CONVERGING NEW PUBLIC MANAGEMENT REFORMS AND DIVERGING ACCOUNTING PRACTICES IN BELGIAN LOCAL GOVERNMENTS

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Abstract

This paper aims at presenting a comparative study of the impact of different national and institutional contexts on the diverging development of accounting reforms in Belgian local governments. On the one hand, the objectives and the framework of current governmental accounting reforms aiming at improving New Public Management are currently converging. On the other hand, a conceptual examination reveals that the prescribed accounting practices are widely diverging and apparently this is also the case for the practical implementation of the reformed accounting systems. By way of conclusion, a number of possible reasons for this unsuccessful proliferation are presented.

1. INTRODUCTION

Today accounting reforms in the Belgian public sector are principally based on a move from cameralistic/cash based accounting towards accrual accounting in order to increase transparency, accountability and management tools in a convergent way. However, due to different national and institutional factors, the framework and the setting up of governmental accounting reforms are diverging in an uncontrolled way.

In the period 1990-1995 the municipalities have been seriously reformed for the first time ever. For the moment the OCMWs[1] are undergoing an accounting reform that should be in harmony with the municipal accounting reform for several reasons. Unfortunately, this is not the case. Recently the Flemish day-care centres, which are also part of the local governments, are being reformed from a different perspective, although many of these centres are juridically a part of the municipalities or a part of the OCMWs. Furthermore, an important institutional point is the fact that municipal accounting legislation is of federal matter whereas OCMW accounting and Flemish day-care centre accounting are regulated completely differently by the three Belgian Districts[2]: Flanders, Wallonie and Brussels' Capital District.

For the moment the legislator is also considering the reform of other governmental entities such as secondary schools and provinces. Regarding previous governmental accounting reseach studies exist in which accounting reforms are described, analysed and examined in certain countries. However, as far as we know, studies examining different ongoing government reforms in the same country at the same time do not exist. Therefore, research revealing the consequences and the relationships of simultaneously ongoing reforms is extremely scarce. One could argue that accounting reformers as well as stakeholders should be aware of the risk that reforms that are all meant to happen convergently aiming at a central New Public Management, risk to be implemented uncontrolled and heterogeniously. This study will show that particularly in Belgium such seemingly convergent local government reforms create more differences than similarities and more questions than answers.

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[1] An OCMW *(Official Centre for Mutual Welfare)* is a governmental non-profit entity providing a number of additional municipal services such as health care, care for the elderly, social support, etc. Each municipality is related to just one OCMW and vice versa, both providing well-defined municipal services. In Belgium, OCMWs are juridically separated from the municipality, whereas in other countries their services are for the most part rendered by the municipality itself.

[2] Belgium counts 589 municipalities, of which 308 in the Flemish District, 19 in the Brussels' District and 262 in the Walloon District. The numbers for the OCMWs are identical and there are about 300 hundred Flemish day-care centres.

The contents of this article can be summarised as follows: after presenting the converging new public management reforms starting from a Belgian context, the research question is developed. Part 4 explains the methodology applied in this study. The diverging technical characteristics of the reforms pointing at the consequences for new public management are discussed in part 5, as well as some empirical findings which indicate that in practice the divergence is even worse than conceptually presupposed. The remainder of this article is devoted to a number of interpretations and suggestions on how to explain and remedy this evolution in public sector accounting.

Hopefully, this study will contribute to a better understanding and improvement of the transferral of business accounting systems and management tools to governments which are confronted with new public management.

2. CONVERGING NEW PUBLIC MANAGEMENT REFORMS

2.1 Converging accounting reforms

All public sector accounting reforms in Belgium (i.e. municipalities, OCMWs, Flemish day-care centres) are intended as a change from traditional cameralistic/cash-based accounting systems to accrual accounting as it is organised and regulated for enterprises. This intention of reforming the accounting systems to a form of accrual accounting is still going on for other non-profit and public sector organisations (e.g. provinces). Although the original budgetary accounting system in municipalities is extended with the new accounting system, whereas it is a replacement in Flemish OCMWs, the intended convergence of putting accrual accounting forward is obvious.

The Belgian standardsetters generally even agree that there should be just one accounting system, viz. accrual accounting as it is used in enterprises. The belief of just one and only one accounting system on which new public management should be based could be an important explanation of the uniqueness and convergence in the reforms.

