



Public sector to public services: 20 years of “contextual” accounting research

Public sector to
public services

129

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Received July 2007
Revised September 2007
Accepted November 2007

Abstract

Purpose – The purpose of this paper is to review and critique the field of public sector accounting research. Many nation states deliver essential public services. In recent times, many of these nations have been involved in programmes of “modernisation”, which, in part, means that these public services now are significantly managed, delivered and governed by private and third sector organisations.

Design/methodology/approach – The paper employs a literature-based analysis and critique of public sector accounting articles published in the selected journals from 1992 to 2006. From this, a descriptive meta-analysis of the characteristics of the research will be discussed. Finally, a conceptual analysis of the selected literature will be used to evaluate the field and address a possible future research agenda.

Findings – The descriptive analysis highlights that among the research papers reviewed several interesting patterns emerged concerning public service research. Also, the dominance of Australasia and UK research was noted. The extent of research in different levels of government/jurisdiction indicated that the majority of research was organisationally based. Finally, when the various functional types of accounting are considered, management accounting remained the most researched area of interest.

Research limitations/implications – The paper only considered research within eight selected journals and over the period 1992 to 2006. Therefore, for instance, US mainstream public sector accounting research has not been reviewed.

Originality/value – The main implications of the paper are that “contextual” public service accounting research has a strong tradition and, through the process of reflection and critique of the body of work, several important insights are provided in order to highlight areas for further research and policy development.

Keywords Public sector accounting, Public sector organizations

Paper type Literature review



The authors are grateful for comments received from attendees at the 5th Asia Pacific Interdisciplinary Research on Accounting Conference, Auckland, July 2007. The paper also benefited from constructive comments by the two referees, and also Professor Lee Parker and Professor Richard Laughlin. The authors thank Carlos Sterling and Fiona Crawford of The University of Sydney and Mike Johnson at Roehampton University for their research and editorial assistance. They are grateful for research funding provided by the Faculty of Economics and Business at The University of Sydney.

1. Introduction

In 1992, we reviewed “alternative”[1] approaches to accounting research in the public sector (Broadbent and Guthrie, 1992). We now return to this theme as part of a series of reviews of aspects of accounting commissioned by *Accounting Auditing and Accountability Journal (AAAJ)* to mark 20 years of the Journal’s publication[2]. The aim of this paper is to contribute to the several thought pieces[3] within this special issue of *AAAJ*, by focusing on the state of public sector accounting research and to provide a discussion on its relevance to accounting and policy making and also explore avenues for future research. Other authors have undertaken reviews of this nature over the past 25 years. For instance, Lapsley (1988) provided a seminal review of the overall field to launch *AAAJ* and van Helden (2005) has reviewed management accounting contributions[4]. However, this paper seeks to make a particular contribution; its objective is to consider the state of what is more often now described as public services accounting research (PSAR)[5], reviewing 20 years of published research from 1987 to 2006[6] and in doing so building on the insights developed in Broadbent and Guthrie (1992). Simply stated we wish to ask two questions:

- (1) What has been done?
- (2) What could be done?

By addressing these questions, we will implicitly be considering what is “new” in relation to the field of public services accounting research. This will inform an agenda suggesting what should be done.

More explicitly, our paper signals a recognition of changes in context in the perceived significance of the ownership of public services by nation states and suggests that the delivery of public services is increasingly accepted as a focus by a range of regulatory and government agencies. Equally, public services are progressively seen by policy makers to be as significant as the commercial sector in the context of wider economic and social development. This increasing recognition has arguably consolidated the impetus, already in existence at the start of this period, that demanded changes to ensure that the nation state “delivers”. A pertinent example is provided by the World Bank (2007), in which it notes:

A well functioning public sector that delivers quality public services consistent with citizen preferences and fosters private market-led growth while managing fiscal resources prudently, is considered critical to the World Bank’s mission of poverty alleviation and the achievement of millennium development goals[7].

This quotation indicates the importance that is placed on public services by significant regulatory and policy bodies such as the World Bank, but raises in it many other issues. For example, what constitutes “delivery”? This is a concept that is bound in both context and ideological preference. “Delivery” as a concept is something we take for granted and because it is not self evident; this review will explore it further. Another issue we will examine is the nature of the relationship with the private sector. The quotation hints at the assumptions of those who wish to develop a transformational agenda, showing their belief in the importance of managing fiscal resources. Accounting is an important technology in this respect – although what it can do, and what it is perceived to do, are not necessarily the same thing.

Overall, the main objective of the paper is to consider what has been achieved in the past two decades and what remains to be achieved by public sector accounting researchers in the early twenty-first century. We wish to move beyond understanding and towards making a difference by engaging in critical public policy debates about public services.

The paper has three corresponding aims. The first aim is to take the arguments of Broadbent and Guthrie (1992) as a foundation from which to build. The second aim, in light of an analysis of the published work that has been undertaken in the period (1987-2006)[8], is to establish the relevance of the analysis in our earlier paper. This paper will focus particularly on the nature of the research agenda rather than emphasising the nature of the approaches to research that have been adopted, as was the case in the previous paper. The third aim is to identify the diverse aspects that have been studied, highlighting those areas we see as significant as well those areas that have been overlooked or silenced.

The work that we review is from a significant set of accounting journals in the area, and does not cover the public management and administration journals. Although we recognise that the latter journals do not ignore the accounting literature entirely – *Public Money and Management* for example deals with accounting and management issues – the recognisable boundary provided by the purely accounting focused journals is adopted despite the limitation this produce[9]. The reason for this is simply to consolidate a concern with public services accounting, auditing and accountability issues. Hence we review the content of the following journals: *Accounting, Auditing and Accountability Journal* (AAAJ); *Accounting Forum* (AF); *Accounting, Organizations and Society* (AOS); *British Accounting Review* (BAR); *Critical Perspectives on Accounting* (CPA); *European Accounting Review* (EAR); *Financial Accountability and Management* (FAM); and *Management Accounting Research* (MAR). In making this choice we are not considering the content of the “American mainstream”[10] and those similar journals that concern themselves with more positivistic approaches in which populations of data rather than the use of accounting in particular organisational settings is considered. In this respect, the following analysis respects the contextual and qualitative approaches explored in 1992 as “Alternative” forms of understanding. So, as in 1992, the review is not exhaustive but aims to give a “flavour” of the work in the field (Broadbent and Guthrie, 1992). One of the limitations of such an analysis is that, although the database[11] used is extensive, in one paper such as this only a general view of the landscape is able to be provided.

In order to achieve this task the substantive arguments of the paper will be structured in the following fashion. Section Two addresses the question of whether our previously provided framework of the nature of the public sector is relevant in light of the contemporary context. The relevance of the categorisation of the approaches to research adopted in the literature will also be revisited. In Section Three, the research methods adopted will be described and the descriptive meta-analysis that falls out of this will be discussed in Section Four. Section Five will undertake a conceptual analysis of the literature and provide insights into significant trends and address a future research agenda. Section Six will provide our conclusions.

2. Defining boundaries: what constitutes the public services and “alternative” accounting research?

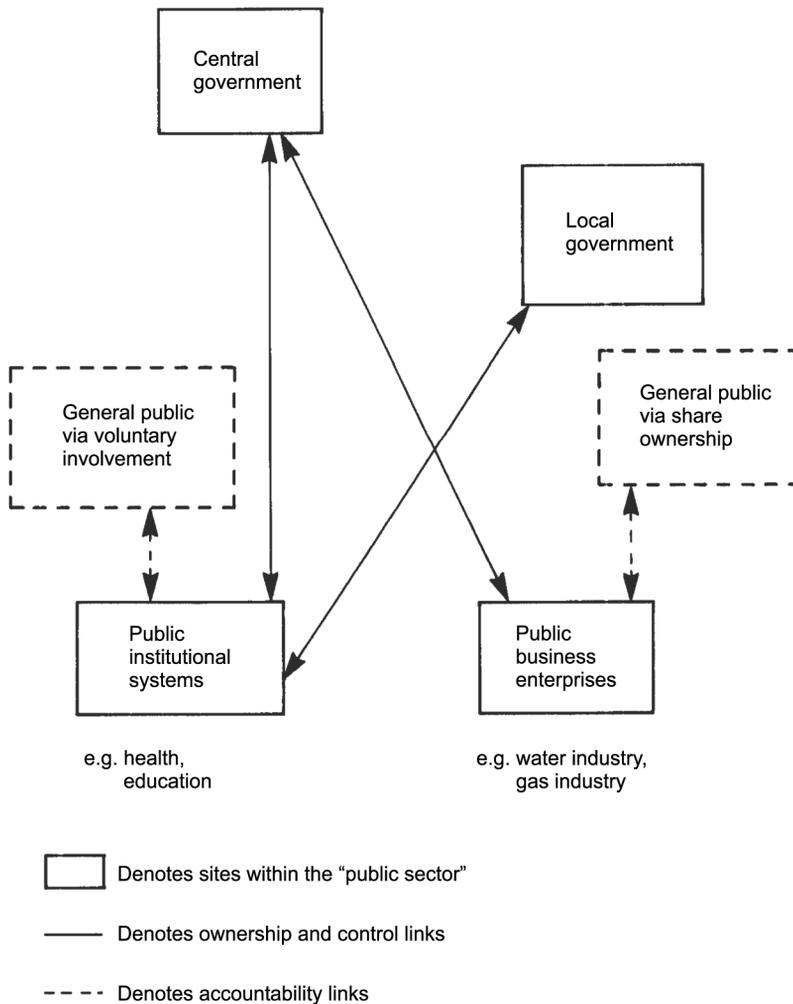
The domain of the public sector

In Broadbent and Guthrie (1992), we defined the public sector and its domain with a focus on ownership and control. In this paper we argue that the changing nature of the field has led to its re-naming to public services. Our guiding assumptions now follow those outlined by Hutton (2006) on the role of public managers[12]. Based on this definition, public services are those activities which are enshrined within the notion of public good or service based on universality of access for the citizenry rather than the private provision through a market. It is assumed these “public services” should be available for all members of the given society, supplied in an equitable fashion. This is a substantial shift in the definition and boundary of the nature of the subject of our research. The paper will explore this issue in some detail as the analysis also gives the opportunity to consider some recent literature.

