

COMPARATIVE INTERNATIONAL
GOVERNMENTAL ACCOUNTING RESEARCH

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Politicians also use accounting information, but of a different kind

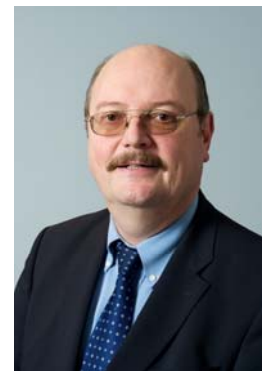
Earlier this year, Jan van Helden initiated in the CIGAR Newsletter 5 (1) an interesting discussion emphasizing politicians' lack of interest in accrual accounting and budgeting information as also shown by previous research. He discussed anecdotal evidence based on his personal experience when he was a member of the Executive of a Dutch province.

Kiyoshi Yamamoto continued this debate in CIGAR Newsletter 5 (2), by looking at the governmental situation in Japan where more or less similar findings in the mind of many politicians appeared; he also reported a few examples of cities where the Mayor strongly encouraged the use of accrual accounting.

Often researchers, but also accounting practitioners, are convinced that politicians are not able to understand accrual accounting statements; that would be the reason for sometimes failing governmental accounting reforms. The politicians are considered to understand cash accounting only, which is supposed to be simpler and easier, and therefore 'more useful'. An important proof of this consideration are the many efforts of accounting education and training that are developed by governmental agencies and consultants for officials and politicians. I have never believed that politicians are not clever enough to understand and use accrual accounting. As also indicated by Jan and Kiyoshi one could argue that we fail to understand what kind of financial information really matters to politicians. Therefore, Jan supports a renewed practice oriented research agenda and personally I would like to encourage this approach.

Some well-chosen examples of objectives politicians are interested in were discussed by Jan and Kiyoshi, i.e. finding resources for new policy initiatives, trade-offs and financial cuts, avoiding overspending of budgets, resource allocation, avoiding depreciation costs. These examples show that the difference between cash and accrual does not play an important role in the mind of the politicians. They are not regarded as mutually exclusive. As a matter of fact, there are only a few jurisdictions where accrual accounting has replaced cash (= budgetary) accounting. There are many examples worldwide where budgetary accounting remains after extension or integration with accrual accounting. Apparently, a number of stakeholders, particularly politicians, are not in favour or against accrual information; they just need information of the right kind with respect to their concern. This can be e.g. accounts payable information, but also knowing the amount of budgetary resources that can still be spent.

Previous contributions both indicate that there is less doubt about the usefulness of accrual accounting in decision-making and management by officials. In the political arena on the other hand, the pros and the cons of cash and accrual accounting are not the issue, the main questions are the different users' needs. (...)

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Information overload as a challenge for public sector accounting

With his contribution in the CIGAR Newsletter 5 (1) Jan van Helden put the focus on the gap between the type of accounting information produced in the public sector and its decision-relevance. That not all accounting information is used by the decision-makers for improving the decision-quality is an issue which is not limited to the public sector.

One behavioural explanation for this gap is the problem of information overload. It is caused by the fact that the information which is provided goes well beyond the information process capabilities of the decision makers. Information overload leads to limited information search and retrieval strategies, arbitrary information analysis and strenuous personal situations (Eppler & Mengis 2004)¹. According to Eppler & Mengis (2004) the causes of information overload can be related to five dimensions: characteristics of the information itself (e.g. quantity, frequency and quality); the person who receives, cognitively processes or communicates information (e.g. motivation, experience); the organisational information management routines (e.g. time pressure, accounting standards); organisational design (e.g. levels of hierarchy, multiple accountabilities); and information technology.

With regard to the information characteristics, empirical evidence for the public sector suggests the existence of a high quantity of information, which is (intentionally or unintentionally) low in richness for the specific decision making situation. This has a lot to do with the phenomenon that financial accounting information is mostly based on routine data with an *ex-post*-orientation that are necessary for the democratic control process including public sector auditing. For decision making by politicians *ex-ante* information is most likely more relevant. This brings us to the issue of how politicians use or do not use the information of public sector budgeting.