2.2 Convergence in objectives of the reforms

The objectives of governmental accounting reforms are convergent towards the following elements which are actually also strongly inspired by business administration and management. The tendency of convergence of reforms driven by financial management purposes can also be noticed in other countries, e.g. in Great Britain and in Australia (Guthrie and Humphrey 1996, p. 290).

*2.2.1 Management tools: t*he function of supporting management and of providing management tools is an important cornerstone of the reforms in Belgium. It is particularly mentioned in the legislation of the different reforms as well as in the local literature.

A similar function also exists in other countries: “to help councillors form judgements about the performance of their own authority” e.g. as taken from Rutherford (1983, p. 158).

Cook (1987) refers to cost accounting information and points at the importance of signalling the cost of assets used by the management. Merrouche and Devlin (1995, p. 48-49) point to the "gradual shift from the "administration" to the "management" of the public sector". Also referring to other authors, Merrouche and Devlin attribute the following factors to this shift:

- the introduction of quasi-markets for public services;
- the need for comparable information to enable auditing;
- influence of Activity Based Costing and the search for allocation techniques;
- a continual adoption of business management techniques by the public sector.

In a similar way these elements play a role in the Belgian context where currently governments are operating in more competitive surroundings. Hence, they are also trying to adapt and develop management tools. The use of accrual accounting further wants to support a preparation of a cost accounting system and to form a basis for the envisaged introduction of a management accounting system.

*2.2.2 Transparency: a*n important objective of the current reforms is to provide information for users and interested parties in a more complete, objective and transparent way by providing financial information on assets and liabilities. This objective of transparency is more or less limited to the mere introduction of accrual accounting and the disclosure of annual accounts. It does not imply the broader term "accountability", which in Belgium is only just introduced as an idea. Anglo-Saxon countries in particular often emphasize the objective of accountability (Sharp and Ingram 1985, p. 151; GASB 1987, p. 20-21; CICA 1980; CICA 1985) and international standards (IFAC 1991, p. 19) as well.

2.2.3 Performance measurement: in the Anglo-Saxon countries this objective of measuring performance is stressed several times and in Belgium it is just in an initial phase and a lot of resistance with regard to the possible consequences still exists. According to GASB 1987 (p. 27-28) public sector financial reporting concerns the pursuit of performance measurement:

> "Financial reporting should provide information to assist users in assessing the service efforts, costs, and accomplishments of the governmental entity." ... "This information helps users assess the economy, efficiency and effectiveness of government and may

help form a basis for voting and funding decisions."

The principle of reformed accrual accounting as a means of measuring and reporting performance including the 3 E's (i.e. economy, efficiency and effectiveness) is acknowledged in the Belgian reforms. However, this objective is seen as only an internal management tool, not as a part of external accountability.

2.2.4 Oversight Bodies: a fourth objective in which the reforms tend to be converging is the financial reporting which provides information to regulatory authorities and Oversight Bodies. Such a function also exists in most other countries (CICA 1985, GASB 1987). Some authors include the enhancement of comparability between local authorities (Cook 1987, Rutherford 1983 p. 158, Faber and de Jong 1988, p. 13).

3. RESEARCH QUESTION

Comparative studies of accounting systems in different types of governments that are currently undergoing accounting reforms are very scarce or even unexisting. Some authors recognise this blank spot: “We know little about how particular innovations are generated and implemented” (Chan et al. 1996, p. 11). Yet, based on exploratory empirical research a number of authors indicate that governmental accounting is an uncoordinated and extremely complicated “chimera” (Jones 1995, p. 39) with the need to be consolidated into coherent accounts; according to Caperchione (1995, p. 77) reformers should focus more on the consistency of accounting with other elements of government. Pina and Torres (1996, p 143) reveal the disparity of accounting practices that currently coexist in public sector accounting systems concentrating on a comparability study of a number of central national governments.

Apart from a limited number of comparative accounting studies which concentrate on governments of different jurisdictions, e.g. a comparison of local government financial reporting between UK and Malaysia (Coombs and Tayib 1997), a comparison of federal government reporting USA and Australia (Stanton et al. 1997), there are no studies at all examining the comparability of reformed coexisting types of governments within the same country. When applied to Belgium, this problem leads to the following research question:

RQ *Are the accounting practices in Belgian local governments reformed convergently, as is the case in the Belgian New Public Management Reforms?*

In other words: do the converging New Public Management reforms imply that the accounting practices in the different types of Belgian local governments are also implemented convergently?

