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***ACCOUNTING FOR
CHANGED ACCOUNTING: A
TRANSLATION VIEW
COMPARING ACCRUAL
ACCOUNTING
IMPLEMENTATIONS IN
FRANCE AND AUSTRALIA***

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1. Introduction

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

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

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

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

The empirical base for this paper is primarily drawn from documentary sources but also complemented by interviews of individuals who were significant in the respective reform implementations. That data relates to the periods of 1976 to 1996 for NSW and 1962 to 2006 for France. For both periods, and separately within each case, the data has been analysed within a framework provided by Actor-Network Theory (ANT) (Callon, 1981, 1986; Latour, 1987; 1988). ANT is based on the idea that any innovation is the result of a continuous process of *interessement* of an increasing number of actors with different origins and divergent interests around the same project. In other words, in order to diffuse, an innovation must become an *obligatory point of passage* for an increasing numbers of actors (also called *allies*, see Callon, 1986). However, the more allies who enrol, the more they might want to transform the innovation (its attributes and the reasons why it is introduced) in accordance with their own interests. This phenomenon leads to translation processes (Latour, 1987).

In accordance with the four steps of translation presented by Callon (1986) (*problematization, interessement, enrolment, mobilization*), first this study puts in light how accrual accounting progressively became an obligatory point of passage in NSW and in France. Then, the adoption of accrual accounting is described in both cases and the translation processes are highlighted in order to show how the same innovation (accrual accounting) has been implemented in two different ways. To do

so, the authors studied how the networks of actors were constituted, in accordance with the rules of method enounced by Latour (1987).

The paper's findings are first, that ANT provides an efficacious method from which to understand public sector accounting change; second, that even though the French and NSW adoptions of accrual accounting are characterised by many differences, there were systemic similarities identified in the comparative cases; third, the similarities in the two cases coalesce around the central roles adopted by some agent of change (for example, consultant or central government agency) that exerted a significant influence in the actor network. These findings are consistent with the observations of Olson et al (1998) that New Public Management has adopted numerous paths however the analysis provided here demonstrates that explanations of those different paths can benefit from analysis of the specific steps of translation in each accounting change. Although such a finding may disappoint in that it sweeps away suggestions of simplistic – even formulaic – conclusions of accounting change, it does point towards a powerful technique of analysis. In turn, a call for further research using ANT to understand comparative views of public sector accounting change emerges from this research.

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

2. Literature review

2.1. From the diffusion model to the translation model

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

The diffusion model relies on the idea that an innovation becomes widespread because of its intrinsic characteristics and properties. Latour (1986, 1987) compares the diffusion model to the ‘inertia’ principle of physics: *“to explain the spread in time and space of an order, of a claim, of an artefact, there are two possibilities. The first is to endow the order, the claim, or the artefact – let us call it a token – with an inner force similar to that of inertia in physics. According to the inertia principle the token will move in the same direction as long as there is no obstacle. In such a model – let us call it the diffusion model – the displacement of a token through time and space does not have to be explained. What is in need of explanation is the slowing down or the acceleration of the token which results from the action or reaction of other people”* (Latour, 1986, p. 266).

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

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

- First, very few justifications have been brought to clarify the strength of these arguments. Indeed, very few studies have analyze the fact that accrual accounting presents more advantages than drawbacks in the public sector (Christensen, 2007);
- Second, this approach has a distant link with reality. It does not incorporate all the strategic decisions, the relations of power, nor the different interests of actors involved during the adoption of an innovation. As noted by Baxter and

Chua (2003, p. 102), “[Accounting] numbers are built on the shifting and transient interests of disparate groups of organisational participants who work incessantly to maintain the position of (their) numbers and influence over organisational functioning”. In other words, the diffusion model gives very few explanations of the mysterious contagious phenomenon upon which it relies;

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

The translation model offers an alternative view of the diffusion of an innovation. According to this model, the diffusion of an innovation is a collective process marked by a chain of actors who are actively participating in the shaping of the innovations (Latour, 1987). Latour (1986, p. 267, 268) argues that according to the translation model, “*the spread in time and space of anything – claims, orders, artefacts, goods – is in the hands of people; each of these people may act in many different ways, letting the token drop, or modifying it, or deflecting it, or betraying it, or adding to it, or appropriating it. [...] In other words, there is no inertia to account for the spread of a token. When no one is there to take up the statement or the token then it simply stops. More importantly, displacement is not caused by the initial impetus since the token has no impetus whatsoever; rather it is the consequence of the energy given to the token by everyone in the chain who does something with it*”. In other words, the translation model underlines the collective dimension of an innovation. Contrary to the diffusion model which relies on the idea that an innovation is either taken up or left; for the translation model, innovations do not exist in themselves but are made by actors in the process of continuing associations (Latour, 1986, 1987, 1988).

Although the diffusion model can be seen as a linear model, Akrich et al. (2002) characterise the translation model as a whirlwind on which multiple socio-

technical negotiations shape the innovation. This stresses that an innovation continuously transforms itself in various loops according to the trials to which it is submitted, thus redefining its properties and its public (Figure 1).

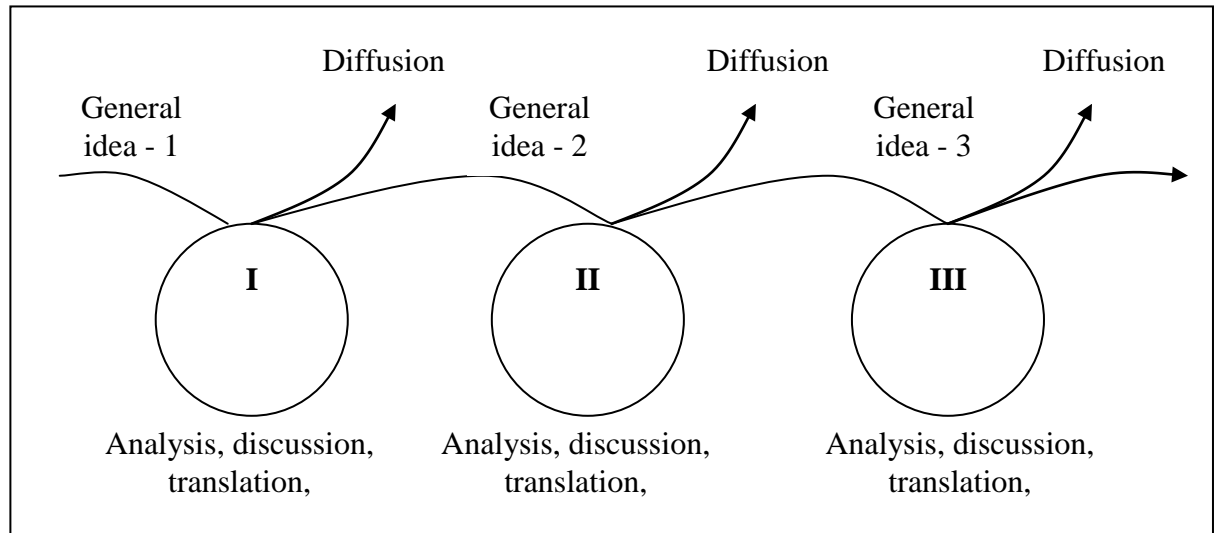


Figure 1: The whirlwind model, adapted from Akrich and al., 1988, p. 21¹

Figure 1 emphasizes that the original aim of the project is displaced or ‘detoured’ as a result of the numerous actors that adopt and, at the same time, adapt it in order to accomplish their own goal. It is the chain of actors and their interactions, as influenced by their individual interests, which shape the outcome thus Latour (1986) labels this the model of translation.

2.2. The concept of translation and the constitution of networks

The concept of translation refers to the process through which actors’ divergent interests are transformed into facts in order to reach a common interest (Callon and Latour, 1981; Callon, 1986; Latour, 1987). In order to apply this concept to accounting studies, Robson (1991) notes that translation is the process in which new and even pre-existing accounting techniques, are articulated discursively, and so construct individuals’ and groups’ “interest” in those techniques. Utilizing the same idea, Quattrone and Hopper (2005, p. 737) subsequently underline that “*accounting representations [...] only emerge after a process of translation involving mediations*

¹ Figure presented in the french version published in 1988 of the article of Akrich et al. published in 2002.

between various interests and existing technologies that redefine their attributes and why they were introduced.”

According to Callon (1986), four overlapping and not necessarily temporally distinct ‘moments’ constitute the different phases of the process of translation (Callon, 1986): ‘problematization’; ‘interessement’; ‘enrolment’ and ‘mobilization’. ‘Problematization’ indicates the movements and detours that must be accepted as well as the alliances that must be forged (Callon, 1986). The fact builders have to show others that their idea is the appropriate answer and that they need it. Problematization is thus a system of alliances describing the identity of the actors, their interests and the fact that progressively, the innovation becomes an obligatory point of passage (Callon, 1986) for all of them. The ‘interessement’ is a potentially unlimited range of actions and strategies by which an entity attempts to impose and stabilize the identity of the other actors it defines through its problematization. Except in extremely rare cases where the shaping of an actor coincides perfectly with the proposed problematization, the identity and interests of entities are progressively modified in various parts of interessement². The ‘enrolment’ is composed of all the negotiations, trials of strength and tricks that accompany the interessement phase and enable it to succeed (Callon, 1986). Finally, ‘mobilization’ is the stage when acceptance of the innovation (the idea, fact or artifact) becomes more and more irreversible or, on the contrary, the network of actors constituted around it begins to fall apart.

