

Cash or accruals for budgeting? Why some governments in Europe changed their budgeting mode and others not

By

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This paper investigates why central governments in some countries (especially the UK and Austria) have moved from a cash budgeting system to accrual budgeting, while others (particularly Belgium and Portugal) continue to use cash budgeting, given that both groups of countries share that their financial reporting system have become accruals-based. Our research shows that the two countries opting for a complete change to accruals emphasise the importance of consistency of the entire accounting system and the imperative to inform also about resource consumption in the budget. In sharp contrast, the two countries deciding for a partial change and for staying with cash budgeting argue that a clear and unambiguous view at cash spending is authoritative for their budgeting concept and that political decision makers would not accept an accrual-based budget. The change process in all four countries was influenced by several contextual factors, such as cash-accounting legacies and previous NPM-reforms. We conclude that stakeholders in government show more reluctance when deciding on a budgeting concept than about a financial reporting change which is perceived as less essential. We also conclude that the less ambitious reform mode (cash-based budgeting with accrual financial reporting) takes more implementation time than the more ambitious reform mode (accruals for budgeting and reporting).

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1. Introduction

Many Western countries have transferred their cash-based accounting system into an accrual-based system for financial reporting purposes during the last decades, but are continuing to use a cash-based budgeting system. The number of countries using cash for budgeting and accruals for financial reporting is quite large: it varies for central government between 34% (world-wide, PWC, 2015) and 50% (OECD countries, Moretti, 2016). A comparative study about 14 European countries reveals that this combination is also substantial for local government, counting for 43% of the countries (Brusca, et al., 2015).

Our research goal is to understand why central governments in some countries have moved to accruals budgeting, while others keep using cash budgeting, given that both groups of countries share that their financial reporting system has become accruals-based. We are therefore interested in the selection processes on the budgeting modes, which includes types of reasons main stakeholders put forward in preferring either cash or accruals for budgeting. These reasons may also include expectations about the implementation and use of the two budgeting options.

Our research contributes to the body of knowledge about international comparative research on public sector accounting. It may challenge a basic financial management logic which highlights that, systems for budgeting and financial reporting need to be coherent to enable proper comparisons between planned and realised financials. A potential practical implication of our work lies in the need for deliberate choices about accounting systems for budgeting and reporting purposes in the public sector. In a more general sense our research gives voice to the opinions and perceptions of various stakeholders involved in public sector accounting changes (see also Adhikari and Gårseth-Nesbakk, 2016).

Section 2 of this paper presents an overview of arguments pro or contra cash-based versus accruals-based budgeting, as derived from a comprehensive literature study. Subsequently Section 3 sketches a theoretical framework which helps in understanding the decision making processes about the choice between cash or accruals for budgeting. The core of our paper is Section 4. Here we present the empirical findings on four countries, two using cash budgeting in combination with accrual financial reporting (Belgium and Portugal), and two using accruals for budgeting and financial reporting (the UK and Austria). Finally, Section 5 contains a comparative analysis and theoretically informed interpretation of the four country studies and suggests routes for future research.

2. The pros and cons of cash and accrual budgeting

This section presents a short overview of the various arguments which are mainly used in the literature to emphasise either the CB-(Cash Budgeting) or the AB (Accrual Budgeting)-mode in public financial management. We disregard variations of these two modes (modified cash or modified accrual accounting) which can be found in various countries and which represent compromises between the two pure modes. The first variant is basically a cash system which only includes a few accrual elements, such as commitments at the year-end, while the second is basically an accrual system which doesn't include a few items like heritage assets. These rather modest variations don't change the fundamental characteristics of the respective accounting system.

The main arguments pro and contra the two budgeting modes are presented in Table 1; they are based on a comprehensive literature review of the authors (Reichard and van der

Helden, 2017). For both budgeting modes it is assumed that financial reporting is accrual-based (AR = accrual reporting).

Table 1. Overview on arguments used in literature in favour and against cash and accrual budgeting respectively

Criteria for assessment	Cash Budgeting	Accrual Budgeting	Assessment
Consistency of accounting system for budgeting and financial reporting	CB and AR follow diverging logics and cannot easily be compared with each other. The two modes are thus incoherent.	AB and AR follow the same accrual logic and both parts of the system are aligned with each other.	Clear argument in favour of AB
Appropriateness for financial and fiscal steering and control	CB is focused on budget authorisation. It allows easy planning and control of monetary spending of government ("money is core"). CB is more connected with fiscal policy-making, e.g. with the level of indebtedness, fiscal sustainability reporting or midterm expenditure frameworks which are all cash-based.	Spending control via AB is more ambiguous and spending departments have more discretion. Risk of overspending may be higher. Budgetary focus may shift from compliance to general performance issues. On the other side, accrual information has a mid-term perspective (e.g. pension provisions) which is lacking for cash information. Moreover, macroeconomic fiscal statistics like ESA and GFS are based on accrual data. Accrual-based budgetary reporting would need less significant adjustments for transformation into national (macro-economic) accounts compared to cash-based reporting.	Generally stronger arguments for CB, but with some limitations, e.g. with regard to national accounting
Coverage of financial information	CB has a limited focus: it only discloses cash-related transactions while non-cash activities are excluded. Thus, CB doesn't inform about the full resource creation and consumption of a public sector organization.	AB doesn't exclude the disclosure of cash data: Usually, the AB includes accrual data as well as cash flow figures. Furthermore, AB covers full costs of government activities (e.g. depreciation of assets) and not only cash-related transactions. Contingent liabilities like provisions are also disclosed (although certain long-term obligations like social insurance benefits are not covered). Thus, AB may lead to higher inter-generational equity and result in strengthened accountability.	Clear advantages of AB
Usability of budget by major stakeholders	The content and functioning of CB are easily comprehensible, also by non-experts like elected politicians in the budget committee. Cash is an unambiguous "language". The CB doesn't require sophisticated accounting knowledge.	AB is more complex and difficult to understand and to handle. It requires some solid accounting knowledge of the major actors. Elected politicians are said to be reluctant to use accruals, and thus budgetary powers may shift from legislation to professionals. Furthermore, AB requires considerable discretion of managers to decide e.g. on valuation of assets. Because of high complexity, the budget cycle may be overloaded and not be finished in time.	CB is easier manageable and less demanding; this may be partly outweighed by various disadvantages of CB
Manipulation risk	CB is considered as being vulnerable to manipulation, e.g. by anticipating or postponing cash-transactions.	Also AB is suspected to be manipulated, e.g. with regard to the valuation of assets or interest rates. Manipulation in AB may be more difficult to be detected and to be prevented compared to CB.	Highly contestable for both CB and AB

Criteria for assessment	Cash Budgeting	Accrual Budgeting	Assessment
Cost of implementation and use	Changing the accounting system from cash to accruals is doubtless a time-consuming and expensive adventure. Thus, it is argued that remaining in the CB-mode will be cost-efficient. The bulk of the costs of system change will, however, occur in any case as a result of the change of the accounting/reporting system. Furthermore, the CB-mode requires an additional budgetary reporting system (but see the AB-mode).	The AB-mode is eventually more costly than the CB-mode in its implementation stage and certainly more expensive during its operation. Similar to the CB-mode, a specific budgetary reporting concept may be necessary to allow item-specific comparison of budget appropriations with actual spending.	Contestable as both options are costly

Source: Compilation of the authors, based on: Blöndal, 2003, 2004; Carlin and Guthrie, 2003; Diamond, 2002; Jorge et al, 2016b; Khan, 2013; Moretti, 2016; Robinson, 2009, 2016; Schick, 2007; Warren, 2015.

