The Emergence of An Accounting Practice: The Fabrication of a Government Accrual Accounting System


Adriana Bruno* and Irvine Lapsley**

*Department of Management & Information Technology
University of Salerno
Fisciano (SA)
Italy
Email: abruno@unisa.it

**Institute of Public Sector Accounting Research
University of Edinburgh Business School
Edinburgh, United Kingdom
Email: Irvine.Lapsley@ed.ac.uk

Corresponding author: Adriana Bruno
Abstract

Purpose - This study aims to add to our understanding of the nature of accrual accounting by examining the process involved in its construction, as a dynamic and controversial process. This paper reveals how it was built and constantly modified, reinforced or negated during the process of implementation.

Design/methodology/approach - this paper`s focus on a government initiative with multiple actors present in the laboratory. Specifically, this study offers a close examination of the day to-day activities of a laboratory case study, it focuses on participant observation in video-conference calls. The discussions held by the project teams are analyzed to extend our enquiry into the most intimate aspects of fact construction (Latour & Woolgar, 1979). These excerpts illustrate the processes of accrual accounting construction and open up the possibility of studying the emergence of accrual accounting through the lens of an action net.

Findings - The evidence collected identified the absence of a well-defined template for implementing accrual accounting in government. These results revealed an elaborate process of improvisation and fabrication in the design of this accounting system and a fragile network in action.

Originality/value - Prior research on accrual accounting in government focused on the examination of existing accrual accounting systems with somewhat puzzling results on lack of use. In this study, the perspective has been shifted from focusing on accrual accounting as self-evident (Lapsley et al. 2009) to examining its construction. This paper examines this tension between the apparent certainties as espoused by practitioners and the problematic nature of accrual accounting in Government. It extends our knowledge of "black box accrual accounting," and shows that it is a fluid object with significant discretion in the determination of practice.

Paper type Research paper

Keywords: Accrual accounting, Public sector, Fabrication, Controversies, fact, artefact.
Introduction

This paper addresses an important issue in the NPM reforms of the past few decades: the implications for governments of adopting business-like principles of accounting practice, notably by the adoption of accrual accounting. There is now a considerable literature on this subject. This includes recent contributions to the debate (Adhikari and Gareth-Nesbakk, 2016; Becker et al, 2014; Davis, Bisman, 2015; Ezzamel et al., 2015), somewhat earlier contributions which seek to make sense of accrual accounting in government (Ellwood and Newberry, 2007; Christensen and Skaerbek, 2010; Christensen and Parker, 2010; Hyndman and Connolly 2011) and earlier academic studies which challenge the relevance of accrual accounting to governments (Guthrie, 1998; Jones 1998; Barton, 2003). The above research has intensified debates about the merits of accrual accounting in the public sector. This paper adds to this literature by its distinctive focus on a gap in the literature. Instead of examining an established accounting practice, as most studies to date have done, this paper investigates the determination of an accrual accounting policy for government from its initial development. This study provides evidence of the adaption of accrual accounting in government as subjective, malleable - a fabrication. This study also reveals how the fate of government accounting reforms is linked to political imperatives. The findings of this study, notably the lack of a blueprint for the adoption of accrual accounting and the experimental nature of its implementation, shed new light on the controversies over accrual accounting in the extant literature.

The adoption of accrual accounting is examined in this paper as a tension between the certainties of practitioners and the problématisation of academic commentators. This research extends the prior literature on accrual accounting in public sector accounting and specifically, it adds to studies of accounting in action. This perspective is examined through the lens of Latour (1987) and fellow advocates of an actor network perspective in analysing complex phenomena. This study examines how practitioners shape an accrual accounting system from its initial stage of implementation and it extends prior literature about the complexities of accrual accounting implementation. In addition, it sheds fresh light on the nature of accrual accounting introduced by government and is critical of the assumption that accrual accounting is well-defined by policy makers. It also disputes the contention that the portability of commercial accounting to a government setting is a neutral fact. Indeed, the major contribution of this paper is its critical evaluation of the issues involved in the implementation of an accrual accounting system in government. This focus underlines the complexity of accrual accounting for government, the lack of a blueprint for implementation of accrual accounting in government and the elaborations, improvisations and ultimately fabrication of practice. This research approach is consistent with the depiction of public sector NPM reforms as trials in more scientific undertakings (Andon et al., 2007; Muniesa and Linhardt, 2011). Andon et al., (2007) observed the situational and experimental nature of the means through which accounting inscriptions were fabricated in their field study of the implementation of performance measurement systems. Similarly, Muniesa and Linhardt (2011) revealed the manner in which expectations of explicitness in accounting can translate into the emergence of grey areas, with new problems and controversies over the exact nature of change, as what appears to be exact is rendered imprecise.

In the adoption of accrual accounting by government and public services, the role of practitioners has been crucial in projecting an image of the appropriateness, the inevitability and the practicability of this form of accounting for the public sector (Lapsley et al., 2009). This picture of certainty is evident in the writing by practitioners during the implementation of many accrual accounting systems in government. In Australia, Watt (2003) commented that accrual accounting was a critical part of the proper management of Government resources. In the UK, the leading practitioner, as Head of the UK Government Accountancy service, observed that the implementation of accrual accounting in line with Generally Accepted Accounting Practices (GAAP) for the private sector would enhance comparability between the private and public sectors (Likierman, 1998a) and would enhance the role of central government balance sheets in macroeconomic management of the economy (Likierman,
Likierman also maintained that accrual accounting could lead to enhanced decision making inside central government (Likierman, 2000). A positive report on the implementation of resource accounting by the UK national auditor confirmed that progress had been good (National Audit Office, 2004). A subsequent Head of Financial Reporting at the UK Treasury observed that accrual accounting had enhanced governance in central government (Watkins, 2007). Perhaps the most effusive advocacy of accrual accounting for government and for public services generally was made by the practitioners who constituted the Public Audit Forum. In its discussion of accrual accounting for government, the Public Audit Forum argued that accrual accounting brings numerous benefits for public sector organizations (Public Audit Forum, 2002). It identified the following key benefits: (1) completeness (more complete than traditional cash accounting), (2) better planning, management and decision making, (3) an ability to change behaviour, (4) enhanced performance management (accruals accounting was seen as an essential component of performance measures and management), and (5) the assessment of financial resilience (financial statements give a fair and balanced picture of the past and signpost future performance) (Public Audit Forum, 2002). These practitioner commentators presented the adoption of accrual accounting as a straightforward practice.

These pictures of certainty which emanate from practitioners conflict with commentaries from academics who have commented on both specific adoptions of accrual accounting and the general approach to the adoption of business accounting practices by government organizations. The academic commentators offer a more problematic interpretation of what accrual accounting practice means for government. Regarding the UK Government decision to base its accounting practices on company accounting, Jones (1998) observed that this would necessitate theoretical and practical contortions. In a similar vein, Barton (2003) argued that the Australian government adoption of the private sector business model of accounting was ushered in, in haste, with private sector consultants and accountancy practices applying their knowledge of business accounting practices. In Barton’s view (2003) this ignored fundamental differences between government and business, including the purpose of annual accounts, the nature of the accounting entity and issues over what constitutes a public sector asset or liability. The application of business accounting has resulted in government accountants in the UK revealing uncertainties over the manner of implementation of accrual accounting in government. The pursuit of business accounting practices has resulted in public sector organisations producing new forms of accounting practice. These new forms of account have been described as accounting mutations (Lapsley, 2012). This depiction of accounting change as mutations recognizes that commercial accounting and government accounting are both different in style and content to start with. The NPM advocacy of business accounting means government entities have aimed to adopt business accounting but end up with a form of accounting which is different from their previous practice, but which, nevertheless remains different from business accounting. These mutations include different bases of asset valuation, the inclusion of the notional opportunity cost of government borrowing in government entity accounts and the explicit inclusion of objectives and targets within the annual accounts of government entities (Lapsley, 2012).

