Harmonizing Public Sector Accounting in Europe:

Thinking out of the Box

Francesca Manes Rossi (corresponding author) is Associate Professor in Accounting at the University of Salerno, Via Giovanni Paolo II, 84084 Fisciano SA, Italy, fmanesrossi@unisa.it
Sandra Cohen is Associate Professor in Accounting at Athens University of Economics and Business, Department of Business Administration, 76 Patission Street, Athens, Greece, scohen@aueb.gr
Eugenio Caperchione is Professor of Public Management, Department of Economics "Marco Biagi", Modena and Reggio Emilia University, via Berengario 51, 41121 Modena MO, Italy, cigar2009@unimore.it
Isabel Brusca is Professor of Accounting in the Department of Accounting at the University of Zaragoza, Gran Vía, nº 2, 50005 Zaragoza, Spain, ibrusca@unizar.es

Summary: A broad debate about the harmonization of public sector accounting standards in Europe is underway. We provide arguments in favour of harmonization but we also acknowledge the existing pluralism and diversity by taking stock of the state of the art in fourteen European countries. Our proposal, a stimulus for reflection for policymakers and standard setters, suggests that the benefits of harmonization can be obtained without obliging EU member countries to necessarily abandon their current public sector accounting systems.

Keywords: Harmonization; public sector accounting; IPSASs; EPSASs; accrual accounting.

Introduction

During the last thirty years there has been a wave of reforms in governmental and public sector accounting systems. The New Public Financial Management (NPFM) movement has supported these modernization efforts, focusing mainly on implementing accrual-based accounting systems and converging with the business accounting model.

Notwithstanding concerns and criticism, the adoption of accrual accounting is seen as a self-evident (Lapsley et al., 2009) and an inexorable process (Pina et al., 2009). According to Lapsley et al. (2009), the choice to adopt accrual-based international principles is mainly determined in the political sphere rather than by technical or managerial arguments. Apart from accounting, governments have budgeting reports that still play a prominent role in public sector decision making. In many countries budgeting has a greater role than financial reporting (Heiling et al., 2013) and in most European countries cash accounting is still at the core of the budgeting process (Brusca et al., 2015). Accruals accounting though is not meant to abolish or replace cash accounting, in particular where the latter is used for budgeting and budget control purposes (EU Commission, 2013; p. 4).

International organizations such as the Organization for Economic Cooperation and Development (OECD), the World Bank, the International Monetary Fund (IMF) are all pushing on a wide convergence towards accrual accounting and international accounting standards to create high quality comparable data, to facilitate auditing and to fight against corruption, by improving accountability. The economic and financial crisis has exacerbated the warning for financial problems and scandals, and has thus contributed to the demand of a set of well-known and recognized accounting standards.

A starting point for this paper is the prevailing move towards accrual accounting in many European countries. We acknowledge that several European countries have already developed a national set of accrual-based accounting standards; these are frequently in line with International Financial Reporting Standards (IFRSs) or International Public Sector Accounting Standards (IPSASs), but country-specific sets of standards are also in place (E&Y, 2012). In this paper we aim at assessing the purposes and the need for accounting harmonization in the European Union and we propose a compromise solution, which on one hand does not mandate the abolishment of the existing governmental accounting systems and on the other allows harvesting the benefits of a harmonized system.

We support the harmonization efforts for two main reasons. Firstly, having comparable high quality accounting information from the general government sector to inform ESA 2010 accounts is of utmost importance for EU operations. Secondly, publishing audited governmental financial statements under international accrual standards format is expected to increase their understandability and credibility by market players (e.g. lenders, rating agencies) with possible positive effects on the cost of capital. The contribution of this paper is that it takes a pragmatic stance towards harmonization by taking into account the status quo and providing a flexible adaptation process, discussing pros and cons of the proposed solutions.

The paper is structured as follows. In the next section a summary of the outcomes of recent studies as well as some thoughts about harmonization in public sector accounting standards, highlighting the main benefits expected from harmonization, are presented. In the third section, we argue on the need of having harmonized public sector accounting standards in the EU. In the fourth section we present the situation at different governmental levels in fourteen European countries, while the last section focuses on a proposal that can provide input to the debate about concrete possibilities in obtaining accounting harmonization in Europe, with a particular emphasis on the main policy and public finance implications.