More rigorous and detailed public sector accounting standards and the expanding public sector reporting beyond financial accountability also contribute to information overload. As public service delivery has become more fragmented, the issue also arises about the appropriate consolidation levels. An unanswered question is the degree of information detailedness. Public sector accounting 'light' for small local governments has recently re-gained relevance in the IPSAS vs. EPSAS debate. Furthermore New Public Management with its focus on value for money of public services has encouraged focusing on products instead of programmes or policies.

As addressed by information economics and neo-institutionalism, accountability information in the public sector also has a signalling or a symbolic function. In line with the latter are cases in which the production of information is more important than its use for decision making.

In public sector accountability the trust of politicians and citizens in the information quality is often not high. In the past decades additional auditing regimes have been implemented to increase the trustworthiness. To safeguard against unanticipated information requirements, the amount of information provided is increased as a defensive reaction. Pre-decision uncertainty and decision-complexity are rational explanations for increasing the information provided.

Another open issue is how to prioritise the information needs of the recipients of the accounting information. In the public sector a plurality of information recipients exists (e.g. citizens, politicians, audit offices, parliamentary commissions, financial institutions, public managers). Public sector accounting based on IFRS comes to other priorities than the IPSAS. Multi-stakeholder orientation always brings the challenge that the accounting information is too unspecific for a particular stakeholder group.

This contribution has highlighted information overload as a reason why politicians are not using accounting information sufficiently for decision making. Multiple interests of different stakeholders in accounting information and multi-dimensional accountability requirements increase the overload problem even further. The overload problem contributes to symbolic rather than functional accounting information use. ■

Dorothea Greiling, June 2014

¹ Eppler, M.J. & Mengis, J. (2004), The concept of information overload: A review of literature from organization science, accounting, marketing, MIS, and related disciplines, *The Information Society. An International Journal*, 20(5):325-244.



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15th Biennial CIGAR Conference - CALL FOR PAPERS Valletta, MALTA, June 4-5, 2015



The University of Malta, Faculty of Economics, Management and Accountancy, will host the 15th Biennial CIGAR Conference on June 4-5, 2015, under the theme ***Making governmental accounting research more relevant: a practice-oriented approach***. The Conference will be preceded by a PhD Seminar on June 3.

Conference goals

The aim of the 15th Biennial CIGAR Conference is to rise to Jan van Helden's (2014) challenge for the CIGAR community to develop a practice-oriented research agenda on the use of accounting information by politicians. Instead of persisting with research that highlights the accrual *versus* cash-based accounting, and continuously observes that certain practices do not work, it is believed to be more fruitful to direct governmental accounting research to more practical issues and try to identify what type of accounting information politicians and government practitioners really need, while the accounting researcher is encouraged to think outside the box in order to see how these needs can best be met.

Following on the example set in the last CIGAR Biennial Conference in Birmingham, the Conference in Malta will once again include a track on public sector accounting research in less developed and emerging countries. In particular for less developed economies, where governance is weak, the reform of financial reporting standards is less of a priority. In such a context, accounting research should identify the financial topics that matter to politicians, government practitioners and their interlocutors.

The conference organisers invite both quantitative and qualitative research, from academics and practitioners.

Topics suitable for the CIGAR Conference include, but are not limited to:

- The role of accountants and accounting researchers in the public sector
- The factors underlying selective use of financial information included in both financial and management reports
- The use and non-use of financial information by politicians, government practitioners and their interlocutors
- Alternative forms of financial reporting and budgeting for government
- Accounting for the public value
- Accrual budgeting as an approach to make public sector accounting more relevant for decision makers
- The development of national and transnational financial reporting standards and the links to national accounting, for example the EPSAS project

PhD Seminar

PhD students are invited to submit either an extended abstract, a proposal or a full project. Selected participants are expected to present their research project to colleague-students, assisted by two senior researchers in order to receive fruitful suggestions and valuable feedback. The seminar, chaired by Susana Jorge and Jan van Helden, offers the opportunity to join a growing community of young scholars interested in governmental accounting research.