This paper examines this tension between the apparent certainties as espoused by practitioners and the problematic nature of accrual accounting in Government, as expressed by academic commentators, in the following sections. First, there is a discussion of prior research on accrual accounting in the public sector with a wider discussion of the academic debate on accrual accounting by governments. Then there is an examination of our theoretical framework, including Latour’s ideas of ‘laboratory life’. A Research Design section then explains how we collected and used data in this study. The results are presented in three stages along these dimensions: (1) the articulation of accrual accounting as expressed in policy documents; (2) the observation of discussions in the shaping of accrual accounting policy and practice; (3) comments made by interviewees on the outcome of the accrual accounting policy initiative. Finally, we offer concluding comments.
Prior Research

In the New Public Management literature there are many studies of accrual accounting adoption in public entities which reveal complexities both in its implementation and in its use. This research is examined in three ways: (1) a discussion of the experiences of early adopters of NPM and academic studies of accrual accounting (2) the response to, and effectiveness of international financial reporting standards in overcoming accrual accounting difficulties and (3) a discussion of the experience of accrual accounting in Italy, the study setting for this paper. Finally, this discussion of prior literature is rounded off by discussing the positioning of this paper as a study of emergent accounting practice.

(1) Early Adopters of Accrual Accounting: The Academic Discourse

Accrual accounting implementation in central government has been initiated in many countries, but there remain doubts about the effectiveness of such systems. Three of the earliest adopters of NPM ideas were Australia, New Zealand and the UK. The experiences of these countries highlight the problematic nature of accrual accounting. In Australia, in the State of New South Wales, government officials reported inertia and resistance to change from 1992 (Guthrie, 1998). More recent studies of accrual accounting in Australia highlighted the significant role management consultants play as interpreters of what accrual accounting is, or should be (Christensen and Parker, 2010; Christensen and Skaerbaek, 2010). In New Zealand, one of the earliest adopters of accrual accounting in central government, research emphasised the influence of consultants in transforming budgeting and financial reporting (Newberry, 2012). By way of contrast, in the United Kingdom, identified as a high intensity adopter of NPM ideas, the implementation of accounting practice in public sector lacked necessary expertise (Hyndman and Connolly, 2011). These experiences of early adopters are problematic. But more recent research amplified these difficulties.

Subsequent research on accrual accounting implementation in government entities has offered a more refined understanding of practice. For example, it has been suggested that the introduction of accrual accounting in government was to promote the neoliberal agenda of privatization (Ellwood and Newberry, 2007) and to privilege managerial interests at the expense of democratically elected politicians (Ezzamel et al., 2015). There is evidence that the implementation of accrual accounting met a wide resistance from government accountants. Government strategies to enroll government accountants in the development of accrual accounting met significant resistance (Becker et al., 2014). Also, Christensen and Skaerbaek (2010) demonstrated how consultancy companies were introduced by governments to purify government proposals for accrual accounting to overcome the resistance of government accountants (Christensen and Skaerbaek, 2010). In terms of the outcomes of accrual accounting in government, there is evidence of significant confusion and uncertainty on the part of Treasury officials (Adhikari and Gareth-Nesbakk, 2016). It was also observed that governmental accrual accounting information is complex, with few managers who understood it and with limited conviction that its provision resulted in improved decision making (Hyndman and Connolly, 2011). It has also been argued that the introduction of accrual accounting in government has been responsible for camouflaging the subjective nature of the realities facing government departments, with less meaningful accounts (Davis and Bisman, 2015). Many of the above tensions can be explained by this study, which investigated the development of a government accrual accounting system from its inception and found the absence of a detailed blueprint.

(2) Standard Setting

One approach to the problematic nature of accrual accounting is standardisation (Lapsley et al., 2009). For instance, the International Public Sector Accounting Standards Board (IPSASB) has issued...
accounting standards to public entities inspired by international financial reporting standards (IAS/IFRS). However, studies have observed that many governments do not “tolerate” the IPSASB well (Anselmi and Ponzo, 2009; Christiaens and Reyniers, 2009; Pina et al., 2009). Moreover, the study by Christiaens and Van Peteghen in 2007 reveals the non-compliance of the accounting reforms in Flemish municipalities. Other studies focus on technical issues related to the difficulty of quantifying specific kinds of “assets”, such as heritage assets (Barton, 2003, Carnegie and Wolnizer, 1996). These authors claimed that accrual accounting reveals problems for monuments, parks, and cultural assets. The implementation difficulties regarding accrual accounting have extended to key concepts, such as materiality. In a study of Norwegian central government, there were major difficulties over the precise determination of this concept (Nesbakk and Mellemvik, 2011). Collectively, these practical difficulties are impediments to the resolution of accrual accounting implementation by standardization.

(3) The Italian experience

Italy has been depicted as a hesitant adopter of NPM reforms, particularly because of its embedded bureaucracy and the politics of policy change (Arnaboldi et al., 2016). Looking specifically at the Italian context for accrual accounting, this has been characterized by a lack of empirical studies of the implementation of accrual accounting in government (Nasi and Steccolini, 2008, p. 176). However, the common outcome of all studies have noted that the reform of government has been limited (Ricci, 2012), symbolic (Caperchione 2012), and characterized by resistance to change (Caccia and Steccolini, 2006). Recent research has argued that there is a lack of precision and the high level of discretionary practice in accrual accounting (Jannelli, 2012). Furthermore, the current reform which is investigated in this paper has attracted sceptical comment both on the interpretation of the text of Legislative Decree 118/2011 and for the declared opposition of the regions over the implementation of accrual accounting (Mussari 2012, p. 15). These circumstances make the Italian study setting an interesting one for an investigation of the current accrual accounting initiative.

However, the above prior research comes from ex post studies, and their main objective has been to look at the effects of implementation. In other words, the approach adopted in these studies was not able to explain how an accrual accounting system undergoes its construction through mutation and alteration. The accounting in action approach fills this gap. This perspective allows a closer scrutiny of the influence of practitioners in shaping reforms. As Miller points out, “studies of the processes by which particular accounting practices emerge in specific contexts can be seen in a less favorable light than studies that draw upon a predictive model…..” [however] “analyses of the conditions of emergence of such arguments, can help us to understand and explain why it is that a particular practice comes to appear problematic, and is eventually seen to be in need of modification or replacement” (Miller, 1998, p. 607). This differs from the extant literature on accrual accounting, which has focused on the arguments for and against accrual accounting, the use (or otherwise) of the information produced by the accrual accounting systems and the technical difficulties involved with its implementation.