When examining the ongoing reforms of accounting practices a distinction could be made between *formal* convergence and *material* convergence. The terms formal and material are derived from Van der Tas (1988). Formal convergence means the convergence as measured from a regulatory point of view focusing on the prescribed reformed regulations. Material convergence can be defined as the convergence studied from a factual, empirical point of view.

Apart from stressing the conceptual regulatory aspects of the convergence, it is also important to study the factual outcomes as to how convergently accounting rules and regulations have been adopted in the real world.

Based on previous research and on specific findings for Belgian municipalities (Christiaens 1997) the research question can be hypothesized as follows:

> H_1 The existing general convergence of local government accounting reforms does not imply a similarly convergent implementation of governmental accounting practices.

Contribution to theory

Some studies already exist in which accounting practices among a certain group of governments (e.g. municipalities) are examined and compared. However, studies examining the harmony of implementation of the accounting practices across different types of (local) governments in an ongoing national wave of reforms are hardly existent.

Just one general theory, i.e. the *"Contingency Theory"* (Lüder et al. 1990) attempts to explain the causes of accounting reforms in governments by stressing contextual factors. But, there is no theory explaining as to why governmental accounting practices in different types of governments differ in spite of the fact that they stem from a central tendency of reforming towards business accounting. This paper does not represent such a theory, it only attempts to evidence the occurrence of differing accounting practices whereas the *"Contingency Theory"* assumes consistent and homogeneous reforms towards a business accounting system. Lüder's *"Contingency Theory"* only explains the "why" of the reforms, not the way in which the reforms are implemented, nor the way in which the reforms result in accounting practices.

This study can also be seen as a test for the transferability of business accounting in a number of accounting reforms in different types of governments in one country. Questioning the transferability frequently has been an important research theme (Zimmerman 1977, Lapsley 1995).

In contrast to a number of accounting research studies which generate prescriptions, emphasize normative theories and debate the former, this study aims to explore and to understand the current local government accounting reforms and the consequences on accounting practices.

Contribution to practice

This study aims to provide insights relevant to practice in order to create a better understanding of the practical adoption problems and of the need for developing harmonious accounting practices. An important aim is to provide information and to formulate conclusions concerning a reform from budgetary cash accounting to accrual accounting, which could be used as a feed-back by the standard-setters and by all professionals involved in the transferral.

Validity

As far as the internal validity in terms of maturing is concerned, it is quite possible that later modifications of the current governmental reforms will occur. Such formal changes could lead to a more convergent harmonisation during the coming year on the basis of current experiences. Therefore the validity in time can be questioned. It should also be noted that the actual implementation within the different types of local governments may lead to more harmonious factual adaptations which are not initiated by the legislator. Van der Tas calls this process a spontaneous harmonisation (Van der Tas 1988, p. 158). This process poses another validity threat for this study, which focuses on the beginning of the reforms.

Since governmental accounting is often a very topical subject with a lot of differences across countries, the external validity is rather limited to the Belgian situation. Comparative studies examining the internal situation in other countries might be interesting and possibly some factors explaining the unexpected divergence of accounting practices might be detected.

4. METHODOLOGY

This study is exploratory in that it does not aim to confirm an existing theory. It attempts to observe the characteristics of the current local governmental accounting reforms in Belgium as regards their convergence. The local governments that are studied are municipalities, OCMWs and Flemish day-care centres. In a first part the accounting reforms are compared from a formal regulatory part of view looking at the different legal standards as to how the accounting practices should be adapted. All these legal standards are imposed by the Belgian legislator and thus methodologically this part may be considered as an archival research.

In the second part an attempt is made to observe the factual accounting practices together with the financial reporting in the "real world". This empirical part is intended to strengthen the conclusions of this study. The hypothesis is derived from a previous study (Christiaens 1997) which uses accounting information and annual accounts from 100 sampled Flemish municipalities. This part could only be worked out for municipalities since the other local governments are still in the phase of implementing their accounting practices.

5. RESULTS

5.1 Diverging formal accounting practices

5.1.1 Regulators and standardsetters: a first factor undoubtedly leading to divergence is the fact that local governments are reformed by different legislators. Only municipalities are still regulated by the federal government, which means that the accounting regulations are identical for all Belgian municipalities. Although OCMWs are very closely related to their respective municipality, the accounting regulations were elaborated by the three different Districts (i.e. Flanders, Brussels' Capital and Wallonie). It is obvious that the Flemish day-care requirements are only applicable for Flemish day-care centres.

