

## International Conference on Business and Economics - Hellenic Open University

Vol 2, No 1 (2022)

ICBE-HOU Proceedings 2022



**Public management reform under the dome of accruals (Presidential Decree 54/2018): Investigation of the effects on the financial information and the audit of the General Government entities**

*Spyridon Goumas, Pavlos Karastogiannis*

doi: [10.12681/icbe-hou.5348](https://doi.org/10.12681/icbe-hou.5348)

### To cite this article:

Goumas, S., & Karastogiannis, P. (2023). Public management reform under the dome of accruals (Presidential Decree 54/2018): Investigation of the effects on the financial information and the audit of the General Government entities. *International Conference on Business and Economics - Hellenic Open University*, 2(1). <https://doi.org/10.12681/icbe-hou.5348>



**Public management reform under the dome of accruals (Presidential Decree 54/2018): Investigation of the effects on the financial information and the audit of the General Government entities**

Goumas Spyridon, Professor, University of West Attica, Department of Accounting and Finance

Petroy Ralli and Thivon 250, 12244, Aigaleo, Attiki  
2105381782 - [sgoum@uniwa.gr](mailto:sgoum@uniwa.gr)

Pavlos Karastogiannis\*, PhD Candidate, University of West Attica, Department of Accounting and Finance

Petroy Ralli and Thivon 250, 12244, Aigaleo, Attiki  
2105381782 - [pkarasto@uniwa.gr](mailto:pkarasto@uniwa.gr)

\*corresponding author: Pavlos Karastogiannis

---

### **Abstract**

Presidential Decree 54/2018 legislated the introduction of accrual basis accounting from 1/1/2023 to all entities of the General Government of Greece in accordance with the European System of Accounts 2010. We study the effect of accrual basis accounting under the 54/2018 on financial information and audit of entities, as well as the transition process. The research was conducted using the qualitative method, the structured interview protocol was the data collection tool and the participants were the employees of the Third Department of the General Government Accounting Plan. We find that there will be objective information of the entity's financial position and performance, depreciation, provisions, impairments and fair value of assets. Transparency and accountability are strengthened, audits are facilitated to establish useful sound financial management, there is a central control of public finances and the phenomena of corruption and financing of public officials will be reduced. The job of the audit mechanisms is strengthened, audits become more effective and the way available resources are managed is more precisely controlled. Major difficulties during the transition are the lack of personnel and an appropriate accounting information system, and in combination with the covid-19 pandemic, it was noted that the transition cannot be implemented on 1/1/2023 and for that reason our results suggest an extension to 2025 for the transition, proposal which was implemented on July 30, 2022 with Law 4964/2022.

**EL Classifications:** H83, P41, M48.

**Key words:** Accrual Accounting, Accounting Reform, General Government, Accountability, Audit.

---

## 1 Introduction

In the Public Sector accounting has traditionally been used as a tool to plan, monitor and categorize expenditure and income by type. In this context, until the 1980s, public sector organizations used cash-based accounting to monitor their financial operations. Since then, began the shift of public sector organizations from recording cash inflows and outflows to monitoring financial status and financial results. In recent years, the public sector of all states has gone through a journey full of challenges and significant changes, as it is under the canopy of a new orientation and an achievable transformation (Nistor and Stefanescu, 2018). The motivation for developments in the public system was mainly enhanced by the need for citizens to trust governments (Christensen, 2002). Measurement systems around the world have gone through a long period of continuous reform, starting with the cash method and working their way up to the full accrual basis. Several OECD and EU member states have effectively adopted accrual accounting or are in the process of adopting it, expressing satisfaction with the achievement of the main reform objectives of transparency and accountability (OECD, 2017).

The fiscal crisis of Greece that began in 2008 necessitated the adoption of new modern accounting measures for the entire Public Sector. In this context, Greece fulfilled its obligation to incorporate into national law the European Directive 2011/85 regarding the requirements for the fiscal frameworks of the member states of the European Union (Council of the European Union, 2011). According to the Directive, the member states of the Union should have public accounting systems that comprehensively and systematically cover all sub-sectors of the General Government according to the European System of Accounts 2010 and contain the necessary information for the production of data on an accrual basis, ensuring transparency and accountability while being subject to internal audit and independent auditing (OECD, 2017).

### 1.1 The introduction of the accounting accrual basis to the entities of the General Government of Greece

The General Government of Greece according to the rules and criteria of the European System of Accounts 2010 includes three sub-sectors: the Central Government, the Local Government Organizations and the Social Security Organizations. The entities belonging to each sub-sector are identified by the Register of General Government entities maintained under the responsibility of the Hellenic Statistical Authority. More specifically, each subsector includes the following entities.

**Table 1.** Structure of the General Government of Greece

General Government of Greece	Central Government Subsector	<ul style="list-style-type: none"><li>• Central Administration</li><li>• Legal Entities of Central Administration</li></ul>	Central Administration: <ul style="list-style-type: none"><li>• Presidency of the Republic</li><li>• Ministries</li><li>• Decentralized Administrations</li><li>• Independent Authorities (without legal personality)</li></ul>
------------------------------	------------------------------	---	---

		<ul style="list-style-type: none"> <li>• Independent Authorities (with legal personality)</li> </ul>	<ul style="list-style-type: none"> <li>• Parliament</li> </ul>
	Local Government Organizations Subsector	<ul style="list-style-type: none"> <li>• Municipalities first decree</li> <li>• Municipalities second decree</li> <li>• Legal Entities of Municipalities</li> </ul>	
	Social Security Organizations Subsector	<ul style="list-style-type: none"> <li>• Social Security Funds</li> <li>• Employment Organizations</li> <li>• Health Service-Providing Organizations</li> </ul>	

**Source:** Article 14 of Law 4270/2014 (Government Gazette 143/A) and article 10 of Law 4337/2015 (Government Gazette 129/A)

Each sub-sector of the General Government applies its own accounting system, which is provided for by a corresponding Presidential Decree. More specifically, the entities of the Central Government, excluding the entities of the Central Administration, apply the Presidential Decree 205/1998 and the Presidential Decree 146/2003 the public health units. The entities of the Local Self-Government Organizations sub-sector apply Presidential Decree 315/1999 and the entities of the Social Security Organizations sub-sector apply Presidential Decree 80/1997. The entities of the Central Administration apply Presidential Decree 54/2018 from 1/1/2019.

The incorporation of the European Directive 2011/85 led to the institutionalization of Law 4270/14, which defined the issuance of a Presidential Decree for the establishment of a new Accounting plan and the introduction of the accounting accrual basis in the entities of the General Government. In implementation of Law 4270/2014, Presidential Decree 54/2018 was issued, which aimed in the transition of all General Government entities to a modernized accounting system based on the accrual basis, through which there will be effective fiscal management, transparency in financial transactions and direct knowledge of the financial data of the obligations and requirements of the State based on the standards of the European System of Accounts 2010.

Presidential Decree 54/2018, was the first step for the effective management of public resources through the establishment of the double-entry system and the application of the principles of accrual accounting in a uniform manner, initially from 1/1/2019 in the entities of the Central Administration and after 1/1/2025 to the entities of the General Government. A single accounting plan was established for all entities of the General Government, which strengthens transparency in financial management, improving the quality of financial reporting data and overcoming the existing fragmentation. The provisions of 54/2018 and the accrual basis accounting, in the current time period, are applied by the General Government

Accounting Directorate of the General Secretariat of Fiscal Policy of the Ministry of Finance for all entities of the Central Administration and not by each entity separately. All entities and agencies that are part of the Central Administration are only involved in the execution of the budget, and not in the application of accrual accounting.

## **1.2 Necessity of accounting reform**

The correct and objective depiction of the financial situation of the entities of the General Government based on international standards was a critical reform field. Each sub-department of the General Government applied its own accounting system and plan, resulting in five different accounting systems.<sup>1</sup> The diversity of the accounting plans, the absence of the application of the accrual basis of accounting in a unified framework, the lack of a unified accounting information system and the absence of a legislated central responsibility, called into question the quality of the financial data and made it difficult to draw safe and uniform conclusions about the management of public money (Cohen and Karatzimas, 2014). More specifically, there was no complete picture of the obligations undertaken by the entities and they only appeared to the Ministry of Finance after the fact, with the result that the initial budget forecasts were overturned and deficits and an increase in public debt were created. The update on the fiscal figures was of a piecemeal nature, with a time delay, qualitatively problematic and public resources were not used efficiently. The Ministry of Finance was not able to fully monitor the total expenditure of the General Government. This situation negated the possibility of possibly changing course to prevent problems.