Theoretical framework: accounting in action

This research offers reflections on the practice of public sector accounting by studying emergent practice as elaborated in the design and implementation of an accrual accounting system in government. This research of accrual accounting in the public sector was informed by a study of the process by which new articulations and designs of practice were related to the use of language, interpretations and machinations, with an accounting system emerging though an elaborate fabrication rather than the application of a tightly defined professional blueprint. In other words, it can be depicted as a study of the opening of the black box (Latour, 1987, p. 4). The ANT approach
emphasizes the processual, as practices evolve in the midst of actants, (both human non-human actors) interacting in networks (Callon, 1986; Law, 1992; Latour, 1999; 2005). The recognition of the nonhuman actor raises the issue of the potential for the network to become a Leviathan, in which a super-actor emerges (Callon and Latour, 1981; Czarniawska and Hernes, 2005; Funck, 2015). There are criticisms of the actor network approach, particularly the observation that its framing of subjects is such that it does not engage with the political environment, with political bias and social structures (Alcadipani and Hassard, 2010). This is contested by ANT proponents (see for example, Latour, 2005, p.259). However, the present study contributes to our understanding of ANT and the political, as it necessarily examined the interplay of accounting technologies and political influence with its focus on a governmental innovation. This paper’s focus on a government initiative with multiple actors present in the laboratory, opened up the possibility of studying the emergence of accrual accounting through the lens of an action net (Gherardi and Lippi, 2000).

Adopting the accounting in action perspective, the implementation of accrual accounting in the public sector can be conceived of as a dynamic and controversial process. Numerous studies on accounting change have adopted the “accounting in action” approach, such as Miller (1991), Miller (1998), Preston et al. (1992), Chua (1995), Briers and Chua (2001), Christensen and Skaerbaek, (2010). Joannidès and Berland (2013) were among the first Actor Network Theory scholars to have taken issue with the implementation of an accounting system in a public sector context. The aim of that research was to illustrate how networks (local organizational action) influenced the process of accounting change (Bevir and Richards, 2009). These authors revealed that accounting practices were moulded at the hands of key actors.

Within the broader accounting literature, important contributions have been made by ANT researchers, too many to recount in this paper. However, there are three specific contributions (Miller, 1991, 1998; Preston, 1992) which identified the emergent nature of accounting innovation. Miller (1991) argued that accounting innovation is related to the concepts of programmes, translations and problématisation. This perspective was reaffirmed by Miller (1998) who argued that innovation in accounting takes place not only at its margins, but also through a process of problématisation. The image that Miller provided of accounting is similar to a “bricolage” or process of improvisation. This observation by Miller (op. cit.) resonates with Preston’s observations (Preston, 1992) on the fabrication of accounting systems. These earlier studies depicted accounting change as experimental. This finding resonates with more recent studies of public sector accounting changes by both Andon et al., (2007) and Muniesa and Linhardt (2011) which discussed accounting implementation on a more general level as a process of trials and experimentation. This observation is critical to our understanding of the implementation of governmental accounting. The practitioner advocates of accrual accounting presume that a blueprint exists, but the reality is more that of experimentation in a laboratory. This explains the focus on “laboratory life” which informed this study. This approach is expanded upon below.

The Latourian approach emphasizes the constructed nature of concepts, actions and institutions in the laboratory (see Figure 1). According to Latour an object is defined by the behavior shown in a laboratory test. Indeed, laboratory scientists are routinely confronted by a “seething” mass of alternative interpretations (Latour and Woolgar, 1979). In their book, Laboratory Life, the authors showed how scientific knowledge is produced in a laboratory and through a claims-making process. This process is divided into three phases:

1. An intense debate phase, called “stating and arguing”. Regularly, in this study, we noticed how the assertions of members of the laboratory of Campania were rejected, borrowed, quoted, ignored, confirmed, or dissolved.
2. A preliminary interim agreement, called “inscribing”. This is when the defendants begin to take note of the different positions and crystallize the debates in written documents.
Specifically, Latour said that in the laboratory, objects are accomplished by the imposition of several documents obtained from inscription devices within the laboratory or from papers by investigators outside the laboratory (Latour and Woolgar, 1979, p.84).

3. A final stage of “writing and publishing” of the agreements. This may entail compromise from debates on the interpretation of accounting principles. Specifically, Latour explains that a laboratory is constantly performing operations on statements. These may include: adding modalities, citing, enhancing, diminishing, borrowing and proposing new combinations. Each of these operations can result in a statement, which is either different from existing issues or a qualification of those facts (Latour and Woolgar, 1979, p. 81).

This framework is used within this study, and the laboratory site is the place where accrual accounting is observed in the process of being invented and practiced. In this case a regional government in Italy.

![Figure 1: The micro processing of facts](image)


Thus, following Latour’s theory, the work of the laboratory can be understood in terms of the variety of documents that are continually generated. These documents result from the transformation of initial statements to a fact-like status. This is the micro process of fact construction in science (figure 1). Thus, this analysis allows us to answer two main questions: Are there actors to support converging forces? (see figure 1, the axis with ‘who’ and ‘inscribing’). If yes, are these forces released only after amendments and additions to the accrual accounting system were made? (see figure 1, on the right, with ‘writing-publishing’ and ‘stating-arguing’). Thus, the human actors move in two directions either in opposition or deviation, to reach a compromise. It will be evident that most of the analysis will be characterized by more than a single moment. Reflections on what practice precisely means provide a first turn. The unfolding deliberations result in further iterations. The ebb and flow of this process may entail many changes to the proposed system. This activity produces ever-changing patterns of rule.

This research revealed that this accounting technology was an improvisation, a fabrication. This research observed the fabrication of accrual accounting, which can be depicted by the complex and continuous process of interpretation, conflict and activity. The notion of fabrication is articulated in
three "images," and includes three different concepts. These are as follows: to build (the process of construction); the fragility (the weakness that could result in a failure) machinations (which tell convincing stories about the system and indicate the plan to sell the new system benefits and purpose to sceptics), see Preston et al., 1992. The term “fabrication” instead of “production” or “construction” or “translation” was chosen by Preston (1992) when he investigated the implementation of budgeting and accounting in hospital management. Production or construction are just focused on the building process and are not able to include fragility and machination. “Fabrication” incorporates the other terms. Construction was used by Miller in accounting studies to indicate “the way in which accounting together with other practices serves to construct a particular field of visibility” (Miller and O’Leary, 1987, p. 239). Translation is a typical term in Latour’s analysis of science in action, which is used to make sense of the transition (Latour, 1987, p. 108) and emphasizes the machination dimension as described above.

The energy that causes the fabrication of accrual accounting is due to human actors and non-human forces, which alter, amend, deny and transform the object moved. In this research, there were insider positions (members of the public entities in the trial) and outsider positions (members not directly included in the entities, as consultants, academics). The negotiation and controversies of two groups of practitioners gave rise to artifacts which occurred as a result of the investigative procedure in the laboratory. Analysing these controversies regarding the nature of accrual accounting opens the accrual accounting black box with issues over meaning, experimentation and practice. These are facts that are taken for granted by NPM advocates. Finally, examining the construction of accrual accounting is not simply to deny its existence as a fact, rather it is to emphasize how, where and why it was created (Latour and Woolgar, 1979, p. 127). This approach directly addresses the concerns of academics in accrual accounting debates and the issues which they have with the certainties of practitioners who advocate accrual accounting.