5.1.2 Reformed accounting systems: referring to the classification alternatives proposed by Vela in his analysis of the local government accounting systems in several European countries (Vela 1997), the reformed accounting systems can be shown as below.

Table 1

Accounting Systems in Belgian Local Governments

Local Government	Accounting system
• Municipalities	Budgetary Accounting → Financial Accounting ■ The (new) financial accounting system is linked to the remaining budgetary system and influenced by budgetary rules ■ Cost accounting and management accounting are not (yet) developed
• Walloon OCMWs	Mainly the same as for municipalities
• Brussels' OCMWs	Budgetary Accounting → Financial Accounting ■ The (new) financial accounting system is linked to the remaining budgetary system and influenced by budgetary rules; however, the accounting standards differ from municipalities and from Walloon OCMWs as well ■ Cost accounting will be introduced, but this process is still in progress; management accounting is not (yet) developed
• Flemish OCMWs	Financial Accounting → Management Accounting ■ The former budgetary accounting system is abandoned and is replaced by (new) financial accounting system including an integrated cost accounting system and budgeting ■ Management accounting is not (yet) developed
• Day-care centres	Financial Accounting only ■ The former budgetary accounting system has been abandoned and is now replaced by a new financial accounting system ■ Cost accounting and management accounting are not developed

As the Walloon legislator has decided to comply with municipal accounting regulations, the accounting concepts of their OCMWs are almost completely in line with those adopted by the municipalities. Apart from a number of possible comments on the contents of the Walloon OCMW reform, a harmony between Walloon municipalities and Walloon OCMWs has been realised.

Despite the fact that accounting reforms are induced by the legislator instead of being self-generative, which could have been a guarantee for a more consistent approach (Lapsley and Pallot 1997), the reforms of the accounting system seem to drift apart.

5.1.3 Supremacy of traditional budgetary accounting: contrary to Flemish OCMWs and Flemish day-care centres the Belgian municipalities, Brussels' OCMWs and Walloon OCMWs have not abandoned their traditional budgetary accounting system, which is actually a cameralistic cash-based system primarily concentrating on the recording of authorised spending. In several ways budgetary accounting even dominates the new financial accounting, although the two systems have different targets. This dominance of the budgetary accounting system creates a number of accounting differences with respect to Flemish OCMWs and Flemish day-care centres:

***** Obligatory link

Except for some non-cash costs and revenues every journal entry in financial accounting has to be accompanied by the corresponding journal entry in budgetary accounting. This obligatory technical combining of budgetary and financial accounting, two systems which are in many respects incompatible, creates a conflicting situation and strongly limits the management orientation.
In Flemish OCMWs and in Flemish day-care centres this obligatory link does not exist anymore.

***** Recognition of costs

Due to the technical link between the two systems incurred costs are recorded in the general ledger of the financial accounting system only if they are being charged to the budgetary accounting[3]. Considering the fact that budget charging often depends on the availability of a budget, that there is a tendency towards deferring to next year's budget, etc. the compliance with general accounting principles does not prevail in financial accounting and thus the usefulness of financial management could be questioned. Officially Flemish OCMWs and Flemish day-care centres have abandoned this accounting system, although in practice the budgetary rules could still be followed.

***** Written off amounts

Regarding stocks, accounts receivable and other current assets, written off amounts are never charged[4] in the Profit/Loss Account before their final run-off. For example, doubtful accounts receivable can indeed be recorded as a separate asset, but without any estimated charge to Profit/Loss before the run-off legitimated by the according piece of evidence. This piece of evidence has an external origin or is due to an internal decision to give up the account.

A comment has to be made for the Brussels' OCMWs where the stock should be written off at the time of the occurrence of the loss no matter when the final settlement takes place, which implies full accrual.

Flemish OCMWs and Flemish day-care centres should officially comply with business accounting in that written off amounts are recorded if the collectability becomes doubtful.

***** Double counting loan redemption

The payment of a redemption of a loan is recorded in the budgetary accounting as an expenditure. At the same time this redemption is charged in the Profit/Loss Account due to the automatic link with the financial accounting system. Since the payment of the redemption

[3] This charging always depends on an administrative decision. Translated from the annual accounts of a municipality a cost occurs at the moment of charging. A revenue occurs at the moment of the decision to demand. In other words, the realisation of a purchase / cost is legally supposed to happen at the time of the invoice's approval, not at the time of the incurring of the purchase / cost.

