

LA CONTABILIDAD DE DEVENGO EN LA ADMINISTRACION LOCAL DE LA UE:
UN METODO, DIVERSOS ENFOQUES

Vicente Pina
Lourdes Torres
Ana Yetano

University of Zaragoza
Department of Accounting and Finance
Gran Vía, 2
50005 Zaragoza

Palabras clave: Contabilidad de devengo, administración local, UE, transparencia y
rendición de cuentas.

ACCRUAL ACCOUNTING IN EU LOCAL GOVERNMENTS: ONE METHOD, SEVERAL APPROACHES.

Resumen

Este trabajo tiene como objetivo determinar el grado de implantación de la contabilidad de devengo en las administraciones locales de la UE, así como profundizar en las razones por las que ésta ha superado la resistencia de algunos países críticos con otras reformas de la Nueva Gestión Pública (New Public Management-NPM). Hemos llevado a cabo nuestro análisis a partir de la comparación de los requerimientos legales en materia de contabilidad de devengo de cada país y de las cuentas anuales publicadas, tomando como punto de referencia las NICSP de la IFAC. Los resultados muestran distintos grados de implantación de la contabilidad de devengo, así como de cumplimiento de la legalidad. La razón que justifica, en parte, la difusión de la contabilidad de devengo en los países de la Europa continental es la adopción de sistemas duales, puesto que no requieren de la introducción de grandes cambios en la estructura de la organización a la vez que responden a las demandas democráticas de los ciudadanos de una mayor sensibilidad social, transparencia y rendición de cuentas, manteniendo al mismo tiempo los estados presupuestarios tradicionales tanto para el control del cumplimiento de la legalidad como para la toma de decisiones de carácter administrativo.

Palabras clave: Contabilidad de devengo, administración local, UE, transparencia y rendición de cuentas.

Abstract

Our study seeks to measure the degree of accrual implementation in EU local government accounting systems and also tries to give an answer to the question of why accrual accounting has overcome the resistance to other NPM reforms in countries relatively suspicious of them. We carry out our analysis through the comparison of the accrual accounting legal requirements in force in each country, and the published financial statements, taking the IPSASs of the IFAC as a benchmark. The results show different degrees of accrual accounting implementation and legal compliance. The reason of accrual accounting dissemination lies partially in that the dual systems implemented in European continental countries do not require the introduction of deep organizational changes and answer the democratic demands of citizens for higher responsiveness, transparency and accountability, while traditional budgetary statements are maintained for monitoring compliance with legality and for administrative decision-making purposes.

Keywords: Accrual accounting, EU local governments, transparency and accountability

1.- INTRODUCTION

During the last twenty years, the public sector has been subjected to transformations in order to enhance the efficiency and accountability of public service delivery (OECD 1993a, 1994). Hood (1995), Gray and Jenkins (1995), Olsen and Peters (1996) and other academics describe the main features of the transformations brought about in government organizations within the framework of the New Public Management (NPM) doctrine. Politicians, financial institutions, the media, management consultants and scholars have all played an important role around the world in creating and maintaining an institutional pressure for transformation, as have a range of multilateral organizations (OECD, International Consortium for Financial Governmental Management, World Bank and IMF) which have spread the Anglo-American experience all over the world.

The majority of public sector reforms had the aim of introducing market mechanisms as a means of improving its governance and control. However, these recipes for public sector reform, with their origin in Anglo-American countries, have been adapted, instead of adopted, in other countries with different public administration styles. The implementation process has undergone multiple mutations and variations across countries. These reforms included the general tendency to conceive citizens or users of public services as 'customers' or 'consumers', maintaining a similar passive role to that of customers in the private sector in the decision-making process of public service delivery policy (Pratchett, 1999, Dimitriu, 2008). A major implication of all of these reforms has been an increased emphasis on "management" rather than on "administration of services", which entails the shift from the traditional

stewardship role of accounting to cost management and, consequently, accrual accounting. This shift in emphasis has brought the notion of value-for-money, which is supported by techniques of performance measurement, budgeting and costing (Jackson and Lapsley, 2003).

After these two decades of NPM reforms, in which the bureaucratic public administration model was strongly criticized, there is, at the moment, a feeling among the citizenry, especially in Anglo-American countries, that 'managerialism' has widened the distance between government and citizens instead of bringing them closer together (Noordhoek and Saner, 2004; Oakley, 2002), that there has been a decline of public trust in government¹ (Welch, Hinnant and Moon, 2004). This decline is a challenge to politicians, public administrators and citizens because it implies the loss of public confidence in political and administrative performance (Welch, Hinnant and Moon, 2004). Previous studies examined various factors that contribute to the decline of public trust: the gap between public expectation and perceived governmental performance, economic performance, the role of the mass media, political scandals, changes in social capital and culture, and perceived policy failures (Nye 1997; Peters 1999). For Mutz and Flemming (1999), the degree of psychological and informational proximity between citizens and governments affects the level of public trust and, in particular, the perceived distance about the information gap between the public and government appears to be one of the major elements that have led to the decline of public trust in government. Therefore, the enhancing of government information to the public may help correct biased public perception and affect expectations of trust by narrowing the information gap between the public and governments (Welch, Hinnant and

Moon, 2004). In this regard, transparency and new forms of accountability are highlighted as key elements of good governance (Kim, Halligan, Cho, Oh and Eikenberry, 2005) in the conclusions of the Sixth Global Forum on Reinventing Government. For Chan (2003), the global rise of government accounting on the accrual basis is fundamentally due to the greater demand for accountability in a democracy and market economy. This has contributed to the greater visibility and influence of government accounting, shifting its emphasis from bureaucratic control to accountability reporting to the public. Accountability, and especially financial accountability, has become a key piece, in recent developments in renewing governance policies. For Chan (2003), *it is not enough to keep the books accurately; the books have to be open to the public. [Government accounting] aims at keeping citizens informed about the city's financial position, financial performance and service effort and accomplishment, which is crucial information to determine the affordability and sustainability of service delivery and value for money issues.* As Mack and Ryan (2006) show the general purpose financial statements (GPFS) in the public sector are used to satisfy financial accountability and public accountability. An accrual accounting open book approach enhances transparency by making the information available to the public, even though reading accounting books requires some training as in the case of the private sector accounting in which experts analyze the financial statements on behalf of investors.

Accrual accounting is being implemented more and more throughout OECD countries at all tiers of government, not only in countries that are leaders in business-like public sector reforms, but also in countries which have received the NPM doctrine with suspicion, such as the European continental countries

which have bureaucratic public administration styles concerned with the compliance with legality as their primary rule.

In EU continental countries, accrual accounting has been implemented at local government level for the disclosure of GPFS for external users, overlapped with their traditional budgetary systems. This results in dual or in integrated systems with different degrees of interconnection. Accruals have also been introduced at local level into public budgets, but only in a few countries such as the UK and Sweden, emphasizing the usefulness of accrual information for internal purposes.

The objective of this paper is to analyze the degree and features of accrual accounting implementation in EU local governments. This paper argues that, often, accrual accounting represents the interest of governments in the improvement of accountability and transparency as symbols of modernization. It puts the accrual accounting implementation wave in EU local governments into a comparative international perspective through the analysis of fifty-one local governments which belong to twenty EU countries and five different public administration styles. The countries involved in the study represent around 95% of the present EU population and the different broad local government systems coexisting in the EU, so that the analysis of their more recent developments should provide relevant insights. We have used the information *de facto* disclosed by local government GPFS and this is compared with the legal requirements issued by each national standard-setting body, taking the IPSASs of the IFAC as a benchmark. Through the comparison between the accrual accounting legal requirements in force in each country and the published financial statements, we seek to identify the gap between rhetoric changes and

reality, that is to say, to what extent accrual accounting practices are decoupled from the actual technical and administrative processes.

The paper is organized as follows. Part 2 describes the theoretical and institutional contexts which are driving and conditioning the trajectory of accrual accounting in the public sector. Part 3 describes the methodology applied in the paper. Part 4 contains the analysis of the results. In Part 5, the results are discussed in the framework of some theoretical driving forces and Part 6 presents the conclusions.

2.- THEORETICAL AND INSTITUTIONAL CONTEXTS.

2.1. Theoretical context.

Various theories have contributed to explaining the introduction of public management reforms into governments through the identification and analysis of the role and drivers of such reforms. One of the most widespread of these is the Public choice theory, which asserts that politicians and government bureaucrats basically pursue their own utility, rather than the public interest, in aspects such as career security, better jobs, higher salaries and the entrenchment of power (Buchanan, 1972, 1978; Niskanen, 1971, 1973). Such utility-maximising behaviour and rent-seeking activities give rise to over-expansive budgets and over-supplied public output, which lead to waste, higher costs and, thus, inefficiency (Niskanen, 1973; Navajas, 1984; Hood, 1995; Ogden and Anderson, 1999). The monitoring of the public sector is inhibited by the distortion of information flows because, unlike the "simple" principal-agent relationship of the private sector, the public sector has more layers of agencies

between the principals (the citizens) and the agents (the managers) (Letza, Smallman and Sun, 2005). Bureaucrats have an information advantage over the public as a result of information asymmetry, which may lead to adverse choice and moral hazard in hidden actions. In this framework of asymmetric information and uncertainty, according to Bendor, Taylor and Gaalen (1985), accrual accounting would be used for monitoring and linking managerial action with principals (citizens and/or central government), given that GPFS are considered the main vehicle for the disclosure of financial information to external users. The accounting system has always been closely linked to the agency problem in the private sector, since accounting has the primary function of producing information for external users -such as owners, investors, lenders and other decision makers- who have no access to internal records and/or special purpose reports. Nevertheless, as Broadbent and Laughlin (2003) and Letza, Smallman and Sun (2005) pointed out, in the public sector, accountability relationships between principals and agents are complex and open-ended or not explicitly defined and thus not easily monitored. Government officials logically do not volunteer more information than is required or in their interest² (Zimmerman, 1977). It is, therefore, not surprising that, while some accounting is done on a voluntary basis, financial disclosure is often made only in response to demand. Managers are considered in the IASB, FASB and GASB conceptual frameworks as 'preparers' of GPFS and not as primary users who rely on GPFS as their major source of financial information. As 'preparers', they do not have incentives to disclose financial information to be used by stakeholders to assess whether these managers have done a good job. Fiscal transparency is an attribute of limited government, since to

give out information is to cede authority (Chan, 2003).

