Implementing IFRSs in the UK Devolved Administrations


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Implementing IFRSs in the UK Devolved Administrations

Abstract

Purpose – Utilising concepts drawn from the governmentality literature, this paper examines the adoption of International Financial Reporting Standards (IFRSs) in the United Kingdom’s (UK’s) devolved administrations of Northern Ireland, Scotland and Wales in order to assess why they were adopted and how their introduction has been governed.

Design/methodology/approach – This research applies a combination of three different approaches, namely: a content analysis; an anonymous online questionnaire; and semi-structured interviews.

Findings – These include: the transition has had minimal impact upon policy setting and the information produced to aid budgeting and decision-making; IFRSs are not entirely appropriate for the public sector; the time, cost and effort involved outweighed the benefits; public sector accounting has become overly-complicated; and the transition is not perceived as part of a wider privatisation programme.

Research limitations/implications – As this study focuses upon the three UK devolved administrations, the findings may not be applicable in a wider setting.

Practical implications – Public sector change must be adequately resourced, carefully planned, with appropriate systems, trained staff and interdisciplinary project teams; accounting change should be based on value for money; and a single, coherent financial regime for the way in which government uses budgets, presents estimates to Parliament and publishes its resource accounts should be implemented.

Originality/value – This study highlights that accounting change is not just a technical issue and, while it can facilitate a more business-like environment and enhance accountability, all those affected by the changes may not have the requisite skills to fully utilise the (new) information available.

Keywords Governmentality, International Financial Reporting Standards (IFRSs), New Public Management (NPM)

Article classification Research paper

Introduction

Financial reporting is intended to underpin the United Kingdom (UK)[1] Government’s planning, monitoring and management of public expenditure. The primary aims of financial reporting by public sector bodies include demonstrating accountability for public funds and assets to the public and their representatives. It also provides these representatives with information which allows them to approve the levels of resources allocated to services and examine the performance of policies and programmes (Her Majesty’s Treasury (HMT), 2012). The conventional model of accounting in UK central government was a cash model; however, public sector accounting has changed dramatically over the last 20 years as a result of various accounting reforms that have been promoted on the basis of improving the planning, management and control of public expenditure in order to deliver services more effectively and efficiently (HMT, 1995). It has been suggested that these changes have been triggered by pressures to adopt traditional private sector accounting practices, and that they form part of a wider reform agenda often classified as New Public Management (NPM) (Hood, 1991, 1995). Arguably, the first major accounting reform was the move by central government from cash to accruals under the title of Resource Accounting and Budgeting (RAB) (HMT, 1995), with the change being viewed as significant and highlighted as such by politicians. Then, in 2007, it was announced that all UK public sector organisations, from the
smallest agency to the biggest central government department, would be required to adopt International Financial Reporting Standards (IFRSs) from 2008/2009, with local government expected to adopt IFRSs from 1 April 2010 (McHugh, 2008). [2]

IFRS implementation is not only a technical accounting issue as it impacts upon many areas of public sector organisations such as the setting and measurement of performance targets and budgets. Indeed, the scale of the challenges led to the original implementation date being delayed by one year. Utilising concepts drawn from the governmentality literature (Miller and Rose, 1990, 2008; Foucault, 1991; Rose and Miller, 1992; Dean, 2010; Rose, 1999; Kurunmaki and Miller, 2011; Frame and Bebbington, 2012; Spence and Rinaldi, 2012), this paper examines the adoption of IFRSs in the UK devolved administrations of NI, Scotland and Wales in order to assess why they were adopted and how their introduction has been managed. In terms of the format of the paper, the next section discusses governmentality and the analytics of government. Some global evidence on the adoption of IFRSs in the private and public sectors is then considered in order to provide a context for the research. Then, after outlining the research methods, the findings are presented, discussed and concluded upon.

**Governmentality**

Government involves various forms of thought about the nature of rule and knowledge of who and what are to be governed. It provides a language (accounting) and framework (IFRS) and attempts to direct human conduct, which is conceived as something that can be regulated, controlled and shaped, and employs particular techniques and tactics in achieving its goals. However, the definition of governance, and its subsequent implications, is complex and contested. Ezzamel and Reed (2008) provide an overview of the main theoretical perspectives on governance developed within the business and management arena. Firstly, the rationalist perspective views governance as a set of formal mechanisms for the maintenance of order and the realisation of technical efficiency (for example, the adoption of IFRSs), with its aim being to minimise transaction costs and maximise operational effectiveness. Secondly, the institutional perspective views governance as loosely coupled coping mechanisms that are primarily concerned with the need for regulatory and normative structures through which standardised behavioural routines underpinning institutional relations are maintained and enforced. Lastly, the governmentality perspective emphasises the centrality of power and authority relations to the conduct of government as a complex mélange of, often contradictory and competing, discourses, programmes and instrumentation.

The governmentality literature suggests that in neo-liberal states government does not attempt to achieve its objectives through direct controls, but power is exercised through a network of diverse elements. Therefore, in a broad sense, the concept of governmentality is the ‘art of government’, with government not limited to state politics but extended to include a wide range of control techniques and applied to a wide variety of objects, from one’s control of the self to the political control of populations (Foucault, 1982). Consequently, governmentality can be used as a conceptual device for thinking about government and governance, and as a means to describe the process by which governing is achieved. For Foucault (1991), governmentality represents power exercised through a combination of different institutions, actors and techniques. As part of such an ensemble, calculative techniques like accounting are an apparatus of power and thus researchers should examine how they objectify reformers’ ideals (Kurunmäki and Miller, 2011). Dean (2010, p. 18) describes such a form of power as being concerned with the ‘conduct of conduct’ and therefore ‘any more or less calculated and rational activity, undertaken by a multiplicity of authorities and agencies, employing a variety of techniques and forms of knowledge, that seeks to shape conduct by working through the desires, aspirations, interests and beliefs of
various actors, for definite but shifting ends and with a diverse set of relatively unpredictable consequences, effects and outcomes’. McKinlay and Pezet (2010) emphasise that governmentality is concerned with the guidance, not control, of how people conduct, orient, or even manage themselves. An example of government as the conduct of conduct is when the governed are empowered by (accounting) expertise.

