

Researching public sector accounting change

Applying commercial accounting
approaches to the public sector

Sheila Ellwood
University of Bristol

European Accounting Association
32nd Congress
Tampere Finland

12th-15th May 2009

Public sector or public services

- Major changes question whether we can use the term 'public sector'
 - Ownership
 - Funding
 - Service provision
- To
 - State as purchaser from a range of providers
 - Internal markets
 - Regulation of privatised utilities



Public services

- Hutton 2006
 - A service ‘available to the universe of the population and one that has to be provided equitably’.
- Broadbent and Guthrie 2008
 - Adopt this definition in reviewing 20 years of PSAR
- Giddens’ ‘Third Way’
 - Combining social justice with economic efficiency



A modern public service/good

- Access/ Available to the whole population
- Equitable distribution/ provision
- Can be provided by non-state owned entities and subject to market-style transactions
- Classification as a public good or service is country specific,
 - ‘activities that comprise the public sector are bound by their context and things that are seen as public services in one nation may not be judged as such in others’ (Broadbent and Guthrie, 2008)



Private v Public goods or services

- Private goods
 - Mediated by market transactions, self interest of consumer and wealth creation of producer
- Public good/ services
 - The nature of the good or service requires wide availability and equitable distribution
 - Public interest –democratic accountability and stewardship, public engagement?
 - NPM reforms include (necessitate) accounting reform



New Public Financial Management (Guthrie et al 1999)

- changes to financial reporting systems
- commercial style market orientated management systems and structures
- development of performance measurement
- devolvment/ delegation of budgets; and
- audit (including value for money and citizens' charters).



Commercial (private good) approaches Management Accounting 1: problems /contradictions

- Product costing
 - Service definition
 - ABC
 - Difficult to define and 'true' cost elusive?
- Pricing
 - Cost-based / regulated
 - A market price cannot apply?
- Devolved/ delegated budgets
 - Incentives
 - But equity?



Commercial (private good) approaches Management Accounting 2: problems /contradictions

- Performance assessment
 - Financial break-even; return on capital
 - Balanced scorecard
 - What gets measured is what counts but are we measuring the right things?
- Investment appraisal
 - business case
 - Equitable distribution/ provision



Commercial (private good) approaches Accountability/ Financial Reporting

- Cash/ budgetary accounting or accrual accounting
- Accrual accounting but what form?
 - Commercial GAAP e.g. IFRS
 - IPSAS
 - Designed for public services (GASB)
 - Dynamic accounting
 - Simple community reports
- How to recognise and value assets?
 - What do we include
 - What measurement base
- How does accounting help to engage stakeholders?



Stakeholder Engagement

Stakeholder engagement	Management Approach	Stakeholder influence
Power	12 Stakeholder control	Forming or agreeing decisions
	11 Delegated power	
	10 Partnership	
Involvement	9 Collaboration	Having influence on decisions
	8 Involvement	
	7 Negotiation	
Tokenism	6 Consultation	Being heard before a decision
	5 Placation	
	4 Explaining	
Non participation	3 Informing	Knowledge about decisions
	2 Therapy	
	1 Manipulation	

Adapted from Friedman and Miles (2006) Arnstein (1969)



NPFM and Public Service Reform

Research implications and approaches

- Broadbent and Guthrie 1992 and 2008 Classifications of PSAR
 - Purely technical accounting
 - Technically contextual accounting
 - Examines techniques in context, context has implications for accounting
 - Contextually technical accounting
 - Examines interaction of accounting and contexts
- NPM and NPFM indistinguishable (Lapsley 2009)
 - Integrated accounting technologies and public policy



There is more to accounting
for the business of government
than business accounting