The six categories comparing the advantages and disadvantages of the two budgeting modes under review present different results. According to our assessment, there is not one exclusive “winner” of the comparison. While the reasoning related to two of the categories favours quite explicitly the AB-mode, two other categories come to a somewhat nuanced “pro-CB” result and again two other categories end-up in a contested situation. At the end, governments have to draw their own conclusions on the preferability of either the CB- or the AB-mode for a public sector budgeting system. The result of such judgement will largely depend on the weighting of the various assessment criteria with regard to the two budgeting modes.

3. Theoretical framework

This section introduces our theoretical framework for understanding decision-making processes about cash-based or accrual-based budgeting in government, and it builds on more comprehensive frameworks for conceptualising public sector accounting reforms.

The most prominent framework of public sector accounting reform has been developed by Klaus Lüder. We refer to his ‘financial management reform process’ (FMR) model (Lüder, 2002), whilst acknowledging that there are earlier versions of his framework. According to Lüder, his model contains three clusters of variables: contextual (stimuli and institutional arrangements); behavioural (reform drivers, political reform promoters and stakeholders); and instrumental (the reform concept and implementation strategy). Lüder’s ideas have inspired many public sector accounting researchers for conducting either single country studies or comparative multi-countries studies about governmental accounting reforms (Lüder and Jones, 2003; Jorge, 2005; see also reviews by Vela and Fuertes, 2000; Lüder, 2002).

Lüder’s model shows many similarities with the more general public sector reform framework by Pollitt and Bouckaert (2011, p. 33), although it is more accounting oriented, by giving attention to the impact of auditing institutions, standard setters and statistical offices. Moreover, there are variations of Lüder’s ideas in publications of other researchers. Christensen (2002), for example, revises the framework by distinguishing three groups of actors, particularly promoters of change as well as producers and users of accounting information, which influence each other and are subject to certain stimuli, such as NPM-like ideas. Upping and Oliver (2011) attempt to merge the Lüder model with ideas developed by Innes and Mitchell (1990) on facilitators, motivators and catalysts for change, although rather than integrating both change models, the models seem to be just stuck together. Alesani et al. (2012), further explore the dependent variable of the public sector

accounting reform process, including improvement of transparency and accountability as well as improvement of financial management practices. Ouda (2010) elaborates on the content of the accounting reform and the transition process rather than the impact of contextual variables. A somewhat different viewpoint on conceptualising public sector management accounting change comes from ter Bogt and van Helden (2000), who provide explanations for two types of gaps: a development gap (formal accounting systems are less developed than originally planned) and a usage gap (the actual use of the formal accounting system is less than proposed).

In general, Lüder's model emphasises the groups of variables that are potentially influential in public sector accounting reforms. We are aiming to expand these ideas in two directions. First, by a focus on the decision making processes underlying public sector accounting reforms, in our research the preference for either cash or accruals for budgeting; Second, by giving attention to the extent of change and the pace of the change process.

We see the choice between cash or accruals for budgeting as fundamentally different alternatives, which require a deliberate selection procedure. This resonates with Johansson and Siverbo (2009), who – building on accounting change ideas developed by Burns and Scapens (2000) – distinguish three inter-related change processes. The first is *retention*, which is the preservation of current practices. The second is *variation*, i.e. variation of existent practices as prerequisites for enabling a substitution of current by new practices. Variation originates from external sources, such as important stakeholders advocating alternatives to the current practices, and from internal sources when different internal stakeholders hold diverging preferences about alternative practices. The third sub-process is *selection*; that is the type of reasoning important stakeholders put forward in deciding about the most desirable practices.

Greenwood and Hinings (1996) aim to understand organisational change, which regards the extent of change as well as the pace of change, as a response to both market and institutional pressures (*ibid*, 1996. p. 1014). With respect to the extent of change, they make a distinction between *radical change*, which implies the move from an existing to a new template, and *convergent change*, meaning a revision or fine tuning of the template in use. Related to the pace of change a distinction is made between *revolutionary change* as a quickly accomplished change and *evolutionary change* as a slow and gradual change taking a relatively long time span. Greenwood and Hinings argue that in general convergent change is more likely than radical change. This may be due to, e.g., a strong embeddedness of organisations in their institutional context, the absence of a strong coalition supportive of an attractive option for change, and a lack of enabling capacity for action, in the sense of the ability to manage the transition process from one practice to another.¹

Our research goal of understanding the change process on cash or accruals for budgeting and the theoretical notions developed above, give rise to the following *research questions*:

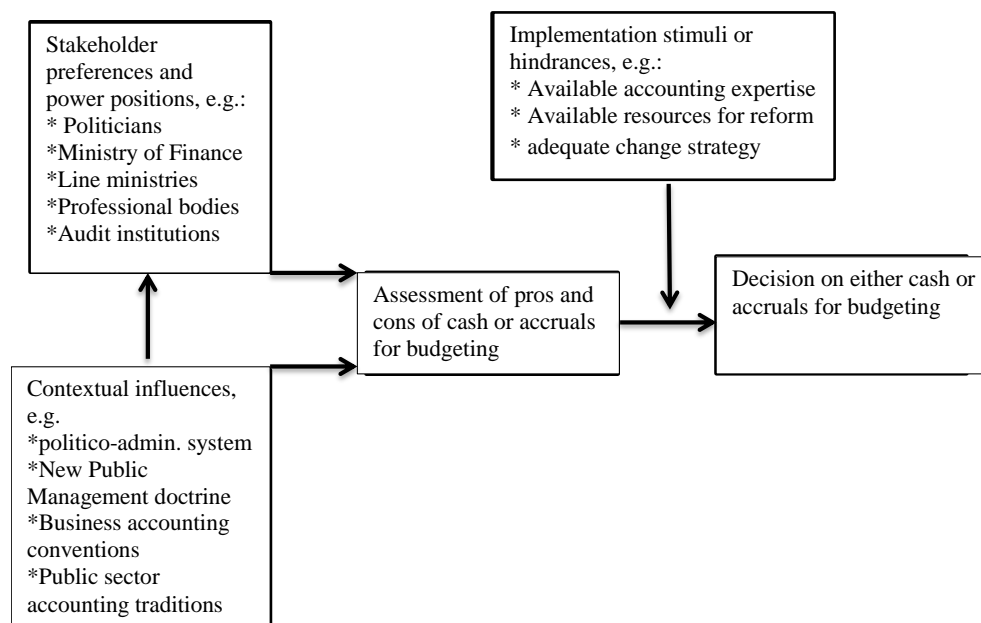
1. What were the main arguments for either sticking to cash for budgeting or for moving to an accruals basis for budgeting?
2. Was there an explicit reasoning about the pros and cons of two alternative options, i.e. either cash or accruals for budgeting, before putting forward the ultimate preference for one of the two?
3. Who were the most important stakeholders in the discourse on budgeting modes, and what was their position (e.g., advocate, opponent, neutral)?

