revamping the internal audit function; develop a clear framework for the external audit; reinforce the central accounting function; assuring the appropriate implementation of the new integrated system; conclude the central financial management information system; and define the career of certified accountant in the public sector, whose competences should be somewhat different from an accountant in the private sector.

**Keywords:** Public financial management, Accounting; Fiscal transparency, Sustainability.

Disclaimer: This paper represents the views of the author and should not be attributed to the Direção-Geral do Orçamento (General Budget Directorate), or its Management.

## **THE PROTOCOL ON THE EXCESSIVE DEFICIT PROCEDURE IN EU: IS THE RESPECT OF ESA METHODOLOGY SUFFICIENT TO ENSURE GENUINE COMPARABILITY OF THE RESULTS?**

**Maria Teresa Ferreira** (teresafferreira@tcontas.pt)  
Court of Auditors, Portugal.

### **ABSTRACT**

The presentation focuses on the process of compilation the government finance statistics used in the EU fiscal surveillance, identifying the adjustments to convert public accounts into government aggregates consistent with the European System of National Accounts (ESA). Starting from the example of the Portuguese Excessive Deficit Procedure (EDP) notification, the objective is to analyze the characteristics of the basic data and the principal topics to convert from government accounts to national accounts and draw some conclusions on the process conducted by the European Commission (Eurostat) to ensure the quality and comparability of the data reported by Member States (MS). Actually, the focus of the verification process is the application of the ESA methodology and, in particular, the decisions on specific General Government (GG) operations. Nevertheless, the quality of government finance statistics is strongly dependent upon the quality and reliability of public accounting systems. This aspect is strongly reinforced by the fact that generally there is a great diversity of public accounting systems between MS and even at the different subsectors of government. The introduction of harmonized public sector accounting standards for all sub-sectors of GG using a single integrated financial information system would be a significant progress and may be seen as an important contribute to improve transparency and to a larger awareness of financial issues within the government sector. The recent public financial crisis in Europe reinforced the necessity for reformed and harmonized public sector accounting systems and significant steps have been forward for the development of a common accrual-based system.

**Keywords:** Fiscal surveillance, National accounts, Public accounting, Accrual basis.

## **PUBLIC SECTOR ACCOUNTING IN PORTUGAL: REFORMS TOWARDS INTERNATIONAL AND BUSINESS ACCOUNTING HARMONIZATION**

**Susana Jorge** (susjor@fe.uc.pt)

Professor at University of Coimbra (FEUC), Researcher at NEAPP-UMinho

Member of the Public Sector Accounting Standard Setting Committee, Portugal.

### **ABSTRACT**

The most important reform of public sector accounting in Portugal started in 1990 reaching the utmost point with the issuance of the Plan of Accounts for Public Sector Accounting (POCP) in 1997. This brought the accrual basis into the Portuguese public sector accounting system and was adapted from the previous existent business accounting Plan (POC). Over the following years, POCP was extended to the main subsectors of the Public Administration, namely Health, Social Security, Education and Local Government. Recently, POCP implementation has also been extended to services units integrated within Central Government. Consequently, currently the Portuguese public sector accounting system comprises three subsystems: cash-based budgetary accounting, and accrual-based financial and cost accounting.

The way Public Administration has evolved in Portugal has lead governments and public sector entities to embark in different transactions which do not find guidance in the current accounting and reporting system. Additionally, the financial bailout that Portugal has resorted to implied new demands for accountability and fiscal disclosure from creditors and investors in financial markets, which are difficult to accomplish with the public sector accounting and reporting system currently in place. These new informational needs, for management, fiscal control and accountability purposes, have pushed a new reform of the Portuguese public sector accounting system, which has been enhanced by international and European pressures for harmonization. Furthermore, since governmental business sector (both at local and central level) is already IFRS-based since 2010, difficulties have risen while preparing consolidated accounts.

A new organizational structure for the accounting standard-setter in Portugal (CNC), approved in 2012, put in the core of the group in charge of public sector accounting (CNCP), the task of developing a new system reforming the current one by approaching to IPSAS (or EPSAS when these become existent).

This presentation summarises the role of CNCP in the public sector accounting reform in Portugal and describes the main endeavours towards the new public sector accounting and reporting system (SNC-AP). It enhances how, while adapting IPSAS, the particularities of the Portuguese public sector budgetary and administrative perspectives have been considered, at the same time, approaching to the business accounting model already in place.

**Keywords:** Standard-setting, Public sector, Accounting system, Reform, Business and international harmonization.

## **THE NEW IPSAS RULES OF THE ROAD FOR GFS ALIGNMENT**

**Andreas Bergmann** (bgma@zhaw.ch)

Full Professor at Zurich University of Applied Sciences, Chair of IPSASB.

### **ABSTRACT**

In 2006 the IPSASB issued a first policy document about “The process for reviewing and modifying IASB documents”. The document rapidly became known as the “Rules of the Road” for convergence between private and public sector standards. However, the policy in respect of GFS requirements remained unclear, until a Task Force which included the main GFS regulators, the IMF and Eurostat, approached the issue starting in 2010. The Task Force not only showed that the differences between GFS and IPSAS have been reduced substantively over time, but also proposed a process similar to the one for IASB documents in addressing the remaining gaps. After public consultation the policy paper “Process for Considering GFS Reporting Guidelines during Development of IPSASs” was approved in late 2013. However, unlike its IASB equivalent this paper also acknowledges that some differences might be more easily addressed on the statistical side and some will persist for good reasons, because GFS is about sector information, while IPSASs are about entity reporting.