Gouldson and Bebbington (2007, p. 12) note that ‘if governance describes an assemblage of actions and mechanisms that are in place to govern certain actions, governmentality seeks to uncover and examine the often invisible rationality which sits further behind these modes of governance’. Dean (2010, p. 28) characterises this approach in terms of ‘an analytics of government’ under which regimes of practices (or government) come into being, are maintained and are transformed. At a rudimentary level, such regimes are coherent ways of doing things (i.e. the application of accruals accounting in accordance with IFRSs). The analytics ‘identify the emergence of that regime of practice, examine the multiple sources of the elements that constitute it, and follow the diverse processes and relations by which these elements are assembled into relatively stable forms of organization and institutional practice’ (Dean, 2010, p. 31). This entails an examination of ‘how such a regime gives rise to and depends upon particular forms of knowledge and how, as a consequence of this, it becomes the target of various programmes of reform and change’ (Dean, 2010, p. 31). Hence governmentality facilitates an examination of the practices of government, and analysing government is assessing those mechanisms that try to create a change in practice within a given setting. Therefore, for example, analysing the introduction of IFRSs in UK central government may shed light on the government’s wider aspirations and goals.

The theoretical framework used to address the aims of this paper is based upon the concept of governmentality proposed by Foucault (1991) and further developed by Dean (2010). Dean (2010) suggests that governmentality requires three elements: problematisation; utopian ideal; and regimes of practices (see Table I). Initially, some form of human behaviour, together with a desired outcome, has to be identified as a problem as this gives rise to the need for governing. Problematisation calls into question how we conduct government and how we govern conduct. Political debates develop idealised representations which are voiced as ethical or moral imperatives and are repeated so that they appear to become accepted truth (Free et al., 2013); moreover they guide the choice of which ideas, plans and courses of action are promoted. The utopian ideal towards which the governing activity is directed must be considered achievable in order to strengthen the problematisation and ultimately the legitimacy of governing. Then, the actual governing activity, or operationalization of government programmes, is achieved through regimes of practices.

“Take in Table I”

Visibilities define who and what are to be governed. They are those things made evident by governing activities and the ways in which certain things are made visible from governing activities while others are not; Bentham’s panopticon is the iconic example of this (Foucault, 1979). For example, accounting numbers no longer simply record cost; they are a disciplinary tool that renders workers visible. Techniques and practices are the means adopted to achieve the ends of governance and realise desired values. This does not mean that government is purely technical, only that government techniques are necessary. Technologies, in this sense, refer to the actual mechanisms, or interventions, through which government attempts to shape and normalise the conduct, thoughts and decisions of others to achieve politically desirable objectives (for example, IFRSs) (Barretta and Busco, 2011; Spence and Rinaldi, 2012). Such technologies include relatively modest and routine mechanisms such as training systems, professional specialisms and vocabularies (Miller and Rose, 1990); however without these
technical means the intended outcomes will not be met. That is to say, regardless of how informed or convincing the discourse is, it is highly unlikely to change regimes of practices alone.

Miller and Rose (1990, 2008) explore the intertwined relationship between government programmes and rationalities on the one hand and the government technologies on the other. They describe the former as the discursive frameworks through which political rationalities are represented, policies are defined and government objectives specified. However, government programmes and political rationalities do not work by themselves, as it is through technologies that they become capable of development (Barretta and Busco, 2011). Miller and Rose (1990) suggest that, while governmentality has a typically programmatic form, its real implementation is inextricably linked to the intervention of the technologies that seek to give it effect. The process of public sector reform is still ongoing, and as the process continues there is the continuous interaction between government programmes and technologies (Kurunmäki and Miller, 2011).

Accounting techniques and practices are among the list of available government technologies. However, accounting is more than a technical exercise, being both constitutive and transformative of social relations (McKinlay et al., 2010). Constitutive in that social relations are established by accounting categories and ratios, and transformative in that it triggers managerial interventions and develops power and knowledge. Accounting has incentive properties which encourage action at a distance via incentive schemes and funding mechanisms, with this conception of accounting aligning itself with governmentality (Foucault, 1991). According to Miller and Rose (1990, p. 3), government technologies such as accounting are among the mechanisms ‘through which authorities of various sorts have sought to shape, normalise and instrumentalise the conduct, thought, decisions and aspirations of others in order to achieve the objectives they consider desirable’. Nyamori (2009) posits that accounting promises knowledge of the domain to be governed, which can be packaged and transported so that others can debate and pass judgement at a distance. Furthermore, accounting as a government technology attempts to minimise these distances (Neu and Graham, 2006), as it acts as a carrier of new practices, transferring these practices from the centre to peripheral locations and defining what and how figures will be collected. For example, the transferral of financial accounting principles serves to standardise practices and impose a particular way of thinking and acting. Numbers are integral to: the problematisations that shape what is to be governed; the programmes that seek to give effect to governments; and the unrelenting evaluation of government performance that characterises modern political culture (Rose, 1999). Miller and Rose (1990) suggest that such technologies are often convenient solutions to government problems, in that techniques such as accounting offer ‘ready-made’ solutions and are the perfect medium for management at a distance, as accounting numbers are seemingly objective, consistent and comparable.

Knowledge concerns what forms of thought, expertise, strategies, means of calculation or rationality are employed in governing practices. It includes distinctive ways of thinking and questioning, and often involves professional activity, with a moral superiority to justify intervention. The implication is that by adopting the proposed practices, the objectives will be met. Identities represent the ‘forms of individual and collective identity through which governing operates and which specific practices and programmes of government try to form’ (Dean, 2010, p. 43). It is the identification of people and groups as taking on a particular role and its associated characteristics that is important rather than a pre-ascribed identity per se. The nature of the relationships formed with others and the personal trust embedded within are important aspects of the identity enacted. This incorporates professional or expert knowledge through which programmes are made operable and which can give rise to enclosures in domains such as technical skill and knowledge (Kurunmäki and Miller, 2011).
This classification provides a framework to help identify the emergence of governing technologies and investigate how these technologies are created or mobilised around issues such as the introduction of IFRSs in UK central government. Accounting reforms may involve the convergence of political discourse, knowledge and experts for presenting certain problematised issues and their discursively articulated objectives as a form of acceptable truth (Robert, 2009). For example, Nyamori (2009), who employs governmentality to examine local authority changes in New Zealand, claims that certain ways of seeing become presented as truth and are then proffered as the basis for reform of specified spheres. These interventions become associated with programmes that specify the ideal or utopia to be achieved and the means of doing so (which are presented as the truth). Frame and Bebbington (2012) suggest that by applying governmentality as a theoretical lens, it is possible to ‘unbundle’ government strategies and what they seek. They suggest that using governmentality for analysing policy discourse can allow researchers to investigate: how something that is to be governed is conceived at policy-level, in terms of problems and objectives that call for governance; what governing mechanisms are created and exercised through the policy discourse for bridging the gap between the problematisation and objectives; and what knowledge elements are involved in the governing processes.