4. What was the relative power position of each of the stakeholders under 3, and how did they come to the final decision?
5. What were the contextual circumstances of importance to the decision process on cash or accruals for budgeting?
6. Which implementation stimuli or barriers played a role?

Our research questions are linked to the presented results of our literature review in the following manner: First the two options of cash or accruals for budgeting show a sufficient *variation* for making a deliberate selection by relevant stakeholders in government (Question 2). Second, a transfer from cash to accruals for budgeting and financial reporting in government is assumed to be a *radical change*, i.e., a fundamental different way of designing budgeting systems, while a move from a cash-based system to only accruals for financial reporting and keeping the budgeting system cash-based is seen as a *convergent change* (Questions 1 and 2). Third, the reasoning for making a deliberate choice between both options can be seen as a *selection process* which is assumed to be informed by possible pros and cons of each option (Question 1; see Section 2 for the possible advantages and disadvantages of both options). Fourth, the ultimate decision depends on the *preferences and relative power positions of important stakeholders* (Questions 3 and 4). Potentially important stakeholders are elected politicians, ministers, professional bodies of accountants and auditors, audit institutions, public sector managers and public sector controllers. This list includes users and producers of budgeting information. Fifth, *contextual circumstances* can be influential (Question 5). These circumstances can vary from the governmental structure and culture to the importance of imitating private sector practices. It also includes the extent to which governments are open to new ideas (e.g. with regard to international trends), and whether they have strongly developed own traditions of standard setting in budgeting and accounting. And finally, certain *implementation stimuli or hindrances for change* can be influential (Question 6), which may influence the pace of change, i.e. *evolutionary* or *revolutionary*.

Figure 1 shows our theoretical framework.

Figure 1. Theoretical framework for understanding decision making processes on cash versus accruals for budgeting in government



Source: Jan van Helden and Christoph Reichard.

The decision to use either cash or accruals for budgeting (box on the right hand side) is impacted by an assessment of the pros and cons of both budgeting options (box in the middle). Two groups of factors can be influential: the preferences and power positions of important stakeholders, and various contextual factors (the two boxes on the left-hand-side). These two groups of influential factors can be interdependent, for example, when the preferences for budgeting options of politicians as one of the stakeholders come under the influence of business-like doctrines as in NPM. In addition to an assessment of pros and cons of the two budgeting options, there may also be certain influential implementation stimuli or hindrances (box in the top-middle).

This framework and the related research questions have been used as a guideline for our set of questions for conducting interviews (see Appendix).²

4. Four country studies: empirical findings

This section presents the findings of our empirical investigations. After a justification of the methods for data collection and analysis in section 4.1, the findings about the country studies are presented in the Sections 4.2 until 4.5. This paper studies four European countries: Belgium and Portugal are two countries which continue to use cash-based budgeting in combination with accrual-based financial reporting. Additionally two countries following the “AB-AR-mode” have been selected: United Kingdom and Austria. These countries were chosen because they follow divergent administrative cultures and traditions and additionally also varying accounting traditions. Furthermore, their exposure to public management reforms is diverse.

4.1 Methods for empirical investigation

Our investigations are constrained to the central government level in the four selected countries. We are primarily using secondary data sources, especially government reports and academic and professional publications about public sector accounting reforms in these countries. Often, these reports and publications do not address all the issues of interest to us, as developed in our theoretical framework. Hence, we conducted two to three expert interviews in each country in which we could request information about all these issues (see Appendix for our interview guide). The interviews were semi-structured, which gave room for sharing information about public sector accounting reforms in the country at hand beyond our interview guide. Experts had different backgrounds, ranging from academic research to consultancy and managerial positions. The use of multiple data sources potentially substantiates the analysis and provides sufficient evidence. Whenever different data sources gave diverging views, this is acknowledged in our analysis.

4.2 Belgium³

Following earlier reforms at local level, the federal government initiated comprehensive accounting reforms in 2003 by issuing two laws. In the following period, government entities at all levels introduced accrual financial reporting. While Belgian municipalities - with some regional differences - also changed their budgeting mode more towards accruals, the other government layers continued using the cash mode for budgeting and budgetary reporting. At the central level, government introduced in execution of the law of 22/5/2003, the FEDCOM system where all financial transactions are simultaneously recorded in the accrual reporting accounts and in the cash-based budgetary accounts (Christiaens and Neyt, 2015). The implementation started in 2007 and is expected to be completed in 2019 (information by the budget office). While implementation is completed in the federal ministries, it is still pending in a number of agencies. The budget in its current stage of development seems to follow a modified cash-mode with a tendency to strengthen the accrual components in future; it is structured into current and capital expenditures/revenues.

The decision to continue cash budgeting was made at the same time when the change of the reporting concept towards accruals was decided. The basic aim of remaining at cash mode with budgeting while changing the reporting mode was to broaden the information base, i.e. to add accrual information to the still available cash data. Although there was no explicit reasoning about the pros and cons of the two budgeting modes, politicians were supposed to become better informed about assets and liabilities of the government via accrual reporting (Christiaens and Neyt, 2015). The main reason to stay with the cash mode was the concern to move into unknown terrain whereas the cash budgeting concept is well established since long and is widely perceived as the most important financial planning concept of government which is also emphasised in constitutional law. Furthermore, bureaucrats were convinced that politicians would not accept a change towards accrual budgeting (Bellanca and Vandernoot, 2013). Hence, the bureaucrats in the Federal Public Service (FPS) Budget and Management Control department (responsible for budget composition and control) moved forward with a partial change, i.e. they revised the reporting mode without changing the well-established budgeting mode. As a result, the two sub-systems of budgeting and reporting are disconnected from each other and accrual accounting data doesn't play a major role in budget formulation.

Major stakeholders of this reform were the senior bureaucrats, primarily in the FPS Budget and Management Control. According to one of our interviewees politicians were not much

involved in the development of the concept. During the implementation process, the political level did not allocate sufficient financial resources necessary to perform the demanding change project.

The decision for the CB-AR-mode was influenced by some contextual factors. At first there was and still is a deeply rooted tradition of cash budgeting, based on Roman and West European administrative traditions, to which bureaucrats as well as politicians feel themselves committed (Christiaens and Neyt, 2015). This tradition was supported for many years by the dominant austerity policy of the federal government which forced all actors to concentrate their decisions on fiscal targets, i.e. on cash flows. On the other side, although the international influence on the reporting reform was modest, the general NPM-doctrine had some impact on the reform discourse. Furthermore, several more generic public management reforms (e.g. the “Copernicus Plan” of the Belgian federal government) were influential. During these administrative reforms, there was quite some enthusiasm for modernising the federal accounting system, but the positive mood declined shortly after the start of the FEDCOM-project. To some extent, the need to establish common accounting principles allowing comparisons of the accounts of all Belgian government entities was another reform driver (Bellanca and Vandernoot, 2013). Additionally, the business sector with the parallel renewal of its accounting standards was influential. And finally, the European Commission put some pressure on the Belgian government to improve its financial management system, not least with regard to ESA 2010.

