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Answer to the book review on “Public Sector Accounting and Auditing in Europe. The Challenge of Harmonization”, by Isabel Brusca, Eugenio Caperchione, Sandra Cohen and Francesca Manes Rossi (Governance and Public Management Series, Palgrave Macmillan, 2015)

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Table of contents

- 1 Harmonization and diversity in public sector accounting
 - 2 Can European institutions take advantage of academic knowledge?
- Reference

1 Harmonization and diversity in public sector accounting

Marion Boisseau conducted a thorough review of our co-edited book. In her review she highlights the main points of the research that was conducted for 14 European countries investigating accounting and auditing systems and discussing the readiness for change towards a set of international accounting standards. She comments that the book provides an introductory chapter about featuring the current debate on harmonization and the possible adoption of EPSAS and a final chapter where the main trends in public sector accounting

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and the existing heterogeneity with regard to accounting and auditing systems are provided. As emphasized in the book review, the diversity not only among countries but even within countries at different governmental levels is clarified, even with regard to the IPSASB approach. The review offers an interesting overview of the book as well as some considerations that we as co-editors appreciate and would like to comment on.

Firstly, Boisseau questions whether the title of the book should emphasize budgeting and financial reporting. In our mind financial management encapsulates budgeting, accounting and financial reporting with accounting having a prominent role. Thus, these two aspects, not explicitly evident in the title, are embedded in the broader sense of accounting and they are dealt as important pillars of financial management in the book.

Boisseau pinpoints the absence of cases of Eastern European countries covered in this first edition. The choice is justified by the fact that the reforms in the accounting systems in most of those countries are in progress or in their initial phases. The ultimate goal would be to take stock of the public sector accounting and auditing systems in all European Union countries, an endeavour that can be attempted in the near future. Boisseau also comments on issues that should be analyzed in more depth. In the book, we had to keep a balance between disclosing details and covering broad areas of interest, while operating under length and number of words limitations. Therefore, we did not invest in expanding on the discussion about the use of fair value in a specific section because, as things stand, most of the countries have adopted historical cost as a base for measurement and disclosure of assets and liabilities in their financial reporting. The same thread of thinking prevailed while analyzing the use of accrual criteria in the preparation of the budgets in European public administrations.

Boisseau considers that the issue about unification and uniformation has not been discussed at length. We do not quite agree on that. The first chapter provides the readers with an overview of the literature discussing the *pros* and *cons* of harmonization, while the related challenges and opportunities have been discussed in the last chapter, based on the analysis and findings reported in the chapters on the separate countries.

2 Can European institutions take advantage of academic knowledge?

A further question that can be discussed is to what extent will European institutions take advantage of the existing academic knowledge and resources

present in each country in the field of public sector accounting. By showing through the book the power of academic thinking we believe we have done our best to persuade European institutions that the academia can provide interesting readings and views to policy makers. In the case of our co-edited book, the European Institutions can of course benefit from the discussion on international harmonization and the in-depth countries analysis. The book also offers interesting material to be used by International Organizations, including European Institutions. About the participation of academics in the governance of EPSAS, this is beyond the scope of the book. In any case, it is a fact that academics are progressively being engaged in the practice and policy making in the public sector. For example, some of the co-editors have already been involved as advisors on the report provided by PwC (2014), are members in the EPSAS Workforce Project and have been involved in activities promoted by the FEE (Federation of European Accountants). In parallel, most of the authors of the country chapters have acted in their own countries as advisors to their national government in the development of accounting regulations. At the moment further efforts of cooperation between European institutions and scholars (of course not only those included in the preparation of this book!) are ongoing, so the answer to this question would be positive. However, as the development of EPSAS is a complex project that will involve European Institutions and governments in the coming years, it is difficult to foresee to what extent the proposals and the recommendations expressed by scholars will be taken into account, as well as whether these opinions would converge in the adoption of a common set of international public sector accounting standards - or whether a compromise solution would be considered. We, as a group of academics and not just the co-editors of this book, have already highlighted the importance of promoting a “new research agenda on the benefits and shortcomings of sustaining national accounting pluralism, along with a sophisticated harmonized accounting reporting system in Europe. Empirical research would provide collaborative evidence about whether this is really a plausible and beneficial way to solve the public sector harmonization puzzle in Europe.” (Manes Rossi et al., 2016: 195).

Reference

Manes Rossi, F., Cohen, S., Caperchione, E., & Brusca, I. (2016). Harmonizing public sector accounting in Europe: Thinking out of the box. *Public Money & Management*, 36(3), 189–196.