Research Design

This research is a case study of the adoption and implementation of accrual accounting in Italy. The project studied the development of accrual accounting in one of the regional governments of Italy which was selected to be part of a government initiative. The case study approach does not offer generalizability, but it does provide opportunities for more closely grained and nuanced studies of research settings and can provide valuable insights into theory (Eisenhardt, 1989; Eisenhardt and Graebner, 2007). Italy presented an interesting study setting as a country which had undertaken numerous modernising initiatives and which had significant political challenges in enabling its chosen reforms (Arnaboldi et al, 2016). This setting afforded an interesting opportunity to examine innovation in an intense political environment from an ANT perspective (Alcadipani and Hussard, 2010).

The main research objective of the study was to focus on the emergence of an accounting system to enrich our understanding of what accrual accounting means in practice for government. This research used the multiple methods approach typical of case study research (Stake, 1995). In this study, the analysis of data collected was taken in three phases: (1) an examination of government policy documents on accrual accounting (2) observation of the discussions during the implementation of accrual accounting and (3) interviews with key actors on the outcome of this government initiative. These three strands of analysis offer a rounded and substantive perspective on the introduction of accrual accounting in this study setting.

(1) Analysis of Policy Documents

The documentary analysis focused on the laws and internal rules related to the reform process to peruse the introduction of accrual accounting as an articulation of government policy. This research
approach recognised that policy documents are important elements of policy debates and practices (Prior, 2003, p.31). In this regard, policy documents are not mere ‘receptacles’ of information. These documents are not mere ‘facts’, but important artefacts which may shape policy judgments and actions. These documents may have an important representative quality as evidence of the integration of the views of leading actors in key policy debates (Prior, 2008).

This stage entailed an initial overview of the Italian reform process by collecting published parliamentary documents related to the Italian public sector reform process and the development of accrual accounting. More specifically, the data collected for documentary analysis are policy documents at a central government level: including Decrees from the Ministry of Economy and Finance; Decrees of the Prime Minister, documents from the State General Accounting Department, the Supreme Audit Institution (Corte dei Conti) and documents from Technical Committees set up for the implementation of the accrual accounting system.

The research method adopted was a thematic content analysis, the traditional method used for policy analysis to investigate how the document produces events or phenomena (Yin 2009). By adopting this approach, documents were studied as distinct elements, which resulted from social activity.

(2) Observations of Policy Development

The Ministry of Economy and Finance had overall responsibility for the management of the accounting reform. It delegated responsibility to the General Accounting Office, specifically the “Arconet group” to take this reform forward. Moreover, the Ministry had set up “working groups” (Working Group n.1), which worked under the Joint Technical Commission for the implementation of fiscal federalism dedicated to “budget harmonization of regional and local authorities”. A smaller subgroup worked under the working group and met every Tuesday. This subgroup had the task of guiding and monitoring the progress of the activities carried out by institutions in the reform process. The members of this subgroup were academic experts in public accounting, representatives of the Italian Banking Association (ABI), and representatives of Local Governments Associations (ANCI) representatives of National Accountants (ODEC). Studying these interactions helped us to gain a deeper understanding of intended practices as the reform process unfolded. The shadowing approach has been adopted: to understand the accounting practices and associated behaviors within their lived, dynamic contexts. In other words, to capture all the actants that form a network (Czarniawska 2007).

Every week, the implementation group selected FAQs from the website. These were the items on the agenda to be discussed in the meeting with working group 1. The regional authorities also took part in these meetings organized on Tuesdays. At these meetings group members created a document which contained FAQs and it was sent by email to each participant. Prior to these meetings being established, the regional office voluntarily agreed to organize a video conference call on Mondays to address these agenda items in advance. During these video conference calls group members shared experiences, doubts and misgivings regarding the measures that were being implemented. Specifically, the analysis of a single FAQ on the agenda was undertaken by discussing internal perspectives on guidance received. The main focus of the discussion was the agreement or disagreement with the resolution provided by the Arconet group. Sometimes, an alternative solution was proposed. Meetings sometimes included accountants, and consultants. All the ideas emerging from this discussion were written in a new report, which was presented the following day to the institutional meeting. In this research, reports from both (video conference call and institutional meeting) were collected and analysed. The materials in these analyses were obtained during field research carried out by this research team between January 2012 and April 2014. Moreover, to study the implementation of an accrual accounting system, we focused on the Campania region, in Italy, a region which was actively involved in the implementation of accrual accounting. Here, it was possible to study the actors engaged in the frequent manipulation and interpretation in building an accrual accounting system. The average duration of a conference call was one hour and a half. Notes were
taken from these, especially from the recorded audiotape. Latour says “… a major obstacle to the study of thought processes is the absence of written records (Latour and Woolgar, 1979, p. 168)”. Fortunately, in this case, a range of documents relevant to the daily activities of the laboratory were collected. These included drafts, reports and discussion notes of video call conversations. Even in their “crude state,” the discussion notes provided a useful opportunity for closely analysis of ‘fact construction’ (Latour and Woolgar, 1979).

Short excerpts of ordinary interactions from the video call conversations are shown in our discussions in the text below to illustrate some of the ways in which planners constructed the accrual accounting system. Considering the volume of material, it was not possible to report all the observations collected over more than one year of analysis. Indeed, the lengthy observation period yielded a large body of data. Within this analysis the name of participants in the dialogue were not disclosed for reasons of confidentiality. However, we have specified the role, or profession of the actors involved in the conversations when referring to the circle of institutional players involved in the video call conversations, for example academics, consultants from the National Association of Accountants, the employees of the entities. Then the issues which these players debated and discussed are shown.

(3) Interviews at the Study Site

We also carried out informal interviews with key informants (Jones, 1996) - all members of the regional government team involved in this accrual accounting initiative (the laboratory). This involved 8 interviews. The interviews were conducted with four officials who were employees of the Accounting Department, two General managers of the Accounting Department, and two officials who were employees at the State Property Department and Heritage Assets. These interviews were initially conducted from October 2013 April 2014 with follow up telephone exchanges over the life of this project which were used to clarify or amend facts and opinions where necessary. The purpose of these interviews was to capture the outcome of the accrual accounting innovation as perceived by these key actors. The average duration of an interview was an hour and a half. All interviews were recorded. The interviews collected in this paper are confidential and all participants were assured that their names would not be disclosed. These interviews were semi-structured with five main questions: (1) How would you describe the outcome of this government initiative on resource accounting? (2) How were you involved in the implementation of the reform? (3) What were the reasons for this reform? (4) What were the underlying objectives and expectations? and (5) What implementation experience has been gained from this exercise? Once this interview data was collected, it was then analyzed to determine the interviewees’ perceptions of this initiative. This third source of data collection complements both the policy documents analysis and the observation of discussions on the definition and operationalization of accrual accounting (Czarniawska, B., 2007, p.90).

Research Results

There are three elements to the research results presented in this paper. First, there is an analysis of policy development - the documentary analysis. The second section below relates the results of different phases of observations in the field. The final phase reflects on the outcomes of this experimentation with the implementation of accrual accounting.