**Keywords:** IPSAS, GFS, Alignment, Standards development process.

## **EPSAS – DEVELOPMENTS AND CHALLENGES**

**Alexandre Makaronidis** (Alexandre.Makaronidis@ec.europa.eu)

Head of Task Force EPSAS – European Public Sector Accounting Standards,  
European Commission, DG EUROSTAT.

### **ABSTRACT**

‘Task Force EPSAS’ is a newly created entity with Eurostat which is leading the European Commission’s work on public sector accounting standards. The Commission report on the suitability of IPSAS for the EU Member States - COM (2013) 114, 6 March 2013 - presented a twofold conclusion. On the one hand, IPSAS as they stand currently cannot be simply implemented in EU Member States. On the other hand, the IPSASs represent an indisputable reference for prospective EU harmonised public sector accounting standards (the European Public Sector Accounting Standards - EPSAS). EPSAS are aimed at harmonising public sector accounting and general purpose financial reporting standards on an accruals basis for all public entities belonging to General Government in the EU. In order to:

- reduce the incoherence between the micro level primary public-sector accounting and reporting framework and the ESA macro level reporting framework,
- increase fiscal transparency, necessary for macroeconomic stability and for coordination, surveillance and policy advice,
- contribute to improving the efficiency, effectiveness and accountability of public sector management, in particular where accruals accounting is not yet in place,
- improve the comparability of the reporting of the financial position and performance of the Member States,
- produce reliable and timely financial and fiscal data,
- facilitate the securing of liquidity in global financial markets,
- improve the efficiency and effectiveness of public audit.

Eurostat’s contributions will explain the background and the current state of play of EPSAS and the way the European Commission is taking forward the EPSAS project.

**Keywords:** EPSAS, IPSAS, Fiscal transparency, Accountability, Accruals.

**NAVIGATING THROUGH THE HIGH SEA STORMS: HOW THE GLOBAL FINANCIAL  
CRISIS AFFECT THE FUTURE OF PUBLIC FINANCIAL MANAGEMENT;  
AN INSTITUTIONAL ANALYSIS**

**Ali Farazmand** (afarazma@fau.edu)

Professor and Editor in Chief of the: 1) International Journal of Public Administration;  
and 2) Public Organization Review: a Global Journal.  
Florida Atlantic University, USA.

**ABSTRACT**

This keynote paper addresses the broad, macro global crisis of capitalism as both an ideology and an economic system. Using an institutional theory approach, the speech will address the following key points: capitalism and corporate capitalism, the quest for leveling off the global systems, globalization and corporate globalization of the world, the inherent contradictions within the capitalist system, the global financial crisis and the legitimacy of the capitalist system, the consequences of the crisis for the financial systems of the member states of European Union, and the effects on their national accounting systems, and finally, how all these play a role in the overall governance and public management systems of the member states. Does this have fallouts or consequences for the rest of the world? Yes, it does and this paper will address them as well.

**Keywords:** Globalization, Global crisis of capitalism, Financial management, European Union.

## **GOVERNMENTAL ACCOUNTING AND AUSTERITY POLICIES: ACCOUNTING REPRESENTATIONS OF PUBLIC DEBT AND DEFICIT IN EUROPE AND ABROAD**

**Yuri Biondi** (yuri.biondi@gmail.com)  
Cnrs – ESCP Europe, Paris, France.

### **ABSTRACT**

This article provides a theoretical view on European Public Sector Accounting Standards (EPSAS), focusing on overarching accounting principles and models, as well as their consequences on the working and the very existence of public service activity. Our analysis applies to illustrative cases concerning: meaning of public deficit on accruals basis with a view to nature and use of public debt for redistributive purpose; the strange case of taxation on public sector employees' remunerations and benefits; accounting for employees benefits provisioning; and measurement of public debt and deficit following European Union supervision of Member States. This analysis develops a framework to assess the consistency of accounting models with non-lucrative missions of general interest that belong to public administration. It shows how budgetary accounting does (and should) complement accruals-based accounting in public sector accounting systems, asking to embed public sector accountability in a public service institutional order that is specific to public administration.

**Keywords:** EPSAS, Fiscal compact, European Union, Deficit spending, Sovereign debt, Governmental accounting, IPSAS.

**DYNAMICS OF EU-MEMBER STATES' RELATIONS IN MANAGING THE  
EUROPEAN FINANCIAL CRISIS: A THEORETICAL AND INSTITUTIONAL ANALYSIS  
WITH IMPLICATIONS FOR GOVERNANCE AND PUBLIC ADMINISTRATION**

**Parisa H. Faridian**, Doctoral Student (parisa.haim@gmail.com)  
Florida Atlantic University, USA.

**Ali Farazmand**, Ph.D., Professor (afarazma@fau.edu)  
Florida Atlantic University, USA.

**ABSTRACT**

The 2008-2009 global financial crisis has hit most European countries, as it did most national states of the world. Responses to this global crisis have been varied, ranging from direct state actions to bail out large corporate enterprises as happened in the United States, to the severe austerity measures imposed by the European Union (EU) upon member states to, and restructuring and realigning of, the national debts and financial crisis of the members states in Europe. The measures have aimed to (1) alleviate the national crisis, (2) manage the national debt crisis of certain member-states, and (3) restructure via reforms the financial management systems of the member-states. This paper assesses the impacts of EU imposed austerity measures on national budgeting capacity, financial management, and accounting systems of the member states, and suggests a neo-institutional approach to managing the crises that have crippled administrative and governance capacities in Europe. The paper is organized into three major sections: First, a theoretical background is provided to put the central issues in perspectives; then, a discussion of globalization effects is provided to link national fiscal capacities to the global financial crisis and global governance systems; and third, impacts of the EU imposed austerity measures on member-states' financial and accounting management systems are explained. Finally, a neo-institutional approach is offered to address the management of national debt and financial crisis, with implications for theory and practice, public policy and management.