The innovation diffusion is thus the scene of the progressive construction of a network of heterogeneous actors. Such a view of the diffusion of an innovation and the constitution of facts is known as the Actor-Network Theory³. The use of ANT to study the acceptance of an innovation (an accounting system) can help to reconstitute the identity of actors asked to join the networks and to stress the chain of translation of their own interests and the form the “stabilized” form the innovation took progressively. Indeed, it is only after many difficulties, problems, minor or major adjustments needed, each revealed by a new trial imposed by a new interested group,

² See Latour (1987, p. 108-121) for a presentation of the different strategies of “interessement”.

³ Also known as the ‘sociology of translation’ (Robson, 1991; Ezzamel, 1994; Lowe, 2001) or the latourian approach (Baxter & Chua, 2003). To go further with the ANT acronym, see Latour 1999 and Latour 2005, two references in which Latour discusses what is ANT and what is not, the limits and the benefits of this acronym.

that accrual accounting has progressively been accepted as the right solution for public accounting.

However, firstly, it has to be noted that in accordance with Latour (1999, 2005) and Law (2007), ANT is more an framework than a theory which is going to be tested. As stated by Law (2007, p. 1) “*theories usually try to explain why something happens, but actor-network theory is descriptive rather than foundational in explanatory terms [...] Instead, it tells stories about ‘how’ relations assemble or don’t*”. Secondly, the concept of actors⁴ refers to human and non-human actors or anything that is the source of an action (Latour, 1987; 1999). They are animated by divergent interests and the confrontation of their interests leads to multiple transformations of the innovation.

2.3. ANT and public accounting studies

Many authors have applied and discussed the implications and contributions of ANT to accounting research. Borrowing Latour’s arguments, Chua (1995) and Lowe (1997) emphasized how new accounting systems and measures were progressively implemented and accepted respectively in three Australian hospitals and in a large regional hospital of New Zealand. Their work followed Pinch et al. (1989) and Preston et al. (1992) on the fabrication of accounting systems and budgeting numbers and Ezzamel’s (1994) study of the budgeting systems’ role in organizational change. Robson (1991, 1992, 1994) also relies on ANT and the notion of translation and highlights the power of accounting inscription. More recently, Briers and Chua (2001) studied the role of actor-networks in the implementation of activity-based costing and emphasized how a shared representation emerged; Lowe (2001) presented ANT’s implications for qualitative accounting case research; Quattrone and Hopper (2005) studied the configuration of management control systems in two multinational organisations and the incidence of control relationships; Alcouffe et al. (2007) compared the trajectories of two different management accounting innovations; and,

⁴ “*What is an ‘actor’? Any element which bends space around itself, makes other elements depend upon itself and translates their will into a language of its own. An actor makes changes in the set of elements and concepts habitually used to describe the social and the natural worlds*” (Callon and Latour, 1981, p. 286).

Lowe and Koh (2007) used ANT to stress the competition between accountants and production people to establish the legitimacy of their organisational representations.

All this research is based on an understanding of accounting change in organisations as a collective process with a view of accounting as a socio-technical system; that is to say, accounting systems are shaped by the actors and the organization and, at the same time, accounting systems define the actors and the organization.

In contrast to the growing ANT-based accounting literature, only a few studies on governmental accounting and more specifically on the adoption and diffusion of new accounting systems rely on ANT. Indeed, the Comparative International Governmental Accounting Research (CIGAR) network was created on the basis of contingency studies of governmental accounting reforms (Luder, 1992, 1994, 2002; Monsen and Näsi, 1998). Such studies give interesting insights into the context of accounting reforms and the conditions of their implementation through the analysis of environmental factors. But this approach does not satisfy Luder's (2002) call for a processual view of accounting change and gives only limited information of the implementation processes and the reforms trajectory (Chan et al., 1996; Monsen and Näsi, 1998). This article is an answer to the call of Chan et al. (1996, quoted in Monsen and Näsi, 1997, p. 281) for further research on such questions as: Who came up with the original idea for an accounting innovation? How did he or she persuade others to adopt the new idea? What factors influenced the adoption decision?

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

3. Data and methods

This research is based on theoretically informed historical methods. Data sources used have been a combination of source documents and interviews. The source documents are largely official publications in which various actors have given

voice to their perspectives on the issues under consideration. As such those source documents tend to be advocacies of change such as: Parliamentary debates in both jurisdictions; Treasury discussion papers in NSW; *La Revue du Tresor* in France (a monthly publication of the Ministry of Finance) and the *Revue Française de Finance Publique*⁵; Treasury files (that is internal files available with permission from the NSW Treasury); video tapes of presentations made by consultants in NSW in (1987); reports and evidence from various Parliamentary enquiries in NSW and in France; and, newspaper articles. In addition to these documentary data sources, data has been sourced from interviews: in NSW, of various actors who had a role as a promoter of change, a provider of information or a user of information during the years in which the change to accrual accounting was being actively considered; and in France, of the accounting staff in charge of the application of the 2001 Constitution Bylaw at the Ministry of the Interior and two members of the Ministry of Finance from the General Directorate of Public Accounting. These interviews were transcribed and analysed by way of rules enunciated by Latour (1987) in which relations between actors are given prominence as well as the role of non-human actants such as: images of the public; official reports; consultancy briefings; meeting agenda; computer systems (especially private sector accrual-based and standardised systems); university educational curricula and As will be shown each of these non-human actants were granted to e sources of action in that they became implicated in considerations of the relations between actors and the manes by which they were able to contemplate various shapes of the reforms being considered. Without dwelling on the objectivity of claims about, or on behalf of, such actants this research follows Latour's second rule (1987, p. 258) which is to ignore these claims' intrinsic qualities but instead to analyse the transformations of these claims. Such analysis needs to consider how various inscriptions are shaped and re-shaped during the moments of network relation

⁵ It helped to gather opinions of members of the Ministry of Finance (mainly Directors of General Directorate of Public Accounting and civil servants involved in the reform of public accounting at the State level), of the Parliament (members of the National Assembly and the Senate), of the Supreme Audit Court (*Cour des comptes*) and public accountants. As stated by Lande & Scheid (2003, p. 168), "public accountants do not have a great influence on public sector accounting standardisation. The only publication worthy of mention in this regard is the monthly magazine: 'la Revue du Trésor'". 'La Revue Française de Finances Publiques' is an academic journal with a strong professional orientation in which many national conferences are published (among them, the 1989 conference at the Supreme Court of Audit and the 2000 conference held at the National Assembly relative to public sector accounting reform).

alteration. To do so, we adopt the methodological claim of Latour (1987) and follow the actors. To that end the data sources described above are harvested and the resulting analyses are then compared to discern similarities and differences in the French and NSW paths of accounting reform.

4. The cases

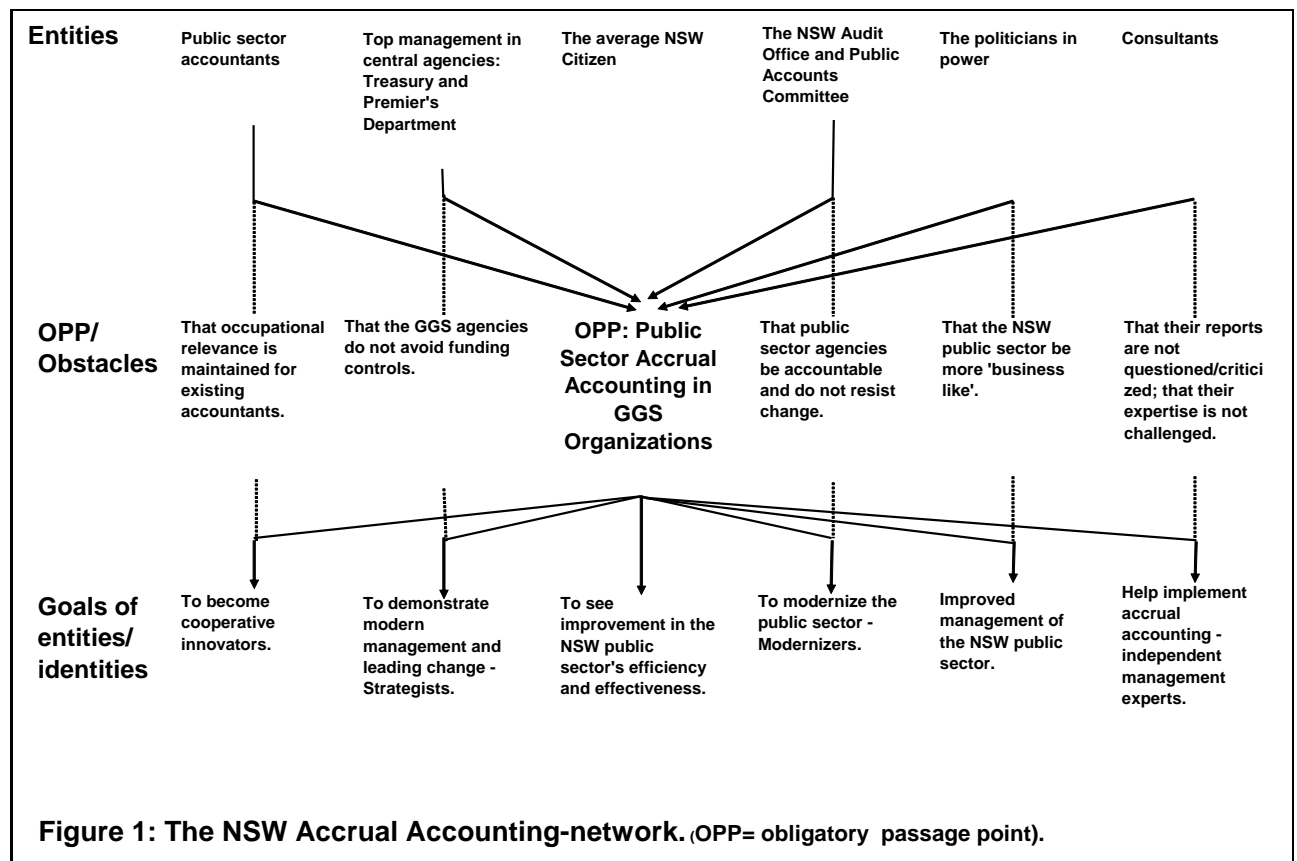
In this section the paths from cash-based accounting are traced for firstly NSW as the early adopter and then secondly for France as a later adopter.

