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International Consortium on Governmental Financial Management

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“Working globally with governments, organizations, and individuals, the International Consortium on Governmental Financial Management is dedicated to improving financial management so that governments may better serve their citizens”

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International Consortium on Governmental Financial Management

General Information

“Working globally with governments, organizations, and individuals, the International Consortium on Governmental Financial Management is dedicated to improving financial management so that governments may better serve their citizens.”

Our mission includes three key elements. First, it highlights that, within the international community, the International Consortium on Governmental Financial Management (ICGFM or the “Consortium”) is unique - it serves as an “umbrella” bringing together diverse governmental entities, organizations (including universities, firms, and other professional associations), and individuals. At the same time, it welcomes a broad array of financial management practitioners (accountants, auditors, comptrollers, information technology specialists, treasurers, and others) working in all levels of government (local/municipal, and national). Additionally the mission statement emphasizes the organization’s commitment to improving government infrastructure so that needs of the people are better met. Our programs provide activities and products to advance governmental financial management principles and standards and promote their implementation and application.

Internationally, the Consortium: (1) sponsors meetings, conferences, and training that bring together financial managers from around the world to share information about and experiences in governmental financial management; and (2) promotes best practices and professional standards in governmental financial management and disseminates information about best practices and professional standards to our members and the public. ICGFM provides three options for membership:

1. Sustaining Members: organizations promoting professional development, training, research or technical assistance in financial management; willing to assume responsibility for and to actively participate in the affairs of the Consortium. Each Sustaining Member has a seat on the ICGFM Board of Directors and receives 10 copies of all ICGFM publications to be distributed within their organization. (Dues: \$1,000)

2. Organization Members: government entities with financial management responsibilities, educational institutions, firms, regional and governmental organizations, and other professional associations. Six organization members serve on the ICGFM Board of Directors and organization members receive 5 copies of publications to be distributed to their members. (Dues: \$250/\$125^{1*})

3. Individual Members: persons interested in or dedicated to activities directly related to financial management and who wish to be members in their own right. Six members of the ICGFM Board of Directors will be selected from among all individual members. Each individual member will receive a copy of all ICGFM publications. (Dues: \$100/\$50*)

¹ *A special discount is offered to Low and middle lower income economies, as classified by the World Bank (Gross National Income GNI). This discount is available to the following countries: Afghanistan, Albania, Algeria, Angola, Armenia Azerbaijan, Bangladesh, Benin, Bhutan, Bolivia, Bosnia and Herzegovina, Burkina Faso, Burundi, Cambodia, Cameroon, Cape Verde, Central African Republic, Chad, China, Colombia, Comoros, Congo(Dem. Rep), Congo (Rep), Cote d'Ivoire, Eritrea, Djibouti, Dominican Republic, Ecuador, Egypt (Arab Rep), El Salvador, Ethiopia, Gambia, Georgia, Ghana, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, India, Indonesia, Iran (Islamic Rep), Iraq, Jordan, Kenya, Kiribati, Korea (Dem. Rep), Kyrgyz Republic, Lao PDR, Lesotho, Liberia, Macedonia (FYR), Madagascar, Malawi, Maldives, Mali, Marshall Islands, Mauritania, Micronesia (Fed Sts), Moldova, Mongolia, Morocco, Mozambique, Myanmar, Namibia, Nepal, Nicaragua, Nepal, Niger, Nigeria, Pakistan, Papua New Guinea, Paraguay, Peru, Philippines, Rwanda, Sao Tome and Principe, Samoa, Senegal, Sierra Leone, Solomon Islands, Somalia, Sri Lanka, Sudan, Swaziland, Syrian Arab Republic, Tajikistan, Tanzania, Thailand, Timor-Leste, Togo, Tonga, Tunisia, Turkmenistan, Uganda, Ukraine, Uzbekistan, Vanuatu, Vietnam, Yemen, West Bank and Gaza, Zambia, Zimbabwe

4. Student Members: persons enrolled at a college or university who are interested in financial management are eligible and will enjoy the benefits of Individual Members. Student Members enjoy the benefits of Individual Members. (Dues: \$25/\$15*)

Foreword

The effectiveness of public organizations' financial management systems can be strengthened by establishing procedures that ensure ongoing accountability aimed at creating a preventive environment that does not promote or encourage fraud and other types of wrongdoing. An effective financial management system imposes accountability by collecting and reporting complete and accurate information in a timely manner, thus limiting the opportunities for irregularities. A strong financial management system also contributes to and provides a basis for effective performance measurement that can assist the decision-makers in planning, program implementation and carrying out evaluations that highlight the impact of funds spent on programs focused on public needs.

The reliability of financial information, although important, is not the sole objective of modern public organizations' financial information or accounting systems. An effective accounting system should help to achieve other objectives including the maintenance of fiscal sustainability and the avoidance of fiscal crises. To achieve these objectives, it is important that accrual accounting identifies all costs of services and goods provided. Accrual accounting provides a comprehensive and integrated accounting system that enables transparent reporting. Such clear and accurate financial data creates public trust, which is correlated with economic development. It can also reduce transaction costs and can be a key factor in building networks and social cohesion.

Strengthening financial management systems has long been of interest to the ICGFM. ICGFM has introduced a Compilation and Certification Program for Developing Countries that is in the process of implementing the International Public Sector Accounting Standards (IPSAS). We begin this issue of our Journal explaining the components of the Compilation and Certification Program for Developing Countries with the objective of helping to improve both the quality and comparability of financial information reported by government entities for external users.

The second article provides an overview of the Nigerian accounting system. The author of the article states that Nigeria is faced with the challenges of transparency and accountability in its present cash-based budgeting system. Initiatives to ensure transparency of public accounts must be taken to prevent the occurrence of wrongdoing in the public sector. The article presents information on the effects of the adoption of accrual-based budgeting in the Nigerian public sector based on the results of qualitative research conducted by the author and others.

Our third article is also from Africa. Ghana, as in other developing countries, has implemented reforms aimed at promoting a culture of performance, and making the public sector more responsive to the public needs. Economic reforms should be supported by strong public accounting. The public sector accounting education system in Ghana still needs to change. The author of the article demonstrates that universities, in their educational offerings, have not fully adapted to the needs of the public sector. The article makes the point that collaboration between academic and government financial institutions needs to be fostered and strengthened.

In the fourth article, the author states that in most developing countries the absence of appropriate conditions and environment for better performance and transparency, and results-based accountability will hinder the implementation of performance budgeting. The article describes advantages of performance budgeting and presents, a specific framework that can enable the successful implementation of performance budgeting in the public sector in developing countries.

The final article presents an analysis of the impact of local elections in Indonesia on the level of

various public sector expenditures. The author makes the assumption that an elected official with financial decision-making authority, when seeking re-election has an opportunity and a tendency to politicize local government budgets to support his/her re-election. The article points out that grant expenditures and social aid expenditures are the most probable parts of local government budgets that could be manipulated by the incumbent in a re-election effort. The author presents data that could be used to establish whether incumbents manipulate local government budgets to achieve their political goals. Although the author does not specifically address the issue of using accrual accounting to ensure accountability and transparency in public transactions, the article describes budgeting situations that call for accountability and transparency.

We hope the articles in this issue will stimulate discussion on contemporary problems of accounting in public organizations. If you would like to participate in such discussions please start thinking about contributions for the next issue of this Journal, participating in the ICGFM blog, and/or attending future ICGFM events. We would also be pleased to receive reviews and suggestions of other resources that we should refer to in future issues. Send them to icgfm@icgfm.org.

We look forward to hearing from you!

Prof. nzw. Zbyslaw Dobrowolski

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A Compilation and Certification Program for Developing Countries

**Jesse Hughes, Chair, Accounting Standards Committee²
International Consortium on Governmental Financial Management**

The International Consortium on Governmental Financial Management (ICGFM) has introduced a Compilation and Certification Program for Developing Countries that are in the process of implementing the International Public Sector Accounting Standards (IPSAS). This Program is comprised of the following components:

1. IPSAS Compilation Guide for Developing Countries
2. Roadmap to Implement the IPSAS Compilation Guide
3. Certificate of Conformance for Implementing Pertinent Stages of the Compilation Guide

Each of these components will be explained in this article. This Program is presently being field tested in select countries. The draft documents being field tested are available at the ICGFM website (www.icgfm.org). If your country would like to participate in this field test, please send an email to the ICGFM website.

IPSAS COMPILATION GUIDE FOR DEVELOPING COUNTRIES

The Compilation Guide (the “Guide”) supplements the International Public Sector Accounting Standards to assist developing countries in their implementation of IPSAS. Consequently, some IPSAS requirements (e.g., reporting fixed assets) are not included in the earlier stages of implementation. On the other hand, some financial information (e.g., attaching the auditor’s opinion to the financial statements) is recommended even though an IPSAS has not yet been issued to address this area of concern.

This development program acknowledges that different jurisdictions may have different starting points and each country’s program should be tailored to jurisdictional circumstances. In some cases the General Government Sector (GGS) and some controlled entities that are included in the GGS are already adopting a modified accrual basis (albeit modifications may vary from jurisdiction to jurisdiction). Some Government Business Enterprises (GBEs) and certain statutory authorities are already adopting an accrual basis. While a series of steps with particular time frames are presented in the Guide, this is a generalised first principles model that identifies key components. The application of this program needs to be assessed by reference to (and may need to be amended to respond to) the circumstances of each jurisdiction. Such matters as the entry point to the program, time for each stage, and sequence of some items may vary depending on those jurisdictional circumstances.

Introduction

Accounting Standards for Developing Countries

Timely, clear and open annual financial statements play a significant role in the accountability of governments to their citizens and their elected representatives. These financial statements are prepared on a cash basis or some variation of an accrual basis of accounting. However, most of these financial statements are not prepared on a consistent or comparable basis in developing countries. The benefits of achieving consistent and comparable financial information across

² Anthony Bennett, Michael Parry, and Andy Wynne assisted in the development of this program.

jurisdictions are very important and a set of IPSAS³ have been established by the IPSAS Board (IPSASB) to assist in that endeavour. The IPSASB has also provided Study 14 to assist in the transition to the accrual basis of accounting.⁴ Yet many developing countries have had difficulties in fully realizing these benefits due to lack of capacity, inadequate accounting procedures, or weak accounting systems. Many articles have been published in the International Journal on Government Financial Management (IJGFM)⁵ to assist these countries as they attempt to implement the IPSAS. It is hoped the Guide will serve as another avenue to enable realization of these benefits.

The adoption of the Guide by developing governments will improve both the quality and comparability of financial information reported by their government entities for external users. For fiscal management, good cash accounting and forecasting procedures are essential. Initially, there are two basic elements of information that are needed for any governmental entity to manage effectively and efficiently in the short term:

- (a) Is there enough cash to pay the bills when they come due?
- (b) Is the budget properly prepared in order to maintain fiscal discipline within the governmental entity?

Over time, the need to expand the accounting systems beyond the two basic elements of information is recognized so that fiscal sustainability is maintained and fiscal crises are avoided. To achieve this objective, full accrual accounting is needed to identify the full costs of services provided. **Thus, taxpayers are able to pay for the services they receive at the time of their receipt rather than passing those costs on to future generations.** Accrual accounting provides a comprehensive and integrated accounting system that enables transparent reporting and enhanced fiduciary risk management. Governments and national standard setters have the right to establish guidelines and accounting standards for financial reporting to provide the information needed to make financial decisions necessary to maintain fiscal sustainability.

The Guide is based on the move toward good practices in public financial management (PFM) among developing countries around the world. The Guide builds on the structure of the current Cash Basis IPSAS⁶ that was initially published in 2003. It is hoped that the Guide will be used to influence accepted good practices across the globe and act as a stepping stone for the possible implementation of the accrual IPSAS. Thus, adoption of the Guide will be an important step forward to improve the consistency and comparability of financial reporting by governments throughout the world.

Public Sector Accountability and the Role of Financial Statements

Along with the auditor's report, a government's annual financial statements provide the essential financial data necessary for accountability purposes and enable citizens and their representatives to make informed decisions about their government. In a parliamentary democracy, the legislative body sets the annual budget and so authorises the government to set

³ In addition to the accrual IPSASs, a Cash Basis IPSAS has been issued to assist those countries not yet ready to implement the accrual IPSAS. The IPSAS can be downloaded free at www.ipsas.org.

⁴ Study 14, *Transition to the Accrual Basis of Accounting: Guide for Governments and Government Entities*, International Federation of Accountants (New York).

⁵ In particular, note articles by Hughes, Ouda, Parry, Sutcliffe and Wynne in the International Journal of Government Financial Management (or the Public Fund Digest that preceded the IJGFM) at www.icgfm.org.

⁶ *Financial Reporting Under the Cash Basis of Accounting*, International Federation of Accountants (IFAC), New York, 2008.

tax rates, to borrow, and to spend money as indicated. For governments, a budget takes on a special legal significance. Governmental budgets are expressions of public policy priorities and legally authorise the purposes for which public resources may be raised and spent. The publication of government budgets and then the reporting of actual results in annual financial statements and other formats are the primary methods by which citizens and their elected representatives hold governments to account for their financial management. The annual financial statements are the key way in which the government accounts to the legislative body and its citizens for the taxes raised, loans contracted, grants received and money spent on the provision of public services.

A government's financial statements (and associated report of the Supreme Audit Institution) indicate how its management of financial resources complied with the annual budget authorised by the legislative body and with relevant laws and financial regulations. Citizens and their elected representatives have the right to know whether the government actually used funds and resources in accordance with the approved budget and relevant financial regulations. Demonstrating accountability for compliance with budgetary authority is a distinguishing objective of governmental financial reporting. The aim is to facilitate control by the legislative body to ensure that all public expenditure is within the limits set by the legislative body.

For governments that are dependent on donors for a significant proportion of their revenue, their annual financial statements are also a key document to enable the donor community to monitor adherence to agreed policies. These may include, for example, poverty reduction strategies as well as the proportion of government funds to be allocated and actually spent on defined pro-poor activities (for example, primary healthcare and education spending).

Because revenues raised through governments' power to tax are expected to be used to advance the public interest, the public is entitled to hold governments to a standard of financial accountability that is wider in scope than for private sector companies. Accountability to the legislative body is the cornerstone of all financial reporting in a representative democracy. Government accountability is based on the belief that citizens and their legislative body have a "right to know" which leads to a right to openly receive financial information that may lead to public debate by the citizens and their elected representatives.

Many of the key users of government financial statements (citizens and their political representatives) do not have a strong foundation in reading financial statements and so extra effort is needed to make sure the financial statements are accessible, clear and understandable.

Current Good Practices

A variety of approaches are currently used by governments and these approaches have yet to be comprehensively documented with the good practices identified. In 2006, the East and Southern African Association of Accountants General (ESAAG) supported a study resulting in a *Financial Reporting Survey and Database*.⁷ This was based on broad assessments against the following indicative criteria:

- stakeholder support
- legislative framework underpinning financial reporting
- financial reporting
- credibility of financial statements.

⁷ Anthony M Hegarty. *A Review of Existing Government Accounting Standards and Practices in the East and Southern African Region for the East and Southern African Association of Accountants General (ESAAG): Final Report*. (Botswana, December 1996).

The Guide complements the above ESAAG study and builds on the seminal work performed by Andy Wynne.⁸ It also builds on a research report by the African Capacity Building Foundation. The research included a review of the annual financial statements of a dozen sub-Saharan African governments and collated existing good practice. These countries included eight ESAAG member countries (Botswana, Kenya, Mauritius, Namibia, Rwanda, South Africa, Tanzania and Uganda) and four other sub-Saharan African countries (Burkina Faso, Ghana, Nigeria and Sierra Leone).⁹ Another report to assist various countries in their transition from cash to accrual accounting has been published by The Chartered Institute of Public Finance & Accountancy (CIPFA).¹⁰

Qualitative Characteristics of Financial Reporting¹¹

The following key qualitative characteristics of public sector financial reporting have been identified by the IPSASB:

- **understandability** – are the financial statements clear and are the key aspects and terms explained?
- **relevance** – can the information be used to assist in evaluating past, present or current events? In order to be relevant, information must also be timely.
- **reliability** – is the information free from material error and bias?
- **comparability** – can the information be used to identify similarities and differences between that information and information in other reports?

The Guide identifies good practices in terms of achieving each of these four qualitative characteristics of public sector financial reporting.

Benefits

The Guide should improve the capacity of governments to provide the legislative bodies, citizens, media and other stakeholders with understandable, relevant, reliable, and comparable financial statements. This will improve the quality of financial accountability and governance in the countries adopting the Guide. As a result, public spending should be more effective and focused on key areas of poverty reduction, democracy and development. Up-front development of the harmonised accounting policy is a key step in strengthening the budget execution process and improving the quality of financial reporting.

The Guide outlines the form and content of comprehensive and clear financial statements. It incorporates the cash information provided by the Treasury Single Account and is based on good practices being developed in some countries, especially in the areas of cash and debt management; it is to be practical and attainable. In addition, this approach should encourage peer review, learning and co-operation as the relevant professionals mutually learn, share and build on each other's good practice.

⁸ Andy Wynne, *Guide on Government Annual Financial Reporting on the Modified accrual Basis for Countries of sub-Saharan Africa*, (www.scribd.com/doc/94001463).

⁹ Stephen Emau, Mercy Nyangulu and Andy Wynne, *Annual Financial Reporting by Governments – existing and practices in sub-Saharan Africa*, African Capacity Building Foundation. (Harare, 2012) www.scribd.com/doc/111894079.

¹⁰ CIPFA, *stepping stones on the transition from cash to accrual accounting*, (London, March 2011).

¹¹ *Appendix B, IPSAS 1, Presentation of Financial Statements*, International Public Sector Accounting Standards Board (New York, December 2006).

The Guide, when adopted by governments, will increase the level of accountability of these governments to their citizens. It will also increase the level of comparability of financial statements between governments and so facilitate international comparisons.

Developing the Accounting System

“The government's accounting system lies at the foundation of a FMIS and should meet certain recognized standards. While it is important that the system should be able to record more than just cash transactions, this does not imply a move to a full accrual basis of accounting, which involves considerable costs in its introduction and maintenance. Rather, the output of the accounting system should match the information requirements demanded by the PFM system's stage of development. Accordingly, a development path for the accounting system can be described as a progressive movement to full accruals: first getting cash accounting to work well; progressively integrating operating accounts and financial asset and liability accounts (to move to modified accruals); introducing more elements of accrual recording; and finally recognizing nonfinancial assets (final stage for accrual accounting). A further stage of development, to move to accrual accounting and budgeting (currently attempted by only a very few countries), is perhaps best pursued after operating full accrual accounting for a period of time. The intermediate accrual stage (modified accruals) should be regarded as a reasonable target for low income countries, and would allow them to satisfy international reporting requirements. In this regard, IPSAS Cash and GFSM 2001 standards, met at least at the central government level, are the most relevant. The production of financial reports compliant with these international standards should be considered a benchmark output for a successfully functioning FMIS and a requirement for moving to further reforms beyond the "core".¹²

Government Finance Statistics

In order to collect comparable government finance statistics, the International Monetary Fund (IMF) issued the Government Finance Statistics Manual (GFSM 2001) to implement the System of National Accounts promulgated by the United Nations in 1993. “Although the GFS system is described in standard accounting terms, it is important to remember that it is a statistical reporting system that might differ in important ways from the underlying financial accounting system from which most of the GFS will be derived.”¹³ The GFSM requires the data to be collected on the accrual basis of accounting and to be reported in the following financial statements:

- Balance Sheet
- Statement of Government Operations
- Statement of Sources and Uses of Cash
- Statement of Other Economic Flows

Since many countries were not on the accrual basis of accounting, IMF issued a compilation guide for developing countries to assist these countries in transitioning from the prior requirement for cash reporting¹⁴ to the current requirement to report on the accrual basis of

¹²Jack Diamond, *Good Practice Note on Sequencing PFM Reforms*, page 20 (January 2013).

¹³Footnote 5, *Government Finance Statistics Manual 2001* (p. 5). This GFSM is being updated and is due to be released in 2013.

¹⁴*Government Finance Statistics Manual* (1986).

accounting.¹⁵ The Guide recommended that the GFSM 2001 methodology be implemented in the following four main stages (the time estimated to complete each stage is shown in parenthesis):¹⁶

1. Introducing the presentation, i.e., summary statements and detail tables, and classifications of the GFSM 2001 only for existing budget execution data, commonly referred to as adoption of the GFSM 2001 format (about one year);
2. Expanding the institutional and transactional coverage of GFS to include all general government/public units on a cash basis (2-4 years);
3. Expanding the coverage of GFS to include selected noncash items, commonly referred to as compiling GFS, on a modified accrual basis (3-5 years); and,
4. Expanding the coverage of GFS to cover all flows and stocks associated with general government/public units, i.e., compilation of GFS on both a cash basis and an accrual basis for the whole general government/public sector and its sub-sectors (10 years or more).

In Chapter 2 of the IMF Guide referenced above, the IMF further recommends¹⁷ that consolidated financial statements for each of the following controlled entities be included in the financial statements of the controlling entity, as appropriate:

1. General Government Sector (GGS)—encompasses the central operations of government and typically includes all those resident non-market, non-profit entities that have their operations funded primarily by the government and government entities. Includes the following:
 - a) Central Government—the political authority of a country’s central government extends over the entire territory of the country. The central government can impose taxes on all resident institutional units and on non-resident units engaged in economic activities within the country. It also includes those expenses incurred for the provision of services, primarily for the benefit of individual households (e.g., education and health).
 - b) State Government
 - c) Local Government
 - d) Social Security
- (b) Public Financial Corporation Sector (PFC)—comprises resident government controlled financial corporations, quasi-corporations and non-profit institutions that primarily engage in financial intermediation and the provision of financial services for the market. Includes the following:
 - a) Monetary (e.g., Central Bank)
 - b) Non-monetary
- (c) Public Non-Financial Corporation Sector (PNFC)—comprises resident government controlled non-financial corporations, quasi-corporations and non-profit institutions that

¹⁵ *Government Finance Statistics Manual: Compilation Guide for Developing Countries*, September 2011.

¹⁶ *Ibid.*, pp. 186-188.

¹⁷ *Ibid.*, Chapter 2, Coverage of the GFS System, pp. 5-14. This Chapter provides an excellent guide on the appropriate classification for each controlled entity.

produce goods or non-financial services for the market. Included within the sector are entities such as publicly owned utilities and other government owned entities that trade in goods and services.

The public sector is defined further by the IMF in Chapter 2 of their Compilation Guide. This Chapter also includes guidance in assigning each controlled entity to each sector identified above.