**Keywords:** Austerity measures, Financial crisis, Public management

## **REPORTING ON THE LONG-TERM FISCAL SUSTAINABILITY OF PUBLIC FINANCES AT THE SUBNATIONAL LEVEL IN SWITZERLAND**

**Andreas Bergmann** (andreas.bergmann@zhaw.ch)

Department Public Sector, ZUAS School of Management and Law, Winterthur,  
Switzerland.

**Iris Rauskala** (iriseliisa.rauskala@zhaw.ch)

Institute of Public Management, ZUAS School of Management and Law, Winterthur,  
Switzerland.

**Sandra Fuhrmann** (sandra.fuhrmann@zhaw.ch)

Institute of Public Management, ZUAS School of Management and Law, Winterthur,  
Switzerland.

**Robin Braun**, Ernst & Young, Zurich, Switzerland.

### **ABSTRACT**

In the private sector, the topic of sustainability has received wide attention since the early 2000s. In response to the recent financial and debt crisis, governments are also increasingly focusing on solid, comparable and transparent financial accounting and reporting. In addition, future-oriented perspectives of sustainable public finances are gaining attention, too. Yet, while long-term projections have become popular at the national level, they have been less relevant at subnational levels (states, cantons, regions). The paper therefore discusses if and how long-term projections can be beneficial at the subnational level.

Referring to indicators and concepts of measurement of public finances' sustainability found in literature, IPSASB's RPG 1 and within Swiss policies on the national and subnational level and based on an analysis of demographic trends and the development of public expenditure in Swiss Cantons, the paper establishes five hypotheses on the feasibility and possible benefit of the public sustainability reporting concept for the (Swiss) subnational level.

The authors conclude that existing accounting and financial systems of the Swiss Cantons, generally, give a strong basis for long-term oriented financial prognoses. Since the Swiss Cantons are especially confronted with rising expenditures for health and social security, reporting on the long-term fiscal sustainability of public finances will allow them to better counter these negative trends. Such reporting not only allows the Cantons for identifying possible future problems but also for communicating them to various stakeholders in a transparent way.

**Keywords:** Public finances, Financial accounting, Long-term perspective, Sustainability, Swiss Cantons.

## **DO NASTY AND PLEASANT SURPRISES REGARDING TAX REVENUE EXPLAIN UNDER AND OVERSPENDING? THE CASE OF THE SWISS CANTONS**

**Nils Soguel** (nils.soguel@unil.ch)

IDHEAP, Swiss graduate school of public administration, University of Lausanne,  
Switzerland.

**Cécile Ecabert** (cecile.ecabert@ne.ch)

Accounting Bureau, City of La Chaux-de-Fonds, Switzerland.

### **ABSTRACT**

The paper aims at empirically identifying the factors explaining the difference between the actual amounts of expenditure reported in the governments' final (end-of-the-year) budget and the amounts that were previously forecasted in the approved budget (beginning-of-the-year). The paper adds to the body of literature dedicated to under- and overspending compared to the approved budgets (i.e. budgeting and rebudgeting or breaking budget). It somehow echoes the IPSAS 24's requirement that the factors explaining changes between the approved budget and the actual amounts should be disclosed.

We measure how political, financial and institutional variables affect the spending drift. We focus on two currently much-debated factors, namely the influence of tax revenue budgeting errors and the influence of stringent fiscal rules. We use the PCSE procedure (panel-corrected standard errors), which allows heteroskedasticity and contemporaneous correlation to be corrected. The procedure is applied to a panel based on the 26 Swiss cantons over the 1980-2011 period. Results suggest that stringent fiscal rules discourage budget overruns whereas underestimating of tax revenue compared to the approved budget –i.e. experiencing so-called “pleasant surprise”- offers the opportunity for some overspending.

**Keywords:** Spending drift, Overspending, Underestimation, Rebudgeting, Fiscal rules, Tax revenue budgeting errors, Swiss cantons.

## THE INTERNATIONALLY STANDARDIZED PROCESS OF PUBLIC ACCOUNTING: THE PERSPECTIVE OF DIFFERENT STAKEHOLDERS IN PORTUGAL

**Patrícia Gomes** (pgomes@ipca.pt)

Polytechnic Institute of Cávado and Ave (IPCA), Portugal.

**Maria José Fernandes** (mjfernandes@ipca.pt)

Polytechnic Institute of Cávado and Ave (IPCA), Portugal.

**João Carvalho** (jcarvalho@ipca.pt)

Polytechnic Institute of Cávado and Ave (IPCA), Portugal.

### ABSTRACT

Since the last 20 years we assist to a movement towards internationally standardized of public sector accounting for all the public sector entities, from national central governments to local governments. Under this context, several countries are reforming their public accounting systems with the goal to make them more informative, useful and relevant for different users. However, several voices have criticized the outcomes of this reform and its effects on the quality of information.