The implementation of Presidential Decree 54/18 will contribute to the transition from the existing accounting diversity, to a single accounting plan based on the principle of accruals in a uniform manner by all entities of the General Government, exporting financial data and reports based on the standards of the European System of Accounts 2010. According to Presidential Decree 54/2018, the entities, which are subject to the implementation of the Decree, are required to maintain an appropriate accounting system for monitoring income, profits, expenses, losses, other elements of net worth, assets, contingencies assets, liabilities, contingent liabilities, provisions and other financial flows and the preparation of the required financial reports. After the publication of 54/18, its practical application began initially in the narrow public sector, i.e. the Central Administration, and its application is expected to be extended to all General Government entities from 1/1/2023, as the remaining four individual aforementioned Presidential Decrees and accounting systems remain in effect until 31/12/2022. Recently, with the provisions of Law 4964/2022 enacted on July 30, 2022, which stipulate that the provisions of Presidential Decree 54/2018 will be implemented from 1/1/2025. So, until 31/12/2024 will be applied five sectoral accounting systems to the entities of the General Government which are foreseen by the Presidential Decrees 80/1997, 205/1998, 315/1999 146/2003 and 54/2018.

---

<sup>1</sup>The entities of the Central Administration, before the implementation of Presidential Decree 54/2018, applied the Modified Cash Basis Accounting which was established by Presidential Decree 15/2011. The adoption of this Basis aimed at the gradual transition from cash basis accounting to accrual basis accounting.

Accrual accounting introduced by Presidential Decree 54/18 leads to greater transparency of public spending and fiscal discipline, resulting in more efficient and effective governance. Actions are therefore required for the universal implementation by all entities of the General Government according to ESA 2010. The establishment of a single accounting plan for all previous entities will lead to the unification of accounting rules, will help to abolish accounting pluralism, by concentrating of the set of accounting rules in a legislation structured on the basis of the best accounting practices. The new accounting rules ensure reduced operating costs, effective audits, ease of understanding of financial statements and alignment with international accounting practices (Cohen and Karatzimas, 2015). In addition, it provides the possibility for safe, scientific and complete data on financial statements and transactions.

### **1.3 The financial reports of Presidential Decree 54/2018**

The management of the liable entities is responsible for maintaining a reliable accounting system. The accounting system is maintained based on the double-entry method and allows the monitoring of financial reporting data at the ultimate level. As part of the accounting system, they use the common chart of accounts to record transactions, events and other transactions, facilitate accountability and transparency, and facilitate the preparation of financial reports. The chart of accounts, in combination, as the case may be, with the entity's information system, serves at least the financial, administrative, operational and other classifications. Financial, administrative and operational classification are mandatory.

Financial reports include the financial statements, the financial reporting statement and the budget/statement statement and comparison of the statement with the financial statements. The financial statements include:

- (a) the statement of financial position (balance sheet),
- (b) the statement of financial performance (statement of results),
- (c) the statement of changes in equity,
- (d) the statement of cash flows,
- (e) the explanatory notes to the financial statements.

The financial statements are prepared with the assumptions of the accrued, except for the statement of cash flows, and the continuation of the activity. The accounting policies for the preparation of the financial statements are based on internationally accepted accounting standards for the public sector, such as the International Public Sector Accounting Standards (IPSAS). Any amendments to the internationally accepted accounting standards for the public sector, and IPSAS in particular, will be taken into account and evaluated by the competent General Government Accounting Directorate of the State General Accounting Office, which will recommend any adjustments to the present rules to the Minister of Finance. The information provided through the financial reports, they must meet the following quality characteristics: relevance, fidelity, comprehensibility, timeliness, comparability and verifiability. The limitations of materiality and benefit-cost ratio are taken into account when preparing financial reports.

### **1.4 Objectives of the study**

From the above it is concluded that it was necessary to introduce the accrual basis on a

unified basis as well as to draw up a new unified accounting plan for all entities of the General Government according to ESA 2010. The accounting reform is of major importance and has a long-term nature as it is a multidimensional venture. The purpose of this research is to investigate the effects of the transition to the accounting accrual basis, in the light of Presidential Decree 54/2018, on the financial reporting and audit of the entities of the General Government according to ESA 2010.

The specific objectives are to investigate:

- The transition of the General Government entities to the accrual basis accounting is necessary in the light of Presidential Decree 54/2018.
- How useful is the new accounting framework to General Government entities in terms of correct financial reporting.
- How useful is the new accounting framework to General Government entities in enhancing their transparency, accountability and audit.
- What difficulties exist and how is the implementation progress towards the transition to accrual accounting.

## **2 Literature Review**

### **2.1 Accrual accounting base in the public sector**

The international trend is that of adopting accrual accounting base in the public sector instead of cash accounting base (Chan, 2003). The international literature argues that through accrual accounting base, the financial situation and financial structure of public sector entities are presented more accurately, the transparency and accountability of public officials is improved (Cohen, 2012; Newberry, 2014), the available resources and the efficient management of entities' financial resources can be validly measured (Cohen and Karatzimas, 2014; Brusca, Gomez-Villegas and Montesinos, 2016).

Transactions of entities are depicted uniformly and accounting information becomes reliable for decision making. Audits are simplified, productivity is increased and public sector accounting is linked to the extent possible with private sector accounting and the possibility of safe, scientific and complete data on financial statements and transactions is provided (Rodosthenous, Goumas and Gasteratos, 2016). Correlation of revenues and expenses is allowed, providing the possibility to accurately determine the financial result of the financial year (Hoque and Moll, 2001; Cohen and Karatzimas, 2014). For Christensen (2002), this accuracy comes from the possibility to take into account non-cash income and expenses for which no information would be available with cash basis accounting. So, it is possible to relate the cost of operating the public entity to the corresponding period of time and to estimate the cost of the services provided (Cohen, 2012). Of course, it is a necessary condition that public entities keep complete records of assets and liabilities to facilitate management control.

The depiction of the asset situation of a public sector entity with accrual basis accounting is very important for its operation because it provides the possibility of monitoring the ways of their financial management (Newberry, 2014; Pettersen, 2001). At the same time, it is possible to make comparisons between public sector entities regarding their financial position and efficiency (Owusu-Ansah and Leventis, 2006). The possibility of

comparison is not provided by cash basis accounting, as the financial figures resulting from its use do not offer satisfactory data for comparisons. For example, the accounting data derived from the cash basis, while providing insight into how the entity's cash resources were consumed,

Accrual accounting base improves the monitoring of overdue debts as well as monitoring the long-term viability of the entity, leading to optimal management of debt and assets. Citizens of a country can know with relative accuracy the burden on future generations for services received by previous generations (Chan, 2003). Accrual accounting provides a broader measure of the overall fiscal position than cash accounting (Veggeland, 2015). It therefore facilitates better assessments of the sustainability of fiscal policy. For example, in addition to traditional debt, it also includes quasi-debt liabilities (e.g. future liabilities to pay public service pensions), depreciation, environmental liabilities, accounts payable, accrued interest, changes in asset valuation (Cohen et al., 2013). Accrual accounting base also improves the quality of decision-making through improved balances and accuracy in macroeconomic forecasts, and allows monitoring of the composition of fiscal accounts. Because it provides a longer-term perspective on the effects of fiscal policy, and is more consistent with accounting conventionally used in the private sector, it is also supported by credit rating agencies and financial markets. For Christensen (2002) the accrual basis enhances trust and transparency and contributes to faster economic growth.

Several researchers have studied the evolution of accrual accounting in public organizations. Some have questioned the usefulness of business-like accounting techniques in public organizations (Bromwich and Lapsley, 2002; Falkman and Tagesson, 2008; Robinson, 1998;). Others having carried out empirical studies in public organizations where accrual accounting has been introduced (Pallot, 2001; Christiaens and de Wielemaker, 2003; Newberry and Pallot, 2004) concluded the usefulness of accrual accounting. Scholars have expressed hopes and fears regarding the introduction of accrual accounting in public organizations. Although the results of these studies vary, most of them lead to the adoption of the accrual basis. In total, there has been and still has a great interest in the prospects of accrual basis accounting in public sector entities, but due to the fact that it is a relatively recent phenomenon in most countries, and which still preoccupies states, and seems likely to continue to preoccupy in the following years, it was deemed necessary to study the introduction of accrual accounting in Greece.