The changes in the public sector that required a corresponding modification to our definition – from public sector to public services – was already in existence in 1992. It is illustrated by the difficulties that accompanied the task of constructing the domain of the public sector in the earlier paper. Figure 1 illustrates the different sub-elements seen as the domain of the public sector. In 1992 there was arguably an assumption that the public sector comprised the organisations providing services to the public that were publicly funded, owned and operated. Ownership and operation were crucial to the concept of the public sector. However, the domain was already in flux in the wake of privatisations and corporatisation (Guthrie, 1993) and these changes meant that some assumptions about state ownership and operation were no longer valid, although not affecting the assumption of some need for state funding, either directly or through subsidy. There was in this respect some separation of purchaser and provider roles (i.e. “steering” and “rowing” see, Osborne and Gaebler (1992) as well as some reconsideration of what were essential universal services. State control of some public services was seen as important to retain, particularly in the case of utilities, and this was made possible through regulation of prices.

When framing our research in 1992, it was necessary to make decisions about what organisations to include in the domain of the public sector. Because it was considered that ownership and operation were no longer strictly essential to the concept of the public sector, the domain went beyond local and central government departments. However, Central and Local Government (or those similar units such as Federal and State Government) were (and remain) key elements of the domain. This is because of the bureaucratic relationship that links government to the universal provision[13] of the service, and as such these elements can be relatively easily identified even though their nature may be different in diverse jurisdictions[14]. Examples include the direct Government Departments such as Defence or the provision of the audit services offered by National Audit Offices, as well as environmental services or social services provided by local (state) government or municipalities. Some of these elements have since been floated.

In Broadbent and Guthrie (1992) two other elements were also identified as important elements of the domain of the public sector. Public Institutional Systems (PIS) and Public Business Enterprises (PBE) were also considered to be part of the domain of the public sector because they provided public services albeit in different



Source: Figure 2, Broadbent and Guthrie (1992)

Figure 1.
Domain of the public
sector

ways. For instance, PIS were seen as part of the public sector because they provided central public services such as healthcare and education. They were nevertheless separated from central and local government, despite being funded through taxation, because of their size and significant bureaucratic structures. The largest of these in the UK was the National Health Service (NHS). Since 1992, it has separated further from central government and operates with greater freedom from direct detailed government control. In other jurisdictions, such as Australia, the involvement of charities in the provision of health care services has also differentiated the health service from the government sector.

PBEs are mainly comprised of utilities, such as water electricity gas and telecoms. Although in 1992 these utilities had been privatised they were still associated with the public sector and the services they provided remained central to public life. In 1992, there remained a strong rhetoric that there was public involvement in PBE, through share ownership. Shares in PBE were marketed heavily to private investors with the view that this retained public control while freeing them from public bureaucracy. In all these cases there was a residual regulatory element ensuring some government control remained. Thus, they were included in the domain of the public sector.

The domain of the public services

While changes have made in a variety of aspects of service provision over the past 20 years, we argue that the elements identified as the domain of the public sector in 1992 are still relevant in 2007. However, the justifications for their inclusion have been reviewed and replaced by several different assumptions as Figure 2 illustrates. The notion of a public sector that requires public funding, ownership and operation of services is no longer appropriate. Instead the provision of public services may be organised in a variety of ways and control is achieved through different organisational and regulative mechanisms. Public services might have some element of government funding, ownership, public direction or regulation, in different combinations but there is no longer a need for direct government ownership for the involvement in provision of these public services.

While the functions have not changed, there has been considerable change in funding, governance and accountability for control and operation of these public services, as well as the accounting and auditing of them. There have also been some structural changes and more private sector involvement, as well as the introduction of private sector approaches to service provision. We noted the existence of hybrid organisations in 1992 (e.g. Mackintosh *et al.*, 1994), in which private sector approaches were used by the public sector and public service organisations (for example, universities) were urged to be “more commercial”. This is still the case but even more so, for instance, many universities now sell significant parts of their services (e.g. Guthrie and Neumann, 2007; Parker, 2007)[15]. However, the direct involvement of the private and third sectors in the ownership and provision of services noted above and illustrated in Figure 2 is a phenomenon that has increased significantly. Hence while the domain of the public services is similar to that of the domain of the public sector described in Broadbent and Guthrie (1992), Figure 2 describes a more complex situation in relation to funding, governance and accountability by regulation arrangements.

Several changes have taken place since 1992 that have been recorded in the accounting research literature[16]. PBE were created by transferring ownership to shareholders, predominantly by central or federal government, and extended to other shareholders through various privatisations (Guthrie, 1993; Arnold and Cooper, 1999). A good deal of detailed sectoral work in this area has concentrated on the utilities, for example in electricity (Thomson, 1993) or ports (Arnold and Cooper, 1999). This change has been analysed by authors such as Ogden and Vass (Vass, 1993; Ogden, 1995a; Ogden, 1995b; Ogden and Anderson, 1999) who explored the nature of the changes in the water industry in the UK in some depth and Jupe and Crompton who have worked on the rail industry in the UK (Crompton and Jupe, 2003; Jupe and Crompton, 2006).

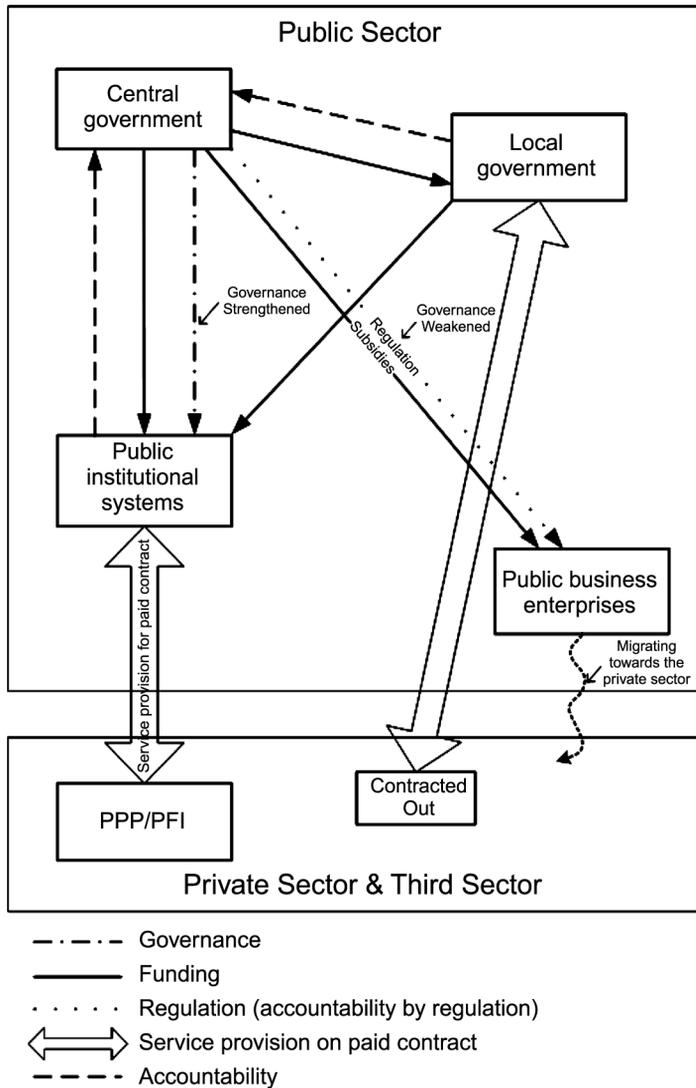


Figure 2.

The extent to which these regulatory attempts have been successful is open to question (Cole and Cooper, 2006; Jupe and Crompton, 2006).

Privatisations were undertaken around the globe and promoted by international financial and regulatory institutions (see, for example, the description in EAR Vol. 2, No.1 in 1993 provided by the UN Secretary General (see, Un, 1993). Examples in Australia are similar to those sectors privatised in the UK, demonstrating the close policy links between Commonwealth nations, but privatisation was by no means restricted to the Commonwealth and has been a worldwide phenomenon (e.g. Ruffing, 1993; Shaoul, 1997; Arnold and Cooper, 1999; Guthrie *et al.*, 1999; Uddin and Hopper,

2001, 2003; Craig and Amernic, 2006). Interestingly, there is little evidence of these international examples in the accounting journals analysed, reflecting the parochial interest of published writers in the field, especially in the early days of privatisation. International comparisons are important and there is some evidence of an emerging literature in the area of PSAR covering a wider range of nation states.

In the context of privatisation, regulatory frameworks were, in many jurisdictions and notably in the UK and Australasia, also created to control pricing and protect the public interest. Regulators, like the UK Office for Water regulation (OFWAT), were created to retain control over the pricing of utilities, demonstrating an intention to keep some control over public, private or third sectors providing water services. Arguably it is the perceived nature of the service and the residual public control that defines PBE as part of the domain of the public sector. Over time, therefore, recognition of the change in ownership of the providers of services has been a significant element contributing to the change of title to public services, rather than public sector.

To use a definition of the domain of public services that relies on the perceived nature of the services and the regulatory regime around it is nevertheless complex. Two main issues impact on this. The first main issue concerns the nature of public services and is determined largely by the context in which the public services are provided, that is, the boundary of public services is not fixed, but varies from country to country. Take, for example, the difference in the provision of health care in the USA and Australia (e.g. Chua and Preston, 1994; Abernethy, 1996). As the comparative work undertaken (e.g. Olson *et al.*, 1998; Guthrie *et al.* 1999; Guthrie *et al.* 2005) in the field has illustrated, the activities that comprise the public sector are bound by their context and things that are seen as public services in one nations may not be judged as such in others. This same comparative work also illustrates how the sectoral boundary changes over time; a prime example is the way in which privatisations were used to dispose of areas of public activity. Thus, if we use ownership as the basis of the definition of public services, then the definition will be different in different jurisdictions as well as over time even within the same jurisdiction.