The Accounting System

The IPSAS identify which accounting elements are to be recognized and how these elements will be measured. The chart of accounts used in the accounting system will need to be robust enough to meet the needs of management as well as provide the data required for government finance statistics identified above. It is not necessary that the chart of accounts use the same coding as identified in the GFSM 2001 since the data for those codes can be derived electronically from the accounting system through the use of bridging tables. However, in those instances where there are differences in the way the accounting elements are measured (i.e., historical cost in the IPSAS and current market prices in the GFSM), the data extracted from the accounting system will need to be adjusted for reporting in the statistical reporting system.¹⁸ The financial statements required to be prepared from the accounting system are as follows:

Cash IPSAS

Statement of Cash Receipts and Payments (with a separate column for budgetary comparisons or a separate Comparative Statement of Budget and Actual Amounts)

Accrual IPSAS

Comparative Statement of Budget and Actual Amounts

Statement of Cash Flows

Statement of Financial Position

Statement of Financial Performance

Statement of Changes in Equity/Net Assets

The accrual IPSAS are based on the International Accounting Standards/International Financial Reporting Standards (IAS/IFRS) published by the International Accounting Standards Board and applicable to the private sector. The IAS/IFRS have been modified by the IPSAS Board, where appropriate, to adapt them to the public sector. If there are no applicable IAS/IFRS, separate IPSAS have been established. However, the Government Business Enterprises (GBEs) should adhere to the IAS/IFRS in a manner similar to that applied in the private sector. These are referred to as Public Corporations (financial and non-financial) in the GFSM.

Since most countries around the world currently report on the cash or modified accrual basis, developing countries intending to migrate to the accrual basis of accounting will generally accomplish this in stages for each of the government controlled entities identified in the GFSM 2001. Sequence and timing are only indicative and some countries or some elements within the

¹⁸ For a matrix identifying the differences, see research report *IPSAS and Statistical Basis of Financial Reporting: An Analysis of Differences and Recommendations for Convergence* (January 2005). A consultative paper *IPSAS and Government Finance Statistics Reporting Guidelines* (October 17, 2012) has been issued to converge these differences as much as possible. These documents are available in the Public Sector section of the IFAC website.

country may follow a different sequence or proceed at a different pace. For purposes of the Guide, six main stages are identified (the time estimated to complete each stage is shown in parenthesis):

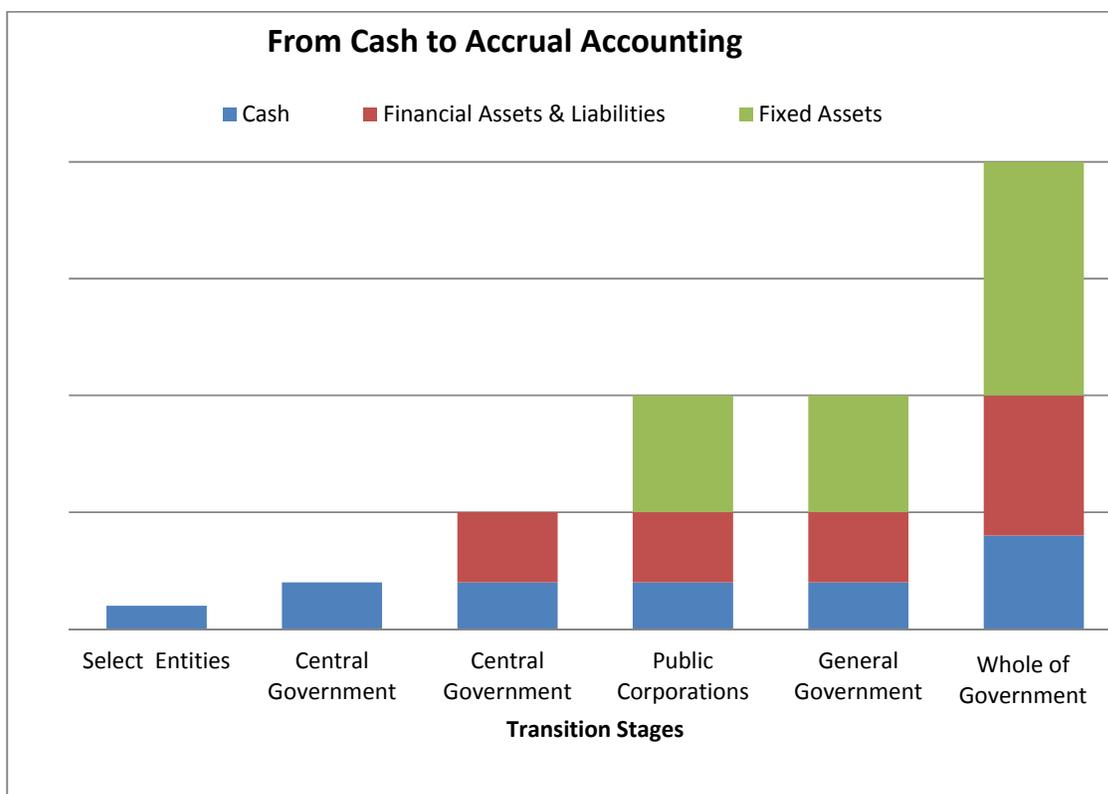
1. Preparing a Statement of Cash Position, as well as a Comparative Statement of Budget to Actual Amounts, for select entities within the **central government** (about 1 year).
2. Expanding the coverage to include a Statement of Cash Receipts and Payments, as well as a Comparative Statement of Budget to Actual Amounts, as prescribed in Part 1 of the Cash Basis IPSAS¹⁹ for the **central government**. However, it is not expected that consolidated statements would be prepared at this stage. This is generally referred to as the Cash Basis (about 3 years). Preparation of financial statements for the other controlled entities within the GGS, as well as the public corporations, is delayed until later stages;
3. Expanding the coverage to include **financial assets and liabilities** for **central government** in the format required for the statements prescribed by the accrual IPSAS above. Part 2 of the Cash Basis IPSAS²⁰ can assist in this effort. This is generally referred to as the Modified Cash or Modified Accrual Basis; for ease in presentation, this will be referred to as the Modified Accrual Basis in the Guide (3-5 years);
4. Expanding the coverage to include **all assets and liabilities** for the **GBEs (public corporations in the GFSM literature)**. This is referred to as the full accrual basis of accounting in the format required for the statements prescribed by the IAS/IFRS²¹ (3-5 years).
5. Expanding the coverage in Stage 3 to include **all assets and liabilities** for **general government** in the format required for the statements prescribed by the accrual IPSAS above. This is generally referred to as the full accrual basis of accounting. Some developing countries may prefer to break Stage 5 into two sub-stages: 5a—simple accrual, basically tangible, non-heritage assets without anything complicated and 5b—all the IPSAS (which may not be achievable in the near term for many developing countries). (5-8 years); and
6. Expanding the coverage to include **all assets and liabilities** for **all general government controlled entities and GBEs** in the format required for the statements prescribed by the accrual IPSAS above. This is generally referred to as the full accrual basis of accounting (10 or more years).

The transition from one stage to another stage is illustrated below and is discussed in more detail in the Guide. In any event, the intent is to simplify the preparation of the financial statements and provide the basic information needed for decision making. Thus single statements for each stage should be prepared to the maximum extent possible. Preparation of consolidated statements is not required in the early stages unless the preparer can easily identify the intra-entity transactions to eliminate on consolidation.

¹⁹ Part 1, Requirements, *Financial Reporting Under the Cash Basis of Accounting*, IFAC, New York, 2008.

²⁰ Ibid. Part 2, Encouraged Additional Disclosures.

²¹ *International Financial Reporting Standards*, International Accounting Standards Board (London).



As each stage is completed, the published financial statements should clearly identify the stage under which they are reporting. If difficulties (e.g., systems, capacity, etc.) are encountered in movement from one stage to another, these difficulties should be explained in the Financial Statement Discussion and Analysis narrative at the beginning of the report. Thus go or no-go decisions can be made until those difficulties are rectified.

It is recognized that the above trajectory is indicative, and the sequence or timing may vary for individual countries. For example, many countries will have a different starting point. Also the stage at which accrual accounting is implemented for GBEs may depend on factors outside the above sequence, and can be treated as an independent decision.

Most countries will implement the Guide by the adoption of national public sector accounting standards that progressively adopt the requirements of the IPSAS (first cash, then modified accrual, and finally full accrual). For this reason the requirements in the Guide are referenced to the relevant IPSAS to facilitate such a process.

Overview

Objective of the Guide

The purpose of the Guide is to describe the manner in which the annual general purpose financial statements for governments in developing countries should be presented to the legislative bodies and citizens. The Guide explains the six stages that governments in developing countries will generally go through as they implement the Cash Basis IPSAS en route to implementing the accrual IPSAS. The Guide is not intended to replace or supplant the IPSAS. The purpose of the Guide is to provide guidance on the implementation of IPSAS as a country moves through the six stages of cash to full accrual.

- a. The Guide has the objective of providing best practice guidance consistent with existing IPSAS requirements for countries applying a more sophisticated version of cash basis reporting.
- b. The Guide incorporates appropriate elements of the accrual IPSAS, e.g., incorporating financial assets and liabilities in a set of financial statements, reporting contingent liabilities, rules for converting foreign currency, etc.
- c. The Guide is linked to IPSAS requirements (cash and accrual) and allows progressive adoption.
- d. The Guide indicates elements of the Cash Basis IPSAS not feasible for early implementation and which could be deferred, e.g., GBE consolidation. Instead, it introduces the more sensible ideas such as consolidation phased by sector.
- e. The Guide incorporates some ideas which are not IPSAS requirements (e.g., remuneration of public officials) but these are indicated as being additional non-IPSAS requirements.
- f. The Guide could form the basis for National Public Sector Accounting Standards to be adopted by individual countries.
- g. Individual countries could issue public sector financial statements in compliance with the national standards. Separately, countries could indicate and report the extent to which their national standards followed the Guide and IPSAS.

Some governments in developing countries have a common fund (sometimes called the Consolidated Revenue Fund or General Fund) into which all government income is paid. In these countries, transfers are made from this common fund, with the authority of the annual budget approved by the legislative body and warrants from the Minister of Finance to ministries, departments and agencies, which enable them to provide the agreed public services. Governments should be accountable to the legislative body for the funds raised and the payments made directly from the common fund. They are also accountable for the financial management and accounts of individual ministries, departments and agencies that are funded from the government's annual budget. Designated officials (called Accounting Officers in the Guide for ease in discussions) are assigned the above responsibilities. Such officials are personally responsible to the legislative body and may be called to account for the financial management of their entity to a legislative committee. The responsible officials present annual financial statements to their entity's legislative body. The Supreme Audit Institution provides independent assurance to the legislative body that the resources utilised by each entity have been mobilised and utilised in line with the annual budget and the relevant laws and financial regulations. Where necessary the annual report of the Supreme Audit Institution will also highlight irregularities that have been identified and make recommendations for their prevention and correction.

Compliance with the requirements of the Guide will enhance comprehensive and transparent financial reporting by government entities in developing countries. It will also enhance comparability with the entity's own financial statements of previous periods and with the financial statements of other entities which adopt the Guide.

Scope of the Guide

Government entities in developing countries that prepare and present annual financial statements to account for the monies raised or spent under the authority of its government's annual budget agreed by the legislative body, should apply the requirements of the Guide in the adoption of IPSAS and presentation of their general purpose annual financial statements. To meet this requirement, most developing countries will initially assure compliance with Part 1 of the Cash Basis IPSAS before they attempt to comply with the accrual IPSAS.

The Guide is not a universal prescription; every country is different and the national authorities will consider what is possible within what time, in conjunction with existing and planned reforms, and lead the reform process itself. In most Anglo-Saxon countries, general purpose financial statements and the associated reports of the Supreme Audit Institution are the core ways in which budget funded ministries, departments and agencies account to the legislative body for the money they have raised and spent during the relevant financial year. General purpose financial statements include those financial statements that are presented separately or within another public document such as an annual report. Francophone, Soviet, and some home grown systems may differ in these policies, but the basic concepts are the same or similar.

The Guide applies to both the financial statements of an individual budget funded entity (ministry, department or agency) and to the financial statements of the common fund from which transfers are made to the individual ministries, departments and agencies.

Accountability is achieved by the appointment of an accounting officer who is personally responsible to the legislative body for the budget (or votes) for their organisation. The Accountant General is the accounting officer for the common fund and so is responsible for providing the legislative body with the financial statements for the Fund. Accounting officers are similarly responsible for providing the legislative body with annual financial statements for the ministry, department or agency for which they are responsible.

Other funds may be established under the legislative authority (i.e., a Capital, Development, or Road Fund). In each case, arrangements should be made to appoint an accounting officer for each of the funds who will be personally responsible to the legislative body for the financial management of the fund and for presenting annual financial statements for the fund to the legislative body. The Guide also applies to the financial statements of such funds.

An entity whose financial statements comply with the key aspects of one of the stages described in the Guide should disclose the stage with which they have complied. In addition, the financial statements should indicate any key aspects of the relevant IPSAS (whether cash or accrual) with which they have not complied and explain the reason(s) for any such non-compliance.

The key aspects of the Guide are set in bold italic font. Entities whose financial statements comply with these key aspects should disclose their compliance with the Guide. Where an entity is not able to comply with any particular key aspect of the Guide, this should be disclosed in the notes to their financial statements with a brief explanation of the reasons for the non-compliance and, where appropriate, future plans to ensure compliance.

With the exception of stage 4 (which pertains to Government Business Enterprises or GBEs), the Guide applies to all government entities in developing countries. In addition, stage 6 includes the presentation of financial information pertaining to GBEs along with the financial information for the rest of the government controlled entities.

The *Preface to International Financial Reporting Standards* issued by the International Accounting Standards Board (IASB) explains that International Financial Reporting Standards (IFRSs) and International Accounting Standards (IASs) are designed to apply to the general purpose financial statements of all profit-oriented entities, which would include GBEs (referred to as public corporations by the IMF in the *Government Finance Statistics Manual*).

The Glossary to the IPSAS provides the definitions used in the Guide. The definitions of other terms used in the Guide are as follows:

Accountability – the obligation to demonstrate that work has been conducted in compliance with agreed rules and standards or to report fairly and accurately on performance results against mandated roles and plans.

Accounting Officer – public official with ultimate responsibility and personal accountability to the legislative body for the control of a vote (section of the annual budget) and the financial management of the related government entity in the developing country; May be appointed by the Treasury/Permanent Secretary in the Ministry of Finance (most senior public official) or the President of the entity.

Financial statements result from processing large quantities of transactions that are aggregated into groups according to their nature or function. The final stage in the process of aggregation and classification is the presentation of condensed and classified data that form line items either on the face of the financial statements or in the notes. If a line item is not individually material, it is aggregated with other items either on the face of the financial statements or in the notes. An item that is not sufficiently material to warrant separate presentation on the face of the financial statements may nevertheless be sufficiently material that it should be presented separately in the notes.

The principle of materiality provides that the disclosure requirements need not be met if the resulting information is not material. Materiality covers both the financial significance of transactions and the level of political interest in the subject.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent, it must be readily convertible to a known amount of cash and be subject to an insignificant risk of change in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity date of, for example, three months or less from the date of acquisition. Equity investments, for example, shares in public or private companies, are excluded from cash equivalents.

Bank borrowings are generally considered to give rise to cash inflows. However, in some jurisdictions, bank overdrafts, which are repayable on demand, form an integral part of an entity's cash management. In these circumstances, bank overdrafts are included as a component of cash. A characteristic of such banking arrangements is that the bank balance often fluctuates from being positive to overdrawn. In such cases, any bank overdrafts are netted against other bank balances and cash holdings. Thus, a liability is not reflected in the financial statements.

Cash flows exclude movements between items that constitute cash because these components are part of the cash management of an entity rather than increases or decreases in the cash the entity controls. Cash management includes the investment of excess cash on hand in cash equivalents.

ROADMAP TO IMPLEMENT IPSAS COMPILATION GUIDE

In many developing countries, the capacity among the accounting staff is not sufficient to fully implement the IPSAS, the data collection procedures are not adequately identified to collect the necessary data, or the software is not sophisticated enough to handle the various financial transactions. Consequently, as explained earlier, an IPSAS Compilation Guide has identified six stages to assist these developing countries in their efforts to better manage their financial resources. The Roadmap identifies the tasks to be performed in each of these stages in order for the government to be more transparent in its efforts to establish the accounting system necessary for full disclosure of its financial transactions.

The Roadmap is not a universal prescription; every country is different and the national authorities will consider what is possible within what time, in conjunction with existing and planned reforms, and lead the reform process itself. Technical assistance is, of course, readily available, but the change management of major reforms needs to be planned and carried through

by the political directorate. To control the process, it is recommended that beginning and ending dates be identified for each task in each stage along with the name of the individual responsible for completing the task.

CERTIFICATE OF CONFORMANCE FOR IMPLEMENTING PERTINENT STAGES OF THE COMPILATION GUIDE

The Certificate of Conformance Program for Annual Financial Reports (Certificate of Conformance Program) is designed to help developing countries improve the quality and consistency of their financial reports. For practical considerations due to a lack of capacity or computer support, many of these developing countries have not prepared financial statements in conformity with generally accepted accounting principles (GAAP). Consequently, a Compilation Guide has been prepared to:

1. Provide guidelines to help standardize the format and content of annual financial reports prepared on a cash, modified accrual, or accrual basis;
2. Encourage governments to follow those guidelines by offering public recognition to those that successfully do so; and
3. Assist governments to implement the guidelines by providing technical materials and training.

The Certificate of Conformance Program is designed to encourage *compliance* with basic norms of sound financial reporting in situations where GAAP financial reporting is not practical. For some governments, participation in the Certificate of Conformance Program may be a first step toward GAAP financial reporting by implementing the accrual IPSAS. Any government, regardless of type, is eligible to participate in the Certificate of Conformance Program. The Certificate of Conformance Program prescribes a cash, modified accrual, or full accrual basis financial reporting framework consistent with the provisions of the *IPSAS Compilation Guide for Developing Countries*.

For those developing countries that adhere to the *IPSAS Compilation Guide for Developing Countries*, separate certificates would be granted to those developing countries that have met the requirements for each of the following stages:

- Stage 2: Central Government—cash reporting;
- Stage 3: Central Government—modified accrual reporting; Stage 4: Government Business Enterprises—full accrual reporting;
- Stage 5: General Government—full accrual reporting;
- Stage 6: Whole of Government—full accrual reporting.

Note: A Certificate of Conformance will not be granted for Stage 1 since there are no general specifications against which to measure progress.

As noted in the Compilation Guide, this development program acknowledges that different jurisdictions may have different starting points and each country's program should be tailored to jurisdictional circumstances. In some cases, the GGS and controlled entities that are included in the GGS are already adopting a modified accrual basis (albeit modifications may vary from jurisdiction to jurisdiction). Some GBEs and certain statutory authorities are already adopting an accrual basis. While a series of steps with particular time frames are presented, this is a generalised, first principles model that identifies key components. The application of this program needs to be assessed by reference to (and may need to be amended to respond to) the circumstances of each jurisdiction. Such matters as the entry point to the program, time for each stage, and sequence of some items may vary depending on those jurisdictional circumstances. Consequently, a Certificate of Conformance may be issued to a country that has prepared a set

of consolidated statements on the full accrual basis of accounting for their GBEs (Stage 4). A separate Certificate of Conformance may be issued to the same country if they have prepared a set of interim financial statements on the modified accrual basis of accounting for the Central Government (Stage 3).

For purposes of the Certificate of Conformance Program, **Local, State, or Central Governments** preparing financial statements on a “modified accrual basis” must meet all of the following criteria:

- (a) The report must comply, in substance, with the basic requirements of GAAP for financial statement presentation, but applied in a manner consistent with a modified accrual basis. For example, a Central Government would need to present a combination of controlled entity financial statements (i.e., *compliance, in substance, with the basic requirements of GAAP*), but would use the same modified accrual basis for presenting data in all (i.e., *applied in a manner consistent with a modified accrual basis*);
- (b) Only cash (and cash equivalents) as well as financial assets and liabilities that involve the receipt or disbursement of cash (or cash equivalents) during the period should be recognized, except as follows:
 - (1) *Interfund receivables and payables* that arise from transactions and events involving cash or cash equivalents must be recognized;
 - (2) *Assets that normally convert to cash or cash equivalents* (e.g., certificates of deposit, marketable investments, and receivables resulting from loans) that arise from transactions and events involving cash or cash equivalents must be recognized;
 - (3) *Liabilities for cash (or cash equivalents) held on behalf of others, held in escrow, or received in advance of being earned or meeting eligibility requirements* must be recognized;
- (c) Note disclosures similar to those required by GAAP must be made if they are relevant to any of the items listed in (b); and
- (d) Other note disclosures related to matters not presented on the face of the financial statements should be provided, as considered necessary.

Conversely, an Intermediate Statement of Financial Position prepared by controlled entities in **Local, State, or Central Government** using the modified accrual basis of accounting would *not* report: (a) capital assets or long-term debt that arise from transactions or events involving the receipt or disbursement of cash or cash equivalents; (b) deferred outflows of resources or deferred inflows of resources; (c) prepaid items; (d) supplies inventories; (e) accrued assets and accrued liabilities; or (f) other assets or liabilities that do not arise in connection with transactions or events involving the receipt or disbursement of cash or cash equivalents.

For those **GBEs** that have implemented the full accrual basis of accounting, a Certificate of Conformance will be granted if the controlled entities adhere to the IAS/IFRS. In like manner, a Certificate of Conformance will be granted to those **General Governments** that have implemented the full accrual basis of accounting if the controlled entities adhere to the accrual IPSAS.

THE EFFECTS OF ADOPTION OF ACCRUAL-BASED BUDGETING ON TRANSPARENCY AND ACCOUNTABILITY IN THE NIGERIAN PUBLIC SECTOR

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ABSTRACT

This study appraises the effects of adoption of accrual-based budgeting on transparency and accountability in the Nigerian public sector. A sample of two hundred and ninety-five respondents in the Nigerian public sector, drawn from Cross river, Edo, Kwara and Lagos States of the federation, was used to conduct the study. Two hundred and fifty-eight valid responses representing 87% of the sample were used in the analysis. This study employed Karl Pearson coefficient of correlation “r” statistics for analysis. Findings from this study indicated significant impact of accrual budgeting on transparency and accountability, there is also significant impact of transparency and accountability on economic growth in the Nigerian public sector. This study provides important management information, and can be used in enhancing fiscal transparency and accountability towards good governance in the Nigerian public sector.

1. INTRODUCTION

1.1 BACKGROUND

In view of the experience from the global financial crisis, nations are striving to improve their financial management strategies in the area of transparency and accountability. Some countries are now aiming to free themselves from the limits of their present system of financial reporting by adopting credible financial reporting in their budget operations. Therefore, the budget otherwise referred to as appropriation is very prominent in the Nigerian public sector as it is a major financial statement.

Ouda (2007), Omolehinwa (2005), Althukorola and Reld (2003), and Wynne (2003) studies on public sector accounting emphasized the importance of public budgeting. They explained that it is intended as a mechanism for setting goals and objectives, for measuring progress made towards achieving the set objectives, for management by exception, and for controlling and integrating the diverse activities carried out by numerous subunits, ministries, departments and agencies within a large government bureaucracy. Public budgeting works by channeling various types of information about societal conditions and about the private and public value that guide resource allocation decision making. Some Nigerian studies (Ekot and Ogala [2011], Omolehinwa [2005], and Ula-lisa [2005]) have found links between public budgeting systems and transparency and accountability accounting practice in Nigeria.