In this paper our goal is to study the reform of public accounting in Portugal toward the internationally standardized process focusing on the perspective of different stakeholders (designated as promoters or reform drivers) that represent three groups: the *professional organizations*, the *national regulators* and the *independent auditors*. More specifically, we develop three research questions: (1) what are the stimuli and the main reasons for this reform toward the adoption of IPSAS; (2) what is the content of this reform (goals, means and strategies) and the expected results; and (3) how far could we expect differences in our results based on the perspective of different stakeholders. In general, we find that different stakeholders agree with the favorable moment and the context of this reform. The context of financial crises and the great external pressures for to cut public deficits and to improve the quality and opportunity of public financial information seems to be the most important factors that stimulus this reform in Portugal. On the other hand, stakeholders recommend the use of different strategies for to have success in this reform and alert for the needed time to execute the predicted desired changes.

**Keywords:** Public accounting, IPSAS, Public reforms, Qualitative research, Stakeholders.

## **DEVELOPMENTS IN PUBLIC SECTOR ACCOUNTING HARMONIZATION PROCESS: THE CROATIAN EXPERIENCE**

**Gorana Roje**, M.Sc. (roje.gorana@gmail.com)

Researcher, Centre for Public and Non-profit Sector Development, Zagreb, Croatia.

**Vesna Vašiček**, Ph.D. (vvasicek@efzg.hr)

Full Professor, Faculty of Economics and Business, University of Zagreb, Croatia.

**Davor Vašiček**, Ph.D. (dvasicek@efri.hr)

Associate Professor, Faculty of Economics, University of Rijeka, Croatia.

### **ABSTRACT**

This paper discusses the specific features and perspectives of Croatian governmental accounting and budgetary system reform in the light of international public sector accounting harmonisation processes. The motivation for this paper emerges from international trends of encouraging accruals in governmental accounting and budgeting, dilemmas regarding IPSAS appliance and their further development, the idea of introducing harmonized accounting standards for the public sector in the EU - EPSAS, Croatia's accession to the EU, and major challenges regarding the adoption and appliance of EU regulations into Croatian legal and economic system (with regard to Council Directive 2011/85/EU on requirements for budgetary frameworks of the Member States).

The purpose of this paper is to reflect on recent governmental accounting and budgeting developments and to specify eligible tendencies for further public sector financial management and governmental accounting and budgetary system reform in Croatia. The paper indicates that Croatian governmental accounting system has gone through intense development process of implementing modified accruals as a gradual transition from cash basis to full accruals appliance as the ultimate goal of the governmental accounting reform. Further public sector accounting system development in Croatia is driven by the fact that Croatian Budget Act spells out and fosters future accruals and IPSAS appliance in Croatian governmental accounting system and by the contexts of Croatia's entry into the EU, having in mind the EU strategy with respect to IPSAS as a "suitable starting point" for future EPSAS and the necessity for harmonised public sector budgeting and accounting systems in the EU.

**Keywords:** Public sector accounting, Accruals, IPSAS, Budgetary system, Croatia.

## **MODERNIZING GOVERNMENTAL ACCOUNTING STANDARDS IN GREECE: A CASE OF “GARBAGE CAN” DECISION-MAKING**

**Sandra Cohen** (scohen@aueb.gr)

Assistant Professor, Athens University of Economics and Business, Dept. of Business Administration, Greece.

**Sotirios Karatzimas** (skaratzimas@aueb.gr)

PhD Candidate, Athens University of Economics and Business, Dept. of Business Administration, Greece.

### **ABSTRACT**

**Purpose:** In this paper we examine the standard-setting process at the central government level in a country operating under special circumstances of financial strain. More specifically, we analyze the decision-making process under which the new modified cash-based set of accounting standards was developed in the Greek central government.

**Design/methodology/approach:** We develop a theoretical framework combining public choice theory with the garbage can model. The public choice theory helps us understand the incentives of the various involved actors that played a role in the reform process. The garbage can model provides insights that facilitate the understanding of the choices made while deciding on the new set of standards. The theoretical framework is informed by interviews and informal discussions with members of the commission that developed the new set of standards as well as by relevant archival data.

**Findings:** The findings indicate the lack of effective monitoring of the process by both politicians and external resource providers. The set of standards developed is largely the outcome of the incentives and the cooperation of bureaucrats and consultants. The results provide evidence of unclear technology, fluid participation and problematic preferences, which indicate decision-making through the “garbage can”.

**Originality/value:** We examine governmental accounting standard-setting and decision-making in a country: (a) operating under resource dependency, (b) dealing with a vortex of financial and administrative reforms, and (c) characterized by a deeply bureaucratic public sector.

**Keywords:** Garbage can model, Greece, Governmental accounting, Public choice theory, Standard-setting.

## THE AUTHORIZING FUNCTION OF BUDGETS IN PUBLIC ADMINISTRATION. THE APPLICABILITY OF IPSAS 24 IN ITALY

**Fabio Giuglio Grandis**, Associate Professor of “*Management and Accounting of Public Administrations*” (fabio giulio.grandis@uniroma3.it)

Business Studies Department, “Roma Tre” University, Italy.

**Giorgia Mattei**, Research Fellow (giorgia.mattei@uniroma3.it)

Business Studies Department, “Roma Tre” University, Italy.