## **2.2 The impact of accrual accounting on the quality of financial information**

Accounting is the process of identifying, measuring and communicating financial information to users of the information to make timely decisions (Cohen, 2012). Information quality is a critical issue for most organizations, and governments are no exception. The financial statements of public sector entities depict financial and non-financial information related to financial and other events (Veggeland, 2015). The qualitative characteristics of accounting information are the characteristics that make the information provided in financial statements useful to stakeholder groups, and serve the purposes of accountability and decision making (Cohen, 2012). According to Cohen and Karatzimas (2014) as quality characteristics of accounting information useful for information users are reliability, relevance, accuracy, topicality-timeliness,

comprehensibility, comparability and verifiability. In order these financial information to serve its intended purpose, it should be of good quality to improve decision making. These characteristics must accompany the financial information whether the accrual or cash basis of accounting is used. These characteristics must accompany the financial information whether the accrual or cash basis of accounting is used.

Information made available to the community will be more useful if it comes from good quality sources. Accrual accounting in the public sector aims to improve the quality of information presented to citizens and stakeholders, as well as to understand the budget and expenditure incurred in the provision of public services (Newberry, 2014). The application of accruals increases transparency and accountability as more detailed information is provided in financial statements, although understanding requires knowledge and experience (Christensen, 2002). Accrual accounting can be considered to increase the relative value of financial statements because accrual accounting can provide more complete information.

Information based on accrual accounting will also have better feedback and predictable value compared to cash accounting. The application of accrual accounting is also considered more reliable compared to cash accounting. Financial statements generated by accrual accounting are considered neutral, easy to verify (Cohen and Karatzimas, 2014) and offer comparability. This assumption comes from the habits of financial statement readers in reading financial statements presented by private companies. This habit can cause readers of financial statements to believe that accrual accounting will be able to improve the comparability and understanding of financial statements.

### **2.3 The users of the financial statements of public organizations and their needs for information**

Interest groups, whether internal or external, constitute the users of accounting information (Jones, 1992). In the review of the literature, it was found that there is no absolute agreement regarding these groups and their information needs. However, the recognition of these groups is very important for the informational value of public accounting systems. If there is an incorrect identification of these groups, then accounting systems of lower information value than required are created (Jones, 1992). IPSAS place great importance on meeting the needs of users of accounting information, emphasizing particularly in the importance of providing understandable, timely, relevant, reliable and comparable information to users of the financial statements of public entities (IPSASB, 2022).

According to IPSAS 1 the users of information are taxpayers, the legislature, creditors, suppliers, the media and employees. For Mayston (1992) the potential users of the information of the financial statements of public organizations are the society as a whole (consisting of taxpayers, voters and consumers of public goods and services), the elected representatives of taxpayers (i.e. parliamentarians, regional and municipal representatives), policy-makers (i.e. central government and other authorities, and their officials and advisers), decision-makers in public organizations (i.e. managers of public

entities), employees and professionals working in the public sector, the audit bodies (in Greece the Accounting Standardization and Audits Committee and the Audit Court) and the regulatory authorities (in Greece the Independent Public Revenue Authority), the mass media, financial analysts, lenders, suppliers, financial institutions and in general the creditors of entities of public sector.

Jones and Pendlebury (2010) argued that all citizens are theoretically potential users of public sector accounting information, as this is consistent with the principles of democracy. The same opinion was reached by Brusca and Montesinos (2006) who emphasized that citizens' electoral decisions are linked to public accounting information, although it is not intended to meet these needs. In fact, they concluded that if the accounting information meets the information requirements of the citizens then there is a significant benefit for them. Citizens from the financial statements of public organizations are informed about the operations of the organization, about their financial situation, the harmonization with the budget and the utilization of specific programs. Politicians use the accounting information of public organizations on the one hand to exercise internal control and on the other hand to account to the organizations of their external environment. Policy makers, such as central government, ministers and their advisers, have useful information from organizations' financial statements, especially if they have been prepared with a commonly established framework (Cohen et al., 2007).

The managers of a public organization are responsible for the execution of the decided policies of the government and for the day-to-day operation of the organization (FASB, 2008). To implement the above, they use information regarding the organization's available resources, equity, obligations and requirements, as well as transactions and situations that change incoming and outgoing resources (Jones and Pendlebury, 2010). Another group of stakeholders are public sector workers and freelancers, as their income comes from the public organizations to which they provide their services and goods. So they want to have the accounting information regarding the ability of the long-term survival and operation of the organization.

Public organizations are obliged to publish periodically, usually on an annual basis, their reports and their fiscal reports-financial statements. In Greece, the main control body for evaluating the performance of the General Government is the Court of Auditors. Public sector audit mechanisms assess the performance of public entities. Audit bodies draw information from the results of the period, from the financial situation of the public entity and from the execution of the budget. With this information they evaluate the entity's financial management and performance and whether decisions were made with a rational cost/benefit ratio that contribute to the achievement of objectives with the least possible resources (FASB, 2008). The legislature and independent oversight authorities use the financial reports prepared by the executive branch to evaluate the latter's proposals for funding and spending.

A public organization needs resources to function. If it is not funded with the required resources at least for its operational activities, it will cease to function in the long run (Cohen and Karatzimas, 2014). These resources may come, in addition to government funding, from lenders, suppliers, financial institutions and generally from creditors. Those who contribute their funds in various forms of resources want to know the ability of the

organization to continue to provide its services and achieve its objectives (FASB, 2008).

So all stakeholder groups seek the accounting information of public organizations through their financial statements to support their financial decisions related to the organization (Cohen, 2012). Users of financial statements, whatever group they belong to, have three common interests in accounting information (FASB, 2008). The first interest is in the services offered by the organization, the second is the effectiveness and efficiency in the provision of services and the last is the ability of the organization to continue its operations. Understanding sustainability is not easy for a user, even if he is familiar with financial statements, as it requires combining data from different situations and calculating indicators (Domingues et al., 2017).

#### **2.4 Peculiarities of the application of the accrual accounting basis to the entities of the General Government**

Public sector entities, in the vast majority of them, are characterized by a lack of modern financial, accounting and costing organization, resulting in the inability of the Administrations and the State to know precisely the financial situation of the entities, including their property situation, operating costs, the obsolescence of the equipment and the condition in which it is found, as well as the effectiveness of the government subsidies received (Chytis et al., 2020). Change management planning must adopt and implement management processes that support changes in human resources, facilities, operating procedures, materials, equipment, software, external environment and everything else that can positively affect the daily operation of a public entity in connection with the strengthening of administrative changes (Cohen, Kaimenakis and Venieris, 2013). The process of introducing and implementing accrual basis accounting in the General Government agencies is a multidimensional undertaking as it requires human and financial resources, proper planning, organization and coordination of specific implementation schedules.

The application of accrual basis accounting in financial management will both bring about and require changes in their structure and operation, while giving the opportunity to upgrade financial management (Rodosthenous, Goumas and Gasteratos, 2016). The process of transitioning to accrual accounting may face difficulties in the process followed at the beginning of its application and in its implementation methodology. It becomes clear that for the proper monitoring of all this activity, a reliable information system is required that will ensure reliable and documented financial information. In particular, the existing public accounting system must work in parallel with accrual accounting, and with the existing infrastructure not facilitating the implementation of an accrual basis. The IT infrastructure should be suitable to support the new accounting system, so that there is a uniform recording and analysis of all accounting data in real time and with reliability.

The process of transition to accrual accounting is a time-consuming and complex process, in which a sufficient number of employees, of various specialties and departments, should take part in. State employees who are required to implement the Presidential Decree that provides for the application of accrual accounting should have the appropriate knowledge and skills (Veggeland, 2015). The training of employees in the new accounting

system must be both theoretical and practical, but also continuous, so that they are able to correctly apply the provisions of the Decree. The determination but also the persistence, as well as the employment of people with the appropriate knowledge, abilities and skills that will be able to solve any problems that will reasonably arise and proceed with the adoption of the new accounting basis, are one of the conditions for the success of the accounting reform in Greece (Askounis et al., 2016). In order to exist uniformity in the final result, the cooperation of the employees of the financial services is required both within the agency and other agencies of the State, as well as with the Central Administration (Cohen and Karatzimas, 2014). The project of introducing accrual basis accounting in the General Government entities is expected to clash with the existing structures of the entities, in which the bureaucracy and the related civil servant mentality of the staff, combined with the bureaucratic procedures, they make it difficult to introduce financial, accounting and management changes in entities (Naughton and Spamann, 2015).