The implementation process of this partial reform was organised in quite a cautious way and required a lot of time (more than 10 years). Because of the immense time needed for establishing the reporting system, the willingness to broaden the concept towards accrual budgeting was very weak. Some of the federal ministries still operate their own accounting system in parallel to the official accrual reporting because they consider the former system as more reliable and informative. One reason for the slow implementation was a considerable lack of human resources (OECD, 2017, 46), e.g. with regard to asset valuation and developing appropriate disclosure and measurement principles, but also for adequately managing the whole change process. According to our interviewees, another reason for slow implementation was an only modest disposition of the Belgian Supreme Court of Audit to undertake regular financial audits and by this to support the move towards accruals.

4.3 Portugal⁴

Until the beginning of the 21st century accounting was cash-based in the Portuguese central government. Announcements for accounting reforms date back to the 1990s, when accrual-based financial reporting was expected to be introduced in combination with cash-based budgeting for autonomous bodies and agencies within the central government, such as the tax office, universities and hospitals. However, core government budgeting and financial reporting remained cash-based, although there are plans to transform the cash-based system into an accrual-based system for financial reporting starting in 2020 (Jorge, 2015, p. 157).

Accrual-based accounting was seen as superior to cash-based accounting, especially because it allows a better treatment of transactions related to fixed assets (depreciations instead of capital investments and disinvestments), and it provides insights into the full resource consumption of activities rather than a registration of cash outflows. Moreover, accrual accounting is better aligned to the requirements of National accounting statistics.

There are external pressures for public sector accounting reforms coming from the EU and the IMF as a consequence of the budget support that Portugal received. In addition,

managers of autonomous bodies, who already used accruals for financial reporting in combination with cash for budgeting, were satisfied with having accruals information. And although capabilities for accounting expertise were a serious problem when the reform was launched, currently many employees, both managers and accountants, are better trained than in the past for effectively using accrual accounting information. In addition, the public sector standards committee can be seen as a supporter of the reform. This committee, among others, comprises representatives from the Institute of Chartered Accountants and the Institute of Chartered Auditors, as well as academic members and high officials from government.

However, there were also stakeholders opposing the reform to accruals. Many political actors do not understand the potential benefits of accrual information above cash information (see also Jorge, et al. 2008). In fact, when cash and accrual information are available, politicians will prefer using cash information, and they will in any way need professional support in effectively using accrual information (Jorge, et al, 2016a). In addition, some line managers in central government fear not to be equipped for proper using accrual information. In a more general sense, politicians but also officials in the powerful Ministry of Finance fear a loss of control of cash when budgeting and accounting are based on accrual principles. Moreover, according to Jorge et al. (2007), accrual-based reforms in government are problematic due to the absence of a conceptual framework that aligns business accounting conventions to the public sector (for example the irrelevance of certain private sector ratios for the public sector); because of difficulties in valuating public domain assets (e.g., how to deal with assets that do not generate revenues); and due to a lack of guidance for those who have to implement the changes.

Our interviewees differ to some extent in their appreciation of combining cash for budgeting and accruals for financial reporting. On the one hand, one interviewee acknowledges some more or less fundamental arguments in favour of this logic. Politicians consider budgeting predominantly as the establishment of cash ceilings for different functions, which is perceived as a simple and straightforward mode for planning and control purposes. In addition, there is a cultural dimension pointing to a long lasting tradition of cash budgeting, which is part of the accounting users' mindset. Moreover, there is a fear of losing control over cash if budgeting would be accrual-based. And, not the least, cash-thinking requires less expertise than accrual-thinking. On the other hand however, our second interviewee does not exclude that the combination of cash for budgeting and accruals for reporting as an intermediate reform stage. He acknowledges that accruals for both budgeting and financial reporting was not an explicit reform goal, but it was seen as a desirable end-result within the accounting profession.

Some driving forces for the reform can be indicated. The NPM philosophy is influential, especially the emphasis it puts on managerial thinking in autonomous bodies. The forming of those bodies (i.e. agencification) is an important signal in this respect. Another factor is business accounting as a benchmark for public sector accounting; the adoption of IPSAS is a symptom of this impact. Furthermore, austerity was influential, particularly through the pressures put on Portuguese government by the Troika (as part of budget support by the EU and IMF).

According to one of the interviewees, the implementation of the accounting reforms in Portuguese central government took a substantial number of years and is still ongoing. The slow pace of change is due to a combination of the following factors. First, it was insufficiently acknowledged that the reforms require a change in the structure of the organisation of central government. Currently, there are too many very small organisation

units which lack the capacity for proper use of budgeting and reporting repertoire to be feasible. Second, the currently very centralised accounting procedures, in which the Ministry of Finance is the dominant actor, are not aligned to the requirements of decentralisation which go alongside accrual-based accounting (budgeting and reporting). And third, some actors were difficult to convince that accrual information is superior to cash information, especially politicians and some line managers, as well as actors in the Ministry of Finance (see above). Our other interviewee argues that political instability – varying priorities of subsequently active government cabinets – is not conducive to smoothly functioning reforms.

The 1990s accounting reforms were imbedded in a larger process, starting with a new financing regime that distinguishes between administratively and financially autonomous bodies, the former essentially with cash-based reporting and the latter starting with accruals. Currently new initiatives are on the agenda, particularly the introduction of program budgeting, later to be followed by including performance information in the budget (performance budgeting). These reforms are planned to be implemented in 2018-2020.

4.4 The United Kingdom⁵

The reform in the direction of accruals for UK's central government started in 1993 and was subsequently developed in a Green Paper of July 1994 and a White Paper of July 1995 (Heald, 2002, pp. 412-413). The reform included both budgeting and reporting. The reform, labeled as RAB (Resource-Based Accounting and Budgeting), did not exclusively deal with the move to accruals, although this was its core part. It also included the adoption of performance information in budgeting and reporting, as well as the establishment of spending reviews, which were initiated a couple of years later.

Resource-based accounting is defined as “a set of accruals accounting techniques for reporting on the expenditure of central government and a framework for analysing expenditure by departmental aims and objectives, relating these to outputs where possible”. And resource budgeting is defined as covering “planning and controlling public expenditure on a RA basis”. “RAB is covering central government departments and agencies. Control will be dedicated to both cash and accrual items, with an emphasis on the latter” (Quotes come from: Likierman, 1995, p. 563).

According to Likierman (1995, pp. 565-566; 2000, pp. 256-258), RAB is considered as having some major benefits:

- Improved management information, especially on costs and assets, for departments, which will allow better decisions on, for example, the allocation of resources, especially on capital, as well as a comparison between internal and external providers (see further Heald and Georgiou, 1995 about asset valuation under RAB).
- Better opportunities for a control focus on outputs;
- Mitigating the annuality effects in spending;
- Cash control at a higher level, so more aggregated, than under the cash system;
- For the economy as a whole, information improves on the registration and use of assets.

In addition, our interviewee gave some more specific reasons for the preference of the AB-AR mode, in which the Treasury was leading. On the one hand, accruals information was

seen as superior to cash-based information because cash information was perceived as especially inappropriate for budgeting and reporting about capital expenditures. In addition, accrual-based information was regarded as more relevant to decision making than cash-based information. Cash information was also seen as relatively more vulnerable for manipulation, for example through postponements of purchases. On the other hand, the Treasury did not want to run different accounting systems for different purposes. So, consistency between budgeting and reporting, as well as between accounting for internal purposes and for statistical purposes was important. Therefore, the budgeting and reporting system had to be consistent, and thus based on the preferred mode, i.e. accruals. A background reason was that the accrual system was better aligned to the wish for further decentralisation in central government, so giving decentralised units more discretion in their financial management.