(1) The First Phase: the articulation of policy

This study analysed how the text of the Policy was changed and modified immediately before becoming a decree. This reveals the influence of the political process before the box becomes closed. This analysis included politicians, the Ministry, the legislator, i.e. the party which expressed a legislative text, which can be issued as a law, a decree, or a circular. The analysis also included the
role of technical actors involved in this process, such as the State General Accounting Department [1] (Ragioneria Generale dello Stato), which is the technical section of the Ministry of Economy and Finance, the Supreme Audit institution (Corte dei Conti), which retains some responsibility as advisory to the Ministry of Economy and Finance and the Committees for fiscal federalism (Commissione per il federalismo fiscale). The actors are involved in shaping the policy, therefore they are multi-conductors. They draw policy. They modify it. They alter it. Then, in a second part of the analysis, the role of the implementers was analysed. The implementers (the bureaucrats, the employees) were viewed as the actors who interpreted the policies, translated them, filled the silence in debate, and then altered the final stage.

The first analysis is of the politics of actors involved in the process. The first actor is the Ministry of Economy and Finance, which presents, on 11 March 2011, the first act (called Act 339[2]) to the Chamber of Deputies, specifically to the Budget Committee of the Chamber of Deputies Research Department. It consisted of two Titles and two attachments. Title I was devoted to general accounting principles for the regions and local authorities. Title II was written for the Health Care Sector.

The above elaboration of the government’s position on the reform of accounting appears to be comprehensive and offer certainty to government accountants. However, this was merely the first iteration of a process of fact building by the government as the key actor in the network mobilized to enact these government reforms. Indeed, Act 339 was discussed, and amended by the Committees for fiscal federalism in three sessions: on 24th of May 2011, on 1st June 2011 and on 8th of June, when it was presented again to the Ministry of Economy and Finance. These further iterations are indications of the absence of a detailed blueprint for accrual accounting.

We refer to examples of these exchanges to illustrate the fluidity of what accrual accounting meant in practice. From the memorandum of 24th of May 2011, a politician member of the Chamber of Deputies Research Department observed: “…that the decree, in its current formulation, is extremely evasive on the decisive points and should be better explained to guide the trial toward predefined methodologies” (Copaff, 2011, p. 15).“ In May 2011 there was also a report on accrual accounting from the Supreme Audit Institution. The report of the Supreme Audit Institution observed that the adoption of an accrual accounting system requires a decisive "cultural" change in the public sector, because in addition to legal and administrative expenditure profiles it would be necessary to detect the "interpretative" aspects on the nature of expenses, as a flow or a stock (Senato della Repubblica, 2011, p. 18). With these observations, this audit body has challenged the meaning and relevance of accrual accounting to the public sector. Instead of mobilizing a network of actors bound by a common intéressement, this particular reform has resulted in discordant voices over both the purpose and the detailed shape of this reform – a fragile network.

The analysis of these policy documents indicated that accrual accounting in these government reforms was not the primary accounting system for public entities. Indeed, the text of the decree specifies that “it will be only used for cognitive purposes”, which can be interpreted as useful information which may be of the status of memorandum accounts. Thus, authorized budgets are still using cash-based principles. Accrual accounting is authorized for use in the recognition of revenue and cost management. This use of accrual accounting was intended to represent the “economic resources” acquired by governmental entities. However, accrual accounting has a wider significance than this. It was also to be used during an exercise to construct accounting assets, which constitute a key performance indicator, to allow the preparation of consolidated financial statements for each public
administration and to control their bodies and any other organizations, such as companies, societies and other entities, over which governments exercise influence or control. This is the definition of cognitive purpose given by the Ministry. The reform of public accounting started in 2011. The government planned to finish in 2014, but this reform is still on going.

(2) The Second Phase: emergent practice

In this analysis of results from direct fieldwork observations, this research explored the ‘first turn’ or initial discussions at the study site (the ‘laboratory’) as the project to design the accrual accounting system got underway. Our analysis included a reporting of accrual accounting conversations between participants in the reform which took place from the second semester of 2012 (June-December) all of 2013 and first month of 2014. The observations were organized in their chronological order, as the information was gathered.

Through the summary of these observations, there is a reconstruction of the complex facticity diagram (inscribing, stating-arguing, writing-publishing) activated by the actants as they sought to implement accrual accounting. Specifically, the analysis shows the contributions of the key actors - technicians, consultants, academics - who theorize, motivate, promote or disapprove accrual accounting. The Observations are as set out in table 1 below. Furthermore, elements of the findings from the observation of the debates revealed a practice turn; there was an evident preoccupation with ideas of recording; with issues of how the new system was situated, alongside existing systems; with what the ideas in the guidance actually mean in practice. These deliberations provided a definite picture that there is no blueprint for this phenomenon called accrual accounting in government. This underscored the experimental nature of laboratory life.

I Evidence from in site observation: Action and Events

The evidence shown in Table 1 depicts an implementation process, which was contested by key actors.

Table 1: An Overview of Deliberations

<table>
<thead>
<tr>
<th>Dates</th>
<th>Topics</th>
<th>Accrual accounting: claims and making process</th>
</tr>
</thead>
<tbody>
<tr>
<td>05/06/2012</td>
<td>Adoption of IPSAS, depreciation, accruals and deferred income</td>
<td>stating-arguing</td>
</tr>
<tr>
<td>26/06/2012</td>
<td>Memorandum accounts, the evaluation of assets</td>
<td>stating-arguing</td>
</tr>
<tr>
<td>10/07/2012</td>
<td>Depreciation, the evaluation of assets</td>
<td>stating-arguing</td>
</tr>
<tr>
<td>17/07/2012</td>
<td>Depreciation method</td>
<td>inscribing</td>
</tr>
<tr>
<td>27/07/2012</td>
<td>Recording the assets</td>
<td>stating-arguing</td>
</tr>
<tr>
<td>22/10/2012</td>
<td>Recording of a capital grants</td>
<td>stating-arguing</td>
</tr>
<tr>
<td>29/10/2012-30/10/2012</td>
<td>Assets and property: to amend the principle, non-inclusion in the balance sheet</td>
<td>inscribing</td>
</tr>
<tr>
<td>05/11/2012</td>
<td>The working group accepted the proposal: the principle has been modified</td>
<td>writing-publishing</td>
</tr>
<tr>
<td>10/12/2012</td>
<td>Updating the principle about the memorandum accounts</td>
<td>writing-publishing</td>
</tr>
</tbody>
</table>
This was no straightforward adoption of preconceived ideas. The actors engaged in the implementation project shaped it with their interpretations of what accrual accounting should be. Specifically, during these video conferences the group discussed topics related to how to do the records of depreciation [3] in a striking move, they decided to adopt a solution opposite to the one they agreed on previously. Then, the group revisited the topic addressed on the simulation of recording of a capital grants and it integrated the accounting principle by adopting the note sent by the eminent Italian academic related to memorandum accounts. Here they anticipated a problem related to the valuation of assets. Indeed, one participant noted that there was potential for an incorrect valuation of assets; specifically, heritage assets. The group suggested getting external expertise, but decided that this potential solution is too costly. This issue has been addressed later.