The Institutional theory has been extensively used in recent years by academics for interpreting the adoption of managerial accounting innovations (Ribeiro and Scapens, 2006; Johnsen, 2005). Institutional theory is mostly concerned with the diffusion and spread of organizational models within a given organizational environment and with understanding organizations within larger social and cultural systems (Oliver, 1991; DiMaggio and Powell, 1983). Institutional theory assumes that organizations respond to pressures from their institutional environments and adopt structures and practices that have high social value as answers to external changes in expectations and formal rules. Burns (2000) notes that accounting practices can be said to be institutionalized when they become widely accepted in the organization and become the unquestionable form of management control. According to this theory, the adoption of accrual accounting can be viewed as a process of formal compliance with the wishes and expectations of the external environment and stakeholders. Thus, in an environment of lost trust in governments, public institutions or regulatory bodies could view accrual accounting as a symbol of responsiveness and “good management” (IFAC, 2001; Stueliffe, 2003; FEE, 2006). In fact, accrual has been considered as a key element of transparency and good governance (Kim, Halligan, Cho, Oh & Eikenberry, 2005), and has been promoted at international level, not only by the support of leading organizations such as the OECD, IMF and World Bank, but also through the development of the IPSAS of the IFAC. Thus, accruals could be expected to be seen by citizens as an improvement in transparency and accountability, and not only as the search for greater efficiency, as managerial approaches state.

The hypothesis that the public sector adopts accrual accounting and other management innovations for their symbolic value is not new. It is one of the most frequently repeated arguments for explaining the features and results of the implementation of managerial change. In recent years, a number of accounting studies have used the institutional theory to explore the process of accounting change (see Scapens, 1994 and Burns and Scapens, 2000). Brignall and Modell (2000) introduce the concept that managers do not use accounting and management information to maximise efficiency, but to search for legitimacy. Feldman and March (1981) argued that information is often not collected for its decision-making value but rather for the symbolic value of both the information and the data-gathering process, specifically for image and legitimacy purposes. Dalehite (2008) states that, as rational decision making has become an important professional and social norm, public sector organizations have been compelled to observe and enforce the norm. As rational decision making is complex, compliance and enforcement may be limited to the visible components of rational decision making, especially the collection and display of information. So, it may not come as a surprise that managerial innovation could be undertaken simply for image and legitimacy since, after two decades of NPM reforms, no government can say that the measuring and accountability of the results of public action is not good.

An important issue in this theory is the concept of isomorphism. Three classifications of isomorphism are proposed: coercive, mimetic and normative (DiMaggio and Powell, 1983): a) coercive, results from both formal and informal pressure imposed on an organization by legal, hierarchical or resource dependence (in the case of local governments, from central or regional

governments); b) mimetic, in which organizations may imitate practices and models of leading organizations in their institutional field in an attempt to get greater recognition, becoming, in this case, passive adopters of innovations; and c) normative isomorphism stems from environmental pressure for transformation from stakeholders such as politicians, financial institutions, scholars and multilateral organizations, as well as from specialized groups within a profession who try to define the conditions and method of work.

Given that public sector organizations are dependent, in almost all cases, on central governments, in terms of resources and legislation, the formal implementation of structures such as accrual accounting would be used -by central governments as principals and local governments as agents- as a tool for better monitoring local government finances and performance. Furthermore, it can be seen as a sign of good governance in response to institutional and/or social pressure in order to secure legitimacy from constituents and resources from the institutional environment.

2.2.- The institutional context.

Together with the theoretical context, another issue which could contribute to understanding the features of public management innovation processes is the public administration culture in which each public entity carries out its activity. The national context of public administrations has been used by various authors (Dunleavy and Hood, 1994; Kickert, 1997, Pollitt and Bouckaert, 2000; Torres 2004) to explain the different features of public sector reforms undertaken in the nineties in Western countries. In the EU countries, they

distinguish five broad styles of public management: Anglo-Saxon, Nordic, Germanic, Southern and Eastern EU countries, the second considered as a mixed form of the Anglo-Saxon and Germanic and Southern types³. According to these authors, the dissemination of public sector management innovations is influenced by their organizational and administrative culture, historical background and legal structural elements. As Ryan (1998) pointed out, a link between broader changes in the public sector and changes in accounting techniques can be established, reinforcing the importance of examining the political and economic context in which changes to financial reporting have taken place.

- During the 1980s, Anglo-American countries introduced a managerial approach into the public sector which emphasizes efficiency, effectiveness and value for money in public administration. They are more likely to introduce market mechanisms, notions of competitiveness and attempts to make public services more responsive to their users or customers (Sanderson, 2001; Sanderson and Foreman, 1996). All of them have undertaken important initiatives of devolution and they have adapted private sector experience to the public sector. The accounting standard setting bodies are made up of and governed by professional accounting associations. Thus, these countries are characterized by a stronger influence of the professional accounting associations when public sector accounting regulation is designed.

-The Nordic countries (Denmark, Finland, Norway and Sweden plus the Netherlands⁴), are unitary States which belong to a public administration model concerned with meeting citizens' needs. This concern arose from the reforms carried out in the 1960s and 1970s based on the UK reforms (Dente and

Kjellberg, 1988; USGAO, 2000). They have a tradition of negotiation and consultation (Lane, 1997; Sanderson, 2001; John, 2001). The search for efficiency and effectiveness involves satisfying citizens' wishes. The government style of Sweden, Finland and the Netherlands was originally very legalistic but changed to pluralistic/consensual in the second half of the twentieth century.

- The Germanic and Southern EU countries are influenced by structures inherited from a bureaucratic, hierarchical public administration grounded in administrative law and there has been a tendency to see the NPM movement as more integrated and uniform than it perhaps really is. The citizen is traditionally considered as a "subject", although this view is changing. All of them belong to the 'Euro-zone' and are bound to the Treaty of Maastricht which involves rigid requirements of control of deficit and borrowing. According to Hammerschmid and Meyer (2003), in the Germanic countries the bureaucratic model remains basically Weberian in the framework of a complex federal system and a complex interrelationship between federal government (*Bund*) and the *Länders*. In this model, administrative practice is marked by an overriding legalistic philosophy (*Rechtsstaat*) with constitutional protection. The *Weisungsprinzip* (principle of directives) establishes a strong hierarchical system both within and between offices, with directives which regulate the functions in considerable detail. Southern European countries are influenced by structures inherited from the French legal model (Kickert, 1997), built around administrative law (Rouban, 1997). Central government defines overarching state rules for field services and there is a unitary treasury system which receives almost all fiscal revenues on behalf of all central, regional and local

public authorities. Even in countries with a high degree of decentralization, such as Belgium, Spain or Italy, the central government sets common service features for the whole country, collects most tax revenues and maintains offices in provinces and regions.

In these groups and the Nordic countries, the accounting standard setting bodies depend on a central government department which controls the elaboration of the chart of accounts for the private and public sectors, with the collaboration, to a certain extent and in different degrees, of the accounting profession.

- The Eastern European group is made up of the countries which were under the political and administrative influence of the USSR, but now belong to the EU. Centralization was combined with the concentration of power in the highest organs of the state, which were, in turn, controlled by the Socialist Party (Hesse, 1993). So, typically, the first measure of reforms in Eastern countries was to decentralise the state and to provide more power to sub-national elected governments, primarily at a municipal level (Sevic, 2005). In the 90s, Western countries and multilateral organizations pushed for the introduction in these countries of best public management practices in order to introduce mechanisms to assure accountability and the rejection of the old administrative model (Straussman, 2001). Toone (1993) identifies five principles that guide Eastern European societies in building their governments: the retreat from the discredited central government in favour of decentralisation; the improvement of channels of communication between tiers of government and citizens in response to a demand for participation; a concern for public welfare and social justice in terms of services and human rights; an efficient government

administration at all levels within a setting of public review; and internal and external accountability.

As we can see, there are four public administration styles in the EU which represent quite different administrative traditions. The Anglo-Saxon context should be *a priori* the context that offers the most friendly framework for the implementation of accrual accounting because of its receptiveness to private sector management techniques and the absence of administrative and public law. By contrast, in European continental countries, compliance with the legality is a crucial issue not always compatible with economic rationality. Nordic countries, as Kickert (1997) stated, represent a mixed model.

3.- METHODOLOGY AND DATA

The data for the fifty-one local governments studied, belonging to twenty EU countries, has been obtained from both the legal accounting requirements for local administration in each country (see Appendix 1) and the published annual accounts for 2005⁵ of the EU local governments with more than 500,000 inhabitants and country capitals⁶. The resulting sample contains the following cities: Austria (Vienna), Belgium (Brussels), Denmark (Copenhagen), Estonia (Tallinn), Finland (Helsinki), France (Bordeaux, Lille, Lyon, Marseilles, Paris), Germany (Berlin, Bremen, Dortmund, Duisburg, Düsseldorf, Essen, Hamburg, Hannover, Köln, Stuttgart), Greece (Athens), Hungary (Budapest), Ireland (Dublin), Italy (Genoa, Milan, Palermo, Rome, Turin), Latvia (Riga), Lithuania (Vilnius), The Netherlands (Amsterdam), Norway (Oslo) Poland (Lodz, Poznan, Wroclaw), Portugal (Lisbon), Spain (Barcelona, Madrid, Malaga, Seville,

Valencia, Saragossa), Sweden (Stockholm), the United Kingdom (Birmingham, Edinburgh, Glasgow, Leeds, Liverpool, London, Manchester and Sheffield).

For the measurement of disclosures, we have assigned “1” when the information is legally required and actually presented, “2” when it is not required but presented, “3” when it is required but not presented and “blank” when it is not required and not presented. Since there is heterogeneity between the annual accounts of the local governments studied -even within the same country- the recommendations of the IPSAS No.1 have provided the point of reference to establish the elements to be included in the index in order to make the comparison possible.

Table 2 shows the items included as well as the resulting accrual indexes for the sample. The accrual index is built from classifications 1 and 3 since they represent the official public sector accounting framework for the local administration in each country. We have applied the methodology used by Mueller *et al.* (1994) and Hung (2001) for the business sector and that of Torres and Pina (2003) for the public sector. A disclosure item is assigned a weight of one if it is disclosed under the accrual basis. So, the accrual index is made up by equally weighting 25 disclosure items⁷.