Recent research and efforts for the harmonization in public sector accounting

The idea of harmonizing and standardizing accounting has been advanced for many years in the public domain, albeit relatively more recently than in the private sector. While the international harmonization refers to different countries, the harmonization can be realized also inside a country, with reference to both a vertical (between different governmental levels in the same country) and a horizontal dimension (covering different categories of entities in the same country: private, public and non-profit) (Caperchione, 2015). Nobes (2012, p. 75) defines harmonization as "*a process of increasing the compatibility of accounting practices by setting bounds to their degree of variation"* while standardization *"appears to imply working toward a more rigid and narrow set of rules*". The concept of standardization has been mainly used describing the process under which national standards state compulsory requirements for a common type of entities (businesses, public entities, etc.), while harmonization is usually used in the international field to portray a process of continuous adjustments to similar accounting principles and accounting documents (Caperchione, 2015).

It has been a long time since scholars have started to be fascinated by the idea of public sector accounting harmonization and standardization. Inside most of the OECD countries standards setters have standardized public sector accounting since the eighties. At international level, the International Federation of Accountants (IFAC) initiated this path through its Public Sector Committee (eventually transformed into the International Public Sector Accounting Standards Board, IPSASB) by establishing a Project for issuing the IPSASs in 1996 and providing standards basically grounded on IFRSs, adapted to the specificity and needs of public sector entities.

In this realm, the accounting system on the basis of which the harmonized regime would be unraveled is critical. Following the directions undertaken by standard setters worldwide, it is quite clear that accrual accounting has been at the center of this process for several reasons: 1) it is seen as a facilitator of commercial reforms, increasing confidence in contracting out, outsourcing and public-private partnerships (Kober et al., 2010); 2) it is claimed to better satisfy markets' and investors' information needs of determining the solvency of a public entity (Caperchione and Salvatori, 2012); 3) it overcomes the limitations of cash accounting in disclosing the value of some assets and liabilities (Christiaens, 2004); and 4) it can better satisfy the need for financial accountability and public accountability (Gomes et al., 2015).

If we focus on international harmonization, in the last decade a large strand of literature is devoted to the adoption of common accounting standards in the public domain (Brusca et al., 2013; Heiling et al., 2013; Biondi, 2014; Ouda, 2014). So far, several studies have been conducted to verify to what extent IPSASs have been adopted worldwide (E&Y, 2012; PwC, 2014; PwC, 2015; Brusca et al., 2015; Christiaens et al., 2015). International organizations, such as the OECD, the European Commission, the North Atlantic Treaty Organization (NATO), the United Nations, the Council of Europe and the International Criminal Police

Organization (INTERPOL) have adopted the IPSASs, which have become a common reference for the modernization and harmonization of governmental accounting.

At the European level, the European Commission has initiated since 2012 a project aimed at developing a harmonized public sector accounting system, seen as a necessary means to control deficit and debt and to overcome financial crises. A set of harmonized accrual-based accounting standards has been seen as “better suited for planning, financial management and decision making, as it delivers a better (financial) impact of public policies” (Christiaens and Neyt, 2014, p. 32). During this process, Eurostat has proposed the development of common accounting standards between European countries, opening the project of developing European Public Sector Accounting Standards (EPSASs). At the same time the EU Commission recognizes that IPSASs, although difficult to implement in some EU members at their current state, represent “an indisputable reference for potential EU harmonized public sector accounts” (EU Commission, 2013, p. 8).

Moreover, further projects have also been undertaken to promote the reconciliation and harmonization between accounting standards and statistical reporting guidance (Brusca et al., 2013). One example is the IPSASB’s (2014) policy paper “Process for considering Government Finance Statistics (GFS) reporting guidelines during development of IPSASs” in which the Board has highlighted its intention to avoid unnecessary differences between IPSASs and GFS reporting guidelines, while reviewing or developing new standards. This approach had already been followed by the Australian standard setter, which in 2007 issued the AASB 1049 “Whole of Government and General Government Sector Financial Reporting” with the intention of obtaining Government reports which would be auditable, comparable between jurisdictions, and in which the outcome statements would be directly comparable with the relevant budget statements (p. 5).