Nevertheless, despite the complexity around its definition, the inclusion of the category of PBE in the domain of public services arguably remains a valid one. It rests on the recognition that in the particular jurisdiction and at that particular point in time the services they provide are seen as essential public services. Organisations operating in this way are regulated to ensure that the public interest is served and may be provided with some element of public funding support. The regulatory framework is intended to manage the nature of the various services and ensure that the suppliers of these services do not abuse their power to provide services that citizens have little option but to use. The extent of the control of these services remains contextual; they are a social construct in a given society at a given point of time. A hypothetical example of this is that as “global warming” affects climate and water availability, privatised utilities may come under intensified control and greater government intervention than previously. A specific example of this in Australia is the political debate around federal control of water supply in the Murray Darling Basin, where there is presently an extensive drought. This demonstrates the political tensions that contextual elements can generate[17]. Accepting the dynamic nature of PBE, it remains arguable that they are part of the domain of the public services.

Second, consider the case of PIS, which are public services according to the traditional definition in which the organisation is part of central or local government infrastructure, such as Health, Education, Police or the Prison Service. They remain significant enterprises in their own rights and different governance processes have developed (in some cases to give qualified freedoms, for example the borrowing power of Foundation Hospitals and the reduction of bureaucratic regulation of Academy schools in the UK), as has accountability. These institutions remain an important part of the public services in most nations, particularly in relation to health and education which potentially have significant impact on the life chances of citizens. An interesting phenomenon that has developed during the 20 year period is the introduction of the private sector into the provision of these services – as well as to other elements of government provision such as transport infrastructure – through Public Private Partnerships (PPPs)[18]. This has expanded the involvement of the private sector in the provision of public services in a different way to that exhibited in PBE. It is this expansion of private sector involvement that has changed the emphasis from public sector provision to the provision of public services.

Our argument is that increasing private involvement has had a significant impact during this 20 year period of PSAR. Privatisation is inextricably linked with “modernisation”, according to the state, and has been implemented throughout the 1990s (Broadbent and Laughlin, 2005). In the early 1990s, the foundation of these changes was starting to emerge. Governments were giving consideration to different institutional structures but, despite the ascendancy of a right leaning ideology that favoured markets and competition, citizen involvement was still seen as important in gaining legitimacy for change. Thus, in 1992 we saw private sector involvement in the sector growing through the privatisation of service, particularly the utilities and telecoms in Australia and the UK, but also infrastructure, such as the rail system in the UK. These were promoted as retaining public involvement through share ownership in PBE. The PIS, unlike PBE, saw more limited direct private involvement in running the services, usually through the tendering out of elements of service provision, and private sector involvement did not at that stage extend to ownership.

Governance structures have also developed in significance. On privatisation, many PBE became subject to the different disciplines of shareholders and external financial reporting, and also a regulatory framework to protect the social good (Guthrie, 1993). The failures of governance in the private sector, characterised by the collapse of companies such as Enron, means that governance has become a more important concern, and greater emphasis has been placed on this issue in the public services as well as the private (including the PBE). Governance arrangements in PIS have also changed and in 1992 the foundations of these changes were well in place. A key element of early “modernisation”[19] had been to give greater delegated involvement to managers at the level of the provision of service and to involve users more in governing these organisations (Broadbent and Guthrie, 1992). This delegation of responsibility has meant that there is even greater impetus to external and user involvement in governance processes in both the private and public sector and that citizen involvement in the governance of PIS is important. In addition, risk management is also now an important aspect of governance in both public and private fields of operation. In order to enable external parties to monitor risk and achievement in the public services[20], new systems of accountability have been institutionalised through

the use of performance indicators and performance management systems. Thus, users and citizens are integrated into governance structures and accountability to organisational governors as well as to central government has been cemented by the use of performance measurement.

Significantly, at the end of the period under consideration, there is little in the literature to suggest that the justification of privatisation by the argument that citizen shareholding provides a means of public involvement is valid. Rather the focus of “modernisation” has become ensuring the provision of services; their source is not considered important and private delivery is justified if it is value for money (v-f-m). For instance, this is illustrated in the involvement of the private sector through the vehicle of partnership, in the context of Public Private Partnerships and the Private Finance Initiative (Broadbent and Laughlin, 2005)[21].

Thus, a significant difference in private sector involvement over the period is that PBE have floated off functions in their entirety, whereas PPP/PFIs can be undertaken in particular projects within local, central government or PIS. PPP/PFIs do not take over the whole of the operation of a sector but can operate at a particular organisational level while, in other operational units, provision is delivered in full by the public provider. For this reason, PPP/PFIs do not represent a change of ownership from the domain of the public services, but a change to the provision of services[22].

Figure 2 illustrates that both PBE and PIS remain in the domain of what we now call the public services, but without the rhetoric of public involvement in the services through share ownership or through governance processes as was seen in the early 1990s. The PBEs are gradually migrating towards the private sector. Globally, it is now taken for granted that it is the provision of services that matters, rather than who provides them, and that what is in question is accountability and regulation for the nature of that provision. Thus, Figure 2 highlights the accountability relationships between the providers (both public and private) and the government at different levels. PBE remain within the domain of the public services, but are moving more towards the private sector as citizens become accustomed to private involvement in these areas. While PBEs are subject to state regulation as a means of control and the services they provide are seen as public goods that should be universally and equitably available PBEs still however remain in the domain of public services. In the context of PIS, private sector involvement is increasing through the use of PPP/PFI, but the services are still more firmly located in the domain of public services. They remain a public good and control is more direct than is the case with the PBE regulatory schemes, private providers’ obligations being contractually determined. In turn those who are managing the contracts are held accountable to the state through different systems of performance management.

At the same time as provision of public services is moved to private sector providers, there is pressure on those elements that remain more firmly in the direct control of government at both central and local levels to adopt a business approach to accounting and management. In these different ways we move from the concept of “public sector” to the concept of provision of “public services” that, as Hutton (2006) argues, provides the services a society assumes are available in an equitable fashion and be funded from taxation revenue (Hutton, 2006). Hence, our key argument is that PSAR should be concerned with the delivery of public services rather than with the ownership and organisational structure of the public sector.

“Alternative” approaches to accounting research

Broadbent and Guthrie (1992) recognised that, in exploring PSAR, several research approaches can be taken. The categorisation of the research approaches that we offered in 1992 are now briefly revisited in this paper. The three original categories identified remain robust. Thus the present paper will differentiate technical accounting, that work which considers accounting techniques as a set of a-contextual practices (see for example, Solà and Prior, 2001), from the body of more contextual work. Technical contextual accounting and contextually technical accounting are differentiated thus: the former looks at techniques in context, seeing the context as having implications for the construction of techniques (Jones, 2000), while the latter is interested in the interaction of accounting and context (Cole and Cooper, 2006; Kurunmäki and Miller, 2006). There seems, on reflection, to be no reason to change our original categorisation[23].

Thus, it remains the case that only a small number of the research papers reviewed seek to take a purely technical accounting approach; these also see accounting technologies as drivers of change, for instance, in that by changing the technology it is assumed better information can be produced. The small representation of this category is a product of the journals reviewed. The selected journals recognise the context of the public services, seeing accounting technologies as mediated by their context and implicated in change, although perhaps not in the way that was intended. Some of the reviewed literature remains contextually technical in that it wishes to understand the context and recognises that accounting technologies are relevant as a contextual element. In this latter category, the interest is in how accounting is used or implicated in processes of change. As noted above, the current paper reviews a particular set of journals that by their nature either tend to concentrate on contextual and qualitative research, or are receptive to it. While the bulk of the research therefore tends to have some contextual element, nevertheless, a small number of papers are more technically focused and all three types of alternative research are represented in the body of work considered. The method used to analyse this research will be explored in the next section.

3. The nature of the analysis undertaken

This section documents our methods for selecting and reviewing the papers (see, Parker, 2005). It includes the selection of journals, and papers within those journals, and the classification scheme used and procedures for data collection and analysis. Six steps were identified for our review process.

First, we formulated our main research objective and corresponding aims and established several boundaries for defining and limiting PSAR papers. The second step was the selection of journals from the accounting discipline which would reflect interdisciplinary research. The following eight journals were included: *Accounting, Auditing and Accountability Journal*; *Accounting Forum*; *Accounting, Organizations and Society*; *British Accounting Review*; *Critical Perspectives on Accounting*; *European Accounting Review*; *Financial Accountability and Management*; and *Management Accounting Research* (AAAJ, AF, AOS, BAR, CPA, EAR, FAM, MAR).

Third, we considered the number of papers dedicated to PSAR in the selected journals. This led to a grouping of papers from each journal for which the number is identified in Table I. As indicated previously this was limited to the time period 1992 to

2006. For all papers a PDF of the entire paper was obtained and entered in the database and full referencing details established in Endnote.

The fourth step was to pilot test the classification criteria on a sample of papers. During this stage both authors read the papers based on abstracts and full text of the articles and preliminary classifications were made and discussed. From this a slightly modified coding scheme was established and then one of the authors of this paper undertook the reading and coding for all the articles.

During the fifth step all papers were classified based on the coding classification (see, Table II). In instances where ambiguity as to coding was identified, the

Table I.
Number of PSAR papers
in selected accounting
journals

| | |
|--|-----|
| <i>Accounting, Auditing & Accountability Journal</i> | 87 |
| <i>Accounting Forum</i> | 24 |
| <i>Accounting Organizations and Society</i> | 13 |
| <i>British Accounting Review</i> | 5 |
| <i>Critical Perspectives on Accounting</i> | 24 |
| <i>European Accounting Review</i> | 34 |
| <i>Financial Accountability and Management</i> | 228 |
| <i>Management Accounting Review</i> | 37 |
| Total | 452 |

Table II.
Criteria for the PSAR
papers

| | |
|----------------------------|--|
| A. Location | A1. North America A2. Australasia A3. United Kingdom A4. Continental Europe A5. Other |
| B. Government jurisdiction | B1. Supra-National/International/Comparative B2. National B3. State/Territory/Province B4. Local/Municipal B5. Organisation/Industry-specific (Police, Education, University, Health, Water, etc.) |
| C. Accounting type | C1. Management/Accounting/Budgeting/Financial Management C2. External Reporting (Financial, Social, Environmental, Intellectual Capital, etc.) C3. Finance/Capital Budgeting C4. Auditing/Evaluation C5. Accountability/Governance C6. Privatisation/ Public Private Partnerships/Private Finance Initiative C7. Other (including General) |
| D. Research methodology | D1. Case/Field Study D2. Content/Historical Analysis D3. Survey/Questionnaire/Other Empirical D4. Commentary/Normative D5. Theoretical/Literature Review D6. Theoretical/Empirical |

second-named author retrieved the full PDF and discussion ensued until agreement was reached.

