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ACCOUNTING FOR CHANGED ACCOUNTING: A TRANSLATION VIEW

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1. Introduction

The last three decades have witnessed significant public sector accounting reform in many countries (Lüder and Jones, 2003; Pina and Torres, 2003; FEE, 2007; IFAC, 2007). Within the twin doctrines of 'New Public Management' (Hood, 1991; 1995) and with the aims of modernising public administration and improving both financial reporting and transparency of public management (Lapsley, 1999; FEE, 2006, 2007), increasingly public sectors are moving from a cash-based accounting system to an accrual-based accounting system (Guthrie, 1998). Accrual based accounting is thus seen as an influential innovation in the public sector albeit one that is increasingly under challenge (Christiaens and Rommel, 2008).

However, evidence has emerged that the accrual accounting innovation is not well understood (Christensen, 2007) and its implementation has followed different paths in various countries (Olson, et al, 1998; Lüder and Jones, 2003; Jones, 2012) whilst being recognised now as being problematic even if its path has been self-evident (Lapsley, et al, 2009). If the basis of the reform is the same (the introduction of accrual accounting), it is intriguing to examine differences that have arisen between countries in the implementation of this innovation. Indeed, comparative studies highlight that governmental accounting systems are not fully harmonized among countries and thus a major unfulfilled project for comparative intergovernmental accounting researchers is to explore how different paths towards accounting change happen to emerge.

The aim of this paper is to describe and compare how accrual accounting became the accepted standard in public accounting in two different public administrations, New South Wales (NSW) and France. The choice to compare NSW, an Australian State Government and France, a national government is justified by the fact that it facilitates study of an early adopter of accrual accounting (NSW) which

implemented full accrual accounting and a later adopter of accrual accounting (France) which applied modified accrual accounting. That is, by comparing two jurisdictions with different timings and paths in their reforms the paper is able to identify similarities and differences in order to characterise the processes of reform. Moreover, beyond the specifics of the empirics, the objective is to illuminate how discrete governments (of any level) come to be implementing major accounting reforms such as accrual accounting. Indeed, the objective of this study is not to compare all the differences of the accounting systems of NSW and France but to understand how each system has emerged as it is at present. The research question is thus: *What were the similarities and differences of NSW and France in their move from an exclusive reliance on cash-based accounting?*

The empirical base for this paper is primarily drawn from documentary sources complemented by interviews of individuals who were significant in the respective reform implementations. That data relates to the periods of 1976 to 1996 for NSW and 1989 to 2001 for France. For both periods, and separately within each case, the data has been analysed within a framework provided by Actor-Network Theory (ANT)¹ (Callon, 1981, 1986; Latour, 1987; 1988).

ANT is based on the idea that any innovation is the result of a continuous process of *interessement* of an increasing number of actors with different origins and divergent interests around the same project. In other words, in order to diffuse, an innovation must become an *obligatory point of passage* for an increasing numbers of actors (also called *allies*, see Callon, 1986). However, the more allies who enrol, the more they might want to transform the innovation (its attributes and the reasons why it is introduced) in accordance with their own interests. This phenomenon leads to translation processes (Latour, 1987).

In accordance with the four steps of translation presented by Callon (1986) (*problematization, interessement, enrolment, mobilization*), first this study puts in

¹ Also known as the 'sociology of translation' (Robson, 1991; Ezzamel, 1994; Lowe, 2001) or the Latourian approach (Baxter & Chua, 2003). To go further with the ANT acronym, see Latour 1999 and Latour 2005, as two references in which Latour discusses: what ANT is; what it is not; its limits and its benefits.

light how accrual accounting progressively became an obligatory point of passage in NSW and in France. Then, the adoption of accrual accounting is described in both cases and the translation processes are highlighted in order to show how the same innovation (accrual accounting) has been implemented in two different ways. To do so, we studied how the networks of actors were constituted, in accordance with the rules of method set forth by Latour (1987).

Two main reasons lead to this choice. First, in line with the research question of this study, the use of ANT helps to “keep the social flat” (Latour, 2005), that is to say, to overcome any reductionist explanations based, for example, on cultural specificities, differences in the organisation of public authorities in France and Australia or in the role of the accounting profession. In other words, in accordance with Justesen and Mouritsen (2011, p. 164), “ANT is anti-dualist and anti-reductionist in the sense that observations are not reduced to a set of general explanatory factors “behind” the scene or “underneath” the surface. This choice of ANT facilitated testing whether the adoption and the implementation of accrual accounting in France and NSW were the result of any given context and, at the same, revealing the network which supported (differently) the diffusion of this accounting technique in two countries.

Second, the reference to ANT appeared coherent with this last objective because in accordance with Latour (1999, 2005) and Law (2007), ANT is more a framework than a theory which is going to be tested. As stated by Law (2007, p. 1) *“theories usually try to explain why something happens, but actor-network theory is descriptive rather than foundational in explanatory terms [...] Instead, it tells stories about ‘how’ relations assemble or don’t”*.

The paper’s findings are first, that ANT provides an efficacious method from which to understand public sector accounting change; second, that even though the French and NSW adoptions of accrual accounting are characterised by many differences, there were systemic similarities identified in the comparative cases; and, third, the similarities in the two cases coalesce around the central roles adopted by some agent of change that exerted a significant influence in the actor network. These

findings are consistent with the observations of Olson et al (1998) that New Public Management has adopted numerous paths however the analysis provided here demonstrates that explanations of those different paths can benefit from analysis of the specific steps of translation in each accounting change. Although such a finding may disappoint in that it sweeps away suggestions of simplistic – even formulaic – conclusions of accounting change, it does point towards a powerful technique of analysis. In turn, a call for further research using ANT to understand comparative views of public sector accounting change emerges from this research and is consistent with recent work by Jones (2012) and Andon (2012) in that it supports efforts to use comparators as a means to improve understanding of public sector accounting developments.

The paper is structured as follows. Next, in Section 2 we review the relevant literature regarding accrual accounting adoptions and uses of ANT to explicate accounting change; then in Section 3 the data and methodologies followed in both cases is described. In Section 4 the two cases are presented thus allowing a discussion of the similarities and contrasts that are observed in Section 5 before final conclusions are described in Section 6.

2. Literature review

2.1. The concept of translation and the constitution of networks

In accordance with Latour (1986, 1987) and Akrich et al. (2002, p. 208), the adoption of an innovation may be explained in two different ways, one emphasising the innovation's intrinsic qualities (the “classical” diffusion model), the other stressing the necessity for the innovation to create adhesion between numerous allies (the translation model).

The diffusion model relies on the idea that an innovation becomes widespread because of its intrinsic characteristics and properties. Latour (1986, 1987) compares the diffusion model to the ‘inertia’ principle of physics: *“to explain the spread in time and space of an order, of a claim, of an artefact, there are two possibilities. The first is to endow the order, the claim, or the artefact – let us call it a token – with an inner*

force similar to that of inertia in physics. According to the inertia principle the token will move in the same direction as long as there is no obstacle. In such a model – let us call it the diffusion model – the displacement of a token through time and space does not have to be explained. What is in need of explanation is the slowing down or the acceleration of the token which results from the action or reaction of other people” (Latour, 1986, p. 266).

According to this first view of innovation diffusion, the speed of the innovation’s diffusion will follow an S-curve based on an epidemiologically shaped growth path. Applied to the diffusion of accrual accounting in the public sector, significant parts of the literature argue in favour of the adoption of accrual accounting in the public sector, based on the expected benefits attached to it: better control of budget and accounting expenditure; more accurate measurement of costs; a weapon against corruption and political manipulation; intergenerational equity considerations; improved financial communications and transparency of public administration; higher quality accounting information for financial partners of state and local authorities such as banks and rating agencies; being part of a broader reform of public administration; and so on.

However, this approach reaches three major limits when analysing the diffusion of accrual accounting in the public sector:

- First, very few justifications have been brought to clarify the strength of these arguments. Indeed, very few studies have analyzed whether accrual accounting presents more advantages than drawbacks in the public sector (Christensen, 2007, Lapsley et al, 2009);
- Second, this approach has a distant link with reality. It does not incorporate all the strategic decisions, the relations of power, nor the different interests of actors involved during the adoption of an innovation. As noted by Baxter and Chua (2003, p. 102), “[Accounting] numbers are built on the shifting and transient interests of disparate groups of organisational participants who work incessantly to maintain the position of (their) numbers and influence over organisational functioning”. In other words, the diffusion model gives

very few explanations of the mysterious contagious phenomenon upon which it relies;

- Third, it doesn't give any clue about the paths the same innovation can follow in different organizations/countries and the various forms it can take in disparate environments (Latour, 1987; Akrich, 1992; Akrich et al., 2002; Jones, 2012). Indeed, in the public sector several different forms of accrual accounting have been identified where recognition of assets and liabilities has not been consistent and application of accounting standards has varied (see for example Lüder and Jones, 2003).