Exploratory analysis of the data was carried out to identify the outstanding characteristics of the local government accounting practices. Cluster analysis, Multidimensional Scaling (MDS) techniques and the Mann-Whitney test have been applied to identify homogeneous groups among the local governments studied in order to test to what extent public administration styles condition the implementation of accrual basis in local government accounting. Cluster analysis classifies a collection of objects -in our study, EU cities- into a small

number of groups or clusters which are mutually exclusive. This test allows the drawing up of groups in a MDS exhibit on a statistical basis. The Mann-Whitney *U* test detects whether there are statistical differences between groups of cases (public administration styles) previously defined in this study. These statistical techniques have been applied to the scores (Tables 1 to 3) in order to determine whether there are significant differences between public administration styles. Finally, Property fitting⁸ (Pro-Fit) also contributes to explaining the four quadrants of the MDS configuration.

4.- ANALYSIS OF RESULTS

4.1.-Accrual accounting legislation and disclosures in EU local administration styles

In the EU local governments studied -except for the Germanic and Eastern groups- there are legal requirements for the presentation of local government GPFS under the accrual basis, although they do not all contain the complete set of IPSAS 1 requirements. Anglo-Saxon, Nordic and Southern European cities must elaborate a balance sheet and an operation statement with inter-period allocations. Both are typical financial statements in accrual and double-entry book-keeping systems and their presentation may be considered as a first sign of, and a necessary step towards, the implementation of full accrual accounting systems according to the recommendations of the IPSASs. Notwithstanding, a gap between national legal requirements and actual developments can be observed in Tables 1 to 3, especially in some Southern European cities. Conversely, even though the cash basis budget is the legal and prevalent

governmental accounting system in Germany, some cities, such as Stuttgart and, to a lesser extent, Dortmund have initiated steps towards the introduction of GPFS under the accrual basis. Germany is characterized by differences among Landers, some of them as North-Westphalia (Dortmund) or Baden-Württemberg (Stuttgart) in favor of accrual accounting⁹, and by starting with pilot projects to gain experience in the suitability of accrual accounting (Ridder, Bruns, and Spier, 2005).

INSERT HERE TABLE 1

With respect to the contents of the financial report shown in Table 1, a great diversity can be seen in the local governments studied, even within countries. Various types of information can be distinguished. The first type deals with general concepts. Most Anglo-Saxon and Nordic cities provide the highest level of this information. These local governments have accounting systems closer to the private sector style in which detailed notes to the financial statements are included in the financial report. The Germanic, Southern and Eastern EU cities disclose some of this information. In a few of them, such as the French cities, a high degree of non-compliance with legal requirements can be seen, whereas, conversely, Dortmund shows disclosures that are not legally required¹⁰. In the majority of European continental countries, accrual accounting in local governments has been introduced through a chart of accounts adapted from their chart of accounts for the private sector, and the disclosure of notes to the annual accounts has typically been less than in those based on accounting standards.

The GPFS may also be disclosed with different degrees of completeness: not reporting inter-period allocations, such as depreciation (Milan, Turin, Saragossa

and Budapest), or reporting in terms of expenditures instead of expenses¹¹ (Dublin and most French and Italian cities), or with different degrees of detail. So, there are different ways in which accrual-based financial information is reported in GPFS, ranging from simple lists of assets and liabilities and revenues and expenditures to financial statements that show the financial position, changes in that position and operating results. Consequently, accrual accounting in EU local entities often ranges from different types of modified accrual to full accrual. Furthermore, in Italy, local governments can choose to present accrual-based GPFS by either applying a double-entry book-keeping system or adjusting the budgetary information at the end of the accounting period. In Spain, the double-entry system is applied in accrual accounting and in budgetary execution -elaborated under a receivables and liabilities basis- resulting in a single set of connected GPFS with accrual-based financial statements and an actual budget statement. On the other hand, Germanic and Eastern European cities only present information on the cash basis. In all the countries studied, the disclosure of extensive information about the annual budget and its execution is required in the financial report.

INSERT HERE TABLE 2

Table 2 provides information about the extent to which the legal requirements for local government accounting in each country meet the recommendations of the IPSAS 1 for full accrual GPFS, as well as the degree of actual compliance with its own legal requirements. It also compares the accrual indexes between public administration styles.

As can be seen, in general, the items related to monetary assets and financial liabilities show the highest percentage of disclosure. This information is usually

available in budgetary accounting systems so managers and local governments do not incur additional costs for its presentation in the financial statements. Except for the Germanic and almost all Eastern European countries, all legal requirements include the presentation of physical assets such as land, property, plant and equipment and infrastructures and intangible assets on the balance sheet. However, at actual implementation level, high degrees of failures to comply with legal requirements can be seen, even in the UK cities, in items such as accumulated depreciation, intangible assets and infrastructures. Accounting for non-financial assets is the most complex change in the implementation of accrual accounting in local governments (Guthrie, 1998, Christiaens, 2001), in particular heritage and similar assets (Carlin, 2005), and requires a more active involvement of managers which is not always readily available. This is because the recording of this kind of assets requires making an inventory of non-current assets and measuring them. Most municipalities in EU continental countries have shortages of staff trained in accrual accounting because their civil servants are usually trained in public and administrative laws and to a lesser extent in business administration techniques. Further analysis of this accounting area is carried out in Table 3.

The information dealing with the operation statement also shows a lower degree of fulfillment with IPSAS 1 recommendations than monetary assets and liabilities, especially in annual depreciations and in some expenses such as borrowing costs.

INSERT HERE TABLE 3

Table 3 gives additional insights into the accounting of non-monetary assets (non current physical and intangible assets) whose quantity and quality is lower

than in other items. Capital accounting has been the centre of much of the debate surrounding accrual accounting change and the perceived need for greater standardization (Lapsley, 1999). This is reflected both in the information legally required and that actually disclosed. Only Anglo-Saxon, French and some Nordic cities are legally required to disclose additional information about their non-monetary assets with regard to measurement issues such as depreciation and amortization criteria, impairments, changes in measurement criteria, etc. However, failures to comply with the legal requirements can be observed in Nordic and French cities and, to a lesser extent, in some UK cities. Reasons for non-compliance with legality in accounting for physical and intangible assets, could be the absence of updated inventories and staff trained in accrual accounting, as is mentioned above. Furthermore, in European Continental local governments, the flexibility given by providers of funds -central and regional governments- and control authorities -national and/or regional audit offices- is an additional factor which contributes to explaining the level of non-compliance.

Overall consideration of the results of Tables 1 to 3 shows that the most complete legislation and fulfillment is found in the UK due to both the strength of the accounting profession and the monitoring carried out by central government and audit offices, which have contributed to the implementation of accruals in the public sector. Nordic countries have developed accrual models following the initiative undertaken by Sweden. Even countries such as Denmark and Norway, initially reluctant to the introduction of private sector management tools, now present a level of accrual disclosures similar to some Anglo-Saxon cities. In Southern European countries, local governments show different degrees of

compliance with their legal requirements because budgetary accounting is the main source of compliance with legality and accrual accounting is considered subsidiary information. Some local governments disclose more detailed information about financial assets and liabilities than is required by their respective legal frameworks. In general, except for the Germanic and Eastern European countries, the EU local governments studied disclose their actual annual accounts somewhere between the modified and full accrual systems. So, the accounting practices actually chosen by some EU local government managers transform the legally-required full accrual basis into some kind of modified accrual basis. This is because some important accrual accounting issues are not effectively implemented, especially in some Southern European cities such as the French and Italian. The gap between the formal -or legal- design of change (rhetoric) and its actual implementation is not something new and often emerges in public sector reforms (Pollitt and Bouckaert, 2002; Torres, 2004). It could reflect how much the search for symbols of good governance in order to give an image of modernization and to gain legitimacy is behind accrual initiatives instead of a real interest in enhancing transparency and accountability in the public sector.

To what extent the differences observed between public administration styles in Tables 2 and 3 have statistical significance has been analyzed through the non-parametric Mann-Whitney *U* test¹². The Mann-Whitney *U* test only compares two groups at a time; therefore, different combinations between the public administration styles have been compared.

INSERT HERE TABLE 4

As can be seen in Table 4, the application of the test to the information recommended by the IFAC, included in Table 2, finds statistically significant differences between Anglo-Saxon and European continental cities and not between Anglo-Saxon and Nordic cities. This is because Nordic local governments belong to a public administration style considered by Kickert (1997) as a mixed form and the Nordic model in the accounting field is located between the Anglo-Saxon and the Germanic and Southern European models. The test does not detect differences between Germanic and Eastern European countries because both maintain cash basis public sector accounting systems.

We can find significant differences between the different public administration styles with regard to the accounting of physical assets -shown in Table 3-, except between the Southern and Eastern groups, and the Germanic and Eastern groups. In the first case, this is because of the shortages found in the disclosures of additional information about capital accounting. In the second case, it is because both maintain cash basis accounting.

Different levels of accruals development

Exhibit 1 shows the distribution map of cities applying the MDS technique to the scores shown in Tables 1 to 3. The six groups have been drawn according to their statistical proximity measured through MDS and cluster analyses (see Appendix 2)¹³. Exhibit 2 shows the projections of Pro-Fit significant vectors on dimensions 1 and 2 of Exhibit 1. Each vector shows the direction of growth of a particular variable. The set of oriented vectors makes it possible to read the MDS configuration.

INSERT HERE EXHIBIT 1 AND 2

MDS condenses all the information included in Tables 1 to 3 into two factors, “Dimension 1” and “Dimension 2”, which are used to place cities in the map. Pro-fit analysis is then used to find a label for each dimension. According to this analysis, “Dimension 1” summarizes the information related to the disclosure of accrual information in the financial report and “Dimension 2” the information related to the disclosure of budgetary information.

On the positive side of dimension 1, the greatest influence comes from the variables: **v1.7**, **v2.7**, **v2.10**, **v2.15**, **v2.18**, **v2.19**, **v3.2**, **v3.4**, **v3.8**, **v3.9**, **v3.13**, **v3.17**, most of them related with the elaboration of full accrual balance sheet (see Tables 1, 2 and 3). As can be seen, on this positive side we find the cities with the greatest accrual development in which the weight of accrual information is higher than budgetary information. They value their assets at cost minus depreciation/amortization and disclosing information about the measurement criteria, intangible assets included. This explains why Anglo-Saxon and Nordic cities are on the right of this dimension. The negative side of dimension 1 is influenced mainly by four variables -**v1.6**, **v1.8**, **v1.17** and **v1.18**. The firsts are related to the first steps of the introduction of accrual accounting and the other two are related to budgetary information. So, cities which present only budgetary information, or in which the budget has an important weight in the financial report, are located on the left -negative side- of this dimension. This is the case of Germanic, Eastern and some Southern European cities.