Finally, in step six the database was established and used to construct a range of descriptive statistics that allowed extensive discussion of the patterns that emerged from the reviewed articles and provided the basis for analysis of the field over the period in question.

The classification process considered four different descriptive criteria, as highlighted in Table II. First, the location of the work was considered and this was divided into five geographic regions:

- (1) North America;
- (2) Australasia;
- (3) United Kingdom;
- (4) Rest of Europe; and
- (5) Other.

An important aspect here is that where the location of the work is indeterminable or multifarious, the default for this code is the first-mentioned author's location. The second classification criterion was the level of government jurisdiction. This included a supranational/international element, which covered comparative work or a cross-national boundary organisation (e.g. United Nations) as well as the various tiers of government within a national setting: national, state/territory/province, and local government. The final element in this categorisation, labelled organisation/industry specific, included the government agencies or industries (such as police, education, university, health, water, etc). Excluded from this categorisation was anything to do with private sector companies, not for profit organisations, such as charities, and the like.

The third classification was by accounting type and this involved analysing the publication for various functional types of accounting related specifically to the public sector. These included seven main accounting categories: management accounting and control/ budgeting and performance management; external reporting (financial, SE, IC, etc); finance/capital budgeting; auditing/evaluation; accountability and governance; Privatisation/PPP/PFI; and a final "other" category to include more general work.

Our fourth categorisation was of the research approach used in the work. We differentiated between case and field work, historical or content analysis, survey work and interview work that sought to use questionnaires and provide more statistical analysis rather than cases, commentaries and normative work, theoretical or literature review approaches, and finally, combined approaches. This categorisation proved to be most problematic as often aspects of different elements were combined not in an explicit manner to provide a formal combination of research approaches, but in the context of, for example, using case based approaches to lead to commentary.

4. Descriptive analysis

Once the selected papers were obtained from the eight selected accounting journals, a meta-analytical review of PSAR was undertaken to provide a descriptive patterning. This section answers, in an analytical way, the first question: what has been done?

The first issue to highlight is that, as illustrated in Table I, apart from the journal dedicated to the public services and the charities/voluntary sector (*Financial Accountability and Management*) and the generalist journal (*Accounting, Auditing & Accountability Journal*), there is a paucity of published public services research in other journals. The specialised journal FAM accounts for 50 per cent of the publications in the field. It should be recognised that some of the PSAR work is also submitted to public administration journals, but nevertheless given the size and importance of the public services, it is disappointing not to see it represented rather more substantially in more of the other accounting journals. It should also be recognised that this may well be the result of author submission practices as much as journal policy. Given the evidence that the acceptance of PSAR in the generalist accounting journals is patchy, those with a track record of acceptances in the field provide a signal to potential submitters, so a concentration of contributions develops. It is encouraging to note that, over time, the body of published public services research is growing and the area is becoming more established.

Figure 3 illustrates the geographic location of the work that has been undertaken. This shows the area with the greatest number of publications in PSAR to be the UK followed by Australasia. This may be a result of the fact that public sector financial management reform in these regions led the world. This is perhaps partly the result of fact that the journals that have been chosen are English language publications. European nations other than the UK are nevertheless well represented and this contribution is growing more recently. It must be acknowledged that there is a tradition of public sector research in other European languages in both accounting and public administration. Indeed, Europe has followed the North American tradition and developed prestigious specialist institutions that are focused on the field. This perhaps means that there is a tradition of publication in public administration journals rather than in the areas of economics and accounting, as might be the case in the UK and Australia where PSAR has always been a sub-discipline of the generic accounting discipline. In addition to the limitations presented by restricting journals to those in

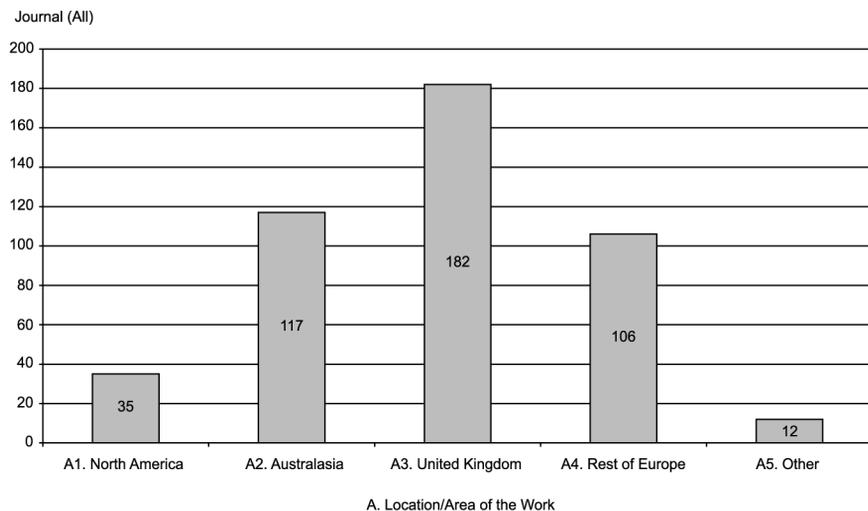


Figure 3.
Public service articles by location

English there is also the matter of cultural bias. For example, there is a very different approach to public service delivery in the USA.

It is perhaps also significant to note that the pattern of publication reflects the reach of the Westminster system of government. This reflects the policy links that are embedded in communities of practice such as the Auditors-General of the various jurisdictions. One Australian federal Auditor-General described the link between the audit offices of Australia and UK as “like being part of a family”. The point is that while there remain significant differences in the execution of policies, there is nevertheless a great deal of sharing of ideas between particular jurisdictions. This has enabled comparative research and may have led to more research related to these geographic locations.

It remains rare to find work related to emerging economies – a problem addressed by the work Trevor Hopper[24] has undertaken with doctoral students in the area (Uddin and Hopper, 2001, 2003; Wickramasinghe *et al.*, 2004). Work from the former Soviet Union and from the Asia Pacific region is also now emerging (Jaruga and Nowak, 1995; Xavier, 1996; Bourmistrov and Mellemlvik, 1999).

The extent of research in different levels of government/jurisdictions reflects the distribution of nations studied and the structures within them. Figure 4 demonstrates that the majority of research considers two arenas; the most popular area of interest is organisationally based studies and the second most popular area of research interest focuses on national level analysis. Because all jurisdictions have national governments and all have many different organisations this is perhaps unsurprising. Given that the research is mainly contextual, organisations provide the bulk of research sites because of their availability and ease of access.

Analysis of the organisational sites shows that there is still a great deal of interest in the Health Services (e.g. Pettersen, 1995; Lapsley, 1996; Llewellyn, 1997; Broadbent *et al.*, 2001; Lowe, 2001; Arai, 2006; Scarparo, 2006). Schools and universities are also popular sites for study (e.g. Cameron and Guthrie, 1993; Laughlin *et al.*, 1994; Broadbent *et al.*, 1999; Montondon and Fischer, 1999; Yamamoto, 2004; Modell, 2005).

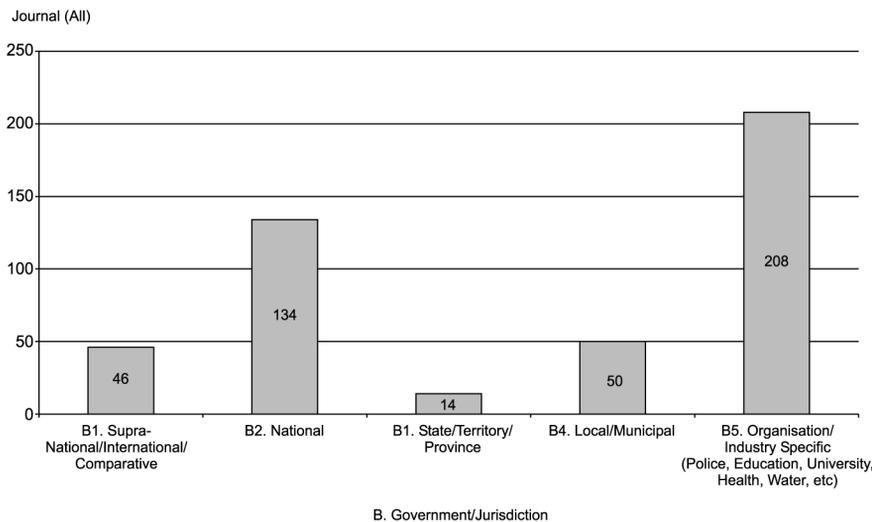


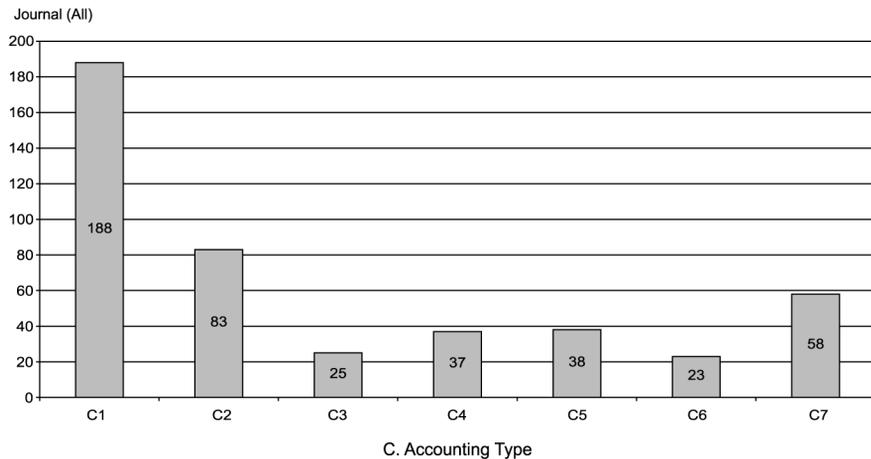
Figure 4.
Public service articles by
level of government or
jurisdiction

However, the call made in 1992 (Broadbent and Guthrie, 1992) for wider study sites has been addressed and a variety of other areas have been studied including the utilities (Vass, 1993), scientific organisations (Boden *et al.*, 1998), national theatres (Skaerbaek, 1992), social housing (Collier, 2005), the police (Hoque *et al.*, 2004) and museums (Carnegie and Wolnizer, 1996). The range of interest is broad, but the extent to which there is a body of in depth research in these areas is limited, meaning there are still ample research opportunities.