In preparing a budget, an accounting basis is required. The public and private sectors both used cash basis of accounting until the 16th century. While government accounting remained on a cash basis, the private sector developed generally accepted accounting principles (GAAP) including accrual accounting in response to economic pressures. However, many authors including Omolehinwa (2005), Lee, Johnson and Joyce (2004), and Althukorola and Reld (2003), explained that the public sector environment differs from the private sector environment because government fiscal activities as contained in the budget intentionally impact the economy.

However, in view of the growing evidence that the world economies are more interconnected and symbiotic, governments are accountable to a wider group of stakeholders. Therefore government needs to adopt a strategy for acceptance of its financial activities. These activities are closely scrutinized through the budgets and forecasts mechanism. And as such, the need for a review of an accounting basis of budgeting is of concern to the public sector.

Nigeria is faced with the challenges of transparency and accountability in its present cash-based budgeting system. If care is not taken, the challenges may deteriorate to cases like that of Parmalat, US Energy giant (Enron), and WorldCom. Kuye's 2010 study in Nigeria expressed the same concern. Similar to this is the Nigerian crisis of inefficiency of some government organisations, such as Power Holding Company of Nigeria Plc, Nigerian Ports Authority Plc, and the Nigerian Police Force. Oyejide and Soyibo (2001) opined that this crisis is mainly due to financial malpractices and concealment of material facts due to lack of transparency and accountability.

The high tendency for government organisations to collapse encouraged the transparency and accountability in government to come under sharp scrutiny. This led to a disturbed global public to call for improved basis of accounting in the public sector. However, public sector accounting is peculiar because of its stewardship characteristics, which are non-business and mainly for service to constituents. It is also without a standard for performance measurement. These characteristics have implications for its accounting, which in effect pose some challenges as to the basis of accounting to be adopted.

Empirical studies in Nigeria have established that there are questions about accountants' competence and integrity, especially in the public sector. This environment robs the public budget where credibility as to transparency and accountability is put to question (Dandago (2007), Ekot and Ogala (2011), and Iweala (2011)).

What is then required is an accounting practice that supports moral and ethical standards in order to ensure transparency and accountability. However, there are gaps in the literature as to reducing these challenges in the Nigerian public sector. To worsen the situation, the International Public Sector Accounting Standards (IPSAS) Board has only been categorical on the cash or accrual basis of accounting, but they have not articulated an alternative to accrual basis. All except one of the IPSAS are issued on the accrual basis.

It is in light of this situation that the *Financial Reporting Council Act No. 6 2011, LFN* mandates the adoption of International Financial Reporting Standards (IFRS) on which the accrual IPSAS are based.

According to Pwc Nigeria (2011), the Financial Reporting Council of Nigeria has concluded arrangements for the enforcement of adoption of accrual based IPSAS by 2014 in order to make Nigeria a reference point in IFRS education. Based on this Roadmap, Nigerian listed companies and significant Public Interest Entities (PIEs) are required to comply with IFRS for periods ending after 1 January 2012. Other PIEs will be required to comply for periods ending after 1 January 2013 and small and medium sized entities will need to comply for periods ending after 1 January 2014.

Therefore, this is the time for this type of study. This study examines if it is worthwhile that the current cash-based budget should be prepared under accrual basis in Nigeria using global financial reporting benchmarks. Since this is for a better understanding and appreciation of risks, making decisions about the flow of the economy with transparency and accountability is very important.

This study examines the issues and challenges of transparency and accountability of Nigerian Public budgeting system by employing a purely narrative analysis. The focus of analysis is on

the Public Sector structure, budget design and maintenance in the day to day operations within the context of transparency and accountability. The study is anchored on the hypothesis testing in the form of descriptive statistics and Karl Pearson coefficient of correlation 'r'.

1.2. STATEMENT OF THE PROBLEM

Nigeria is faced with a high poverty level, poor transparency rating, and high cost of borrowing because of poor budget accounting of unspent funds. This situation is due to the consequences of the non-business characteristics of government. In business the accounting equation is Total Equity = Assets + Liabilities. But in cash basis accounting, all assets are short changed because they are written off in the year of occurrence rather than over the entire life span of the asset.

Assets are written off because (contrary to the theory of a business cycle which expects birth, growth, and decline before a possible death) the cash basis does not give opportunity for growth at all, nor does it plan for decline. It pays more attention to almost instant death. Therefore, sadly the equation is re-written as Total Equity \neq Assets + Liabilities. And as such the equation is not balanced as reflected in the Nigerian public management. The cash basis equation is Total Receipts = Partial Assets + Liabilities + Unspent Funds (Sometimes Un-accountable Funds).

More worrisome is the fact that despite the availability of unspent funds, Nigeria engages in huge borrowing at unaffordable cost and the unspent funds result in negative balances. For instance, a United Nation's (UN) 2004 report suggested that Nigeria lagged behind on the goals of eliminating extreme poverty and combating diseases, where 45% of the population lives below the poverty line. An illicit fund of \$458 million was successfully deposited in a Swiss account by a late President.

Furthermore, according to Transparency International (2007), the corruption perceptions index placed Nigeria as ranking 147 out of 180 countries. A World Bank report (2006) also placed Nigeria in position 108 out of 175 countries in the ease of doing business index.

According to Awom (2012), an amount of N156 billion was stolen from the pension fund in Nigeria. Whereas, Athukorola and Reld (2003) summarized that at the aggregate level, accrual-based fiscal indicators provide better information about the sustainability of fiscal policies. For instance, the effects of pension policies on a government balance-sheet are disclosed and provide a stronger basis for government accountability. Accrual accounting information cannot be manipulated as easily as cash-based information.

These statistics call for concern. This concern is expressed by Dandago (2007), Oladele (2001), and Omolehinwa (1989) studies in Nigeria, which stated that programmes implementation is a basic problem in Nigeria due to poor accountability. Omolehinwa (2012) argued that the failure to recognize the problem of output measurement was one of the reasons why the Nigerian government had unrealistic expectations of its Planning Programming and Budgeting System (PPBS), which it introduced in 1980.

Interestingly these problems have a solution because "...almost every cost can be measured in terms of output, every activity will respond to quantifiable measurement." (Omolehinwa 2012:16). The UN (2004) stated that a prerequisite for improvement is transparency and accountability in the Nigerian public sector. The impediments to proper accounting by governments is not to be related to cost, nor to available expertise, but rather it requires a commitment at the political level that transparency is not a choice but an obligation, and, like the private sector, the rules are written not for the subset but for the whole entity and for the entire stakeholders (Wynne 2007: 56).

Government accountability should be a fundamental obligation to the citizens who are not being treated like other investors. They have no such choice in relation to the contribution made to

government through taxation, whereas investors usually choose where to invest their hard earned money.

Athukorola and Reld (2003) opined that there is evidence from the United States of America where “states that use accrual information borrow at better terms than those states that use solely cash information”. Accrual budgeting is harder to manipulate. Also, Ouda (2007) explained that accrual budgeting is a way forward because it accommodates efficiency, effectiveness, transparency and accountability. This is contrary to Wynne’s (2007) study, which argued that accrual accounting is more complex than cash accounting. In view of the diverse opinions, it is necessary to empirically find out the real position.

1.3. OBJECTIVES OF THE STUDY

This study empirically appraises the effects of adoption of accrual budgeting on transparency and accountability in the Nigerian public sector. In achieving this, the study identifies two specific objectives, which are to:

- i. Determine the extent to which there is transparency and accountability in the current cash budgeting system in the Nigerian public sector.
- ii. Determine the extent to which the adoption of accrual budgeting has an impact on transparency and accountability in the Nigerian public sector.

1.4. RESEARCH QUESTIONS

The objectives of the study raised some questions, which are:

- i. To what extent is there transparency and accountability in the current cash budgeting system in the Nigerian public sector?
- ii. To what extent does the adoption of an accrual budgeting system have an impact on transparency and accountability in the Nigerian public sector?

1.5. RESEARCH HYPOTHESES

Based on the objectives of this study and the research questions for which answers are intended from the findings of the study, two hypotheses were formulated for testing; they are stated in the null form as follows:

Hypothesis 1

Ho: There is no significant relationship between cash budgeting and transparency and accountability in the Nigerian public sector.

Hypothesis 2

Ho: There is no significant relationship between accrual budgeting and transparency and accountability in the Nigerian public sector.

1.6. SIGNIFICANCE OF THE STUDY

In view of the public perception of problems of transparency and accountability in the Nigerian public sector and its negative effects on the Nigerian economy as expressed in Ekot and Ogala (2011), Iweala (2011), and Ula-lisa (2005), this study is significant for its objectives. Wynne (2003), in a related study on accrual accounting in the United Kingdom, established that an approach should be developed that correctly identifies to whom governments should be accountable and what their financial information needs are. This study provides information on

the appropriate approach. It has the potential for improving stewardship which will then translate to adequate provision of jobs and a conducive business environment.

Literature revealed that accrual accounting is an important element in public sector reforms directed to improving the efficiency and responsiveness of government services and enhancing the accountability for the use of public resources (Ouda (2007), Mcphee (2006), Athukorola and Reld (2003), Wynne (2003), and Oladele (2001)). Athukorola and Reld's (2003) study established that the adoption of accrual accounting removes a barrier preventing access of private sector trained financial managers to many public sector financial management jobs. This study intends to fill the gap in the literature available on the impact of adoption of accrual accounting on transparency and accountability.

Therefore, this study aims at throwing more light on good business practice in government in the area of revenue responsibility, expenditure control, and management and planning through a result oriented or value driven budgeting system as a primary tool in improving transparency and accountability. The study takes a look at financial administration in government dealing specifically with the effects of adoption of accrual based-budgeting on transparency and accountability in the Nigerian public sector. Financial markets and credit rating agencies should find this study useful.

This study is of benefit to students, and researchers due to the dearth of empirical literatures available in this area of study. The findings from this study may provide reference for legislators and policy makers. It may be of importance to regulatory authorities in the Nigeria economy, private and institutional investors, academics, politicians and public servants.

1.7. SCOPE OF THE STUDY

This study focuses on the accrual budgeting aspect of accrual accounting. It evaluates the effects of adoption of accrual-based budgeting on transparency and accountability in the Nigerian public sector with particular reference to Cross river and Edo States in the South-South Zone, Kwara State in the North Central Zone, and Lagos State in the South-West Zone of the Federal Republic of Nigeria. The focus of the research in terms of study area is the executive and legislative arms of government in the states concerned.

These states were chosen for the study because they constitute the nation's economic nerve centres, especially Lagos where over 65% of the country's commercial activities are carried out according to Nigeria business directory index (2009). The scope of the study could have covered the whole of accrual accounting rather than limiting it to accrual budgeting. Also the study area could have been nationwide, but time, finance, distance and other academic workload did not allow this possibility.

2. LITERATURE REVIEW

2.1. OVERVIEW OF PUBLIC SECTOR BUDGETING

A budget is a prominent financial statement in the public sector. Omolehinwa (2012) opined that the budget was viewed as the principal means of securing accountability and control over the use of public funds. "The importance of the budget for accountability was that it provided standards by which to judge the annual accounts" (Normanton, 1966:6 as cited in Omolehinwa, 2012)

Literature revealed that public budgeting systems are systems for making choices of ends and means. These choices are guided by theory, selfishness, partisan politics, and individual value judgments. Governments are not spending their own money, they are spending constituents' money, tax payers' money, aid and grants. They are entrusted with the management of assets

and liabilities that have been built up over decades, and which will have an impact on the welfare of citizens for many more decades.

Like any other investor, tax payers as citizens are entitled to information that will allow them to hold governments accountable for their use of these public resources. The way to achieve this accountability is by an appropriate basis of accounting for the budget.

The budget is one means by which governments can engage constituents in the polity's process, and engender confidence. According to Wynne (2007), as supported by Omolehinwa (2005), a government, regardless of the form it takes, represents the interests of the people it governs. Good government requires that constituents have confidence in those that govern. This confidence is enhanced when governments fully inform their constituents, and provide for them through reliable budgets.

Literature revealed that there are many examples of poor budget management by governments because government decision making in general lacks the standard for measuring activities (Ekot and Ogala, 2011; Iweala, 2011; and Ula-lisa, 2005). Also Lee, Johnson and Joyce (2004), argued that there is a large difference between the inclination of governments internationally to act to enhance private sector performance and the relative lack of urgency devoted to improving their own budgeting system and financial management.

In order to improve financial management in government, some advocates of better governance are clamoring for accrual budgeting over the traditional cash budgeting. According to McPhee (2006), accrual accounting and budgeting in the public sector have come a long way. Accrual accounting is an important element in a suite of public sector reforms directed at improving the efficiency and responsiveness of government services, and enhancing accountability for the use of public resources.

McPhee (2006) argued that some of the traditional accounting concepts need additional consideration, and in some cases, modification for application in the public sector environment. Though this is a very important change that is not without its wrinkles, it is indeed a major achievement in linking transparency and accountability to the budget.

According to Athukorala and Reld (2003), many governments that have implemented accrual accounting have not uniformly applied the accrual basis to these mechanisms. For instance, budgets may be prepared on a modified accrual accounting basis, appropriations may be made on the cash basis, and reports may be presented on the accrual basis.

According to Wynne (2007), the United Kingdom government has adopted accrual accounting within both local and central government. At present, this is still at an agency and local authority level, but consolidated audited reports are expected later. His study further found that the Canadian government has issued financial statements on a full accrual basis (Wynne, 2007). He argued that those jurisdictions that have fully adopted the accrual basis have found it generates very significant benefits. Accrual budgeting can play a key role in public management developments as the means by which measurements are made, achievements are documented and negotiations take place with transparency and accountability.

2. 2. TRANSPARENCY AND ACCOUNTABILITY IN THE NIGERIAN PUBLIC SECTOR

Literature revealed that financial management in government is for the purpose of providing adequate financial information to the citizens through talking to citizens and listening to them. This can be done through the process established for carrying out financial and non-financial activities. Compliance with the processes is necessary to ensure transparency and accountability (Wynne, 2007; Omolehinwa, 2005).

According to United Nations Development Programme (UNDP, 2008), accountability is the obligation to demonstrate that work has been conducted in accordance with agreed rules and standards. The officer reports fairly and accurately on performance results compared with plans. UNDP (2008), stated that transparency refers to a process by which reliable, timely information about existing conditions, decisions and actions relating to the activities of the organisation is made accessible, visible and understandable.

UNDP (2008), argued that accountability and transparency are indispensable pillars of democratic governance that compel the state, private sector and the civil society to focus on results, seek clear objectives, develop effective strategies, and monitor and report performance. In this regard, some authors [McPhee (2006); Lee, Johnson and Joyce (2004)] support this view. They argued that accountability is essential in government. Accountability indicates that agencies should be held answerable for promised results by doing things transparently in line with due process.

“The problem with this concept of accountability is that its focus is on whether or not spending votes are exceeded without questioning whether the amounts paid for services and goods are reasonable. Thus, this type of accountability in the Nigerian public sector cannot provide answers to a question like, ‘what did the tax payers receive for the money spent?’” (Omolehinwa, 2012. p.31). Omolehinwa stated that it is this limitation of accountability that shifted attention from compliance to performance-based accountability.

The Government Performance and Results Act of 1993 (called GPRA in USA) and performance “contract” in form of Public Service Agreement in Britain, reinforced by Resource Accounting and Budgeting (RAB), are attempts at laying emphasis on performance-based accountability in government. Under both methods, the government is expected to indicate targets/outcomes that are supposed to be the commitment of government to their citizens on what to expect for the use of public funds. Through the annual budget reports, the public and the legislative arm of government can judge whether or not public funds are well spent.

Oladele (2001) stated that accountability expectation is enshrined in the *Constitution of the Federal Republic of Nigeria, Act No. 24 LFN*, which emphasizes regulation and control of public funds and the whole aspect of financial management in government. Accountability includes financial, administrative, social, and political stewardship. This view is supported by Ula-lisa’s (2005) study which established that when accountability is transparent it suggests that all means of facilitating citizens access to information and their understanding of decision-making mechanisms is based on integrity, in order to ensure an unimpaired condition of soundness synonymous with honesty.

United Nations Economic Commissions for Africa (UNECA, 2005), stated that to talk about accountability is to talk about responsibility and responsiveness. Since public accountability is central to good governance, it has been generally taken to be the public expectation for fairness. A reliable budget is expected to achieve this fairness.

UNECA (2005) agreed with IMF (2001) that budgeting facilitates monitored by policy analysis, promotes transparency and accountability as a result of regular fiscal reporting, sound management of revenue, expenditure, assets and liabilities of all government institutions. Therefore, IMF (2001) argued that transparency and accountability in budgeting should be pursued based on good practices on fiscal transparency, there should be clarity of roles and responsibilities, public availability of information is essential, and there should be open budget preparation, execution and reporting.

Ekot and Ogala (2011) describe the Nigerian 2011 budget as one that is expected to help deal with an overhanging deficit by reducing an over-bloated overhead and running cost. This description agrees with the view of Ula-lisa (2005), who stated that bad leadership traits in

budgeting are the very reason why the leaders must not only be accountable but also transparent in all things. In this manner, the people can monitor and determine what direction they want from their representatives.

UNECA (2005), argued that to achieve assurance of integrity, fiscal data should meet accepted quality standards and should be subjected to independent scrutiny, there should be mechanisms in place that provide assurances to the public about data integrity. Some improvements are needed to ensure that the budget data reflect recent revenue and expenditure trends, underlying macroeconomic developments, and well-defined policy commitments. The improvements may be achieved by reviewing the cash basis of accounting and adopting accrual accounting.

2.3. THE ADOPTION OF ACCRUAL BUDGETING SYSTEM IN THE NIGERIAN PUBLIC SECTOR AS COMPARED WITH THE TRADITIONAL CASH BUDGETING

The basis of accounting in the Nigerian government is cash, which means the amount spent in pursuing capital items is treated the same way as that used for recurrent items. Just because most public sector activities are not intended to be profitable, it does not mean that business-like measurement of results in relation to costs should be rendered useless.

Lee, Johnson and Joyce (2004, p.4) argued that whether a business is undertaken for profit or for regulation of public matters, it should be evaluated like any other business in terms of performance. This is because legislators, investors and other users need information that helps them assess a government's results in the management of its resources and financial affairs. A comparison of the actual results with those originally forecast in the budget, and with those of the prior period, is necessary to identify significant differences. A budget based on the accrual method is the financial statement that includes a comparison of the government's actual and planned financial results in a year. It provides important accountability information about the budget decisions of the current period to assure that the cost of services provided today are paid for by the recipients today and not passed on to future generations.

If it is agreed that government's budget is a crucial element in the accountability cycle and the standard against which subsequent performance is judged, governments should be held publicly accountable for the choices they have made, for their programs, the cost of services and the financial position of their jurisdiction. The comparisons of actual and budgeted results, on the statement of income and expenditure and on the statement of change in net debt, provide the key accountability information integral to evaluating a government's performance in achieving its operational and spending plans.

Some authors [McPhee (2006); Athukorola and Reld (2003)] argued that accrual accounting enhances accountability. This stems from the availability of information on actual and budgeted spending on capital assets. According to Oladele (2001), at the end of a financial year, the actual results (in the form of Accountant-General reports) have to be measured and released for comparison with budgeted results so that appropriate actions could be taken on the variance that might arise. Oladele (2001) expressed that this has not been possible because of the reporting problems in the Nigerian public sector in the area of government responsibility over budgeting.

There are arguments in favour of accrual accounting basis for preparing financial statements such as a budget, but while generally recognising that the accrual accounting basis is superior to the cash basis, opponents tend to raise concerns about implementation difficulties. Some commentators oppose the use of accrual accounting.

2.3.1 Arguments for accrual- based accounting statements

According to some authors [Hughes (2007); Ouda (2007); Athukorola and Reld (2003); Mcpee (2003)], accrual accounting is superior because accrual accounting provides better information for fiscal sustainability. Cash accounts generally comprise a single income and expenditure statement in contrast to the multiple statements and notes provided by accrual information. In practice, cash based government financial statements tend to be idiosyncratic and difficult to understand and interpret. Conversely, accrual financial statements are familiar to a wide range of people (such as business people, financial journalists and credit rating agencies).

Although literature argued that both cash and accrual information can be manipulated, many non-technical people believe cash accounts to be more prone to manipulation than accrual information. Accrual accounting statements are more comparable and consistent. Athukorola and Reld (2003), Mcpee (2003), Hughes (2007), and Ouda (2007), argued that accrual information improves understanding of the underlying fiscal position by removing year-to-year variability caused by the timing of cash receipts and payments (particularly capital payments).

Financial markets and credit rating agencies are particularly interested in the sustainability of financing and expenditure policies. Accrual financial statements provide a richer set of information for analysing the sustainability of fiscal policy and the quality of fiscal decision-making.

Athukorola and Reld (2003), argued that government accountability differ markedly among countries depending, among other things, on electoral arrangements, political institutions and the degree of decentralization. However, these differences are generally not important when considering the appropriateness of fiscal information as a basis for accountability. "IMF considers the accrual basis superior, because all resource flows are recorded, including internal transactions, transactions in-kind and other economic flows. This comprehensive recording permits the integration of flows with changes in the balance sheet." (Athukorola and Reld, 2003, p.17).

In any case, accrual reports also provide cash flow statements. Conversely, cash based accounts normally do not differentiate between expenses and acquisitions of non-financial assets such as buildings. Under the accrual basis, acquisitions of non-financial assets are recorded separately. Furthermore, the IMF (2001) contends that separating current and capital transactions is useful for analyzing the economic impacts of fiscal policy. By providing information on depreciation and asset valuation changes, accrual information allows better judgments to be made on the quality of government investments and the sustainability of fiscal policy. It also removes the conflicting treatment of sales of financial equity and physical assets.

Hughes (2007); Ouda (2007); Athukorola and Reld (2003); Mcpee (2003); and Wynne (2003), all supported the view that the advantages of accrual accounting statements outweigh those of cash accounting because they include liability disclosures. Governments generally have significant liabilities other than public debt (borrowings). An important example is the future obligation to pay civil service pensions. These obligations are typically under-funded. Under accrual accounting, the unfunded liability is usually shown on the balance sheet as a liability. Also additional disclosures are made in supplementary notes. These include information on contingent liabilities and on commitments.

Athukorola and Reld (2003), opined that information is provided for considering intergenerational fairness. Intergenerational fairness is important in fiscal policy, it reflects the degree to which the government today is paying the costs of services today, as opposed to shifting costs to other periods. Accrual accounting provides a longer-term perspective for judging policy impacts. For example without accrual accounting, decisions on pensions that create pension liabilities may not fully consider the impact of the liabilities on future budgets.

Athukorola and Reld (2003) argued that the basis for identifying arrears is explained better in accrual accounting statements. Payment arrears arise when an obligatory transaction is not made by its due-for-payment date. All arrears are automatically included in accrual-based statistics. Information for managing liquidity is also provided. Managing liquidity is crucial to government operations. It is not necessary to use the cash basis to meet this need. Cash flow information is provided by the accrual basis. It may also be difficult to assess solvency and future flows with the cash basis because of minimal information disclosure. There is better information for decision making on fiscal strategy, that is, the direction and objectives of fiscal policy and the management of revenue and expenditure flows, assets and liabilities. Under the cash basis, fiscal strategy focuses on short-term revenues and expenditures (that is 1-3 years).