The need for public sector accounting harmonization in the EU

Among the advantages prompted by international harmonization, almost all standard setters underline as the main benefits of this prospect are the higher level of comparability and the improvement in transparency and accountability - assuming that a common set of accounting principles will be easily understandable by professionals and auditors (Ball, 2012). We trust that the main benefits for public sector accounting harmonization in the EU might be a) a transparent common accounting playfield for all public sector entities in order to provide accurate and comparable information for the European System of National and Regional Accounts (ESA) 2010 and b) the publication of comparable audited governmental financial statements under a business like international standards compliant format that would be easily understood by market players. Higher quality accounting information is also expected to decrease the cost of capital; at least this has been evidenced in the private sector (Li, 2010; Florou and Kosi, 2013). In this section we elaborate further on these ideas.

Comparability and understandability seem to be the cornerstones in promoting the need for harmonization. Eurozone and European Union in general need high quality accounting data for the general government sector in order to produce information on the basis of which several EU policies are based. Actually, the needs for comparable information between countries are similar to those inside a country for entities of the same type: local governments, regional governments or even companies. Stakeholders expect to get information comparable among different countries, in the same way as horizontal harmonization allows comparable information between a country's public and private entities. Harmonized accounting standards are required when stakeholders need comparable financial information to inform the decision-making process. This is especially true for lenders, financial institutions, funds and policy makers (e.g. the EU).

The control of both budget deficit and public debt constitutes a crucial element of the European Union's supervision over member states' budgets. Comparable data for debt and deficit are obtained through the ESA 2010, which makes National Accounts comparable and useful for economic comparisons. National Accounts are based on accounting data on which statistical adjustments are made; they are also based on accrual considerations (Eurostat, 2013, p. 17). The adjustments made on governmental data in order for the accounting numbers to become ESA 2010 compliant are diverse and numerous (Jones, 2003; Jesus and Jorge, 2015). Therefore, although the ESA 2010 numbers are comparable between countries, they are the outcome of a complex conversion process with diverse national solutions. Thus the significant gap between accounting numbers and national accounts makes accounting information less useful for cross country comparisons.

If all European countries could start from the same harmonized accounting system, the transition process to national accounts would be specific, transparent and univocal. In this sense it would not only be the statistical information that would be comparable but the accounting as well. The use of a compatible chart of accounts for National Accounts and accounting purposes would also facilitate the process. Furthermore, the National Accounts, gathered by Eurostat, are not subject to external auditing but lay in the sole responsibility of the national statistical authorities. On the contrary, the accounting information disclosed in the financial statements is by definition audited. Having audited accounting data as a basis for the ESA 2010 accounts as far as governmental entities are concerned would improve transparency and trustworthiness. In addition, assuming that the auditing function is a fundamental part of good government adopting a set of well-known international accounting standards would have the undeniable advantage to be easy to apply and to audit.

Other advantages gained through the achievement of accounting harmonization among European countries would be the vertical harmonization of standards inside each country for local, regional and central governments, supporting a better understanding by different stakeholders. This would facilitate the process of producing consolidated statements for the public sector of a country as a whole, and even consolidated statements for the European Union.

Furthermore, harmonized public sector accounting standards that are close to private sector international standards are also expected to provide benefits to EU member states. As a matter of fact, financial institutions and international funds invest in governmental bonds and rating agencies rate governmental bonds. These institutions base their analyses on National Accounts that provide the necessary comparable and credible platform for this purpose. The existence of financial statements for the public sector following a set of harmonized accounting principles would be useful to international lenders. These statements would not only improve the quality of information under an easily understandable format, but would possibly decrease the cost of capital, due to increased disclosure and comparability, similarly to what happens in the private sector (Li, 2010; Florou and Kosi, 2013). In the same realm, the use of the same accounting principles would provide the opportunity to compare the performance of the countries belonging to the European Union in a more comprehensive manner than the one currently existing under the National Accounts. To this end analysts, technocrats, funds, bankers, other professionals and auditors, as well as institutional investors, which are more familiar with these accounting systems, could better interpret and assess the financial health of public sector entities, the financial sustainability of the programmes chosen or the results achieved with the available resources (Ball, 2012).