A main driver for these reforms was the need to cut expenditures and deliver more value for money in times of austerity. Although macro-economic considerations can also be a rationale, RAB is particularly informed by micro-economic rationales (Likierman, 1995). According to our interviewee, a crucial event was that the Treasury recruited Andrew Likierman as the top official in charge of the reform. Mr. Likierman had a high reputation and was appointed at a very senior level, so with a lot of power over other actors in central government. The Treasury was dominant, and an initiator of the reform. The Chartered Institute of Public Finance and Accountancy (CIPFA), the Public Accounts Committee (PAC), the Treasury and Civil Service Select Committee (TCSC) and the National Audit Office (NAO) were supporters of the reform while raising concerns about the readiness of departments to achieve the transition (Heald, 2002, p. 413). Members of Parliament did not play a role; they were involved, but in the reform process rather than in the decisions.

Although the Treasury was generally positive about the move to accruals, there was some reluctance concerning loosening cash control. This concern was, however, accommodated by continuing to disclose cash information for budgeting (including budgetary reporting), although at a more aggregated level than the accrual information (see also Jones, et al., 2013, p. 429). Because the cash-based system remained and, since cash-based budgets appear alongside the accrual-based equivalents, it is not excluded that significant decisions are still being taken with reference to the cash basis (Jones, et al., 2013, p.435).

Although accrual-based accounting information would require more accounting expertise than cash-based accounting information, both from public sector managers and especially from politicians, appropriate expenditure and expense control by the Treasury was seen as more important than potential obstacles in understanding accounting information by non-experts.

Several contextual factors were conducive to the reforms, according to our interviewee. NPM thinking was influential and in a similar vein private sector accounting conventions were seen as a benchmark for government. It was hoped that it would also be possible to recruit accountants from the private sector with suitable expertise for implementing accrual reforms in the governmental sector. Additionally, the already available and positive experiences with accrual accounting in more autonomous governmental organisations such as executive agencies were relevant. Finally, New Zealand was seen as a frontrunner in these types of public sector accounting reforms.

The implementation including the change process was crucial to the success of the reform. The reform was initiated in 1994-1995, but not fully implemented until 2001-02. Mr. Likierman and his staff used a timetable of seven years for implementation of the reform, because of its complexity and the need to be cost-effective (spending money on nurses and

teachers was seen as more important). The reform period was much longer than in New Zealand (three years), because the transition for that country was less complex than for the UK. Another factor of importance was that Mr. Likierman remained in charge throughout the whole period. With his expertise and personality, he was able to convince people with some reservations regarding the reform. The reduced costs of implementing such reforms through advanced technologies (i.e. IT applications) were also seen as a facilitator for RAB introduction (Likierman, 1995).

An implementation barrier was that some ministries, such as the Ministry of Defence, suffered from serious shortcomings in their basic information systems, which meant that they could not easily catch up with the accounting reforms. But, reform deadlines remained and it was accepted that not all actors could meet these deadlines.

Whole-of-Governments Accounting is seen as a further step of the move from cash to accruals. Its actual introduction was seriously delayed for about ten years until 2012, because it was not a priority and the economic-financial climate was not conducive (Heald and Georgiou, 2009). The adoption of IPSAS is not foreseen in the UK (although the UK government accounting standards are mainly based on IFRS, which are largely complying with IPSAS), and a move towards the evolving European Public Sector Accounting Standards (EPSAS) seems even unthinkable after the Brexit (Jones and Caruana, 2015).

4.5 Austria⁶

The federal government of Austria started an extensive reform of its budgeting and accounting system in 2004. Prior to this, almost all Austrian government entities practiced cash accounting and budgeting by following the cameralist bookkeeping style, although there existed formally, a kind of hybrid accounting concept with some accrual elements (*Mehrphasenbuchführung*). The new concept is largely based on IPSAS and it consists of a full-fledged accrual reporting system with balance sheet, income statement and cash-flow statement (Steger, 2008). Both the budget and the annual reporting are composed in an accrual version as well as in a cash version which both follow the same structure of budgetary items (OECD, 2017, 41). The budgeting concept includes also a multi-year performance budget with only very few chapters and items (Blöndal and Bergvall, 2007, Steger, 2008; 2010). The Ministry of Finance (MoF) as the central reform promotor developed the basic elements of the accrual concept with a focus at the budget in 2004-2006. The reform was realised in two steps (becoming active in 2009 and 2013 respectively): in the first stage of reform several irrevocable legal changes in the constitution and various regulations were issued. The formal reform decision on the proposal of MoF was taken by Parliament after debate in the Cabinet. The members of Parliament were regularly informed about proposed changes by the head of the budget division. A quite intensive and partly controversial debate among some politicians and senior bureaucrats about the pros and cons of AB and CB happened in the second phase of the project in early 2009, when the basic decision about the change by Parliament was already made.

For the reform team in MoF's budget division, the complete change of the reporting and the budgeting concept towards accruals was a definite aim since beginning. Major arguments pro AB-AR were the consistency of the whole federal financial management system and the greater validity of accrual compared to cash data. Moreover, it was emphasised that AB will also provide cash information by disclosing not only accrual appropriations but also cash appropriations (*Finanzierungsvoranschlag*). The change towards AB was, however, controversial within the budget division of the MoF, where

some well-established staff members were critical about its usefulness but also about the costs of the change. There was not much resistance against the change in the line ministries and – apart from a few critical comments – neither in the Parliament.

The most important stakeholders who supported the change project were the MoF (more specifically the minister and the head of the budget division as key players) and the Court of Auditors. Although the Chancellery and most of the line ministries were at first skeptical, they did not resist explicitly to the reform. The majority of politicians and bureaucrats considered the change of the budgeting mode as technical and were not really aware of the impacts of such a change. After the constitutional amendments, most stakeholders realised the inevitability of the reform and slowly became more positive to the reform by appreciating the increased budget flexibility. Consultancy firms and accounting boards did not play a strong role. A review of the official responses of ministries and other relevant government-related institutions (e.g. court of auditors, Länder-governments, social partner associations like unions, etc.) to the new budget act 2013 shows that most stakeholders were more or less satisfied with the basic reform approach (https://www.parlament.gv.at/PAKT/VHG/XXIV-ME/ME_00066/index.shtml).

The reform project was constrained by some context factors but also facilitated by some others. At first, the accounting traditions of the Austrian government sector were not conducive for a move to accruals (e.g. long lasting cameralist legacies and strong influence of legal budgeting regulations). Moreover, the impact of private sector accountancy and auditing firms on the project was quite modest. On the other side, the debate in Austrian government was facilitated by already existing accrual elements in the formally established hybrid bookkeeping system. Further, some ministries were used to cope with accruals as state-owned enterprises and similar autonomous organisations already followed since long the accrual mode. Thus, double-entry bookkeeping and accruals were not completely new for a variety of actors. Additionally, in the early 2000s the MoF performed pilot experiments with budget flexibilisation in a series of federal agencies: participating agencies could enjoy more freedom of budget execution and in response they were expected to strengthen their output-focus and to manage their financial resources with more self-responsibility (Promberger et al., 2005). The positive experiences with these experiments contributed to an openness of most stakeholders to the accounting reforms. In a broader view, the impact of the NPM doctrine – apart from the budget flexibilisation experiments and some changes in performance management – on the reform was modest, because the impact of NPM on Austrian government reforms – apart from “management rhetorics” – in general was limited (Hammerschmid and Meyer, 2005). Nevertheless, the reform debate in Austria was inspired by international experiences with public financial management reforms; the head of the budget division was active e.g. in OECD reform circles (Steger, 2010). The preceding reforms in the neighboring country Switzerland were of particular influence.