Research context

Although some areas of Africa, the Middle East and South/Central America strictly prohibit the use of IFRSs for financial reporting, the rest of the world either requires, permits or has plans to implement some form of IFRSs in the private sector, as well as in some cases the public sector. The European Parliament and the Council of the European Union (2002, p. 1) asserts that the implementation of IFRSs will ensure comparability and improve reporting quality due to the ‘increasing convergence of accounting standards currently used internationally with the ultimate objective of achieving a single set of global accounting standards’. A number of authors have recounted the far from seamless transition to IFRSs in the private sector, with the focus usually being on the key differences between IFRSs and a particular country’s generally accepted accounting principles (GAAP). This research, examples of which are provided in Table II, typically reports significant changes in the financial outturn for a number of sectors when reporting under IFRSs compared to their national GAAP, often due to more assets being recorded on the statement of financial position (balance sheet) under IFRSs and their fair valuing.

“Take in Table II”

In the public sector, the appropriateness of introducing private sector accounting practices and the apparent lack of a conceptual accounting framework for public sector accounting has been questioned (Pallot, 1992; Carlin, 2005; Ellwood and Newbury, 2007). This is often on the basis that public sector accounting objectives differ from those of the private sector, since the former seeks to deliver services to citizens whereas the latter’s long-term goals are profit. Indeed, large financial surpluses in the public sector might even be considered as a sign of political irresponsibility and the imposition of too high taxes (Gosling, 2008). However, it is also asserted that, while decision-making needs may vary from one sector to another, since the focus of financial reporting is to provide financial information to assist resource allocation decisions, which require common types of information regardless of the nature of the entity, IFRSs are applicable in both sectors (McGregor, 1999; Rixon and Faseruk, 2009). Ball (2012), who examines what is being done internationally to develop high-quality government accounting, particularly with respect to IPSASs, contends that accounting is an important component of public sector management and urges governments to implement appropriate
financial reporting in order to help avoid repeating past mistakes, such as sovereign debt crises. Against the backdrop of these contrasting views, a number of countries has introduced IFRSs in the public sector.

While it is contended that governmental interventions are replete with gaps between rhetoric and reality, reformers often remain optimistic that fine-tuning will achieve the desired outcome (Guthrie, 1998; Ellwood and Newbury, 2006; Nyamori, 2009). Furthermore, government proclamations regarding anticipated benefits associated with accounting change are often not based on any systematic analysis of effect, and tend to include unproven assertions of advantages while underplaying any emerging problems. Indeed, there have been persistent and consistent warnings about the differences between the public and private sectors and the dangers of applying private sector accounting standards to the public sector (Barton, 2004; Mack and Ryan, 2006; Arnaboldi and Lapsley, 2007), together with calls for caution when extending business accounting to public sector entities in order to avoid ‘perverse outcomes’ (Ellwood and Newberry, 2007; Broadbent and Guthrie, 2008).

Over the last 20 years, the public sector has undergone significant evaluation in many countries, with the subsequent new policies and reform programmes often being branded under the umbrella term of NPM (Hood, 1991, 1995). NPM rhetoric endorses public sector modernisation by promoting business-like practices and concepts such as financial and performance accountability as the core elements in managing public sector organisations. NPM-related practices (Gray and Jenkins, 1995; Guthrie et al., 1999; Lapsley, 1999; Pollitt and Bouckaert, 2011) have been extensively used to help explain the shift from cash to accruals accounting, with the move to IFRSs being seen as an important part of the UK government’s finance professionalisation agenda, which includes: professionally qualified finance directors sitting on departmental boards; more timely financial reporting; and enhanced financial management of future programmes and projects.

International comparisons of NPM-style reforms across a number of countries indicate that these reforms are being implemented at a quicker pace and more enthusiastically in some countries compared to others (Hood, 1995; Pollitt, 2007, 2011; Lapsley, 2009). Using Hood’s (1995) country classification of high, medium and low adopters of NPM ideas, Table III provides an overview of the adoption of IFRSs or International Public Sector Accounting Standards (IPSAS).[3]

“Take in Table III”

Pollitt and Bouckaert (2011) suggest that differences in ‘reach’, ‘grip’ and ‘motivation’ may help explain variations in NPM adoption. For example, some governments may have limited ‘reach’ in the sense that their constitutional positions inhibit them from implementing wide-ranging public sector reforms (for example, Germany and USA – classified as low- and medium-intensity adopters respectively in Table III). Minority or coalition governments may have limited ‘grip’ and are thus less able to instigate major changes (for example, Denmark, Finland and Norway – classified as medium-intensity adopters). Finally, while some governments have been enthusiastic about NPM, others have been more cautious and selective in their ‘motivation’; for example, accepting performance management but resisting the widespread application of market mechanisms within public services (for example, France – classified as a medium-intensity adopter). As Australia, New Zealand and the UK are often identified as being among a small group of countries where reach, grip and motivation permit, or favour, the widespread adoption of NPM ideas, this supports their classification as high-intensity adopters and Grossi and Newberry’s (2009) contention that these countries appear to compete for, or perhaps take turns at, leadership of business-style financial management and reporting initiatives in the public sector.
Research methods
Focusing upon the devolved administrations in NI, Scotland and Wales, this research examines the UK public sector’s adoption of IFRSs to assess why they were adopted and how their introduction has been governed. The data was extracted using a combination of three different approaches, namely a content analysis of the literature and official government publications, a questionnaire and semi-structured interviews.

Drawing upon the literature review, an anonymous online questionnaire was developed and piloted in order to inquire into the views and experiences, of central government departments (or equivalent) in each of the devolved regions, of reporting under IFRSs. Central government is structured differently in each of the three regions. In broad terms:
- NI has 12 departmental ministers;
- Scotland has nine cabinet secretaries; and
- Wales has nine ministers.

Due to the different structures, many aspects of the finance function tend to be performed centrally in Scotland and Wales, whereas they are largely carried out within departments in NI.

The researchers contacted the Accounting Officer (or equivalent) in each of the departments (or equivalent) by telephone and explained the background to the research. They requested that an individual within the department, who had experience of the transition to IFRS, complete the questionnaire. If agreement was received, an email containing the link to the questionnaire was sent. In some instances, because of the way the transition was managed, more than one person from the same department completed a questionnaire. Table IV provides details of the questionnaire respondents (respondents).

Then, consistent with other research that applies a governmentality framework (for example, Radcliffe, 1999; Richardson, 2009; Manochin et al., 2011; Spence and Rinaldi, 2012), and drawing upon the themes arising out of the literature review and questionnaire findings, a semi-structured interview guide was developed. Subsequently, semi-structured interviews with key finance and policy personnel from a sample of central government departments (or equivalent) in NI, Scotland and Wales, together with other interested parties (for example, representatives from the three regional public audit offices and a professional body whose members are directly involved in implementing and regulating public sector accounting changes), were conducted. Representatives from 14 organisations (6 NI, 6 Scotland and 2 Wales) were interviewed; as occasionally more than one person from the same organisation was interviewed separately or participated in the same interview, the views reported in this research are based upon 18 interviewees. Table V provides an analysis of the interviewees by region (NI, Scotland (S) or Wales (W)) and role (i.e. central government departmental official (DO) or other interested party (OIP)).