The translation model offers an alternative view of the diffusion of an innovation. According to this model, the diffusion of an innovation is a collective process marked by a chain of actors who are actively participating in the shaping of the innovations (Latour, 1987). Latour (1986, p. 267, 268) argues that according to the translation model, *“the spread in time and space of anything – claims, orders, artefacts, goods – is in the hands of people; each of these people may act in many different ways, letting the token drop, or modifying it, or deflecting it, or betraying it, or adding to it, or appropriating it. [...] In other words, there is no inertia to account for the spread of a token. When no one is there to take up the statement or the token then it simply stops. More importantly, displacement is not caused by the initial impetus since the token has no impetus whatsoever; rather it is the consequence of the energy given to the token by everyone in the chain who does something with it”*. In other words, the translation model underlines the collective dimension of an innovation. Contrary to the diffusion model which relies on the idea that an innovation is either taken up or left, for the translation model, innovations do not exist in themselves but are made by actors² in the process of continuing associations

² *“What is an ‘actor’? Any element which bends space around itself, makes other elements depend upon itself and translates their will into a language of its own. An actor makes changes in the set of elements and concepts habitually used to describe the social and the natural worlds”* (Callon and Latour, 1981, p. 286). Thus, the concept of actors refers to human and non-human actors or anything that is the source of an action (Latour, 1987; 1999). They are animated by divergent interests and the confrontation of their interests leads to multiple transformations of the innovation.

through which actors' divergent interests are transformed into facts in order to reach a common interest (Callon and Latour, 1981; Callon, 1986; Latour, 1986, 1987, 1988).

In order to apply the concept of translation to accounting studies, Robson (1991) notes that translation is the process in which new and even pre-existing accounting techniques, are articulated discursively, and so construct individuals' and groups' "interest" in those techniques. Utilizing the same idea, Quattrone and Hopper (2005, p. 737) subsequently underline that "*accounting representations [...] only emerge after a process of translation involving mediations between various interests and existing technologies that redefine their attributes and why they were introduced.*"

According to Callon (1986), four overlapping and not necessarily temporally distinct 'moments' constitute the different phases of the process of translation (Callon, 1986): 'problematization'; 'interessement'; 'enrolment' and 'mobilization'. 'Problematization' indicates the movements and detours that must be accepted as well as the alliances that must be forged (Callon, 1986). The fact builders have to show others that their idea is the appropriate answer and that they need it. Problematization is thus a system of alliances describing the identity of the actors, their interests and the fact that progressively, the innovation becomes an obligatory point of passage (Callon, 1986) for all of them. The 'interessement' is a potentially unlimited range of actions and strategies by which an entity attempts to impose and stabilize the identity of the other actors it defines through its problematization. Except in extremely rare cases where the shaping of an actor coincides perfectly with the proposed problematization, the identity and interests of entities are progressively modified in various parts of interessement³. The 'enrolment' is composed of all the negotiations, trials of strength and tricks that accompany the interessement phase and enable it to succeed (Callon, 1986). Finally, 'mobilization' is the stage when acceptance of the innovation (the idea, fact or artifact) becomes more and more irreversible or, on the contrary, the network of actors constituted around it begins to fall apart.

³ See Latour (1987, p. 108-121) for a presentation of the different strategies of "interessement".

The innovation diffusion is thus the scene of the progressive construction of a network of heterogeneous actors (Andon, 2012; Christensen and Skærbæk, 2010). Such a view of the diffusion of an innovation and the constitution of facts is known as the Actor-Network Theory. The use of ANT to study the acceptance of an innovation (an accounting system), can help to reconstitute the identity of actors asked to join the networks and to stress the chain of translation of their own interests and the form that the “stabilized” innovation took progressively. Indeed, it is only after many difficulties, problems, and minor or major adjustments, each revealed by a new trial imposed by a new interested group, that accrual accounting has progressively been ‘accepted’ as the right solution for public sector accounting, notwithstanding on-going conceptual problems arising from its implementations in different contexts.

2.2. ANT and public accounting studies

Many authors have applied and discussed the implications and contributions of ANT to accounting research. For example, Chua (1995) and Lowe (1997) borrowed Latour’s arguments and emphasized how new accounting systems and measures were progressively implemented and accepted respectively in three Australian hospitals and in a large regional hospital of New Zealand. Their work followed Pinch et al. (1989) and Preston et al. (1992) on the fabrication of accounting systems and budgeting numbers and Ezzamel’s (1994) study of budgeting systems’ roles in organizational change. Robson (1991, 1992, 1994) also relies on ANT and the notion of translation and highlights the power of accounting inscription. More recently, Briers and Chua (2001) studied the role of actor-networks in the implementation of activity-based costing and emphasized how a shared representation emerged; Lowe (2001) presented ANT’s implications for qualitative accounting case research; Quattrone and Hopper (2005) studied the configuration of management control systems in two multinational organisations and the incidence of control relationships; Alcouffe et al. (2007) compared the trajectories of two different management accounting innovations; and, Lowe and Koh (2007) used ANT to stress the competition between accountants and production people to establish the legitimacy of their organisational representations. More recently, Justesen and Mouritsen (2011) provided an “assemblage of ANT-inspired accounting research” based on a literature review of accounting studies using

Latour's work. Even if similar studies remain to be done for the work of Michel Callon or John Law, two other important contributors to ANT, in order to have a complete overview, the work of Justesen and Mouritsen (2011) helps to provide a good understanding of the different types of accounting studies mobilizing ANT and of the contributions of ANT to accounting research.

In contrast to the growing ANT-based accounting literature, only a few studies on governmental accounting and more specifically on the adoption and diffusion of new accounting systems rely on ANT. Indeed, the Comparative International Governmental Accounting Research (CIGAR) network was created on the basis of contingency studies of governmental accounting reforms (Lüder, 1992, 1994, 2002; Monsen and Näsi, 1998). Such studies give interesting insights into the context of accounting reforms and the conditions of their implementation through the analysis of environmental factors. But this approach does not satisfy Lüder's (2002) call for a processual view of accounting change and gives only limited information of the implementation processes and the reforms trajectory (Chan et al., 1996; Monsen and Näsi, 1998). In other words, if this approach helps answer the question "why have different Governments adopted accrual accounting?", questions like "how did they adopt and implement accrual accounting?" or "how has accrual accounting been progressively defined in each country?" are still unanswered. The aim of this article is thus to provide an answer to these questions in the case of NSW and France and, at the same time, to respond to the call of Chan et al. (1996, quoted in Monsen and Näsi, 1997, p. 281) for further research on questions such as: Who came up with the original idea for an accounting innovation? How did s/he persuade others to adopt the new idea? What factors influenced the adoption decision?

This article tries to contribute to new knowledge by focusing on the trajectory of accrual accounting in the public sector in two different situations and by emphasizing how it has become what it is (and what it is not) in NSW and France. As such, it utilises ANT and comparative analysis as methods to provide contextually rich representations of the NSW and French paths away from cash-based accounting and the ways in which these paths have converged or differed.

3. Data and methods

Among the ANT-inspired accounting studies, Justesen and Mouritsen (2011, p. 164) identify ethnographic case studies, in which researchers study accounting in the making, and historical analyses, tracing the emergence of now taken for granted accounting phenomena. This research is in line with this second category and subsequently, is based on theoretically informed historical methods.

Data sources used have been a combination of source documents and interviews. The source documents are largely official publications in which various actors have given voice to their perspectives on the issues under consideration. As such those source documents tend to be advocacies of change such as: Parliamentary debates in both jurisdictions; Treasury discussion papers in NSW; Official publications of the French Ministry of Finance, publication of congresses; Treasury files (that is internal files available with permission from the NSW Treasury); video tapes of presentations made by consultants in NSW in (1987); reports and evidence from various Parliamentary enquiries in NSW and in France; and, newspaper articles.

In addition to these documentary data sources, data has been sourced from interviews: in NSW, of various actors who had a role as a promoter of change, a provider of information or a user of information during the years in which the change to accrual accounting was being actively considered; and in France, of one member of the accounting staff in charge of the application of the 2001 Constitution Bylaw at the Ministry of the Interior, two members of the Ministry of Finance from the General Directorate of Public Accounting with the responsibility to establish the financial statements of the States in the late 1990s and two members from the Supreme Audit Court. These interviews were transcribed and analysed by way of rules enunciated by Latour (1987) in which relations between actors are given prominence as well as the role of non-human actants such as images of the public; official reports; consultancy briefings and meeting agenda. As will be shown, each of these non-human actants were considered to be sources of action in that they became implicated in considerations of the relations between actors and the means by which they were able to contemplate various shapes of the reforms being considered. Without dwelling on the objectivity of claims about, or on behalf of, such actants this research follows

Latour's second rule (1987, p. 258) which is to ignore these claims' intrinsic qualities but instead to analyse the transformations of these claims. Such analysis needs to consider how various inscriptions are shaped and re-shaped during the moments of network relation alteration. To do so, we adopt the methodological claim of Latour (1987) and follow the actors. To that end, the data sources described above are harvested and the resulting analyses are then compared to discern similarities and differences in the French and NSW paths of accounting reform.