Dimension 2 is related to budgetary information, which explains why most Germanic and Eastern European cities are on its positive side and the UK cities on its negative side. The positive side of dimension 2 is related to the following items: **v1.7**, **v1.9**, **v1.12**, **v1.20**, **v2.7** and other variables such as **v1.17**, **v1.8**,

v3.11. The negative side is related to variables more connected with the development of accruals such as: v2.1, v2.10, v2.15, v2.17, v2.18, v2.19, v3.4, v3.9, v3.17. To be on the negative side of “Dimension 2” only means that there is more accrual information than budgetary information in the financial report of these local governments.

So, the cities located on the positive side of dimensions 1 and 2 are those with dual systems in which both budgetary and accrual information is employed. The cities located on the negative side of dimensions 1 and 2 are those which disclose low levels of accrual and budgetary information, although they are legally obliged to include this information in the financial report. Finally, those located on the positive side of dimension 1 and on the negative side of dimension 2 disclose accrual accounting to a greater extent than budgetary information and *vice versa* in those located on the negative side of dimension 1 and on the positive side of dimension 2.

Now we will analyse the distribution of the six groups shown in Exhibit 1, considering their public administration styles and the weight of accrual accounting in the financial reports.

Group 1 includes the British cities analyzed -eight- plus Copenhagen, Stockholm, Oslo, Amsterdam, Barcelona, Lisbon and Athens. This group is located on the right of dimension 1 and, except for Oslo, presents good scores in accrual implementation. The cities of this group usually include the changes in accounting policies and information related to them, a balance sheet under full accrual basis and an operation statement with inter-period allocation (Table 1). The additional information is usually a cash flow statement, sometimes complemented with the reconciliation statement of profit and cash-flow. The

financial report also includes budgetary information but it has relatively less weight than in other groups. This group provides most of the additional disclosures required by the IPSAS 1 with regard to information about property, plant and equipment (Table 3), which is a milestone in the implementation process of the accrual basis.

Group 2 includes four Spanish cities -Madrid, Valencia, Seville and Malaga. It is on the positive side of dimension 1 -which evidences a lower degree of development of their accrual accounting systems-, and also on the positive side of dimension 2 -which evidences a higher percentage of budgetary information. So, this group is made up of cities with dual systems: above average accrual accounting developments plus budgetary information on the cash basis. Even though these cities usually present the balance sheet under full accrual basis, there are some differences with the previous group: they do not provide information about changes; only one includes the statement of accounting policies; all provide inter-period allocations in the operation statement; and it is not frequent to find other financial statements. Information about assets is lower than in the first group; they distinguish between types of tangible assets but do not give much information about them except for their depreciation and in no cases are valuation criteria disclosed. Budgetary information gains weight, being more complete than in the previous group.

Group 3 includes eight cities: three Eastern European -Tallinn, Riga and Budapest- two Germanic -Dortmund and Stuttgart- and three Southern European cities -Lille, Zaragoza and Turin. All the cities, except Tallinn, are on the positive side of dimension 1, which shows a lower degree of development in accruals than in the previous groups, and both on the positive and negative

sides of dimension 2. They show dual systems with a greater presence of budgetary information. The balance sheet is not disclosed in all cases and is presented under both modified accruals and full accruals bases. Only four cities include accounting principles and none include changes. Five present the operation statement but only three include interperiod allocations. The same shortcomings are found in the information about assets: five distinguish between types of assets, three show charges for depreciation and only two include the valuation criteria. By contrast, they present almost all the budgetary information items analysed.

Group 4 includes only three cities, Marseille, Genoa and Milan. These cities have obtained good scores within the Southern public administration style, showing an above average level of accrual disclosures for their group. They are located on the negative side of dimension 1 and dimension 2, reflecting low disclosures in budgetary and accrual information. Although they have dual systems and must present financial statements under the accrual basis, their effective development is still in progress: they do not present a common balance sheet; they do not include the operation statement or any other financial statements; their general concepts information is quite low and, again, not homogeneous; property, plant and equipment is disclosed but further information is not provided. Budgetary information is the most important information they disclose.

Group 5 includes cities which belong to Germanic and Eastern European public administration styles -twelve. This group is located on the negative side of dimension 1 and on the positive side of dimension 2, which evidences a poor development of accrual accounting. As can be seen in Tables 1 to 3, this group

shows lower scores than previous groups and belongs to public administration styles in which accruals are not required and not applied by cities. These cities present budgetary information and, in the case of Germanic cities, a balance sheet which only includes financial assets and liabilities. There are two cities a long way from the centre of the group, Tallinn and Lille. This is because they are the only cities in this group which include an operation statement.

Group 6 includes five Southern European cities, located on the negative side of dimension 1: Paris, Bordeaux, Palermo, Roma and Lyon. All of them are required by law to disclose accrual information. However, they make few accrual disclosures and, as in the previous group, most of the information disclosed is budgetary. Only Paris includes an operation statement and a cash flow statement.

5.- DISCUSSION.

The results show that the introduction of accrual accounting at local level is a widespread trend in the EU. The local governments studied are adopting accrual accounting first in those areas in which it can be adapted more easily without incurring additional data collecting costs, such as liabilities and financial assets. By contrast, accrual accounting is being implemented more slowly in physical assets, in the operation statement and in disclosures related to retirement benefits, all of them involving a stronger break with cash accounting practices. Disclosures for property, plant and equipment show shortages, especially in valuation criteria, depreciations and other additional information to be included in the notes. Even though the information about physical assets is

not costless and presents a lower degree of reliability than other accrual accounting issues, it has brought about the need to elaborate and maintain updated physical asset inventories. Before the implementation of GPFS under the accrual basis, the majority of EU local governments did not have reliable updated physical asset inventories available.

The local governments from the countries classified by Hood (1995) as 'leaders' in the implementation of NPM postulates -the UK plus Sweden- disclose the financial statements considered as typical by the OECD and the IFAC under an accrual-based accounting system and have implemented, or are in process of considering, accrual budgets. Conversely, European continental local governments present heterogeneity in their actual annual accounts, even within countries which have adopted GPFS under the accrual basis by law. Public choice theory contributes partially to explaining the accrual implementation process in countries such as the UK, where NPM reforms have stressed the introduction of private sector management techniques in local governments, and where the central government is strongly interested in its implementation at local level. In this country, and to some extent in Nordic countries, accruals were introduced as a result of normative pressure from influential professional bodies of accountants in addition to coercive requirements which can be found in almost all the local governments studied. On the other hand, mimetic isomorphism is prevalent in European continental countries in which the monitoring of legal requirements by governmental or audit offices is weak. So, in European continental countries coercive and voluntary sources of institutional change coexist and form an intricate interplay in the development of public sector accrual accounting.

Institutional theory contributes to better explaining the features of the accrual accounting implementation process in Southern European countries, which have been distrustful of the NPM doctrine, but not as reluctant as the Germanic countries, and have adapted (rather than implemented) NPM reforms to their own local government cultural and organizational contexts. In these countries, central governments have encouraged the implementation of accrual accounting in local governments, seeking the enhancement of accountability and the control of the fulfillment of Maastricht criteria about deficit and indebtedness. A number of academic papers found that, often, management reforms are not introduced in public administrations for their decision-making value but rather for their symbolic value (Feldman and March, 1981; De Lancer Julnes and Holzer, 2001; Coplin, Merget, and Bourdeaux, 2002; Dalehite, 2008). So, some reforms would be introduced when they are considered as signals of “good management” and then copied from other local governments with reputations for being “well managed” (mimetic behaviour). Even though we have not empirically tested if there is mimetic behaviour, when European continental governments introduce accrual accounting into their local governments and fail to control the disclosure of accrual basis information, there is evidence for concluding that accrual basis may not be only implemented for its decision-making value. This implementation could be carried out through a mixture of mimetic institutionalism -when there is an imitation of practices implemented by other local governments with a reputation for being well managed- and coercive institutionalism -when there is a law or a legal requirement which imposes accrual accounting in local governments. When the lack of interest of managers and weak monitoring, convert local governments

into passive adopters, the institutional theory decoupling concept (Meyer and Scott, 1992) appears, which predicts the gap between legal requirements and actual implementation observed in Tables 1 to 3.

EU local government legal requirements meet most IPSASs recommendations. However, the accounting practices actually applied by some EU local governments transform the legally-required full accrual basis into some kind of modified accrual basis, especially in some Southern European cities such as the French and Italian. This is reflected in the differences detected within each country between the legal accrual accounting model and the information actually provided by local governments. The gap between the formal -or legal- design of change (rhetoric) and its actual implementation is not something new and often emerges in public sector reforms (Pollitt and Bouckaert, 2002; Torres, 2004). The size of the gap between rhetoric (legal requirements) and actual implementation also depends on the interest of central governments and audit offices in monitoring and supervising local government accounting practices and, hence, the leeway that managers have for interpreting, or even ignoring, their domestic accounting regulations. Findings such as those outlined above reflect coercive institutional pressures emanating from deliberate state intervention in the development of accrual accounting in the public sector, and reveal decoupling from internal management and accruals, perhaps because managers do not have a clear view of the usefulness of accruals for their internal decision-making process. For Lapsley and Pallot (2000), the lack of accrual and budgetary accounting coupling is less a weakness than a natural response to the need to provide information to a broad range of constituencies with vaguely defined and, occasionally, conflicting interests. However, cases of

'spontaneous' adoption of accrual accounting systems, as well as performance indicators, also can be found in European cities.

The interest of central governments and/or audit offices in the monitoring of the implementation of accrual accounting provides useful information to distinguish when the search for symbols of good governance, modernization and transparency prevails over the real enhancement of accountability and transparency. According to Zimmerman (1977), in organizations with close control from owners or quoted on stock markets, accounting solutions are a balance between different stakeholders' interests (investors, lenders and managers), while in organizations with weak ownership and/or limited control from principals, accounting solutions that favor managers (chief executives, senior civil servants) tend to be in use. As the positive theory of accounting states, managers do not find incentives, other than the search for legitimacy, for the disclosure of accounting information under well-defined accounting standards.