II Evidence from onsite observation: Action and Events

Next, the implementer actions are examined. For the implementers, much remained unclear. This was due to the confused text of the decree over the valuation of certain assets. This included assets for which there was no estimate of historical value; assets which were fully depreciated, but which remained in use; assets included in the category of state property and transferred by the State but for which there is no estimate of their value. A document, entitled “Research material about fixed assets recording” (Approfondimenti su contabilizzazione delle immobilizzazioni materiali) was sent by an eminent Italian academic who also contributed comments to the continuing debate. These complexities provided material for much ‘stating-arguing’ by these actors.

<table>
<thead>
<tr>
<th>Dates</th>
<th>Topics</th>
<th>Accrual accounting: claims and making process</th>
</tr>
</thead>
<tbody>
<tr>
<td>14/01/2013-21/01/2013</td>
<td>The evaluation of assets, depreciation, cadastral value.</td>
<td>stating-arguing</td>
</tr>
<tr>
<td>28/01/2013</td>
<td>Some criteria to build the Balance sheet.</td>
<td>stating-arguing</td>
</tr>
<tr>
<td>25/02/2013</td>
<td>Inclusion of state property in the evaluation of assets.</td>
<td>stating-arguing</td>
</tr>
<tr>
<td>04/03/2013</td>
<td>The evaluation of assets: the analysis from the eminent scholar.</td>
<td>inscribing</td>
</tr>
<tr>
<td>11/03/2013</td>
<td>Bookeeping record about property. An example froma FaQ website.</td>
<td>stating-arguing</td>
</tr>
<tr>
<td>18/03/2013</td>
<td>Comments about the draft from the eminent scholar.</td>
<td>stating-arguing</td>
</tr>
<tr>
<td>26/03/2013</td>
<td>Depreciation of State property.</td>
<td>writing-publishing</td>
</tr>
<tr>
<td>04/04/2013</td>
<td>The evaluation of assets. Updating the principle</td>
<td>inscribing</td>
</tr>
<tr>
<td>23/04/2013</td>
<td>The working group ask to the Minister to create an appendix &quot;How to prepare a Blance Sheet&quot;.</td>
<td>inscribing</td>
</tr>
<tr>
<td>07/05/2013</td>
<td>Modification on the principle: to erase reference to single entry record.</td>
<td>writing-publishing</td>
</tr>
<tr>
<td>28/05/2013</td>
<td>Updating the accrual accounting principle: about the provision for doubtful debts.</td>
<td>writing-publishing</td>
</tr>
</tbody>
</table>

The implementers then proceeded with the reorganization of the accrual accounting principles after input from this eminent scholar and the consultants from the National Associations of Accountants. Specifically, on 7th of May 2013, the Working Group decided to eliminate the reference to the single-
entry record from the text. On 28th of May 2013 there were more changes and integrations to the principle aimed at clarifying the conceptual difference between the two funds for doubtful debts. Specifically, in accrual accounting it can be named as the “allowance for doubtful accounts” (this is not linked with the fund in cash accounting and its value is directly deducted from the debtors to which it refers). In budgetary accounting on a cash basis there were to be two funds, which were not linked with accrual accounting. One was for current expenditure. The other was for capital expenditure. This is a clear writing and publishing activity by the actors in this network.

**III Evidence from in site observation: Action and Events**

In this third phase of laboratory life, the story of an unresolved debate unfolds. While there is evidence of *intéressement* and even of *enrôlement*, and to some extent, the *mobilization* of these actors, the *problématisation* of this study reasserts itself as the study proceeds. This continued dominance of *problématisation* is important. It is indicative of the experimental nature of laboratory life. It also created an obstacle to the full mobilization of these actors in the network who were to inscribe new policies and practices. In this phase, inscribing processes took place, but the 'stating and arguing' activity resurfaces to challenge the rationale of this network. An overview of this phase in the observation cycle is in Table 3 below.

In the prolonged *problématisation* of accrual accounting in this laboratory, issues, which have apparently been resolved, resurface as contentious issues. Thus, the implementers encountered difficulties in applying the criteria for allocating the allowance for doubtful debts. The technicians stated that “the accrual accounting principle specifies that the allowance for doubtful debts is not recorded among the liability items of the balance sheet, but is deducted from the assets to which it relates”. Regarding its construction, the entities were instructed to “identify the categories of entry allocated, which may result in doubtful debtors which are difficult to collect”. The detail of this analysis was left to the discretion of the individual entities. At this video conference, technicians reported that some difficulties in performing this calculation and observed that there was no assurance regarding the reliability of this value. Therefore, the group asked the Minister if it would be possible to enter this amount separately. The item would then be shown in the Balance Sheet among the liabilities instead of deducted from the amount for debtors. The Minister authorized the regions to use this procedure.

Regarding the calculation, the Minister clarified that there was no correlation between credits of accrual accounting, residuals, receivables of budgetary accounting and the calculation of the allowance for doubtful debts. This clarification was made explicit in a revision of the statement of the accrual principle. This accounting outcome seeks to be business-like, but evolves into a different format – an accounting mutation (Lapsley, 2012).
Table 3. The Unresolved Debate

<table>
<thead>
<tr>
<th>Dates</th>
<th>Topics</th>
<th>Accrual accounting: claims and making process</th>
</tr>
</thead>
<tbody>
<tr>
<td>21/10/2013</td>
<td>Analysis of a case study: a local governments which is going to implement the accrual accounting system.</td>
<td>stating-arguing</td>
</tr>
<tr>
<td>29/10/2013</td>
<td>examples on double entry method about the accruals and deferred income.</td>
<td>stating-arguing</td>
</tr>
<tr>
<td>05/11/2013-12/11/2013</td>
<td>The evaluation of assets and depreciation rates.</td>
<td>stating-arguing</td>
</tr>
<tr>
<td>19/11/2013</td>
<td>examples on double entry method and memorandum accounts.</td>
<td>stating-arguing</td>
</tr>
<tr>
<td>25/11/2013</td>
<td>Balance sheet.</td>
<td>stating-arguing</td>
</tr>
<tr>
<td>09/12/2013</td>
<td>Analysis of point 6.3 of principle and balance sheet.</td>
<td>stating-arguing</td>
</tr>
<tr>
<td>13/12/2013</td>
<td>Some problems about double entry method.</td>
<td>stating-arguing</td>
</tr>
<tr>
<td>15/12/2013</td>
<td>Modification on the principle, in the section about the provision for doubtful debts.</td>
<td>stating-arguing</td>
</tr>
<tr>
<td>13/01/2014</td>
<td>The working group accepts the modification of the principle. They discuss again about the memorandum accounts.</td>
<td>inscribing</td>
</tr>
<tr>
<td>20/01/2014</td>
<td>Updating the principle: modification of the paragraphs</td>
<td>inscribing</td>
</tr>
<tr>
<td>28/01/2014-03/02/2014</td>
<td>Updating the principle: the working group accept the integration.</td>
<td>writing-publishing</td>
</tr>
<tr>
<td>25/02/2014-03/03/2014</td>
<td>Updating the principle: financial assets.</td>
<td>writing-publishing</td>
</tr>
<tr>
<td>14/04/2014</td>
<td>Clarification about the principle on the point 4.18. Specifically they analyze the report of the working group on the 23/04/2013 about depreciation.</td>
<td>stating-arguing</td>
</tr>
</tbody>
</table>

Results: the facticity of accrual accounting.