4. The cases

In this section the paths from cash-based accounting are traced firstly for NSW as the early adopter and then secondly for France as a later adopter.

4.1 The NSW path to accrual accounting: an early adopter

4.1.1 Constructing the NSW accrual accounting actor-network

The decision to adopt accrual accounting was made in 1988 and the first accrual based budget and published accounts were produced for the 1992-93 year⁴. That outcome was achieved after the development of an actor-network as outlined in Figure 1 and described here.

[INSERT FIGURE 1 ABOUT HERE]

Before 1987, public sector accrual accounting did not occupy a space as an Obligatory Passage Point for improvement to administration in the General Government Sector (GGS). The NSW Treasury position within government circles was that reforms of a higher priority than accrual accounting were on the agenda (NSW Treasury File, 1987). This view was put publicly by the Treasury Secretary in February 1988 at a public seminar on the subject, "I have the feeling that some of the proponents of full accrual accounting may not have thought through all of the issues fully" (Allan, 1988, p. 35) and there are other administrative reforms which, "have a higher administrative priority than accrual accounting" (p. 41). This is a clear

⁴ A history of the NSW Government's move to accrual accounting has been partially written (Christensen, 2002; 2005). That history notes the importance of consultants on two counts: first by promoting accrual accounting and second, by helping to implement the change.

reflection of resistance to public sector accrual accounting from within the powerful Treasury. In part this was based on the Treasury's image of the non-human actant that was invoked variously by the public sector accrual accounting antagonists: the presumed needs of the public for information about their public sector. Invoking that actant is reflected in the Treasury's argument that accrual accounting would not improve public sector accountability and efficiency as much as alternate technologies such as cash-based Government Finance Statistics – GFS (Christensen & Parker, 2010). However, this argument was to change subsequently after the actor-network was constructed around the OPP of accrual accounting as described below.

In the face of inner public service opposition, public sector oversight bodies such as the Auditor-General and the Public Accounts Committee (PAC) wanted change. The NSW Auditor-General was the most outspoken (Ryan, 1995) but was nevertheless ineffective in his advocacy. Thus before the enrolment of the consultants, the actor-network was incomplete and public sector accrual accounting was a contested idea competing with the status quo (cash-based accounting) or a GFS cash-based variant (Christensen and Parker, 2010). However, the actor-network began to take shape with the enrolment of the large consulting firms. Initially in the period under study (1987 to 1993), and earlier, private sector consultants' interest in the public sector had largely rested on government business undertakings (Wright, 2002) with a profit objective that made them comparable to the private sector. Thus, the consultancy firms had only limited engagements in the GGS and did not show much interest in that sector. That indifference changed into a heightened interest in the late 1980s as seen in the comment of an Arthur Andersen (hereafter 'Andersen') Australian partner at the time:

Increased competition in the private sector has caused accounting firms to develop services other than attest services, perceiving the public sector as a large potential market for such services ... that private sector firms can provide (Banham, 1990, p. 183).

At the heart of this move was an opportunity to apply a private sector concept to the public sector: the move from cash accounting to accrual accounting - the latter being very familiar to the consultants. Also, there was a strong synergy between

accrual accounting and a number of other reforms that have been collectively grouped under the term New Public Management (Hood, 1995) and were products being promoted by the consulting firms (such as outsourcing, performance measurement, purchaser-provider supply arrangements through competitive tendering, altered costing methodologies, and so on). It is perhaps not coincidental that the consulting firms were at this stage beginning to develop specialised government services divisions (Saint-Martin, 2000; Wright, 2002) since those divisions marshalled the resources required to service the new market for expertise and to promote and implement accrual accounting.

Whilst the NSW PAC and Auditor-General had interest in accrual accounting prior to the consultants' involvement, their advocacy and educational activity increased after the consultants entered. Significant in this was a seminar organised by the NSW PAC in February 1988 with the impartial title, "Accrual Accounting Seminar" but with selection of speakers in favour two to one. The speakers in favour followed the themes introduced by the consultants in their 1987 seminar (refer below) and increasingly invoked the interest of the citizen in a well-informed democracy. Thus at this point the attempted enrolment of the image of citizens in the actor-network becomes apparent. Evidence of attempts to enrol public servants also appears here since personalised seminar invitations were issued to the public sector elite. Success of these efforts is seen in the Opposition Leader's pledge, within two days of the PAC seminar, that his government would introduce accrual accounting (Moore, 1988). Subsequently the public servants' enrolment was significantly advanced in March 1988 when the Opposition won government and at this point the OPP of accrual accounting was firmly in place with support of the consultants, Government, bureaucracy, oversight bodies and the image of the citizenry.

NSW Treasury considered the Government's decision to adopt accrual accounting placed it internationally at the forefront of improvements in public sector accounting. As a consequence, any reluctance, on the part of the Treasury, to enrol in support of accrual accounting quickly evaporated and was replaced by enthusiastic support. The consultants' reinforcement of other actors' interest is an important part of the NSW case to which we now turn.

4.1.2 Transformations within the emergent network

A general heightened level of interest in accrual accounting was observable amongst most senior central agency civil servants after 1987. When pressed to identify what factors or events caused this, most interviewees nominated a series of seminars conducted by Andersen USA in November 1987. This point was also noted in the archive:

Accrual accounting went into the political agenda immediately after that (the Andersen seminars). Greiner (then NSW Opposition Leader) picked it up and turned it into an election issue in March 1988, and as they say, the rest is history (Ken Robson, Auditor-General quoted in Soh, 1992, p.7).

The Anderson seminars were centred around two speakers brought from the USA as ‘experts’ in the technology of accrual accounting in the public sector. These speakers were Morton Egol, a senior Andersen USA partner (and Director of Andersen’s Government Services Division) and Ned Regan, the New York State Comptroller and Andersen client. These speakers’ presence provided *gravitas* to the seminars in that they showed that others, outside the Australian public sectors, had allegedly grappled and succeeded with accrual accounting technologies in the public sector. However, their presence alone would have been insufficient to overcome the bureaucrats’ reluctance noted above. They needed strategies that would make accrual accounting acceptable to other network actors. At the core of those strategies were transformations of values into hard facts to aid the formation of accrual accounting as the network’s OPP (Christensen & Skærbæk, 2010).

In order to achieve those transformations, the consultants employed two techniques: presenting numbers and recounting vignettes to create audience belief that accrual accounting for GGS organisations was an operational reality in New York State. A politician in the audience recalled “very practical examples of how assets were treated” (Bishop, 1998, p70) and available records reveal Egol talked to 19

tables or graphics as examples of accrual accounting applied to the USA Federal Government. Both sets of transformations had a powerful effect⁵.

In addition to the Andersen seminars' transformations described above, the (then) Big Six consultants produced a number of subsequent and observable transformations before the accrual project moved into full implementation. These transformations drew closer and mutually reinforcing relations between the consultants and other network members. For example:

- Andersen (Australia) organised a tour of USA jurisdictions for NSW Treasury officers to discuss accrual accounting implementation in February 1988
- Andersen (Australia) provided a Partner (Ian Plater) to present a paper titled "The United States Experience" to a seminar organised by the NSW Public Accounts Committee in February 1988 on public sector accrual accounting (refer further below)
- Ernst & Whinney (Australia) prepared a report recommending local government accrual accounting in February 1988
- Ernst & Young (Australia) reviewed Treasury management and strategy in 1989 and recommended establishment of an Accounting Policy Branch for accounting reform implementation
- Coopers & Lybrand (Australia) and Ernst & Young (Australia) provided NSW Treasury two consultants to answer queries on accrual accounting over 1989 and 1990 (Scullion, 1991, p. 29)
- Coopers & Lybrand (Australia) prepared a Departmental Heads education program on accrual accounting in 1990.

Having identified the transformations that initially placed accrual accounting as the OPP, the case exposition is progressed by examining the circulations of consultant outputs that meant the network stayed in place and became stronger. The strengthening of the network also allowed the consultants to then move beyond promoting accrual accounting and to begin implementation activities. As will be argued below, it is the nexus between promotion and implementation of accrual

⁵ In hindsight this effect is ironic since accrual accounting was not in operation in USA public sectors at the time the presentations were made. This fact was only three months later determined by NSW Treasury during a study visit to the US by its officers and assisted by Andersen Australia (Nicholls and Scullion, 1988, p. 15). Refer to Christensen (2005 and 2006) for a discussion of this.

accounting that characterises the outcome which was a business model of full accrual accounting (in contrast to the French experience, explained below).

4.1.3 Circulations of consultant outputs

The Opposition subsequently won office in March 1988 and announced a broad-ranging Commission of Audit to examine NSW Government finances and administration but also with a specific term of reference focusing on the desirability of accrual accounting (Groom, 1990; New South Wales Commission of Audit, 1988). At this point (March 1988) it may have been possible for the opponents to accrual accounting within the bureaucracy to marshal their forces by attacking the false belief that accrual accounting was a proven technology in the public sector. However this did not happen and this appears to be as a result of the consultants' next transformations that were achieved under the auspices of an apparently independent enquiry. Through the widespread circulation of these transformations, the position of accrual accounting as the OPP became unassailable to the opponents of accrual accounting who consequently remained silent.