4.1 The NSW path to accrual accounting: an early adopter

4.1.1 Constructing the NSW accrual accounting actor-network

The decision to adopt accrual accounting was made in 1988 and the first accrual based budget and published accounts were produced for the 1992-93 year⁶. That outcome was achieved after the development of an actor-network as outlined in Figure 2 and described here.

⁶ A history of the NSW Government's move to accrual accounting has been partially written (Christensen, 2002; 2005). That history notes the importance of consultants on two counts: first by promoting accrual accounting and second, by helping to implement the change.



Prior to 1987 public sector accrual accounting did not occupy a space as an Obligatory Passage Point for improvement to administration in the General Government Sector (GGS). Before November 1987 NSW Treasury argued within government circles that reforms of a higher priority than accrual accounting were on the agenda (NSW Treasury File, 1987). This view was put publicly by the Treasury Secretary in February 1988 at a public seminar on the subject, “I have the feeling that some of the proponents of full accrual accounting may not have thought through all of the issues fully” (Allan, 1988, p. 35) and there are other administrative reforms which, “have a higher administrative priority than accrual accounting” (p. 41). This is a clear reflection of resistance to public sector accrual accounting from within the powerful Treasury. In part this was based on the Treasury’s image of the non-human actant that was invoked variously by the public sector accrual accounting antagonists: the presumed needs of the public for information about their public sector. Invoking that actant is reflected in the Treasury’s argument that accrual accounting would not improve public sector accountability and efficiency as much as alternate technologies such as cash-based Government Finance Statistics. However, this argument was to

change subsequently after the actor-network was constructed around the OPP of accrual accounting as described below.

Whilst the inner public service of NSW was opposed to accrual accounting, the public sector oversight bodies such as the Auditor-General and the Public Accounts Committee (PAC) were expressing a desire for change. The Auditor-General was the most outspoken (Ryan, 1995) but was nevertheless ineffective in his advocacy:

Everybody - and I mean everybody - was against me (about the need for accrual accounting). They thought I was an idiot or something. But I believed strongly that unless accrual accounting was used, there wouldn't be proper decisions made. (Robson, quoted by Soh, 1992, p. 7)

Thus before the enrolment of the consultants, the actor-network was not complete and public sector accrual accounting was a contested idea competing with the status quo (cash-based accounting) for domination. However, the actor-network can be seen to take shape with the enrolment of the large consulting firms. Initially in the period under study (1987 to 1993), and earlier, private sector consultants' interest in the public sector had largely rested on government business undertakings (Wright, 2002). These undertakings had a profit objective that in many respects made them comparable to the private sector. However, the consultancy firms had only limited engagements in the GGS and did they not show much interest in that sector. That lack of interest changed into a heightened interest in the late 1980s as seen in the comment of an Arthur Andersen (hereafter 'Andersen') Australian partner at the time:

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

At the heart of this move was an opportunity to apply a private sector concept to the public sector: the move from cash accounting to accrual accounting - with which the consultants were quite familiar. Additionally, there was also a strong synergy between accrual accounting and a number of other elements of reform that have been collectively grouped under the term New Public Management (Hood, 1995)

and were products being promoted by the consulting firms such as outsourcing, performance measurement, purchaser-provider supply arrangements through competitive tendering, altered costing methodologies, and so on. Thus there is a linkage between the implementation of accrual accounting and a stream of other reforms that have, at least in hindsight, provided significant and new income streams from the public sector to private consulting firms. It is perhaps not coincidental that the consulting firms were at this stage beginning to develop specialised government services divisions (Saint-Martin, 2000; Wright, 2002) since those divisions marshalled the resources required to service the new market for expertise and to promote and implement accrual accounting.

Whilst the NSW public oversight bodies (the PAC and Auditor-General) had been interested in accrual accounting prior to the involvement of the consultants, their activity and support increased following the consultants' interventions. Primarily this can be seen in a seminar organised by the NSW PAC in February 1988 with the impartial title, "Accrual Accounting Seminar" but with strategic selection of speakers such that those in favour outnumbered those opposed or neutral by four to two. The speakers in favour included the NSW Auditor-General, an Andersen consultant, a financial journalist and the Chairman of the Public Sector Accounting Standards Board. These speakers followed the themes introduced by the consultants in their 1987 seminar (refer below Section 4.1.2) and increasingly invoked the interest of the citizen in a well-informed democracy. Thus at this point the attempted enrolment of the image of citizens in the actor-network becomes apparent. Evidence of the emerging enrolment of the public servants also appears in the 1988 seminar since personalised invitations to the public sector elite were issued by the PAC and Andersen (the venue was filled to capacity with 200 senior accounting or administrative public servants and a waiting list of 50 also indicated significant interest in the topic). NSW was in election mode when the PAC held its February 1988 accrual accounting seminar and within two days of that seminar the Opposition Leader pledged that if elected his government would introduce accrual accounting (Moore, 1988). Subsequently the public servants' enrolment was significantly advanced in March 1988 when the Opposition won government and at this point the OPP of accrual accounting was firmly in place with support of the consultants, Government, bureaucracy, oversight bodies and the image of the citizenry. Two

interviewees' thoughts on the public servants' enrolment and the subsequent formation of the network are illuminating:

If the politician shows an interest in something the public servants will become enthused about it – and there was a sense in Treasury of a desire to be at the forefront (UoI, Interview 1).

And,

Treasury's subsequent change of opinion was a case of 'turning adversity into triumph' (PoC, Interview 6)

The sense that Treasury was at the cutting edge of public financial reform was publicly expressed with pride in the form of gratitude for the Treasurer's "encouragement and support ... in changing the State's financial management, accounting and reporting systems to amongst the most advanced in the world" (NSW Government, 1991, p. i).

Consistent with Carpenter and Feroz's (2001) observation of the (then) Big Six consultants' activity in the USA, so too in NSW these firms became very active with respect to public sector accrual accounting from 1987. Whilst their motivations for enrolling in the actor-network to promote accrual accounting were clearly positive to their self-interest, it is of more interest here to explicate the means by which the consultants were able to convince further audiences, such as the GGS managers to create support for accrual accounting. For that explication, and details of the consultants' outputs, we turn next to identify the transformations that took place as a result of the consultants' actions and thus how accrual accounting was transformed from being just a value to being a value-free reform for the NSW public sector.

4.1.2 Transformations within the emergent network

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

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

An increase in the number of newspaper articles noting either the problems of cash-based accounting or the promise of accrual accounting for the public sector evidences this claim in that the dry topic of governmental accounting went from no popular press coverage to 13 national newspaper articles in six months following the 1987 seminars. Thus it is important to closely examine the transformations of accrual accounting presented at these seminars. Fortuitously, the outputs evidenced in these seminars were videotaped and these videotapes (one of the circulations amongst others to be discussed in the following sub-section) provide detailed evidence of the arguments presented by the seminar speakers. Of particular interest here are the two speakers brought from the USA as ‘experts’ in the technology of accrual accounting in the public sector. These speakers were Morton Egol, a senior Andersen USA partner (and Director of Andersen’s Government Services Division) and Ned Regan, the New York State Comptroller and Andersen client. These speakers’ presence provided *gravitas* to the seminars in that they showed that others, outside the Australian public sectors, had allegedly grappled and succeeded with accrual accounting technologies in the public sector. However, their presence alone would have been insufficient to overcome the bureaucrats’ reluctance noted above. They needed strategies that would make accrual accounting acceptable to other network actors. To identify those strategies, we look here for transformations of values into hard facts as the empirical support to our argument regarding the formation of accrual accounting as the network’s OPP. It is clear that this was achieved by the consultants; for example, a senior politician later noted about the seminars:

I recall that some of the papers given on (accrual accounting) stressed enormously the advantages which New York State had derived ... they also gave us very practical examples of how assets are treated (Bishop, cited in NSW Public Accounts Committee 1988, pp.69-70).