### ABSTRACT

Our paper begins with the assumption that in many public administrations, budgets are not limited to the role of mere statements to provide additional information; they are authorisations with a legal value that makes them autonomous documents. Our aim was therefore to analyse the relations between politicians and managers, focusing in particular on the governance models in use within public administration in Italy and the role of budgeting in these cases. We have also looked at the contents and constraints of IPSAS 24, from which the difficulties of its application in Italy have emerged. Our research has led to a firm belief that IPSAS 24 needs to be supplemented by an international standard specifically dedicated to budgeting. Moreover, this should include a European version which takes into account SEC 95 and the COFOG classification.

**Keywords:** IPSAS 24, Budget, Authorising function, Governance model.

## **BRIDGING GOVERNMENTAL ACCOUNTING REPORT & ECONOMIC REPORT: CASE OF LG IN INDONESIA**

**Indra Bastian**, Ph.D, MBA, CMA, CA, Mediator (indra\_bastian@yahoo.com)  
Accounting Department, Gadjah Mada University, Yogyakarta, Indonesia.

### **ABSTRACT**

A failure in utilizing a local financial statement as a base of a local economy decision in Indonesia has delivered to an awareness for a 'next stage'. By investigating an interaction among actors in a local society, an interpretation of 'next stage' can be raised as an involvement of whole actors in a local society. By classifying the actors in a society into some clusters which each group has a similar characteristic, a data collection for whole actors' financial statement can be examined. After that, a local economy analysis can be exercised through a follow of funds framework. By doing a simulation in one regency as Sleman regency, a focal point of this paper can be mentioned that a local government in Indonesia has a capability to produce a local flow of funds report.

**Keywords:** Local government financial statement, Local flow of funds, Indonesia.

## **INFORMATION GAPS AND PUBLIC GOVERNANCE: WHAT ACCOUNTING FRAMEWORK FOR PUBLIC CORPORATIONS?**

**João Carlos Fonseca** (jcnrcf@gmail.com)

Technical Manager at International Public Sector Accounting Standards Board and PhD Student at University of Aveiro, Portugal.

**Virgínia Granate Costa e Sousa** (viriniagranate@ua.pt)

Associate Professor at ISCA, University of Aveiro and member at the Research Unit GOVCOPP of University of Aveiro, Portugal.

### **ABSTRACT**

The crisis opens new challenges for the economic system reorganization and enforces innovative public governance strategies to face the economic, social and financial risks.

Regarding the economic context with interacting institutions units, defined by National Accounts, and following the criteria to allocate entities to General Government Sector (GGS) we face some problems: accounting consequences of inappropriate classification of a public sector entity; the option of a better accounting framework to follow in the reporting of the public corporations – as they are market or non-market public corporations; and the risk of not true and fair view of GGS and arguably a bad design of public governance.

Our case study is grounded on a diversity of public corporations classified inside the Portuguese GGS with accounting standards other than public sector accounting.

Our research calls the attention for non-market public corporations use of SNC and IFRS, and not IPSAS, as the center of the information gaps; those accounting standards misrepresent the economic substance of entities activity and arguably, not meet the relevant and faithful representation.

In a changing context it is important to consider where the public entity operates (inside or outside de GGS boundary) to use proper accounting standards. This procedure would improve the consolidation method for public entities with similar functions using the same accounting standards; the information gap would narrow.

The proposed dual model is based on National Accounts and Entity Accounting perspectives.

**Keywords:** Information gaps, National accounts, Public governance, Public corporations and IPSAS.

## **THE POTENTIAL IMPACT OF ACCRUALS-BASED PUBLIC ACCOUNTING HARMONIZATION ON PUBLIC POLICY-MAKING FROM THE PERSPECTIVE OF NATIONAL GOVERNMENTS**

Giovanna Dabbicco (dabbicco@istat.it)

PHD candidate program on management, accounting, and regulation of public sector organizations, Parthenope University, DISAE, Department of Accounting and Management Studies, Naples, Italy;

Researcher, ISTAT, National Accounts Directorate, Rome, Italy.

### **ABSTRACT**

This paper sets out a further path of research on accrual-based public accounting.

It would, in particular, shed more light on possible advantages of introducing accruals accounting for governments, rather than on the resource costs involved.

It focuses on the critical factors of the current harmonization process of accruals-based public accounting systems in Europe as a tool to enhance:

- a. Policy-making, notably for public resource management and national fiscal policies;
- b. The usefulness of reporting information for users and stakeholders;
- c. The operation of budgetary and macroeconomic surveillance in Europe.

The effect of adoption of accruals-based accounting on public policymaking would be analyzed on the basis of the current situation where several measures (related to statistical and accounting reporting/planning) are available to governments for public-policy objectives.

Findings of the research would also address how accruals accounting has influenced the acquisition of information and its distribution, and/or how it would be expected to do so.

In particular, it would examine the behavioral change associated with the availability of new accrual accounting information in sensitive policy areas such as unfunded pension liabilities, taxes, management of fixed assets, of payables and receivables, and government's contingent liabilities.

The research would, inter-alia, examine the importance of such items using a statistical analysis of their impact using official Government Finance Statistics for EU countries. It will then draw some conclusions on the roadmap for public accounting in the European context.