Although the consultants' initial transformations were circulated amongst the bureaucratic elite, the next set of transformations were circulated even more widely and reached virtually all of the bureaucracy as well as receiving widespread publicity amongst the popular press. Those transformations were within the Commission of Audit response to the term of reference regarding the desirability of accrual accounting. Andersen wrote a response on behalf of the Commission and argued that accrual accounting was desirable based on "overseas experience". The Commission included Andersen's response in its report and attributed it specifically to Andersen as though to invoke an authoritative expert (Christensen & Skærbæk, 2010).

The wide circulation within the bureaucracy for this consultant output was assured. This was achieved because the Commission of Audit spoke directly on each Department's resource consumption and asset utilization thus every senior bureaucrat anxiously scoured its report looking for threats and opportunities. It was also common during the remainder of the new government's term, for senior bureaucrats to have a copy of the report on open display within their offices perhaps in an apparent

symbolic genuflection to the Government's reform program. At this point (July 1988), it is apparent that the network with an OPP of accrual accounting had been effectively formed and had won the argument. Treasury's enthusiasm was reinforced and supported by active assistance from the consulting firms who then moved from promotion to implementation activities. At this point an enrolment between the bureaucrats and the consultants began to form a powerful mechanism that was to advance the change to accruals with such force that it was to be delivered some five years earlier than at first planned (NSW Public Accounts Committee, 1995). Thus the NSW Government firmly committed to implement accrual accounting in compliance with its earlier election pledge.

By the end of 1988 opposition to accrual accounting had dissipated as a result of acceptance of it as the actor-network's OPP. This remarkably quick victory was due to the transformations described above co-produced by consultants and their clients. However, the consultants' work did not stop but instead continued as the implementation phase began. The constant and more frequent circulations of the consultants' work, although more micro than macro, acted to reinforce the convincing effect achieved through the three major transformations described above. The remainder of this section describes the implementation work of the consultants as instances of the ways in which circulation was achieved across all NSW GGS agencies.

The most significant transformation was the suggestion by Coopers & Lybrand to the Premier and Treasurer that an advisory panel be established from the major consulting firms' partners to provide voluntary advice to the government on its accounting (Christensen, 2002). This suggestion was accepted and resulted in an important institutionalisation of the consultants' subsequent impact which is discussed further below. A second significant transformation was that each major firm seconded a staff member to separate government departments' accrual implementation projects (Scullion, 1991). Third, Coopers & Lybrand were contracted to produce an accrual-based Chart of Accounts (NSW Treasury, 1991) and did so with a full-time physical presence of its consultants in Treasury. Fourth, approximately 80 consultants were placed on a register from which Departments could directly engage their services

without further tender or evaluation. Each transformation brought the consultants close to the heart of implementation but most significant in shaping the innovation was the formation and operation of the Treasurer's Accounting Advisory Panel (TAAP).

The TAAP was charged with being "an independent source of advice to the Treasurer and Treasury on emerging accounting issues affecting the public sector" (NSW Treasury, 1991, p. 30) and it consisted of a volunteer partner from each Big Six firm. The Panel served both the government (through the provision of technical advice) and the consultants (through the early warning of impending consulting opportunities and through opportunities to shape accounting policy development). The Panel was a rare instance of collegial behaviour by the Big Six firms but also an effective means to ensure continued consensus on accrual accounting. The operation of the TAAP with a Treasury secretariat meant that remaining resistance to accrual accounting within Treasury was easily outweighed and marginalized.

Most of the TAAP's meetings focused on technical accounting problems such as asset measurement and recognition as well as balance sheet impacts of new financing methods (NSW Interview 7). TAAP members' opinions were canvassed and Treasury pushed on with its implementation activities; thus, the TAAP's meetings were a mechanism to mobilise the entities who were supportive of change. Even though the accounting profession was silent on the solutions to significant problems (Chua and Sinclair, 1994) this did not slow the rate of change because the most prominent actors (in the form of Treasury, the consultants and the Panel) could stay in control of the argument.

Every NSW department employed consultants to convert their accounting system and so use of consultants for the implementation was extensive (Christensen, 2005). As consultancy firm staff operated within individual Departments they established detailed knowledge of Departmental operations; nevertheless, during implementation, problems often emerged because of inadequate asset records and/or compounding difficulties of how to value assets for which there was no market (NSW Interview 5). Ways to address these problems were largely constructed by the public

servants (NSW Interviews 4 and 5) and the TAAP with the exception of Coopers & Lybrand's development of a new accrual-based Chart of Accounts and a 'Reporting Code' (NSW Treasury, 1991). That is, relations within the network had developed to the point where synergy between the consultants' promotional efforts and the public servants' implementation efforts strengthened the move to GGS accrual accounting. Nevertheless, the inherent difficulty of applying for-profit accounting (based on the matching of associated revenue and expense) to the GGS meant that constant efforts in the form of transformations would be required in order to protect the OPP from being destabilised.

Although the consultants' work had brought stability to the accrual OPP by 1990, that condition was not permanent. Instead other parties, most notably the accounting profession and the accounting standard setting bodies had to be enrolled in the network and this happened in subsequent periods (refer Chua and Sinclair, 1994). Whilst those developments do not throw light on the focus of this paper, namely the disparate paths of public sector accounting change, they do show that additional transformations may be required in order for the OPP to maintain its stability. We will return to this point after our discussion of the French case tracing the path of change towards a variant of accrual accounting.

4.2 The French departure from cash-based accounting: a late follower

Public accounting for the French State and local government bodies is regulated by a 1962 Decree. This decree defines the main accounting principles for the public sector. The publication of this decree marked a very important stage in the evolution of public accounting in France because it formalized the wish to bring public sector accounting closer to private accounting (on an accrual basis). Indeed, according to Article 133 of the 1962 Decree, the central government general accounts⁶ are to be kept in accordance with a model drawn from the French chart of accounts (*Plan Comptable Général, PCG*) which constitutes the accounting reference

⁶ Composed of a balance sheet and a statement of revenues and expenditures.

framework for the private sector in France⁷. However, at the end of the 1980s, the accounting system of the State remained limited to a system of modified cash accounting. This is explained by the historical fact that the accounting system was limited at this time to the control of the budgetary execution (Arthuis, 2003). According to the 1959 Ordinance on budget acts, the budget has to be based on cash movements. Thus the 1959 Ordinance and the 1962 Decree led to an “imperfect dual system” based on a combination of a cash-based approach for the budget and a modified cash-basis approach for accounting after the introduction of a new chart of accounts at the State level in 1988⁸ (Vareille and Adhémar, 2003). It is only at the end of the 1990s that France really engaged in a reform of its budgetary and accounting systems, which necessitated reform of the 1959 Ordinance. Thus, in order to understand the decision to adopt accrual accounting by the French State, it is first necessary to analyse how this technique gathered a growing number of actors over the years and overcame technical and political controversies; we can then apprehend how the political acceptance of this reform was possible, which led to the definition of what should be accrual accounting in France.

4.2.1 The need to attract actors’ interest in accrual-accounting

In the 80’s, if the accounting system of the State presented some positive features (Chandernagor, 1987), it also gave birth to regular criticisms by the Supreme audit Court in its annual report regarding the sincerity of the accounting results. These

⁷ The French chart of accounts is composed of an index to a General Ledger with accompanying definitions of accounts and their ledger numbers, and also of definitions and objectives of accounting. It could be compared to a conceptual framework but it is not composed of accounting standards. It relies on accounting rules and principles.

⁸ In respect of the 1962 Decree, in 1970 a chart of accounts for the State inspired by the 1947 PCG version was adopted (Saidj, 1995; Cordeau, 1988). In the 1980s, the application of a new chart of accounts in the private sector approved in 1982 led the French State to re-examine its own chart of accounts. Indeed, the 1982 PCG brought deep innovations intended to improve financial accounting information, among which included the introduction of notes and the appearance of the concepts of regularity, sincerity, prudence and a true and fair view in compliance with the rules of harmonization stated by the fourth European directive of July 25th, 1978 (Bertuzzi, 1988, Cordeau, 1988). Because of the introduction of these new concepts, major changes of public accounting were implemented such as: the recognition of tangible assets; the introduction of an annual depreciation expense (even if it was decided to completely depreciate assets in the year of their acquisition); and, the year-end recognition of accrued revenues and expenditures. The second chart of accounts of the State thus came into force in 1988.