[4] An estimation of the loss regarding e.g. doubtful debtors is never made. The journal entry representing the loss is done only if the loss has become definite (= run-off).

is never a cost, an adjustory journal entry has to be made using a revenue account of the kind of non-cash revenue for the same amount. This unusual method is similar for loans receivable. It is a technical inadequacy that affects financial ratios and that does not exist in Flemish OCMWs nor in Flemish day-care centres.

***** Recognition of bank loans

Instead of being entered as contingencies (rights) in the Notes, loan facilities or credit lines are recorded as a current asset with respect to the account creditors: falling due after more than one year. This journal entry is registered at the time of the approval by the Municipal or OCMW Council, not upon receipt of the official approval of the bank which could take a number of days.

In the Flemish OCMWs this problem is solved by recording the recognition as off-balance sheet elements in the Notes. In the Flemish day-care centres similar recognitions are not at all regulated since specific off-balance sheet accounts were not defined.

***** Provisions for risks and charges

The municipal accounting legislation defines this item as budgets set aside for risks and charges which might influence the capital and reserves in forthcoming years. The funding depends on the availability of financial means. This definition is based on budgetary accounting decisions and not on the reality of financial accounting.

Apparently, the legislator misinterprets the exact contents and meaning of provisions; the meaning appears to be confused with the constitution of other reserves.

First of all, the setting up of provisions is mistakingly defined as a possibility, not as an obligation. Thus, it depends on a decision and not on economic reality. *Secondly*, provisions for risks and charges are made conditional referring to the financial soundness of the municipality. Thus, only municipalities which are financially sound may set up provisions; unsound municipalities are not allowed to do so. This procedure disregards the economic reality and the necessity of the provision. *Thirdly*, the underlying aspect “future” seems to be misunderstood.

Both the activity leading to a provision and the payment also are seen in the future. This point of view is misleading. The activity implying a provision occurs in the current year. Therefore the Profit/Loss Account should be charged in the current year with an estimated cost. It is the run-off, and thus the financial settlement, which is going to happen in the future. The currently unknown and uncertain amount will be in development and will become a definite amount after balance sheet date. The remark for the term “might” is similar. If the cost is incurred in the current year, then consequently there certainly is an influence on the patrimony (Capital and Reserves). It is the assessment of the real run-off which is to be estimated and then the term “might” can be used. A *fourth* remark is the inclusion of the item provisions for risks and charges in the Capital and Reserves, which can seriously be criticised since provisions are actually liabilities.

Similarly, the Brussels’ OCMWs have to disclose their provisions for risks and charges as part of the Capital and Reserves. It can be noticed that their provisions also consist of a provision for doubtful debtors, which is an accounting method that has been abandoned for more than 20 years in Belgian business accounting standards. Flemish OCMWs and day-care centres have to apply the full accrual concept.

***** Accruals/deferrals: conflict

The “pure” accrual/deferral accounts[5] are very important in a patrimonial accounting system in order to cut-off more correctly the earned vs. the non-earned Profit/Loss. However, these accruals/deferrals conflicts with the traditional budgetary accounting system. Indeed, in a budgetary accounting system it is not important when a cost or an income is earned. What matters is when it is to be charged on a budget. The pattern of charging the budget differs a lot from the pattern of matching costs and revenues to the Profit/Loss Account, which is driven by financial accounting principles. Consequently in municipalities as well as in Brussels’ and Walloon OCMWs the use of accruals/deferrals is limited by the budgetary rules whereas in Flemish OCMWs and day-care centres full accrual accounting should be possible.

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[5] The "pure" accruals and deferrals can be defined as accrued charges, accrued income, deferred charges and deferred income.

***** Accruals/deferrals: suspense accounts

According to the obligatory *Chart of Accounts* the two balance sheet items accruals/deferrals consist of some accounts which are principally suspense accounts. They are not real accruals and deferrals since they actually represent assets, liabilities, costs or revenues which are in suspense for the next step in the administrative procedure or for an adjustment. The reason for their suspense is not the simple fact that their real background would not be known as in a business environment, but they have not yet completed the juridical and procedural cycle of the municipality. So, only an internal quality influences the annual accounts. In Flemish OCMWs and day-care centres these suspense accounts may no longer be unbalanced as it is the case in full accrual accounting.

5.1.4 Concept of valuation: the prescribed valuation rules for municipalities and for Walloon OCMWs considering their first balance sheet are actually an amalgamation of historical cost, current value and a number of surrogates such as insured value, estimated value, a kind of a nominal value, etc.