National Government provides an accessible site. While engagement with organisational actors may not be straightforward, it is easy to retrieve policy and contextual documentation, especially given the ubiquitous nature of the information on government web sites (Luder, 1993, 2000; Broadbent and Laughlin, 2005). This provides the opportunity for commentary and normative discussion.

Work in Local Government and Municipalities is a continuing theme and research has been undertaken in the context of significant changes to the structures of delivery of service from these authorities in various countries (e.g. Mussari, 1995; Seal, 1999; Gill-McLure *et al.*, 2003; Monsen, 2006).

When the various functional types of accounting are considered, management accounting remains the most researched area of interest. The extent of interest in management accounting is illustrated in Figure 5. Management accounting (C1) accounts for 188 articles, while financial accounting and external reporting (C2)



KEY:

- C1. Management Accounting/Budgeting/Financial Management
- C2. External Reporting (Financial, Social and Environmental, Intellectual Capital, etc.)
- C3. Finance/Capital Budgeting
- C4. Auditing/Evaluation
- C5. Accountability and Governance
- C6. Privatisation, Private Finance Initiative and Public Private Partnerships
- C7. Other

Figure 5.
Public service articles by
accounting type

accounts for 83 articles. Other (C7) has 58 articles and the rest of the public service articles by accounting type are accountability and governance (C5), auditing and evaluation (C4), Finance (C3) and PPP (C6) with 23 identified research articles. The technologies of NPM still fascinate researchers (e.g. Heald and Geaghan, 1994; Bellamy and Kluyers, 1995; Llewellyn and Grant, 1996; Jacobs, 1997; Doolin, 1999; Groot, 1999; Bowerman *et al.*, 2001; Percy, 2001). Thus research about the nature of the raft of accounting technologies concerned with budgets or costs of a particular type of organisation (see for example Llewellyn, 1993, 1997, 1998; Llewellyn and Northcott, 2005) remains an important theme. The same is true of the interest in the processes and structures in place to enable the new technologies (e.g. McSweeney and Duncan, 1998; O'Connor *et al.*, 2004). Performance management and indicators provoked much interest in the years up to 1992 and this remains an important area of concern (e.g. Mol, 1996; Modell, 2001, 2004; Siverbo and Johansson, 2006).

Financial accounting is the second most popular area of interest and this is perhaps the result of some specific structural changes[25]. Connolly and Hyndman (2006) provide a taste of the debates that concern themselves with the appropriateness of the use of this approach in the public services.

Accountability and governance has provided a topic of study for several researchers, reflecting the changes to the structure of the domain (e.g. Gray and Jenkins, 1993; Goddard and Powell, 1994; Johnsen *et al.*, 2004; Collier, 2005). Work in this area is diverse but a common theme is that of seeking to understand the extent to which changes in the approaches to management or to the accounting information provided enables or restricts accountability in different situations (e.g. Humphrey *et al.*, 1993; Hodges and Wright, 1995; Levaggi, 1995; Burritt and Welch, 1997; Coy *et al.*, 2001; Gendron *et al.*, 2001; English, 2003; Carnegie and West, 2005; Barton, 2006).

Auditing and evaluation is a significant area represented in the body of research undertaken and a range of different sites or initiatives are of interest (e.g. Humphrey *et al.*, 1995; Jacobs, 2000; Johnsen *et al.*, 2001; Broadbent *et al.*, 2003). The extent to which evaluation, in the processes set up to seek to make such evaluations, simply undermines its own intent was of particular interest to Olson *et al.* (2001). This theme of the dysfunctional consequences of evaluation or control systems is one that is also reflected in other sub-areas of the field in general, for example, in work that questions the measurement systems operated in the context of the development of reference costs as measures by which to evaluate performance of hospitals in relation to their costs (e.g. Northcott and Llewellyn, 2003; Llewellyn and Northcott, 2005).

Auditing is important, both on the national stage with the work of the National Auditors-General, and at the local level in municipalities; evaluation of outcomes is part of the work auditors are expected to undertake (e.g. Bowerman, 1994, 1995; Hodges and Wright, 1995; Olson *et al.*, 2001; Pallot, 2003; Pollitt, 2003; Johnsen *et al.*, 2004; Johnson, 2006). Given the importance of the sub-themes that could emerge from this area, particularly in relation to questions of v-f-m and evaluation there would arguably be a case for more scholarly interest in the area.

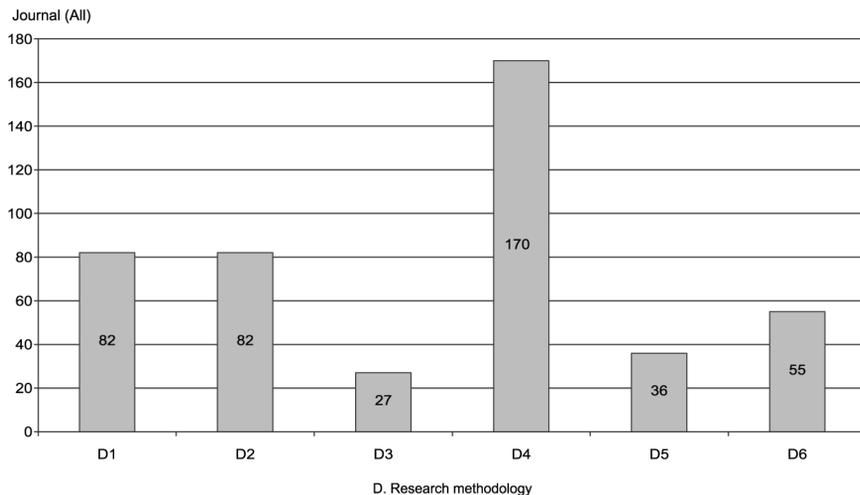
This analysis also demonstrates the emergence of some new areas of interest extending existing themes. As well as the work on PPP/PFI (e.g. Shaoul, 1997; Broadbent and Laughlin, 1999; Torres and Pina, 2001; English and Guthrie, 2003; Froud, 2003; Shaoul, 2005) there is an interest in social and environmental matters (e.g.

Burritt and Welch, 1997; Ball, 2004, 2005), devolution to different jurisdictions (Midwinter, 2005), and intellectual capital (Habersam and Piber, 2003).

Figure 6 considers methods used within the selected articles and shows the spread of research methods that have been adopted in the study of PSAR.

Figure 6 shows that historical work (D2) is becoming more common (e.g. Funnell, 1998), combined with content analysis it is as popular as field or case study work (D1). Survey/questionnaire/interview studies (D3) are less popular. Many of the papers provide commentaries or normative studies (D4) – this is the largest body of work represented. Aligned to this category are the literature reviews (D5) which like the commentaries and normative work do not directly engage empirically. The final category of work, combined theoretical and empirical studies (D6) remedies the omission of empirical insights.

The analysis is interesting particularly given there has been some discussion among the academic community about the dearth of theoretical underpinnings. This analysis demonstrates that there is more fieldwork and case work than theoretically informed work in the area (e.g. Barton, 2005) and supports this perception. However, a more significant finding is that there is a danger that there may be an over-reliance on normative theorising and theoretical reviews of the existing literature – represented in categories D4 and D5. It should be recognised that the problem of disembodied theory is as great as that of under theorised empirics. The role of “armchair theorising” is important in raising normative debate, but remains limited if academics are to engage



KEY

- D1. Case/Field Study
- D2. Content/Historical Analysis
- D3. Survey/Questionnaire/Other Empirical
- D4. Commentary/Normative
- D5. Theoretical/Literature Review
- D6. Theoretical (D5 + Empirical)

Figure 6.
Public service articles by
research method

in policy especially in a context where there are call for more evidence based policy. Practical solutions must at some stage be rooted in practice and context and there must therefore be a move beyond theorising to theory in practice. Given the great preponderance of work that is not engaging with empirics it would seem as if the balance is not being achieved. On the other hand it should also be noted that there were a number of significant papers that were theoretically and empirically informed (e.g. Dillard and Smith, 1999; Humphrey *et al.*, 1995; Broadbent and Laughlin, 2002; English and Guthrie, 2003).

In summary, the descriptive perspective on the accumulated PSAR is important as it helps identify who published, what was published and the focus of the selected research. By analysing the patterning of the PSAR body of knowledge via the classification criteria, we are able to provide a foundation on which to ground our conceptual analysis, as well as form some tentative conclusions as to the gaps in the body of current PSAR research.

5. Discussion

This section reflects on our aims. The first aim was to take the earlier paper as a foundation on which to build and the second aim sought to consider the contemporary relevance of the previous analysis. The arguments in Broadbent and Guthrie (1992) have been re-visited and refined in the discussions in section 2 of this paper. The nature of the domain has been redefined and illustrated in Figure 2. As a result we argue that during the period the changing context has moved the focus beyond the public sector to an emphasis on public services. The relevance of the approaches to research has been considered and is still seen as relevant. The rest of this section seeks to address the third aim, that of the content of the body of research and those areas we see as both significant and those that have been forgotten or silenced.