criticisms became amplified at the end of the 80s. Indeed, during a Supreme Audit Court Conference regarding the 30th anniversary of the 1959 ordinance, six members of the Supreme Audit Court considered the necessity to reform the accounting system. Logerot et al. (1989) emphasized the limits of a cash-basis accounting system (delay in the record of invoices, lack of sincerity of the accounting results) and Chabrun et al. (1989) stressed the limits of the system when considering a multi-annual approach. During this conference, the general director in charge of management accounting at the Ministry of Education also emphasized the necessity to reform the cash-basis accounting system in order to develop management accounting, help political members in their decision-making process and to evaluate public policies. However, Parliamentarians participating in this conference (the President of the financial commission of the Senate, the President of social activities of the Senate and the President of the financial commission of the National Assembly) expressed no need to change the accounting model and did not raise accounting issues nor evoke any limits of the actual system. In fact, most of them insisted more on the political influence of the Parliament, its application and its control than the accounting aspects attached to the ordinance application. The Parliament was at this period an institution which was only occupying a political space with clearly defined roles (the representation of citizens, the defence of the interests of taxpayers, the requirement of more effective public services) while at the same time it was captive to the interests of groups of technicians from within the Government itself. Hertzog (2001) underlines that before the reform of the 1959 ordinance and the adoption of the Constitutional ByLaw of 2001 which marked the end of a two century old paradox, the Parliament never defined by itself the budgeting and accounting aspects relative to budget acts even if the adoption of budget acts is classically seen as the basis of the Parliament's power. Budgeting and accounting questions had always been the work of a few experts, issued primarily from the Ministry of Finance, who only focused on the simplicity and clarity of the financial documents presented to Parliamentarians. This is why the traditional budgetary rules only dealt with formal aspects (presentation of budgetary documents, voting procedures of examination of the budget) and why the technical accounting and budgetary rules remained vague when not absent. Moreover, it is also

why traditionally and historically, the priority of public accounting was to control the budgetary execution (Masquelier, 1995).

During the 1989 Supreme Audit Court conference, the vice-director of the General Directorate of Public Accounting presented the advantages of the 1959 ordinance when he described the work of public sector accountants and the advantages of the actual accounting system: the Ministry of Finance staff were well trained to prepare the budget and to account for most operations; the Parliament was accustomed to the current procedures and it understood cash accounting (although not accrual accounting); the government had more freedom with the current system than it might have had with a reformed system (Lamarque et Soubeyran, 1989, p. 104; Bassères, 2001). At this period, the Ministry of Finance saw the 1959 ordinance as ‘the Tablets’ (Hochedez, 2001, p. 59) or a symbol of the rationalisation of parliamentary process and the ‘guarantee’ to implement technical innovations (like the Rationalisation of Budgetary Choices (*Rationalisation des Choix Budgétaires, RCB*)⁹ (Hochedez, 2001; 2004).

In November 1993, a national conference entitled “Public Accounting – Continuity and Modernity” was held at the Ministry of Finance. During this conference, members of the General Directorate of Public Accounting of the French Ministry of Finance presented the advantages of the State accounting system. It has to be noted that, during the fourth part of the conference about the modernization of the State accounting system, two participants from the Ministry of Finance emphasized some of its limits. François (1995) raised the question of the application of international accounting standards which he referred to as “the anglo-saxon standards”, at the State level to give an international perspective to the State financial statements. Pic (1995) stated that the absence of provisions such as depreciation in the State accounts presented major limits when considering the use of financial documents by elected members and that an evaluation of public service cost was still

⁹ The RCB was an attempt of technical experts of the Ministry of Finance, from 1968 to 1985, to better allocate financial means. To do so, the RCB was based on a statistical method in order to define objectives and financial indicators. The failure of this attempt was presented by parliamentarians as an argument to change the ‘hegemony’ of the Ministry of Finance and to reform the 1959 ordinance (Joxe, 2001, p. 32).

to develop. But a need to apply accrual accounting was not made explicit nor officially discussed during this conference. Thus notwithstanding these criticisms, the accounting system of the State appeared efficient and its reform was not seen as a “strict obligation” at this time (Bonnet, 1995, p. 480).

So, in the middle of the 1990s, the reform of the State accounting system were not only technical matters but also impediments to political and cultural ones. Hertzog (2001) notes that to reform the State’s accounting system, the Parliament had to show an ability to disregard political matters and rivalries, that would require a sufficient number of elected members being aware of budgetary and accounting considerations, without sole motivation to defend their own political interest. The reform of the 1959 ordinance was also dependant of the mobilization of actors within the Ministry of Finance who, at this time, were not inclined to reform the 1959 ordinance, seen as risking the opening of a ‘Pandora’s Box’ (Hochedez, 2004). The reasons presented to justify this position were mainly the cultural changes needed and the cost to re-train the public sector accountants in use of a new accounting system.

4.2.2 The progressive construction of the French accrual-accounting network

Notwithstanding the lack of enthusiasm for reform described above, by the end of the 90s, the development of accrual accounting at the State level became a strong priority in France. Early modifications were made by the Ministry of Finance to the 1999 General Account of the Finance Administration (CGAF) to bring public accounting closer to accrual accounting (Vareille and Adhémar, 2003). At the same time, parliamentarians engaged on a reform of the 1959 ordinance. Accrual accounting became officially adopted in 2001 with the new Constitutional ByLaw on Budget Acts (*Loi organique relative aux lois de finances, LOLF*), known as the new budgetary constitution. By January 2006, general accounts were prepared on an accrual basis for the first time. That outcome was achieved after the development of an actor-network as outlined in Figure 2 and described here.

[INSERT FIGURE 2 ABOUT HERE]

4.2.2.1 The enrolment of the French Ministry of Finance

Three main developments emerged to transform this reform into an obligatory point of passage to the French Ministry of Finance. The first development was the 1996 European Council Regulation (EC No 2223/96) relating to the European system of national and regional accounts in the Community which imposed calculations of financing needs on an accrual basis (Bodin, 2000; Levoyer, 2003).

The second development was the establishment of the “accrual accounting taskforce” in 1997 by the then Minister of Finance (J. Arthuis, an ex-chartered accountant with a significant involvement in accounting questions, who strongly believed that the accounting system of the State should be the same as that used by private companies). In 1998, taskforce’s report was among the first to underline the need for the French State to apply accrual accounting. The taskforce also reported that the accounting and managerial practices of twelve countries (Germany, Australia, Canada, Spain, the United States, France, Great Britain, Italy, Japan, New Zealand, Netherlands and Sweden) were oriented towards extended period budgeting and performance logic; it also highlighted the French accounting system’s many limitations on these points. Moreover, the taskforce emphasised that several countries had abandoned cash basis accounting for an accrual basis accounting system (Francois, 2000). This study was the first of a long list defending the idea of the necessity to reform the accounting system of the French State, based on the fact that many countries already engaged in this way. Studies of the Organisation for Economic Co-operation and Development (OECD) promoting NPM guided the reform of the French State (Bassères, 2002; Raude, 2006).

From this outward looking approach, the focus turned to internal assessments, but they were done in the context of acknowledging the existence of growing reform outside of France. In January 1999, the president of the National Assembly (M. Fabius) and the speaker of the Finance Committee to this Assembly (M. Migaud) set up a parliamentary working group to study possible accounting reform at the State level. The rationale for doing so relied on the fact that it was impossible to have a

clear view of the assets and debt level of the State, whilst the financial information was not sincere. Moreover, they advanced that a lack of information on financial scandals about financial loss of a Bank (in which the State was involved) and amount of debt of a state-owned train company created the need for more financial transparency for citizens (Fabius and Migaud, 1999). Whilst also arguing that the cost of public services is unknown under cash accounting, a major proposition in the report was to implement accrual accounting in both reporting and budgeting so that parliamentarians better understand the State's financial situation. These arguments were known a few years earlier but they were "popularized" by this report. Indeed, the publication of the parliamentary working party's accrual accounting report gave credibility to the 'accrual accounting taskforce's' arguments and aimed to bring together government ministries and civil servants of the highest level in support of change (Lande and Scheid, 2003). When asked about the conclusions of this report, the Secretary in charge of the State Budget (C. Sauter) underlined that it was necessary to reform the accounting system in order to better understand financial questions on civil servant pensions, to respect the obligations of the new European accounting system (ESA 95) and to better manage the State's assets. However, the new Minister of Finance (D. Strauss-Kahn) did not seem so enthusiastic about the necessity to reform the accounting system and he supported the status quo¹⁰ (Fabius and Migaud, 1999).

The third development was when Laurent Fabius, who was the president of the French National Assembly and who was strongly convinced that the accounting system should be reformed, was named Minister of Finance on March 27th, 2000, in replacement of D. Strauss-Khan. He had just published an article in the journal "Le Monde" of February 23rd, headed "The new age of the State" to emphasise the requirement for transparency: "*The modern State will not be able to obtain the confidence and the respect of its interlocutors without making detailed and objective accounts on its administration*". Lambert (2006, p. 402) states that the new Minister

¹⁰ The Minister of Finance's lack of enthusiasm was highlighted, among other things, by the fact that the report made by the "accrual accounting taskforce" was given to him but was never published (between the start of the study and the presentation of the results, the Minister of Finance had changed).

of Finance convinced the Prime Minister of the need to reform the accounting and budgeting systems of the State. Consequently, the Ministry of Finance was a strong ally of accounting system reform.