**Keywords:** Accruals, Cash data, Public accounting, Public resource management, Public policy-making, GFS.

## **DO REALLY ACCRUAL NUMBERS AFFECT THE FINANCIAL MARKET?** **AN EMPIRICAL ANALYSIS OF ESA ACCOUNTS ACROSS EU**

**Alessandro Giosi** ( [giosi@uniroma2.it](mailto:giosi@uniroma2.it))

Assistant Professor of Accounting, - University of Rome “Tor Vergata” -  
Department of Business Government Philosophy Studies, Italy.

**Sandro Brunelli** ([brunelli@economia.uniroma2.it](mailto:brunelli@economia.uniroma2.it))

Postdoctoral Research Fellow in Public Management and Governance, University of  
Rome “Tor Vergata”, Department of Business Government Philosophy Studies, Italy.

**Marco Caiffa** ([caiffa@economia.uniroma2.it](mailto:caiffa@economia.uniroma2.it))

Ph.D. Student in Public Management and Governance, University of Rome “Tor  
Vergata”, Department of Business Government Philosophy Studies, Italy.

### **ABSTRACT**

The challenge of public sector accounting harmonization in Europe seems still far from conclusion (Jones R., 2000; Luder, 2000; Challen and Jeffrey, 2003; Barton 2011). Under the coordination of the European Commission many actors are involved to this end. The main purpose of the paper is to investigate if and in which manner accrual numbers can have an influence on the financial markets. The ten-years average interest rate on sovereign bonds across the European union is considered as a dependent variable. Given the rules to prepare GFS, the impact of accrual numbers on the fiscal stance of a country does not seem much relevant. On the other hand this assertion might change if some excluded contingencies, provisions or potential revenues and taxes (whose reflections consist in an increase or decrease of accrual numbers in determining the deficit to GDP and the debt to GDP ratios) were included in the determination of Maastricht parameters to EDP purposes. As regards, a wider research question might be: what or which are the financial accounting information provided by governments are more discounted by the financial markets? The results of the research show an unclear relation among interest rates on sovereign debts, accounting framework used and information available for public purposes. The analysis shows that even if the main stock variable, represented by the debt, affects deeply the dynamics behind the variation of the interest rates, also the flow variables, especially the accrual ones, have their influence.

**Keywords:** GFS, IPSAS, EPSAS, Financial market, Sovereign debt.

## ASSESSING THE VALUE OF ACCOUNTING INFORMATION FOR HERITAGE ASSETS MANAGEMENT: A PROPOSED FINANCIAL REPORTING INDEX FOR HERITAGE ASSETS MANAGEMENT

**Nabiela Noaman** (nabiela.noaman@guc.edu.eg)

PhD Reseracher, Ghent University, Belgium, German University of Cairo, Egypt.

**Hassan Ouda** (hassan.ouda@guc.edu.eg)

Prof. German University of Cairo, Egypt

**Johan Christiaens** (johan.christiaens@ugent.be)

Prof. Ghent University, Belgium.

### ABSTRACT

#### **Purpose & Applied Methodology**

The significance of heritage assets in the history and the future of nations cannot be overlooked; they contribute to communities in different manners and indeed help in preserving nation's identity. During the past 25 years, the proper approach to account for heritage assets has been researched far and wide, nevertheless until now there is no consensus on which accounting system can support a better practice for heritage assets management (HAM). Furthermore, the role accounting plays in the management of cultural heritage is not studied, despite of its importance for the wellbeing of these assets. Thus, the main objective of this study is to assess the significance of the accounting information for the HAM practice. This is achieved by developing a financial reporting index for HAM that identifies the significant accounting information for the practice and to empirically test it for validity and reliability.

The research methodology chosen for this paper is based on the mixed method (qualitative and quantitative). First, a review is carried out for the previous literature and upon which the index is developed. Second, empirical investigations were performed by means of conducting semi-structured in-depth interviews with experts, academics and practitioners (government officials, professional expatriates) as well as running quantitative surveys as a confirmatory act.

#### **The Expected Outcomes**

- To propose a financial reporting index for HAM that identifies the significant financial reporting information for the HAM practice;
- To test and validate the index;
- To clarify the role accounting systems play in the HAM practice.

**Keywords:** Heritage assets, Capital assets, Heritage asset management, Accrual accounting, Cash accounting, Financial reporting, Public sector accounting, Developing countries and Egypt.

## **EPSAS - WORRYING THE WRONG END OF THE STICK?**

**Rowan H Jones** (rowanhjones@outlook.com)  
University of Birmingham, UK.

**Josette Caruana** (josette.caruana@um.edu.mt)  
University of Malta, Malta.

### **ABSTRACT**

The idea underlying the proposed EPSAS is to require EU member states to implement harmonised accrual based public sector accounting systems and to avoid unnecessary differences with the ESA95.

Using documentary analysis, this paper discusses the EU Commission's motives and expected outcomes.

The arguments presented in this paper suggest that the EU Commission may be worrying the wrong end of the stick when targeting governmental accounting systems in its attempt to improve budgetary surveillance of EU member states. The ESA95 requirements would still dominate over any type of reporting standards that will apply to government accounting.