On the other hand Flemish municipalities and day-care centres are nearest to the generally accepted accounting principle of historical valuation without imposing any fixed unit values. However, in Brussels' OCMWs the valuation of fixed assets in the first balance sheet is very strictly defined in terms of constant unit values (e.g. for parks, gardens the unit value of 1.000 BEF/m^2 is legally imposed.

In addition, for the municipalities and Walloon OCMWs most of the immovable fixed assets have to be revalued systematically, yearly and unconditionally to keep the value up to date. This last prescription is not at all in line with the principle of historical valuation and makes the annual accounts hard to interpret. The other local governments do not systematically revaluate their fixed assets.

5.1.5 Entity and ownership: there are several conceptual grounds for defining the reporting entity and its boundaries (CICA 1985, p. 35-36):

* *"Economic entity concept"*. According to this concept the reporting entity is the local government plus its related parties if they are linked in an economic way (e.g. by transferring resources, complementary activities), in spite of their different juridical form or different managing body.

* *"Ownership and control concept"*. The criterion to define the reporting entity is the ownership or controllership (financial/legal dependency). In that case, the reporting entity would be the local government plus the organisations which are owned or controlled by the local government, irrespective of their activity and of the kind of relationships.

* *"Political accountability concept"* According to this concept the local government has to report all activities and entities for which the municipal governing body is accountable, irrespective of the legal or organisational structures under which the activities are carried out (CICA 1985, p. 35). This concept has the advantage that it also entails the reports on local government activities in cooperation with or conducted through private entities or other governments. These kind of relationships, which can be very relevant, would not have been reported when applying the two former concepts.

* *"legal entity concept"* This concept implies that the legal boundaries of a local government stand for the accounting entity.

The Belgian legislator has selected this last concept for municipalities and for OCMWs. Therefore, their accounting systems only recognise activities carried on within their legal framework, separated from third parties in the legal sense, even if there exists a strong financial, political, economic relationship.

Thus, in the case of municipalities activities of strongly related parties such as OCMWs, intermunicipal organisations, church governments, etc. are never accounted for in the municipal accounting system. They may not even be disclosed in the municipal annual reports. Vice versa, in the accounting system of the OCMWs all the other related parties are not recognised as belonging to the same group. Furthermore, an obligatory consolidation of the municipal perimeter is not at all regulated nor conducted in practice. It is quite obvious that it becomes difficult to interpret and to use such accounting figures in order to support management tools.

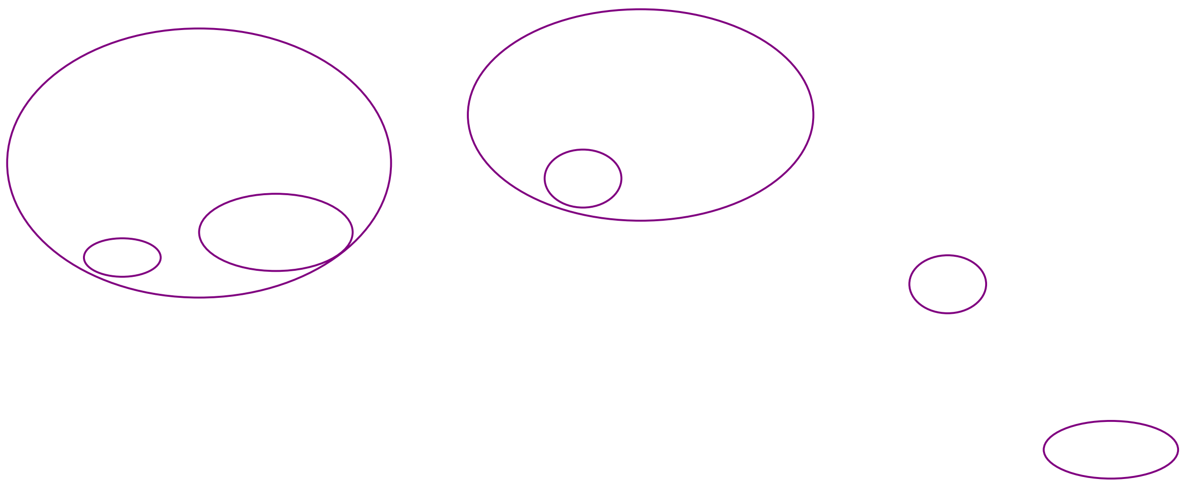
The situation of the Flemish day-care centres is very specific. An important number of them are actually in a legal sense part of a municipality. In other words, a municipality should keep records according to their accounting regulations, but if day-care centres being belonging to that municipality exist, they should also account separately for the day-care centre according to different rules. An analogous situation occurs in OCMWs. Finally, there are also a lot of autonomous day-care centres (DCC) as is shown in following figure:

Figure 1: Entities

Municipality including DCCs

OCMW including DCCs

Autonomous DCCs



5.1.6 Level de minimis: the level of *de minimis* is the amount at which an acquisition (e.g. machines, equipment, etc.) is accounted as an asset. This question is only regulated for the

Flemish OCMWs: acquisitions of 100.000 BEF or more have to be recorded on the asset-side instead of being registered into the Profit/Loss Account.