These events led to the enrolment of the Ministry of Finance in the reform of the State's accounting system. Thus, several major modifications were introduced into the CGAF of 1999 to bring public accounting closer to accrual accounting (Bodin, 2000; Francois, 2000; Vareille and Adhémar, 2003). The major ones were accounting for debt on an accrual basis, a more complete and more detailed description of heritage and non-financial assets, the valuation of the State's financial assets, provisioning tax claims and recognizing value-added tax for the financial year.

Asked about the motivations that led to the reform of the 1999 CGAF, a member of the State accounting regulation office (*Bureau de la réglementation comptable de l'Etat*) in charge of the presentation of the CGAF, stated that *"It was an idea in the mood of the time, it was in fashion. Many elements pointed in that direction: changes in national accounting, the stability pact at the European level and the need to control public expenses. At the international level, New-Zealand and Australia engaged in this reform and they were followed by many developed countries. It seemed important that France went also in this direction. Lots of people at the French Ministry of Finance, but also at the Supreme Audit Court or in different ministeries, were aware of this situation and were pushing for change"* (Ministry of Finance, Interview 1).

However, the modification of the 1999 CGAF raised many difficulties. *"The first time tax credits were depreciated, there were four of us, in an office, once the CGAF was finished. Additional information was inserted in an appendix. We brought in non-obligatory financial information. It was not public accounting. There were no precise rules. It seemed to us that this financial information has to be presented to improve the State's financial statements. But we very quickly came up against the system: it was not made for that. At the moment of the first debates on the reform of the accounting system of the State, at the beginning of the years 1990, the question emerged "Is it possible to reform the accounting system of the State?" The answer*

was “no”. The problem was not technical. In fact, only legal and administrative aspects prevented modification of the accounting system of the State. It was not a simple question of modification of the information system with technical tools. Such an evolution required to redefine the overall organization of public accounting in France: the role and missions of public accountants, of the Court of Auditors ... This reform posed a problem of statutes and responsibility. It represented a radical cultural change, a major upheaval, also extremely important on the level symbolic system” (Ministry of Finance, Interview 1).

Thus, in 2000, some incremental reforms were made to integrate financial information in the CGAF of the State in order to bring it closer to accrual accounting. These modifications were concomitant to a consensus in the French Ministry of Finance about the fact that the French public sector accounting system was overwhelmed. It did not fulfil decision makers’ requirements of financial information nor did it satisfy the criteria of effectiveness of the management of public expenditure (Lambert and Marini, 2000; Bassères, 2002). Lambert (2000, p. 50) noted that the French National public sector accounting system thus appeared to be ‘unrefined’ and so called for the need to depart from its 40 year “accounting rut”. But to reform it, it was necessary to “interest” parliamentarians and politicians to a larger reform: the reform of the 1959 ordinance.

4.2.2.2 The enrolment of Parliamentarians and politicians

Two major events helped overcome the political resistance of the 1959 Ordinance reform. The first important turning point was the 1999 problem of the ‘nest egg’ emerging from forecasted higher revenue that the Minister for the Budget wanted to use for future expenses rather than reducing the existing public deficits. It constrained the Prime Minister to give his agreement for a reform of the 1959 Ordinance. During a televised interview in March 2000, he declared: “*The budgetary practices are currently required to conform to the 1959 Ordinance. I think that this ordinance, which codifies the way in which budgetary discussions are held is no longer suitable since it is not transparent enough (...). We agree, at the Governmental level, to re-examine these texts with the Parliament*” (quoted by Raude, 2006, p. 893). This event led to stronger considerations of the limitation of the budgetary process,

which was based on the nature of expenses and not on performance or objectives. As noted by Migaud (2006, p. 403): “*The President of the Republic, during a ceremony of wishes at the beginning of the year 2000, also expressed himself publicly in favour of this reform*”.

The second significant event was the publication, in October 2000, of the report of A. Lambert, president of the financial committee of the Senate, headed “*To equip France with its new financial Constitution, a precondition to the State reform*”. This report presented the need to reform the 1959 Ordinance (Lambert, 2006). The report also contained similar opinions of the Court of Auditors. In fact, during all this period, the Supreme Court of Audit never ceased to call for a reform of the accounting system of the State. It used its reports on the execution of the finance laws to identify imperfections of the current system and to emphasize the necessity to reform the State accounting system. Additionally, specific reports were required by the financial committee of the Senate and the financial committee of the National Assembly within the framework of the reform of the 1959 Ordinance (Lambert, 2000; Cieutat, 2001; Conan, 2004). The Court returned its conclusions in a first report on December 1, 1999 and in a second one on March 31, 2000. In these contributions, the Supreme Court of Audit formulated proposals aiming at modifying in an important way the 1959 Ordinance and in particular:

- The need to change the presentation of expenses by their nature and to privilege a budget directed towards the objectives and the results of the administration;
- The Court highlighted that the first modifications made in 1999 to the CGAF allowed a first step from cash accounting to accrual accounting but were not sufficient alone. The Court criticized in particular the State’s accounting system for its excessive number of exemptions from the common accounting rules (based on private sector accounting);
- The Court stressed the need to work on specific accounting rules applicable to the State’s general ledger according to a procedure established by the National Accounting Council (*Conseil National de*

la Comptabilité), the entity in charge of the elaboration of accounting rules in the private sector.; and,

- The need for auditing and certifying the accounts of the State.

According to Raude (2006, p. 892), “*all this work incontestably contributed to the formation of a convergent opinion of many political leaders and civil servants in the direction of a reform of the accounting system*”. The result of these debates, reports and analyses was a law proposal in July 2000 with the agreement of all politicians, majority and minority included. As stated by Bouvier and Hertzog (2001), the consensus for the reform was total whereas twelve years earlier the application of the 1959 Ordinance was not questioned.

4.2.3 The diffusion of the innovation

Two major propositions formulated by the Supreme Court of Audit were inserted in the organic law which stipulates that “*the rules that apply to governmental accounting only differ from those that apply to private companies in so far as the particularities of governmental activities require a deviation*”. Moreover, the proposition to certify the State accounts every year was also followed. However, the idea to implement accrual accounting both for budgetary documents as well as for accounting documents was not implemented because the parliamentarians judged that it was easier to understand cash accounting. They noted that other countries engaged in such reform did not change their budgetary system which remained cash-based – sometimes for technical reasons like difficulties recording fiscal debts in budgetary documents. However, a multi-annual approach was introduced in the budgetary system (Hochedez, 2004).

Accrual accounting was kept for the accounting system but the first version of the law did not satisfy all the actors composing the network. The accounting technicians who would bear implementation responsibility held reservations and were not satisfied. Indeed, one member of the Ministry of Finance evoked this dissatisfaction in these terms: “*The first version of the text, on the accounting aspects, was very much below our expectations. For the members of Parliament, relying on the accounting rules of private companies appeared to them to be a major improvement.*

They were not aware of the characteristics of the public sector. One should not lose sight of the fact that the reform was a budgetary reform first; accounting matters did not really interest them, they weren't technicians. So they needed to be convinced to change the drafting of certain articles of the first version of the law. To do so, we presented internal notes to the directors of budget and public accounting in order for them to influence parliamentarians during conferences and informal meetings" (Ministry of Finance, Interview 2).¹¹ Thus it can be observed that the accounting technicians were still wary about the implications and lack of clarity of various models– of accrual accounting from a technical perspective. This was heightened if a private sector model were to be imposed.

Two major modifications were introduced in the second version of the law project. The first one was the obligatory distinction of an accounting system, a budgeting system and a management accounting system. The second one was the fact that accounting norms *"will be defined by a committee of qualified personalities issued from the public and private sectors"*. The LOLF anticipated the creation of a committee called to deliver its opinion on the rules applicable to the public accounts. This last point was really important for members of the Ministry of Finance: *"In France, the objective was to improve financial information, but we did not know what the limit was, where we could go and where we would go. How to deal with the questions of taxes, pensions, policies which open rights to citizens (when that becomes an obligation, a promise, a liability...). The goal was not to apply blindly the accounting system of the private sector. It was necessary to define what accrual accounting in the public sector is and to invent it on certain points in the public sector"* (Ministry of Finance, Interview 2).

In the French case, although the Supreme Audit Court was early to point out the limits of the accounting system of the State, it was only at the end of the 1990s that the Ministry of Finance truly engaged in the reform. Parliamentarians followed in 2000. However, the definition of accrual accounting was influenced by the Ministry

¹¹ The internal notes referred to by this interviewee can be considered important non-human actants. However, apparently no copies of these notes were retained and so this research has not had access to them.

of Finance, with the creation of the Committee for Public Accounting Standards in 2002. This committee, inserted in the LOLF, is in charge of the definition of the normative framework for the French State. It seemed important for the Ministry of Finance not to apply blindly the accounting rules of the private sector in order to integrate the specificities of the public sector. So, the Ministry of Finance actively participated in the definition of accrual accounting in France.