**Keywords:** ESA95, IPSAS, Harmonisation, Standardisation, National accounting.

## **CONSTRUCTING A EUROPEAN GOVERNANCE SPACE: THE CASE OF HARMONISED PUBLIC SECTOR ACCOUNTING STANDARDS FOR EUROPEAN UNION MEMBER STATES**

**Caroline Aggestam** (cap.acc@cbs.dk)  
Copenhagen Business School, Denmark.

**Isabel Brusca** (ibrusca@unizar.es)  
University of Zaragoza, Spain.

**Danny Chow** (danny.chow@durham.ac.uk)  
Durham University, UK.

### **ABSTRACT**

Financial crisis has emphasized the need for harmonized public sector accounts in Europe. After a public consultation on the suitability of the IPSAS for EU Member States, the European Commission considers that the proper way is the development of European Union Standards adapted to IPSAS (renaming it EPSAS). As a consequence, the issue of the governance for the future development of EPSAS was identified as a priority for follow-up. A first meeting of a Task Force of experts delegated from EU national governments took place in October 2013 to exchange views on possible future governance arrangements. On the basis of that discussion, Eurostat launched another public consultation named; ‘Towards implementing European Public Sector Accounting Standards for EU member states-Public consultation on future EPSAS governance principles and structures’.

This paper seeks to provide an in-depth understanding of the negotiations and interactions that took place prior to, during and after the issuance of the public consultation on the ‘Suitability of IPSAS’. The focus of this paper is therefore on a systematic analysis of the construction of regional-transnational governance of public sector accounting, using the EPSAS as a focus of study. In doing so it is sought to identify the institutional pressures, trace the actor dynamics, as well as strategies enrolled leading up to the IPSAS consultation and consultation about governance at the European level. The method of the paper will be based on document review.

**Keywords:** EPSAS, Accounting harmonization, IPSAS, Transnational governance, Accounting diversity.

## **HERITAGE ASSETS FROM A USER NEEDS PERSPECTIVE: A COMPARATIVE ANALYSIS BETWEEN ITALY AND FLANDERS**

**Natalia Aversano** (naversano@unisa.it)

University of Salerno, Italy.

**Johan Christiaens** (johan.christiaens@ugent.be)

Ghent University, Belgium.

**Tine Van Thielen** (tine.vanthielen@ugent.be)

Ghent University, Belgium.

### **ABSTRACT**

The research aims at investigating and comparing the information needs about heritage assets of Italian and Flemish users of governmental financial reporting.

The paper focuses on these two European countries because they can be considered as a prototype of the countries with Roman roots rich of history, art and culture; moreover they have similar accounting systems with a strong tradition of budgetary accounting.

From a methodological point of view, a survey of Italian and Flemish local governments with populations above 30,000 has been conducted sending a questionnaire by e-mail to the Mayors and relevant council members (i.e. council members of culture) of 293 Italian and 308 Flemish Municipalities. Inspired by previous heritage assets researches and user needs researches, a set of information needs of the Mayor and councillors was developed.

Results show that for Italian and Flemish politicians is important to find information about heritage assets in the governmental financial; moreover these users present similar results both in term of information requested both regarding the reasons why they ask this information. In fact both of them are mainly interested in the cost of the preservation of heritage assets, identification, allocation and use of the funding source for acquisitions; principally for financial accountability and public accountability reasons. Moreover, in both cases their information needs is not satisfied by the IPSAS 17; in fact empirical results evidence that IPSAS 17 responds to the user needs about heritage assets only for 42.9 % of Italian LGs and only for 29.4% of Flemish LGs.

**Keywords:** User needs, Heritage assets, Local governments, Comparative research.

## **ACCOUNTING FOR INFRASTRUCTURE ASSETS IN THE PUBLIC DOMAIN: AN ANALYSIS OF THE ACCOUNTING NORMS IN EUROPEAN COUNTRIES**

**Magdalena Kuntner** (magdalena.kuntner@wu.ac.at)

Vienna University of Economics and Business (WU Wien), Austria.

### **ABSTRACT**

By now it is generally accepted that infrastructure assets fulfil the definition of assets. However, due to the fundamental differences between assets which generate net positive cash inflows and infrastructure assets, in the literature it has been argued that accrual accounting as it is conceptualised for the private sector cannot be applied to the public sector without modification. Instead, the governmental accrual accounting systems must be designed in such a manner that the specific characteristics and particularities of the public sector are taken into account. When it comes to infrastructure assets, a variety of approaches on how best to report and account for such assets have been debated in recent years. The purpose of this paper is to compare the accounting norms for infrastructure assets on different levels of government in European countries. The aim of the paper is to review the presumably different accounting norms relating to the definition, recognition, measurement and presentation of infrastructure assets. The research questions to be addressed are: (1) How and to what extent do national accounting norms for infrastructure assets differ between individual European countries? (2) Are the respective national accounting norms for infrastructure assets consistent with the International Public Sector Accounting Standards (IPSAS)? The European countries to be analysed in the comparative study comprise Austria and Switzerland. While Switzerland can be considered as a frontrunner in the adoption of accrual accounting, Austria has to be considered as a latecomer in initiating a reform of the accounting system in the public sector.

**Keywords:** Infrastructure assets, Accrual accounting, Comparative study, IPSAS, Austria.

## **PURSUING PRIVATE ACCOUNTING AND ACCOUNTABILITY IN THE PUBLIC SECTOR: THE CASE OF MUNICIPAL CONSOLIDATION**

**Giuseppe Grossi** (giuseppe.grossi@hkr.se)

Section of Health and Society, Kristianstad University, Sweden.

**Ileana Steccolini** (ileana.steccolini@sdabocconi.it)

Department of Public Policy and Management, Bocconi University, Italy.