The interviewees were chosen because of their seniority and assumed detailed knowledge of the issues surrounding the implementation of accounting change, particularly IFRS transition. Such an approach facilitated an understanding of ‘the perspective of the person being interviewed…, to find out from them things that we cannot directly observe’ (Patton, 2002, p. 341). The interviews ranged from one to two hours and all interviewees agreed to be recorded. The recordings were transcribed immediately to ensure accuracy and
Dimensions of the analytics of government
An analytics of government reflects on how we are governed within different regimes of practices, and how the settings under which such regimes emerge continue to operate and are transformed. In applying the governmentality framework (Table I) to the introduction of IFRSs, the problematisation and utopian ideal are initially addressed together, followed by regimes of practices, with the issue of whether the ‘utopian ideal’ has been achieved then being considered.

Problematisation and utopian ideal
The issue to be governed, together with the goal towards which the governance was aimed, was clearly stated when the decision to introduce IFRSs in the public sector was announced in the 2007 Budget (HMT, 2007, paragraphs 6.95 and 6.96):

The government needs to use high value performance data in combination with appropriate financial data ... in order to bring benefits in consistency and comparability between financial reports in the global economy and to follow private sector best practice. [emphasis added]

The adoption of IFRSs was supported by the Audit Commission (2007) on the basis that it reinforced the drive to improve financial reporting and enhance accountability for public money, with the Scrutiny Unit (2009)[8] concurring that IFRSs make it easier to compare the performance of organisations in different countries because of the increased transparency and that UK government accounts were moving to IFRSs to remain in line with industry through using one common set of standards. Similarly, HMT (2013) states that the objective of IFRS 1 First-time Adoption of International Financial Reporting Standards is to ensure that an entity’s first IFRS-based financial statements contain high quality information that is transparent, comparable and generated at a cost that does not exceed the benefits.

Some interviewees acknowledged that it was logical to assess the accounting treatment of certain transactions that were directly linked to the private sector on a consistent and comparable basis (for example, Private Finance Initiative (PFI) and other Public Private Partnership (PPP) arrangements).

Consistency is the key. Users of accounts should be able to understand both private and public sector accounts. (NIDO3)

It links areas that are common between both sectors like PFI. (NIOIP2)

However, despite the apparent logic of the above, the majority of interviewees indicated that they believed the driving force behind the introduction of IFRSs was a desire to comply with comprehension of the interview data. Given the difficulties of gaining access to interviewees, the potential sensitivities of the matters being discussed and the desire for the interviewees to be as candid as possible, each interviewee was informed that the interviews would be reported in a manner where specific statements could not be attributed to particular individuals. However, the results are presented in such a way so as to be able to distinguish between possible differences of opinion between the different groups in each jurisdiction. By giving each interviewee a unique reference (for example, NIDO1, NIOIP1), this allows the reader to identify the role and region of the interviewee and comments from the same interviewee, while maintaining their confidentiality.
‘best practice’, which IFRSs were perceived to represent, and to be seen to account on a similar basis to the private sector.

It looks good, enhances the reputation but that’s about it. (NIOIP1)

If it is recognised as best practice then that is what we should aspire to. But who knows if it is. (SDO5)

The move to IFRS was driven by the need to comply with best practice; it was just the next stage of moving on. (WOIP1)

It was contended that as there was inherent support within HMT for IFRSs, this made the transition inevitable; particularly given the introduction of WGAs.

UK GAAP was disappearing off a cliff. It was considered better to change to IFRSs in a time of their [HMT] own choosing rather than being forced to later. (WOIP1)

It was obvious from the start that moving to IFRSs was going to be a pain for departments. The only benefit was at the Westminster level. They wanted to use IFRSs to prepare WGAs. (SOIP1)

There was a strong belief, especially amongst Scottish and Welsh interviewees, that the Financial Reporting Advisory Board (FRAB) was instrumental in pushing for the introduction of IFRSs.

FRAB is quite a purist body; it believes that IFRSs are the highest quality going and therefore should be applied. (WDO1)

However, others suggested that the quest for ‘harmonisation’ had, at least not yet, lived up to expectations.

IFRS adoption has arguably not ‘taken off’ to the extent expected across the world, both in the private and public sectors. (SDO1)

Notwithstanding the purported benefits of consistency and comparability, many interviewees expressed the view that there was little evidence to support the notion that ‘private sector was best’. Indeed, some intimated public sector accounting was more onerous, a view endorsed by those with private sector experience.

Public sector accounts are more complicated and have more disclosure requirements. The importance of properly classifying expenditure and paying attention to the budget make it much more difficult. (NIDO1)

Nevertheless, the process of introducing IFRSs was viewed positively and as part of an ongoing process designed to ‘increase transparency and the general professionalisation of the public sector’ (WDO1).

IFRSs are just part of the trend of professionalisation in general. They are not linked to privatisation. IFRSs are only a marginal change on UK GAAP, but they are seen as the ‘gold standard’. (SOIP1)
A lot of this comes under the umbrella of public sector reform rather than privatisation. (WDOIP1)

In addition, it was inferred that perhaps an underlying reason for many of the changes was illustrated by the fact that when the first set of WGAs was issued, the UK’s credit rating increased. When asked if initiatives like the transition made aspects of the public services easier to privatise, none of the interviewees believed this to be the case.

Regimes of practices
Having briefly considered the problematisation and utopian ideal, the regimes of practices by which the introduction of IFRSs was achieved (i.e. how the programme of government was operationalised) are now discussed.

Visibilities
These are the ways in which certain things are made visible by the governance processes and the use of particular techniques while others are not. These define the field to be governed and show how individuals are connected. For example, by applying the definition of control and measurement contained in IFRSs, this enables the preparation of WGAs. A number of issues were illuminated when respondents were asked to rank (in order of importance) the impact or the main problems faced by their department with regard to implementing IFRSs (it was not necessary for respondents to rank all of the options provided). The results are shown in Figure 1.