The expansion and deepening of the accounting reform requires proper planning and organization, an increase in resources, cooperation between political power and public administration and strengthening of the support measures of the General Directorates of Financial Services and in general of the Financial Services of the entities for the success of the project (Cohen, 2012). At the same time, practical issues arise that must be addressed before the first application of the accrual basis. Such issues are the recording and valuation of all liabilities, claims, stocks as well as all assets of the State, as well as the creation of a Registry of Fixed Assets, to monitor all fixed assets of the State (Brusca and Martínez, 2016). Moreover, it is important to point out the advantage of using fair value which is adopted and contributes to the presentation of the real value of public assets (Christensen, 2002).

It follows, then, that the successful implementation of accrual basis accounting is based on many factors, and is therefore a long and very complicated process. To successfully implement the accrual basis requires more than five years of intensive effort and preparation at all the aforementioned levels (Connolly and Hyndman, 2006). In Greece, since 2011 when the European Directive 2011/85 was issued until 2021, the accrual basis has not been applied for all the entities of the General Government, as it is still in a transition regime. For the successful outcome of the undertaking, political will is necessary, which must first embrace the need to implement the accrual basis and then pursue its implementation, providing all the required resources and means (Cohen and Karatzimas, 2015). Of course, politicians who will support such a long-term effort are called upon to invest existing resources and means, depriving them of the possibility of allocating these resources to other policies. It is worth emphasizing that the decade 2011-2021 was marked by the fiscal adjustment of Greece due to the high public debt in terms of the Gross Domestic Product as well as by the health crisis of covid-19 (Cohen et al., 2021). Moreover, throughout this period the management consultants involved did not understand the practical difficulties of implementation due to the lack of specialized staff, inadequate IT systems and the lack of public administration information about the procedures (Cohen and Karatzimas, 2015). This reform must be based on pragmatic parameters relating to IT, accounting and reporting standards, accounting training for employees and citizens' information needs.

## 2.5 Prior research

Governments need an effective information system to provide useful information to decision makers, who in turn can evaluate government performance. Rossi et al., (2016) argued that it was necessary to adopt relevant financial reporting standards in European Union countries to increase accountability and facilitate audit processes and help decision makers to fight corruption. They claimed that the harmonization of public sector accounting standards of European countries through the adoption of IPSAS can pave the way for the preparation of comparable financial reports.

Chytis et al. (2020) studied the level of acceptance and preparation of Local Government Organizations regarding the adoption of IPSAS in Greece and concluded that participants who are not familiar with IPSAS accept the need to implement it, although municipalities in Greece are not prepared for the accounting transition to IPSAS. It was established that in Greece the existing reforms enacted are at an early stage and there are delays in their implementation. The main reason was found to be the lack of experienced and specialized staff who can manage the transition to IPSAS and implement them. Therefore, it is necessary to train staff in IPSAS. In addition, the existing information systems of the municipalities should be replaced by a modern system, which will be common to all municipalities. It also found that there is a need to change the mindset of both employees and elected officials about the impact of implementing the standards on transaction transparency and accountability.

Cohen and Karatzimas (2016; 2017) studied the accounting standard setting process in Greece and assessed the quality of government financial statements that were prepared under the modified cash basis of accounting, an intermediate basis before accrual basis accounting. Their findings showed that the standard-setting process was not effectively monitored by the country's politicians and lenders. The financial information provided by the modified cash basis was not characterized by a high level of quality and the information was moderately necessary. For Cohen and Karatzimas (2015), the process of changing the accounting basis at the government level is influenced by various factors, such as politicians, consultants, citizens, who each play a different role. Public finance accounting numbers affect relationships with lenders, creditors and investors. The management consultants involved sought to promote the latest developments in IFRS and IPSAS, but did not understand the practical difficulties of implementation due to the lack of specialized staff, inadequate IT systems and the lack of public administration information about the procedures. Stamatiadis (2009) examined the attitudes of employees in the financial services and accounting departments of public hospitals in Greece regarding the implementation of accrual accounting (IPSAS) by the Hellenic National Health System. His findings showed that the rate of adoption was satisfactory, but the rate of adoption of the accrual accounting system was not considered sufficient.

The introduction of accrual accounting first in local government and then in central government in Sweden has shown that organizations must have appropriate software and support packages as well as extensive staff training (Paulsson, 2006). In the implementation phase there was a need for extensive investment, a fact that was also faced in other countries that adopted the accrual basis such as New Zealand (Pallot, 2001) and Australia (Guthrie, 1998). For Jorge et al. (2019) the implementation of IPSAS in Spain and Portugal

was supported by business accounting professionals. In addition, in Portugal due to the financial crisis, there was also pressure from lenders for the country to introduce IPSAS. Dabbicco and Mattei (2020) argued that in Italy there was resistance to the transition to IPSAS due to a conservative and bureaucratic approach while in the UK the emphasis on accountability and fiscal transparency enabled effective alignment between reporting and budgeting. The application of accrual accounting in Indonesian local government entities showed that accrual-based financial statements have a significant difference in overall quality, relevance, reliability and value compared to cash-based financial statements (Karunia et al., 2019). At the same time, it is found that the quality of the financial statements improves every year. The application of accrual accounting in Indonesian local government entities showed that accrual-based financial statements have a significant difference in overall quality, relevance, reliability and value compared to cash-based financial statements (Karunia et al., 2019). At the same time, it is found that the quality of the financial statements improves every year. The application of accrual accounting in Indonesian local government entities showed that accrual-based financial statements have a significant difference in overall quality, relevance, reliability and value compared to cash-based financial statements (Karunia et al., 2019). At the same time, it is found that the quality of the financial statements improves every year.

### **3 Sample and Methodology**

#### **3.1 Sample and Background**

In the present research, the population consisted of the seven employees of the third section of the Accounting Plan of the General Government of the Government Accounting Directorate of the General Secretariat of Fiscal Policy of the Ministry of Finance. Investigating the views of these employees is of great importance as they are the only ones applying accrual accounting and the provisions of Presidential Decree 54/2018 from 1/1/2019 for all Central Administration entities under ESA 2010. Furthermore, from 1/1/2025 when the universal application is expected for all the entities of the General Government according to ESA 2010, the employees in question will play an important role, as they will have to compile the financial statements of the General Government in accordance with the Presidential Decree 54/ 2018. End, these employees will assist and guide the employees of the financial services of the remaining entities of the General Government to implement the accrual basis accounting in a unified framework. For these reasons, it was knowingly considered that the population of the research should be the employees of the previous department. Of the seven employees of this department, six were the sample of our research as they agreed to participate in the research.

#### **3.2 Research Method**

The present research was implemented through the qualitative method and the interview protocol was used to collect the data. The interview was guided and structured with specific open-ended questions, the order and wording of which were planned in detail and carried out uniformly for all subjects. In this context, the interview protocol was drawn up in order to investigate the attitudes and opinions of the participants and its axes emerged after a literature review and the formulation of the research questions (Mason, 2006). For each axis

of questions, specific questions were formulated that were in line with the research objectives and the purpose of the research, as described in a previous paragraph. It is worth mentioning that the interview protocol, in its original form, was applied as a pilot to the deputy head of the third department of the General Government Chart of Accounts, on the one hand, to check the clarity, completeness and understanding of the questions from the respondents and on the other hand, being one of the pillars of this accounting reform, his opinion were of great importance for the formulation of the protocol. Thus, taking into account his comments and clarifications, the final form of the questions was determined to meet the research objective and the research questions.

The interview protocol, included in the appendix, was structured in four axes, with each axis seeking to investigate the aforementioned respective research objectives, and which were not presented to the interviewees. Initially, there was a question numbered 1 and was related to the job position of the respondents. The first axis is made up of the questions, which are numbered 2,3,4 and 5 and examine the necessity of the transition of the General Government entities to the accrual basis accounting in the light of the provisions of Presidential Decree 54/2018. The second axis with questions 6,7 and 8 aims to investigate the usefulness of applying the new accounting framework to the entities of the General Government in terms of correct financial information. Questions 9, 10 and 11 are included in the third axis which investigates the usefulness of the new accounting framework in terms of strengthening the transparency, accountability and control of the entities of the General Government. In the fourth and last axis, questions 12, 13, 14 and 15 seek to highlight the difficulties that arise and the implementation path towards the transition to accrual accounting.