In order to understand creation of the seminars’ ‘very practical’ nature, we have analysed the presentations, looking for transformations. Two main

transformations are identified: first, the presentation by Morton Egol gives a series of tables and other graphical presentations of accrual accounting data for the USA Federal Government; second, the presentation by Ned Regan provides a history in which the story of accrual accounting applied in New York State. Both sets of transformations had powerful effect which in hindsight is heightened by the recognition, now, that accrual accounting was not in operation in USA public sectors at the time the presentations were made (refer to Christensen, 2005 and 2006 for a discussion of this; also refer to Carpenter and Feroz, 1992 for a discussion of New York State's conversion to GAAP as modified accrual accounting). This fact was only three months later determined by NSW Treasury during a study visit to the US by its officers and assisted by Andersen Australia (Nicholls and Scullion, 1988, p. 15).

The first set of transformations, provided by Egol, were made in a series of tables that were apparently based on a notional set of financial statements and subsequently derived data. The presentation does not make a substantial effort to create the impression that the data presented was notional and based only on a series of assumptions applied by Andersen to published cash accounts. Instead, 19 tables and graphics mostly with accounting inscriptions were presented without qualification as to the shaky nature of the data portrayed therein. For example definitive data was presented in order to correct 'popular impressions' as to accumulated deficit, national debt, annual cost of government and so on. In multiple graphs the word 'fact' was used to correct the misinformation caused by cash-based reports. Without presenting qualifications on the data or assumptions behind the inscriptions behind these alleged 'facts', the consultants were able to achieve transformations that meant their audience left with the belief that accrual accounting had been implemented in the USA and that it was producing meaningful information that now demonstrated the 'real' picture regarding US Government finances. All of the 19 tables or graphics used by Egol evidence transformations but only one is reproduced here for illustrative purposes. Figure 3 reproduces a slide used by Egol in which highly controversial data has been subsumed below the transformation: prior years' reported deficits were reworked by adding increments to future outgoings such as social security whilst also recognising imputed depreciation expenses on prior assets. Of course these inscriptions are mere estimates by Andersen since none of the systemic requisite accrual data definition, capture or analysis was in place in any of the prior years. Nevertheless, this graphic

together with the other 18 presented by Egol left his audience with the impression that accrual accounting was in place for the Federal US Government.

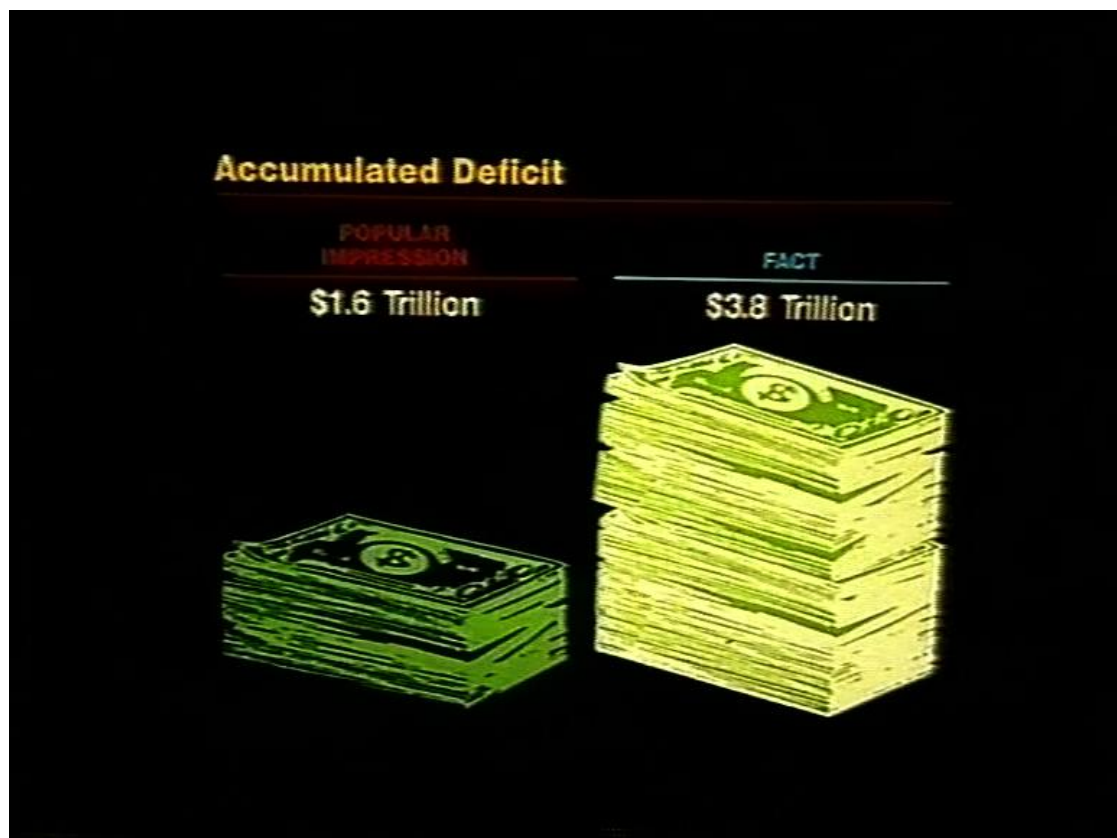


Figure 3: Slide presented in the ‘Can Accrual Accounting Work in Government?’ Seminar (Source: Egol, 1987)

The second set of transformations, provided by Regan, occurred in a story of the adoption of accrual accounting by New York State. Regan’s presentation was titled “Strategic issues in accrual accounting in Government”. Although presented as fact, this story was a fiction because the sense of ‘accrual accounting’ as a concept in the mind of the audience appears to have differed to the sense in Regan’s mind. That is, the audience knew the concept to mean ‘full accrual’ or in other words meaning recognition of public sector assets and liabilities together with annual depreciation expense⁷. In Regan’s mind apparently the concept meant some form of partial accrual accounting that met GAAP of the time as applied to the US public sector but did not

⁷ The NSW GGS already had modified accrual accounting in that receivables and salary accruals were being recognised. NSW government trading enterprises were using full accrual accounting. However, the mooted move to full accrual accounting in the NSW GGS was understood by the NSW bureaucrats to be a radical change beyond partial accrual accounting.

capitalise asset expenditures nor did it recognise depreciation expense (Carpenter and Feroz, 1992). However, nothing in Regan's presentation drew attention to the fact that he was not using the words 'accrual accounting' in the manner that the audience understood. There is some evidence that this distinction may have been appreciated by Regan or others associated with the published versions of his speeches: in the three versions of his presentations available to this research⁸ there are unheralded exchanges of the word 'accrual' with the abbreviation 'GAAP' (Christensen, 2006). There is also a significant insertion in the speech as recorded on video and the version of the printed speech sent to the new NSW Premier but is missing in the published version of the presentation. That insertion is:

Now some of you might say: 'all these system changes from accrual accounting?' The answer is most certainly yes, if you view the conversion to accrual accounting as the first, and essential, step to reform of fiscal management systems. Once that large step is made, other major improvements in budgets, reports, management systems and the like can follow. The fiscal tone of all the governmental operations improves quite dramatically (Regan, 1988, private correspondence to NSW Premier).

It is curious as to why this statement is not in the (longer lasting) published version of the presentation since it clearly transforms accrual accounting to a status that extends beyond insignificant accounting change. Regardless, it is apparent that the immediate effect of this statement together with the other parts of Regan's support for accrual accounting, was to leave his audience with the impression that accrual accounting would deliver significant benefits and that they had been achieved in New York State. Mostly, Regan's story dealt with the political aspects of budgetary changes that were in some way associated with a conversion of the cash-based accounting system to follow the extant GAAP. Regan's presentation largely ignored specific accounting principles but instead covered how the accounting change became associated with strenuous efforts to reduce New York State's deficit spending by identifying and reducing borrowings. In that way, Regan was able to transform accrual accounting, in the minds of his audience, into a means of achieving good

⁸ The three known versions of Regan's presentation are: a version published by the Australian Society of Accountants; a version sent by Regan to the new NSW Premier on 5 May 1988; and, a video of the Melbourne presentation made on 2 December 1987.

government. Regan also achieved a synergy with Egol's advice of not 'reinventing the wheel' but instead profiting from the New York State experience which NSW could also emulate. This is an example of 'trust me I was there' pragmatic rhetoric used by consultants usually with persuasive impact.

In addition to the two main transformations described above, the (then) Big Six consultants produced a number of subsequent and observable transformations before the accrual accounting project moved fully into its implementation stage. These transformations became intermediaries that functioned to draw closer and mutually reinforcing relations between the consultants and other network members. For example:

- Andersen (Australia) organised a tour of USA jurisdictions for NSW Treasury officers to discuss accrual accounting implementation in February 1988
- Andersen (Australia) provided a Partner (Ian Plater) to present a paper titled "The United States Experience" to a seminar organised by the NSW Public Accounts Committee in February 1988 on public sector accrual accounting (this seminar is discussed further below)
- Ernst & Whinney (Australia) prepared a report recommending accrual accounting in local government in February 1988
- Ernst & Young (Australia) conducted a review of Treasury management and strategy in 1989 and recommended establishment of a new Branch (Accounting Policy) with positions created for implementation of accounting reforms
- Coopers & Lybrand (Australia) and Ernst & Young (Australia) were contracted by NSW Treasury to provide two consultants to service a 'Help Desk' in Treasury to answer queries on accrual accounting over 1989 and 1990 (Scullion, 1991, p. 29)
- Coopers & Lybrand (Australia) prepared a Departmental Heads education program on accrual accounting in 1990.