“In Figure I”

In the means reported below, the higher the mean, the greater the importance and, as illustrated in Figure 1, the problem acknowledged most frequently (19), and viewed overall as the main problem (mean response 7.47), was a ‘lack of precedence’. ‘Lack of understanding of IFRS’ (15), ‘insufficient information systems’ (14), ‘lack of expertise’ (13), ‘insufficient number of accounting staff’ (13) and ‘insufficient time to prepare the accounts’ (11) were also frequently recognised as problems. Of these five, two closely related issues, ‘insufficient number of accounting staff’ was most frequently ranked ‘first’ and ‘lack of expertise’ received the highest mean response (and was therefore perceived as the most important of these five issues). Although 14 respondents ranked ‘insufficient information systems’ as a problem, none ranked it ‘first’ and its mean response was 5.0; thus suggesting that while it was an issue, it was not perceived as a major one. Similarly, while eight respondents acknowledged a ‘lack of financial resources’ as an issue, none ranked it first and its mean response was 4.0. ‘Other’ problems highlighted were: changes to the guidance during the preparation period; and dealing with complex financial instruments and PFI/PPP contracts. Thus, while IFRSs were ultimately implemented, the process of making the transition did impact on departments.

Although most of the interviewees indicated that they believed there was little direct benefit of making the transition, a number reported that the exercise had been a valuable learning experience and had increased understanding and appreciation of accounting issues across departments.

There was good collaboration. Even when errors came out of the woodwork, they [departments] did not keep them to themselves. You need to be pragmatic when doing something for the first time. (WOIP1)
While usually it was determined that an issue was not applicable or had no impact, many interviewees acknowledged that the process of, for example, reviewing lease contracts to determine if they should be on or off balance sheet was informative in terms of gaining a better understanding of their department’s commitments.

The transition to IFRS was useful in terms of looking at accounting practices and assessing what errors had been made under GAAP. (WDO1)

The transition brought a focus on financial reporting. ... non-accounting staff were more involved with the transition. (WOIP1)

The transition to IFRSs, together with other accounting changes (for example, RAB and WGAs), contained elements of technologies of the self, one of the main features of which is expertise, with staff being encouraged to equip themselves with new skills. Interviewees from Scotland and Wales in particular suggested that there had been an improvement in financial management and awareness and, while it was believed that the increased powers given to ministers had contributed to this, the transition had been an important contributory factor.

There has been an improvement in budgeting, decision making and financial management in recent years, but this is not down to RAB or IFRSs. I think there just has been an overall improvement. (SDO1)

While the devolution of power has had a much greater impact as ministers now have more power, IFRS has been a driver for greater financial management and awareness. (WDO1)

Although, some interviewees suggested that increases in the level of accounting expertise across the public sector were not universal, especially with respect to budgeting. Moreover, when interviewees were asked if the IFRS-based reports used for internal decision-making differed from those prepared under UK GAAP, they stated that there was limited evidence of changes in the information being presented to management, and no evidence of performance information being produced or requested. For example, none of the interviewees reported management boards requesting a comparison of UK GAAP with IFRS immediately following the transition. However, there was evidence of a greater focus on fixed assets, especially those that might be surplus to departmental requirements, and accrued annual leave entitlement. Interviewees were uncertain what the impact would be on the type of information presented to management, and ultimately public policy, once IFRSs became more firmly bedded-in.

The questionnaire also addressed whether the respondents believed that the transition to IFRSs was part of a wider programme of introducing private sector practices into the public sector. Only ten respondents (29.4%) indicated that they thought it was, with typically reasons being:

…over many years the presentation of government accounts has moved closer to the private sector, I see IFRSs as just the next rung in that ladder;

…departments are going through the centralisation/decentralisation cycle. At present it is the centralising phase. The next phase will be a shared offering of accounting services.
Some interviewees suggested that one consequence of applying the same standards in both sectors could be that public sector accounts become more accessible and understandable.

Arguably it makes the accounts more generalist, and perhaps this opens up the accounts to more people as you don’t have to be a public sector accountant to understand them. (SOIP2)

The guidance is much thinner now as everyone is expected to refer to the IFRS. Also, more accountants have come from the private sector and all students are now trained in IFRSs. (WOIP1)

Although the transition to IFRSs, and the consequential learning experiences, might potentially increase awareness and the visibility of departmental activities and transactions, the cost of implementing IFRSs is much less clear. Interviewees reported that although there had been minimal use (if any) of external consultants, there was undoubtedly pressure on staff time and that no budget had been set aside for the transition, nor was there any attempt to track the associated costs.

We had some outside help. But most of the cost was to do with training staff and producing guidance. (SDO2)

Costs were not tracked and there was no budget for implementing IFRSs. (WDO1)

While it was accepted that the financial cost of making the transition was relatively low, most saw little evidence that it represented value for money (VFM). Furthermore, it was acknowledged that as there had been no attempt to collate the associated costs, this made any form of cost-benefit analysis impossible; some interviewees intimated that this may have been intentional. One measure of the cost of adopting IFRSs is the change in audit fees in an IFRS-reporting environment. Redmayne and Laswad (2013) examined the impact of IFRS adoption in New Zealand’s public sector on audit fees and audit effort and their results indicate a substantial increase in both in the first year of IFRS adoption. Their findings provide some empirical evidence regarding the cost of transition and are potentially relevant for those countries currently considering transitioning to IFRS or IPSASs for the public sector.

Techniques and practices
These are the means adopted to achieve the ends of governance and realise the illuminated values (and which may create visibilities, knowledge and identities). Technical means can be related to various ends; for example, improving efficiency, effectiveness and/or the quality of information available to managers, boards or elected officials. Intervention is an important part of governance, which can involve techniques of notation, training systems, professional specialisms and vocabularies (Miller and Rose, 1990). Accounting has authority and trust and is believed to be precise (even though the information is often based upon estimates and judgements). In each jurisdiction, the central ‘finance’ department drove the transition. Interviewees reported that there was cooperation among the devolved administrations, including, at a more formal level, representatives from each meeting through FRAB. This approach supported the application of consistent and comparable practices across the regions and departments.
There was a meeting at the beginning between representatives from each of the three devolved regions. We discussed where we were and what direction should we take. (SDO1)

Notwithstanding that there was informal contact between staff in the central finance functions and the regional audit offices, interviewees contended that the client/auditor relationship was potentially different in the public sector compared with the private sector. While it was acknowledged that much depended upon the individual auditor, departments were wary of raising an issue that could lead to subsequent ‘digging for problems’. Several interviewees suggested it was easier to seek advice on the wording or format of a disclosure rather than on how a particular issue had been accounted for as this might lead to disagreement, result in the auditors probing more deeply for additional matters and have budget implications. For example, advice on whether a particular contract had been correctly classified as ‘off balance sheet’ might not be sought as, unlike in the private sector, changing the accounting treatment could result in a department breaching its resource allocation which would lead to an excess vote and an automatic qualification.

Although the views reported above with respect to ‘visibilities’ highlight a number of issues, there are more positive responses in relation to techniques and practices. There was strong support for the assistance on IFRS implementation provided centrally from within the devolved administrations, with only 8.8% of respondents indicating it was insufficient. In contrast to the move to RAB when, largely because departments had fewer accountants, there was significant reliance placed on external consultants (which potentially meant different approaches being adopted across departments and regions and knowledge being lost when they left), the transition to IFRSs was managed internally with 70.6% of respondents reporting that their department did not require external assistance.