Given the weakness of citizen monitoring of local governments and the little interest shown by some EU central governments in the fulfillment of legal local government accounting requirements, managers have room to decide how to apply the accounting rules, providing more information on those issues whose measurement and recognition can be carried out without additional work or material costs, e.g. monetary issues, and less on issues related to physical assets and depreciations, where they find more difficulties in elaborating and maintaining updated inventories. In EU cities, cash or modified cash basis budgets and accrual basis GPFS coexist in dual public sector accounting systems. Against the dual models, it is pointed out that they cause confusion for

managers, who receive conflicting signals from the two parallel sets of accounting numbers (Guthrie, 1998), and that accrual accounting information will be of little real importance in dual systems IFAC PSC (2002). Notwithstanding, in European continental countries, the Euro-zone has *in fact* imposed dual systems based on the accrual requirements of the national accounting to measure public sector deficit and indebtedness, following the European System of National and Regional Accounts (ESA 95) requirements (i.e., governments have to carry out adjustments in their budget figures on the accrual basis). This means that local government financial managers, in fact, have to take into account both systems for planning short and long term municipal financial figures: daily decisions are taken on cash basis budgetary information because the budget contains the annual appropriations and this information is needed for compliance with legality purposes, but the measurement of the financial results (annual deficit/surplus and degree of indebtedness) of their managerial action is monitored by the regulatory authority according to the ESA 95 accrual basis criteria. Thus, the financial needs and the surplus or deficit, which are crucial milestones for the monitoring authority to assess the financial health of the entity, are established on accrual basis, as are the GPFS¹⁴.

In this framework, accrual accounting becomes useful for head officers involved in the planning of short and long-term economic activity and not for those who merely administer but do not plan or manage the appropriations approved by the assembly. The disclosure of GPFS provides information not included in the budgetary systems, such as physical assets and their changes between periods, the level and composition of debts and financial assets, changes in

equity and the correlation between expenses and resources, which otherwise would not have been disclosed or would not have been so visible. The adoption of GPFS on the accrual basis, even in dual systems, represents a real contribution to planning and management within organizations, without a substantial increase in the consumption of scarce resources. For Chan (2003), “while acknowledging the importance of cash -the lifeblood in government as in business- contemporary accounting standards aim at tracking the long-term consequences of decisions and actions”. In the UK, the usefulness of accrual-based GPFS for decision-making processes is emphasized by the central government¹⁵ and by the high degree of monitoring of local government compliance, which evidences the interest of central government in local government accrual accounting figures. On the other hand Southern European countries focus the change to accrual-based GPFS on improving accountability and transparency¹⁶. The Nordic group, once again, presents combined results between the Anglo-Saxon and Southern European. The dual model is also prevalent in Nordic countries (SMF, 2000; Brorström, 1998), although accruals are more deeply implemented than in Southern European countries. Germanic and Eastern countries are at the moment in the early stages of voluntary or coercive accrual basis implementation.

European continental countries are implementing the accrual basis, adapted to their own organizational context and administrative culture. In these countries, with weak participation of chartered accountant bodies in the public sector accounting standard-setting processes, the new requirements of accounting, accountability and auditing are viewed by public sector managers and civil servants with some suspicion. This could be because they have

traditionally come from Law Faculties with expertise in administrative requirements and have hardly any training in accrual accounting. Notwithstanding, it is difficult for public sector managers to resist public management reforms because the improvements in accountability and transparency that they bring are very well considered by the public¹⁷. According to Meyer and Rowan (1977), managers look for ways of minimising the impact of accrual accounting on their work by treating it as a formal requirement that has little practical importance for their real work (decoupling concept).

Empirical research suggests that public sector reforms adopted as a result of normative and/or coercive pressures also encounter resistance when they are deemed incompatible with operating-level requirements and result in loose couplings and symbolic conformance despite increasing exposure to market forces (Arnaboldi and Lapsley, 2004; Siti-Nabiha and Scapens, 2005). Notwithstanding, for Dent, Chandler and Barry (2004) this 'de-coupling' is part of the means by which complex organisations may legitimately and efficiently function, which would otherwise be impossible.

6. CONCLUSIONS

The theories described in Section 2 contribute to explaining the introduction of accrual accounting, even in countries which are reluctant to adopt 'managerialism' changes, and why this implementation shows different features and levels of compliance with the legal requirements of each country. Institutional theory contributes to explaining the change towards accrual accounting in terms of the quest for symbols of legitimacy for local

governments, and public choice theory contributes to explaining the same change from the need for external control over public sector managers. Managers are considered in the IASB, FASB and GASB conceptual frameworks as preparers of GPFS and not as primary users who rely on GPFS as their major source of financial information.

The introduction of accruals in local government accounting in EU continental countries is the result of the balance between the interest of central/regional governments in improving the monitoring and control of the local government financial situation and performance, and the responsiveness of local governments to these initiatives. These countries are introducing accrual accounting into local governments for external purposes, in almost all cases through dual systems, seeking a similar role for accrual accounting in the public sector as it has in the business sector: the disclosure of financial information “that is useful for economic decision-making by a broad range of users who are not in a position to demand reports tailored to meet their particular information needs”¹⁸, -i.e. external users.

Even though accrual accounting initiatives have sometimes been viewed with suspicion by some scholars and practitioners, it is a fact that, for the last two decades, accrual accounting has been adopted by the majority of OECD countries in all tiers of public organizations and in all types of public administration styles. Our study has sought to measure the degree of accrual implementation in EU local government accounting systems and has also tried to give an answer to the question of why accrual accounting has overcome the resistance to other NPM reforms in countries relatively suspicious of them. The reason lies partially in that the dual systems implemented in European

continental countries do not require the introduction of deep organizational changes and answer the democratic demands of citizens for higher responsiveness, transparency and accountability, while traditional budgetary statements on the cash basis are maintained for monitoring compliance with legality and for administrative decision-making purposes. Nowadays, there seems to be a widespread feeling that it is not enough to keep the books accurately but that they have to be open to the public. When the public does not have the time or ability to inspect the accounts, governments have to make the task easier by preparing comprehensible-as well as comprehensive-financial statements¹⁹. Furthermore, in Euro zone countries, the disclosure of information on the accrual basis contributes to facilitating the monitoring of the fulfilment of deficit and borrowing restrictions imposed on the public sector by the Treaty of Maastricht.

The comparison of EU local governments carried out in this study shows that accrual accounting in the UK and some Nordic cities coexists with changes towards market-oriented management styles, whereas, in the European continental countries, it is overlapped with their bureaucratic public management systems. Such findings are consistent with our initial hypothesis that accrual accounting should not be viewed only as a means for improving managerial decision-making processes, but as a goal to enhance financial transparency and accountability. The search for symbols of legitimacy, together with its usefulness for financial and service delivery planning, at least in Euro zone countries, could explain the interest of governments in implementing accrual accounting. EU countries have adopted, or will shortly adopt, accrual

accounting as the basis for the disclosure of GPFS. There is no evidence of this trend reversing.

¹ Although there is little agreement in the literature about how to define citizen trust in government or how it is gained and lost, most writers agree that it is an important determinant of public action and cooperation (Ruscio, 1996; Welch, Hinnant and Moon, 2004).

² ‘... ignoring municipal accounting reforms is a rational act...’ (Zimmerman, 1977:111), or, ‘... municipal accounting reforms will continue to be ignored until the reformers are able to specify changes in the institutional framework which provide different incentives for the public officials (or voters). The most obvious institutional change would be federal legislation... The impact of such legislation is, ultimately, an empirical issue’ (Zimmerman, 1977, pp. 134 – 135).

³ Similar classifications can be found in studies about accrual accounting implementation in business accounting. Mueller *et al.* (1994) and Hung (2001) classify countries into four accounting clusters: British-American, Continental, South American, and Mixed Economy.

⁴ Like Kickert (1997), we have included the Netherlands in the Nordic category because there are similarities in their administrative system models.

⁵ We have analysed the annual accounts for 2005 for the majority of cities. When the 2005 information was not available we have used the annual accounts of 2004 (see Table 1).

⁶ We looked for the annual accounts and the related legislations in the Websites of the local governments studied. When they were not available in the Web, we obtained them directly from the Financial Departments of each local government. In addition, we have obtained references about specific legislation from the websites of national local government associations, as well as from relevant books related to the public sector accounting systems of local governments (see Lüder and Jones, 2003; Caperchione and Mussari, 2000;...).

⁷ According to Hung (2001), an equal weighting method can be used because there is no well-defined theory for other weighting methods. He noted that the importance of an accounting standard varies across countries but sees no reason why the equal weighting will bias the results.

⁸ Pro-Fit is a technique closely related to multivariate regression analysis since it attempts to relate the position of an object in the configuration of variable values carried out by MDS. If a variable is related to the position of the object in the MDS configuration, there is a function which relates the variable value to its position in space (Serrano, Mar Molinero and Bossi, 2003).

⁹ Three different concepts of accrual accounting for the local level are currently being discussed and implemented in local pilot projects in different Länder: (i) ‘New Local Budgeting, Accounting and Reporting System’ (Neues Kommunales Haushalts- und Rechnungswesen (NKH/NKR) in the Länder of Baden-Wuerttemberg and Lower Saxony; (ii) ‘New Local Financial Management’ (Neues Kommunales Finanzmanagement (NKF) in the Länder of North Rhine–Westphalia; (iii) ‘New Local Accounting, Reporting and Steering System’ (Neues Kommunales Rechnung und Steuerungssystem (NKRS)) in the Länder of Hesse (See Budäus, Behm and Adam, 2003). It should be highlighted that Dortmund is involved in a long-term project “Projekt Verwaltung 2020” with the objective of improving all the administrative processes and of achieving greater customer focus -this includes not only accounting and budgeting but also other management processes of the local government.

¹⁰ It should be highlighted that Dortmund is involved in a long-term project “Projekt Verwaltung 2020” with the objective of improving all the administrative processes and of achieving greater customer focus -this includes not only accounting and budgeting but all the processes of the local government-.

¹¹ As can also be seen in Table 2.

¹² It tests the hypothesis that the GPFS items belong to the same group. When the *p* values show scores above 0.05, the hypothesis that there is no statistical difference between the public administration styles studied cannot be rejected.

¹³ When applying the MDS with SPSS-14, the value of the *Stress of Kruskal* in six dimensions (the maximum allowed by SPSS) is 0.05784, which is considered by Kruskal (1964) as between “good” and “acceptable”. To visualize the map, it is necessary to work with projections of the map onto pairs of dimensions. Exhibit 1 shows the projection of the map onto dimension 1 and dimension 2.