Tracking these observations revealed a pervasive debate over the valuation of assets. Nevertheless, the proposed treatment for the valuation of assets remained unresolved. One distinct aspect of valuation which was regularly debated (in the stating arguing phase) was the problem of assets for which it was not possible to trace the cost, especially for historical, artistic, cultural and heritage assets. Among the various accounting policy choices for this class of asset, was the option not to include these items in the balance sheet. However, this proposed solution was rejected, outright, by the Minister. Instead, he suggested the cadastral (rateable value for property taxes) rate as a parameter. On the issue of depreciation, the technical institutions were guided by the decision, which they accepted, then denied and later reconfirmed, adopting the indirect method for depreciation. At this point in the process, there was still much debate about how to handle the issue of depreciation. The group focused on whether to recognize depreciation or not, for what types of assets, and using which valuation method, among other points. The technicians also requested a formal consultation with the abovementioned eminent Italian scholar. He sent a note explaining that the decision to include or not include assets in accounting disclosures was related to the costs and benefits that could follow from this evaluation. Specifically, he observed that costs are easier to quantify than benefits, another unresolved issue. The video conferences of the 14th and 21th of January 2013 are worthy of attention.
However, there is no solution yet, and the Ministry again simply referred to the taxation rules in the observation of 14th of April 2014, as reported above. Therefore, despite intense deliberations by the working party and the seeking of expert external advice, the policy on the valuation of assets remained unresolved.

The observations also revealed preoccupations with the nature of the government balance sheet, with discussions over what should or should not be included; the specific challenges posed by complex asset categories such as heritage assets, which are most important in this region and this country. A new topic was then introduced, but with the same lack of clarity. This was the provision for doubtful debts. Some implementers declared that there is no certainty about the reliability of these accounts. Then this field welcomed an external expert. As the process progressed in the improvisation and fabrication of the narrative of what government accrual accounting means. Indeed, a high level of subjectivity is found in discussions regarding the first Balance Sheet, particularly the misunderstanding about the Equity section.

So, accrual accounting did not draw a sufficiently large number of actors to combine forces with shared meanings in a strong network (as in the ‘stating-arguing’ phase in the claims-making process). Consequently, its translation was not sufficiently robust in practice. In almost all the stories reported in this paper it is evident that, once accrual accounting entered in the action net of the laboratory (the local translation centre), it took on other meanings, followed different trajectories and never had a stable identity. Indeed, among the human actors (consultants and academics, technicians of other entities) and non-human actors (the national standard) the different trajectories of the translations of accrual accounting practice were hugely problematic, but they did not progress along a linear path to intéressement, enrolment and mobilization. Fundamentally, the absence of a blueprint shaped the actions, reactions and emergence of partial solutions, rejections and finally impasse. This is an example of an experiment with a fragile network tasked with bringing this practice to fruition.

In every video conference, there were forces which drove the implementers to abandon their previous path for a new one. Thus, in a comprehensive analysis of these results, it is evident from the way in which the local translators interpreted or borrowed these issues, that the subjectivity of accrual accounting and its status as an artifact was revealed. The artifact emerged for different reasons: the process of self-reform, which arises in a trial that contributes to distortions; the rules imposed by decree, which in some parts were incomprehensible, and were not very adaptable to the dynamics of the public entities. The translation offered by technicians appeared to be a reworking of the traditional accounting system known in the private sector. This idea was rejected—unanimously—by key actors.

(3) Third Phase: outcome narratives

In 2014, the region in this study ceased to be involved in the project to develop accrual accounting for regional governments in Italy (by a Decree of the Ministry of Economy and Finance, 6th of November 2014). The cessation of this region’s involvement in the accrual accounting initiative was attributed by the Ministry to this region’s implementation failure and the inability to recognize residual liabilities in the new form of accounting. This outcome of failure has many facets. The fragility of the network, which the government sought to mobilize is one part of this story. The complexity of the task of articulating a policy when dealing with an initiative, which proved ephemeral to many is yet another facet of this story. Finally, there was the experimental nature of the task confronting participants, especially in a politicized environment where the emergence of initiatives and their cessation can be unpredictable.
It was evident that many participants identified with the project, despite the cessation of the initiative by government. The reaction of our key informants to this cessation was strong, and feelings of anger and disappointment were expressed. However, one key informant did state that this cessation may lead to a new beginning for the accrual accounting project with a new awareness of its difficulties and complexity (informant 1). Yet another senior management figure was disappointed at this outcome and saw the cessation as a punitive action by the Ministry which could have been more supportive (informant 2). Another management official described the outcome as a ‘poor show’ but conceded that the region had continually postponed important aspects of accrual accounting such as the treatment of liabilities (informant 3). For those workers most directly involved in this endeavor, one key informant (informant 4) summed up the outcome as follows: “this result was unexpected from a part, especially to the top of the structure, but was quite predictable for us, because we were in this business more than others and we are aware of the difficulties encountered”.

There was recognition within the participants that this project had been a failure. The sheer complexity of the exercise dominated the comments of these participants. Indeed, the key informants in this study offered the following insights into why this project had failed: “We have not implemented the accrual accounting system, and we are not happy about how things have gone. This reform is too complex and has far too many aspects.” (informant 3). “We are very late on the roadmap because of implementation problems. This initiative is not a priority it has always been left as the last of our priorities.” (informant 4).

There were comments of frustration over the entire manner of project management, particularly the mechanism of buying in external advice, as one informant stated: “The fact that we are supporting very high expenses, paying external consultants, has undermined the regional budget. And unfortunately, we still have not seen results. This is perceived from my employees as extra work”. (Informant 6).

A major factor in the implementation delays was attributed to interpretation difficulties. One key informant observed that the apparent solutions to the problems faced during video convergences did not convince the implementers. Furthermore, this informant observed that doubts proliferated with no obvious way forward, which was accentuated by the number of unresolved problems so many that you could not deal with them. As this key informant said:

Whenever we finished a video conference there always seemed to be a feeling of uncertainty and that doubt was never completely resolved and then there always seemed to be different interpretations.” (Informant 7).

The fragile nature of the network was evidenced from the fitful mobilization of expertise in the common cause of devising an operational accrual accounting system. Another major feature of the overall management of this project was the lack of consultation and sharing of expertise with other trial sites in the accrual accounting initiative, despite devices like the video conferencing. As one informant expressed this sentiment:

“We were never fully sure of how to operate. And I asked “what about the other regions? But never got a satisfactory answer” (Informant 8).

The above observation was reiterated by informant 5 who commented on the difficulties of not only lack of information on other capacity issues, like IT problems.

“We were not equipped with any software that supported us on the double-entry accounting entries, also there were many offices that needed to be reorganized, mostly in terms of training. Unfortunately, this did not happen and we continued to face difficulties. One colleague said to me that there were no incentives for managers and employees to participate to the process, and they said that a computing consulting company was contracted to help implementation a new accounting software (engineering spa) system, with money from regional budget, because the Ministry does not
give any financial support. Indeed, these workers most directly involved in the implementation complained because “for every little thing, we have to ask for support from consultants or academics, to clarify important aspects”.

This continual process of refinement in the laboratory of this region with continual reworking of guidance, citing and enhancing and borrowing ideas from external experts captured the ebb and flow of a process which was not tightly defined in building facts to act on or otherwise (Latour and Woolgar, 1979, p. 81). These reflections confirmed the emergence of this accounting practice as an uncertain process without a clear blueprint.