The reform implementation benefited from a deliberately planned change strategy. At first, the division of the whole change process in two stages was based on a thoughtful decision: in the first stage several fundamental decisions (e.g. changing the constitution in 2007) were made, without determining details of the concept. More complicated and detailed changes were postponed to the second stage when the fundamental settings were irrevocable. Additionally, the MoF established close contacts with the Parliament’s budget committee quite early and persuaded its members to accept the reform concept (Steger 2010). Furthermore, the concept itself was composed in a rather pragmatic and not very rigorous manner: the performance component of the budget for instance is limited to five

indicators for one of the only about 30 federal budget areas (Egger-Peitler, 2013). Additionally, the new budgeting concept also includes information about the gender-impact of budget appropriations which serves the special interests of some politicians in strengthening the gender dimension of public services (gender budgeting). In general, the cash/accrual-issue was not very dominant in most of the reform debates; it was superimposed by other features of the new budgeting concept, primarily by the outcome-orientation and flexibilisation of the budget and the responsibility shift from the MoF to the line ministries.

On the contrary, the implementation process was hindered to some extent by limited human capabilities to undertake the necessary changes in the accounting and budgeting concepts (e.g. valuation of assets). Additionally, the surrounding accounting traditions in Austria's public sector were not highly supportive: apart from a few municipalities, neither the Länder governments nor local government had started with financial management reforms; the federal government, therefore, was the pioneer in this field.

5. Comparative analysis and discussion

Table 2 comprises the major results of our analysis of the factors influencing the decision-making process with regard to the budgeting mode in the four countries under review.

Table 2. Major findings of the comparative analysis

Country and financial management mode ¹	Belgium CB-AR	Portugal CB-AR ²	United Kingdom AB-AR	Austria AB-AR
Influential stakeholders	Supporters of the (CB-AR) reform: senior managers, primarily of MoF	Supporters of reform (CB-AR): <ul style="list-style-type: none"> Public Sector Standards Committee Professional bodies Managers of autonomous bodies Reluctant about reform: <ul style="list-style-type: none"> MoF Politicians Some line managers 	Supporters of reform: <ul style="list-style-type: none"> MoF (Treasury) dominant Institutional support from e.g. NAO, PAC Politicians informed but not decisive	Supporters of reform: <ul style="list-style-type: none"> MoF (particularly the head of budget division) Court of auditors Critical position: only limited opposition in early reform stage in some line ministries

Country and financial management mode ¹	Belgium	Country and financial management mode ¹	Belgium	Country and financial management mode ¹
Main pros and cons relevant for decision	Politicians prefer cash in budgeting; budget is seen as more important than financial reporting Accrual mode is perceived as important for financial reporting but not for budgeting	Supporters see accrual information as superior Politicians prefer cash in budgeting, that is seen as more important than financial reporting Incapability of some line managers MoF fears loose of cash control	Accrual accounting superior, e.g. treatment of assets, better control focus Consistency of budgeting and financial reporting mode Loose of cash control accommodated through cash information at higher level in the budget	Consistency of budgeting and reporting modes; higher significance of accrual data for financial steering Reporting includes both cash and accrual data
Contextual influences	Some EU-pressure NPM-doctrine Preceding general administrative reforms Business accounting standards Long lasting tradition of cash-based budgeting as hindrance for AB	Pressures from IMF and EU NPM-doctrine Business accounting standards Long lasting tradition of cash-based budgeting as hindrance for AB	Austerity: importance of value for money NPM-doctrine Positive experiences of autonomous bodies with accruals Recruitment opportunities for private sector accountants	Long lasting tradition of cash-based budgeting and cameralist accounting as hindrance Accrual elements in existing bookkeeping system Positive experiences with previous reform of budget flexibilisation International reform trends
Implementation issues	Long and cautious reform process (ongoing since 2003) Barriers: <ul style="list-style-type: none"> highly complex multilevel government structures Lack of accounting expertise 	Insufficient attention to step-by-step approach (ongoing change since 1997) Barriers: <ul style="list-style-type: none"> Inappropriate organisation structure Lack of capabilities at decentral level 	Positive impact of: A powerful change agent Pragmatism in change process (extended time span due to lack of resources)	Positive impact of: <ul style="list-style-type: none"> Thoughtful reform strategy and very influential change agent Relatively fast implementation process (less than 5 years) Pragmatic and user-friendly budgeting concept Barrier: lack of accrual accounting expertise

Note: ¹Legend: CB = Cash Budgeting; AB = Accrual Budgeting; AR = Accrual Reporting; ² For autonomous bodies and agencies; in core government CB-CR

Source: The authors

As the country cases illustrate and Table 2 shows in a condensed way, the countries opting for the CB-AR-mode acted under different conditions and diverging institutional and contextual factors than those opting for the AB-AR mode. In the first case the respective MoF was quite cautious and – at least partly – not fully convinced of the move towards accruals. In the latter case the MoF was an important player and strongly in favour of the reform. Furthermore, in the first case the senior bureaucrats in the MoF perceived or anticipated the attitudes of elected politicians against an accrual budget as dismissive and therefore supported the CB-AR mode. This is also confirmed by the collection of arguments used in the debate about the budgeting mode. In the CB-AR-case the major argument was to ensure strict spending control. In contrast, in the AB-AR case stakeholders primarily referred to the consistency of budgeting and reporting, to better steering and control options

with a view to the entire resource consumption and to the fact that accrual reporting does not exclude provision of cash information, e.g. via separate budgetary reporting.

In all the four country cases, the implementation process was influenced by several stimulating and hindering factors. A lack of skilled human resources in the reforming government entities was for sure a hindrance in all cases, although less restrictive in the UK case (easier access to private sector professionals because of less strict boundaries between private and public sector). The whole implementation process was more stretched in the countries following the CB-AR mode (between more than 10 and 25 years), while UK (7 years) and particularly Austria (5 years for first stage) managed the reform in a swifter manner. This is also the result of specific conditions of the change process: in both AB-AR-countries the implementation was based on a well-developed and situation-specific change strategy. In Austria for instance the whole reform was divided into two broad parts where the fundamental decisions for change were made very early in the first part. Further, in both countries there was a highly powerful and at the same time professional change agent initiating and co-ordinating the reform process. These change agents were able to mobilise sufficient support in the political sphere (parliament) as well as among senior bureaucrats. In the UK-case, organisations in the public as well as in the private sector like national audit courts, standard setting boards or professional accounting associations were specifically supportive to the implementation process.