RAB was a totally different beast. We weren’t geared up and didn’t have the skills set. (NIDO2)

RAB was a forceps birth. In total contrast, IFRS was a managed pregnancy and birth. (SDO3)

The transition to IFRSs was easier than RAB, more of a shared understanding of ideas and issues, less local practices and more consistency. (WDO1)

In addition, most interviewees reported that departments formed local and regional working groups with information being freely shared. Moreover, the interviewees from the regional audit offices referred to the training received from the National School of Government and the National Audit Office (NAO); therefore supporting the view that the dominant technique employed when introducing IFRSs was to closely manage the transition from the ‘centre’, with minimal external assistance.

Wales Audit worked with the Welsh Government, ICAEW [Institute of Chartered Accountants in England and Wales], the other [devolved] regions and Treasury. (WOIP1)

Respondents and interviewees from each of the regions concurred that initially the main task faced by departments was identifying the likely key issues and then assessing how to obtain the relevant information. This involved the somewhat mundane process of reviewing significant transactions and major contracts, for example with respect to leases, PFI/PPP and service level agreements; the result of which was frequently that no change was required.
While the actual changes were not great we still had to go through a process. (NIDO2)

It was a massive fact finding exercise and a good discipline. There was something really valuable about going through the process, and the information stayed with us as it was largely done in-house. (SDO3)

We conducted an extensive check on all our leases but not much actually changed and we had little to show for all the effort. (WDO1)

Universally, this approach was referred to as ‘proving the negative’ (i.e. demonstrating or justifying to the auditors that a particular IFRS did not apply/was not relevant).

Knowledge
This relates to what forms of thought, expertise, strategies, means of calculation or rationality are employed in governing practices. When respondents were asked what lessons have been learnt following the introduction of IFRSs, the importance of involving staff in the process and the benefits of using multi-disciplinary project teams was emphasised. Consistency was one of the main objectives of introducing IFRSs (HMT, 2007), and respondents emphasised the value of standardised central guidance early in the process to enable adequate planning and ensure uniformity.

Shadow years are designed to smooth the transition from, for example, one basis of accounting to another; they are ‘practice’ years when the ‘new’ system is operated alongside the ‘current system’ before its formal/legislative adoption. Prior to the implementation of resource accounting, there were four ‘shadow years’ (1997/98 to 2000/01) when resource accounts were prepared while appropriation accounts remained the formal mechanism of Parliamentary accountability. During the first two shadow years, the primary resource accounting documentation was not in the public domain and the 1997/98 shadow departmental resource accounts were not audited; although the NAO examined them in order to provide guidance to departments. In 1998/99, the unpublished accounts were audited and a summary of the audit judgements of the Comptroller and Auditor General was provided to the Public Accounts Committee. In the third and fourth shadow years, departmental resource accounts were audited and then published. Resource accounting went ‘live’ in 2001/02, when resource accounts became the sole mechanism of Parliamentary accountability, appropriation accounts having been discontinued. Interviewees expressed support for facilitating (accounting) change through the use of ‘shadow years’ to enable staff to come to terms with the implications of certain actions; for example, to better understand the accounting implications of (new) IFRSs and their potential impact on budgeting which, as mentioned above, could result in audit qualification if addressed inappropriately.

The shadow accounts exercise and the discipline this brought was crucial. (SDO5)

Most interviewees reported that the transition to IFRSs, while daunting and resulting in additional work (particularly ‘proving the negative’), had not proved as troublesome as first anticipated. This was largely attributed to the lessons learnt when moving from cash accounting to RAB, the greater accounting expertise within departments and the assistance received from the ‘centre’ (including FRAB). While the interviewees expressed little negativity towards IFRS adoption, possibly because it was perceived to have occurred relatively smoothly, few identified immediate or specific benefits. This is consistent with the questionnaire responses, with less than one third of respondents (29.4%) believing that IFRSs
were of greater benefit than UK GAAP. Indeed, while some understandably believed it was too early to draw proper conclusions, one respondent suggested:

I doubt if any lessons will be learnt. If the centre chooses to implement something like IFRS then staff has to comply regardless of cost or whether any benefits will accrue.

Some interviewees reported ‘disappointment’ that, despite the considerable effort and time devoted to preparing the financial information (monthly, quarterly or annually), there was little evidence it was used.

Few outside those preparing the accounts actually use or understand them. (NIOIP2)

We are providing more information under IFRSs but who understands it, who is using it, who knows? (SDO5)

While accounting systems render calculable the performance of those involved, it was emphasised that most elected representatives have a very limited knowledge of public sector accounts in their present form, which clearly limits their usefulness to this key stakeholder and impacts upon their ability to interrogate the information.

The politicians don’t understand the accounts, especially given the way that they are presented. (NIDO5)

Indeed, some suggested that even if alignment issues were resolved (i.e. the creation of a single, coherent financial regime for the way in which government uses budgets to plan what it will spend, presents estimates to Parliament for approval and finally, after the year end, publishes its resource accounts), it was unlikely this situation would improve as politicians would still be presented with IFRS-based accounts.

**Identities**

The final aspect of regimes of practices is concerned with the forms of individual and collective identity through which governing operates and government programmes form. These come from and support governance processes, and include the identification and emergence of people and groups who assume a particular role, often due to their professional or expert knowledge through which programmes are made operable. As discussed above, the introduction of IFRSs was driven by the regional central finance departments, with formal and informal mechanisms operating across the three jurisdictions, to facilitate consistency. This supports Nyamori’s (2009) contention that one way of aligning employees and political centres, which is central to governmentality, is through involvement.

The introduction of RAB led to a substantial increase in the number of accountants, with these actors having clearly defined roles and strong presence across central government. The professional accountant became much more accepted, together with the language of accounting. Consequently, unlike with RAB, there was a belief and confidence that the transition could be managed without external assistance. Drawing upon the experience of RAB, interviewees emphasised that this was because appropriate accounting experience and expertise was in place. Moreover, interviewees acknowledged that moving from RAB to IFRSs had undoubtedly resulted in increased financial awareness across departments, not just the finance function.
**Utopian ideal achieved?**

When respondents were asked about the move from cash accounting to RAB, the overwhelming consensus (94.1%) was that it was appropriate for the public sector to adopt accruals accounting. In contrast, opinions on the transition from UK GAAP-based accounting to IFRS-based accounting were more divided. While there was overall agreement that IFRSs were suitable (61.7%), a significant number was either indifferent (29.4%) or disagreed with the move (8.9%). While these responses still indicate the majority believed that it was appropriate to move to IFRSs, this may not have been because IFRS-based accounting was perceived as ‘better’ than UK GAAP-based. For example, when probed about whether IFRSs were of greater benefit than UK GAAP, the majority was ‘neutral’ (47.1%) or ‘disagreed’ (23.5%). Therefore, perhaps the perceived ‘appropriateness’ of IFRSs was driven by an acceptance that public sector accounting practices should mirror the private sector. Interestingly, while approximately half of the respondents were ‘neutral’ about the benefits of introducing IFRSs, opinions were more clearly divided with respect to whether dedicated public sector accounting standards would be more appropriate. For example, 58.8% of respondents agreed/strongly agreed that dedicated public sector accounting standards would be more appropriate, 35.3% disagreed/strongly disagreed and only 5.9% was neutral.