The qualitative data collected from the six interviews were analyzed through thematic content analysis, which is a subdivision of content analysis. In the present research we sought to capture, develop and interpret equally all the data collected regardless of their frequency of occurrence, under the thematic units that are the axes of the interview.

### **3.3 Procedure for conducting the survey**

The research was carried out between the period March-April 2022. The researcher, before starting the research planning process, contacted the head of the third department of the General Government Chart of Accounts by telephone in order to have a meeting. At the meeting, the researcher informed the supervisor about the context of the research, the purposes it seeks to satisfy, as well as the possible ways of exploiting the research in question by the General Secretariat of Fiscal Policy. Since the supervisor was in agreement, permission was immediately requested from the Director of Third Department for the implementation of the General Government Chart of Accounts, in which the purpose, the research objectives, the importance of the research, the implementation methodology and the tool were analyzed data collection. Then, after the Director agreed to carry out the research, the days and times when the interviews could be conducted were determined.

The research was conducted by the researcher himself in the workplaces of the employees. Before participating in the research, the interviewees were informed by the head of the department about the granting of permission to conduct the research and they were also given a cover letter explaining the purpose of the research, the importance of

participation and ensuring the anonymity of the answers. With these actions, the rules of ethics were ensured, which claim to ensure the consent and cooperation of the participants (Mason, 2006). The presence of the researcher made it possible to interact with the participants, explaining the context of the research and providing clarifications to the emerging questions. The researcher noted that there are no right or wrong answers, and that each anonymous opinion is equally important to the success of the research.

The supervisor, in order not to influence, either positively or negatively with his presence, the interviewees' answers, it was deemed appropriate not to be in the area during the interview. After the interviewees have given their permission, the interviews were recorded with the help of a tape recorder. This allowed the interviewees to listen to the interview afterwards, and if they wanted to add or remove anything they said. The interviews lasted 10-15 minutes.

### **3.4 Ensuring the validity and reliability of the research method**

In qualitative research, there are more appropriate criteria, than that of reliability and validity, in order to assess whether the process and its findings are useful and acceptable, that is, if it is governed by confidentiality (Mason, 2006). To ensure confidentiality the criteria of solvency and transferability must be met. These criteria are analogous to those of validity and reliability in quantitative research.

Credibility corresponds to the trust shown by the end reader in the truth of the research results (Robson, 2010). In this context, the researcher tried to gain the trust of the respondents, whose opinions were explored. After the interviews were carried out, the participants were given the opportunity to transcribe the interview, in the presence of the researcher, in order to be confirmed if everything was expressed. Also, the personality of the researcher played an important role, who as a colleague in another entity of the Central Administration, as well as his many years of employment with public accounting, knew how to approach and behave with the participants, making them feel comfortable and to express their opinions freely, stressing to them that their answers will be anonymous. Finally, the fact that several of the respondents hold, at least, a master's degree, in which case they themselves have carried out some research, they knew that with their answers they would contribute decisively to the conduct of the research.

Transferability in qualitative research does not correspond to the validity of quantitative research, as the findings of qualitative research cannot be generalized since they only concern the sample from which the data were collected. Both the researcher and the interviewee during the interview bring their experiences and experiences, influencing the data that comes from it (Mason, 2006). The researcher, wishing not to influence or advance the information that came from the interviewees, tried that his personal values, prejudices and expectations did not influence the way the research was conducted. The researcher remained unbiased at all stages of the research, as there was not the slightest conflict of interest and any involvement of emotions. Of course, another researcher conducting the same research with the same sample may gather different data. For this reason, in qualitative research the researcher provides the reader with all those elements that will contribute to judging the extent to which the research can be useful to him. To ensure portability, the researcher thoroughly described all the stages of planning and carrying out the research, as well as the

conclusions, so that having all the required information the reader can judge whether the research seems useful to him.

## **4 Results**

In the following session, we will present the findings obtained from the structured interview protocol, according to the objectives of the research, which correspond to the sequence of questions asked to the participants. Depending on the question 1, which was related to the job position of the respondents, six participants were at the lower grade of public administration.

### **4.1 Necessity of transition of the General Government entities to accrual basis accounting**

Initially, we will present the states of the participants in the first axis, regarding the necessity of the transition of the General Government entities to accrual basis accounting in the light of Presidential Decree 54/2018.

In their majority, participants stated that the accounting system used by the public sector must reflect reasonably and truthfully the financial position and performance of the public entity, providing clear and objective financial information to the interested parties. 85% of the participants consider that it should transparently display the asset structure, financial flows, claims, liabilities, income and expenses incurred and offer useful information that contributes to proper planning and better decision-making, as well and to the "objective and valid information of the political leadership". In addition, 2 out of 3 workers reported that it is important for the public accounting system to output financial data based on the standards of the European System of Accounts. The findings concur with Cohen et al. (2013), Newberry (2014), Veggeland (2015) and Bracci et al. (2015) who established that accrual basis accounting transactions are presented in a uniform manner and accounting information is made reliable for decision making.

These positions led all participants to express that the accounting system of the modified cash basis provided for and applied by Presidential Decree 15/2011 to the entities of the Central Administration did not objectively depict their financial situation. Five participants believe that there was no objective information on fixed assets, whether they are tangible or intangible, on receivables, obligations to suppliers and on the evolution of cash reserves. In addition, 4 out of 6 consider that the modified cash basis presents several differences from the beginning of the accrual basis, as in some cases it did not offer a reasonable capture of financial events, led to time delays in the recording of financial events, with the result that the quality of the financial statements of the Central Administration is negatively affected. In fact, 3 out of 4 claimed that this had the consequence that "for the preparation of the financial statements, large-scale accounting corrections are required and approximate assumptions are made". Two employees stated that "on the receivables side, any recognitions were made by creating the claim confirmation which may have corresponded to a past use" and that "the non-existence of an asset register resulted in the expense of depreciation in the results of use, all of of the amount paid for the acquisition of the assets in the same year". Three out of four claimed that this resulted in "the preparation of the financial statements requiring extensive accounting adjustments and making approximate

assumptions". Two employees stated that "on the receivables side, any recognitions were made by creating the claim confirmation which may have corresponded to a past use" and that "the non-existence of an asset register resulted in the expense of depreciation in the results of use, all of the amount paid for the acquisition of the assets in the same year".

Therefore, everyone was in favor of the necessity of switching to the accrual basis accounting established by Presidential Decree 54/2018 for the entities of the General Government since they consider it necessary for the reasonable and correct depiction of the state's financial situation. In addition, five employees stated that transparency is strengthened, the interested parties are better informed and the audit is facilitated in order to determine whether the financial management is good or not. In addition, 4 of them emphasized that despite the accounting polynomiality and weaknesses of the existing five legislative frameworks, these "can be converged in the framework defined by Presidential Decree 54/2018, as long as the particularities that will arise are overcome". Half of the employees stated that the transition "will trigger developments in the change of accounting information systems and at the same time international developments will be followed mainly by developed countries, i.e. the adoption of International Public Sector Accounting Standards (IPSAS)". Finally, one in three stated that "the biggest problem in this type of reform has to do with the maturity level of the application".

The introduction of the accrual basis was considered by all the participants as an important step for the modernization of the public administration, since it is a "necessary tool for monitoring the financial data of the state and its agencies as well as for their economic and administrative evaluation". 85% of the participants consider that the financial data, and mainly the tangible and intangible assets, taking into account any impairments will be more accurately depicted. In fact, the 4 stated that "reorganizations and changes will be caused that will help to change the mentality and thinking of the State's executive potential, in the right direction in terms of accounting management and recording".

#### **4.2 Usefulness of the new accounting framework in terms of correct financial information of the entities of the General Government**

Regarding the axis of the usefulness of the new accounting framework in the light of Presidential Decree 54/2018, the participants as a whole consider that with the application of the accrual accounting basis, the financial situation of the entities of the General Government will be objectively depicted, since "they will be presented accurately fixed assets, tangible and intangible, financial instruments, liabilities, obligations and cash". In addition, the five participants stated that "the value of fixed assets will be shown at their true value, as annual depreciation will be taken into account and the purchase of fixed assets will not be fully incurred as an expense in each year." Half believe that using reliable valuation rules and operating forecasts for both revenues and expenses, they will "dramatically upgrade the current financial situation". Finally, two employees stated that "with accrual basis accounting, asset values can be adjusted due to valuation".