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

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

4.1.3 Circulations of network transformations

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

Although the consultants' initial transformations as described in the previous section were circulated amongst the bureaucratic elite, the next set of transformations were circulated even more widely and reached virtually all of the bureaucracy as well as receiving widespread publicity amongst the popular press. Those transformations were within the Commission of Audit response to the term of reference regarding the desirability of accrual accounting.

Andersen was contracted by the Commission of Audit to draft a response to the accrual accounting term of reference⁹ and to thereby craft an argument in support of accrual accounting. Even though the response to that contract was substantially re-written within the Commission of Audit, the Commission presented its findings on accrual accounting as though they were fully informed from the consultancy and so it attributed its comments specifically to Andersen. Many other consultants were used by the Commission but nowhere else in its report does it attribute matters specifically to consultants and so the accrual accounting attribution can be explained as an

⁹ Term of Reference 1.8 sought "advice on the impact of, and procedures involved in, applying full accrual accounting to all public sector bodies".

instance of 'expert justification' that used Andersen's high professional standing as a technique of justifying the placement of accrual accounting at the centre of a program of reforms (Groom, 1990). The contrived manner in which a known advocate of accrual accounting was contracted to respond to the question of its applicability was the intermediary constructed to present accrual accounting as the solution to the State's problems (as identified by the apparently independent Commission of Audit).

Examining Andersen's report is illuminating. For example, the report blandly asserted that "accrual accounting would ... help Governments avoid financial crisis" and "overseas experience and general observation suggest that the adoption of accrual accounting would mean that for the Government as a whole, a significant deficit would be disclosed" (Commission of Audit, 1988, Appendix F p. 2). Given that there was no overseas experience, nor even a firm model with which to implement accrual accounting, such assertions about overseas experience and observations could only be beliefs or values of the consultants as to what might happen if accrual accounting were introduced for all NSW GGS organisations. However, this distinction between value and hard fact was not brought to the attention of the consultants' audience and so the hopeful image of accrual accounting was presented in a black-box. For that impact to be achieved it was also necessary that the report receive wide circulation.

The wide circulation within the bureaucracy for this consultant output was assured and achieved. This was because the Commission of Audit spoke directly on each Department's resource consumption and asset utilization thus every senior bureaucrat anxiously scoured its report looking for threats and opportunities. It was also common during the remainder of the new government's term, for senior bureaucrats to have a copy of the report on open display within their offices. At this point (July 1988), it is apparent that the network with an OPP of accrual accounting had been effectively formed and had won the argument. Treasury's enthusiasm was reinforced and supported by active assistance from the consulting firms who then moved from promotion to implementation activities. At this point an enrolment between the bureaucrats and the consultants began to form a powerful mechanism that was to advance the change to accruals with such force that it was to be delivered some five years earlier than at first planned (NSW Public Accounts Committee, 1995). Thus the NSW Government firmly committed to implement accrual accounting.

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

The most significant transformation was the suggestion by Coopers & Lybrand to the Premier and Treasurer that an advisory panel be established from the major consulting firms' partners to provide voluntary advice to the government on its accounting (Christensen, 2002). This suggestion was accepted and resulted in an important institutionalisation of the consultants' subsequent impact which is discussed further below. A second significant transformation was that each of the major firms seconded a staff member to an individual department as the key person in separate project teams charged with the implementation of pilot accrual projects (Scullion, 1991). Third, Coopers & Lybrand were contracted to produce an accrual-based Chart of Accounts (NSW Treasury, 1991) and did so with a full-time physical presence of its consultants in the office of its client. Fourth, approximately 80 consultants were placed on a register from which Departments could directly engage their services without further tender or evaluation. With the exception of the first mentioned transformation, the consultants' activities fit into the usual category of fee-based projects that are not different in nature from their typical work. However, a striking difference to this was the formation and operation of the Treasurer's Accounting Advisory Panel (TAAP).

The TAAP was charged with being "an independent source of advice to the Treasurer and Treasury on emerging accounting issues affecting the public sector" (NSW Treasury, 1991, p. 30) and it consisted of a volunteer partner from each Big Six firm. The Panel served the interests of both the government (through the provision of technical advice) and the consultants (through the early warning of impending

consulting opportunities and through opportunities to contribute to accounting policy development). Standing as a striking example of non-competitive behaviour amongst the Big Six firms, the Panel was also an effective means to ensure continued consensus on accrual accounting. The operation of the TAAP with a Treasury secretariat meant that any remaining pockets of resistance to accrual accounting within the Treasury were easily outnumbered and marginalized.

Recognition of the Panel's importance has been explicit, "the Panel was very important and was very successful" and, "it was a group of experts saying this is the right thing to do" (NSW Interview 1). The Panel met frequently at first, up to 6 meetings in a year, whilst its meetings became less frequent as implementation proceeded. Typically a meeting would be focused on a technical accounting problem such as asset measurement and recognition as well as the implications of new financing methods being developed within the public sector (NSW Interview 7). An agenda and briefing paper would be prepared by Treasury and Panel members were called upon to offer opinions without committing the government to a particular course of action. Nevertheless, whilst the Panel continued so too did the implementation activities of the consultants in the NSW public sector and so its continued operation can be seen as a mechanism used by both the consultants and Treasury to mobilise the entities who were supportive of change. Even though the accounting profession was silent on the solutions to significant problems (Chua and Sinclair, 1994) this did not slow the rate of change because the most prominent actors (in the form of Treasury, the consultants and the Panel) could stay in control of the argument.

Every department in the NSW public sector employed consultants to convert their accounting system and so the evidence of extensive use of consultants for the implementation of this accounting change is substantial (Christensen, 2005). Once the consultancy firms had their staff operating directly within individual Departments they were able to develop intimate knowledge of Departmental workings and the operational issues involved in developing accrual basis accounts. This two-way flow of benefits was contemporaneously recognised since "such skill transfer and such exchange (with consultants) is beneficial to NSW agencies as much as it is to the firms themselves" (Mellor, 1995, p. 18). Nevertheless, problems often emerged as a

result of inadequate asset records and/or compounding difficulties of how to value assets for which there was no market (NSW Interview 5). Ways to address these problems were largely constructed by the public servants (NSW Interviews 4 and 5) and the Panel with the exception of Coopers & Lybrand's development of a new accrual-based Chart of Accounts and a 'Reporting Code' (NSW Treasury, 1991). That is, relations within the network had developed to the point where a synergy between the promotional efforts of the consultants and the implementation efforts of the public servants acted to strengthen the move to GGS accrual accounting. Nevertheless, the inherent difficulty of applying for-profit accounting (based on the matching of associated revenue and expense) to the GGS meant that constant efforts in the form of transformations would be required in order to protect the OPP from being destabilised.

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

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

At the end of the 90s, the development of accrual accounting at the State level became a strong priority in France. The decision to adopt accrual accounting was made in 2001 and by January 2006, general accounts were prepared on an accrual basis (Vareille and Adhémar, 2003). But the construction of an actor-network around this innovation and the departure from cash-based accounting was a long process in France which began in the early 60s. However, until the end of the 90s, public accounting was a product of budget law and the privilege of a few public accounting experts. It took forty years for the French State to change that approach and to evolve from a cash-based accounting system; first, it changed to a modified cash-based system, and subsequently moved to a modified accrual-based system.

4.2.1 Assembling the French accrual accounting actor-network

In 1962, Decree No. 62-1587 (general regulation of public sector accounting) was published. This decree, still in force today, regulates public accounting for the French State and local government bodies, giving the main accounting principles for the public sector and defining structures and responsibilities for the work to be performed (Rey, 1987). This decree marked an important stage in the evolution of public accounting. It formalized officially the wish to bring public sector accounting closer to private accounting (on an accrual basis) (Chandernagor, 1987). Indeed, according to Article 133 of the 1962 Decree, the central government general accounts are to be kept in accordance with a model drawn from the French chart of accounts (*Plan Comptable Général, PCG*) which constitutes the accounting reference framework for the private sector in France¹⁰. So, in respect of the 1962 Decree, in 1970 a chart of accounts for the State inspired by the 1947 PCG version was adopted (Saidj, 1995; Cordeau, 1988; Berthier, 1990). That marked the first attempt to bring together public and private accounting. In the 1980s, the application of a new chart of accounts in the private sector approved in 1982 led the French State to re-examine its own chart of accounts. Indeed, the 1982 PCG brought deep innovations intended to improve financial accounting information, among which included the introduction of notes and the appearance of the concepts of regularity, sincerity, prudence and a true and fair view in compliance with the rules of harmonization stated by the fourth European directive of July 25th, 1978 (Bertuzzi, 1988, Cordeau, 1988). Because of the introduction of these new concepts, major changes of public accounting were implemented such as: the recognition of tangible assets; the introduction of an annual depreciation expense (even if it was decided to completely depreciate assets in the year of their acquisition); and, the year end recognition of accrued revenues and expenditures. The second chart of accounts of the State thus came into force in 1988. However, at the end of the 1980s, the accounting system of the State remained limited to a system of modified cash accounting. This is explained by the historical fact that the accounting system was limited at this time to the control of the budgetary execution (Arthuis, 2003). According to the 1959 ordinance, the budget has to be

¹⁰ The French chart of accounts is composed of an index to a General Ledger with accompanying definitions of accounts and their ledger numbers, and also of definitions and objectives of accounting. It could be compared to a conceptual framework but it is not composed of accounting standards. It relies on accounting rules and principles.

based on cash movements. Thus the 1959 ordinance and the 1962 Decree led to an “imperfect dual system” based on a combination of a cash-based approach for the budget and a modified cash-basis approach for accounting (Vareille and Adhémar, 2003). The Supreme Audit Court was well aware of this situation and it criticized it, notably after its 1983 budget examination. These criticisms regarded the sincerity of the accounting results in connection with the accounting recognition of heritage assets.