While transparency and accountability are also promoted as advantages of harmonization, we believe that they might be also pursued by the many accrual based public sector accounting systems currently in place in different countries. We analyze this issue in more depth in the last section of this paper.

Public sector accounting in Europe: an overview

In order to better understand the challenges of EU public sector accounting harmonization, the first step is to have a clear picture of the current situation in European countries, where many reforms have been recently carried out.

Brusca et al. (2015) have recently performed a comparative analysis of the accounting and auditing systems of fourteen European countries. Elaborating on this comparison and the reports provided by E&Y (2012) and PwC (2014; 2015) a polymorphic mosaic arises. As shown in Table 1, several countries out of the fourteen analyzed by Brusca et al. (2015) already apply accrual accounting at several governmental levels. This provides clear evidence to the *de facto* prevalence of accrual accounting and the progressive move towards this accounting system (PwC, 2015; 7). However, the literature shows that there are many differences in how countries apply accrual accounting (Pina et al. 2009, Brusca et al., 2015); far from being harmonized, public sector accounting shows a heterogeneous landscape. According to PwC (2014), the level of accounting maturity among EU member states and among different levels of government within countries is highly heterogeneous, with considerable implications on the cost and the speed of adopting accrual accounting in the public sector.

Table 1. Public Sector Accounting systems in Europe

	Central Government	**Regional Government**	**Local Government**	**Reform in progress to obtain vertical harmonization**	**Willingness to adopt IPSASs/IFRSs**
Austria	Accrual	Diverse	Different bases	Yes	IPSASs
Belgium	Accrual	Differences by regions	Accrual	Differences by regions	Only Flemish local entities (IPSASs)
Denmark	Accrual	Accrual	Cash / modified accrual	No	No
Finland	Accrual	n/a	Accrual	Already in place	No
France	Accrual	Modified accrual	Modified accrual	Yes	Yes, both are already a source of inspiration
Germany	Modified cash	Most states are with cameral (cash) accounting, a few with accrual	Mainly accrual, but cash and modified cash still allowed	No	No
Greece*	Modified cash	Cash/Accrual in the near future	Accrual	Yes	No
Italy	Modified cash + Accrual	Modified cash + Accrual	Modified cash + Accrual	Already in place	No
The Netherlands	Modified cash	n/a	Modified accrual	No	No
Portugal	Accrual	n/a	Accrual	Yes	Yes, IPSASs are a source of inspiration in the undergoing reform
Spain	Accrual	Accrual	Accrual	Already in place	IPSASs
Sweden	Accrual	n/a	Accrual	Already in place	To some extent both IPSASs and IFRSs are considered as reference
Switzerland	Accrual	Accrual	Accrual	Yes	Yes, IPSAS are already a source of inspiration
UK	Accrual	n/a	Accrual	No	IFRSs are already a source of inspiration

Notes: *Regional government for Greece refers to Prefectures and Local Government to Municipalities.
Source: adapted from Brusca et al. (2015), E&Y (2012), PwC (2014) and PwC (2015)

A first lesson to learn from Table 1 is that different government levels in the same country often apply different systems. In four countries, namely Finland, Italy, Spain and Sweden some kind of vertical harmonization has been achieved, while in the UK, although accrual systems have been adopted at all different governmental levels, the accounting standards that are followed either differ or alternative accounting treatments create some differences in practice (Brusca et al., 2015). Therefore, the fact that, for example, accrual accounting is adopted at all government levels, does not necessarily mean that vertical harmonization is already in place. In some other countries, like in Austria, France, Portugal and Switzerland reforms are underway. Finally, another interesting finding is that adopting accrual accounting does not necessarily mean to choose IPSASs: there is evidence from European countries showing that the adoption of accrual accounting can be undertaken following a different approach. For example, Finnish standards consider cost as a primary base for evaluation and the financial reporting is based on an income approach (Oulasvirta, 2014). In addition, in some other countries IPSAS have not been chosen because they leave too much room for interpretation and subjectivity (E&Y, 2012). However, the accounting trends are dynamic and subject to changes. For example in May 2015, the Deputy Minister of Finance in Greece announced the intention of the Greek government to adopt accrual-based IPSAS (Mardas, 2015).