Under the accrual basis, assets and liabilities are given the same attention as debt in terms of targets, risk analysis and contribution to economic policy objectives. Arguments are made that clerical staff are required for cash - based accounting systems with minimal input from qualified accountants, whereas accrual systems require trained accountants, who have responsibilities towards their professional callings, particularly during implementation.

2.3.2 Arguments against accrual - based accounting statements

According to Omolehinwa (2012), the basic aim of accountability is to ensure that the authorized budgetary votes were not exceeded and are utilized only for purposes specified by the Assembly. The problem with this concept of accountability is that its focus is on whether spending votes are exceeded or not without questioning whether the amounts paid for services and goods are reasonable or not. Thus, this type of accountability cannot provide answer to a question like what did the tax payers receive for the money spent. Although his study criticised the present level of accountability in the Nigerian Public sector, he maintained that Nigeria should not adopt the alternative accounting basis, which is the accrual basis.

Wynne (2007), Athukorola and Reld (2003), Mcpee (2003), and Wynne (2003), recognised the weaknesses in accrual accounting. Some of the opponents of accrual accounting argued that shifting the government budget to the accrual basis will not avert an Enron type of fiasco because Enron reported its finances on the accrual basis, but accrual basis does not remedy the 'off- balance sheet' problem. Athukorola and Reld (2003) argued that accrual basis entails numerous, often complex, assumptions about future events, the assumptions are subject to judgment and manipulation, and the assumptions often dominate the relationship between firms and external auditors. Wynne (2007) argued that there are costs associated with accrual accounting, and these costs are on-going. It also requires regular revaluations of all capital assets, therefore, it is more complex.

According to Athukorola and Reld (2003), Enron took advantage of gaps in accounting standards to avoid consolidating special purpose entities. This failing was due to failure to follow accounting standards, not accrual accounting because accrual financial statements include cash flow information, which would have exposed the gaps.

The overall arguments of Ekot and Ogala (2011), Ouda (2007), McPhee (2006), Ula-lisa (2005), Athukorola and Reld (2003), and Oladele (2001), is in line with the adoption of accrual budgeting. They summarized that at the aggregate level, accrual-based fiscal indicators provide better information about the sustainability of fiscal policies. For instance, full disclosure provides a stronger basis for government accountability. Accrual accounting information cannot be manipulated as easily as cash-based information.

Wynne (2007) and Omolehinwa (2012) in their studies sounded a note of warning in the complete adoption of accrual basis of accounting because of the implementation costs for users understanding viz-a-viz the usefulness of the reports.

3. RESEARCH METHODOLOGY

3.1 RESEARCH DESIGN

This research is essentially investigative and explanatory in that it seeks to appraise the benefits of transparency and accountability in the adoption of accrual budgeting in the Nigerian public sector from the public servants and legislatives perspectives. The structure of its process and procedure is therefore descriptive and this belongs to the generic family research design type called survey design. Research design is “the structuring of investigation aimed at identifying variables and their relationships to one another” (Asika, 2008).

3.2 STUDY POPULATION

According to Asika (2008), a population is made up of all conceivable elements, subjects or observations relating to a particular phenomenon of interest to the researcher while a sample is precisely a part of the population. It is expedient to know the nature of the population so as to aid the choice of sampling technique. Therefore, due to the technical nature of the topic of study coupled with the need to ensure that the response obtained is representative and reliable enough, the population of this study is all public servants in the accounting cadre and members of the State’s house of assembly who are in the public account committee (PAC) in Cross River and Edo States in the South–South Zone, Kwara State in the North Central Zone, and Lagos State in the South-West Zone of the Federal Republic of Nigeria.

3.3 SAMPLING TECHNIQUE

A sample refers to a part of a population selected for study while a sampling technique is the method adopted for selecting such a sample from the population. The sample considers the objectives of this study, “it is expedient to ensure that the sample identified is a statistical representation of the population and stands clear of bias, the sample must be adequate and possess stability” (Asika, 2008). The sampling procedure adopted for the research work is quota sampling; it is often used in public opinion studies (Gupta, 2009).

Respondents who are in the senior officers and management categories in the accounting cadre under the accountant general and PAC members in four states representing three out of the six geo-political zones of Nigeria, which totaled 376 out of a population of 1,065, was sampled. This sample was considered a good representation of the respondent population since the ultimate is how representative the sample is of the population (Asika 2008; Gupta 2009). This sampling method was adopted so as to save time and ensure a high degree of probability of returns. Copies of questionnaire were distributed to 295 respondents, 276 copies were retrieved, and 258 were adequately analysed (see Figure 3.1 below).

Figure 3.1: ADMINISTRATION OF QUESTIONNAIRE IN FOUR STATES IN NIGERIA

STATE	GEO-POLITICAL ZONE	QUEST DISTRIBUTED	QUEST RETRIEVED	QUEST USED
Cross River	South-South	63	60	56
Edo	“	36	33	30
Kwara	North Central	96	86	80
Lagos	South-West	100	97	92
Total		295	276	258

Source: Field survey 2011

3.4 RESEARCH INSTRUMENT

Research instrument is a device for collecting data or measuring the variables used for answering the research questions and testing the hypotheses. For the purposes of this study, a five-point Likert scale type of questionnaire was adopted as the research instrument. The questionnaire was designed in such a way as to provide vital answers for the research questions and hypotheses testing. The questionnaire contained a set of questions classified into two major sections A and B - 1, 2 and 3.

Section A featured five questions on bio-data of the respondents. This includes location of the organization and length of service in the public sector. The inclusion of these variables is necessary as they help to classify the respondents properly as well as analyse their responses. Section B of the questionnaire comprised of statements of assertion and open-ended questions. These were designed primarily to provide information for testing the hypotheses. The opinions of respondents to these statements of assertion were sought through the use of a questionnaire in the Likert scale format which is a psychometric scale commonly used in questionnaires, and is the most widely used scale in survey research. When responding to a Likert scale questionnaire item, respondents specify their level of agreement to a statement. According to Changing Minds (2011), a Likert scale normally measures the intensity of agreement by the respondent to a statement that asserts a phenomenon.

The applicable five-point Likert scale used in the construction of the questionnaire is outlined and interpreted with points of degree of agreement as Strongly Agree 5, Agree 4, Undecided 3, Disagree 2 and Strongly Disagree 1 for B1, and Always 5, Regularly 4, Seldom 3, Neutral 2, Never 1 for B2 and B3, respectively. The categories being tested are strongly agree, agree, undecided, disagree and strongly disagree for B1 and always, regularly, rarely, seldom, neutral and never for B2.

Both primary and secondary methods of data collection were employed. Primary method consists of questionnaire design, administration and analysis of responses.

The secondary method consists of references into previous scholarly works on budgeting and accounting concepts in textbooks and journal articles. Figures shown and analysis done were based on responses to copies of the questionnaire issued and returned.

3.4.1. Instrument validation

In the light of this, the research instrument was subjected to content validation to ensure that the content of the instrument measures the variables investigated in the study. The first draft of the questionnaire was given to two PhD students in accounting. Based on their suggestions improvements were made, and the improved copy was given to a post graduate lecturer who also made positive input. The input was incorporated in the final copy, which was used in carrying out the study. A reliability test was done on the data collected for testing the hypothesis. It resulted into a Cronbach's Alpha of 63.6 % as shown in Figure 3.2.below. This implies that the data are highly reliable.

Figure 3.2: RELIABILITY STATISTICS

Cronbach's Alpha	N of Items
.636	20

Source: Field Survey 2010

3.5 METHOD OF DATA ANALYSIS

In order to analyse the primary data obtained from the administered questionnaire comprehensively, both descriptive and inferential statistics were applied. The profiles of respondents outlined in section 'A' and the Likert scale questions featured in section 'B' were analyzed through the use of quantitative descriptive statistics in the form of frequency and Karl Pearson coefficient of correlation "r".

With respect to the hypothetical statements asserted in section 'B' of the questionnaire, a combination of the descriptive and inferential statistics was employed in analyzing the responses. Descriptive statistics used include probability sampling, frequency measures and parametric inferential statistics in form of the Karl Pearson coefficient of correlation "r" which is regarded as "the most popular measure of correlation for analysing differences between sample means, it summarises in one figure not only the degree of correlation but also the direction." (Gupta, 2009).

Karl Pearson coefficient of correlation "r" statistical method is adopted for its simplicity of interpretation, it is the most widely used in practice (Gupta, 2009), it is adopted because the study is about the strength of relationship between transparency and accountability and the adoption of accrual budgeting when compared with the traditional cash budgeting in the Nigerian Public Sector. The formulated hypotheses were tested with the aid of Statistical Package for Social Sciences (SPSS) version 17.0 to ascertain whether or not the respondents are significantly in agreement.

4. DATA ANALYSIS

4. 1. INTRODUCTION

This section discusses the data gathered from field survey by means of a questionnaire which was used to conduct the study, the questionnaire was made up of two sections, A and B as aforementioned. In section 'B' Questions 16 and 17 were drawn to answer research question I, questions 7 and 8 were to answer research question II. The formulated hypotheses were tested using the questionnaire's section 'B' questions 6, 12 and 17. The data analysis is presented in the figures below according to the responses to the questionnaire items.

4.2 PRESENTATION OF DATA

The completed copies of questionnaire were used for the analysis from two hundred and fifty eight (258) valid respondents out of the two hundred and ninety five (295) distributed. The response rate represents 87% of the total sample. Most respondents are in the accounts and audit sections at 73.6% and mostly executive officers at 56.2%, about 26.4% of them are directors, about 60.5% work for State governments while about 18.2 % are legislators. Most of the respondents have spent above 10 years in the public sector as shown in Figures 4.1.1, 4.1.2 and 4.1.3 below. The fact that most respondents are accountants and auditors who have spent over ten years on the job in an executive officer's capacity and that some of them are legislators who make the laws adds to the reliability of this study because the result is coming from familiar and knowledgeable people in the area of this research topic.

Figure 4. 1.1: Respondents' job section in the public sector

		Frequency	Percent	Cumulative Percent
Valid	Accounts	136	52.7	52.9
	Audit	54	20.9	73.9
	Budget & Economic Planning	31	12.0	86.0
	Legislature	36	14.0	100.0
	Total	257	99.6	
Missing	System	1	.4	
Total		258	100.0	

Source: Analysis of survey data (2011)

Figure 4.1.2 : Respondents' job designation

		Frequency	Percent	Cumulative Percent
Valid	Executive officer	145	56.2	56.4
	Director	68	26.4	82.9
	Ministerial/Parastatal's head	5	1.9	84.8
	Legislators	39	15.1	100.0
	Total	257	99.6	
Missing	System	1	.4	
Total		258	100.0	

Source: Analysis of survey data (2011)

Figure 4.1.3: Respondents' length of service in public sector

		Frequency	Percent	Cumulative Percent
Valid	Less than 5 years	34	13.2	13.2
	5- 10 years	55	21.3	34.6
	Above 10 years	168	65.1	100.0
	Total	257	99.6	
Missing	System	1	.4	
Total		258	100.0	

Source: Analysis of survey data (2011)

RQ1: To what extent is there transparency and accountability in the Nigerian current cash budgeting system?

About 36.4% of respondents expressed that a cash-based budget is never anchored on transparency and accountability principle while 18.6% are neutral making a total of 55% as shown in Figure 4.2.1 below. Also in Figure 4.2.2 below, 61.6% of respondents observed that key reconciliations are never performed to provide assurance around the integrity of information being reported under cash-based budgeting. The analysis shows that there is no adequate transparency and accountability in the Nigerian current cash budgeting system.

Figure 4.2.1 : A Cash-based budget is anchored on transparency and accountability principle

		Frequency	Percent	Cumulative Percent
Valid	NEVER	94	36.4	36.6
	NEUTRAL	48	18.6	55.3
	SELDOM	36	14.0	69.3
	REGULARLY	79	30.6	100.0
	Total	257	99.6	
Missing	System	1	.4	
Total		258	100.0	

Source: Analysis of survey data (2011)

Figure 4.2.2: In cash-based budgeting key reconciliations are performed to provide assurance around the integrity of information being reported

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	NEVER	159	61.6	62.6	62.6
	NEUTRAL	44	17.1	17.3	79.9
	SELDOM	29	11.2	11.4	91.3
	REGULARLY	22	8.5	8.7	100.0
	Total	254	98.4	100.0	
Missing	System	4	1.6		
Total		258	100.0		

Source: Analysis of survey data (2011)

RQ 2: To what extent does the adoption of accrual budgeting system have impact on transparency and accountability in the Nigerian public sector?

In Figure 4.3.1 below, 68.2% of respondents strongly agree that accrual budgeting provides full disclosure of information for transparent governance more than cash accounting. This view is further supported with a record of 42.2 % and 35.7% for agree and strongly agree, that is, a total of 77.9% respondents who believe that accrual budgeting improves international credibility and assurance more than cash budgeting as shown in Figure 4.3.2 below. Therefore, the adoption of accrual budgeting system has impact on transparency and accountability in the Nigerian public budgeting system to a large extent.

Figure 4.3.1 : Accrual budgeting provides full disclosure of information for transparent governance more than cash budgeting

		Frequency	Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	3	1.2	1.2
	DISAGREE	19	7.4	8.6
	UNDECIDED	4	1.6	10.1
	AGREE	55	21.3	31.5
	STRONGLY AGREE	176	68.2	100.0
Total		257	99.6	
Missing	System	1	.4	
Total		258	100.0	

Source: Analysis of survey data (2011)

Figure 4.3.2: Accrual budgeting improves international credibility and assurance better than cash budgeting

		Frequency	Percent	Cumulative Percent
Valid	DISAGREE	21	8.1	8.2
	UNDECIDED	35	13.6	21.8
	AGREE	109	42.2	64.2
	STRONGLY AGREE	92	35.7	100.0
Total		257	99.6	
Missing	System	1	.4	
Total		258	100.0	

Source: Analysis of survey data (2011)

Hypothesis 1

Ho: There is no significant relationship between cash budgeting and transparency and accountability in the Nigerian public sector.

Figure 4.4.1: Correlations of Cash budgeting and Transparency and Accountability in the Nigerian current cash budgeting system.

		Transparency and Accountability ensure management by exception.	A Cash-based budget is anchored on transparency and accountability principle.
Transparency and accountability improve management by exception	Pearson Correlation	1	.049
	Sig. (2-tailed)		.437
	N	257	257
A Cash-based budget is anchored on transparency and accountability principle	Pearson Correlation	.049	1
	Sig. (2-tailed)	.437	
	N	257	257

Source: Analysis of survey data (2011)

In Figure 4.4.1 above, hypothesis 1 predicts a positive relationship between cash budgeting, transparency and accountability but the relationship is not significant, therefore, the null hypothesis is accepted and it is concluded that there is no significant relationship between cash budgeting and transparency and accountability.

Hypothesis 2

Ho: There is no significant relationship between accrual budgeting and transparency and accountability in the Nigerian public sector.

Hypothesis 2 predicts a positive and significant relationship between accrual budgeting and transparency and accountability at 0.01 level of significance as shown in Figure 4.4.2 below. Therefore, we reject the null hypothesis and conclude that there is relationship between accrual budgeting and transparency and accountability. The result agrees with the findings of Althukorola and Reld (2003), who stated that accrual accounting should be adopted in the public sector environment for better accountability because government fiscal activities intentionally impact the economy.

Figure 4.4.2 Correlations between accrual budgeting and transparency and accountability

		Accrual budgeting provides full disclosure of information	Transparency and Accountability ensure management by exception
Accrual budgeting provides full disclosure of information	Pearson Correlation	1	.383**
	Sig. (2-tailed)		.000
	N	257	257
Accrual budgeting ensures management by exception	Pearson Correlation	.383**	1
	Sig. (2-tailed)	.000	
	N	257	257

** . Correlation is significant at the 0.01 level (2-tailed).

5. SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY

This study examines the impact of the adoption of accrual budgeting in the Nigerian public sector. A sample size of 376 respondents in the Nigerian public sector was used. Data analysis was carried out through the use of quantitative descriptive statistics in the form of frequency and Karl Pearson coefficient of correlation “r” with the aid of Statistical Package for Social Sciences (SPSS) version 17.0. This study answered two research questions and tested two hypotheses, it provides the answers in section four. The study found out that transparency and accountability is not exercised in the Nigerian public sector cash-based budgeting system to a large extent, and it is evidenced that adoption of accrual budgeting system has benefits of transparency and accountability when compared with the traditional cash budgeting to a large extent. This study drew trends and issues from a diverse range of sources in the public sector in order to examine some key areas in the budget process, principles and administration. The study combines literature review with analytical review to ensure proper education of the intention of the researcher.

The conclusions drawn from the results of the study are to a large extent similar to that reached by the Institute for Democracy in South Africa (IDASA)’s African Budget Project in a similar study although IDASA's study expanded to nine countries (UNECA, 2003). This study evidenced that accountability and transparency in the Nigerian budgeting system need improvement through the adoption of accrual budgeting. This agrees with (Iweala, 2011) who expressed that “the 2011 Nigerian budget is not good for development.”

5.2 CONCLUSION

This study predicts a positive significant relationship between accrual budgeting and transparency and accountability at 0.01 level of significance. The result agrees with the findings of Althukorola and Reld (2003), who stated that accrual accounting should be adopted in the public sector environment for better accountability because government fiscal activities intentionally impact the economy. If the accrual basis of budgeting is adopted there may be hope of finding solutions to the problems of hunger and poverty, transparency and accountability. This change in the budgetary basis may bring relief to pensioners as pension

fund scams are expected to be reduced. Also, the global community, such as credit agencies, shall have confidence in the Nigerian public sector.

5.3 RECOMMENDATIONS

- i. It came out from this study that accrual accounting should be embraced in the Nigerian public sector. There should be clarity of roles for financial and program decision making at all levels of government to ensure assurance of integrity and a transparent budgeting system as an instrument for financial decision making.
- ii. Federal government has responsibility for the overall state of the economy, therefore, the responsibility to use budgeting as an instrument of economic policy must be taken seriously. There should be public availability of information, in the interest of credibility, the government should be committed to publishing financial information regularly, to ensure full disclosure of information, which is the essence of transparency and accountability.
- iii. Transparency and accountability should be improved upon in the public sector. Budget spenders should be accountable by agreeing expected results from capital and recurrent expenditures spending, monitoring implementation, and reporting to stakeholders such as constituents, credit and donor agencies.

5.4 FUTURE STUDY/ LIMITATION OF THE STUDY

This study is limited to respondents located in four states due to financial and logistics constraints. Future research is necessary to extend the scope of the study to cover the Nigerian nation. Also the study is concerned with samples of state government operations, a future study should cover the operations in the entire nation.

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Public Sector Accounting Education: A Neglected Element of Public Financial Management Reforms in Ghana

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Abstract

The study investigates the current state of public sector accounting education in Ghanaian public universities as an essential element of public sector management reforms. The objectives of the investigation are to examine: the extent of inclusion of public sector accounting in the accounting curriculum; the level of faculty interest in teaching public sector accounting; the availability of teaching resources; and the nexus of public sector accounting education and public sector financial management reforms. Data was collected from the official websites of the public universities, students' handbooks, and the most recent public sector accounting course outlines and library collections. Further, 42 accounting faculty members were interviewed either through face to face meetings or telephone surveys. The findings suggest that most public universities offering business programmes included a 3 –hour credit course in public sector accounting in their accounting degree curriculum, but there is evidence of limited content coverage of the course. The study also found that most accounting faculty members have little or no interest in teaching public sector accounting due to lack of academic interest or unavailability of teaching resources or a combination of both. There is also evidence of weak nexus between public sector accounting education and the requirements of public sector financial management reforms currently taking place, and therefore, respondents suggested the need to expand the public sector account curriculum to meet the demands of the reform, perhaps by elevating the course to an area of accounting specialization in the near future. Collaboration between the academic authorities and government financial actors needs to be fostered and strengthened.

Introduction

The public sector constitutes a significant part of Ghanaian economy and a major employer of labour. In the past, the public sector governance structure presented less incentive to develop complex and efficient system of service delivery and accountability, and as such, highly skilled professionals and other personnel were not required to run the existing systems. However, a constant stream of public sector reforms has occurred over the last two decades in response to improved governance and accountability system. The sector has no other option than to reach out for the proven practices of the business sector to ensure economy, efficiency and effectiveness in its services delivery, and to demonstrate accountability and stewardship for the use of public resources (Hood, 1995). Following the developments in many other countries, several administrative and financial reforms were carried out in Ghanaian public sector to achieve two main themes: promote culture of performance; and to make the public sector more responsive to the needs of the public by increasing the organisations' accountability, promoting efficiency and effectiveness, introducing participative decision making and adopting a customer focus (Hoque and Moll, 2001). Some remarkable reforms in recent years are the adoption of the medium term expenditure framework of budgeting in 1999; Financial administration reforms through the passage of the Financial Administration Act (Act 654) in 2003 and Financial Administration Regulations (L.I 1802) in 2004; Public procurement reforms in 2003; National pension reforms in 2008; the structuring of the revenue collection agencies in 2009; and the

adoption of the cash-based International Public Sector Accounting Standards (IPSAS) in 2009 with plans to adopt the full IPSAS in the near future.

Undoubtedly, these reforms have implications for public sector accounting (PSA). The reforms have changed the traditional role of accounting to one that is more focused on accountability, output, performance measurement, efficiency, cost savings and productivity (Guthrie, 1995). This requires a change in focus of public sector accounting education (PSAE) to ensure that knowledgeable and competent accounting personnel are produced to meet the job requirements implicit in the reforms and to serve as drivers of change in the organisations through provision of useful financial and non-financial information required in making economic, social and political decisions, and to also demonstrate accountability to the public. The competency and capabilities of accounting personnel of the public sector are largely unsatisfactory. The Public Accounts Committee (PAC) of the Ghanaian Parliament continuously identifies poor accounting practices, internal control failure and incompetent financial decisions as the main threat to public financial management (PAC Report, 2006-2009). Traditionally, business schools in the universities have focused on satisfying the needs of the corporate world with its high demand for skilled graduates, thereby limiting accounting education to commerce (Engstrom, 1979). Nowadays, neglecting to acknowledge the role of the accountant in the public sector is a disservice to graduates when they commence searching for employment opportunities, which most found in government entities such as Controller and Accountant General's Department, Audit Service, local governments, colleges and universities, and hospitals, among others.

Thus, this paper investigates the status of PSAE at the undergraduate level to find out if the right skills are acquired to match the demands of current financial reforms in Ghana. One of the four specific objectives of the study is to find out whether PSA forms part of the curriculum of the five main public universities having business schools. The second objective is to ascertain the faculty interest in the teaching and development of PSAE in these universities, and thirdly, to examine the teaching approach, materials and aids employed in PSAE in these universities. Lastly, an objective is to evaluate the extent to which the requirements of the current financial reforms are addressed in PSA curriculum of the universities offering the course.

The remaining part of the paper is in four sections. The first section deals with a literature review on accounting and public sector management reforms and prior studies on public sector accounting education. The second section is devoted to explanation of the methodology employed in acquiring data for the study whilst the third section deals with the discussion of data obtained. The final aspect provides conclusions and recommendation for future research.