But at the end of the 1980’s, if the accounting system of the French states presented some limits, it still presented some positives. Most speakers at a 1989 Supreme Audit Court conference regarding the 30th anniversary of the 1959 ordinance expressed no need to change the accounting model. This aspect is justified by the fact that the 1959 ordinance was more a legislative text than a financial text (no references to accounting are made in this ordinance which stipulates that it will be developed in further instructions). The fact that most speakers were parliamentarians (the President of the financial commission of the Senate, the President of social activities of the Senate and the President of the financial commission of the National Assembly) and academics in public law did not help to raise accounting issues. In fact, most of them insisted more on the political influence of the Parliament, its application and its control than the accounting aspects attached to the ordinance application. But more surprisingly, the vice-director of the General Directorate of Public Accounting only presented the advantages of this ordinance when he described the work of public sector accountants and the advantages of the actual accounting system: the Ministry of Finance staff were well trained to prepare the budget and to account for most operations; the Parliament was accustomed to the current procedures and it understood cash accounting (although not accrual accounting); the government had more freedom with the current system than it might have had with a reformed system (Lamarque et Soubeyran, 1989, p. 104; Bassères, 2001).

However, during this congress, six members of the Supreme audit Court questioned the relevance of the 1959 ordinance and considered the necessity to reform the accounting system. Logerot et al. (1989) emphasized the limits of a cash-basis accounting system (delay in the record of invoices, lack of sincerity of the accounting results) and Chabrun et al. (1989) stressed the limits of the system when considering a multi-annual approach. Finally, the general director in charge of management

accounting at the Ministry of Education emphasized the necessity to reform the cash-basis accounting system in order to develop management accounting, help political members in their decision-making process and to evaluate public policies. In doing so, he appeared as a spokesperson of top level decision-makers in Ministries. So, the State accounting system was only criticized by technicians (but not from within the Ministry of Finance) whereas parliamentarians did not evoke this aspect.

This phenomenon can be explained by the role of the Parliament and the Ministry of Finance in the production of budgetary and accounting rules. Hertzog (2001) shows how the Parliament was at this period an institution which was only occupying a political space with clearly defined roles (the representation of citizens, the defence of the interests of taxpayers, the requirement of more effective public services) while at the same time it was captive to the interests of groups of technicians from within the Government itself. He underlines that before the reform of the 1959 ordinance and the adoption of the Constitutional ByLaw of 2001 which marks the end of this paradox, for the last two centuries, the Parliament never defined by itself the budgeting and accounting aspects relative to budget acts even if the adoption of budget acts is classically seen as the basis of the Parliament's power. Budgeting and accounting questions had always been the work of a few experts, issued primarily from the Ministry of Finance, who only focus on the simplicity and clarity of the financial documents presented to Parliamentarians and never on the evaluation of the performance of political choices. This is why the traditional budgetary rules only focus on formal aspects (presentation of budgetary documents, voting procedures of examination of the budget) and why the technical accounting and budgetary rules remained vague when not absent. Moreover, it is also why traditionally and historically, the finality of public accounting was to control the budgetary execution (Masquelier, 1995).

So, at the end of the 1980s, the reform of the State accounting system was not only a technical matter but also a political and legal one because to reform it, it required reform of the 1959 ordinance. Hertzog (2001) notes that to do so the Parliament had to show an ability to disregard political matters and rivalries through a sufficient number of elected members being aware of budgetary and accounting considerations, without sole motivation to defend their own political interest. The

reform of the 1959 ordinance was also dependant of the mobilization of the administration and mainly the actors within the Ministry of Finance who, at this time, saw the 1959 ordinance as ‘the Tablets’ (Hochedez, 2001, p. 59) or a symbol of the rationalisation of parliamentary process and the ‘guarantee’ to implement technical innovations (like the Rationalisation of Budgetary Choices (*Rationalisation des Choix Budgétaires, RCB*)¹¹ (Hochedez, 2001; 2004). Indeed, in November 1993, a national conference entitled “Public accounting – continuity and modernity” was held at the Ministry of Finance. During this conference, members of the General Directorate of Public Accounting presented the advantages of the State accounting system. The fourth part of the conference was about the modernization of the State accounting system. Two participants from the Ministry of Finance emphasized its limits. François (1995) raised the question of the application of international accounting standards (“the anglo-saxon standards”, François, 1995, p. 369) at the State level to give an international impact to the State financial statements. Pic (1995) stated that the absence of provisions or depreciations in the State accounts presented major limits when considering the use of financial documents by elected members and that the evaluation of public services cost was still to develop. However, the reference to apply accrual accounting was never made explicit nor discussed. Thus, at this time, the accounting system of the State appeared efficient and its reform was not seen as a “strict obligation” (Bonnet, 1995, p. 480).

In summary, at the beginning of the 1990s, if an initial network of actors was constituted around the idea to modify the cash-basis system of French public accounts so as to bring it closer to private accounting, founded on accrual-basis accounting, some non-human actors such as texts of law (and more particularly the 1959 ordinance) and certain categories of human actors were not at all or not fully enrolled. In particular enrolment of parliamentarians, members of the Ministry of Finance, private sector accounting professionals, citizens, other countries and the European Commission was incomplete. It was only at the end of the 1990’s that accrual

¹¹ The RCB was an attempt of technical experts of the Ministry of Finance, from 1968 to 1985, to better allocate financial means. To do so, the RCB was based on a statistical method in order to define objectives and financial indicators. The failure of this attempt was presented by parliamentarians as an argument to change the ‘hegemony’ of the Ministry of Finance and to reform the 1959 ordinance (Joxe, 2001, p. 32).

accounting became an obliged point of passage to these actors and to this matter we now turn.

4.2.2 Reinforcing the French network

By the end of the 1990s, the French public sector accounting system appeared to be overwhelmed. It did not fulfil decision makers' requirements of financial information nor did it satisfy the criteria of effectiveness of the management of public expenditure (Lambert and Marini, 2000; Bassères, 2002). These observations were reinforced by recent reforms of public accounting at the local level and the introduction of accrual accounting at the local level. Lambert (2000, p. 50) noted that the French National public sector accounting system thus appeared to be 'unrefined' and so called for the need to depart from its 40 year "accounting rut".

Against the backdrop of increasing criticism of the accounting system yet support for it from within the bureaucracy, several important events emerged. One of the first was the 1996 European Council Regulation (EC No 2223/96) relating to the European system of national and regional accounts in the Community (Bodin, 2000; Levoyer, 2003). Whereas cash accounting was traditional in France, the European regulation imposed calculations of financing needs on an accrual basis. Thus, Bodin (2000, p. 652) states that "*to answer the requests of the members of Parliament and of the Court of Auditors and to reach the standards recommended by Eurostat which are used as a basis of calculation for public finances, a process of modernization of the accounting system of the State was engaged again and the first measurements of this reform were integrated in the General Account of the Finance Administration (compte general de l'administration des finances, CGAF) of 1999*". Several major modifications were introduced into the CGAF of 1999 to bring public accounting closer to accrual accounting (Francois, 2000; Vareille and Adhémar, 2003)¹². The major ones were accounting for debt on an accrual basis, a more complete and more detailed description of heritage and non-financial assets, the valuation of the State's financial assets, provisioning tax claims and recognizing value-added tax for the financial year.

¹² Lande & Scheid (2003, p. 191) describe the changes introduced. Vareille & Adhémar (2003, p. 23) present the impact of the accounting modifications made to implement the accrual basis of accounting on the assets and liabilities categories recognized in the general accounts.

In 1997 and 1998, the then Minister of Finance (J. Arthuis, an ex-chartered accountant with a significant involvement in accounting questions) established the “accrual accounting taskforce” which was among the first to underline the need for the French State to apply accrual accounting. The accrual accounting taskforce also noted that the accounting and managerial practices of twelve countries (Germany, Australia, Canada, Spain, the United States, France, Great Britain, Italy, Japan, New Zealand, Netherlands and Sweden) were oriented towards two objectives: pluriannuality and performance logic. The taskforce also noted that the French accounting system presented many limitations on these points. Moreover, the taskforce highlighted that several countries had abandoned cash basis accounting for an accrual basis accounting system (Francois, 2000).

In January 1999, the president of the National Assembly (M. Fabius) and the speaker of the Finance Committee to this Assembly (M. Migaud) set up a parliamentary working group to study possible accounting reform. In their report, they presented the necessity to modernize the State’s accounting system . Their arguments relied on the fact that it was impossible to have a clear view of the assets of the State and its debt level, and that the financial information was not sincere. Moreover, they advanced that a lack of information on financial scandals about financial loss of a Bank (in which the State was involved) and amount of debt of a state-owned train company created the need for more financial transparency for citizens (Fabius and Migaud, 1999). It also argued that it was impossible with a cash-basis accounting system to know the cost of public services. A major proposition in their report was to implement accrual-accounting both to the accounting system and to the budgetary system in order for the parliamentarians to have a better understanding of the financial situation of the State. Finally, they concluded that it was necessary to reform the 1959 ordinance.