Conclusion

In New Public Management, the decision to adopt accrual accounting is considered self-evident because of the impetus to adopt private sector business practices in public services, but it is also problematic (Lapsley at. al 2009). While practitioners have offered certainty on the benefits of accrual accounting in government (see, for example, Likierman, 2000; Public Audit Forum, 2002), early academic studies were hostile (Guthrie, 1998; Jones 1998; Barton, 2003). More recent academic studies have offered more refined critiques of accrual accounting in government (Adhikari and Gareth-Nesbak, 2016; Becker et al, 2014; Ezzamel et al, 2015: Ellwood and Newberry, 2007; Christensen and Skaarbek, 2010; Christensen and Parker, 2010; Hyndman and Connolly 2011). However, it is the contention of this paper that much of the problématisation of accrual accounting for government in these earlier studies is largely attributable to the experimental nature of accrual accounting implementation in government.

The discussions between practitioners responsible for implementing accrual accounting which were collected during the eighteen months of the trial discussed in this paper, and analysed using the ideas of Latour, revealed that accrual accounting in government was a fluid object which was poorly specified from an operational perspective. Indeed, this aspect of implementation emerged very clearly in this research by depicting the study site as a laboratory, in which experimentation is accepted and expected (Latour, 1987). The experimental nature of accrual accounting in government merited the Latourian concept of the laboratory as a site. Indeed, the construction of accrual accounting became so complicated that it represented a fabrication. Indeed, in almost all the stories reported in this research it was evident that accrual accounting, once it entered the action net of the laboratory, took on many meanings and followed different trajectories. It never had a stable identity. In this collection of observations, arguments were constantly modified, reinforced or negated. It was clear that the accrual accounting system was not built systematically but was the product of “heterogeneous engineering” (Gherardi and Lippi, 2000, p. 125).

This research showed that there were many uncertainties and doubts surrounding accrual accounting in the public sector. Furthermore, these were not entirely dissipated because of the interventions of translators who carry ideas with them, (see the micro-processing of facts above). In the documentary analysis, the most striking aspect revealed was the lack of specificity about the mandatory implementation of accrual accounting. The lack of clarity started with the government decree at its input stage (the first act from the Parliament, act 339), which was not a definitive set of commands which were able to drive the implementers on. This was because there was ambiguity from the beginning in the sentence of the Ministry which stated that accrual accounting should have ‘cognitive purpose’ and this lack of specificity continued throughout the trial, as the malleable nature of accrual accounting was revealed.
As noted earlier, this government initiative offered the possibility of an “action net” (Gherardi and Lippi, 2000, p. 151) in the laboratory. This can be identified from four types of actors that precede and implement translation; respectively: consultants and academics who produced knowledge; politicians, those that govern the process, from the input stage of the decree; technical and political committees involved in the process at the input stage; the technicians, civil servants, are those who were expected to actively put policies into practice. All these actors have influenced the development of the accrual system differently. Some of these actors decided the initial trajectory of the project, while others have changed it, by bringing it forward or by interrupting it. However, ultimately this was a fragile network which failed. Regarding this failure, the idea of accrual accounting did not connect with a sufficiently large number of actors in the network in a convergent manner. This is evident from the debates within the trial period.

Various issues were discussed during the weekly video conferences. Specifically, these debates over meanings provided ample opportunity to capture manipulations in the issues related to accrual accounting. These debates revealed how accrual accounting, in its implementation phase, assumed the status of artefact. A high level of subjectivity was found in discussions and was commented on by an eminent scholar who sent a note to the implementers in which he sought to shed light on the subject. Thus, in discussing this case of the construction of accrual accounting, the adoption of a critical perspective is not simply to deny its substantiation as a fact. Rather it emphasizes how, where and why it was created. However, the continual debates and delays over meanings meant that substantive progress was not achieved in this initiative, as the laboratory failed to construct a meaningful adaptation of accrual accounting. The network revealed intérressement and at various points it looked like the actors would enroll and be mobilised in pursuit of government aims, but the problématisation of what constituted accrual accounting resurfaced repeatedly.

In every video conference, there were forces which drove practitioners to abandon the previous path for a new one. Overall, there was a large group of administrators who resisted the drive to translate the accrual accounting system into practice. This occurred for two main reasons: first, there was uncertainty about both its identity and its usefulness. Second, there was the contemporary presence of other black boxes, other measures contained in the reform which had to be implemented and which were perceived as priorities, particularly by political influences. This study offered evidence that this implementation process started from a series of partial contributions, which were due to inaccurate policy content.

The process of fabrication of accrual accounting was shown in this paper, as being related to different forces. First, the process of self-reform which arose in this trial contributed to distortions of meanings. This explains in large degree why the rules imposed by decree, which were in some parts incomprehensible, were not very adaptable to the dynamics of government entities. The translation emerged as a reworking of the traditional accounting system known in the private sector, which triggered continuous interventions, often in fundamental aspects, such as the nature of depreciation. All these actors have influenced the laboratory life in Campania region differently; some of them influencing the first trajectory and others changing it, bringing it forward or interrupting it.

In the final phase of this project, this paper presented the outcome of the reform, in terms of personal reflections, from the ‘technicians’. So, they were a significant group of administrators who resisted translating accrual accounting systems into the public domain, but nevertheless expressed dismay at the demise of the project. They expressed frustration at the conflicting guidance received and the presence of an erratic, rather than a smooth path to implementation. The fragility of this network is evident in their voices of discontent and dissatisfaction.
The theoretical approach chosen, ANT and especially Latour's theory, and the availability of data, the direct observations in a region involved in the trial, have all contributed to understanding the implementation of accrual accounting as a facticity process in a laboratory. Finally, the scope of this study entailed the investigation of the well-known phenomenon of government entities adopting business principles, but did so by adopting a different perspective. This paper used the accounting in action perspective that allowed this study to fill a gap in the literature. Some authors, in previous research, have already demonstrated accrual accounting’s subjectivity (Hyndman and Connolly, 2011) non-neutrality (Christiaens and Van Peteghem, 2007) and ambiguity (Arnaboldi and Lapsley, 2009). In terms of this paper’s contribution, it has demonstrated the status of accrual accounting as a fabrication. For future research, there is a case for continued adoption of the ANT perspective. Comparative research with other countries which are considering the implementation of governmental accrual accounting would be particularly fruitful. Finally, this analysis was conducted as ethnographic research in a case study setting. It is widely recognized that this approach does not offer generalizability to all possible study settings. However, this closely grained study yields important insights into the nature of accounting practice.

Endnotes
2. The Act 339, Source: http://documenti.camera.it/leg16/dossier/testi/B10454.htm
3. The depreciation is the accounting procedure through which the functional and technical obsolescence process involves the non-current tangible assets (production factors). These entities, generally represented by land, buildings, plants and equipment lose their utility in a gradual way, participating in the business activity for more than a few years. The Italian Civil Code foresees that every asset depreciation "must systematically be divided during its life". By way of general practice the Italian accounting model does not recognize that land and buildings have different service “lives”. Consequently, the Italian depreciation model managed land and building with an undiversified treatment that indiscriminately subdues the total value of the sources.

References