Literature Review

Public Sector Financial Management Reforms and Accounting

In recent years, governments all over have embarked on a wide range of financial and administrative reforms as a result of increasing social, political, economic and technological pressures on government to become more effective, efficient and accountable for the use of public resources (Hoque and Moll, 2001). It is opined that governments are pressured from increased globalization, the dissatisfaction of citizens with the current management, and curtailing of the budget spending (Wensing, 1997). According to Sciulli and Sims (2007) managers of government agencies have increasingly looked at how the private sector operates in order to assess whether there are practices that could and should be adopted by the public sector. This is widely referred to as New Public Management (NPM) in Public Administration literature (see for example Ridder et al, 2005; Goddard, 2005; Sevic, 2004; Christiaens, 2004; Jan, 2004; and Davis 2003). Some of the reforms include the introduction of accrual accounting, managing

by outputs, a user pay regime, privatization, contracting out and standardization of financial reporting (Sciulli and Sims, 2007; Goddard, 2005).

Over the last few years, the government of Ghana has accelerated its development and implementation of public financial management reforms through a number of measures intended to strengthen the legislation framework and improve oversight of the use of public resources (World Bank Report, 2006). Many such reforms have occurred in the area of decentralization, budgeting, financial administration, personnel emolument and pension administration, procurement, expenditure management and internationalization of financial reporting. In most of these reforms budgeting, financial accounting and reporting, and disbursement controls are most emphasized (World Bank Report, 2006). According to the World Bank Report, the specific measures put in place currently to improve the efficiency of resource and information flows include the improved computerized Integrated Personnel and Payroll Database (IPPD) system, the Budget and Public Expenditure Management System (BPEMS) and the Ghana Integrated Financial Management Information System (GIFMIS). The Table 1 summarizes some significance public financial management reforms between 2001 and 2012.

Table 1: Public Financial Management Reforms (2001 - 2012)

Year	Reforms type	Remarks
2001	Implementation of Budget and Public Expenditure Management System – 2 (BPEMS 2) and Audit reforms	BPEMS/IFMIS was revitalized and updated to produce BPEMS2. New Audit Law was enforced.
2003	Municipal Finance Management Initiative (MFMI)	To empower local governments to attract funds from the capital market for long term financing of infrastructure and other services.
2005-11	Economic management capacity building project.	To provide technical assistance and capacity building for public pension and pay reforms, service delivery, decentralization, development communication and human resource management capacity.
2008	Adoption of new intergovernmental fiscal framework (IGFF) for local government funding	To develop new mechanisms for central government funding of local governments outside the constitutionally mandated transfers.
2009	Adoption of new payroll management system- IPPD 3	Plans to decentralize the payroll management system to have data processing centres in each of the ten regions in Ghana.
2009	Reforms of Revenue Collection Agencies to form Ghana Revenue Authority	To improve tax administration and collection in Ghana through information sharing and linkages within the government agencies.
2011/12	Ghana integrated financial management information system (GIFMIS)	Computerized system that integrates the various components of public financial management including budget, financial accounting and reporting, disbursements, and auditing.

Source: Adapted from various World Bank Reports.

Over the past two decades, researchers have directed significant energies at understanding the role of accounting in the sweeping reforms in almost every country in the world (Hopwood and Tomkins, 1985; Llewellyn, 1998; Lawrence, 1999; Llewellyn and Northcott, 2005; Mir and Rahaman, 2007) and accounting has been found to play a significant role in the successful implementation of organizational change and reforms at both micro and macro levels. The relationship between accounting and public sector reforms has been examined (Osborne and Glaebler, 1993; Oslen et al., 1998; Meyer, 1998; Lapsey, 1999; Ball, 2001; Sevic, 2004 and Goddard, 2005), however the findings are diverse. Most of the studies stress the importance of accounting to successful public sector reforms (Goddard, 2005). According to Stamatiadis (2009), public sector accounting reform has often been the first step of government reforms and it is considered as an important condition and prerequisite for the success of other subsequent public sector reforms under the new public management movement. It follows that successful reforms, financial or otherwise, required competent and capable human resources, including competent accountants, to execute them.

Stamatiadis (2009) found that lack of knowledge and expertise as well as lack of accounting training negatively affected the successful implementation of accrual accounting reforms in Greek hospitals. In agreement with Stamatiadis, Ridder, et. al. (2005) employed the resource view in their study and concluded that human resource is a crucial determinant of successful implementation of accrual accounting and output-based budgeting in six municipalities in Germany. Chan and Rotenberg (1999) also stressed accounting and accounting training as a very important area in China's reform process. The World Bank Report (2006) recognized that sound accounting and auditing systems are crucial drivers of successful public financial management reforms. These propositions call for qualified and competent accountants to operate and report on the systems. The lack of competent accounting skills is cited to be partly accountable for the failure of reforms and increasing financial irregularities in the Ghanaian public sector (Public Accounts Committee, 2010). Therefore, training and educational programmes for accountants in the public sector need to factor in the requirements of the public financial reforms agenda in order to create the needed nexus between accounting education and the reform agenda of the government.

Public Sector Accounting Education

Few research studies have been undertaken in public sector education, perhaps due to lack of interest in the teaching and research in the subject (Holder, 1978; Engstrom, 1979; Sciulli and Sims, 2008). Over three decades ago, Holder (1978) conducted a study into graduate-level public sector accounting education in the United States. In his survey he found that only 13.6% of the sampled 81 business schools offer a graduate level public sector accounting course, however these courses are limited in scope. Holder's investigation suggests that most business schools were not offering the courses because of various reasons: lack of resources, inadequate student and faculty interest and low employment opportunities. In an attempt to determine the future of public sector accounting education in the United States, it was found that most of the responding institutions presently plan to offer the course in the near future. Engstrom (1979) undertook similar study in the United States and concluded that most accredited institutions offering undergraduate and graduate programmes would like to expand public sector accounting courses but were unable to do so due to lack of funds and qualified faculty. Engstrom opines that the decision of the institution to expand the offering in public sector accounting is based on the recognition that the demand for accounting graduates with some knowledge in public sector

accounting will increase in the near future and that accountants are hired by all levels of government, hospitals, colleges, public schools and other not-for-profit organisations.

Sims et al (1997) studied the public sector accounting content in Australian university courses and reported that most accounting graduates in Australia received very limited exposure to public sector accounting. It was suggested that public sector accounting preferably be integrated into mainstream accounting subjects to ensure appropriate coverage. A decade later, Sciulli and Sims (2007) conducted an exploratory investigation into public sector accounting education in Australian universities and no significant improvement in PSAE was found. Their findings suggest that there continued to be limited teaching of public sector accounting in Australian universities, implying that accounting graduates may not have gained basic knowledge of accounting reporting requirements in the public sector. They argue that the continued neglect of PSAE in the curriculum of the universities would result in reform misfit because graduates applying for positions at government agencies would benefit from some knowledge of these reforms. A year later, the same authors conducted investigations into the obstacles and opportunities in PSAE. The study confirmed again that there was very limited teaching of PSA in Australia and the reasons adduced are the same as those offered by Holder (1978) and Engstrom (1979) three decades ago. They suggest that the professional accounting bodies intercede by requiring PSA to be included in courses as part of the accreditation process.

The approach and resources of teaching is also the concern of some studies. Lowensohn and Reck (2005) recommend the use of interesting and relevant public sector case studies of both problems and solutions that have been created to provide a more balanced view. To increase and sustain students' interest in PSAE, Murphy (2005) demonstrates that active learning approaches help students to grasp unique public sector accounting terminology and techniques. Sciulli and Sims (2007) report that lectures, illustrations, and textbooks are the main approaches used to teach PSA content in Australian universities. Hoque (2002) explores the use of journal articles to teach PSA in higher education and the findings suggested that students found journal articles to be a valuable aid to learning, especially the professional articles. The general view is that there is limited teaching of public sector accounting in universities in many countries and that there is a need to step up this aspect of the accounting curriculum in the face of increasing financial reforms in the public sector, especially the developing countries, in recent times (World Bank, 2006).

Methodology

The study is a descriptive research that explores the state of PSAE in Ghanaian universities and how it fits into the financial reform programme of government. The data for the study was collected from the websites and students' handbooks of public universities and an interview of accounting faculty members. The study focuses on all five public universities that offer undergraduate accounting programmes. The selection of universities was restricted to public universities because these universities are funded with public monies and therefore are more likely to be influenced by government programmes and policies, including the reforms. Besides, participation of the private sector in the provision of university education is a very recent development in Ghana so not much data could have been obtained from these growing universities, which continuously learn from the existing public universities.

Information on the curriculum of the five universities was obtained from their official websites, students' handbooks and the course outlines for the 2011/12 academic year. On the other hand, forty-two (42) out of the fifty-one (51) faculty members currently at post in the accounting departments of five universities were interviewed either through face to face meetings or telephone calls. For the telephone interviews, the mobile phone numbers of the respondents

were obtained through the use of snow ball technique: the contact number of the head of department is collected from the directory and others are collected upon referrals. In order to enhance representation of the sample, it was ensured at least five members of accounting faculties of each university were involved in the study. The interview was centered on faculty interest in teaching PSA, the depth of coverage of PSA, the teaching approach and materials used. The faculty's opinion on the need to have a more comprehensive curriculum for PSA in the near future was obtained. Furthermore, the researcher toured the main libraries of three of the universities to obtain data on teaching resources available on PSA.

Discussion of Findings

Type of accounting degrees offered

The study collected data from the websites of the five public universities on the kind of accounting degree programmes offered by these universities. All of them have accounting departments responsible for offering accounting programmes in the business school. It was found that all of the universities offer a 4-year degree programme in accounting and the degree offered is similar in content but different in designation as shown in Table 2. Whilst some see accounting as an option in business administration, others prescribed it as a standalone business degree. For example, those who make it as an option of business administration provide general business education in year one and two and afterwards allow students to specialize in the various areas of administration, such as Accounting, Finance and Banking, Marketing, Insurance, Human Resource, and sometimes Public Administration. Those who offer accounting as a standalone degree provide accounting courses right from year one; such institutions designate their degrees as Bachelor of Commence or Bachelor of Science Accounting.

Table 2: Accounting Degrees offered

University	Accounting Degree offered	No. of other Business degrees offered
U ₁	4-year Bachelor of Science Administration (Accounting)	6
U ₂	4-year Bachelor of Commerce	1
U ₃	4- year Bar Bachelor of Business Administration	2
U ₄	4-year Bachelor of Science Accounting	3
U ₅	4-Year Bachelor of Accounting/ Accounting with Finance/ Commerce.	3

PSA in Curriculum

The website information obtained on the accounting curriculum reveals that all but one university offered a 3-hour credit PSA course in the final semester of the final year. A further investigation presented in Table 3 indicates that a student requires at least 144 credit hours to graduate, and out of this amount, only 2% of the time is allocated to public sector accounting. This shows clearly that even though public sector accounting is offered in most universities, the scope is very limited. It is worthy to note that public sector accounting differs from business accounting, and therefore the business accounting model cannot be substituted for public sector accounting. The overall objectives of public sector accounting and reporting is to provide useful financial information for making economic, social and political decisions and to demonstrate accountability for the use of public resources (IPSAS 1). Whereas business accounting focuses on profit and economic decisions, public sector accounting is expected to provide useful information on the social and political implications of the use of public resources and also to

enable governments to demonstrate accountability. Chan (2009) believes there exists differences between accounting in public and private sector and those conflicts are justifiable because the public sector is unique and the objectives are mixed. Most often, business accountants and auditors upheld the view that business accounting models are superior to public sector accounting and therefore government should adopt the superior ideas of business. However, Chan (2009) asserts that government's acceptance or rejection of this idea is never the solution. He put it this way:

“.... if business accountants and auditors believe their superior ideas should be adopted by government, officials in charge of government accounting may (a) readily accept, (b) instinctively oppose, or (c) evaluate the merits of both perspectives and decide how best to resolve the conflict. The author [Chan] declines option (a) because the public sector is unique in some respects and option (b) because business accounting has some useful lessons for government, and offers several modalities of conflict resolution:

- Harmonize when the same accounting concepts or methods apply equally well to government and business;
- Converge when government accounting and business accounting are headed in the same general direction, or when it is possible to make the case that one type of accounting is better than the other type;
- Reconcile when legitimate differences exist and it is necessary or useful to explain those differences; and
- Co-exist when the differences are genuine and cannot be reconciled.”
(Chan, 2009: pp. 35)

Table 3: Status of PSAE in Curriculum

University	PSA offered as a Programme	PSA offered as a Course	Year offered	Credit hours per week	PSA to Total credit hours
U ₁	No	Yes	Level 400	3	2 %
U ₂	No	No	NA	0	0%
U ₃	No	Yes	Level 400	3	2%
U ₄	No	Yes	Level 400	3	2%
U ₅	No	Yes	Level 400	3	2%

Faculty interest in teaching PSA

Another issue of the research is whether the accounting faculty members have adequate interest in the teaching and research in PSA because faculty interest is very important in the advancement of teaching and research in a subject area. In the course of the interviews, the faculty members were asked to indicate their level of interest in the teaching of courses in PSA and the result showed high level of disinterest. Out of the 42 respondents only 19% expressed some level of interest in teaching PSA. Surprisingly, as high as 43% of the respondents confessed that they are indifferent towards the subject, implying that they neither have interest in the PSA nor dislike it. They explained that they just do not give any serious consideration to PSA even though they believe it is a very relevant course for public administration. The data also reveals that approximately 29% of the respondents expressed no interest in the teaching of PSA either because they have limited exposure to the course or because they already have

uncompromising interest in other courses like Management Accounting, Taxation or Financial Accounting. Despite the fact that many faculty members declared no interest in PSA, a large number are indifferent and may swing their interest in favor of PSA when enabling conditions are put in place. Table 4 reflects the faculty members' level of interest in teaching of PSA.

Table 4: Faculty Interest in teaching of PSA courses

Interest in teaching PSA	Number of Faculty	Percentage
Considerable interest	3	7.1
Some interest	5	11.9
No interest	12	28.6
Indifference	18	42.9
No response	4	9.5
Total	42	100

Content Analysis of PSA Course

The PSA content descriptions found in students' handbooks and the resulting course outlines of the five universities were analyzed to determine the extent of coverage and the time allocated to the various topics covered. The course outlines obtained were prepared showing the time allocated to each topic covered. The topics covered in these course outlines are categorized as conceptual framework, financial accounting and reporting, management accounting and control, auditing, and financial accountability and control.

As indicated in Table 5, much emphasis is placed on financial accounting and reporting as about 56% of the total teaching period per semester was devoted to financial accounting and reporting covering concepts, basis and techniques of accounting, fund accounting and preparation of public accounts - namely statement of revenue and expenditure and a statement of financial position. However preparation of statement of cash flow was not found in any of the course outlines obtained. Concerning management accounting and control, 25% of time is allocated and it covers basically budgeting and budgetary control. Topics not covered at all include procurement, pricing, cost determination and decision making accounting. The findings have an implication for PSAE - there is a need to increase the credit hours allocated to PSA in order to cover all relevant contents. For instance, much time is needed to expose students to the provisions of relevant legislations such as the Financial Administration Act 2003 (Act 654), Financial Administration Regulations 2004 (L.I.1802), Public Procurement Act 2003 (Act 663) and the IPSAS.

Table 5: Typical content of PSA courses and average time allocation

Content Outline	Average Hours	Percentage
<u>Conceptual and Regulatory Framework</u>	2	5.6
International Public Sector Accounting standards	1	
Financial legislations (e.g. Financial Administration Act, 2003)	1	
<u>Financial accounting and Reporting</u>	20	55.6
Concepts, Bases and techniques	6	

Table 5: Typical content of PSA courses and average time allocation

Content Outline	Average Hours	Percentage
Fund accounting practices	3	
Accounting for revenues and expenditures	2	
Accounting for public assets and liabilities	2	
Financial reporting	7	
<u>Management accounting</u>	9	25.0
Budgeting, evaluation and control	9	
Pricing	0	
Cost determination	0	
Decision making accounting (contracting, subvention)	0	
Capital investment	0	
<u>Auditing</u>	3	8.3
External audit principles and practices	2	
Internal audit principles and practices	1	
<u>Accounting for Public procurement</u>	0	0
Procurement structures	0	
Procurement planning and costing	0	
Procurement methods and procedures	0	
<u>Other areas</u>	2	5.6
Environmental accounting	0	
Financial instruments	0	
Financial accountability and Control	2	
	36	100

Table 6: Entity Specific Accounting

Entity	Concentration (in Hours)	Percentage
Central Ministries, departments and agencies	24	66.7
Local governments (MMDAs)	12	33.3
Colleges, universities etc.	0	0.0
Hospitals and health care administration	0	0.0
Government business entities (GBEs)	0	0.0
	36	100

An examination of the accounting curriculum of the universities shows that much attention is granted to teaching entity specific accounting issues in the business accounting course such as sole trading, partnerships, companies, joint ventures, and many others. The public sector of Ghana is also made up of diverse entities, therefore it is expected that PSA students will be taught accounting arrangements in these diverse entities. The PSA course outlines that were analyzed reveal that concentration is given to accounting practices in the MDAs and the local governments to the neglect of other governmental set-ups such as hospitals, universities and government business enterprises that employ many accounting graduates. Table 6 depicts the entity specific accounting content in the PSA curriculum.

Teaching Approaches/ Methods

How PSA course was delivered to students by the twelve (12) respondents teaching the course is depicted in Table 7. All the respondents confessed using lecture sessions with textbook illustration and tutorials in delivering the course to their students. The problem here is that most of the recommended books are foreign books that failed to address the peculiar issues affecting Ghanaian public sector financial management practices. The case study approach is employed by 25% of the respondents while none of them finds the guest speaker method useful. However, these two approaches have the potential to bring to bear the current practices in the sector on the theories found in the textbooks. Another 25% of respondents indicated that they use some interesting journal articles in the delivery of the course and this would also provide some practicality to the course.

Table 7: Teaching approaches adopted in PSAE

Approaches/Method	No. of Lecturers	Percentage
Lectures with textbook illustrations	12	50
Tutorials	12	100
Case studies	3	25
Guest speaker	0	0
Self-developed study guide	6	50
Academic articles in Journals	3	25

PSA Teaching Resources

The range of PSA teaching resources available affects the delivery of the course. A tour of the university libraries, and the analysis of the recommended reading materials included in the course outlines produced the statistics shown in Table 8. It is evident from the table that there are far more teaching resources available to business accounting than PSA. For instance, 78% of foreign accounting textbooks found in the libraries were business related and as high as 90% of the local books belong to business accounting categories. The trend confirms the marginalization of public sector accounting in Ghanaian universities. The foreign textbooks found in the libraries and course outlines include: Rowan Jones and Maurice Pendlebury (2000); Michael Rogers (1995); Engstrom and Hay (1994); Ruppel Warren (2005); and Henley Douglas, et al (1989). The only locally authored book found is Opoku Fofie (2009), however the book is more theoretical and fails to address the practical issues in PSA in Ghana. There are also some manuals and handouts available to the students. The most popular manual in PSA is published by the Institute of Chartered Accountants, Ghana (ICAG) for its part three students taking PSA paper. In 2009, the ICAG introduced PSA as a full paper in part three examinations to equip the professional students with comprehensive knowledge and skills in PSA and public

financial management in general. The conclusion is that teaching resources of PSA are of limited supply, especially the localized ones.

Table 8: Available PSA Teaching Resources

Materials	PSA	Business Accounting	Total
Foreign books	5 (21.7%)	18 (78.3)	23 (100%)
Local books	1 (9.1%)	10 (90.1%)	11 (100%)
Manuals	2 (7.6%)	24 (92.5%)	26 (100%)
Hand outs/pamphlets	12 (25.0%)	36 (75.0%)	48 (100%)

PSAE and Public Sector Financial Management Reforms

The perturbation of the study is whether the current PSA curriculum addresses the needs of the on-going reforms in the public sector of Ghana. The view of faculty members teaching PSA was sought on the matter and the responses are presented in Table 9. The result indicated that 83 % of respondents either strongly disagree or disagree that current status and content of PSAE in the universities meet the requirements of the on-going financial reforms in Ghanaian public sector. And 92% of them suggested that the content of PSAE needs expansion to meet the requirements of the reforms. Many of the respondents advocated for the introduction of a separate degree programme in public sector accounting leading to the award of Bachelor of Public Administration (Accounting option) or Bachelor of Science Public Sector Accounting. It is proposed that the accounting students read the same courses until level three hundred (year 3) where the student will make a choice between business accounting and public sector accounting. In order to make the programme attractive, students who opted for the public sector accounting should be linked to the public sector entities for internships leading to likely employment in the sector. This way the required importance will be attached to public sector accounting education as a vital element of the public sector management reform. The respondents also suggested a close collaboration between the educational institutions and government agencies so that the needs of the sector could be communicated to the educational leaders who influence the curriculum.

Table 9: PSAE and Public sector management Reforms in perspective.

Opinion	Faculty Response					Total
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	
Current status and content of PSAE meet the requirements of the financial reforms going – on.	3 (25.0%)	7 (58.3%)	2 (16.7%)	0 (0.0%)	0 (0.0%)	12 (100%)
Public sector management reforms call for expansion in the content of PSAE in my university	0 (0.0%)	0 (0.0%)	1 (8.3%)	9 (75.0%)	2 (16.7%)	12 (100%)
Separate degree programme in public						

sector accounting should be introduced in my university.	1 (8.3%)	3 (25.0%)	1 (8.3%)	8 (66.7%)	0 (0.0%)	12 (100%)
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Summary

The paper examines the status of PSAE in Ghanaian public universities and the nexus with current public sector management reform agenda of government. The data was obtained from the five public universities offering business programmes through surfing of their websites, analyzing the student handbooks and PSA course outlines, and interviewing 42 accounting faculty members either through face to face or telephone interviews. A tour was also made to the main libraries in the universities to evaluate the PSA teaching resources available for use. The website and handbook search reveals that most universities offer public sector accounting as a 3 – hour credit course at the final year level. However, an analysis of the content of the PSA curriculum showed that there is a very limited teaching of the course, which is skewed towards financial accounting and reporting. It was also found that even though accounting graduates seek employment opportunities in public hospitals, universities and colleges, no coverage was found in the course outlines. The results also suggest that lack of faculty interest and unavailability of teaching resources are the major limiting factor of PSAE in Ghana. Most accounting faculty members (respondents) believe that the current status of the teaching of PSA in their universities is shallow and does not match the requirements of the public sector reforms currently going on in the country and therefore suggest an expansion in the content and coverage of the course in the near future. Some are of the view that PSA should be run as a separate degree course with equal recognition as business accounting because government is becoming the employer of most accounting graduates in recent times. It is suggested that future research would investigate the performance of accounting graduates in public sector entities to find out whether there are gaps in the knowledge acquired in university education and the practical demands of the work. The result of such study will help reform the PSA curriculum in the universities.

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Appendix I

Interview Guide for Members of Accounting Faculty

Please share your thoughts on the following issues concerning public sector accounting education in your university. The information will be used strictly for academic research.