If we look at accounting and reporting at central government level, ten out of the fourteen countries under analysis apply accrual reporting, while Italy presents its data both in accordance to modified cash and accrual basis. IPSASs undoubtedly exert a considerable influence on national accounting systems. Austria and Spain already apply IPSASs, while the undergoing reform in Portugal is strongly inspired by IPSAS. In the UK, the IFRSs have been used as a reference for the governmental accounting standards, producing a high *de facto* compliance with IPSAS because of the similarities of the two systems (Ernst & Young, 2012; PwC, 2014). In Belgium and Finland the accounting systems seem not to be based on IPSASs, while in Denmark, France and Sweden the national accounting standards as they stand have significant similarities to IPSASs (Brusca et al., 2015). At regional level the situation makes the drawing of conclusions quite difficult, because of the adoption of different systems between countries or even inside the same country (Austria, Belgium and Germany). Finally, the local governments are also moving towards accrual accounting and in some countries IPSAS-adapted standards are also in place (Spain, Switzerland and Belgian Flemish Local entities). The current situation in public sector accounting reveals that several changes are still undergoing, making the overall picture extremely fluid (E&Y, 2012; PwC, 2015).

Harmonization: thinking out of the box

In this paper we acknowledge the need for harmonized public sector accounting systems for at least two main reasons: a) high quality comparable accounting public sector data to inform effectively ESA 2010 accounts and b) international accounting statements in order to reduce the cost of capital for countries retrieving funds by the capital markets.

While we support the need for harmonization, we do not propose that the new harmonized accounting system should necessarily and automatically substitute the existing public sector accounting systems in place. So far, even if the reforms towards accrual accounting systems are undeniable (PwC, 2015), the situation presents high heterogeneity because different sets of accrual based standards have been shaped for the specific features of public sectors entities, the accounting characters and traditions of European countries, involving national regulatory bodies in the preparation process (Oulasvirta, 2014).

What we propose instead is an alternative path that could result in a compromise. EU members should be required to produce harmonized reports, for the previously mentioned reasons, prepared in accordance with a common set of accounting principles. However, each country could be free to maintain its national reports and accounting standards as long as it finds them useful and necessary for its policy shaping, decision making and accountability purposes. In fact, differences in governmental systems, as well as in the services delivery systems could possibly require some additional or alternative type of information already in place in a country, suitable to better satisfy national specific information needs. This type of information might be national specific and relevant and therefore not necessarily included in the international standards. Our proposal coincides with the reservations of Carnegie and West (2005) and Mussari (2014). More specifically, Carnegie and West (2005) comment that sometimes accounting reforms follow a dominant and conventional way of understanding which would overshadow the criterion of practical serviceability, while Mussari (2014) claims that harmonization imposed by those who have a higher level power does not necessarily contemplate the best solution.

Consequently, the adoption of international accounting principles for governmental reporting does not need to supersede all existing accounting tools, currently in use for reporting or for decision-making purposes. A separation between the mandatory reporting under the harmonized set of standards and alternative accounting reports preserving national characteristics and preferences would be sustained. The fact that countries have to report under a common set of accounts should not prevent them from having additional reports and alternative accounting views of their performance and position, attuned to better satisfy their own information needs. To this end, public entities in each country could develop for internal/national purposes the system that best serves their needs in respect to their culture, education and expertise, and which appears the most appropriate to support the specific governance model chosen, even with regard to public service delivery Additionally, if they would choose to approach specific accounting tools to communicate their strategies and results achieved, or to involve citizens through a participation process in the decision-making, the existence of the harmonized accounting standards should not constrain them. To this extent, governments wishing to empower citizens by providing appropriate information as a tool to restore trust and to legitimate governments, as well as a medium to actively involve citizens in the strategic decision process (Osborne et al., 2013), could develop reports specifically prepared for them and easy to understand (e.g. popular reports, see Stanley et al., 2008). These reports would be additional to the publication of General Purpose Financial Reports under the harmonized accounting regime.