5. The cases compared

In NSW in the 1980s or in France in the 1990s, before the growing interest to implement accrual accounting, cash-basis accounting was well accepted and its use was not discussed. This comparative study highlights how cash-basis accounting was progressively questioned and how accrual-basis accounting emerged as the ‘right’ answer and as an obligatory point of passage for a growing number of actors.

If the NSW public oversight bodies were expressing desire to reform the accounting at the end of the 1980s, it was the enrolment of consultants and large consulting firms which permitted the progressive constitution of a network composed of civil servants, politicians and citizen images. Consultants operated as a ‘catalyser’ when they invoked arguments on the benefits of accrual accounting for citizens or civil servants. Treasury was first against the reform but became interested and considered accrual accounting as an obligatory point of passage only after it gauged the political actors’ support for the change. National newspapers also acted as a source of influence and were enrolled in the network. The influence and arguments of consultants helped to transform the meaning of accrual accounting for the other actors and to maintain the stability of the constituted network. As an early GGS use of accrual accounting, this innovation was thus characterized by ‘adoption’ rather than adaptation.

Comparably to NSW, the French Supreme Audit Court was early to criticize the State cash-basis accounting system whereas the Ministry of Finance was the most reluctant actor to move from cash-basis accounting. The progressive mobilization of the Ministry of Finance first, and parliamentarians second, then permitted accrual accounting to become an obligatory point of passage for politicians, ministers and

citizens after the modification of the reform of the 1959 ordinance. Since the 1980s, the influence of the Supreme Audit Court persisted and most of the actors involved used its arguments as a means to define accrual accounting and how it should be applied. However, when the Ministry of Finance was problematized following the nomination of a new Minister of Finance who truly believed in such a reform, their interest relied on the definition of what is accrual accounting through the constitution of a committee in charge of elaborating the accounting standards at the State level. These progressive transformations of the definition of what should be accrual accounting constitute trends towards adaptation (more than the quicker and earlier NSW adoption) and they were also a means to maintain actors' involvement in the network as it was progressively constituted.

As a consequence of the French accrual accounting “solution” emerging over a longer period and later time than the NSW development, its less radical and more incremental nature can be understood. Thus the characterisation of the earlier change as an adoption of a new system and the later (French) change can be characterised as an adaptation of an existing – and much debated outside of France – accounting system. Whereas strong enrolment in reform characterised NSW, a series of events in France were required before enrolment of all actors (including the 1959 Ordinance, a non-human actant) was achieved. Further, in France there was a more nuanced and better appreciation of the impact and difficulty of accrued accounting reform than was present in NSW and so the reform steps were more cautious than in NSW.

From these two studies, it is observed that NSW moved earlier and quickly as the consultants joined the network. The dramatic rate of change in NSW compared to France draws natural attention to the role of the consultants who were so prominent in NSW. That attention may also be apparently exaggerated when NSW is contrasted with a case involving slow change, such as France. However, caution may be needed here: this situation may be akin to intently watching a skilled magician who draws attention to something whilst thus also obscuring something else. Analogously, the past attention on the role of consultants (e.g. Christensen, 2005) may cloud other observations.

Some counter-factuals may assist here. For example, would a single consulting firm (albeit the world's then largest: Arthur Andersen) be able to enrol other actors in the OPP? Or, would a group of consulting firms lacking connection to other actors be successful in achieving change? Whilst second-guessing history is always a fraught exercise, the NSW and French cases seem to point to the need for key actors (be they consultants or courts of audit) to be part of an international network of sorts before they can advance system-wide public sector accounting reforms. Perhaps legislators need the reassurance of knowing that the support of others is in place and even that a reform is 'tried and proven' before they will comfortably agree to change¹².

The proposition emerging here is that these two cases, and their comparison, can be best understood by considering the network and its transformations. Such considerations provide more explanatory power than analysis of individual and isolated actors. Instead of attributing causality to specific individuals or categories of individuals, we are attracted to a more complex task of identifying transformations within the network. Two examples in France were the 2000 Lambert report and the intervention of Ministry of Finance staff during the political process of adoption of the LOLF in order to be sure that the specificities of the public sector would be taken into account when adopting accrual accounting. Our task then extended to analysing how such transformations helped to provide interessement for sufficient actors to enrol in the reform project. This points us to the efficacy of ANT as a methodology suited to our endeavour. The use of ANT as a means for accounting for changed accounting is the focus of the remainder of this article.

ANT shines a light on pertinent factors distinguishing between the NSW and French cases of changed accounting. Primarily it does this by assisting to draw attention to the transformations we have described above and the absence of transformations in the French case when compared to NSW. France moved later and slower as non-human actants completed the networks. This situation can be explained by the fact that in the NSW case, at the beginning of the network constitution,

¹² In the NSW case the reform was neither 'tried' nor 'proven' but the legislators were led to believe otherwise (Christensen, 2005).

consultants already had in mind a (private sector) definition of accrual accounting and they reinforced this with phantom images of overseas practice and they invoked images of a wide network of actors who were supportive of accounting change. However, in the French case, central actors in the reform (parliamentarians), choose to define accrual accounting in the public sector and did so with the help of other actors. Of importance here is that France had the benefit of other jurisdictions' experiences whereas NSW was absent of prior experience even 'though its politicians and bureaucrats were persuaded by well networked consulting firms that public sector accrual accounting had been successfully implemented in at least one jurisdiction. In part, this contrast throws light on the fact that in both cases, the implementation of accrual accounting is the result of heterogeneous internal factors and external contingencies. The reforms thus evolved whilst social, technical and conceptual aspects changed and were stabilized. It is this observation and the application of our methodology which point us to the contribution to the accounting literature which is discussed in our concluding comments next.

6. Conclusions

Let's consider the reform of an accounting system at the State level that lasts for a number of years, involves the mobilization of thousands of actors (civil servants, politicians, public and private accountants, academics, auditors, parliamentarians, citizens...), each animated by their own interest and representative of the divergent interest of the institutions in which they are involved (ministries, accounting and consulting firms, universities...), and the heterogeneous technical and conceptual aspects including regulations, standards, accounting rules, commonly accepted practices and norms at the local and the international level. Let's consider that this reform is developed in a constantly changing environment, that is to say that requirements, interests, technologies and even the actors themselves change during the course of the reform. Let's consider the hundred of thousands ideas that emerged and the thousands of decisions, from the most important to the most insignificant, that are made during the lifetime of the reforms. And let's consider at the end, the implementation of the reform, the form the accounting system takes and the objectives

attached to it. Given these multitudinous and diverse considerations, how is it possible to explain the decision to reform the accounting system and the form it finally takes? Whilst many public sector accounting change studies describe the contingencies that influence adoption of new accounting techniques, standards, or systems, they frequently consider them as something already in place, or compare the differences and similarities of the technical and conceptual contents of a new reform or its objectives, or refer to the institutional forces/processes¹³ that ‘led’ to such changes. Few studies however investigate how accounting change emerged and how it is progressively shaped.

This comparative study illustrates how ANT offers a useful framework to emphasize the trajectory of the same reform in NSW and France. Indeed, it emphasizes how the same initial reform (implementing accrual accounting in the public sector) means different things to different social groups, at different times. In other words, this article does not follow the “classical” and “common” idea followed in existing comparative studies on public accounting that order constitutes the rule, while change (the reform) is the exception that should be analysed. Indeed, the approach followed in this article reverses this vision of things. Innovation is the rule and it is the emergence of a new stable state which should be explained. How does the reform transform the initial situation and how is the reform, at the same time, reinvented and redefined? This study is based on the idea that a reform is not accepted because ‘it has to be’, something that is understood as another step to a ‘naturally unavoidable modernization of the State’ and as the representation of ‘necessary progress’. It relies on the fact that a reform, an innovation, an artefact or an idea is progressively accepted and shaped if it can gather around it a growing number of allies who support it and, at the same time, define it. Thus both cases reveal actors identifying “fashion” (French Ministry of Finance, Interview 1) and “reform was in the air” (NSW Interview 4) as moments when reform had been accepted. These interviewees are recognising, in retrospect, that at a point in time the accounting changes became sufficiently accepted that it felt ‘right’ to support them. And it is

¹³ For a persuasive analysis of an accrual accounting adoption relying on an institutional phases approach refer to Irvine (2011).

interesting here to note that the social and cultural differences between a national government and a state government and an Australian context compared to a French context, both in different periods, seem to have made little difference to the eventual location of accounting reform as the obligatory passage point of the two distinctly different actor networks. That is, the social had become flat (Latour, 2005) in our analysis. An allied observation can be made here: international comparative analysis of public sector change is challenging methodologically since challenges arise from multiple factors including social and cultural differences (Heady, 1996; Moon and Ingraham, 1998; Peters, 1990) thus a methodology such as ANT can be advantageous by looking beyond social factors. That is, ANT presents opportunities to conduct the comparative studies that Justesen and Mouritsen (2011) note as being under-represented in the accounting literature and Andon (2012, p.908) describes as “learning opportunities”.