Important dates

Abstracts (1 page) for the Conference, as well as extended abstracts, proposals or work in progress for the PhD Seminar, are to be submitted by **31 January 2015**. All submissions will be refereed by the members of the Scientific Committee. Acceptance will be notified by 28 February 2015. On acceptance, full papers would be expected by **15 April 2015**.

Other information

A selection of papers from this CIGAR Conference will be published in an international journal.

For more information about the conference, including registration and submission of papers, please visit the conference website www.cigar2015.um.edu.mt (under construction) or contact Josette Caruana at josette.caruana@um.edu.mt ■



Conferences announcements & Calls for Papers

New Public Sector Seminar, University of Edinburgh Business School (Institute for Public Sector Accounting Research), 6-7 November 2014, «MODERNISING THE STATE»

This research workshop is interdisciplinary and welcomes contributions from all disciplines interested in the Modernisation of the State. However, the primary focus of this event is on the role of accounting in framing and shaping everyday experiences of citizens, managers and policy makers in public services delivery. The role of accountants and auditors has assumed a marked significance in recent decades; they have come to embody one of the central forms of expertise shaping management practices, organisational processes and regulatory mechanisms in many organisational settings. Equally, the potential impact of accounting, and calculative practices more generally, has an increasingly extensive reach. There is substantial evidence of the influence of accounting work in, for instance, central and local government, hospitals, higher and further education. Such influence within the sphere of the State continues despite debates over the status of professional accounting expertise and critiques of the provenance, uniqueness and usefulness of accounting and auditing. This research workshop seeks to extend our understandings of the intermingling of accounting practices and bureaucratic procedures in the context of reforms to and within public service organisations. This is a research arena which may yield rich insights into the role of accountants, auditors and calculative practices in the shaping of social and economic life. Further information at:

http://www.business-school.ed.ac.uk/__data/assets/pdf_file/0020/56036/NPS-2014-CALL.pdf ■

The Government and Nonprofit section of the American Accounting Association announces a new academic online journal, the *Journal of Governmental & Nonprofit Accounting* (JOGNA).

The manuscript submission/review process is completed online using the American Accounting Association online submission and peer review system at <http://jogna.allentrack.net>.

The non-refundable submission fee in U.S. funds is \$70 for members of the AAA Government and Nonprofit Section and \$100 for non-members of the AAA Government and Nonprofit Section, payable online by credit card at: <https://aaahq.org/AAAforms/journals/JOGNAsubmit.cfm>.

Submitted manuscripts should be original research not previously published and not under consideration at another journal.

After screening by the editorial board for suitability, submissions will be reviewed by qualified reviewers under the direction of the editor (currently William R. Baber, Georgetown University. Accepted articles will be published (posted online) shortly after their acceptance. Further information at <http://aaajournals.org/loi/ogna> ■

Politicians also use accounting information, but of a different kind *(continued)*

(...) This leads us to the need of developing a conceptual framework approach, which tries to understand the diverging needs of different stakeholders regarding public sector financial information and which necessitates user's needs research efforts. The accounting conceptual framework is the result of describing and analysing the users' needs and can be regarded as the 'architectural plan' of how the accounting policies, principles and regulations should look like in order to achieve financial reporting that satisfies the users. Therefore, the governmental accounting researcher should become more acquainted with what politicians are doing, prefer and avoid, and develop users' needs oriented research instead of the traditional accounting-based research. In this traditional accounting-based research the focus is mainly on the production of the financial statements instead of on the kind of use and the kind of users' needs.

A possible advantage of encouraging this kind of renewed accounting research is that accounting researchers have to become more familiar with public administration and political science research aiming at joining and exchanging public administration and accounting research efforts. In terms of research methodology, one could encourage observation, field and case-study research, focusing on financial issues that are at stake in councils and political debates instead of just desk research.

Such politicians/users' needs research could also support the IPSAS conceptual framework initiative knowing that up to now the IPSAS conceptual framework is based on IFRS for business enterprises without emphasising an important group of users being the politicians. ■

Johan Christiaens, June 2014