Table VI indicates that, with the exception of ‘comparability’ (which was one of the stated objectives (HMT, 2007)), the consensus among respondents was that the transition had not had a positive impact on the areas referred to. Indeed, with respect to six of the nine areas (accountability, efficiency, budget setting, decision making, internal reporting and financial management), 50% or more of the respondents actually disagreed/strongly disagreed that there had been an improvement. Moreover, with respect to the two remaining areas (transparency and policy setting), more disagreed/strongly disagreed than agreed/strongly agreed, particularly in relation to the latter. Thus, and notwithstanding the issues reported in Figure 1, while the implementation of IFRSs had limited impact in terms of difficulty or disruption, the positive consequences appear minimal.

“Take in Table VI”

Respondents were also given the opportunity to assess the impact of introducing IFRSs in the public sector in terms of the main benefits and drawbacks, and their responses are summarised in Table VII. The majority identified improved comparability with the private sector and increased transparency of assets and liabilities as the main benefits. While this is consistent with the purported benefits, it is important to note that none of the respondents indicated that these benefits had been achieved and a large number prefaced their response with words such as ‘potential’ and ‘may’. Moreover, while improved comparability with the private sector was the most cited benefit, some queried whether this was necessary. Other benefits mentioned occasionally (and not reflected in Table VII) were that the transition process (not necessarily IFRSs) had resulted in enhanced working relationships between, and within, departments; largely because it had required accounting and operational staff, including budget holders, to engage more closely. Moreover, it was suggested that there was now a greater acceptance and awareness of accounting among non-accounting staff. However, four respondents (included in ‘Other’) stated that there were no benefits of introducing IFRSs in the public sector.

“Take in Table VII”

When referring to the time, cost and effort involved outweighing the benefits, most respondents again commented that few real benefits had yet been realised and added there
was little evidence that they would be in the near future. Moreover, many expressed doubt regarding the extent to which IFRS-based information was being used to inform decision making and policy, particularly at board level where it was perceived there was a lack of understanding of such information. In addition to the main drawbacks outlined in Table VII, other issues highlighted less frequently included: the statutory accounts are still not viewed as a useful management document; the need to (re)educate budget holders on the accounting impact of certain expenditure types; and it does not lead to improvements in public sector efficiency. It is interesting to note that what was perceived as a positive impact by some was viewed negatively by others. For example, with respect to the adoption of IAS 19 Employee Benefits and IFRS 8 Operating Segments, and notwithstanding the difficulties in achieving compliance, some indicated this had increased transparency whilst others questioned the relevance of the additional information for users of public sector accounts.

While interviewees broadly accepted that the benefits of adopting IFRSs were oversold by government and HMT when the policy was announced (see Problematisation and utopian ideal above), this was seen as typical of the way most new policies are promoted. The transition was viewed as part of a wider programme of embedding improved financial management practices across the public sector, not part of a privatisation agenda. Moreover, it was felt that there remained little interest in public sector accounts and that only preparers and auditors read them.

When asked which areas had been most impacted by the introduction of IFRSs, the accrual of holiday pay and increased disclosures were those most frequently mentioned.

The whole holiday accrual thing took far more time and effort relative to its actual value. (SOIP1)

There was a considerable amount of work involved in drafting the new disclosure notes. Next we have to look at segmental information and possibly pay details. (NIDO2)

As with the respondents, many interviewees indicated that little had changed in terms of how IFRS-based information was used compared with UK GAAP information, particularly in a decision making or policy context. Few were aware of budget holders/internal decision makers seeking clarification of the financial figures or supplementary information and none indicated that the introduction of IFRSs had led to improved or new performance information being produced; indeed it was generally accepted that this remained poor.

I haven’t seen any changes in the form and content of management reports, nor am I aware of any new requests for information. (NIDO4)

Decisions are based upon budgetary conditions and constraints; this was the case before IFRSs and it remains so. (SOIP2)

It is questionable whether internal decision making has changed or improved. (WDO1)

This limited questioning was attributed to a lack of understanding on behalf of management boards; although it was acknowledged that departmental accounts were complicated, especially given alignment issues, with non-accountants often having difficulty grasping certain accruals information and non-cash costs such as impairments. Indeed, while departments were adopting segmental reporting (IFRS 8), interviewees indicated that their management board had not requested information in a different format to that requested.
previously. However, it was noted that while there had been (very) limited requests for ‘new’ information by management, this could develop in the future.

Internally, the year-end financial accounts are not used for anything; apart from the odd press enquiry, they are probably not used at all. Although, because of the processes that we have gone through, it means that the information behind the accounts is available now throughout the year. (SOIP2)

Notwithstanding the consensus that there had been limited direct benefits from the transition, it was accepted that the process had contributed to a better understanding of accounting and budgeting, with staff across different departmental functions having greater awareness of what others did.

There has been a marked improvement in relationships and understanding, especially between supply and accounting teams. (NIOIP2)

It was more than just introducing IFRSs. It was a means to get under the skin of our customs and practices. A snapshot in time of how we do things. (SDO1)

It has kept the focus on accounting and helped everyone have a better understanding of accounting. (WDO2)

Although, the belief was that until alignment issues were resolved, tangible benefits, especially from a decision making/public policy perspective, were unlikely.

**Discussion and conclusions**

Governmentality offers a theory of how various issues can be problematised and addressed by technical experts (for example, accountants) who, with their specialised knowledge and vocabulary, offer programmes to resolve these issues. Similar to the development of VFM audit in the Canadian Federal public sector (Free et al., 2013), the introduction of IFRSs was offered as part of the solution to an issue that had been problematised to the extent that it was routinely depicted in crisis, with the adoption of RAB meaning there was support for IFRSs (i.e. professional endorsement). Indeed, one aspect of governmentality is how expertise is translated into action, with expertise being expressed in a technical language that is ‘a key element in the process of forming networks through persuasion, rhetoric, intrigue’ (Rose et al., 2006, p. 89). In the context of this research, using a governmentality lens enables an assessment of why IFRSs were adopted (problematisation), together with how they were introduced (regimes of practices). By considering what different stakeholders believe to be the merits and drawbacks of adopting IFRSs, and their impact on departments, in particular their policies and decision-making, this facilitates an evaluation of whether reporting under IFRSs adds value to the management and decision making of government (utopian ideal).