5.1.7 Depreciation: for fixed assets depreciation method, lifetime and thus depreciation percentages are strictly defined for municipalities, Brussels' OCMWs, Walloon OCMWs as well as for Flemish day-care centres. This does not imply that all the rules are exactly the same, important differences remain.

Flemish OCMWs should also use fixed defined rates. However, OCMWs may modify the percentages by shortening the asset's lifetime in order to comply better with the actual situation; an adaptation towards a longer lifetime is not tolerated.

5.1.8 Chart of Accounts: in Belgian enterprises the Chart of Accounts is legally defined and encompasses a minimum number of accounts to be applied in the General Ledger. These legally defined accounts have to be extended or adapted with respect to the typical situation of the enterprise. This approach was adopted by the reform of Flemish OCMWs and Flemish day-care centres. However, in the accounting reform of municipalities, Walloon OCMWs and Brussels' OCMWs the General Ledger accounts are strictly defined and may not be extended or modified. It is obvious that this approach diverges the intended New Public Management.

5.1.9 Audit: contrary to the situation in most other European countries that have reformed their governmental accounting, professional auditing is not regulated in Belgian municipalities, Brussels' OCMWs, Walloon OCMWs nor in Flemish day-care centres. There are only the traditional Oversight Bodies (i.e. Provinces, Flemish Public Institution "Kind en Gezin") executing a budgetary based approval and an enactment of the figures of the annual reports and of the decisions taken by the local government.

The Flemish OCMWs on the contrary have an obligatory internal and external audit of the financial reports, though this audit is not performed by professional and competent independent auditors.

5.1.10 Planning: apart from the yearly budget providing the authorisation to spend and to receive financial resources, no managerial planning and follow-up system is devised for the municipalities, Brussels' OCMWs, Walloon OCMWs and Flemish day-care centres. Only for the Flemish OCMWs a system of long term planning with a minimum of 3 years and a maximum of 6 years as well as predefined yearly budgets were introduced. These yearly budgets providing management information consist of exploitation budgets, investment budgets and liquidity budgets. These kinds of budgets are no longer meant as part of a cameralistic system, but have to support a managerial planning, decisions, performance measurement, follow-up and reporting.

5.1.11 Management tools: although the accounting reforms are all intended to provide management tools, only for Flemish OCMWs an obligatory concept of management, has been worked out. Without going into detail it is worth noticing that a function of "budget-responsible" has been created. Hence, the budget-responsible's competencies and corresponding responsibilities can be assigned and managed. The budget is set forward as a target and management control becomes a necessity. The focus is on management reporting per activity centre (i.e. a kind of a business centre) of the OCMW, which can be operational services, supporting services, general services and non-allocated services.

5.2 *Diverging material accounting practices: empirical findings*

Since the OCMWs are still in a period of transition, annual accounts are hardly available at this time. The Flemish day-care centres have not even started implementing their accounting reform. On the other hand, municipalities had to start the adoption at the latest in 1995. Based on a recently developed empirical accounting research (Christiaens 1999) their compulsory accounting standards were tested in practice. This empirical study reveals an important number of problems, differences, disparities and inconsistencies among the municipal accounting practices in spite of a rather strict legislation.

An important finding is the extreme divergence of the applied values per m^2 for land of roads, watercourses and buildings (e.g. for land of roads the lowest unit value was 10 BEF/m^2 whereas the highest unit value was 452 BEF/m^2. These figures are by no means outliers. One could argue that this divergence is at least partly caused by a lack of economic market mechanisms in order to define values. A second reason is the arbitrary and uncontrolled estimation of an enormous, historically grown heritage. Assets unexpectedly not disclosed were mainly constructions, watercourses, sewers and other networks, probably because of a different juridical ownership. Stocks were almost never disclosed, which renders the application of a stock management system difficult and which is contrary to the objectives of the New Public Management accounting reforms.