The publication of the parliamentary working party’s accrual accounting report gave credibility to the ‘accrual accounting taskforce’s’ arguments and aimed to bring together the majority and minority parties, government ministries and civil servants of the highest level in support of change (Lande and Scheid, 2003). Indeed, when asked about the conclusions of this report, the Secretary in charge of the State Budget (C. Sauter) underlined that it was necessary to reform the accounting system

in order to better understand financial questions on civil servant pensions, to respect the obligations of the new European accounting system (ESA 95) and to better manage the State's assets. However, the Minister of Finance (D. Strauss-Kahn) did not seem so enthusiastic about the necessity to reform the 1959 ordinance and to change the accounting system. He stressed the benefits of the actual system by mobilizing arguments about the economic performance of the State and the fact that a presentation of the budget based on the nature of expenses was seen as a better fit for local governments after the major reform at the local level marked by the introduction of accrual accounting (Fabius and Migaud, 1999). The little implication of the then Minister of finances was also highlighted by the fact that the report made by the "accrual accounting taskforce" was given to him (between the start of the study and the presentation of the results, the Minister of Finance had changed) but was never published. Moreover, at the same time, many actors at the Ministry of Finance were not inclined to reform the 1959 ordinance, seen as a "Pandora Box" (Hochedez, 2004). The reasons presented to justify this position were mainly the cultural changes needed and the cost to re-train the public sector accountants in use of a new accounting system.

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

The reform of the 1959 ordinance was justified by the need for improved public sector performance and the transformation of the budgetary process from an expenditure vote to a vote on objectives and results. D. Migaud, from the National Assembly (2001, p. 11) referred to articles 14 and 15 of the Declaration of Human and

Civil Rights of 26 August 1789 to justify this transformation. These articles stipulate respectively that “*all citizens have the right to ascertain, by themselves, or through their representatives, the need for a public tax*” and “*Society has the right to ask a public official for an accounting of his administration*”. Additionally, A. Lambert (from the Senate) (2001) mobilized the following argument: Is it possible to do more and better with the same amount of public expenses? Is it possible for public services to be more efficient without continuing the increase of debt for future generations?

The second turning point was the fact that Laurent Fabius who was the president of the French National Assembly and who was strongly convinced that the accounting system and, more generally, the 1959 ordinance should be reformed, was named Minister of Finances on March 27th, 2000, in replacement of D. Strauss-Khan. Fabius had just published an article in the journal “Le Monde” of February 23rd, headed “the new age of the State” to underline the requirement for transparency: “*The modern State will not be able to obtain the confidence and the respect of its interlocutors without making detailed and objective accounts on its administration*”. Lambert states that (2006, p. 402) the new Minister of Finances convinced the Prime Minister of the need for this reform. Consequently, the Ministry of Finance, very reticent at the beginning, became an ally of the reform of the accounting system and of the 1959 ordinance. Moreover, as noted by Migaud (2006, p. 403): “*The President of the Republic, during a ceremony of wishes at the beginning of the year 2000, also expressed himself publicly in favour of this reform*”.

Another important set of events were the private sector financial scandals in the 1990s (for example, Enron, Worldcom, Parmalat) which called into question the national accounting standards and increased the legitimacy of the international accounting standards as promoted by the IASB (Raffournier, 2007). The evolution of international accounting standardization began to have an impact on willingness to reform public sector accounting in France. Initially, the IASB standards had an impact on the PCG. The conjunction was thus particularly favourable to change the accounting system of the French State in accordance with the modifications made to the PCG and to the international accounting standards. Reforms engaged in by other countries were also considered. Studies of the Organisation for Economic Co-operation and Development (OECD) promoting NPM guided the reform of the French

State (Bassères, 2002; Raude, 2006). As stated by Bassères (2002, p. 165), the then Director of the General Directorate of Public Accounting of the Ministry of Finance: *“for several years, a general tendency to harmonize public and private accounting is engaged [...]. This movement exists also abroad. The majority of the OECD countries endeavour to set up an accrual accounting system”*.

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

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

established by the National Accounting Council (*Conseil national de la Comptabilité*), the entity in charge of the elaboration of accounting rules in the private sector.

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

The result of all these debates, reports and analysis was a law proposal in July 2000 with the agreement of all politicians, majority and minority included. Thus, when voting on the New Organic Bylaw in June 2001, the Parliament showed a remarkable consensus. So, in accordance with Raude (2006, p. 892), “*all this work incontestably contributed to the formation of a convergent opinion of many political leaders and civil servants in the direction of a reform of the accounting system*”. This was confirmed by the participants of the National Assembly held in 2000 regarding the project of reform of the 1959 ordinance presented by D. Migaud of the National Assembly and A. Lambert of the Senate. The concepts represented were the same as the ones represented at the conference held in 1989 at the Supreme Court of Auditors: the Senate, the National Assembly, the Supreme Court of Audit, the Ministry of Finances, politicians, academics. As stated by Bouvier and Hertzog (2001), the consensus for the reform was total whereas twelve years earlier the application of the 1959 ordinance was not questioned. More particularly, the influence of the Supreme Court of Audit on parliamentarians appeared during the debates surrounding the project of reforming the 1959 ordinance: at the National Assembly the work and the arguments of the Supreme Court of Audit were cited five times and they were cited seven times in the Senate (Conan, 2004).

Thus, at the end of 2000, the network of actors is made up, “problematized” around the introduction of accrual accounting (Figure 4).

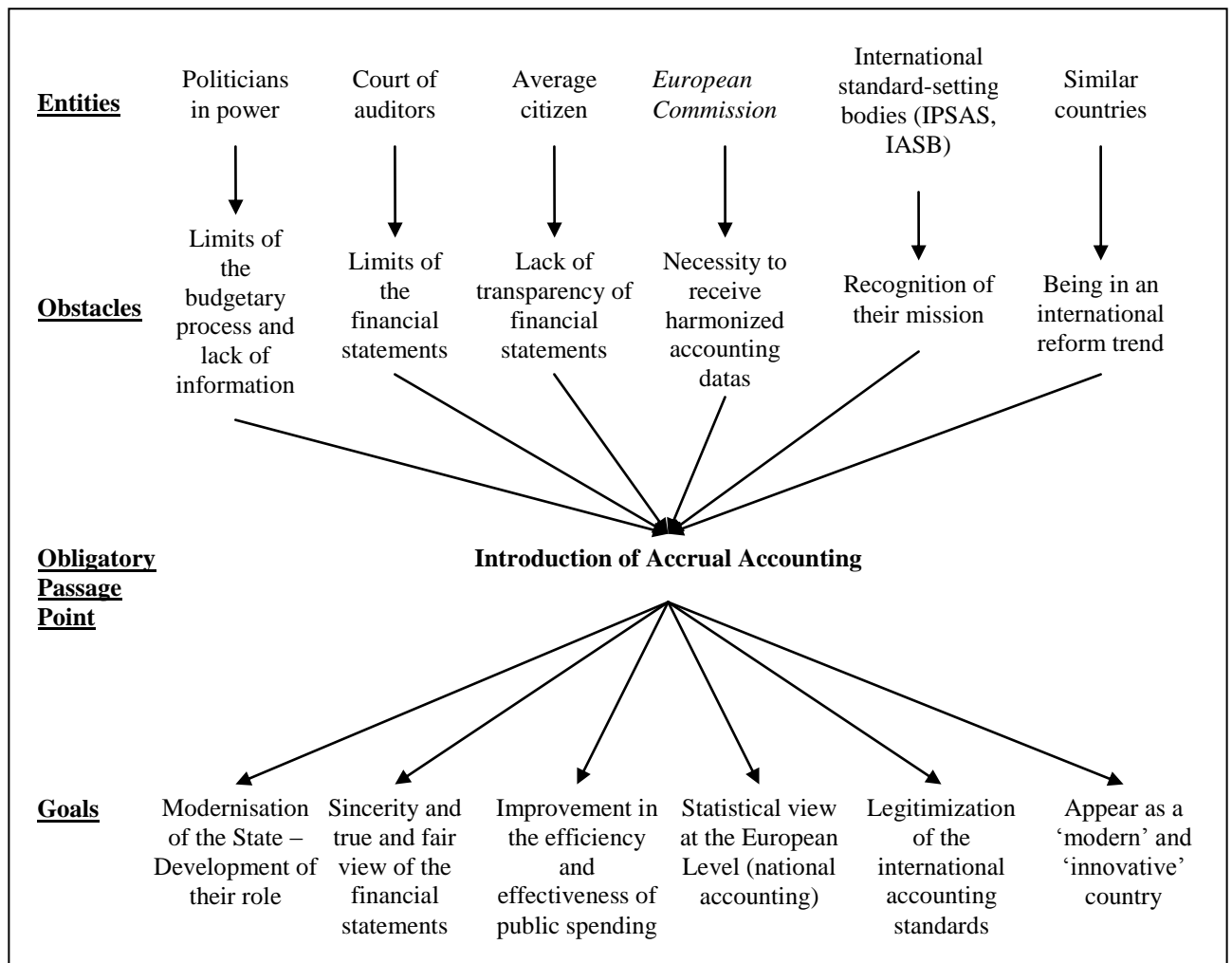


Figure 4: The actor-network in the French case

But the most interesting point is the form taken by the accrual accounting system in the New Organic Bylaw. Indeed, the idea to implement accrual accounting both for budgetary documents and accounting documents was not kept because the parliamentarians decided that it was easier to understand cash accounting. But accrual accounting was kept for the accounting system and a multi-annual approach was introduced in the budgetary system (Hochedez, 2004). The introduction of the LOLF deeply modified the accounting framework and the information system of the State through the distinction of an accounting system, a budgeting system and a management accounting system. Consequently, it is now possible to take into account assets, depreciation, potential risks through provisions and to have a view of future expenses. This transparency is aimed at supporting a better knowledge of the State’s

financial situation and contributing to improved information on the cost of public services. It constitutes a radical metamorphosis of the accounting framework of the State. The LOLF thus provides, in its article 27, that *“the State’s accounts must be regular, sincere and give a faithful image of its financial situation”*. Revenues are recognized when earned and costs when incurred rather than when money is received or paid. It allows the recording of expenses when they are born, apart from considerations of any cash movement and the periodic matching of costs to revenues earned.