Significant trends

Thus, the first task in this section will be to consider the significant contemporary trends within PSAR, noting that changes in the contextual environment have moved the research agenda within the field over the period in question. Three aspects will be considered[26]: External financial reporting; governance and risk; and performance measurement and management. The consideration of these three areas of PSAR demonstrates the importance of the reflexive consideration of context and accounting practice. The examples illustrate the extent to which accounting practice is both constituted by, and is constitutive of, the social context.

The move to external reporting issues and the concern with public infrastructure

A significant change in contemporary PSAR is the increase in work in the area of external reporting. In 1992, the majority of the research in the field was concerned with management accounting techniques of various types. At that stage the concerns in policy and practice were with how to manage the organisation more efficiently and how to control what those managing the sector were doing (Dunleavy and Hood, 1994). The overall field of research is dynamic and mutable and there has been a greater interest in researching financial aspects of PSAR as the period has progressed.

Australia and New Zealand were perhaps the earliest jurisdictions to signal an interest in moving governmental accounting to cohere with private sector models (e.g.

Pallot, 1997; Guthrie, 1998). In New Zealand, this interest aligned with the change agenda introduced into the public sector as a whole. New Zealand was seen as a leader in the adoption of new public management (NPM) approaches and was particularly attracted to the private sector approach to public service delivery, seeking to impose this framework on its public sector in all aspects (Pallot, 2001). For some time this approach was less evident in other nations (Broadbent *et al.*, 1999). However, there has been an increasing interest in using private sector accounting approaches and this has been evidenced by the interest in using accrual accounting in the public services across the globe (e.g. Brorstrom, 1998; Robinson, 1998; Christiaens, 2004; Monsen, 2006; Carlin, 2003; Heald, 2005; Lye *et al.*, 2005) and looking to the matter of “Whole of government accounting”.

Not all of the research has been complimentary about the adoption of private sector approaches to reporting of public services, seeing the differences between the sectors as significant. The interest in financial accounting reporting and concerns about the applicability of private sector approaches in the public services – which are seen to be driven by different assumptions – has been accompanied by commentaries on approaches to the setting of standards in the area of public services (e.g. Pallot, 1992; Rutherford, 1992; Scheid, 1993; Guthrie, 1998; Walker and Clarke, 2000; Price and Wallace, 2002). The debate as to whether generic approaches are relevant and possible and thus how to regulate financial reporting in the public services remains alive and some consideration of both conceptual frameworks and implementation is evident (e.g. Mayston, 1992; Lye *et al.*, 2005; Mack and Ryan, 2006). In the world of practice, the standard setting bodies also continue to debate the matter.

The growing interest in financial accounting issues has led to a particular interest in issues relating to the treatment of infrastructure assets. The desire to produce financial accounts compatible with those of the private sector has raised issues of introducing capital charging (e.g. Coombs and Edwards, 1992; Heald and Scott, 1995; 1996; Heald and Dowdall, 1999; Carlin, 2003; Christiaens, 2004). When cash accounting was used in the sector then there was no overt mechanism for capital charges or for asset depreciation to be recorded. It has been argued that this should be remedied so as to reflect the cost of Treasury support and make the cost of asset usage more visible in order to ensure efficiency of use. The debate links into the management accounting changes of NPM that were directly geared to efficiency, and for that reason practitioners and regulators have introduced such charges (e.g. Christiaens, 2004; Goddard, 2005; Paulsson, 2006). Arguments have been made that this is inappropriate, given the distinct nature of some elements of the sector, which leads to claims of incompatibility with business approaches. One such example is the debate surrounding the inclusion and valuation of heritage assets such as Ancient Monuments or Works of Art. The concern with their valuation and a debate as to whether they should indeed form part of the National Account is reflected in the literature (e.g. Barton, 2000; Christiaens, 2004). The value and the nature of the ownership of the national infrastructure has come to the fore in the discussion of PPP/PFI that follows.

The general question of why there has been more interest in applying private sector approaches to external financial reporting is significant. Arguably one element in a tentative explanation of this phenomenon lies in the context of the introduction of more private sector involvement in the public services. For example, in the implementation

of markets or quasi-markets with their attendant price competition, there is a need to develop costing and pricing information through the development of accounting technologies (e.g. Chua and Preston, 1994; Guthrie, 1998). Where competition is between public and private sector organisations there is some incentive to have comparable financial information sets (e.g. Ellwood, 1996) in order to have comparable information for decision making. The contracting out of services or pricing for market situations (e.g. Aiken and McCrae, 1992; Arai, 2006) has led to a need to develop comparative information. This is one element creating the impetus for the adoption of private sector approaches to financial reporting.

This impetus has been consolidated by a recent and important contributory factor, the impact of “third way” thinking (Giddens, 1998). Third way thinking has introduced the notion of partnership between public and private organisations. Structural changes in the provision of services that have emerged have required accounting, auditing and accountability changes. Third way thinking has sought to dissipate the need to make stark choices between public and private sectors. As such it has been influential in the development of the notion of the government’s role in funding public services as opposed to maintaining a public sector. Third way thinking introduced the logic that the private sector could be used to provide public services in the context of partnership and, in doing so, legitimated the involvement of the private sector for some elements of the political left. This, of course, is an approach that has not been problematic for the political right who have long espoused the use of the private sector as a more efficient means of operation. The political right of course have used the market mechanism as justification for private sector involvement. In “partnership thinking” the motivation for the use of the private sector is different but the outcome is similar – there is more private sector involvement in the provision of public services.

For instance, the ideas of PPP/PFI have spread across the OECD (e.g. Mayston, 1999; English and Guthrie, 2003; Froud, 2003; Broadbent and Laughlin, 2005). PPP/PFI has promoted public service delivery by the private sector and while it is said to be in partnership, the essence of the approach in practical terms is that the private sector is contracted and funded by taxation revenue to deliver a public service. The partnership element is represented in the extent to which there is claimed to be a sharing of the risk of the project with allocations of risk to those who are best able to manage it. The partnerships have particularly been used to solve the problems of the provision and updating of infrastructure. Backlog maintenance of public assets has been seen as significant, public borrowing as restricted and hence the renewal of infrastructure has been a problem for a variety of nation states. The use of the private sector to provide funding for the infrastructure of public services has therefore had great appeal (e.g. Hodges and Mellett, 1999; Broadbent and Laughlin, 2003a, b; Edwards and Shaoul, 2003; Shaoul, 2005).

The use of the private sector to provide public services has been criticised as the private sector makes profit from services such as health, education, police or justice (e.g. Froud *et al.*, 1998; Froud and Shaoul, 2001; Froud, 2003; Newberry and Pallot, 2003; Shaoul, 2005). Calls for a broad evaluation of the initiative have been made, with a particular emphasis on an assessment of the implications of long contracts which are integral to PPP initiatives and where it remains difficult to know what the final outcome of PPP/PFI might be (Broadbent *et al.*, 2003). Calls to consider the way in which these initiatives are accounted for, both financially and in general economic

terms, have also been made (e.g. Hodges and Mellett, 1999; Mayston, 1999; Broadbent *et al.*, 2003; Rutherford, 2003; Shaoul, 2005).

The adoption of PPP/PFI has raised questions about the nature of management accounting approaches to capital investment decision making and to the question of how to deal with risk (e.g. Froud *et al.*, 1998; Shaoul, 1998; Froud and Shaoul, 2001; Froud, 2003; Newberry and Pallot, 2003). It has raised questions about how the state legitimises its decisions (e.g. Broadbent and Laughlin, 2003a) and the logic of PPP as a policy (Edwards and Shaoul, 2003).

PPP/PFI is significant in financial accounting research because it both emerges from and consolidates the ideological drift to private sector approaches to the management and provision of public services. This has led to increased attention being paid to external financial reporting for public services and has impacted particularly on those organisations that were previously seen as residing in a different sphere – that of the public sector. Hence the structural and ideological changes have created the “space” for new approaches to service provision and the need for new accountings. The accountings themselves have created some of the arguments for the adoption of the new structures of provision (for example through the arguments that PPP/PFI provides value-for money (see, Heald, 2003). PPP/PFI is both the driver of and driven by change and this provides an example of the constitutive nature of accounting, and shows how accounting itself is also constituted by wider practice (Broadbent and Guthrie, 1992).

The more general point of significance that emerges from the research in the area of external financial reporting is the demonstration of the unresolved tensions that remain in relation to the nature of external financial reports and the conceptual basis informing their construction. The fundamental question of whether there are significant and inherent differences in the nature of organisations within the domain of the public services and those in the private sector remains. Whether the financial reports for the different organisations can be constructed using the same conceptual frames and practical rubrics is still a point of debate. In that respect there is still a need to explore whether the different elements that comprise the domain of the public services described in Figure 2 can be accounted for in the same manner. Questions about the differences between the provision of public services and the ownership of public assets might be raised, for example.

The outcome of this, ironically in a paper that has concerned itself with “alternative” PSAR, is the signal that there remains a need for more technical accounting research, albeit technically contextual accounting research. One conclusion of this paper must therefore be that there remains a gap in our shared understandings of this area. Whereas there is already significant work in the area, there is still insufficient contextually rooted consideration of the technical and conceptual nature of the accounts produced.

The technical work that has been undertaken in relation to external reporting demonstrates a concentration of this interest, it being the interest of a limited number of scholars (for instance, Lapsley, 1992; Mayston, 1992; Barton, 2000, 2005; Heald, 2005). In this respect it is interesting to note that the links through to practice are considerable within this group[27]. This raises a second point that requires attention. This is the need to address the policy agenda and the means by which to engage with this. Before developing this point, the paper turns first to other areas that have grown in significance.

Governance and risk

Another impact of private sector thinking impacting on the provision of public services has been the emphasis on governance. The emergence of this significant aspect of practice is related again to contextual pressures, this time a series of financial scandals in the private sector that have affected thinking and practice in the public services.