Of course having different systems and principles to report information for the debt, the revenues or the income, induces some risk. We acknowledge that governments might be tempted to provide a more favorable view of their financial position and performance in these reports than the one revealed by the harmonized high quality accounting standards. Nevertheless this risk is currently even higher, as stakeholders are not offered any other view of a government's financial condition and performance. Having the view of governments under both national and harmonized accounting standards would also facilitate the transfer of best accounting public sector practices to flow from the national to the international sphere and vice versa in a subtle and effective way. Also, in democratic polities, both political opposition and subject experts are able to openly express their views on what information is most suitable to properly inform a given decision. Therefore, at least, it will be more difficult for governments to act opportunistically and use the most favorable numbers to serve their goals.

In the end, the proposed solution is similar to the one adopted for publicly traded companies in the European Union. They are required to prepare and publish consolidated financial statements according to IFRSs, but each European country could decide about the mandatory adoption of IFRSs for individual accounts (European Parliament, 2002, art. 5). As a consequence, IFRS can coexist with country-specific accounting standards for individual accounts and/or for consolidated accounts of non-listed groups.

In order to operationalize this proposal, two basic considerations need further elaboration: the co-existence of alternative accounting systems and the cost of adopting a set of harmonized accounting principles for public sector entities.

As to the first issue of operationalization there are several options available. Some countries would decide to substitute their existing public sector accounting system with the harmonized one: this is more likely to happen in countries whose governmental accounting standards are influenced by IPSASs or even in cases where the existing system has not succeeded so far in satisfying users' needs. There would be other cases where countries would like to preserve their existing system but at the same time the differences with the harmonized set of accounting principles would be limited. In these cases, in order to achieve the necessary compliance with the harmonized system, just the use of add-on features on the accounting national system in order to be able to generate information for the harmonized accounting and reporting system would be necessary; therefore the burden of sustaining two systems would be limited. Finally, those countries that consider that their current country-specific accounting standards fit better to legal, cultural or political features, could decide to maintain them and two different systems would coexist, each of them with different objectives.

The transformations and adjustments, if any, of the accounting numbers deriving from the harmonized accounting system in order to be ESA 2010 compliant should be also decided at EU level. This would ensure that, for example, debt and deficit figures are comparable across countries and have been obtained from comparable systems that offer the required warranties of quality and audit. This is probably the most likely road to high quality financial reporting in the European context that can serve as a basis for setting European policies. Nevertheless, one would argue that if the most important issue in the process is the improvement of the quality of ESA 2010 national accounts, harmonization is not necessary. What would be needed would be to improve the confidence and the assurance on the work of national statistical offices to support ESA. This line of action should be definitely sought, but this does not answer the core question that deals with accounting. Having better quality statistical numbers does not mean that accounting would be improved, and improvement in accounting is both useful and necessary, as already discussed.

On the other hand, moving to EPSASs or to another set of harmonized, international public sector accounting standards, has a cost. This cost is however dependent on the existing maturity of accrual accounting systems in all levels of government (PwC, 2014). But as accrual accounting is the undeniable trend, the cost related to moving to accrual accounting is rather unavoidable. Therefore, this cost should not be solely assigned to the harmonization process. A significant part of this cost should be attributable to the necessary modernization of the accounting systems in order to be adequately updated. The cost includes investments in ICT as well as expenses for educating civil servants; costs related to assets identification and valuation under accrual accounting; consultation and coordination costs, just to name a few (Brusca et al., 2015). In addition, countries that are facing the financial crisis and are already struggling to comply with rules provided by EU on public debt and growth may hardly have the funds to prioritize such a project. But for these countries having high quality information might have multiple positive benefits in terms of transparency and credibility (Cohen and Karatzimas, 2015). In any case, as the harmonized accounting system would be an additional system (maybe just an add-on to the existing ones as discussed above), requiring no abolition of the existing national accounting system, resistance from both the organizational and the political status quo may be lower. This is an important prerequisite for success, as reforms require powerful stakeholders' approval in order their implementation not to be hindered (Argento and van Helden, 2010).