As Arabie, Carroll and Desarbo (1987) suggest, it is advisable to carry out a cluster analysis as a complementary test to the MDS. The results of the Pro-Fit regressions using the ordinal regression PLUM are reported in Appendix 3, which shows the regression coefficients, their significance and the *R of Nagelkerke* values.

¹⁴ At present, the IFAC, IMF and UN are working together to reduce the discrepancies between their accrual accounting systems.

¹⁵ See HM Treasury, (2000, 2001a, 2001b, 2001c, 2001d, 2002a, 2002b, 2002c, 2002d, 2002e, 2003a, 2003b, 2004) http://www.opsi.gov.uk/acts/acts2000/ukpga_20000020_en_1.

¹⁶ Ministère du Budget, des Comptes public et de la Fonction Publique (2004a, b); Osservatorio per la Finanza e la Contabilità degli Enti Locali (2002a, b); Ministerio de Economía y Hacienda (2004).

¹⁷ See Alba, 1997; Clark, 1998; Derlien, 1996; Fournier, 1999; Guyomarch, 1999; Hammerschmid, and Meyer 2003; Lo Schiavo, 2000; Dent, Chandler and Barry 2004; Rouban, 1997.

¹⁸ IASB's Exposure Draft: International Financial Reporting Standard for Small and Medium-Sized Entities (IFRS for SMEs) par 2.1

¹⁹ See Chan (2003)

REFERENCES

- Alba, C. (1997) Modernising Spanish Public Administration: Old Inertias and New Challenges, in W. Kickert (Ed.) *Public Management and Administrative reform in Western Europe*, pp 177-198 (Cheltenham, UK: Edward Elgar).
- Arabie, P., Carroll, J.D. and Desarbo, W. (1987) *Three-way scaling and clustering* (Beverly Hills: Sage Publications).
- Arnaboldi, M. and Lapsley I. (2004) Modern Costing Innovations and Legitimation: A Health Care Study, *Abacus*, 40(1), pp. 1-20.
- Bendor, J., Taylor, S. and Gaalen, R.V. (1985) Bureaucratic experience vs. legislative authority: A model of deception and monitoring in budgeting. *American Political Science Review*, 79(4), pp. 1041–1060.
- Brignall S. and Modell S., (2000, An institutional perspective on performance measurement and management in the “New Public Sector”, *Management Accounting Research*, 11, pp 281-306.
- Broadbent, J. and Laughlin, R. (2003) Control and legitimation in government accountability processes: the private finance initiative in the UK, *Critical Perspectives on Accounting*, 14(1/2), pp. 1-22.
- Brorström, B. (1998): “Accrual accounting, politics and politicians”, *Financial Accountability and Management*, 14 (4), pp. 319-333.
- Buchanan, J. M. (1972) *Theory of Public Choice* (Ann Arbor: University of Michigan Press).
- Buchanan, J. M. (1978) *The Economics of Politics* (London: Institute of Economic Affairs).
- Budäus, D., Behm, C. and Adam, B. (2003) Germany, in K. Lüder and R. Jones (Eds) *Reforming Governmental Accounting and Budgeting in Europe*, pp. 273–388 (Frankfurt: Fachverlag Moderne Wirtschaft).
- Burns, J. (2000) The dynamics of accounting change Inter- play between new practices, routines, institutions, power and politics, *Accounting, Auditing and Accountability Journal*, 13(5), pp.566- 596.
- Burns, J. and Scapens, R.W. (2000) Conceptualizing management accounting change: an institutional framework, *Management accounting research*, 11, pp 3-25
- Caperchione, E. and Mussari, R (Eds) (2000) *Comparative Issues in Local Government Accounting* (London: Kluwer Academic Publishing.)
- Carlin, T. (2005) Debating the Impact of Accrual Accounting and Reporting in the Public Sector, *Financial Accountability and Management*, 21(3), pp. 309 – 336.
- Chan, J. (2003) Government Accounting: An Assessment of Theory, *Purposes and Standards Public Money and Management*, 23(1), pp. 13-20
- Christiaens J. (2001) Converging New Public Management Reforms and Diverging Accounting Practices in Flemish Local Governments, *Financial Accountability and Management*, 17(2), pp. 153–70.
- Clark, M.P. (1998) The modernization of French civil service: crisis, change and continuity, *Public Administration*, 76(1), pp. 97-115.
- Coplin, W.D., Astrid E. Merget, A. E. and Bourdeaux, C. (2002) The Professional Researcher as Change Agent in the Government–Performance Movement, *Public Administration Review*, 62(6), pp. 699 - 711
- Dalehite E. G. (2008) Determinants of Performance Measurement: An Investigation into the Decision to Conduct Citizen Surveys *Public Administration Review*, 68(5), pp. 891-907
- Dent, M., Chandler, J., and Barry, J. (2004) *Questioning the New Public Management* (Aldershot, England: Ashgate Publishing Limited).
- Dente, B. and Kjellberg, F. (1988) *The Dynamics of Institutional Change: Local Government Reorganization in Western Democracies* (London: Sage).

- Derlien, H.U. (1996) The intelligence of bureaucracy in a decentralized polity, in J. Olsen and G. Peters (eds.) *Lessons from Experience. Experiential learning in Administrative Reforms in Eight Democracies*, pp. 146-179 (Oslo: Scandinavian University Press)
- DiMaggio, P. and Powell, W. (1983) The iron cage revisited: institutional isomorphism and connective rationality in organisational fields, *American Sociological Review*, 48, pp. 147-160.
- Dimitriu, M. (2008) Bringing citizens closer to public administration. Innovative ideas leading to an increased public participation within the decision making process, EGPA Annual Conference, Rotterdam (The Netherlands), 3-5 September.
- Dunleavy, P. and Hood, C. (1994) From Old Public Administration to New Public Management, *Public Money and Management*, 14(3), pp. 9-16.
- Fédération des Experts Comptables Européens (FEE) (2006) Accrual Accounting for More Effective Public Policy. Available at: <http://fb.unsystemceb.org/reference/05/ipsasbasics/>
- Feldman, M.S. and March, J.G.(1981), Information in Organizations as Signal and Symbol, *Administrative Science Quarterly*, 26, pp.171-86.
- Gray, A. and Jenkins, B. (1995) From Public Administration to Public Management: Reassessing a Revolution?, *Public Administration*, 73(1), pp.75-99.
- Guthrie, J. (1998) Application of accrual accounting in the Australian public sector: Rhetoric or reality?, *Financial Accountability and Management*, 14(1), pp.1-19.
- Guthrie, J. Humphrey, C. and Olson, O. (eds.) (2005) *International Public Financial Management Reform- progress, contradictions and challenges* (Charlotte, NC: Information Age Publishing).
- Guyomarch, A. (1999) Public service, Public Management and the Modernization of French Public Administration, *Public Administration* 77(1), pp. 171-193.
- Hammerschmid, G. and Meyer R. (2003), Current initiatives and central actors in the Austrian administrative reform process, EGPA Annual Conference, Oeiras (Portugal), 3-6 September.
- Hammerschmid, G. and Meyer, E. (2005) New Public Management in Austria: local variation on a global theme?, *Public Administration*, 83(3), pp.709–733.
- Hesse, J.J. (1993) From transformation to modernization: administrative change in central and eastern Europe, *Public Administration*, 71(1/2), pp. 219-257.
- HM Treasury (2000): Government Resources and Accounts Act. Available at: http://www.opsi.gov.uk/acts/acts2000/ukpga_20000020_en_1.
- HM Treasury (2001a): *Managing Resources - Analyzing Resource Accounts: an Introduction (The "Short Read Guide")* (London: HM Treasury)
- HM Treasury (2001b) *Managing Resources - Analyzing Resource Account's: user's Guide (The "Big Red Guide")* (London: HM Treasury).
- HM Treasury (2001c) *Managing Resources - Maximizing the benefits for Departments (the "Purple Guide")* (London: HM Treasury).
- HM Treasury (2001d) *Managing Resources - A Strategic approach to Finance Training (the "Pink Guide")* September, London: HM Treasury.
- HM Treasury (2002a) *Managing Resources - Reporting to the Board (the "Burgundy Guide")* (London: HM Treasury).
- HM Treasury (2002b) *Managing Resources - Accountability (the "Chocolate Guide")* (London: HM Treasury).
- HM Treasury (2002c) *Managing Resources - Faster Closing (the "Mauve Guide")* (London: HM Treasury).
- HM Treasury (2002d) *Managing Resources - Implementing Resource Based Financial Management (the "New Blue Guide")* (London: HM Treasury).