The various problems of governance within the private sector, characterised by the case of Enron, has led to the variety of regulation in nations around the world, such as Sarbanes Oxley Act (SOX, 2002) in the USA, or the Combined Code in the UK (FRC, 2003). This has, in turn, led to a concern with the issue of governance in the public services and the issuing of codes that mirror the practices laid down for the private sector (see for example, Langlands, 2004)[28]. However, we found little evidence that researchers had published on these important issues.

These regulatory changes are starting to lead researchers to consider the nature of governance (e.g. Ezzamel and Willmott, 1993; Craven and Stewart, 1995; Collier, 2005) and question the extent to which governance of the public services using a framework drawn from private sector principles is applicable. The basic question for research is whether the needs of shareholders in the private sector and stakeholders in public services are the same. Some attention is also being paid to the more specific aspect of risk (Froud, 2003), although there is not yet a body of published PSAR work that looks at risk in the context of governance. Work in this area is important – given the extent of the impact of regulation on practice there remains an important gap in our understanding of the area. In essence, in this field the perceived need for practitioner action has led to the development of frameworks for practice and research seems to lag somewhat behind. This is a serious omission on the part of the academic community. The relative invisibility of academics in the development of practice contrasts with the pragmatic need for practitioners to develop their practice. This can lead to a view from practitioners that academics simply develop critique retrospectively, while they in contrast have to engage[29]. The nature of the relationship between academics and practitioners that this raises will be discussed later in this section.

There is, however, some academic interest that relates to the field of governance. For instance, the work of Ezzamel and Willmott (1993) is of particular interest in that it draws together the issues of governance and accountability, highlighting the linkages in their concerns. Accountability is concerned with overview and outcomes – what is being achieved in organisations and this in turn relates to the third area of significance, performance measurement and management.

Performance measurement and management

A striking aspect of this review of PSAR is the extent of interest in accountability as a topic over the period. Arguably concerns raised in accountability research are closely linked to some of the concerns of governance. In particular, there is a common concern that organisations operate in ways that are not corrupt and that serve the needs of those they should benefit. Many scholars have considered the nature of accountability (e.g. Fowles, 1993; Gray and Jenkins, 1993; Humphrey *et al.*, 1993; Gendron *et al.*, 2001) and its role in a variety of organisational situations (e.g. Carnegie and Wolnizer, 1996; Burritt and Welch, 1997; Angluin and Scapens, 2000; Coy *et al.*, 2001; English, 2003). That work has been undertaken in a range of nation states (e.g. Laughlin *et al.*, 1992; Lawrence *et al.*, 1997; Jacobs, 2000). A common theme is that of understanding how

different stakeholders can be reassured that the organisations in question are doing what is expected of them. Another matter of concern is whether the accounting systems imposed or adopted help to make transparent or obscure the actions of the organisations in question.

In light of the need to ensure organisations use their resources to achieve the ends required of them, particularly in the context of delegation of day to day management and the contracting out of services, accountability systems that are closely concerned with performance have been developed. This can be seen as part of a neo-liberalist agenda (Rose and Miller, 1992) where the attempts of the State to delegate responsibility are accompanied by strong central control. In this way, political accountability for the government becomes managerial accountability for managers of organisations in the public service (Broadbent and Laughlin, 2003). There has been a good deal of change in the systems that have been employed over the period in question, with moves to more comprehensive performance management systems over time (e.g. Leeuw, 1996; Hyndman and Anderson, 1997; Ballantine *et al.*, 1998; Jacobs *et al.*, 2004; Modell, 2004; Carlin, 2006; Kurunmäki and Miller, 2006). The performance management systems themselves emerged from a tradition of budgetary control over the organisations within the sector (Rea, 1994; Jacobs, 1995; Xavier, 1996; Llewellyn, 1998; Mayston, 1998; Lowe, 2000; Serritzlew, 2005), a tradition that endures in some jurisdictions that have not yet moved so far down the route of what has been called modernisation (e.g. Lapsley and Pong, 2001; Broadbent and Laughlin, 2005; van Helden, 2005).

“Modernisation” in government policies has, in the UK, led to the development of extensive regimes of targets and performance measures (HMSO, 1998; Cabinet Office, 1999). Thompson’s (1995, 1999) earlier work, had already reviewed targets and performance measures in museums and art galleries illustrating the extent of the impact of such approaches. The impact of this is now under consideration (Broadbent and Laughlin, 2007). The work of the ESRC Public Services Programme[30] has some published work reflecting on the extent of this approach and the degree to which this approach is useful or otherwise (Hood, 2007; McLean *et al.*, 2007). In the PSAR literature, the more general significance of budgets and targets on behavioural outcomes is well researched (e.g. Orford, 1992; Jacobs, 1995; Pettersen, 1995; Northcott and Llewellyn, 2003; Llewellyn and Northcott, 2005; Serritzlew, 2005). The extent to which these targets are as likely to cause dysfunctions as to ensure intended outcomes remains problematic more generally and is a significant issue in relation to public services.

What can be seen is that over time there has been a mutation of the management accounting technologies used to control organisational activity, with a move away from controlling budget performance based on a concern with the inputs and towards performance management which is concerned with achieving the desired outputs and outcomes. The latter performance management approaches are used to monitor service delivery in the private sector, which cannot be controlled directly. They are also applicable within the organisations where the state nation has more direct control. The change in structure of the provision of services can again be demonstrated to be both enabled by technologies of accounting (those that enable devolved or privatised delivery of services) and enabling of that structural change.

In summary, therefore, the extent to which public accounting technologies are both constituted by the context and are constitutive of the context is demonstrated above.

Arguably, the root of these areas of interest can be traced to the growing interest in using business approaches and the introduction of the private sector as providers of public services. This has challenged the very concept of the public sector, replacing it with the notion of public services. The change in language is significant as it is itself constituted by changes in ideological views as well as being constitutive of the situation. This body of work – taken together – potentially comprises a particularly significant contribution to our understanding of PSAR and to societal changes over the last 20 years[31]. The enhanced contribution could be achieved by the recognition of the common roots and by a more active attempt to build this work as a body of scholarship. This will require for it to be brought together much more actively than is presently the case. One particular element of that research agenda has been highlighted and that is the need to look carefully at the technical aspects in context and particularly in the context of developing PSAR policy.

Other aspects and some omissions

Scholars have of course studied aspects that go way beyond the three interconnected areas that have been highlighted above as part of a significant conceptual shift. The second task of this final section will be to provide some further overview of areas of interest in order to highlight areas for further research and in some ways this offers a reprise on the agendas we highlighted in Broadbent and Guthrie (1992). The following sub-sections therefore address the second question: what could be done?

Content of PSAR

The issues highlighted below are concerned with research in particular topic areas and demonstrate the extent of technically contextual accounting.

First, there is good evidence of attempts to broaden the remit of PSAR in order to consider a wider range of organisations (e.g. Skaerbaek, 1992; Montondon and Fischer, 1999; Poletti, 2004; Rouse and Putterill, 2005; Jupe and Crompton, 2006) although, as noted, earlier scholars are still attracted to studies of healthcare (Järvinen, 2006). International comparative work is also in evidence – although not abundantly (e.g. Torres and Pina, 2001; Jacobs *et al.*, 2004; Wickramasinghe *et al.*, 2004). The opportunity to diversify location and undertake comparisons should be grasped when possible as it provides the basis for contrast and comparison that facilitates our learning and allows both a transfer of good practice and prevents mistakes being repeated elsewhere.

Second, the body of work also shows that scholars remain interested in particular technologies. Studies of benchmarking and approaches to costing (e.g. Bowerman *et al.*, 2001; Jones, 2002; Trenchard and Dixon, 2003; Smark, 2006) demonstrate that a concern with computing and judging the costs of services is still seen as relevant. An interest in accounting technologies as they come in and out of fashion is also likely to form a part of the research agenda and again this forms the basis for learning and should be encouraged.

Third, the same claims can be made about topical contextual pressures (such as legislative change, technological advances or interest group concerns) that promote interest in more specialist themes. Examples include devolution (e.g. Ezzamel *et al.*, 2005; Midwinter, 2005), or privatisation (e.g. Lapsley, 1993; Ogden, 1995a, b; Stittle, 2004) which was widely covered when the privatisation agenda was at its height, only

to re-emerge when problems in the privatised rail industry occurred in the UK. New topics that are now emerging include an interest in intellectual capital (e.g. García-Meca *et al.*, 2005; Mouritsen *et al.*, 2005) and sustainability and environmental matters (e.g. Burritt and Welch, 1997; Ball, 2004, 2005). Hopefully a more specialist than topical interest is that in the armed forces and war (e.g. Catasús and Grönlund, 2005; Funnell, 2006). These all provide the possibility of growing into a much more significant theme – or indeed are specialist off-shoots of a wider body of scholarship (as is the case with environmental and sustainability issues). Alternatively they may simply fade away as context changes.

All these topic areas are ones that remain an important element of the agenda of the accounting research community and demonstrate that PSAR is in good health, particularly in the production of technically contextual studies. Arguably, while these studies are important, and necessary, it is not sufficient simply to understand techniques in context and hence the exhortation above to think more systematically about their place in the development of a field of knowledge.

Research approaches in PSAR

As in 1992, we continue to call for more “alternative” accounting research to be undertaken. Some significant contextually technical accounting research is being produced, although this is still under-represented in the population of publications. Examples of this work include the studies undertaken by Neu who has looked at the issue of the “birth of a nation” (Neu and Graham, 2006), considering Canada’s first nations, and has also explored the notions of public space in the context of public discussions about educational reform in Canada (Neu, 2006). Townley’s (2001) consideration of models of strategic management as elements of modernity is another example. Arguably this area of work is also worthy of more attention. In addressing the field with a contextually technical research approach it is more likely that the body of knowledge called for above will develop. If this endeavour were to be addressed, then some of the questions we left at the end of the previous review might be answered (Broadbent and Guthrie, 1992, p. 25). Thus we still have little understanding of the reasons for the changes in the field of PSAR and how the changes are maintained and enhanced. In this paper we note simply the reflexivity that surrounds the social construction of accounting and its constitutive nature. This goes some way to suggesting how we might study the linkage of technologies of accounting into other technologies and how these might all be theorised. This provides an enduring and extensive academic agenda that remains to be addressed. Nevertheless it signals the contribution of an extensive body of work that has already been achieved.