This research illustrates how a market-based mechanism (including technologies of the self) may be mobilised to convert public sector workers to business-like subjects. Departmental officials in particular acknowledged that IFRS adoption and the preparation of management information in accordance with the new framework provided an opportunity for Boards and budget holders/internal decision makers to develop their understanding of departmental accounting, seek clarification on the implications of the changes and instigate new forms of internal reporting. However, this does not appear to have occurred and there is little evidence of clarification or supplementary information being sought or new forms of
information being produced. While this is perhaps surprising given the manner in which the transition to IFRSs was ‘officially’ sold in the UK, it is consistent with research conducted by Pilcher and Dean (2009) who sought to assess whether reporting under IFRSs added value to the management of local government in New South Wales. Their findings suggested that the time spent complying with IFRSs resulted in management accounting issues often being downplayed (although the authors acknowledged that as their study was based upon the first year of implementation the situation may change in the future).

With the exception of ‘comparability’ (which was one of the stated objectives (HMT, 2007)), the consensus is that limited benefits have so far been realised from the transition to IFRSs and that there has been little improvement in areas such as accountability, transparency, efficiency, policy setting, budget setting, decision making, internal reporting and financial management. This may suggest that some of those affected by the changes have not adequately equipped themselves with the (new) skills required to fully utilise the information available. Moreover, there is a belief that the potential benefits will not be realised until boundary alignment issues (i.e. the alignment of budgets, estimates and accounts in a manner that allows government to report to Parliament in a more consistent fashion) are resolved. Furthermore, consistent with RAB, as there was no separate budget or attempt to collate costs for the transition, any form of cost-benefit analysis is impossible (not visible). Consequently, while the financial cost of making the transition is believed to be relatively low, it is unclear if it represents VFM.

While the initial fear was that the transition to IFRSs would involve major upheaval, in reality it was much smoother than expected and significantly less onerous than the introduction of RAB. This can be attributed, at least in part, to the lessons learnt and the knowledge gained from the introduction of RAB, together with the subsequent increased accounting expertise and identity across central government. Indeed, the growing acceptance of (private sector) accounting techniques as a governing technology is evidenced by the fact that, despite many interviewees struggling to identify tangible benefits of making the transition, there appeared to be a willingness to accept IFRSs (even above dedicated public sector standards).

There is no real belief that the goal of the governance (i.e. the move to IFRSs) is part of a wider programme of privatising elements of the public sector by requiring them to account on a similar basis to private sector organisations in order to facilitate comparison and competition for the provision of certain services. Rather, the transition is perceived as part of a process of on-going public sector reform designed to increase transparency and general professionalisation. Although, it appears that little has changed in terms of how IFRS-based information is used internally compared with previous UK GAAP information, particularly in the context of decision making, policy decisions and performance measurement. However, as this research focuses on central government in the devolved regions of NI, Scotland and Wales, the findings may be somewhat skewed towards these regional administrations and the conclusions may not be applicable to the entire UK public sector.

Over the last twenty years, public sectors across the world have experienced substantial change, often with accounting techniques and practices (and accountants) being central to such reforms (for example, see Ellwood and Newberry (2007) with respect to New Zealand; Mir and Rahaman (2007) with respect to Australia; Liguori and Steccolini (2012) with respect to Italy). However, typically the benefits are exaggerated and the difficulties downplayed or even ignored, and once directives are issued it is expected that the change(s) will be implemented seamlessly (and often driven by accountants) (Lapsley et al., 2003). A number of countries and intergovernmental organisations have adopted, or are in the process of adopting, IPSASs (International Federation of Accountants, 2007; Ball, 2012; Deloitte, 2013; World Health Organisation, 2013), with their implementation being encouraged on the basis
that it will improve the quality of financial information reported by public entities, facilitate the comparability of such information on a global basis, ensure greater transparency and accountability in public sector finances and enable better monitoring of government liabilities (Bergmann, 2014). Thus there are clear parallels with how IFRSs and IPSASs were/are promoted and, based upon the findings of this research, while it may be relatively easy to implement IPSASs at a technical level, (accounting) techniques and practices are not, in themselves, enough to achieve successful change and the wider benefits may be more difficult to attain.

A policy recommendation arising from this research is that public sector change must be adequately resourced, carefully planned, with appropriate (IT) systems, trained staff and interdisciplinary project teams, together with strong leadership from senior management both within departments and wider government. Moreover, with respect to accounting change, it should not be introduced without good reason and the decision about which technique or practice to adopt should be based on VFM not the accounting treatment. Furthermore, as the potential benefits from (accounting) change will not be realised until boundary alignment issues are resolved, a single, coherent financial regime for the way in which government uses budgets to plan what it will spend, presents estimates to Parliament for approval and finally, after the year end, publishes its resource accounts, should be implemented.

To complement this research, it would beneficial to conduct a wider study incorporating the impact of the transition to IFRSs at a Westminster level, together with a broader study of other countries that have implemented a similar policy (for example, Australia and New Zealand). As the public sector in such countries adopted IFRSs earlier, an evaluation of whether the anticipated benefits have been realised may be possible. Moreover, as this research focused upon central government departments, a more extensive study could consider other public sector and not-for-profit organisations that have adopted IFRSs.

References


[1] Traditionally, government within the UK has been founded on concepts such as a unitary state and the supremacy of Parliament at Westminster. Latterly, these ideas have been challenged by devolution, whereby functions previously exercised by the Westminster Parliament have been transferred to subordinate elected bodies on a geographical basis (Bogdanor, 2001). Following referendums in Scotland and Wales in 1997, and in Northern Ireland (NI) in 1998, the UK Parliament transferred a range of powers to national parliaments or assemblies, with the NI Assembly, Scottish Parliament and National Assembly for Wales becoming operational in 1999.

[2] Other recent accounting reforms include the preparation of Whole of Government Accounts (WGAs) and the implementation of the Clear Line of Sight Alignment Project.

[3] These are a set of accounting standards (with no legally-binding force) for use by public sector entities around the world in the preparation of financial statements. They are based on IFRSs and adapted by the International Public Sector Accounting Standards Board to a public sector context when appropriate.

[4] A copy of the questionnaire is available from the authors on request.

[8] The Scrutiny Unit exists to strengthen the scrutiny function of the House of Commons by providing specialist expertise to select committees, especially (but not exclusively) on financial matters.