- HM Treasury (2002e) *Managing Resources – Summary* (London: HM Treasury).
- HM Treasury (2003a) *Managing Resources - Better Decision Taking in Departments: Third Edition (the "Green Guide")* (London: HM Treasury).
- HM Treasury (2003b) *Managing Resources - Managing the Links to Parliamentary Supply (the "Yellow Guide")* (London: HM Treasury).
- HM Treasury (2004) *Managing Resources - Case Studies (The "Orange Guide")* (London: HM Treasury).
- Hood, C. (1995) Emerging Issues in Public Administration, *Public Administration*, 73(1), pp.165-183.
- Hung, M. (2001) Accounting standards and value relevance of financial statements: An international analysis, *Journal of Accounting and Economics*, 30(3), pp. 401-420
- International Accounting Standards Board (IASB) (2007) *Exposure draft of a proposed IFRS for Small and Medium-sized Entities*. (London: IASC Foundation Publications Department).
- IFAC PSC (2002) *Transition to the accrual basis of accounting: Guidance for governments and government entities* (New York: International Federation of Accountants).
- International Federation of Accountants (IFAC) (2001) Study 13: Governance in the Public Sector: A Governing Body Perspective. Available at: <http://www.ifac.org/Store/Details.tpl?SID=9977171891360>
- Jackson, A., and Lapsley, I. (2003) The Diffusion of Accounting Practices in the New "Managerial" Public Sector, *The International Journal of Public Sector Management*, 16(5), pp. 359-372.
- John, P. (2001) *Local Governance in Western Europe* (London: Sage publications).
- Johnsen, A. (2005) Determinants of non-mandatory performance measurement in Norwegian local government: A comparison of political, economic and sociological explanations, EGPA Annual Conference, Bern (Switzerland), 31 August–3 September.
- Julnes, P. de Lancer, and M. Holzer (2001), 'Promoting the Utilization of Performance measures in Public Organizations: An Empirical Study of Factors Affecting Adoption and Implementation', *Public Administration Review*, 61(6), pp. 693–708.
- Kickert, W. (1997) Public Management in the United States and Europe, in W. Kickert (Ed.) *Public Management and Administrative reform in Western Europe*, pp 15–38 (Cheltenham, UK: Edward Elgar).
- Kim, P. S., Halligan, J., Cho, N., Oh, C. and Eikenberry, A.M. (2005) Toward Participatory and Transparent Governance: Report on the Sixth Global Forum on Reinventing Government, *Public Administration Review*, 65(6), pp. 646-654.
- Kruskal, J.B. (1964) Nonmetric multidimensional scaling: a numerical method, *Psychometrika*, 29(2), pp. 115-129.
- Lane, J. E. (2000) *New Public Management* (London: Routledge).
- Lapsley, I. (1999) Accounting and the New Public Management: instruments of substantive efficiency or a rationalising modernity?, *Financial Accountability and Management*, 15(3), pp. 201-207.
- Lapsley, I. and Pallot, J. (2000) Accounting, Management and Organizational Change: A Comparative Study of Local Governments, *Management Accounting Research*, 11(2), pp. 213-229.
- Letza, S R., Smallman C and Sun, X (2004). Reframing privatisation: Deconstructing the myth of efficiency, *Policy Sciences*, 37(2), 159-183
- Lo Schiavo, L. (2000) Quality standards in the public sector: differences between Italy and the UK in the citizen's charter initiative, *Public Administration*, 78(3), 679-698.
- Lüder, K. and Jones R. (Eds) (2003) *Reforming governmental accounting and budgeting in Europe* (Frankfurt: Fachverlag Moderne Wirtschaft).

- Mack, J. and Ryan, C. (2006) Reflections on the theoretical underpinnings of the general-purpose financial reports of Australian government departments, *Accounting, Auditing and Accountability Journal*, 19(4), pp. 592-612.
- Meyer J. and Rowan B. (1977) Institutionalised Organizations: Formal Structure as Myth and Ceremony, *American Journal of Sociology*, 83(2), pp.340-363.
- Meyer, J.W. and Scott, W.R (2002) *Organizational Environments, Ritual and Rationality* (London: Sage).
- Ministerio de Economía y Hacienda (2004), Orden EHA/4041/2004, de 23 de noviembre, por la que se aprueba la Instrucción del modelo Normal de Contabilidad Local.
- Ministère du Budget, des Comptes public et de la Fonction Publique (2004a), La comptabilité M14 des communes. Guide pratique de l'élu. Available at: http://www.colloc.minefi.gouv.fr/colo_struct_fina_loca/comp_loca/m14_1er.html
- Ministère du Budget, des Comptes public et de la Fonction Publique (2004b), L'Instrucción Budgetaire et Comptable M14. Available at: http://www.colloc.minefi.gouv.fr/colo_struct_fina_loca/comp_loca/m14_1er.html
- Ministerio de Economía y Hacienda (2004), Orden EHA/4041/2004, de 23 de noviembre, por la que se aprueba la Instrucción del modelo Normal de Contabilidad Local.
- Mueller, G., Gernon, H. and Meek, G. (1994) *Accounting: An International Perspective* (Boston, MA: Irwin McGraw-Hill).
- Mutz, D., and Flemming, G. (1999) How good people make bad collectives: A social-psychological perspective on public attitude, in J. Cooper (Ed) *Congress and the decline of public trust*, pp. 79–100 (Boulder, CO: Westview Press).
- Navajas, E H. (1984) *Managerial Incentives and Control in Public Enterprises*, (PhD dissertation, Oxford University).
- Niskanen, W A. (1971) *Bureaucracy and Representative Government* (Chicago: Aldine).
- Niskanen, W A. (1973) *Bureaucracy: Servant or Master?* (London: Institute of Economic Affairs).
- Noordhoek P and Saner, R. (2004) Beyond New Public Management: answering the claims of both politics and society, IX Congreso Internacional del CLAD sobre la Reforma del Estado y de la Administración Pública, Madrid, 2-5 November.
- Nye, J., Jr. (1997) Introduction: The decline of confidence in government, in J. Nye Jr., P. Zelikow, and D. King (Eds) *Why people don't trust government*, pp. 1–18. (Cambridge, MA: Harvard University Press).
- Oakley K. (2002) What is e-governance?, e-Governance Workshop, Strasbourg, 10-11 June.
- OECD (1993) *Public Management Developments: Survey 1993* (Paris: OECD)
- OECD (1994) *Public Management Developments: Survey 1994*. (Paris: OECD).
- Ogden, S. G. and Anderson, F. (1999) The role of accounting in organisational change: promoting performance improvements in the privatised UK water industry, *Critical Perspectives on Accounting*, 10(1), pp.91-124.
- Oliver, C. (1991) Strategic response to institutional processes, *Academy of Management Review*, 16(1), pp. 145–179.
- Olsen, J.P. and Peters, G. (1996) *Lessons from Experience: Experiential Learning in Administrative Reforms in Eight Democracies* (Oslo: Scandinavian University Press).
- Olson, O. and Guthrie, J. and Humphrey, C. (1998), *Global warning: debating international developments in new public financial management*, (Cappelen Akademisk Forlag: Oslo).
- Osservatorio per la Finanza e la Contabilità degli Enti Locali (2002a) *Principi Contabili per gli Enti Locali* (Roma: Ministero dell'interno).
- Osservatorio per la Finanza e la Contabilità degli Enti Locali (2002 b) *Finalita' E Postulati dei Principi Contabili degli Enti Locali*. (Roma: Ministero dell'interno).

- Peters, B. G. (1999) *American public policy: Promise and performance*, 5th ed, (New York: Chatham House Publishers).
- Pollitt, C. and Bouckaert, G. (2000) *Public Management Reform: A Comparative Analysis*. (Oxford: Oxford University Press).
- Pratchett, L. (1999). New technologies and the modernization of local government: an analysis of biases and constraints, *Public Administration*, 77(4), pp. 731–750.
- Ribeiro J.A. and Scapens R. W. (2006) Institutional Theories and Management Accounting Change: Complementarities, issues and paths for development, 29th Annual EAA Congress, Dublin, 22-24 March.
- Ridder, H-G., Bruns, H-J. and Spier, F. (2005) Analysis of Public Management Change Processes: The Case of Local Government Accounting Reforms in Germany, *Public Administration*, 83(2), pp. 443–471
- Rouban, L. (1997) The Administrative Modernisation Policy in France, in Kickert, W. (Ed) *Public Management and Administrative reform in Western Europe*, pp. 141–156 (Cheltenham, UK: Edward Elgar).
- Rouban, L. 1997. The Administrative Modernisation Policy in France, in Kickert, W. (Ed) *Public Management and Administrative reform in Western Europe*, pp. 141–156 (Cheltenham, UK: Edward Elgar).
- Ruscio, K. P. (1996) Trust, Democracy, and Public Management: a Theoretical Argument. *Journal of Public Administration Research and Theory* 6(3), pp. 461-77.
- Ryan, C. (1998) The introduction of accrual reporting policy in the Australian public sector. An agenda setting explanation, *Accounting, Auditing and Accountability Journal*, 11(5), pp. 518-539.
- Sanderson I and Foreman A. (1996) Towards pluralism and partnership in management development in local government, *Local Government Studies*, 22 (1), 59-77.
- Sanderson. I. (2001) Performance management, evaluation and learning in 'modern' local government, *Public Administration*, 79 (2), pp. 297-313.
- Scapens, R. (1994) Never mind the gap: towards an institutional perspective of management accounting practices, *Management Accounting Research*, 5, pp.301-21.
- Serrano, C., Mar Molinero, C. and Bossi, A. (2003) The measurement of intangible assets in public sector using scaling techniques, *Journal of Intellectual Capital*, 4(2), pp. 249-275.
- Sevic, Z. (2005) Measuring performance on a local government level in a transitional country: the case of Serbia, *International Journal of Public Sector Management*, 18(7), pp. 582-603.
- Siti-Nabiha, A.K. and Scapens, R.W. (2005) Stability and change: an institutionalist study of management accounting change, *Accounting Auditing and Accountability Journal*, 18(1), pp. 44–73.
- Straussman, J. (2001): Technical assistance to local governments in Hungary: the limits of best practice, *International Journal of Public Sector Management*, 14 (6), pp. 500-521.
- Sutcliffe, P. (2003) The Standards Programme of IFAC's Public Sector Committee, *Public Money and Management*, 23(1), pp 29-36
- Swedish Ministry of Finance (2000): *Financial Management for Effectiveness and Transparency. Summary of White Book* (Stockholm: Swedish Ministry of Finance)
- Toone, T.A.J. (1993) Analysing institutional change and administrative transformation: a comparative view, *Public Administration*, 71(1/2), pp. 151-168.
- Torres L. (2004). Trajectories in the modernisation of public administration in European continental countries, *Australian Journal of Public Administration*, 63(3), 99-112.
- Torres, L and Pina, V. (2003) Reshaping Public Sector Accounting: An International Comparative View, *Canadian Journal of Administrative Sciences*, 20(4), pp. 334-350.

- United States General Accounting Office (2000) *Accrual budgeting, Experiences of Other Nations and Implications for the United States* (Washington, D.C.GAO/AIMD-00-57).
- Welch, E.W., Hinnant, C.C., and Moon M.J. (2004) Linking Citizen Satisfaction with E-Government and trust in Government, *Journal of Public Administration Research and Theory*, 15(3), pp.371-391.
- Zimmerman, J.L. (1977) The municipal accounting maze: an analysis of political incentives, *Journal of Accounting Research*, 15 (Supp), pp. 107–144.

Table 4 Mann-Whitney Test for GPFS items

Mann-Whitney Test ^{a,b}	Anglo/ Nordic	Anglo/ South	Anglo/ Germanic	Anglo/ East	Nordic/ South	Nordic/ Germanic	Nordic/ East	South/ Germanic	South/ East	Germanic/ East
Level of coincidence Table 2	0,518	0,007	0,000	0,000	0,075	0,001	0,005	0,000	0,013	0,161
Level of coincidence Table 3	0,004	0,000	0,000	0,000	0,001	0,001	0,005	0,001	0,461	0,161

a. p value or Asym. Significance for Mann-Whitney test, b. if p value < 0.05, the groups differ

Exhibit 1: MDS results. Projection onto Dimensions 1 and 2²⁰.