The use of accrual accounting was considered by all to increase the relative value of financial statements since they would be homogeneous and provide comprehensive information. The findings agree with Christensen (2002) and Chan (2003) that accrued accounting presents more accurately the financial condition of public sector entities and can

relate the income and expenses of an entity and determine its financial result. In fact, the five participants stated that a reliable picture of the operation of the entity is obtained and information is provided to users about the cash resources received in a given period and how these resources were spent, as well as the balance at the reporting date. In addition to this, the four emphasized the possibility of correlating income and expenses thus offering the possibility to accurately determine the financial result of a financial year but also the cost of providing products or services. Half of the respondents, in addition, believe that there can be "better management of available resources and better decision-making on the part of the administration. Finally, according to two participants, "a detailed control of expenses can be implemented".

For all survey participants, stakeholder groups seek accounting information of public organizations through their financial statements to support their financial decisions related to the organization. In fact, three of them characteristically stated that "financial statements created by accrual accounting are considered more neutral and easier to verify" and two others that "financial statements prepared using the accrual basis are considered easier to understand." The findings concur with Cohen and Karatzimas (2014) and Newberry (2014) who established that accrual basis accounting leads to neutral and verifiable financial statements.

The stakeholder groups stated by all respondents to be facilitated by public finance comprehensibility are citizens (taxpayers and voters), suppliers, financial institutions and generally creditors of public sector entities and elected representatives of taxpayers (government, parliamentarians, regional and municipal representatives). Findings that we encountered in their research Jones and Pendlebury (2010) and Brusca and Montesinos (2006). It is worth noting that "the citizens of a country can know with relative accuracy the burden on future generations for services received by previous generations". The five participants also stated as stakeholders the decision-makers in public organizations, lenders and public sector workers. Furthermore, four stated the audit bodies and regulatory authorities, three the financial analysts and one the media.

#### **4.3 Usefulness of the new accounting framework in terms of enhancing transparency, accountability and audit of the entities of the General Government**

Participants universally believe that the introduction of accrual accounting will reinforce transparency and accountability in the Public Administration, as "there will be a clear and complete picture of the public finances of all organizations" and "it will be possible to provide taxpayers with accurate and impartial information about the entities' activities". The finding concurs with Cohen (2012) and Brusca et al. (2016) who found out that accrual basis accounting improves accountability and transparency. The five even declared that the mismanagement and waste of public money will be dealt with, since there will be a "full picture of the obligations and requirements of the entities as well as a central control with corresponding responsibilities". In addition, 4 of them argued that the phenomena of corruption and financing of public officials will be prevented and identified, and 2 that bureaucracy will be reduced.

Accrual accounting for all participants presents the entries and all the assets and liabilities in detail and reliably, which leads them to the view that this strengthens the work of

the audit mechanisms. Finding consistent with Jones and Pendlebury (2010) and Domingues et al. (2017). Participants believe that "errors are minimized since there is less risk of incorrect payments to beneficiaries", that "audits will become more effective" and that "the way available resources are managed can be controlled". Five of them consider that the cost of providing products or services and the allocation of resources can be accurately controlled, providing more complete information on the expenses of the entities and thus "assessing the results of decisions" and "the cost-benefit relationship". Half believe that tighter political controls on governments will be achieved "because of a better understanding of the fiscal impact of implemented policies." Finally, two respondents added that accrual accounting would "provide a broader measure of the overall fiscal position than cash accounting"

A common belief of the majority of participants is that accrual accounting will be able to improve the comparability and understanding of financial statements, even considering it "more reliable compared to cash accounting". Belief according to Rossi et al., (2016) and Chytis et al. (2020). Five out of six reported that comparisons can be made between public organizations regarding their financial position and efficiency. The four argued that it is "more consistent with accounting used in the private sector" and "is also supported by credit rating agencies and financial markets", so that comparisons can be made both with private sector entities and with public sector entities in other countries. In addition, they stated that information based on accrual accounting "will have better feedback and predictive value compared to cash accounting." Half said they would be able to make accurate macroeconomic forecasts and comparisons of the effects of fiscal policy. One stated that "monitoring of the composition of the fiscal accounts will be allowed." Half said they would be able to make accurate macroeconomic forecasts and comparisons of the effects of fiscal policy. One stated that "monitoring of the composition of the fiscal accounts will be allowed." Half said they would be able to make accurate macroeconomic forecasts and comparisons of the effects of fiscal policy. One stated that "monitoring of the composition of the fiscal accounts will be allowed".

#### **4.4 Difficulties and implementation path towards the transition to accrual accounting**

From the above it follows the necessity of switching to accrual basis accounting for all the entities of the General Government. However, given the undertaking of modernizing the entire accounting framework of all entities, it is to be expected that some difficulties will arise. We found complete identification of the views of all employees regarding the lack of necessary and appropriate human resources with knowledge of the accounting accrual basis and the absence of an appropriate accounting information system. All participants stated as the main difficulty the initial recognition and the subsequent valuation of the financial data of the entities. In fact, 4 of them consider the initial recognition particularly difficult since "difficulties arise related to the non-detailed recording of financial data". On the other hand, the 2 participants consider that the initial recognition can be carried out if the rules and provisions that define Presidential Decree 54/18 and the accounting policies that have been issued are applied. One participant stated that the measurement method that should be followed as a difficulty, "especially when in the IPSAS exposure drafts, probably from the beginning of 2023, there will be a change to current operational value instead of fair value".

We encountered a similar attitude of the participants regarding the difficulty of

matching the existing sectoral accounting schemes applied (Presidential Decree 80/1997, 205/1998, 315/1999, 146/2003) to the single accounting scheme in the light of Presidential Decree 54/2018. Four employees consider that there are difficulties of a practical nature since the coding in the single framework of 54/2018 will require time-consuming negotiations with all the entities of the General Government in order to first understand the nature of the transactions and then the matching of the codes. In fact, 3 of them mentioned as an additional difficulty the co-operation of the accounting accrual basis with the budget, "since the logic of the budget is purely cash-based". On the other hand, the 2 employees take the view that matching is not necessary as "with this diversity an accrual accounting culture has been created" and "it is not certain that the four existing industry plans are different with different formats or one with some necessary differentiations by application industry ", identifying at the same time difficulties in the cost of transition as financial and human resources are required. Finally, one employee stated that "it should be considered whether the replacement from Presidential Decree 54/18 should be done and if it is done what will be the impact of this particular change".

With regard to the necessity of training the employees of the financial services of the General Government entities, all the participants were absolute. They unanimously agree that employee training in accrual accounting is necessary, even stating that it "must be multi-layered and continuous." The finding concurs with Newberry (2014) and Christensen (2002) who found out that employee training in accrual accounting is a prerequisite for changing the accounting framework in public entities. At the same time, the mentality and culture of the employees, which may pose obstacles to the adoption of changes, can only be changed "with information and training in the form of medium-term or even long-term training programs". The 85% of participants, one of the biggest challenges is to change the mindset of the Public Administration executives because they will have to change established procedures, mindsets, way of working and at the same time there should be training in order to communicate "the new challenge". Participants' views, however, differ on the ability of employees and management to implement accrual accounting. Half of them consider that the employees are able to implement it and the rest the opposite, as the number of employees and their service adequacy are not satisfactory, "since the needs and planning so far did not provide for it".

But everyone agrees on the necessity of hiring staff in order to implement the new accounting basis. These staff should have a "high knowledge background in accrual accounting", with the two participants particularly pointing out knowledge of international public sector accounting standards. In addition, 4 participants indicated that professional experience in accrual accounting, and mainly in the private sector, was required, "to be able to participate in the accounting reform in the shortest possible time, which is what is requested". Finally, one respondent stated that "the existing age picture of the human potential is not good at all".

All participants believe that the factors delaying the transition are the lack of staff and the absence of an appropriate accounting information system. A finding we encountered in research by Chytis et al. (2020), Cohen and Karatzimas (2015) and Stamatiadis (2009). However, the participants argue that the required actions have been implemented for these two obstacles, since there is an ongoing "recruitment process for 8 employees in the General Government Accounting Directorate which is in its final stage" and the "entity is in the process

of upgrading the information system ( ERP/SAP) within 2022". In addition, half of the participants stated that there is "Technical Assistance (IMF/DG REFORM 2019-2022) and additional actions have been taken through the Recovery and Resilience Fund".