This study represents an example of the social and technical shaping of an accounting system in the public sector through the analysis of the trajectory of the reform confronting the enrolled actors. It appears that the accounting system is progressively shaped by actors and simultaneously, the definition of the accounting system progressively defines new actors and how more and more actors support this idea. Important in that pathway in both cases was the presence of international networks of actors coalescing around ideas to which accounting reform subsequently became attached. We can conclude in the NSW case that accounting change would not have been so quick without the support of an international network of actors with consultants at its core. And in the case of France, accounting change may have been further delayed) without the presence of an international network of actors as became influential over the Ministry of Finance and Parliament. Thus our understanding of what happened in France and in NSW is enriched by “following the actors, processes and materials that give form to situated ambitions” (Andon, 2012, p. 908) and manifest in translations impacting the accounting developments. This can only be achieved if we acknowledge that these translations are made meaningful in given times and places rather than expecting formulaic outcomes predicted by an institutional framework or the application of a contingency model.

This paper is a call for research using ANT in comparative projects to study how accounting change emerges in the public sector and describe how human and non-human actors influence the trajectory of a reform and shape it to become what it is and what it's not. With respect to the core issue of the two cases, public sector accrual accounting, as noted by Jones (2012) there is a skew in the literature towards the experiences of Australia, New Zealand and the UK, yet much is to be learnt from experiences outside that small cabal-like grouping. Therefore, further comparative studies are sorely needed.

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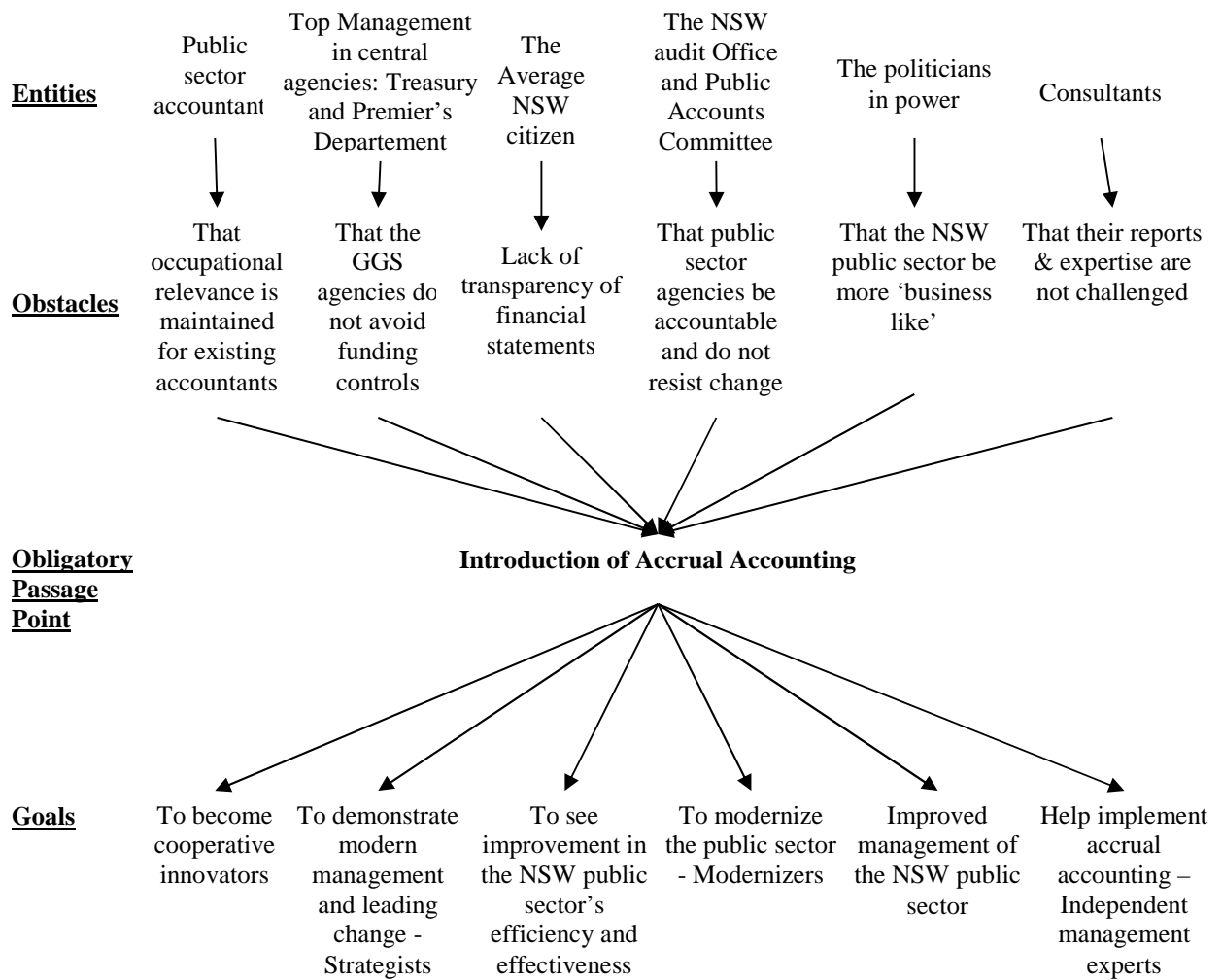


Figure 1: The actor-network in the NSW case (Source: Christensen and Skærbæk, 2010)

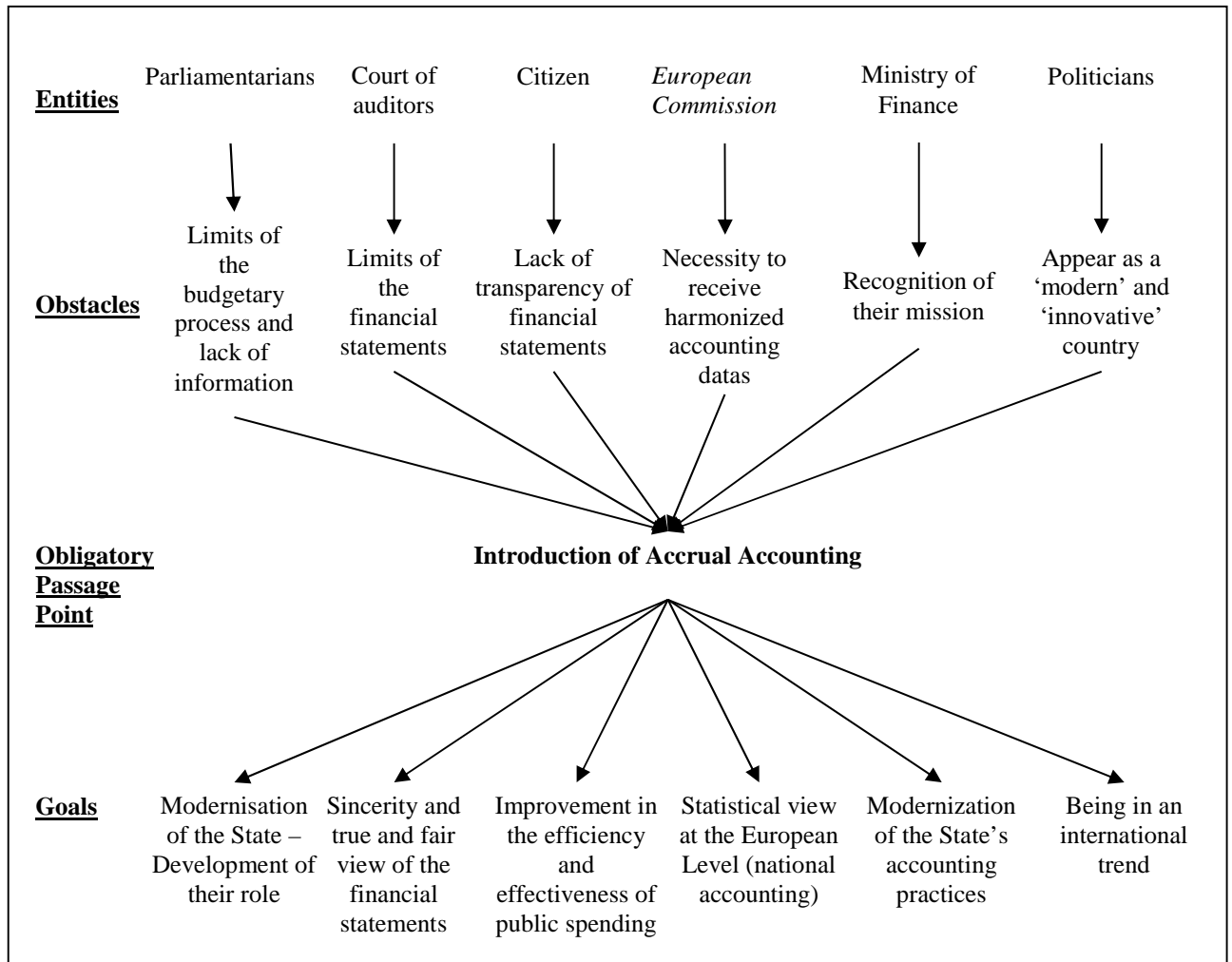


Figure 2: The actor-network in the French case