However, even after the adoption of a harmonized accounting system, an issue that still remains open is which system, the harmonized or the national one, would be more suitable for decision making and accountability purposes. The answer to the above question cannot be straightforward and unanimous mainly because the question is more multifaceted than it seems at face value. For example, accountability to whom and for what, decisions made by whom and on what subject. Therefore, *a priori* answering these questions only on theoretical grounds might not be wise. On the contrary, these questions deserve thorough empirical study that falls within the research agenda proposed by Caperchione and Lapsley (2011, p. 103) who argue that "the influence of different cultures on the meaning of accounting practices, and the manner in which government accounting numbers may shape different social and cultural contexts is a formidable challenge for researchers".

The idea promoted in the present study undoubtedly deserves further attention and consideration to be extensively developed, not only by standard setters and policy makers but also by scholars. In this sense we consider that it would be important to start 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 if this is a plausible and beneficial way to solve the public sector harmonization puzzle in Europe.

References

Argento, D. and van Helden, J. (2010), Water sector reform in Italy and in the Netherlands: Ambitious change with an uncertain outcome versus consensus-seeking moderate change. *International Review of Administrative Sciences*, 76, 4, pp. 790–809.

Ball I. (2012), New development: Transparency in the public sector. *Public Money & Management*, 32, 1, pp. 35-40.

Biondi, Y. (2014), Harmonising European Public Sector Accounting Standards (EPSAS): Issues and Perspectives for Europe's Economy and Society. *Accounting, Economics and Law*, 4, 3, pp. 165-178.

Brusca, I., Caperchione, E., Cohen, S. and Manes Rossi, F. (eds.) (2015), *Public Sector Accounting and Auditing in Europe. The Challenge of Harmonization* (Palgrave Macmillan).

Brusca, I., Montesinos, V. and Chow, D. S. (2013), Legitimating international public sector accounting standards (IPSAS): The case of Spain. *Public Money & Management*, 33, 6, pp. 437-444.

Caperchione, E. (2015), *Standard Setting in the Public Sector: State of the Art*, in Brusca, I., Caperchione, E., Cohen, S. and Manes Rossi, F. (eds.), Public Sector Accounting and Auditing in Europe: The Challenge of Harmonization (Palgrave Macmillan).

Caperchione, E. and Lapsley, I. (2011), Making Comparisons in Government Accounting, *Financial Accountability & Management*, 27, 2, pp. 103-106.

Caperchione, E. and Salvatori, F. (2012), Rethinking the relationship between local government and financial markets. *Public Money & Management*, 32, 1, pp. 21-25.

Carnegie, G. and West, B. (2005), Making Accounting Accountable in the Public Sector. *Critical Perspectives on Accounting*, 16, 7, pp. 905–928.

Christiaens, J. (2004), Capital assets in governmental accounting reforms: comparing Flemish technical issues with international standards. *European Accounting Review*, 13, 4, pp. 743–770.

Christiaens, J. and Neyt, S. (2014), *International Public Sector Accounting Standards (IPSAS).* In Budding, T., Grossi, G. and Tagesson, T. (eds.), Public Sector Accounting (Routledge), pp. 23-64.

Christiaens, J., Vanhee, C., Manes Rossi, F., Aversano, N. and Van Cauwenberge, P. (2015), The effect of IPSAS on reforming governmental financial reporting: An international comparison. *International Review of Administrative Sciences*, 81, 1, pp. 158-177.

Cohen, S. and S. Karatzimas (2015), “Debate: Reforming Greek government accounting”, *Public Money & Management*, 35, 3, 178-180.

Ernst and Young (2012), Overview and comparison of public accounting and auditing practices in the 27 EU Member States. Prepared for Eurostat. Available at http://ec.europa.eu/eurostat/documents/1015035/4261806/study-on-public-accounting-and-auditing-2012.pdf/5ad43e2b-2ba7-4b05-afab-d690fc2ad9dd

EU Commission (2013), COM (2013) 114 final, Report from the Commission to the Council and the European Parliament. Towards implementing harmonised public sector accounting standards in Member States. The suitability of IPSAS for the Member States, Brussels, available at http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52013DC0114&from=en

European Parliament (2002), "REGULATION (EC) No 1606/2002 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 19 July 2002 on the application of international accounting standards", available at http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32002R1606&from=en

Eurostat (2013), European System of Accounts: ESA 2010, European Union.