1. For how long have you been with this university?
2. How would you measure your interest in the teaching of PSA in your University? (considerable interest, some interest, indifferent and no interest) Why?
3. Have you taught PSA before in your university? (Yes/No)
4. What approach have you usually adopted in the delivery of the course? (lectures illustrations, case studies, guest speaker, tutorials, etc.). Why that approach?
5. Based on your experience in teaching PSA, do you think the hour allocated to the course is adequate? Why?
6. “Current status and content of PSAE meet the requirements of the financial reforms going – on” : [Strongly disagree, disagree, neutral, agree, disagree]
7. “Public sector management reforms call for expansion in the content of PSAE in my university”- [Strongly disagree, disagree, neutral, agree, disagree]
8. “Separate degree programme in public sector accounting should be introduced in my university” -[Strongly disagree, disagree, neutral, agree, disagree]
9. If you agree to Q8, What form do you think it should take?

Suggested Framework for Implementation of Performance Budgeting in the Public Sector of Developing Countries

With special focus on Egypt

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Introduction

The last 25 years have witnessed waves of reform (reform initiatives) that swept the government sector as a whole during the mid-1980s. These initiatives in the framework of the New Public Management (NPM) are encouraging the implementation of the private sector management techniques in the public sector. For example, performance audits are being performed in order to monitor the degree of efficiency and effectiveness with which the public sector services are delivered and to evaluate the financial consequences of management decisions (Lapsley, 1999). Moreover, these initiatives have had a substantial impact on public sector accounting, where accounting as an information system plays an essential role in whatever reform process any governmental entity would want to undertake.

In addition, these initiatives, especially NPM, resulted in changing the accountability concept. This conceptual change resulted in expressing accountability in terms of efficiency and results (effectiveness and cost effectiveness) in lieu of procedural compliance. The changing of accountability concept has had a fundamental impact on the budgeting system in the public sector. Accountability for results depends on *clear objectives stated in measurable terms and on budgets showing the minimum results to be achieved*. This must also be based on expenditure limits as well as accounting and auditing systems that measure and report on actual results (Htun, 2000). Of course, this raises the desirability of accrual-based accounting, *output-based budgeting (performance budgeting)*, and performance-based auditing. Accordingly, reforming the budgeting system is considered an essential part of the reform initiatives that swept the government sector as a whole. These reforms are intended to transform the government sector budgeting systems from control of inputs to a focus on outputs and outcomes in the interest of improving operational efficiency and promoting result-oriented accountability (Shah and Shen, 2007)

While many of the Organization for Economic Co-operation and Development (OECD) countries have been successful in reforming the budgeting system such as New Zealand (implemented output budgeting), Australia (implemented outcome budgeting), UK (implemented output budgeting), Sweden (implemented performance budgeting), the Netherlands (implemented policy budgeting), etc., most developing countries have failed to adopt performance budgeting (example of the developing countries is Egypt). While Egypt decided in 2005 to adopt the performance budget in 2010, performance budgeting has not been implemented yet in the governmental sector.

In fact, this is not only the case of Egypt, but also the case of many developing countries. This situation raises the following questions:

- Why does performance budget not work in most developing countries?
- Why have most developing countries failed to implement performance budgeting in their public sectors, even though the performance budget as a concept has existed for more than 60 years?

- Does performance budgeting require a specific framework with which to work ?
- If yes: What are the basic components of such a specific framework, which can facilitate the implementation of performance budgeting in the developing countries (e.g., Egypt)?

The main purpose of this paper is to explore why the performance budget has not been implemented yet in most developing countries and to suggest a framework (using Egypt as an example) that can facilitate the implementation of performance budget in developing countries. The paper is structured as follows: the second section will briefly discuss the budgeting system in Egypt. Section 3 will deal with the government traditional systems and explore whether the performance budget works under those systems. Section 4 makes an attempt to suggest a framework for the successful implementation of performance budgeting in the public sector of developing countries (e.g., Egypt). Section 5 is devoted to the conclusion. Hopefully, this paper offers a practical framework – that is perhaps more than 60 years late—to facilitate the implementation of performance budgeting in the public sector of the developing countries.

Budgeting System in Egypt

In Egypt, one general budget is prepared for the country as a whole. The general budget is a financial plan that comprises the estimates of expenditures for the upcoming financial year and the estimates of revenues to finance them. The general budget is related to the country's overall plan for socio-economic development. Therefore, this budget is considered as a financial program for the following financial year to achieve specific objectives in the framework of the general plan and public policy of the country. The general budget does not coincide with the calendar year but it begins in July and ends in June. The budget method, which is used by the Egyptian government, is the **line item (traditional)** budget. The general budget is an aggregation of the following budgets: 1- Budget of central government administration; 2- Budget of local governmental units; 3- Budget of public service bodies; and 4- Budget of financing funds with a service character. According to Budget Act 53 of 1973, adjusted by Act 11 of 1979, the general budget of the country should be prepared on the basis of administrative division (Central, local and public bodies) and functional classification. These functions can further be classified into programs, activities or projects. The functional classification of the expenditures comprises: agriculture and irrigation sector; education and research sector; industrial and mineral sector; health service sector; transportation and communication sector, etc.

According to Budget Act 11 of 1979 and Government Accounting Act 127 of 1981, the cash basis should be used in the preparation and execution of the budget. This basis of accounting records transactions when payments are made, independent of the time when goods and services are ordered, delivered and consumed. Because of the use of the cash basis, the amount of appropriation, which is not expended until the end of the financial year, is cancelled and considered to be a surplus. In addition, the revenues that are not collected in the budgetary year should not be added to the revenues of that year but should be added to the year in which they are collected. This, in turn, will result in the financial statements disclosing the *monetary position* of the government. On the other hand, the investment budget is prepared and executed according to the accrual basis.

Performance budget and traditional public sector systems

Performance budgeting is a system of budgeting that presents the purpose and objectives for which funds are required, costs of programs and associated activities proposed for achieving those objectives, and outputs to be produced or services to be rendered under each program (Shah and Shen, 2007). Performance-based budgeting aims to improve the efficiency and effectiveness of public expenditure by linking the funding of public sector organizations to results they deliver, making systematic use of performance information (Robinson, 2009). In comparison to traditional line item budgeting, performance budgeting allows for more flexible use of fiscal resources and transforms focus from inputs to results, as it focuses on the results to be achieved. The performance budget, given its program structure, changes the focus of discussion from detailed line items to broader objectives and performance of public programs, and therefore facilitates more informed budgetary decision-making (Shah and Shen, 2007). In addition, Schick (2008) argues that to understand the challenge facing performance budgeting, one must decompose it into two main elements. First, performance budgeting is a system for compiling and presenting information on actual or expected results. Second, it is a system for buying results through the expenditure of public funds. The two elements are interdependent *since government would not be able to allocate on the basis of results if it lacked result-based information. This means that governments that do not manage for results cannot budget for results.*

The implementation of an effective performance budgeting system depends on reliable performance measurement and reporting system. Moreover, the performance budgeting system requires a basket of measures that assess public programs through a variety of filters, such as inputs; outputs (quantity and quality of goods and services produced); efficiency (unit cost to produce outputs); service quality (measure of service such as timelines, accessibility, accuracy and satisfaction); and outcomes (progress in achieving program objectives) (McGill, 2001). Effective performance budgeting requires a comprehensive performance and reporting system, which in turn entails that one must monitor the entire results-based chain in order to understand and effectively manage government programs. In addition, budgeting for results needs a performance audit system that can assess the management and operational performance of governmental entities and consider questions of economy, efficiency, and administrative effectiveness of operations for which the public sector managers are accountable. However, the following are ***currently used traditional public systems*** in the Egyptian government sector: public administration system (bureaucratic management); traditional performance measurement system; traditional auditing systems; cash-based government accounting system; and line item/traditional budgeting system (including bottom-up approach). These systems are no longer able to provide the required information for an efficient and effective performance budgeting system. This is because the currently used traditional government systems are suffering from severe shortcomings as follows:

Public Administration System (Bureaucratic Management System): This system gives no (or little) incentive to manage the public resources in an efficient and effective way. It focuses on a blind following of instructions and compliance with written rules and regulations that aim at limiting discretion. The administrative structure is strongly hierarchical and many quite trivial decisions have to be referred to higher levels for resolution (Keeling, 1972). Managers may not have been exposed to modern business techniques and they follow administrative methods based on precedent rather than personal initiatives. The Ministers are making the detailed decisions about the internal management of departments for which they did not have adequate knowledge and suitable information. Furthermore, managers act as extension of the Minister, without having any independent existence and consequently no independent responsibility

(Schick, 2001). Therefore, the main feature of the public administration system (bureaucratic management system) is the focus on the input instead of output and there is no relationship between the input and the output. Accordingly, it can be inferred that the Egyptian government is managing the inputs and not the outputs (results). This means that governments that do not manage for results cannot budget for results, and hence, the public administration system (bureaucratic system) does not support the implementation of the performance budgeting in the government sector of Egypt.

Cash-based Government Accounting System: This system recognizes transactions and events only when cash has been received or paid. This takes place independently of the time when goods and services are ordered, delivered and consumed. Goods and services for which payments are made (labor, stores, transportation ...etc.) are considered to be consumed when suppliers are paid. This means that the cash basis of accounting shows only the volume of disbursements (Ouda, 2003). Such disbursements do not reveal the amount of resources used and the value of actual work done. According to the cash basis, the statement of receipts and expenditures is prepared to disclose information about cash flows during a period and cash balances at the end of that period. Inherent to cash accounting, it is not possible to prepare balance sheets because there are no assets and liabilities in the books: sales are only recognized when cash is received (so there are no debtors); purchases are only recognized when cash is paid (so there are no creditors); there are no stock adjustments because the accounts are not concerned with recording usage, only with the fact that cash has been paid for purchases (so there is no closing stock figure); and there are no fixed assets, for the same reasons (Jones and Pendlebury, 1984). In addition, it does not provide the cost of outputs. In an attempt to link resources to results, it will be important to measure the full costs of the resources associated with performance goals using a consistent definition of costs between and among programs. Consequently, it can be concluded that the traditional government accounting system does not facilitate the implementation of performance budgeting.

Traditional budgeting system uses the Bottom-up approach: The most hazardous shortcoming of the traditional budgeting system has traditionally operated on a “bottom-up” principle. In practice, all the governmental agencies and Ministries send requests for funding to the Ministry of Finance/Treasury. It is widely known that these requests greatly exceed the funds for which they realistically believe they will receive approval. In order to come to the real budget, the Ministry of Finance/Treasury negotiates with those concerned governmental agencies and Ministries until some common ground for agreement is reached. This “bottom-up” approach has several disadvantages as follows: It is very time consuming and is essentially considered a game; all participants know that the initial requests are not realistic; and this approach has an inherent bias for overstating the expenditure-allocation requests. All new programs or additions/expansion of the scope of existing on-going programs are funded on the basis of new requests. Generally, using funds for a purpose other than that originally approved is not permitted under the Treasury rules. There is no system for re-allocation within and among Ministries and their respective departments during mid-fiscal year, and there are no pre-determined internal controls and safeguards against cost over-runs; and it is difficult to reflect political priorities in this approach, as it is driven “bottom-up” with the budgetary allocations “emerging” at the end of the process. In fact, reflecting the political priorities and strategic objectives in the budgeting system is one of the main requirements for implementing the performance budgeting system. So the bottom-up approach is not consistent with performance budgeting.

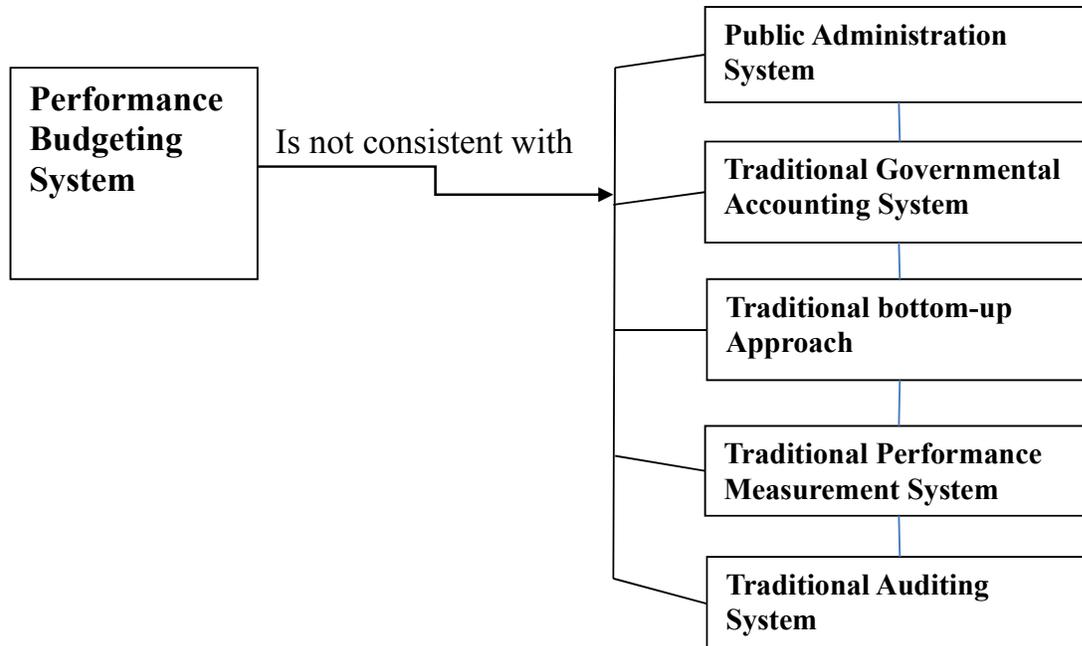
Traditional Performance Measurement Systems: Within the aforementioned context (especially, the bureaucratic management system), the traditional performance measurement systems are no longer able to measure whether the government has efficiently and effectively used the resources entrusted to it or whether the appropriations have been used to produce the outputs that are required to achieve the outcomes. *The old command-and-control system in the bureaucratic management regime gave the Public Sector Managers the message that risk would not be rewarded, that inefficiency would not be penalized, that what mattered most was complying with the current procedures, rules, and regulations (Scott, 1996).* Hence, under the traditional public administration system, the Managers are most concerned about compliance with rules and restrictions and they are not accountable for results. Therefore, there was no real need for a sophisticated Performance Measurement System. In fact, the adoption of performance budget will require that the performance measurement should tell us how well government uses resources in production and provides decision makers with information that can be used for monitoring of results, program performance improvement, as well as the rationale for allocation of resources and budget justifications. Basically, the performance measurements are required to measure whether the governmental entities have achieved their results in terms of economy, efficiency and effectiveness. It is also clear that the traditional performance measurement systems do not support the implementation of performance budgeting system.

Traditional Auditing System: Which is more concerned with compliance with rules and instructions, is not able to assist in assessing the management and operational performance of governmental entities and to consider questions of economy, efficiency and administrative effectiveness of the operations for which management is responsible. Briefly, the use of the traditional government sector systems, such as public administration (bureaucratic) system, line item budgeting system (including bottom-up approach), cash-based accounting, traditional performance measurement system and traditional auditing system, have resulted in:

- The objectives for governmental entities not being clearly defined;
- The respective responsibility of politicians and civil servants are confused, so that the lines of accountability and responsibility are not clear;
- The relationship between the expenditure and results is not indicated;
- Appropriations are based on input in place of output/outcome; and
- Goals and performance requirements of government departments are poorly specified.

This means that the currently used traditional government systems will not be able to provide the required information for preparing and executing the performance budgeting system. This can also explain why (in spite of the existence of performance budgeting for more than sixty years ago) most of the developing countries failed to implement it in their governmental sectors. This in turn means the governments of developing countries (including Egypt) have not yet recognized the fact that a budgeting change cannot succeed alone but requires changes in the rest of government traditional systems. Generally, we can say that if one government wants to develop its budget system it should firstly adopt the governmental systems that would be able to execute this budget and be consistent with its nature. Should this not take place, the development of the budgeting system will not have a major effect on government performance. Consequently, it could be concluded that performance budgeting and traditional systems may not be compatible as visualized below.

Performance budgeting is not consistent with the traditional systems



Suggested framework for successful implementation of performance budgeting system

Overview and assumptions

The previous section has made clear that the performance budget does not work under the government sector traditional systems due to the fact that these systems are not consistent with characteristics of the performance budget and they do not provide even the basic requirements that the performance budget needs to work, such as information about the objectives and results of government expenditures. Different writers have supported this conclusion, for example, Folsher (2005) stated that to a large degree, modern budgeting techniques do not operate on their own. Where they are successful, they are linked to an overall approach to managing the public sector, with the budget and its associated methods as a central process to make the approach operational. In addition, Robinson (2009) argues that performance budgeting should not be seen as an isolated initiative. It should be viewed, rather, as part of a set of broader reforms—often referred to as managing-for-results—designed to focus public management more on results delivered and less on internal process. Also, Schick (2008) has argued that without exception, performance-oriented approaches are effective only in well-managed governments which have low corruption, elevated public trust, reasonably efficient and fair public services, and media and interest groups that pay attention to results. *When these conditions are lacking, no Performance budgeting system is capable of fulfilling its ambitions.* This can pose the following questions:

- Does performance budget require a specific framework with which to work?
- If yes: What are the basic components of such a specific framework that can facilitate the implementation of performance budgeting in the public sector of the developing countries (e.g., Egypt)?

Answering these two questions can result in suggestion of a framework, which may facilitate the implementation of the performance budget in the government sector of the developing countries and make the performance budget capable of fulfilling its ambitions. The suggested framework is based on an intensive study of experiences of the OECD countries with respect to the implementation of performance budget in their governmental sectors (especially, New Zealand, UK, Australia, the Netherlands, Sweden and Finland). Based on the experiences of the OECD countries, I can derive the following **assumptions** that represent the cornerstone of the suggested framework:

- 1- Performance budgeting should not be seen as an isolated initiative. It should be viewed, rather, as part of a set of broader reforms—often referred to as managing-for-results—designed to focus public management more on results delivered and less on internal process (Robinson, 2009).
- 2- Governments budget the way they manage, which means that governments cannot budget for results unless they manage for results (Schick, 2008). Consequently, Managing-for-results (performance management) is a prerequisite for the success of performance budgeting.
- 3- Introduction and using of performance information into the budgeting process will facilitate the implementation of performance budgeting. The provision of objective performance information can facilitate better decision making for the efficient use of resources, management of programs, central resources allocation and expenditure prioritization decisions.
- 4- Performance budgeting fits naturally with the medium-term budget framework. The best way to improve the expenditure policy formulation is both to make maximum use of performance information and to consider the medium-term cost implications of expenditure choices (Robinson, 2009).
- 5- The shift from Bottom-up approach to the Top-down approach can facilitate the implementation of performance budgeting. The Top-down approach can make binding the political decision about the total level of expenditures and how it is divided among individual spending ministries.
- 6- Modernizing the governmental accounting system (change from cash to accrual accounting) can largely facilitate the implementation of performance budgeting because it provides measures of costs of services/outputs in the budgetary documentation. In other words, the absence of an appropriate accounting system may undermine performance budgeting reforms.
- 7- Developing an appropriate performance measurement system that is consistent with the introduced/included performance information facilitates the successful implementation of performance budgeting in the government sectors of developing countries.
- 8- Changing the structure and format of the budget should be consistent with the nature and characteristics of performance budgets and will facilitate the implementation of the performance budgeting process.

Discussion of the suggested framework

This section discusses in details the components of the suggested framework that will contribute to creating appropriate conditions for the successful implementation of performance budgeting in the government sector.

Shifting to Managing-for-results

This section discusses why it has been so difficult to implement performance budgeting in the public sector of developing countries in the last sixty years. Performance budgeting can fail for many reasons, but they never succeed when governing and managerial conditions are not receptive to improvement. Specifically, governments cannot budget for results unless they manage for results. Budgeting is embedded in the norms, traditions, culture, practices and relationships of public management.

Governments budget the way they manage, which is why it typically is necessary to modernize management practices in order to reform the budget process (Schick, 2008). This can explain why the line item/traditional budget has lasted for centuries. In fact, the public administration system/bureaucratic system manages the inputs, therefore, the line item budget allocate the resources for inputs. Accordingly, as long as the bureaucratic system exists, the line item budget will be the most suitable budgeting method. Therefore, the change from the line item budget to the performance budget will inevitably require parallel change in the public management system.

As the budget will be based on managing-for-results, Managing-for-results can be tackled from two perspectives: 1- focus on results and 2- relaxing central input control. Managing-for-results (Focus on results) means, in short, the focus on performance in terms of efficiency and effectiveness rather than compliance with rules and regulations and linking resources with results. Managing-for-results is designed to focus public management more on results delivered and less on internal process (Robinson, 2009). Moreover, managing-for-results entail the changing the accountability system in the public sector to hold managers accountable for *what* they do, not *how* they do it. However, effectively implementing the managing-for-results system needs to define the results either in terms of outputs or outcomes. In other words, for what kind of results the public managers will be accountable. Outputs and outcomes are defined as follows: Outputs are goods and services produced by departments or third party suppliers; Outcomes are the consequences for the public resulting from the outputs and activities of government. In fact, the distinction between the outputs and outcomes is critical to the concepts of financial appropriation and accountability. The main reason underlying this distinction is that outputs are easier to measure than outcomes, so that it is easier to hold managers accountable for delivering agreed services and goods (output).

In addition to the focus on results, the managing-for results system requires *relaxation of the central control of input*. As the managing-for-results system is grounded on a simple principle: managers cannot be held responsible for results unless they have freedom to act, that is, to spend and hire within agreed budgets as they see fit, to make their own choices respecting office accommodation and other purchases to run their organizations free of ex-ante control by outsiders (Schick: <http://www.ssc.govt.nz/Spirit/Transforming.asp>). Moreover, relaxing central input control has as the goal empowering public managers to operate their governmental entities in the most efficient manner possible. No longer can they claim that their poor performance is due to the fact that they are not free to choose the most efficient mix of inputs to achieve

the required results (OECD, 2002). So it can be inferred that when governments manage for results, they can budget for results.

Introduction and using the performance information into budgeting process

It is clear from the previous section that the performance budgeting initiatives tend to go hand in hand with managing-for-results (performance management). In addition, in order to improve the expenditure control and public sector efficiency and performance, and to be able to translate the strategic objectives and priorities into outcomes and/or outputs in performance budgeting, the introduction of performance information into the budget process is fundamental. The experiences of OECD countries have proved that if government lacked results-based information, it would not be able to allocate on the basis of results. Performance information refers to performance measures (outputs and outcomes) and evaluation, and it is used to link the allocation of resources with performance units (generally output). Moreover, it is used as background information for the purpose of accountability and dialogue with legislators and citizens on public issues and government direction (OECD, 2007). In fact, the introduction of performance information facilitates better decision making for efficient use of resources, the management of programs, central resource allocation and expenditure prioritization decisions (OECD, 2007). Briefly, the use of performance information in budgetary decision-making can contribute to budgetary goals of improving productive efficiency, allocative efficiency and even aggregate fiscal discipline. Furthermore, OECD countries (2007) have reported a number of benefits from the use of performance information:

- It generates a sharper focus on results within the government.
- It provides more and better information on government goals and priorities, and on how different programs contribute to achieve these goals.
- It encourages a greater emphasis on planning and acts as a signaling device that provides key actors with details on what is working and what is not.
- It improves transparency by providing more and better information to parliaments and to the public.
- It has the potential to improve the management of programs and efficiency.