The administrative traditions and cultural patterns in the reviewed countries had considerable impact on the reform decision and on the reform process: while the UK with its highly intensive NPM-reform trajectories, with a quite permeable public and private accounting community and with a less legalistic regulatory setting for public financial management has moved towards accruals for budgeting and financial reporting in a definite and purposeful change process, the other three countries had a different point of departure. This is particularly relevant for Belgium and Portugal as countries belonging to Napoleonic state traditions and corresponding administrative cultures. In such countries, the budget is more strongly perceived as an instrument of the legislature to decide on (cash) spending and thus a change towards additional non-cash items in the budget is perceived as unacceptable (Adhikari and Gårseth-Nesbakk, 2016, p. 133). In this Continental-European setting, the Austrian case is somewhat exceptional: although having similar legacies as Belgium or Portugal, this country undertook a far-reaching and uncompromising reform in quite a short period - most probably as the result of a thoughtful change strategy and the influence of a powerful change agent.

By generalising our observations in the four countries, we conclude that the following factors will be relevant in a country where the government intends to opt for the AB-AR-mode (Cortes, 2006; Schick, 2007): There is a reform-motivated government and particularly the MoF is promoting and pushing forward the implementation. Within the MoF there is at least a highly dedicated task force which guides the reform process. The government is open to and interested in actual public (and private) financial management developments (e.g. IFRS and IPSAS). Furthermore, an influential public financial management community is institutionalised (professional bodies, academics, accountancy firms) which supports the ongoing reform debate. The reform debate follows the current mainstream arguments “pro accruals” without taking much notice of the particularities of the budgeting issue (see Section 2).

We observe that governments opting for the CB-AR-mode will tend to a rather cautious reform process. They perceive an affinity of politicians to CB as a serious barrier for a move to AB and they emphasise cash spending control as the most important aim of

budgeting. Rather weak fiscal conditions (e.g. a high debt level) of the country in the past may serve as an additional driver for preferring the CB-mode, because the government feels a strong need for fiscal control. Sceptics of a budgeting reform can be found in the legislature (politicians) as well as in the MoF and in the court of auditors. Governments in these countries are less interested in learning from external experiences with financial management reforms and tend to follow the patterns of traditional (cash based) budgeting. The public financial management community is less developed and poorly institutionalised.

Given that governments start from a cash based system for both budgeting and financial reporting, we can assign the discussed budgeting and financial reporting modes (CB-AR and AB-AR) to the two earlier introduced accounting change dichotomies (radical versus convergent and revolutionary versus evolutionary change; see Section 3):

AB-AR is an example of radical change, while CB-AR can be seen as an instance of convergent change, or at least as a relatively less extent of radical change.

Table 3. CB-AR or AB-AR modes related to types of change extent and change pace

		Extent of change	
		Radical (AB-AR)	Convergent (CB-AR)
Pace of change	Revolutionary (within 10 years)	Austria, The United Kingdom	
	Evolutionary (within a period of more than 10 years)		Belgium, Portugal

Source: Authors.

An evolutionary time span of change covers a period of 10 or more years, while a revolutionary time span relates to a time span of less than 10 years (the number of years of both change types may look arbitrary, but it has to be acknowledged that the reform in question takes several to many years given the technical complexities and the efforts it requires for “getting things done” in organisations).

Table 3 positions each of the four countries under investigation to the two change dichotomies. The question now arises whether we can understand why each of the four countries is positioned as it is in Table 3, and in a more general sense which factors are conducive to radical or convergent change and which to revolutionary or evolutionary change.

Our country studies as discussed in Section 4 and summarised in Table 2 suggest that the choice between radical and convergent change is mainly a matter of how strong the pros and cons of cash budgeting and accrual budgeting are perceived by the main actors. In Austria and the United Kingdom there was a firm belief about the potential benefits of accruals in budgeting and financial reporting. In both Belgium and Portugal this belief was, however, mitigated by the fear that politicians, and sometimes also some officials in the Ministry of Finance, would not accept a loosening of cash control. Moreover, the government decisions were strongly affected by the long lasting traditions of cash budgeting. Contextual influences in the direction of accruals are relevant in all four countries, such as NPM and accounting conventions in the business sector, but these factors do not “make the difference” in the preference for a radical or convergent reform type.

The preference for revolutionary or evolutionary change seems to be predominantly a matter of implementation in general and of the change process in particular. In Belgium

and Portugal an ambitious pace of change was infeasible due to a lack of resources and doubts about the readiness to change among main actors, such as line ministries. Both countries also lack a powerful reform promotor to enforce the change process and convince reluctant actors. In contrast, in the United Kingdom and Austria we observe the importance of an influential change master (see above). Austria may also have had the advantage of being a late adopter of accounting reforms: the country might have benefited from earlier reform experiences abroad (as was indicated by our interviewees who referred to previous OECD-experiences as benchmarks and to active participation of MoF-representatives in OECD working groups).

Table 3 gives rise to an unexpected conclusion: the radical and thus more ambitious reform goes hand in hand with a revolutionary time span of implementation, while the convergent and thus less ambitious reform aligns with an evolutionary time span of implementation. To put it differently: the less ambitious reform mode takes more time than the ambitious reform mode.

Our findings are not fully in line with the ideas of Johansson and Siverbo (2009), who suppose that a deliberate selection procedure is at stake in the case of fundamentally different alternatives. This would imply that decision makers opting for either CB-AR or AB-AR deliberately consider all pros and cons of both options, and then decide. However, we observe that the decision for one of the options was made in quite an implicit and generic way rather than considering the pros and cons of both options in a deliberate manner.

A striking outcome in all four country studies is the remote position of politicians in the reforms: although politicians, such as MPs, as major users of accounting information for budgeting decisions were informed or convinced by other actors, they were not core to the decision making process. Particularly in the two CB-AR-cases, the bureaucrats in the MoF anticipated the resistance of politicians against an accrual budget in their appreciation of budgeting modes, but nevertheless the bureaucrats essentially made the decision. This can be risky on the long term, because co-ownership of a new accounting repertoire can be a main driver for its embeddedness in practice.

Our theoretical framework contributed to gathering rich and consistent evidence about the decision-making processes on either cash or accruals for budgeting in an era of accrual financial reporting. This framework on the one hand builds on existing concepts about public sector accounting reforms, especially by highlighting the possible impact of contextual influences and implementation stimuli and hindrances, but it is more specific in emphasising the types of arguments that may play a role in selecting a cash or accruals budgeting mode. The framework suggests that the move from cash to accruals for budgeting and financial reporting is an ambitious reform goal, which is only achievable if a substantial number of conditions are fulfilled, which relate to the interplay of certain external pressures and internal capabilities of the organisations in the public sector (see also Greenwood and Hinings, 1996).

From a practical point of view, our research provides decision makers of budgeting and financial reporting reforms with a comprehensive set of arguments about diverging budgeting modes. In addition, it suggests certain change process-related factors that can be conducive to a successful reform trajectory.

The presented findings have some limitations: At first the number of countries under review is quite limited and expanding the analysis to a larger setting of countries, covering also other administrative and accounting traditions in Europe (and elsewhere), could be attractive. Secondly, our empirical information relies primarily on the analysis of

documents available in English language, such as journal publications, and on several expert interviews. As in all cases the decision-making process on the accounting mode is already 10-20 years ago, the “institutional memory” in the reviewed countries may be sometimes limited.

So far, the decision about an appropriate budgeting mode (cash versus accrual) which to a large extent is contingent on a variety of contextual and accounting-related factors is still below the radar of public sector accounting research. As for sure this is a highly important decision for national governments, there is need for further empirical research on the effects of selecting either cash or accrual budgeting on the performance of public sector accounting systems.