The study revealed that provisions for risks and charges were not accounted for, and neither were they disclosed in the annual accounts. In particular, provisions for pensions are a very important issue in a number of municipalities. Therefore, a sound financial management based on a actuarial planning of pensions and their payments is made difficult, which is again contrary to the basics of the New Public Management reforms. The municipal art patrimony in the first balance sheet is characterised by importantly varying practices and incomparable valuation rules.

Accruals and deferrals appear to be misunderstood by a number of municipalities. Some of them have adapted their contracts juridically to avoid the necessity of recording accruals and deferrals.

One could argue that these problems of divergence are due to the fact that such a reform was only applied for the first time and that over the coming years this situation will automatically be resolved. However, the study showed that even experienced municipalities, which started the adoption before 1995, give the same problems. Therefore, one can conclude that the problems of divergence will not automatically disappear.

5.3 Possible explanatory factors

The fact that the new public management reforms in Belgium are converging could be explained by the lack of a conceptual governmental accounting framework other than business accounting. The Belgian legislator must have been convinced that there is only one accounting system, viz. business accounting and that this system needs to be imposed on the governmental sector in order to improve new public management without properly questioning the function of the system, user needs, objectives and without examining the transferability of business accounting.

Once the imposed transfer of business accounting was decided by the legislator, the business-like concepts were transposed to the surroundings of the specific governments and here the divergence started. Governments do not like to be overruled, they want to stick to their previous systems; standardsetters cannot simultaneously control all different governments. Therefore, the accounting standardsetters, who were not familiar with each of the different types of governments in Belgium, approached the governments separately, thus creating the context for accounting systems that are drifting apart. This conclusion is corroborated by previous research indicating that different contextual factors (e.g. historical and cultural traditions) lead to different accounting reforms (Mellemvik and Monsen, 1995, p. 188 ; Chan et al. 1996, p. 11).

In practice, this divergence is accentuated due to the lack of professional accounting support and the lack of a consistent professional audit. Finally, the rather difficult accounting communication among governmental accounting staff over different governments could also be an important explanatory factor. Caperchione (1995, p. 72) points at the autonomy of governmental entities as an important factor explaining the variance in their accounting reforms.

Another problem is the absence of the link between the reformed accounting system and the corresponding New Public Management reform. In other words, it is not made clear how the new accounting systems can support the New Public Management. Therefore, the New Public Management reforms could be converging whereas the consequent reforms of the accounting systems are diverging.

The developing divergence causes a number of New Public Management problems. Hence, it could undermine the aimed purposes of the governmental accounting reforms. More in particular it becomes difficult to obtain a total accountable picture of the local governments, in which the need for consolidation plays an important role.

Finally, empirical governmental accounting research is very scarce in Belgium, which might explain the lack of feedback from the real-world to the legislator and oversight authorities. Hopefully this study may remedy this problem and create an awareness of the need for further research.

6. CONCLUSIONS

The current governmental accounting reforms aim to improve the New Public Management and stem from the tendency to adopt accrual accounting and its related management tools in governmental entities in a convergent way.

However, this study reveals that from a conceptual point of view the accounting regulations are not formally reformed in a convergent, harmonious way. On the contrary, they are coping with a "proliferation" and a built-in divergence instead of reaching the aimed convergence or harmony.

Looking at the empirical outcomes in municipalities in which the adopted accounting practices are varying enormously, the study reveals that the material divergence is even worse than the formal divergence and that the development of New Public Management tools based on the reformed accounting system is poor.

Therefore, the hypothesis that the general convergence of local government accounting reforms does not imply a similar convergent implementation of the accounting practices, can be confirmed. An important consequence is the drifting apart of accounting practices instead of a tendency to generally accepted governmental accounting practices, which actually undermines New Public Management purposes. Such a proliferation of accounting systems and accounting practices will undoubtedly lead to a lack of transparency and accountability of governmental entities. Consolidation of different types of governments will be very difficult to achieve and will create debates among the providers and the users. Local governments will become more difficult to compare vis-à-vis their former reporting systems.

Finally, an attempt was made to indicate a number of possible reasons for these phenomena and hopefully conclusions can be drawn for the coming years. The legislator and the standard-setters should be able to remedy the problem of divergence knowing the actual results. Moreover, the need for controlling governmental accounting reforms becomes apparent. An important means to achieve this could be the support of professional auditors and overseers in the context of a central standard-setting body.

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