Florou, A. and Kosi, U. (2013), Does Mandatory IFRS Adoption Facilitate Debt Financing?, INTACCT Working Paper No. MRTN-CT-2006-035850 INTACCT, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1508324.

Gomes, P., Fernandes, M.J. and Da Costa Carvalho, J.B. (2015), The International Harmonization Process of Public Sector Accounting in Portugal: The Perspective of Different Stakeholders. *International Journal of Public Administration*, 38, 4, pp. 268-281.

Heiling, J., Schührer, S. and Chan, J.L. (2013), New development: Towards a grand convergence? International proposals for aligning government budgets, accounts and finance statistics. *Public Money & Management*, 33, 4, pp. 297-303.

Jesus, M. A. and Jorge, S. (2015), Governmental budgetary reporting systems in the European Union: is the accounting basis relevant for the deficit reliability? *International Review of Administrative Sciences*, 81, 1, pp. 110-133.

Jones, R. (2003), Measuring and reporting the nation’s finances: Statistics and accounting. *Public Money & Management*, 23, 1, pp. 21-28.

Kober, R., Lee, J. and Ng, J. (2010), Mind your accruals: perceived usefulness of financial information in the Australian public sector under different accounting systems. *Financial Accountability & Management*, 26, 3, pp. 267-298.

Lapsley, I., Mussari, R. and Paulsson, G. (2009), On the Adoption of Accrual Accounting in the Public Sector: A Self-Evident and Problematic Reform. *European Accounting Review*, 18, 4, pp. 719–723.

Li, S. (2010). Does mandatory adoption of International Financial Reporting Standards in the European Union reduce the cost of equity capital?. *The Accounting Review*, 85(2), 607-636.

Mardas, D. (2015), "International Public Sector Accounting Standards and the Greek debt", *19th Annual Economist Government Roundtable*, May 14-15, Athens, Greece.

Mussari, R. (2014), EPSAS and the Unification of Public Sector Accounting Across Europe. *Accounting, Economics and Law*, 4, 3, pp. 299-312.

Nobes, C. (2012), International harmonization, in Nobes, C. and Parker, R. (eds.) *Comparative International Accounting* (Pearson).

Osborne, S. P., Radnor, Z. and Nasi, G. (2013), A new theory for public service management? Toward a (public) service-dominant approach, *The American Review of Public Administration*, 43, 2, pp. 135-158.

Ouda, H. A. (2014), Transition requirements of accrual accounting in central government of developed and developing countries: statistical analysis–with special focus on the Netherlands and Egypt. *International Journal of Accounting and Finance*, 4, 3, pp. 261-304.

Oulasvirta, L. (2014), The reluctance of a developed country to choose International Public Sector Accounting Standards of the IFAC. A critical case study. *Critical Perspectives on Accounting*, 25, 3, pp. 272-285.

Paulsson, G. (2006), Accrual Accounting in the Public Sector: Experiences From the Central Government in Sweden. *Financial Accountability & Management*, 22, 1, pp. 47–62.

Pina, V., Torres, L. and Yetano, A. (2009), Accrual accounting in EU local governments: one method, several approaches. *European Accounting Review*, 18, 4, pp. 765-807.

PricewaterhouseCoopers (2014) Collection of information related to the potential impact, including costs, of implementing accrual accounting in the public sector and technical analysis of the suitability of individual IPSAS standards 2013/S 107-182395. Available at http://www.pwc.be/en/publications/2014/epsas_oct_2014.pdf

PricewaterhouseCoopers (2015) Towards a new era in government accounting and reporting. PwC Global survey on accounting and reporting by central governments 2nd edition. Available at http://www.pwc.com/en_GX/gx/psrc/publications/assets/second-edition-global-survey-government.pdf

Stanley, T., Jennings, N. and Mack, J. (2008), An examination of the content of community financial reports in Queensland local government authorities. *Financial Accountability & Management*, 24, 4, pp. 411-438.