We also met the same views of all participants regarding the fact that the covid-19 pandemic negatively affected the transition to accrual accounting from 1/1/2023, as it "created delays in the reform as well as in several sectors of the Public Administration", since "discussions, communications, procedures and other formal actions take place with great difficulty". In addition, three employees stated that the difficulties of the pandemic were the "impossibility of meeting people in real life to promote the reform" and another two that it "delayed the supply and introduction of the new information system".

The aforementioned difficulties led all the participants to consider that the implementation of the provisions of Presidential Decree 54/2018 from 1/1/2023 to all the entities of the General Government "is an unrealistic goal due to the delay caused by the covid-19 pandemic but and because of the enormous changes that such a reform causes in the Public Administration. Therefore, the five panellists propose an extension to the transition date, with four of them proposing 2025, the date that marks the end of the Recovery and Resilience Fund programme, and one of them arguing that "there must be tolerance in terms of the gradual harmonization with the provisions of Presidential Decree 54/18".

## **5 Conclusions**

From the quotation above, we find that the strong belief of the participants is that the entities of the General Government must use such an accounting system that will depict reasonably the financial position and performance of the entity and will provide objective information to interested parties. This contributes to appropriate planning and better decision-making by the administration of public entities. At the same time, it must be harmonized with the standards of the European System of Accounts in order to export comparable financial data. Therefore, the participants are led to the conclusion that the modified cash basis applied by Presidential Decree 15/2011 to the entities of the Central Administration did not objectively depict their financial situation and rightly ceased to be applied, since it did not provide objective information on fixed assets assets, receivables, liabilities and cash.

It therefore appears that the transition to the accrual accounting basis of the entities of the General Government was necessary in the light of Presidential Decree 54/2018 as this will reasonably and correctly depict the financial situation of the state, since depreciation and impairments to determine the book value of fixed assets, provision is made for both income and expenditure and receivables and payables are recorded when they are created and not when there is a cash flow. The common belief of the participants is that the Presidential Decree 54/2018 is an important step for the modernization of the public administration as transparency and information of the interested parties are strengthened, the available resources are managed better and audit is facilitated. The financial statements will be homogeneous, they will provide users with comprehensive information about the resources of the cash received in a given period and how it was spent and it will be possible to correlate the income and expenses to determine the financial result of a financial year on the one hand and the cost on the other provision of products or services. Stakeholders' financial decisions

are strengthened as the information is seen as neutral, objective, verifiable and understandable. Stakeholders according to the participants to be facilitated by comprehensibility of accounting information, they are primarily citizens, suppliers, financial institutions, creditors, elected representatives of taxpayers, decision makers, lenders and public sector workers. Audit bodies, regulatory authorities and financial analysts were also largely declared as interested parties.

Accrual accounting basis will strengthen transparency and accountability in the Public Administration, address the mismanagement and waste of public money, there will be central control of public finances, and the phenomena of corruption and financing of public officials will be reduced. The work of audit mechanisms will be strengthened, audit will become more effective and the way available resources will be managed more precisely. The cost of providing products or services can be accurately determined and the desired target can be controlled on it, as well as the cost-benefit ratio can be determined. But also the fiscal impact of the applied policies will lead to stricter political controls of the governments.

Comparability and understanding of financial statements will be improved with accrual accounting as reliable information will be provided. Comparisons can be made between organizations in terms of their financial position and efficiency both nationally between entities of the General Government and internationally between entities of different countries. In addition, comparisons with private sector entities will also be possible. The information that will emerge from the financial statements will provide feedback, have predictive value and enable macroeconomic predictions and comparisons about the effects of fiscal policy.

But despite the necessity of transition to accrual accounting, the transition is not an easy process, since the common belief of the participants is that the appropriate human resources are required both in number and in terms of knowledge and experience in accrual accounting. In this direction, the process of hiring 8 employees in the Government Accounting Directorate with knowledge of accrual accounting is proposed and they suggest that the training of the staff in the new accounting framework is necessary. Difficulty in introducing and applying accrual accounting can also come from the mentality and culture of employees who may resist the changes, for this reason, it is suggested that the training of employees should also aim at changing their attitude and mentality through long-term training programs.

In addition, the lack of an appropriate information system was mentioned by all as a difficulty, for which actions are being taken to upgrade the existing accounting information system (ERP/SAP) within 2022, an action included in the Recovery and Stability Fund. The opinions of all the participants also converged on the difficulty of the initial recognition and the subsequent valuation of the entities' financial data, with four of them even believing that the initial recognition is more difficult as the absence of the asset register leads to non-detailed recording of fixed assets elements. The positions of the respondents present differences regarding the matching of the existing sectoral accounting plans applied to the unified accounting plan of Presidential Decree 54/2018. Four participants consider it necessary and that time-consuming negotiations with all the entities of the General Government will be required and two others that matching is not necessary as a culture of accrual accounting has been created and it is not certain that the four existing sectoral plans are different in different forms.

Finally, it is universally accepted among the participants that the covid-19 pandemic has negatively affected the path of transition to accrual accounting from 1/1/2023, creating delays in discussions, communications, procedures and other formal actions as well as in the accounting upgrade information system. Therefore, the transition on 1/1/2023 is considered unfeasible and an extension of the transition date is proposed, placing it in 2025, the year that marks the end of the program of the Recovery and Resilience Fund, which includes accounting reform. This conclusion coincides with the provisions of Law 4964/2022 enacted on July 30, 2022, which stipulate that the provisions of Presidential Decree 54/2018 will be implemented from 1/1/2025.

## References

- Askounis, D., Ergazakis, K., Mavri, M., & Toska, A. (2016). Estimating the performance of local authorities as a measure to overpass the financial crisis: the Greek case study. *International Journal of Public Administration*, 39(14), 1109-1124. <https://doi.org/10.1080/01900692.2015.1068326>
- Bromwich, M. & Lapsley, I. (2002). Decentralisation and Management Accounting in Central Government: Recycling Old Ideas?. *Financial Accountability & Management*, 13(2), 181 – 201. <https://doi.org/10.1111/1468-0408.00033>
- Brusca, I., Gomez-Villegas, M. & Montesinos, V. (2016). Public financial management reforms: the role of IPSAS in Latin-America. *Public Administration and Development*, 36 (1), 51–64. <https://doi.org/10.1002/pad.1747>
- Brusca, I. & Martínez, J. (2016). Adopting International Public Sector Accounting Standards: a challenge for modernizing and harmonizing public sector accounting. *International Review of Administrative Sciences*, 82 (4), 724-744. <https://doi.org/10.1177/0020852315600232>
- Brusca, I. & Montesinos, V. (2006). Are Citizens Significant Users of Government Financial Information?. *Public Money and Management*, 26(4), 205-209. <https://doi.org/10.1111/j.1467-9302.2006.00526.x>
- Chan, J.L. (2003). Government Accounting: An Assessment of Theory, Purposes and Standards. *Public Money and Management*, 23(1), 13-20. <https://doi.org/10.1111/1467-9302.00336>
- Christensen, M. (2002). Accrual Accounting in the Public Sector: The Case of the New South Wales Government, *Accounting History*, 7(2), 93-124. <https://doi.org/10.1177/103237320200700205>
- Christiaens, K. & Van Peteghem, V. (2007). Governmental accounting reform: evolution of the implementation in Flemish municipalities. *Financial Accountability and Management*, 23(4), 375-399. <https://doi.org/10.1111/j.1468-0408.2007.00434.x>
- Chytis, E., Georgopoulos, I., Tasios, S.& Vrontdou, I. (2020). Accounting reform and IPSAS adoption in Greece. *European Research Studies Journal*, 23(4), 165-184. <https://doi.org/10.35808/ersj/1678>
- Cohen, S., Manes Rossi, F., Caperchione, E. & Brusca, I. (2021). Debate: If not now, then when? Covid-19 as an accelerator for public sector accrual accounting in Europe. *Public Money & Management*, 41(1), 10-12. <https://doi.org/10.1080/09540962.2021.1834714>
- Cohen, S. & Karatzimas, S. (2017). Accounting information quality and decision usefulness of governmental financial reporting. Moving from cash to modified cash. *Meditary Accounting*

*Research*, 25(1), 95-113. <https://doi.org/10.1108/MEDAR-10-2015-0070>

Cohen, S. & Karatzimas, S. (2016). Modernizing government accounting standards in Greece: a case of 'garbage can' decision-making. *Public Money & Management*, 36(3), 173-180. <https://doi.org/10.1080/09540962.2016.1133966>

Cohen, S. & Karatzimas, S. (2015). Debate: Reforming Greek government accounting. *Public Money & Management*, 35(3), 178-180. <https://doi.org/10.1080/09540962.2015.1027489>

Cohen, S., Kaimenakis, N. & Venieris, G. (2013). Reaping the benefits of two worlds: An explanatory study of the cash and the accrual accounting information roles in local governments. *Journal of Applied Accounting Research*, 14(2), 165–179. <https://doi.org/10.1108/09675421311291900>

Cohen, S. (2012). Cash versus accrual accounting measures in Greek municipalities: proxies or not for decision-making?. *International Journal of Accounting, Auditing and Performance Evaluation*, 8(3), 203-222. <https://doi.org/10.1504/IJAAP.2012.047807>

Connolly, C., & Hyndman, N. (2006). The actual implementation of accruals accounting : Caveats from a case within the UK public sector. *Accounting, Auditing & Accountability Journal*, 19(2), 272–290. <https://doi.org/10.1108/09513570610656123>

Council of the European Union. (2011). Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States. Retrieved from <https://eur-lex.europa.eu/eli/dir/2011/85/oj>. Accessed January 26, 2022.