Notes

¹. An application of Greenwood and Hinings’ concepts in the public sector can be found in Argento and van Helden’s (2009) analysis of water sector reforms in the Netherlands and Mauro’s (2016) analysis of performance budgeting in Italian central government.

². Our framework does not cover all contributions to conceptualising public sector accounting reform and accounting change, as discussed in this section, but they will be part of our comparative analysis of the empirical findings in Section 5.

³. The presented findings are based on our literature review (see list of references). Furthermore, we conducted interviews with Johan Christiaens and Christophe Vanhee, both professors at the Department of Public Governance, Management and Finance at Ghent University, with Paul van Sprundel, Chief Audit Executive of the Federal Internal Audit Service of Belgium and with senior managers of the federal budget office.

⁴. In addition to some publications (see list of references), this country study relies on two interviews: with Mrs. Susana Jorge, assistant professor (with accreditation) of public sector accounting at the University of Coimbra and member of the public sector standards committee in Portugal; and with Mr. Luis Morais Sarmiento, deputy director of the Statistics Department of the Banco de Portugal (Portuguese Central Bank), and previously active in various high level positions in the Portuguese Ministry of Finance.

⁵. This country study is based on relevant literature about the budgeting and accounting reforms in UK’s central government (see list of references). An important source was an interview with David Heald, Professor of Public Sector Accounting at the Adam Smith Business School, University of Glasgow, and previously professor of public sector accounting in Aberdeen and Sheffield. Mr Likierman, who was a leading official in the reforms, gave feedback on a draft version of this country study.

⁶. The presented findings are based on a review of the predominantly German-language literature (see references) and on interviews with Gerhard Steger (former head of the budget section of the federal MoF), with Johann Seiwald (prior member of the reform team in the MoF) and with Reinbert Schauer (emeritus professor at the University of Linz and official academic observer of the reform project).

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Annex 1.A. Interview Guide on Cash versus Accrual Budgeting in Central Government

The table below presents a guide for semi-structured interviews. Some general principles underlie this table:

- The subsequently mentioned topics and related questions are informed by the theoretical framework and related research questions.
- A distinction is made between questions asked in countries sticking to cash for budgeting and countries that have moved to accruals for budgeting; in order to achieve coherent sets of questions both are presented in the second and third column as parallel sets of questions.
- In general for each topic firstly an open question is formulated which requires a spontaneous answer of the interviewee; subsequently the interviewer can put forward more specific answer options.

Topic	A. Questions for countries preferring <u>Cash</u> for budgeting in central government	B. Questions for countries preferring <u>Accruals</u> for budgeting in central government
Positioning the decision on cash or accruals for budgeting	IA. When did central government decide to stick to cash for budgeting while moving to accruals for financial reporting?	IB. When did central government decide to replace cash by accruals for budgeting, and was this decision connected to a move to accruals for financial reporting?
Reasons for preferring cash or accrual budgeting	IIA. What were the main arguments for sticking to cash for budgeting when the decision for accrual financial reporting was settled? IIA.1 First ask for a spontaneous reaction, thereafter, some more specific issues can be discussed; see below IIA.2 Money is core focus for budgeting IIA.3 Consistency with fiscal policy IIA.4 Understandability of cash information IIA.5 Less risky for manipulation IIA.6 Low costs of implementation and use	IIB. What were the main arguments for moving to accruals instead of cash for budgeting when the decision for accrual financial reporting was settled? IIB.1. First ask for a spontaneous reaction, thereafter, some more specific issues can be discussed; see below IIB.2 Consistency of budgeting and reporting system IIB.3 Compatibility with statistical systems IIB.4 Comprehensive information on full costs of activities/programs IIB.5 Less risky for manipulation IIB.6 AB can also include cash data in cash flow projections
The deliberateness of the selection process	IIIA. Was there an explicit reasoning about the pros and cons of two alternative options, i.e. either cash or accruals for budgeting?	IIIB. Was there an explicit reasoning about the pros and cons of two alternative options, i.e. either cash or accruals for budgeting?
Stakeholders in decision process on preferring cash or accrual budgeting	IVA. Who were the most important stakeholders in the decision under IA, and what was their position (e.g., advocate, opponent, neutral)?	IVB. Who were the most important stakeholders in the decision under IB, and what was their position (e.g., advocate, opponent, neutral)?

Topic	A. Questions for countries preferring <u>Cash</u> for budgeting in central government	B. Questions for countries preferring <u>Accruals</u> for budgeting in central government
	IVA.1 First ask for a spontaneous reaction, thereafter, some more specific stakeholders can be discussed; see below	IVB.1. First ask for a spontaneous reaction, thereafter, some more specific stakeholders can be discussed; see below
	IVA.2 Senior politicians, such as the Minister of Finance or members of the committee for budgeting and reporting	IVB.2 Senior politicians, such as the Minister of Finance or members of the committee for budgeting and reporting
	IVA.3 The National Audit Office	IVB.3 The National Audit Office
	IVA.4 Professional bodies, especially of accountants and auditors	IVB.4 Professional bodies, especially of accountants and auditors
	IVA.5 Public sector managers	IVB.5 Public sector managers
	IVA.6 Public sector controllers/accountants	IVB.6 Public sector controllers/accountants
The relative power position of each of stakeholders and the process of arriving at a final decision	VA. What was the relative power position of each of the stakeholders, and, if they had diverging preferences about cash or accruals for budgeting, how did they come to a final advice/decision?	VB. What was the relative power position of each of the stakeholders, and, if they had diverging preferences about cash or accruals for budgeting, how did they come to a final advice/decision?
External contextual circumstances of importance to decision process on cash or accrual budgeting	VIA. Were there certain contextual pressures for the taken decision?	VIB. Were there certain contextual pressures for the taken decision?
	VIA.1 First ask for a spontaneous reaction, thereafter, some more specific issues can be discussed; see below	VIB.1 First ask for a spontaneous reaction, thereafter, some more specific issues can be discussed; see below
	VIA.2 A critical appraisal of international fashions such as NPM and IPSAS	VIB.2 International trends such as NPM and IPSAS
	VIA.3 A general consensus that government is largely different from the business sector	VIB.3 Pressures from the business community in the country
	VIA.4 Legalistic government	VIB.4. Government flexible on law
	VIA.5 Strong standard setting traditions	VIB.5. Weak standard setting traditions
Implementation barriers on adoption of cash or accrual budgeting	VIIA. Implementation barriers	VIIIB. Implementation stimuli
	VIIA.1 First ask for a spontaneous reaction, thereafter, some more specific issues can be discussed; see below	VIIIB.1 First ask for a spontaneous reaction, thereafter, some more specific issues can be discussed; see below
	VIIA.2 Staff competences cash-oriented	VIIIB.2 Staff open for learning accrual competences
	VIIA.3 A lack of resources for change process to AB	VIIIB.3 Sufficient resources for change process to AB
Other budgeting reform issues	VIII.A. Were there other reform issues, such as program budgeting and performance budgeting going alongside the reform to cash budgeting and accrual financial reporting?	VIII.B. Were there other reform issues, such as program budgeting and performance budgeting going alongside the reform to accrual budgeting and financial reporting?



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