### **ABSTRACT**

Private sector accounting and accountability systems have often been heralded as superior to public sector ones, and suggested as solutions to the shortcomings of the latter. Our paper aims at contributing to this debate by looking at the adoption of business-like accounting practices and principles where the public and private sectors intersect, i.e., where governments create separate entities to deliver public services. More specifically, our analysis shows that the adoption of International Public Sector.

Accounting Standards (IPSASs), strongly inspired by IAS/IFRS, for consolidated financial statements in the public sector might not ensure the expected disclosure. On the contrary, municipalities voluntarily adopting IPSAS appear to be mimicking the private sector looking for techniques that are apparently “working” in the private realm, but this may not necessarily translate into increased accountability for public services.

**Keywords:** Accountability, IPSAS, Consolidation, Local government.

## **THE DEFINITION OF CONTROL IN PUBLIC SECTOR CONSOLIDATED FINANCIAL STATEMENTS**

**Marco Bisogno** (mbisogno@unisa.it)

University of Salerno, Department of Management & Information Technology, Italy.

**Serena Santis** (ssantis@unisa.it)

University of Salerno, Department of Management & Information Technology, Italy.

**Aurelio Tommasetti** (tommasetti@unisa.it)

University of Salerno, Department of Management & Information Technology, Italy.

### **ABSTRACT**

The IPSASB has recently published the Exposure Drafts no. 49, which deals with the assessment of control as a key driver in defining consolidation area as well as in preparing the consolidated financial statements of public sector entities.

In contrast with this approach, the so-called “budget approach”, which refers to the relevance of funds an entity receives from the government budget, could be adopted.

The aim of the paper is to investigate these approaches taking into account the comments letters submitted to the ED no. 49 (comments were due on February 28, 2014). From a methodological point of view, moving from an in-depth reading and interpretation of each comment submitted (in order to maintain its uniqueness and richness), we develop taxonomy of common arguments provided by respondents in support or contradiction of the ED no. 49.

The main findings concern the acceptance of both the alignment between the proposed standard and the IFRS 10 as well as the key role played by the “control approach”, even though, according to respondents, it needs to be better specified, in order to take into account the characteristics of the public sector.

**Keywords:** Consolidated financial statements, Control, Budget, Public sector entities.

## **THE INTRODUCTION OF PUBLIC SECTOR CONSOLIDATED FINANCIAL STATEMENTS**

**Barbara Schallmeiner** (barbara.schallmeiner@wu.ac.at)  
Vienna University of Economics and Business (WU Wien), Austria

### **ABSTRACT**

In the last decades a trend towards outsourcing various activities of public sector entities to private organisations was observable. If the outsourced entities remain under the control of the public entity, they are part of the public economic entity but their assets and liabilities as well as their revenues and expenditures are not included in the financial statement of the public entity. Public sector outsourcing thus decreases the overview of the financial position of the public economic entity. Therefore, public sector consolidated financial statements which include the outsourced entities under the control of the public entity are necessary. Some countries require their public entities at different levels of government to present consolidated financial statements. In other countries this is not required. But even across these countries with existing standards for the preparation of public sector consolidated financial statements, there is no uniformity, since each country establishes its own criteria for the elaboration of consolidated financial statements. In Austria there is currently no obligation for public entities at any level to present consolidated financial statements that include controlled outsourced entities. The intention of this project is to conduct a study which identifies the different approaches for the definition of the reporting entity and the scope of consolidation in the literature and in the UGB, the IFRS and the IPSAS and subsequently analyses which of these approaches can be appropriately transferred to public entities in Austria. The aim is to identify the key similarities and differences in these standards and identify the approaches which can be appropriately transferred to the public sector in Austria.

**Keywords:** Public sector consolidated financial statements, Austria, Reporting entity, Scope of consolidation.

## **THE TRANSPARENCY AND THE DEMOCRACY OF LOCAL GOVERNMENTS: A SURVEY ON ITALIAN AND SPANISH MUNICIPALITIES' WEBSITES**

**Isabel Brusca** (ibrusca@unizar.es)

University of Zaragoza, Spain.

**Francesca Manes Rossi** (fmanesrossi@unisa.it)

University of Salerno, Italy.

**Natalia Aversano** (naversano@unisa.it)

University of Salerno, Italy.

### **ABSTRACT**

The research aims at analysing in a comparative approach which determinants have influenced transparency and democratic participation in two European countries with similar characteristics: Italy and Spain.

To this end, we have related transparency and democratic participation practices with some variables to take into account the financial situation of the entities, the level of citizens' engagement in the political life and the economic and social condition of the territory.

The research has been conducted by analysing the websites of all Italian and Spanish local governments with more than 100,000 inhabitants. Descriptive statistics have been coupled with regression techniques for a comparative analysis between the two countries.

The results demonstrate that some determinants can affect the transparency and democratic participation. Notably, while dimension of the entity in term of inhabitants, GDP and citizen engagement increased production of financial information disclosed on the web site by Italian and Spanish local governments, the belonging to the country, the size, GDP and revenues per capita affect democratic participation. However, despite specific laws in both countries ask for more transparency and there is a strong pressure for democratic participation, these two issue are still below desirable levels. The research add fresh knowledge in an under-researched field, offering some useful insight for legislator and standards setter: in fact, more specific requirement can support the enhancement of transparency and democratic participation, also in other European countries.

**Keywords:** Transparency, Democratic participation, Accountability, Local government, Comparative research.

