

**NSW PUBLIC SECTOR  
ACCRUAL ACCOUNTING:  
WHY DID IT HAPPEN AND  
HAS IT MATTERED?**

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**TO**

**Motoko, Emi and Erika**

**AND**

**The memory of the late Professor June Pallot**

## ***ABSTRACT***

In 1988 the New South Wales (NSW) Government was the first in Australia, and amongst the first in the world, to commit to implement accrual accounting for its General Government Sector. Subsequently, accrual accounting has been implemented by numerous governments, including all Australian governments. This thesis examines why the NSW Government decided to implement accrual accounting and the impact of this accounting change on decision making within a General Government Sector organisation. The historical account is derived from a combination of archival and oral data sources whilst an organisational learning theoretical frame is used in a single-site case study to understand the impact of accrual accounting on managerial decision making.

The history of the NSW Government adoption of accrual accounting is characterised by five notable features. First, the whole-of-government initiative was implemented with remarkable speed. Second, the change was aided by the actions of an epistemic community, in which private sector consultants were most active. Third, the change was justified through expected improvements in accountability and management. Fourth, a period of resistance to the change was followed by an absence of critical discussion on the implications of the change as forces supportive of the change synergistically combined. Fifth, the change is explained by mimetic forces that initially coalesced around phantom images, presented by consultants, and subsequently recognised self-interest as an integral part of the change to accrual accounting.

The impact of accrual accounting on management decision-making at an organisational level from has been mixed. Information acquisition has expanded in that new sets of accounting data are collected. However, information distribution has been unchanged by accrual accounting whilst information interpretation only marginally changed at a top management level with no discernible change at operational levels. Organisational memory has been altered by accrual accounting in that additional accounting skills and information are now held. However, use of that organisational memory is severely impeded by organisational objectives and constraints that effectively render accrual accounting information irrelevant to public sector managers' concerns.

Policy implications arising from this project are that an alternative model of accrual accounting is required together with the dual recognition that centrally imposed change may produce unpredicted change at an operational agency level and that accounting change needs to be matched to organisational characteristics. Additionally, improvements in asset management, as sought by advocates of accrual accounting, could have been delivered by non-accounting means and there is little prospect for improved managerial decision-making from the current model of accrual accounting.



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## LIST OF ACRONYMS AND ABBREVIATIONS

<i>AA</i>	Accrual accounting
<i>AAS</i>	Australian Accounting Standard
<i>AARF</i>	Australian Accounting Research Foundation
<i>AASB</i>	Australian Accounting Standards Board
<i>ABC</i>	Activity based costing
<i>ABS</i>	Australian Bureau of Statistics
<i>A-G</i>	Auditor-General
<i>AIS</i>	Accounting information system
<i>AMS</i>	Asset Management System
<i>ASA</i>	Australian Society of Accountants
<i>Aust</i>	Australia
<i>CEO</i>	Chief Executive Officer
<i>CPA</i>	Certified Practising Accountant
<i>C&amp;L</i>	Coopers & Lybrand
<i>DET</i>	Department of Education and Training
<i>DRT</i>	Deloitte Ross Tohmatsu
<i>DSE</i>	Department of School Education (a predecessor to DET)
<i>ED</i>	Exposure Draft
<i>EIS</i>	Executive Information System
<i>EOI</i>	Expression of Interest
<i>EU</i>	European Union
<i>E&amp;Y</i>	Ernst & Young
<i>FMI</i>	Financial Management Initiative
<i>FTE</i>	Full-time equivalent
<i>GAAP</i>	Generally Accepted Accounting Principles
<i>GE</i>	General Electric
<i>GFS</i>	Government Finance Statistics
<i>GGS</i>	General Government Sector
<i>GTE</i>	Government Trading Enterprise
<i>GL</i>	General Ledger
<i>HO</i>	Head Office
<i>HO-ACC</i>	Head Office interviewee with an accounting-related responsibility
<i>HRCA</i>	Human resource cost accounting
<i>ICT</i>	Information communications technology
<i>IFAC</i>	International Federation of Accountants
<i>IIR</i>	Institute of International Research
<i>IMF</i>	International Monetary Fund
<i>Indon</i>	Indonesia
<i>INTOSAI</i>	International Organisation of Supreme Audit Institutions
<i>MAS</i>	Management accounting system
<i>MN</i>	Methodological note
<i>NCS</i>	Net Cost of Services
<i>NPM</i>	New Public Management
<i>NPFM</i>	New Public Financial Management

<i>NSW</i>	New South Wales
<i>NSWG</i>	New South Wales Government
<i>NZ</i>	New Zealand
<i>OECD</i>	Organization for Economic Co-operation & Development
<i>ON</i>	Observational note
<i>PAC</i>	Public Accounts Committee
<i>PoC</i>	Promoter of Change
<i>PoI</i>	Producer of Information
<i>PFP</i>	Privately Financed Project
<i>PMM</i>	Project Management Module
<i>PSAA</i>	Public sector accrual accounting
<i>PSASB</i>	Public Sector Accounting Standards Board
<i>PW</i>	Price Waterhouse
<i>RCAGA</i>	Royal Commission on Australian Government Administration
<i>RIPAA</i>	Royal Institute of Public Administration Australia
<i>RO</i>	Regional Office
<i>RO-ACC</i>	Regional Office interviewee with an accounting-related responsibility
<i>SA</i>	South Australia
<i>TAAP</i>	Treasurer's Accounting Advisory Panel
<i>TAFE</i>	Technical and Further Education
<i>TN</i>	Theoretical note
<i>UoI</i>	User of Information
<i>UK</i>	United Kingdom
<i>WPonGFI</i>	Working Party on Government Financial Information

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## DECLARATION

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This work contains no material which has been accepted for the award of any other degree or diploma in any university or other tertiary institution to Mark Christensen and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text.

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