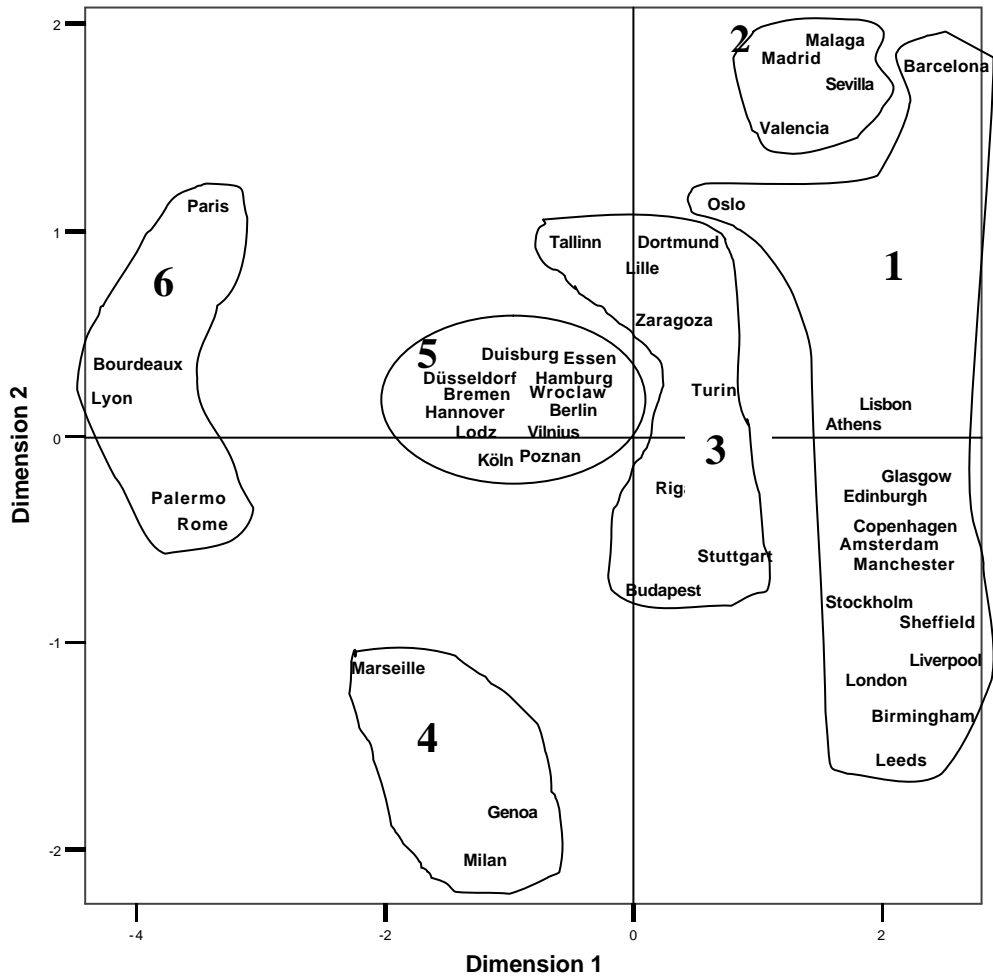
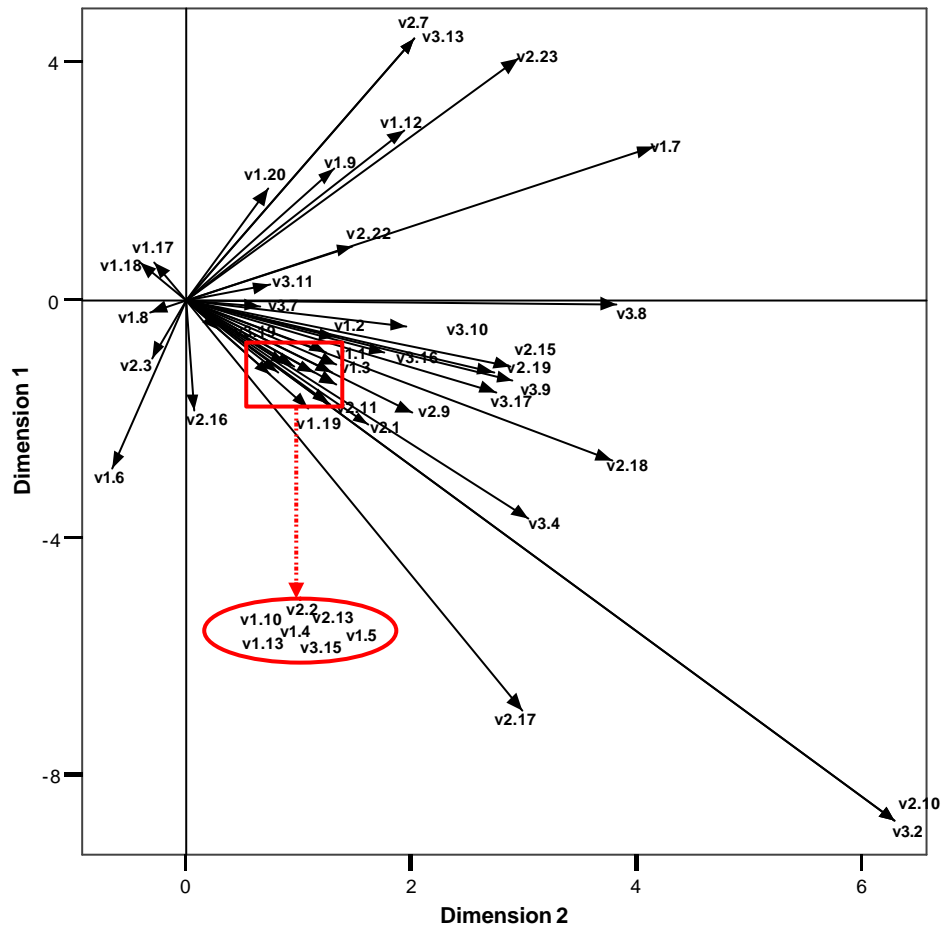


Exhibit 2: Pro-Fit analysis. Vectors for each variable.



²⁰ Three cities are considered as missing data, Dublin, Helsinki and Brussels, because we do not have information about their legislation for the information included in Table 3 about “information is disclosed on”. Wien was excluded from this analysis as we have not found information about the legislation applicable.

Appendix 1: Main accounting and budgeting regulations in the UE countries analysed.

Austria

Finanz-Verfassungsgesetz (Financial Constitution Law)

Belgium

Arrêté royal portant le règlement général de la comptabilité communale (1990, updated in 1994)
(Decree of municipal accounting)

Denmark

Local Government Act

Estonia

Rural Municipality and City Budgets Act (Consolidated text December 2003)

Estonian Accounting Act (Consolidated text Dec 2003)

Finland

Finnish Local Government Act (365/1995)

Accounting Act (1336/1997)

Accounting Decree (1339/1997)

France

L'instruction Budgetaire et Comptable M14

Germany¹

The GO (Gemeindeordnung) (Municipal Code)

The GemHVO Gemeindehaushaltsverordnung (Municipal Budget Regulation)

Greece

Presidential Decree 315/99 (1999), Sectoral Accounting Plan for the Municipalities

Hungary

Act No. LXV of 1990 on Local Governments

Ireland

Accounting Code of Practice (Department of the Environment, Heritage and Local Government)

Accounting Manual (Department of the Environment, Heritage and Local Government)

Italy

Decreto-Legge 18 agosto 2000, n. 267 "Testo unico delle leggi sull'ordinamento degli enti locali".

Decreto del Presidente della Repubblica 31 de gennaio 1996, n. 194 "Regolamento per l'approvazione dei modelli di cui all'art. 114 del decreto legislativo 25 febbraio 1995, n. 77, concernente l'ordinamento finanziario e contabile degli enti locali"

Latvia

Annual Accounts Law 1995 (Amended in 23 February 1995; 6 November 1996; 12 February 1998; 10 September 1998; 16 December 1999; 22 March 2001; 20 November 2003; 26 May 2005).

On Accounting Law 1992 (Amended in 15 December 1994; 5 October 1995; 6 November 1996; 8 July 1999; 6 April 2000; 15 May 2003; 26 February 2004; 6 April 2006).

Lithuania

Law on Local Self-government (adopted 7 July 1994, amended 4 April 1995, 5 July 1995, 14 September 1995, 14 March 1996, 28 March 1996, 7 May 1996, 23 January 1997, 25 February 1997, 3 June 1997, 24 June 1997, 6 November 1997, 14 May 1998, 17 November 1998)

Law on Governing of the County (adopted 15 December 1994, amended 4 April 1996, 30 May 1996, 12 December 1996, 25 February 1997, 24 June 1997, 16 October 1997, 21 October 1997, 15 October 1998).

Law on Administrative Supervision of Local Governments (adopted 14 May 1998)

The Netherlands

Besluit van 17 januari 2003, houdende de voorschriften voor de begrotings- en verantwoordingsdocumenten, uitvoeringsinformatie en informatie voor derden van provincies en gemeenten (Besluit begroting en verantwoording provincies en gemeenten) (Budgetary law)

Besluit comptabiliteitsvoorschriften 1995 (accounting regulation)

Norway

¹ These legislations have been studied in the different Landers.

Local Government Act (25. Sept. 1992 No. 1007).

Poland

O finansach publicznych (Act of Public Finance)

Portugal

Decreto-Lei n.o 54-A/99 de 22 de Fevereiro, aprova o Plano Oficial de Contabilidade das
Autarquias Locais (POCAL). (Accounting Plan for Local Governments)

Spain

Instrucción de Contabilidad para la Administración Local, (OEH 1990).

Sweden

Lag (1997:614) om kommunal redovisning (Municipal Accounting Act 1997)

Rekomendation 12 Redovisning av immateriella tillgångar (Intangible Assets)

Rekomendation 7 Upplysningar om pensionsförpliktelser och pensionsmedel (Pensions)

Rekomendation 11 Redovisning av materiella anläggningstillgångar (Tangible Assets)

The United Kingdom

Accounts and Audit Regulations 2003

Code of Practice on Local Authority Accounting in the United Kingdom 2004