For the aforementioned benefits, it is important to integrate performance information into the budget process. The next section provides an overview of one of the OECD countries' experiences in developing and using performance information in the budget process, which is the United Kingdom experience.

United Kingdom (UK) Experience

In the UK, the performance information is presented in the Public Service Agreements (PSA) and the Service Delivery Agreements (SDA) of each department. The PSA is an agreement between the government and the public and it is the responsibility of the lead minister of the department to deliver the targets set in the agreement. The PSAs include the government priorities and strategic objectives with measurable targets, and the vast majorities of these measures include outcomes. The PSAs should feed into the more detailed business plan within a government department and into the individual performance targets of staff within a central department or a service delivery agency (Ellis and Mitchell, 2002). The structure of the PSAs sets out the aim and objectives of each department as well as performance targets, including measures of operations and outcomes. PSAs bring together in a single document the aim, objectives and performance targets for each of the main Government departments. They include:

- **Aim:** a high level statement of the role of the department.
- **Objectives:** in broad terms, what the department is looking to achieve.
- **Performance targets:** under most objectives, outcome focused performance targets.
- **Value for money:** each department is required to have a target for improving the efficiency or value for money of a key element of its work.
- **A statement of who is responsible for the delivery of these targets.** Where targets are jointly held this is identified and accountability arrangements clearly specified.

The SDA sets out how the department will deliver its PSA targets and how it will modernize and reform to get better value for money spent. The SDAs include measures of outputs, processes and inputs necessary to deliver the outcomes that government is aiming for (Marti, 2010). Delivering a PSA implies that a certain level of budget will be required; hence *the PSA agreement should be an integral part of the budget setting process*. This requires exploring ways to measure the costs of specific delivery outputs that will give an indication of the cost of a given PSA outcome. The results achieved could (and should) then be incorporated into subsequent rounds of budget planning. The PSA system introduces incentives to direct activities of the different entities towards the priorities defined by government. Better costing methods will also enable better alignment between public priorities and public resources (Marti, 2010).

Changing the budgeting format and structure towards a more performance-oriented approach

The provision of performance information alone is not sufficient to improve performance, as it has to be used in decision-making. In order to use the performance information in budgetary decision-making, it has to be integrated into the budget process. One method of integrating it into the budget process is changing the format and structure of the budget towards a performance-oriented approach. In fact, the line-item budget format, which includes separate lines for travel, office supplies and salaries, tends to facilitate micro control and to make it difficult to include any type of information on performance. Therefore, the implementation of performance budgeting requires the change of traditional budget classifications/line-item format to new classifications (structure and format) that tend to focus on administrative organizational units and to consider budgets in terms of outcomes and goals (OECD, 2007). The outcome and/or output classifications are more open to incorporating performance information than the line-item budgets. Some of the OECD countries changed their budget structure to focus on outputs and /or outcomes. For example, New Zealand, the Netherlands, Australia and the UK changed their structures as part of their initiatives to introduce accrual-based budgeting as follows (OECD, 2007): In 2000, Australia changed its budget structure to focus on outcomes (Sheers, Sterck and Boukaert, 2005). Since the 1980s, New Zealand has changed its budget structure to focus on output. In 2001, the Netherlands changed its budget format so that it is organized along the policy lines or the desired outcomes of the Dutch government. For example, the new structure of the Dutch government budget has the following elements:

- 1- *Legislative proposal*: This integrates the expenditure and the revenue under each department.
- 2- *Policy paragraph*, this is the key focus of the new budget structure and is divided into Policy Agenda with a number of Policy Articles as follows:
 - *Policy agenda*: herein, the government’s policies have to be stated as well as the means that will be applied to achieve them and the financial resources allocated to them.
 - *Policy articles*: each policy agenda will be followed by a number of policy articles. The first section of each policy article includes the General Policy Objectives. Here, outcome targets (including timing of expected achievements, i.e., outcomes) are stated and targets groups for policies are identified. The next section in the policy articles will be the Budgetary Consequences of Policies, which includes an overview of financial information for the last two years and the forthcoming four years, including the budget year. The last section of the policy article will outline the budgetary assumption, for example, macroeconomic performance, demographic changes and structure of consumption.
- 3- *Management paragraph*, will give an overview of major expected organizational changes in the ministry, such as creation of an agency or change of accounting standards.
- 4- *Agency paragraph*, contains basic financial information on agencies connected to the ministry in question. Besides financial information, inputs, outputs and outcomes of agencies will be integrated in the budget and accounting documents as any other expenditures, i.e., they will be included in the policy paragraphs.
- 5- *In-depth appendix*, which includes necessary technical information.(Blondal and Kristensen, 2002)

The new budget has been centred on three *ex ante* questions and three *ex post* questions (three “W questions” for the budget and three “H questions” for accountability), as follows:

Ex ante-questions:

1. What do we want to achieve??
2. What steps will we take to achieve it?
3. What should it cost?

Ex post-questions:

1. Have we achieved what we intended?
2. Have we done what we should have done to achieve it?
3. Did that cost what we had expected?

Shifting to a Multi-year budget framework (a Medium-term expenditure framework)

The traditional one-year horizon of budgeting does not suit decisional performance budgeting systems, as results often take years to be realized, especially when they involve social interventions by government (Schick, 2008). Therefore, OECD countries, which have implemented performance budgeting, have adopted the multi-year budget framework. In fact, multi-year budget frameworks/formats (medium-term budget framework) are the basis for achieving fiscal consolidation. Within these frameworks, the Sovereign State’s medium-term objectives are stated in terms of high-level targets such as the magnitude of aggregate revenues; aggregate expenditures; deficit/surplus; and debts.

The high-level fiscal targets are fixed in the context of a medium-term. They aim to achieve a certain fiscal outcome over a number of years. The short-term [one-year] traditional budget format does not assist in monitoring the achievement of the high-level fiscal targets. In addition, the multi-year budget framework enables the public sector managers to be in a better position to plan their operations logically and strategically as they have some indicative level of funding beyond the next ensuing fiscal year. The application of the multi-year budget framework could vary from one country to another on taking into account the particular local needs. For example, Sweden employs a multi-year budget framework as the basis for the annual budget process. It has a three-year time horizon, i.e. the upcoming budget year and the next two consecutive years. The multi-year budget framework provides the linkage between the Swedish Government's fiscal policy objectives in a macro-economic setting and their application in an operational context. It operates on three specified, cascading levels: The **first level** constitutes the articulation of the Swedish Government's fiscal policy objectives in macro-economic terms, i.e., level of surplus or deficit as a percentage of GDP. At the **second level**, these objectives are translated into a maximum level of total expenditure based on certain economic assumptions. At the **third level**, the limit for total expenditure is further analyzed operation-wise by giving indicative funding levels for each of the expenditure areas (Bolandal, 2001).

As the multi-year budget framework is in place, the starting point in the annual budget exercise is to update the information for year 2 in the framework. The Ministry of Finance in Sweden starts by re-examining the macro-economic outlook for the coming year to see if the economic assumptions applied in the multi-year framework remain valid. The updated macro-economic outlook plays a key role in determining the stance of budget policy. For example, a higher level than the assumed economic growth would permit making available additional resources for the next ensuing year (Blondal, 2001). In addition, the most important task of performance budgeting is linking goals with resources as the primary purpose of the performance budgeting process is to link what the government wants to achieve for the community with resources necessary to achieve it. In other words, performance budgeting is intended to focus on the key questions of what governments do and why, not just how much does it cost and how will it be funded. In this context, a multi-year budget framework makes a great deal of sense. A multi-year budget framework enables the government to set meaningful objectives with realistic timeframes for completing them. Accordingly, it reinforces the government commitment to long-term fiscal health by looking beyond a one-year time horizon to fund operating programs and capital improvements. In addition, it retains the fiscal control provided by annual budgets and saves time and effort in preparing annual budgets. Therefore, it can be inferred that the multi-year approach is fundamental for the performance budgetary process as it assists in: (Statler, 2007).

- 1- identifying the most important things that governments want to achieve for their communities;
- 2- establishing reasonable timeframes and organizational responsibility for achieving them; and
- 3- allocating the resources necessary for programs and projects to implement them.

Moreover, performance-based budgeting fits naturally with a medium-term budget framework, as the medium-term budget framework aims to improve expenditure prioritization (Robinsom, 2009).

Top-down budgeting Approach

As noted earlier, the “bottom-up” approach has many shortcomings. The most important shortcoming of the “bottom up” approach is that it is difficult to reflect political priorities in this approach, as it is a driven “bottom-up” with the budgetary allocations “emerging” at the end of the process. Basically, reflecting the political priorities and strategic objectives in the budgeting system is one of the main requirements for implementing the performance budgeting system. Therefore, that approach is now being replaced with a modern “top-down” approach to budget formulation. The “top-down” approach, in practice, has been found to be of great assistance in achieving fiscal consolidation. The starting point of the “top-down” approach is for the government to make a decision as to the total level of expenditures and to divide that “pool” among individual spending Ministries. The key point is that each Ministry has a pre-set limit on how much it can spend. Once this decision is taken by government, the Ministry of Finance/Treasury largely withdraws (stops taking part in) from the details of budgetary allocations of each ministry (OECD, 2002). The Ministry of Finance/Treasury concerns itself only with the level of aggregate budgetary expenditure allocation for each Ministry, not the internal allocations within each respective Ministry. The internal allocation is attended to by the Minister for each respective Ministry. Each Minister is deemed to be his own finance minister. Each Ministry has a total amount and each Minister can re-allocate the budgetary provision among that Ministry’s various agencies and programs. This approach gives each Minister greater control over his Ministry’s budget proposals. In this manner, each Minister is in a position to identify and select the priority level of each budget program for appropriate funding accordingly (OECD, 2002).

Modernizing governmental accounting system

In addition to the aforementioned components, the absence of an appropriate accounting system may undermine the implementation of performance budgets. The budgeting system should be integrated with the accounting system, which is used to carry out the budget. Therefore, the basis on which the budget is prepared should be consistent with the basis of accounting utilized (Ouda, 2003a). Thus, budget reform makes accounting reform inevitable. The shift from input-based budget to output-based budget requires the determination of the output that will be used as a basis for allocating the appropriations. One key dimension of performance budgeting is the cost of output provided. In attempting to link resources to output (results), it is important to measure the full cost of the resources associated with the output provided. Due to the fact that the cash accounting basis cannot measure the cost of the output, the modernizing of the government accounting system entails the adoption of an accrual accounting system. The main objective of adopting accrual accounting is to make the true cost of government more transparent. Moreover, adoption of accrual accounting on both revenues and expenses in government entities leads to getting the right information that is required for planning, control, decision making, and performance evaluation. Accordingly, the adoption of accrual accounting in the public sector gives the government the opportunity to develop the budget system and provides meaningful information that can satisfy the needs of budget functions (Ouda, 2003b).

A key aim in the managing-for-results is to hold managers responsible for outcomes/or outputs while reducing controls on inputs. In this context, it is expected that managers should be responsible for all costs associated with outcomes/outputs produced, not just the immediate cash outlays. Only accrual accounting allows for the capture of these full costs, thereby supporting effective and efficient decision-making by the managers. This, in turn, will assist the managers in managing their budget in an efficient and effective manner. Furthermore, many of the writers

who are concerned with public sector reform agree on the integration and consistency of budgeting and accounting systems. For instance, Schick (2001) states that the accounting and budgeting systems need to be on the same basis to avoid the possibility of conflicting objectives. Hepworth (2002) states that budget systems and accrual accounting should go together. Unless the budgeting system is on the same basis as the accounting system, the risk of mismanagement and a loss of financial control are considerably enhanced. Therefore, the governments should be aware of the particular relationship between the budgeting system and the accounting system that will be used to execute it. Simply, it is said that budgeting and accounting go hand in hand. Accordingly, we can conclude that the implementation of performance budgeting needs to be enhanced by a consistent accounting system that provides the cost of outputs that may be used for linking the resources with the results.

Developing an appropriate performance measurement system

After the introduction of performance information into the budget process and using it in decision-making and allocation of resources, there should be a well-designed performance measurement system. The development of the performance measurement system is considered essential for regular systematic collection, analysis, and reporting of data that tracks resources used, work produced, and whether specific outcomes were achieved by a government. Basically, performance measurements are required to assess whether the governmental entities have achieved the projected results, quantified with respect to economy, efficiency, and effectiveness. However, measuring the performance of governmental (public sector) entities is considered to be a complex issue. The government performs different activities such as education, defense, health care, etc. and the accomplishment of those actions results in different outputs. Hence, the assessment of the value created would involve specialized technical know-how. The outputs of each governmental entity require a suitable performance measurement system with appropriate metrics. Essentially, effective performance measurement in the Public Sector should be guided by the following axioms: must be “Value - Based”; reflect achievement of long-term objectives; must not be sold as a “self-contained” solution; and Rewards / Incentives must be linked to performance.

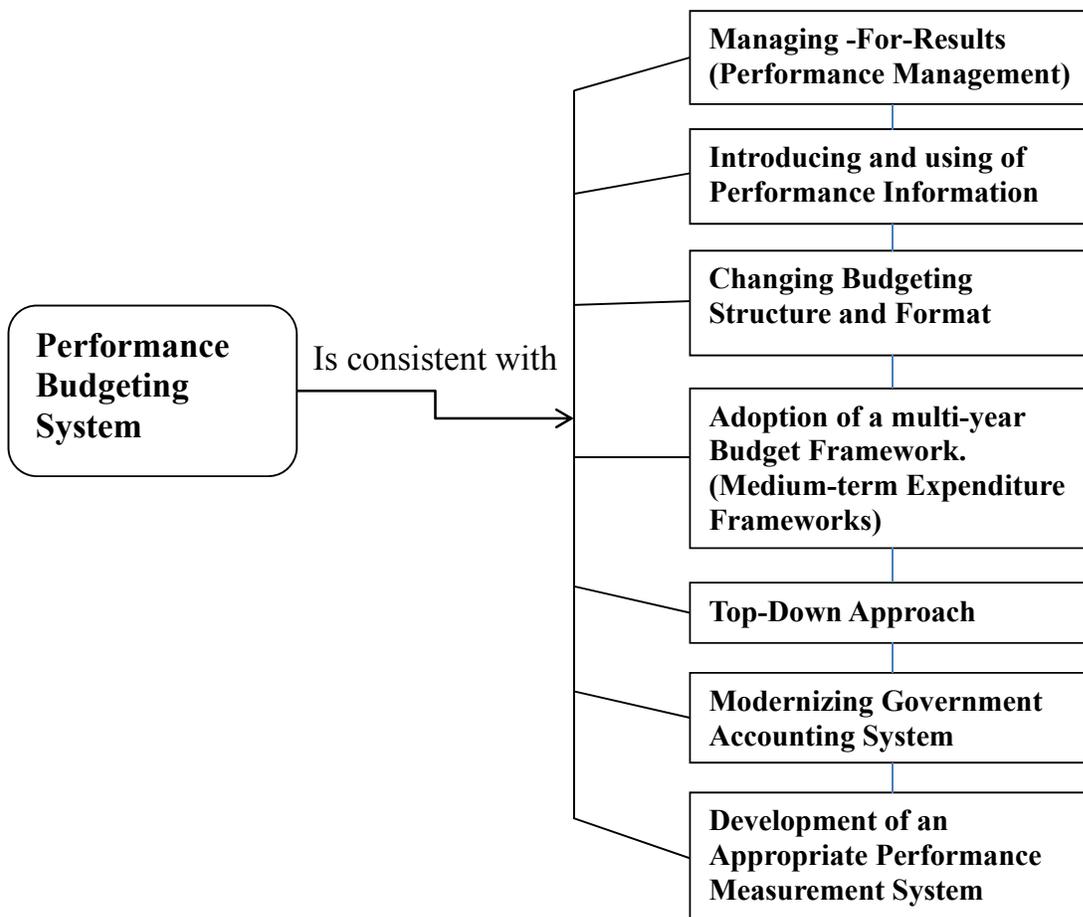
- *Performance Measurement must be “Value –Based”:*
The focus is on the value-added concept relative to a Public Sector entity being organized and managed according to a well-formulated strategic plan with defined measurable results. These accomplishments must justify the fundamental purpose of that Public Sector entity.
- *Performance Measurement to reflect achievement of Long-term Objectives:*
The performance measurement should be designed to help the Public Sector entities “learn to do the right things right”. To achieve this, performance measurement requires a long-term, multi-dimensional multi-disciplinary perspective, not just a short-term outlook.
- *Performance Measurement must not be sold as a “Self-contained” Solution:*
Performance measures will not produce *per se* higher levels of efficiency, quality, and effectiveness. These are achieved through decisions to re-allocate or re-assign resources, improved work methods, adoption of best practices, and adjusting as necessary the task priorities. Nevertheless, the Performance Measurement System can provide some of the data to facilitate the re-direction/deployment of resources.
- *Rewards must be linked to Performance:*
To be successful a Public Sector entity needs to have carefully defined measures of success. This involves a structured process for the linking of government’s objectives to critical success factors and to the associated performance measures. Experience

shows that the behavior of Executive Managers is directly linked to the performance criteria on which their contribution is appraised. This contention is valid and affirms the motivation value of their compensation being pegged to the performance appraisal.

- *Performance Measures should provide:*
 - Information to facilitate accountability;
 - A means of identifying areas for review;
 - A means of monitoring policy implementation and success;
 - Information on the potential productivity improvements of a Public Sector entity;
 - Assistance for the resource allocation/budgeting process by providing the means of allocating funding between competing needs, based on priorities and performance cost/benefit, rather than historic precedent;
 - A powerful internal management tool for the Public Sector entities - they provide Managers with an idea of how efficient they are, as may be explained by areas of poor performance as well as identify appropriate leading performers.

Based on the discussion of the aforementioned components, it can be inferred that performance budgeting is consistent with the following suggested framework:

The suggested framework for successful implementation of performance budgeting system in the public sector can be reflected as follows:



Conclusion

Performance budgeting indicates the relationship between the inputs and the outputs as well as whether the resources have been effectively used and the target objectives have been achieved. In short, it focuses on the purpose[s] of the expenditure[s] and the end-results/outcomes of the expenditures and provides data, which can be used to evaluate those outcomes. However, the absence of appropriate conditions and environment for better performance and transparency, and results-based accountability, will hinder the implementation of performance budgeting. This is the case for most developing countries. These countries are still using the traditional government systems (such as public administration bureaucratic system), line item budgeting system (including bottom-up approach), cash-based accounting, traditional performance measurement and traditional auditing systems that are more concerned with compliance with rules and instructions. These systems are not able to assist in assessing the management and operational performance of governmental entities and to consider questions of economy, efficiency and administrative effectiveness of the operations for which management is responsible. The use of the traditional government sector systems have resulted in: The objectives for governmental entities are not clearly defined; the respective responsibility of politicians and civil servants are confused, so that the lines of accountability and responsibility are never clear; the relationship between the expenditure and results is not indicated; appropriations are based on input in place of output/outcome; and goals and performance requirements of government departments are poorly specified.

The prevalence of a such environment will not assist in the implementation of performance budgeting and can explain why most of the developing countries have failed to implement performance budgeting in their governmental sector, in spite of the existence of performance budgeting for more than 60 years ago. Consequently, it has been inferred that modern budgeting systems cannot work with or succeed in a traditional system. In fact, performance budgeting should not be seen as an isolated initiative. It should be viewed, rather, as part of a set of broader reforms—often referred to as managing-for-results—designed to focus public management more on results delivered and less on internal process. Therefore, the successful implementation of performance budgeting in the public sector requires appropriate conditions (a specific framework) that can facilitate its adoption and putting it into practice. This framework should include the following components:

- Shifting from public administration/bureaucratic system to performance management (managing-for-results). Government cannot budget for results unless it manages for results.
- Introducing into and using performance information in the budget process will facilitate the implementation of performance budgeting.
- Changing the budgeting format and structure towards a more performance-oriented approach.
- Shifting to a multi-year budget framework.
- Shifting from Bottom-up approach to Top-down approach.
- Modernizing the governmental accounting system.
- Developing an appropriate performance measurement system.

It is important to note that when these conditions/components (framework) are lacking, the implementation of performance budgeting is doubtful and it will not lead to improving the performance of the public sector.

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Do Incumbents²² Utilise Local Government Budgets in Their Re-nomination in Regional General Election? Evidence from Indonesia

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Abstract

The phenomenon of money politics in regional general election needs special attention, especially when an incumbent become a candidate in the election. Being nominated as a candidate in the election, incumbents have an opportunity and a tendency to politicise local government budgets to support their political objective to be re-elected. Grant expenditures and social aid expenditures are the most probable parts of local government budget that could be utilised by the incumbent. Therefore, this study is focused to analyse data of grant expenditures and social-aid expenditures of local government budgets from fiscal year 2009 to 2010, the period of the most frequent regional general elections that have ever been held in Indonesia. The objective of this study is to investigate whether incumbents utilize local government budgets in their re-nomination in the regional election. To achieve the objective, this study tests whether: (1) significant differences exist in grant expenditure and social aid expenditure of incumbent local government budgets before and during the process of the regional election; (2) significant differences exist in grant expenditure and social aid expenditure between incumbent local government budgets and non-incumbents local government budgets. The data were analysed using paired sample t-test, independent sample t-test, Wilcoxon Signed Ranks Test and Mannwhitene-test with $\alpha = 5\%$. The results show that incumbent candidates tend to utilise local government budgets in their re-nomination in the regional election.

1. BACKGROUND

The constitutional system in Indonesia has been experiencing fundamental changes since the third amendment to the Constitution of 1945 in 2001. One of the fundamental changes is that the head of the local governments are elected directly and democratically by people. From 2005 to 2008, regional elections have been conducted in 314 provinces, districts, and cities all across Indonesia. In addition, in the year 2010 alone, there were 238 regional elections held.

The tendency of incumbent candidates to utilise local government budget, local government facilities, as well as money politics during the regional election becomes an important issue from time to time. The Chairman of the Constitutional Court found that money politics will continue to occur if the current system of regional elections is not changed. Money politics became a classic problem in a number of election-related lawsuit (*Harian Kabar Indonesia*, 4 February 2013). The issue is primarily addressed to the head of local government as an incumbent candidate in the regional election. Allegations of local government financial irregularities will increase with the holding of regional elections. As an incumbent candidate, heads of local governments have the opportunity to take advantage of the local government's budget in their interest. To persuade people to vote for them again in the regional election, parts of the local government's budget that most probably are used by the incumbent candidates are grant expenditures and social-aid expenditures. This study argues that during the year of

²² Incumbent refers to someone who is in office (regent, mayor, governor, president) who come to be participants in the general election to be re-elected in office.

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regional election, both expenditures will increase significantly. This significant increase in such expenditures will contribute to unfavourable effects on the local authorities as a whole. This situation will deteriorate the performance quality and objectivity of the local government's budget because those expenditures do not have measurable performance measures. To prepare the budget of those expenditures, there are no requirements of performance budgeting attributes such as performance indicators, performance benchmarks, and performance targets. As a consequence, level of performance and objectivity of local government budget will decrease.