The major propositions formulated by the Supreme Court of Audit were strongly accepted based on the idea to bring public sector accounting rules closer to the private ones. This idea was translated in the organic law in its article 30 which stipulates that *“the rules that apply to governmental accounting only differ from those that apply to private companies in so far as the particularities of governmental activities require a deviation”*. Moreover, the proposition to certify the State accounts every year was also followed. But the idea to ask the National Accounting Council to edict accounting norms was modified. Article 30 lays out simply that accounting norms *“will be defined by of a committee of qualified personalities issued from the public and private sectors”*.

4.2.3 The diffusion of the innovation

In its article 30, the LOLF anticipated the creation of a committee called to deliver its opinion on the rules applicable to the public accounts. The Committee for Public Accounting Standards was created by the budget act for the year 2002, whose article 136 stipulate that the Committee is in charge of issuing a previous advice about the rules applicable to the central government accounting policy. It is in charge of the definition of the normative framework for the French State. The 21st of May 2004 the accounting standards compendium was published. It included 13 accounting standards inspired from the PCG, international accounting standards defined by the IASB and the work of the public sector committee of the IFAC on the development international public sector accounting standards (IPSAS) (Mattret, 2004; Millot, 2004). It has to be noted that some French accounting standards deal with aspects untreated at present at the international level (table 1).

Table 1: comparison between French standards and IPSAS standards in 2004

Standards	France	IPSAS
Financial statements	Standard 1	-
Expenses	Standard 2	-
Sovereign revenues	Standard 3	(in progress)
Operating, intervention and financial revenues	Standard 4	IPSAS 9
Intangible assets	Standard 5	-
Tangible assets	Standard 6	IPSAS 16 & 17
Financial assets	Standard 7	IPSAS 12
Inventories	Standard 8	IPSAS 12
Claims related to current assets	Standard 9	-
Central government cash position components	Standard 10	-
Financial debts and derivative financial instruments	Standard 11	-
Provisions for risks and liabilities	Standard 12	IPSAS 19
Commitments to be disclosed in notes	Standard 13	IPSAS 19

Mattret (2004, p. 601) highlights “*that the standards established in January 2004 were largely inspired by IPSAS. When considering the foreign experiments presented on the Internet site of the IFAC, it is possible to advance that France is from now on the only country to use this international reference framework to build its own standards*”.

The accounting standards compendium also included a conceptual framework. It is interesting to note that France developed its own conceptual framework of public accounting whereas there is no such framework at the international level yet. However, France does not adopt or refer to any conceptual framework for private accounting whereas there is one at the international level¹³. But as stated by Lande (2004) on the basis on different informal discussions with members of the Ministry of Finance and the Supreme Court of Audit, if the primary objectives attached to the introduction of a conceptual framework are the necessity to define accounting standards and to provide clear rules for the certification of accounts, it is also a “marketing” action oriented toward the international actors (mainly the IFAC) and also toward the Supreme Court of Audit in order to be able to argue against criticisms on the application of accounting rules formulated by the Court.

¹³ Lande & Scheid (2003, p. 219) state that “*A conceptual framework of accounting for the private sector was taken an unnecessary by the Accounting Standardisation Committee in 1995. The French therefore did not agree to publish a conceptual framework as the US Financial Accounting Standards Board did in the early 1980’s and as other standard-setting bodies subsequently did (the IASC, the UK Accounting Standards Board). The main reason was that the underlying principles to the accounting standards were well known by everyone and adding a framework would not add anything*”.

Additionally, the central government conceptual framework and accounting standards were developed in less than two years, a very short period of time for the production of accounting standards compared to the times spend by other institutions. Moreover, these standards are available in English¹⁴, which perhaps indicates a wish of the French State to contribute to international debates on the application of accrual accounting. Indeed, the diffusion of international accounting standards implies a loss of sovereignty for the State since accounting standardization, a prerogative previously allotted to the State, is now entrusted to an international organization (IASB for the private sector or IPSASB for the public sector). Moreover, if for the private sector, the European Commission keeps a right of veto on the international accounting standards thanks to the process of ratification set up, it is not the same for public accounting standards. No European countervailing power exists. In addition, in the countries (in particular Anglo-Saxon) where the authorities delegate to private institution the development of accounting standards, adoption of new international standards does not constitute a fundamental change. Indeed, the standard setter changes but the process remains the same. But in countries like France, where the standardization process has always been exerted and controlled by the State and more particularly by the Ministry for Finance¹⁵, the adoption of international accounting standards is a radical change (Raffournier, 2007).

Consequently, while developing its own accounting standards and a national conceptual framework on the basis of international accounting standards but with a strong national influence, France tend to position itself as a force of proposition on subjects not yet tackled by the international standard setter and to perhaps contribute to define what must be accrual accounting in the public sector. These arguments are similar to the one of Lüder and Jones (2003, p. 46): “*Gaining international reputation as a ‘modern progressive’ country [...] and retaining such reputation in the case of France [...] played a certain role in initiating governmental financial management and accounting reform*”.

¹⁴ Since December 2008 at this address: http://www.performance-publique.gouv.fr/fileadmin/medias/documents/budget/approfondir/normes_comptables/recueil_normes_comptables_anglais_021208.pdf

¹⁵ For a presentation of the standard setting process in France, see Lande & Scheid, 2003, p. 167-168.

5. The cases compared

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

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

As was the case in NSW, the French supreme audit court was one of the first to criticize the State cash-basis accounting system in the early 1980s and the Treasury was the most reluctant actor to move from cash-basis accounting to accrual-basis accounting. But it is the mobilization of parliamentarians in the French case which permitted accrual accounting to become a progressive obligatory point of passage for politicians, ministers and citizens. Several events and institutions were enrolled in the network: the European Community, the International accounting standards setters, other countries in many parts of the world which had already chosen to implement accrual accounting in their public sectors. However, in France, the application of accrual accounting necessitated a consensus around the 'enrolment' of a non-human actor: the law. It is only after the modification of the reform of the 1959 ordinance that it was possible to start applying accrual accounting. Since the start of the 1980s, the influence of the Supreme Audit court never ceased and most of the actors involved used their arguments as a mean to define accrual accounting and how it should be

applied. However, if the Treasury was problematized following the nomination of a new minister of Finance who truly believed in such a reform, their interest relied on the definition of what is accrual accounting through the definition of national accounting standards. These progressive transformations of the definition of what should be accrual accounting were also a means to maintain actors involvement in the network as it was progressively constituted.

From these two studies, it appeared that NSW moved earlier and quickly as the consultants joined the network. France moved later and slower as non-human actors completed the networks. This situation can be explained by the fact that in the NSW case, at the beginning of the network constitution, consultants already had in mind a definition of accrual accounting and they reinforced this with phantom images of overseas practice. However, in the French case, parliamentarians, central actors in the reform of the law, had to define with the help of other actors' definition what could be accrual accounting. But this study identifies that in both cases, the implementation of accrual accounting is the result of heterogeneous internal factors and external contingencies. The reform thus evolved as social, technical and conceptual aspects changed and were stabilized.

6. Conclusions

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

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

This comparative study illustrates how ANT offers a useful framework to emphasize the trajectory of the same reform in NSW and France. Indeed, it emphasizes how the same initial reform (implementing accrual accounting in the public sector) means different things to different social groups, at different times. This study is based on the idea that a reform is not accepted because 'it has to be', something that is understood as another step to a 'naturally unavoidable modernization of the State' and as the representation of a 'necessary progress'. It relies on the fact that a reform, an innovation, an artefact or an idea is progressively accepted and shaped if it can gather around it a growing number of allies who support it and, at the same time, define it. This study represents an example of the social and technical shaping of an accounting system in the public sector through the analysis of the trajectory of the reform confronting the enrolled actors. It appears that the accounting system is progressively shaped by actors and simultaneously, the definition of the accounting system progressively defines new actors and how more and more actors support this idea.

Thus, this paper is a call for research using ANT in comparative projects to study how accounting change emerges in the public sector and describe how human and non-human actors influence the trajectory of a reform and shape it to become what it is and what it's not.

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