Omissions: empirically informed theorising

The analysis for the research methods used demonstrates that there is an imbalance between work that provides commentaries, normative theorising and reviews and that which is engaging with practice. As argued earlier this has implications for engagement with practitioners and for the legitimacy of academics in the development of practice. This should not be taken as a critique of the individual published papers in the categories mentioned, the problem instead is in the nature of the aggregated scholarship. It says something about the nature of the research efforts of the academy as a whole and perhaps is a reflection of the difficulty that is often encountered in

engagement with organisations and in bringing theory and empirics together. This is something that must be addressed in the context of research training. It is a significant issue for the development of a body of scholarship in the discipline.

Omissions: theory and practice

Throughout this paper we have signalled an issue of importance to which we now return, namely the matter of engagement with practice. If PSAR is to make a significant impact in society, then academics must impact on policy. This requires academics to engage with policy makers and to engage in matters of governance on a practical level. PSAR must move beyond the pages of academic journals and researchers must consider diverse audiences when researching and writing. For instance, students are easy to reach and well positioned to offer a longer-term solution; we need to educate them to understand the complexity of PSAR and the solutions technologies offer. Politicians and policy makers are struggling to find solutions to problems, albeit in the shorter term. They are interested in pragmatic solutions that are not mired in complexity. It is possible for researchers to build such bridges with practitioners, as noted earlier in our discussing of accounting regulation. Engagement with the political sphere may be difficult, as politicians and policy makers can be selective and undermine carefully thought out solutions. This means we must also communicate with the general public and engage with the media more to ensure our views are well represented and widely so. The relationship between academics and practice has long been fragile and fraught with difficulty and this remains a challenge to be addressed. Comparative studies of how this issue is worked out in different nation states therefore provide a future area of research.

6. Conclusions

The previous section provides an agenda for PSAR. It is a policy agenda as well as an academic one and the two are intertwined.

The academic agenda highlights some significant omissions. As we suggested in 1992, the range of locations studied could be more extensive. More significantly the agenda requires us to look quite specifically at the policy aspects of the technical agenda especially in relation to financial reporting, although these considerations must take due consideration of context. Technically contextual work is necessary for these matters to be addressed but is not sufficient to complete the agenda. Contextually technical work remains important but under-represented. There is a real gap to fill in the consideration of matters of governance. We need more balance between normative and empirical work. All these aspects require us as an academic community to try to build the links in our work to construct a body of developing knowledge, rather than simply produce a set of interesting and disparate ideas.

If we do not succeed in building a more coherent body of knowledge and understanding rooted in empirical understandings then the policy agenda will not be addressed effectively and academia will be left on the fringes, unable to influence the world we live in. This is the result of not being able to provide systematic evidence and understanding of practice that can convince policy makers and practitioners of the legitimacy of our concerns. To this extent addressing the policy agenda is perhaps more significant and here there is a significant deficit. In crude terms it could be argued that over the past twenty years a range of extensive changes have swept through

public services across the globe; that academics have written extensive critiques of these changes; and that the changes have still been implemented. In 1992 our call was for greater understanding of the role of accounting in public sector change. Our current prescription is more robust in that we wish to emphasise the need to go beyond understanding. To paraphrase Marx, we must go beyond understanding and try to change the world.

Notes

1. "Alternative" accounting research was defined in detail in Broadbent and Guthrie (1992, pp. 3-31). As indicated in the body of this paper, there have been a substantial number of articles since 1992 and "contextual" accounting research is well established.
2. See, various other papers in this special issue that review "contextual" accounting research, *AAAJ*, Vol. 21 No. 2, 2008.
3. The request was to review and critique the subject area allocated, in this case public sector accounting. Each review and critique was to engage a range of literature, not just *AAAJ*. We chose to include a range of "contextual" accounting journals. Commissioned papers were asked to outline the state of the sub-discipline, a discussion of its relevance to accounting and policy-making and exploration of avenues for future research.
4. Particular topics have been explored, for example in *Financial Accountability and Management's* special edition on the Modernisation of the Public Sector in November 2001.
5. Public service accounting research (PSAR) is the term used in our review to describe this area.
6. In undertaking this analysis we were strongly influenced by Parker's (2005) approach to a literature review and are grateful for his support in adopting this approach.
7. See, for more details <http://web.worldbank.org/WBSITE/EXTERNAL/WBI/WBIPROGRAM/PSGLP/0,menuPK:461646~pagePK:64156143~piPK:64154155~theSitePK:461606,00.html> (accessed 10 May 2007).
8. This study reviews papers up to December 2006, which when considered with those reviewed in Broadbent and Guthrie (1992), means that at least 20 years of accounting research has been reviewed.
9. Other journals, such as Australian Accounting Review (AAR), were excluded because they are not available in public electronic form and therefore would have been very difficult to analyse.
10. American Mainstream is that research which has become mainstream in the US, but which we would see as providing a very narrow view of accounting. Hence the label here of "American Mainstream" to signify the American-centricity of the approach. In 1992, we used the label "alternative" to indicate the contextual and critical emphasis of the work we reviewed at that time and we retain that label. Now in using the labels "mainstream" and "contextual", we recognise the extent to which this might signify relative rankings and do not wish to concede a primacy to the notion of mainstream. Instead we simply wish to note the strength of this approach in the USA while highlighting the strength of the "contextual" approach in other parts of the scholarly world.
11. The database was constructed from a review of the selected journals and is populated with nearly 500 journal articles. The full list of journal articles reviewed and the coding criteria and worksheets are available from the authors. The reference list to this paper includes illustrations from the literature review used in the paper.
12. See, Hutton (2006), executive summary report of The Work Foundation's public value consortium November 2006. "Deliberative democracy and the role of public managers." The

full report is to be found at www.theworkfoundation.com/publicvalue/research/index.aspx (accessed 20 April 2007).

13. Because the authors have focused their own research interests in the UK (Broadbent) and Australia (Guthrie), these are the two countries from which illustrations are drawn, however many other nation states could equally be used as examples.
14. In retrospect different structures of administration in different nations make this bounding more complex (see, for instance, Olson *et al.*, 1998; Guthrie *et al.*, 2005; Jones, 2002).
15. The use of the words “private” and “third” sectors indicates a different ownership, control and legal governance structure for organisations located in these sectors. For instance, in the private sector, characterised by private ownership of capital, we have private companies, listed companies, trusts, etc. While in the third sector we have charities, churches, non-profit organisations and other bodies, which are characterised not by state ownership but by community bodies, whether these are motivated by religion, politics or other beliefs, and a not-for-profit objective. However, we use the word private to indicate both private ownership and third sector involvement.
16. Not only individual reviews of the literature have been produced, but also aspects of PSAR have been explore in special editions of various journals. For instance, “special themed” editions of *AAAJ* on public private partnerships and *FAM* on modernisation (2001) and performance audit (2007).
17. See, for example, see the *Sydney Morning Herald* who have produced an extensive press report www.smh.com.au/pdf/waterreport.pdf (accessed 1 May 2007).
18. PPPs are partnerships of public and private providers working together usually in a contractual relationship to provide services (English and Guthrie, 2003). A significant element of this is where private contractors build and service infrastructure that provide public services for a contractual fee. In the UK a significant sub-set of these are called Private Finance Initiative schemes. They have been used to build infrastructure such as roads and hospitals. This is also the case in Australia. It is argued that costs are reduced as risk is handed to those best able to manage it thus reducing overall cost. The failure of schemes such as the Cross City Tunnel link in Sydney and the Royal Armouries Museum in Leeds in the UK demonstrates that risk is not necessarily transferred (English, 2007).
19. The modernisation of the public sector was early characterised as New Public Management (Hood, 1995) and later accounting technologies as New Public Financial Management (Olson *et al.*, 1998).
20. As well as ensure that agents do what the nation state requires.
21. As will be discussed in some detail in section 5.
22. Also they have different accountability and governance arrangements and are regulated through contractual relationships rather than share ownership or an independent regulatory body. PPPs are now an established means of service provision and, like PBE, they introduce an element of private sector involvement into the provision of public services. PPP/PFIs nevertheless remain part of the public services and are, in many nations, a significant means of service delivery.
23. A further discussion of the differences between technical accounting, technical contextual accounting and contextually technical accounting can be found in Broadbent and Guthrie (1992).
24. Illustrations from the reviewed literature only are provided. It would be impracticable to list all authors and articles within the text and references.

26. These will be discussed at some length in section 5 and will not be detailed here but comprise the introduction of accrual accounting and the use of partnership working in the context of PPP/PFI.
26. The articles were also coded for various fields and from these the three dominant trends are reported here. Full details of this analysis are available from the authors.
27. For instance, Laughlin, who has looked more widely at accounting regulation as well as having researched in the public services more generally, now sits on the UK's Accounting Standards Board's Committee for Accounting for Public-Benefit Entities (CAPE) looking at the development of Statements of Recommended Accounting Practices (SORPs) for public service organisations. Lapsley was a previous holder of this position, while Heald sits on the Financial Reporting Advisory Board (FRAB) advising the Treasury on public sector accounting. David Mayston has also acted as an advisor to government. Allan Barton is active in the policy circles in Australia.
28. The Langlands (2004) "good practice" guide emerged from the work of a commission chaired by Sir Alan Langlands and sought to set out generic guidelines for the range of organisations providing public services. The thrust of the approach to governance is founded on the importance of outside membership at Board level – in order to provide a more detached view along with particular expertise – and on the issue of risk management.
29. A themed issue of *Public Money and Management* (Volume 7 Number 4, September 2007) provides a set of papers illustrating a range of views from academics as well as practitioners that illustrate the variety of positions that are taken in this respect.
30. Started in 2004 and running for five years, directed by Professor Christopher Hood, see www.publicservices.ac.uk (accessed 1 September 2007).
31. The work is indeed individually significant.

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