In addition, the significant increase in grant expenditure and social aid expenditure could disturb the sustainability of regional development. This condition occurs because some portion of the local government budget that should be allocated for development programs and activities is switched to grant expenditures and social aid expenditures.

In general, the allegations of the misuse of the local government facilities and money politics committed by incumbent candidates are mostly seen from the social and political aspects. However, to the author's knowledge, discussions that provide empirical evidence from the aspect of local government financial management have not been had. Therefore, based on the indicated problem stated above, the objective of this study is to provide empirical evidence using financial information as to whether incumbent candidates utilise local government budgets in their re-nomination in the regional elections. To achieve the objective, this study examines the variations in grant expenditures and social aid expenditures. Those expenditures are perceived as the susceptible parts of local government budgets that can be used by the incumbent during the general election process.

Results of this study will provide inputs to the central government to improve the existing regulations on grant expenditures and social-aid expenditures. In addition, results of this study offer considerations for the auditors in implementing their audit strategies and procedures.

2. LITERATURE REVIEW

"Power tends to corrupt, and absolute power corrupts absolutely. Great men are almost always bad men" is a well-known proposition expressed by Lord Acton. Bhakti (2012) argues that the proposition is appropriate to describe the heads of local government who are susceptible to abusing their power. Corruption in Acton's proposition above is not just about money, but also politics or policies. In the context of regional election, abuse of power by the incumbent candidates is associated with the use of local government's money and decision-making in the local government budget preparation. As the holder of the local government's financial management authority, a head of local government has the authority to make financial management policy ranging from planning, budgeting, implementing and reporting local government finance (Regional Financial Management Government Regulation, 2005). These broad authorities provide a great opportunity for heads of local government to use local government budgets if they become a candidate in the regional election. Using its financial authorities, the incumbent candidate could make local government financial management policies (particularly in the planning and budgeting phases) in his/her favor for the regional elections. This is consistent with the function of local government budget as a political tool (Jones & Pendlebury, 2000).

Rubin (2000) states that in determining the amount and allocation of public funds, there is always political interests that are accommodated by the bureaucrats. The budget allocation often also reflects the interests of policymakers related to their constituents. Meanwhile, research conducted by Manor and Crook (1998) state that in many cases, the regional election and a clear separation between the head of local government and members of parliament in developing countries has led to a worsening of governance practices. Major factors in deteriorating governance practices are: characteristic of local elites who always preclude other parties to

compete in politics; poor knowledge and poor political awareness of the people; and lack of continuous monitoring of the parliament towards the heads of local government. Furthermore, as confirmed by Prasojo (2009), these factors are also reflected in several local governments in Indonesia. Co-optation of power by incumbent candidates is done by leveraging their access to the bureaucracy.

In the agency theory perspective, the proposal put forward by the executive (as agent) to legislative (as principal) has a charge of the interests of the executive. An executive can submit a budget that could increase its agency, in terms of both financial and non-financial resources (Smith & Bertozzi, 1998). In addition, Prasojo (2009) stated that in the aspect of political equality, the relationship between the executive and legislative in the implementation of regional autonomy is characterized by the dominance of the executive in the budgeting process.

Opportunistic behavior of incumbent candidates toward the holding of the regional election became stronger in the budgeting process. The heads of local government who ran in the regional election as incumbent candidates have a greater chance to use local government budgets for their interests. This study argues that grant expenditures and social aid expenditures are parts of local government budgets that are prone to be exploited by the incumbent candidates to persuade people to vote for them.

The argument above is strong enough because both types of expenditures are part of the indirect expenditures and the process of their accountability is relatively easier compared to other expenditures since they do not need to go through a tender mechanism. The nature of such expenditures is discretionary expenditure, so their budget allocations are tended to be subjective. Groups of indirect expenditures are budgeted expenditures that are not directly related to the implementation of local governments' programs and activities (Guidance on Regional Financial Management Minister of Home Affairs Regulation, 2006). This condition causes the allocation of grant expenditures and social-aid expenditures to be determined by discretionary power of the executives and legislative members (Abdullah & Asmara, 2006; Halim & Abdullah, 2006). Furthermore, recipients of those expenditures are decided by the head of the region, which is expressed in the regional head regulation. This suggests a tendency of absolute power in the hands of regional heads that could lead to abuse of power.

Grant Expenditure Budgeting Policy

Grant expenditure is an expenditure that is used for awarding grants in the form of cash, goods and/or services to the central government or other local governments and community groups or individuals. The use of this expenditure has been specifically defined. The nature of grant expenditures are not binding, non-recurring and must be used in accordance with the requirements set forth in the text of the grant agreement (Guidance on Regional Financial Management Minister of Home Affairs Regulation, 2006; Guidance on Regional Financial Management Amendment Minister of Home Affairs Regulation, 2007).

Awarding grants in the form of money or services can be budgeted if the local government had complied with all matters concerning the expenditure needs to meet minimum service standards stipulated in legislation. A local government is allowed to award grants in the form of goods if the goods do not have any economic value to the local government, but beneficial to the recipients (i.e. central government or other local governments and/or community groups/individuals).

Social Aid Expenditures Budget Policy

Social aid expenditure is an expenditure that is used for providing assistance in the form of money and/or goods to the community, which aims to improve the welfare of the community (Guidance on Regional Financial Management Minister of Home Affairs Regulation, 2006;

Guidance on Regional Financial Management Amendment Minister of Home Affairs Regulation, 2007).

Criteria or prerequisite of social aid expenditure allocations are: not continuous/non-recurring for each fiscal year, selective and have a clear designation of its use, meet the budget functions as an instrument of justice and equity in improving services, and social welfare. Social aid expenditures in the form of money can be budgeted if the local government had complied with all matters concerning the expenditure needs to fulfil minimum service standards set out in the legislation. In addition, social aid expenditures to political parties are given in accordance with the provisions of the legislation.

Hypotheses Development

Based on literature review and argument discussed in the previous section, this study's proposed hypotheses are as follows.

H1: The proportion of grant expenditures in an incumbent candidate's local government budget **at** the period of regional election is higher than those **before** the period of election.

H2: The proportion of social aid expenditures in an incumbent candidate's local government budget **at** the period of general election is higher than those **before** the period election.

H3: The proportion of grant expenditures in an incumbent candidate's local government budget is higher than those of a non-incumbent candidate **at** the time of election.

H4: The proportion of social aid expenditures in an incumbent candidate's local government budget is higher than those of a non-incumbent candidate **at** the time of election.

3. RESEARCH METHODS

Length of Observation

The observation was done for fiscal years 2009 and 2010 because 2010 is the year with the highest number of elections ever held in Indonesia. This condition occurs because there were no local elections in 2009 due to the presidential election held in that year.

Data

The data used in this study are secondary data. The information about the data is as follow:

1. Data of regions that held elections in 2010 are sourced from the General Elections Commission.
2. Data of the status of the head of the provincial/district/city (i.e., re-nominated or not) are sourced from the Ministry of Home Affairs.
3. Data of grant and social-aid expenditures for fiscal years 2009 and 2010 are derived from the Directorate General of Fiscal Balance of the Republic of Indonesia Ministry of Finance and local government financial statements.

Total grant expenditures in 2010 included grant expenditures for the holding of the regional election to the General Elections Commission and the Regional Election Supervisory Body. In addition, the total grant also incorporated regional election security expenditures for the provinces, districts, and cities that held regional elections in 2010. These expenditures were not available in the total grant expenditures in fiscal year 2009. Therefore, the amounts of such expenditures were eliminated from the total grant expenditures in 2010 so that the components of grant expenditures for 2010 are comparable to the components of grant expenditures in 2009 (i.e., apple to apple comparison).

Sampling

This study utilises the convenience sampling technic due to limitation on data availability regarding information on candidate status (i.e., incumbent or non-incumbent) and information on grant expenditures and social-aid expenditures information for the fiscal years 2009 and 2010. As a result, the number of samples used in this study were as many as 96 regions out of 238 regions that held regional elections in 2010. The 96 regions consist of 60 regions with incumbent candidates and 36 regions with non-incumbent candidates.

Data Analysis

To determine an appropriate statistical tool to test the hypotheses, this study first tested the normality of data using Kormogorov-Smirnov One Sample Test and Shapiro-Wilk test. If the data satisfy the criteria of normality, the t-tests will be used to analyse the data; and if the data distribution are not normal, then the data analysis is done by using the Wilcoxon Signed Ranks Test or Mann Whitney-test(Lind et al., 2011). The confidence level is set at 95% with one-tailed significant testing.

4. FINDINGS

Descriptive Statistics

The following table reports the descriptive statistics of grant expenditure and social aid expenditure of the **incumbent** local government budget **before** and **at the year** of regional election; and grant expenditure and social aid expenditure of **non-incumbent** local government budget **at the year** of general election.

Table 1: Descriptive Statistics of Observed Variables

Variable	N	Minimum	Maximum	Mean	Standard Deviation
Incumbents Grant Expenditures before regional election (2009)	60	.00015	.09657	.01520	.01557236
Incumbents Grant Expenditures at regional election (2010)	60	.01679	.14382	.05904	.02890618
Incumbents Social aid Expenditures before regional election (2009)	60	.0042	.07088	.02303	.01486167
Incumbents Social aid Expenditures at regional election (2010)	60	.0039	.08384	.02610	.01746042
Non-Incumbents Grant Expenditures at regional election (2010)	36	.00883	.07382	.04666	.01739317
Non-Incumbents Social aid Expenditures at regional election (2010)	36	.00021	.05991	.01958	.01519577

Table 1 above shows that the mean of the proportion of **incumbent's** grant expenditures **at** the regional election period (2010) is 5.90% which is higher than its proportion of 1.52% **before** the period of regional election (2009). Similar situation also occurs in the case of proportion of social aid expenditures where the proportion of **incumbent's** social aid expenditures **at** the regional election period (i.e., 2.61%) is larger compared to its proportion **before** the regional election period (i.e., 2.30%)

In addition, Table 1 also reports that both proportions of **incumbent's** grant expenditures and social aid expenditures **at** the election period (2010), which are 5.90% and 2.61% respectively,

are higher than the proportions of **non-incumbent's** grant expenditures (i.e., 4.66%) and social aid expenditures (i.e., 1.95%).

Further, to ensure the level of probability of the observed variables in this study, the statistical tests are run to test the hypotheses as stated in the previous section. In order to apply appropriate statistical tests, the normality of data is examined before testing the hypotheses.

Testing the Normality of Data

Results of testing the normality of data are presented in the following table:

Table 1: Results of Normality Tests

Tests of Normality						
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
Incumbent grant expenditure before general election period (2009)	0.167	60	0.000	0.754	60	0.000
Incumbent grant expenditure in general election period (2010)	0.118	60	0.036	0.939	60	0.005
Incumbent social aid expenditure before general election period (2009)	0.138	60	0.006	0.900	60	0.000
Incumbent social aid expenditure in general election period (2010)	0.151	60	0.002	0.876	60	0.000
Non - incumbent grant expenditure in general election period (2010)	0.097	36	.200 ^b	0.962	36	0.249
Non - incumbent social aid expenditure at general election period (2010)	0.155	36	0.029	0.908	36	0.006

Based on the results of both normality tests of Kolmogorov-Smirnov and Shapiro-Wilk indicate that the proportion of grant expenditures of incumbent candidates *in the period* of the regional election (2010); the proportion of grant expenditures of local governments of incumbent candidates *before the year* of the regional general election (2009); the proportion of social aid expenditure of incumbent candidates *in the year* of the regional election (2010); the proportion of social aid expenditure of incumbent candidates *before the year* of the regional general election (2009) did not satisfy the criteria of normality because the significant values for those data are less than 5%. Therefore, the non-parametric test of Wilcoxon Signed Ranks Test was used to test the first and the second hypotheses.

Table 1 above also reports that data of grant expenditure of non-incumbent candidates *in the period* of the regional election (2010) met the assumptions of normality because its significant value is more than 5%. Thus, the parametric test of independent sample t-test was used to test the third hypothesis. On the other hand, data of social aid expenditure of local governments of *incumbent candidates in the year* of the regional election (2010) and data of social aid expenditure of local governments of *non-incumbent in the year* of the regional election (2010) did not meet the assumptions of normality. As a result, the non-parametric test of Mann Whitney U-test was used to test the fourth hypothesis.

Testing the First Hypothesis

The Wilcoxon Signed Rank test was used to test the first hypothesis. The results of the test can be seen in the following table.

Table 2: Results of testing the first hypothesis

	Grant Expenditure of Incumbent at Period of Election – Grant Expenditure of Incumbent before Period of Election
Z	-5.580 ^a
Asymp. Sig. (2-tailed)	.000

a. Based on negative ranks.

b. Wilcoxon Signed Ranks Test

The results demonstrate that the value of z is -5.580 and the significance is 0.00 (smaller than $\alpha = 0.05$). Thus, this study *accepts* the hypothesis that the ratio of grant expenditures of local governments budgets of incumbent candidates in the period of the regional elections is higher than those before the period of the regional elections. This result indicates that regional elections *cause* grant expenditures to increase in local government budgets of incumbent candidates.

Testing the Second Hypothesis

The Wilcoxon Signed Rank Test was used to test the second hypothesis. Table 3 below shows the results of the test.

Table 3: Results of testing the second hypothesis

	Social aid expenditure of incumbent at period of election – Social aid expenditure of incumbent before election
Z	-1.811 ^a
Asymp. Sig. (2-tailed)	.070

a. Based on negative ranks.

b. Wilcoxon Signed Ranks Test

The results in Table 3 demonstrate that the value of z is -1.881 and the significance is value 0.07 (larger than $\alpha = 0.05$). Thus, this study *rejects* the hypothesis that the ratio of grant expenditures of local governments of incumbent candidates in the period of the regional election is higher than those before the period of the regional election. This result indicates that the regional general election *does not* cause grant expenditures to increase in local governments of incumbent candidates.

Testing the third hypothesis

The independent sample t-test was used to test the third hypothesis. The test results can be seen in Table 4 below.

Table 4: Results of testing the third hypothesis

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	T	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Grant Expenditure 2010	Equal variances assumed	8.769	.004	2.327	94	.022	.01238021	.00532121	.00181483	.02294559
	Equal variances not assumed			2.620	93.994	.010	.01238021	.00472541	.00299778	.02176264

The results demonstrate that the t value of t is 2.62 (equal variances not assumed) and the significance value is 0.01 (smaller than $\alpha = 0.05$). Thus, this study *accepts* the hypothesis that the ratio of grant expenditures of local governments of incumbent candidates in the period of the regional election is higher than grant expenditures of local governments of non-incumbent

candidates in the period of the regional election. This result indicates that incumbent candidates *utilize* grant expenditures in the period of the regional election.

Testing the Fourth Hypothesis

The Mann Whitney U-test was used to test the fourth hypothesis. The test results can be seen in Table 5 below.

Table 5: Results of Testing the Forth Hypothesis

	Social-aid Expenditures 2010
Mann-Whitney U	814.000
Wilcoxon W	1480.000
Z	-2.013
Asymp. Sig. (2-tailed)	.044

The results demonstrate that the value of z is -2.013 and the significance value is 0.04 (smaller than $\alpha = 0.05$). Thus, this study accepts the hypothesis that the ratio of social aid expenditure of local governments of incumbent candidates in the period of the regional election is higher than social aid expenditures of local governments of non-incumbent in the period of the regional election. This result indicates that incumbent candidates utilize social aid expenditures in the period of the regional election

5. CONCLUSION AND DISCUSSION

Based on findings discussed in the previous section, this study concludes that the proportion of grant expenditures in incumbent candidates local government budget **at** the time of election is higher than **before** the time of regional election; the proportion of social aid expenditures in incumbent-candidates local government budgets **at** the time of election is higher than **before** the time election; the proportion of grant expenditures in incumbent candidates local government budget is higher than those of non-incumbent candidates **at** the time of election; and the proportion of social aid expenditures in incumbent candidates local government is higher than those of non-incumbent candidates **at** the time of regional election. Those findings indicate that incumbents tend to utilise local government budgets in their re-nomination in regional election. As a result, this condition tends to decrease the performance quality and objectivity of the local government budget. Furthermore, the significant increase in such expenditures could disturb the sustainability of regional development.

This condition brings several implications. Firstly, the central government via the Ministry of Home Affairs needs to develop new more stringent regulations regarding the management of social-aid expenditures and grant expenditures. The new regulations should encompass a more tight-fitting how to plan, to budget, to execute, to report, and to monitor the expenditures. The new regulations have to ensure that quality of the transparance and accountability of such expenditures is improved. As a result, the democratic costs and local government finance will be more efficient and effective in the future.

Secondly, the auditor, which is the Supreme Audit Board, should give more attention to social aid expenditures and grant expenditures during their audit on local government financial statements, especially at the time of regional election. The auditor should consider a higher audit risk on these expenditures. As a consequence, they have to allocate more time and be more thorough while auditing such expenditures.

Thirdly, the incumbent candidates have bigger opportunities than other non-incumbent candidates to win in the regional election. If the incumbent candidates do not commit a significant mistake during their period of leadership, normally, they will win the next regional general election.

The limitation of this study is that the authors do not identify incumbent-equivalent candidates who become a candidate in regional elections. This happens because such data are not available. An incumbent-equivalent candidate is someone who has special relationship with the incumbent, such as sons or daughters of incumbent, wife of incumbent, or relatives of incumbent. The incumbent-equivalent candidates should be categorized in the same group with incumbent candidates. Therefore, other researchers should address this issue in future research.

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Toutes autres personnes disposées à nous assister dans les travaux d'édition du Journal peuvent nous contacter. Les travaux consistent en la révision des contributions potentielles en suggérant si elles peuvent être acceptées pour publication et en faisant des recommandations éditoriales qui permettront d'améliorer la qualité des soumissions.

Veillez prendre contacte avec Peter Dobrowolski - peterdobrowolski@pro.onet.pl – si vous souhaitez discuter du rôle du comité de rédaction et de quelque proposition d'amélioration.

Invitación a posibles Autores

La revista *International Journal on Governmental Financial Management (IJGFM)* es un foro para académicos, profesionales y el público en general para el debate de las muchas disciplinas involucradas en la gestión financiera gubernamental. Éstas incluyen la contabilidad, la auditoría, el proceso presupuestario, la gestión de la deuda, la tecnología de la información, la gestión impositiva y la del tesoro.

Nos gustaría publicar artículos y comentarios que:

- alienten la colaboración entre profesionales y otros que están preocupados por la gestión financiera.
- contribuyan al avance de los principios y normas de la gestión financiera gubernamental, especialmente al describir las buenas prácticas existentes.
- identifiquen problemas o debilidades a través de una crítica de las opiniones actualmente dominantes sobre las reformas de la gestión financiera en el sector público; y
- ayuden a los gerentes financieros del sector público a identificar sus propias soluciones a los retos comunes.

Sería de interés especial recibir contribuciones de individuos o equipos que trabajan en los países en desarrollo. Invitamos a los potenciales autores a consultar los números anteriores de la revista en: <http://www.icgfm.org/digest.htm>

Los trabajos son aceptados y publicados en inglés, francés o español.

Actualmente la revista no dispone de un sistema de revisión de doble ciego (en que la identidad tanto del autor como del revisor no se revele) como norma usual. El objetivo es brindar un comentario confidencial de las contribuciones enviadas y ofrecer sugerencias editoriales (detalla si fuera necesario) para ayudar al autor a producir un trabajo digno de publicación. Sería posible proveer una revisión de doble ciego si un autor individual la solicitara.

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Los manuscritos deben incluir:

- no más de 20 páginas en espacio sencillo (o de 10.000 palabras);
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Las referencias en el texto a libros, artículos, etc. deben incluir el nombre del autor, el año de publicación y las páginas específicas de las citas directas (p. ej., Mickey & Donald, 1968, p. 1). Para más de dos autores, la citación debe ser abreviada así: (Kramdon y otros, 1988, p. 1). Citaciones múltiples al mismo autor en el mismo año deben ser diferenciadas dentro del texto (y en la bibliografía al final) por las letras a, b, c, etc. después del año de publicación. Términos en latín, por ejemplo, *et al*, *ibid* o *op. cit* deben evitarse.

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Donde sea posible, los detalles de la dirección electrónica deben incluirse para materiales disponibles en el Internet. En este caso, la fecha de consulta del material debe ser indicada.

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1. artículos:
Schick, A (1998) 'Why Most Developing Countries Should Not Try New Zealand Reforms', *The World Bank Research Observer*, Vol.13, No.1, febrero. pp.123-31.

Barrientos, Eduardo Gana (1994) 'Procesos de integración subregional y coordinación de políticas macroeconómicas', *Información del Comercio Español*. 732:8-9. pp. 131-142.

Bekinschtein, José A., Maizal, Nélica. (1994) 'La integración regional en Asia-Pacífico: Vías de participación.' *Integ. Latinam*. 19:1-2. pp. 31-42.

2. libros:

Guthrie, J. Humphrey, C. Jones, L R. & Olson, O., (2005), *International Public Financial Management Reform*, Information Age Publishing, Greenwich.

Stolovich, Luis. (1993) *El poder económico en el MERCOSUR*. Centro Uruguay Independiente, Montevideo.

3. citas de libros compilados:

Flynn, N (2002) 'Explaining New Public Management: The Importance of Context', en K McLaughlin, S Osborne y E Ferlie (eds.) *New Public Management: Current Trends and Future Prospects*, Londres, Routledge.

Haug, G. (2005) 'Pluralidad e intereses compartidos de las Universidades Europeas', en F. Toledo, E. Alcón, y F. Michavila. (eds) *Introducción a la contabilidad Financiera: un Enfoque Internacional*. Barcelona: Ariel. pp. 35-49.

4. libros traducidos:

Adorno, T. W. *Negative Dialectic* (Frankfurt: Suhrkamp, 1966). *Negative Dialectics*, E. B. Ashton (trad.) (1973) Nueva York: Seabury Press.

5. referencia a un informe:

WCED (World Commission on Environment and Development) (1987) *Our Common Future* ('The Brundtland Report'); Oxford: Oxford University Press.

6. referencias a material del Internet:

Dorotinsky, Bill (2008) *Public Financial Management Reform: Trends and Lessons*, ICGFM DC Forum, Junio

<http://icgfm.blogspot.com> (6 Septiembre 2008)

Cuadros, diagramas, figuras e tablas

Todos estos deben denominarse "figuras" y ser numerados consecutivamente en números arábigos con un breve título en letra mayúscula, con etiquetas, etc. El texto debe indicar donde aparece la figura.

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Nos complacería también recibir correspondencia de otros que estén dispuestos a ayudar con el trabajo editorial de la Revista. El trabajo consistiría en revisar potenciales contribuciones, indicando si deben ser aceptadas para publicación y haciendo recomendaciones editoriales para mejorar la calidad de los materiales enviados.

Tenga la bondad de contactar al redactor, Peter Dobrowolski - peterdobrowolski@pro.onet.pl – si le gustaría comentar sobre el papel de la junta editorial y cualesquier sugerencias que usted pudiera ofrecer.