Dabbicco, G. & Mattei, M. (2020). The reconciliation of budgeting with financial reporting: A comparative study of Italy and the UK. *Public Money & Management*, 2(3), 1-11. <https://doi.org/10.1080/09540962.2019.1708059>

Domingues, A. R., Lozano, R., Ceulemans, K. & Ramos, T. B. (2017). Sustainability reporting in public sector organisations: Exploring the relation between the reporting process and organisational change management for sustainability. *Journal of environmental management*, 192, 292-301. <https://doi.org/10.1016/j.jenvman.2017.01.074>

Falkman, P. & Tagesson, T. (2008). Accrual Accounting Does not Necessarily Mean Accrual Accounting: Factors that Counteract Compliance with Accounting Standards in Swedish Municipal Accounting. *Scandinavian Journal of Management*, 24(3), 271-283. <https://doi.org/10.1016/j.scaman.2008.02.004>

FASB. (2008). Objectives of Financial Reporting by Nonbusiness Organizations. Statement of Financial Accounting Concepts No. 4.

Guthrie, J. (1998) Application of Accrual Accounting in the Australian Public Sector—Rhetoric or Reality?. *Financial Accountability & Management*, 14(1), 1-19. <https://doi.org/10.1111/1468-0408.00047>

Hellenic Statistical Authority. (2019). *Register of General Government Entities, 2019 Greece*. Retrieved from <https://www.statistics.gr/en/statistics/-/publication/SEL08/->. Accessed April 22, 2022.

Hoque, Z. & Moll, J. (2001). Public Sector Reform: Implications for accounting, accountability and performance of state-owned entities - an Australian perspective. *The International Journal of Public Sector Management*, 14(4-5), 304-326. <https://doi.org/10.1108/09513550110395256>

IPSASB. (2022), *2022 Handbook of International Public Sector Accounting Pronouncements*. Retrieved from <https://www.ipsasb.org/publications/2022-handbook-international-public->

[sector-accounting-pronouncements](#). Accessed May 28, 2022.

Jones, R. & Pendlebury, M. (2010). *Public Sector Accounting (6th ed.)*. Financial Times - Prentice Hall.

Jones, R. (1992). The Development of Conceptual Frameworks of Accounting for the Public Sector, *Financial Accountability and Management*, 8(4), 249-264. <https://doi.org/10.1111/j.1468-0408.1992.tb00442.x>

Jorge, S., Brusca, I. & Nogueira, S. (2019). Translating IPSAS into National Standards: An Illustrative Comparison between Spain and Portugal. *Journal of Comparative Policy Analysis: Research and Practice*, 21(5), 445-462. <https://doi.org/10.1080/13876988.2019.1579976>

Karunia, A., Payamta, P. & Sutaryo, K. (2019). The Implementation of Accrual-based Accounting in Indonesian Government: Has Local Government Financial Statement Quality Improved?. *Journal of Accounting and Investment*, 20(2), 26-43. <https://doi.org/10.18196/jai.2002115>

Law 4270/2014. Principles of fiscal management and supervision (transposing Directive 2011/85/EU) - public accounting system and other provisions. Government Gazette, Series I, no. 143/28-06-2014.

Mason, J. (2006). Mixing methods in a qualitatively driven way. *Qualitative Research*, 6(1), 9-25. <https://doi.org/10.1177/1468794106058866>

Mayston, D. (1992). Financial reporting in the public sector and the demand for information. *Financial Accountability & Management*, 8(4), 317-324. <https://doi.org/10.1111/j.1468-0408.1992.tb00446.x>

Naughton, J. & Spamann, H. (2015). Fixing Public Sector Finances: The Accounting and Reporting Lever. *UCLA law review*. University of California, Los Angeles. School of Law. 62. 572-620.

Newberry, S. (2014). The use of accrual accounting in New Zealand's central government: Second thoughts. *Accounting, Economics and Law*, 4(3), 283-297. <https://doi.org/10.1515/ael-2014-0003>

Nistor, C.S. & Stefanescu, C.A. (2018). Public accounting reporting, under an achievable metamorphosis?. *Current Science*, 114(10), 2131-2137. <https://doi.org/10.18520/cs/v114/i10/2131-2137>

OECD. (2017). *Accrual Practices and Reform Experiences in OECD Countries*, Retrieved from <https://www.oecd.org/publications/accrual-practices-and-reform-experiences-in-oecd-countries-9789264270572-en.htm>. Accessed March 2, 2022.

Owusu-Ansah, S. & Leventis, S. (2006). Timeliness of Corporate Annual Financial reporting in Greece. *European Accounting Review*, 15(2), 273-287. <https://doi.org/10.1080/09638180500252078>

Pallot, J. (2001). A Decade in Review: New Zealand's Experience with Resource Accounting and Budgeting. *Financial Accountability and Management*, 17(4), 383-400. <https://doi.org/10.1111/1468-0408.00140>

Pettersen, I.J. (2001). Implementing management accounting reforms in the public sector: The difficult journey from intentions to effects. *European Accounting Review*, 10(3), 561-581. <https://doi.org/10.1080/713764632>

Presidential Decree no. 54/2018. Specifications and timeline of the Chart of Accounts of the General Government. GG 103 A 13-06-2018.

- Robinson, M. (1998). Accrual Accounting and the Efficiency of the Core Public Sector. *Financial Accountability and Management*, 14(1), 21-37. <https://doi.org/10.1111/1468-0408.00048>
- Rodosthenous, M., Goumas, S & Gasteratos, I. (2016). The Adoption of International Financial Reporting Standards (I.F.R.S) and International Standards of Auditing (I.S.A) is required to fight shadow economy repercussions. *Archives of Economic History*, 28(1), 77-96. [https://archivesofeconomichistory.com/webdata/magaz/092016160235\\_Volume%20XXVIII\\_No.1\\_2016.pdf](https://archivesofeconomichistory.com/webdata/magaz/092016160235_Volume%20XXVIII_No.1_2016.pdf)
- Rossi, F. M., Cohen, S., Caperchione, E., & Brusca, I. (2016). Harmonizing public sector accounting in Europe: thinking out of the box. *Public Money & Management*, 36(3), 189-196. <https://doi.org/10.1080/09540962.2016.1133976>
- Stamatiadis, F. (2009). Investigating the Governmental Accounting Reform of Greek National Health System (ESY): Some preliminary evidence. *International Journal on Governmental Financial Management*, 9(2), 73-97. <https://mpra.ub.uni-muenchen.de/id/eprint/19649>
- Veggeland, N. (2015). Accounting in the Public Sector. *Journal of Business Management and Economics*, 3(2), 34 - 37. <https://doi.org/10.15520/jbme.2015.vol3.iss2>

#### **Appendix – Structure Interview Protocol**

1. What position do you hold in your organization?
2. What purposes do you think an accounting system should serve in the public sector?
3. To what extent do you think that the Public Accounting System that was applied until Presidential Decree 15/2011 to the entities of the Central Administration objectively depicted their financial situation? What were the weaknesses of the Public Accounting System being implemented?
4. Do you think it was necessary to transition public accounting from cash accounting to accrual accounting with Presidential Decree 54/2018 in the entities of the General Government? If so, what were the reasons justifying this transition?
5. With the implementation of the accrual basis of accounting, do you consider that an important step will be taken (at a technical level) for the modernization of the public administration and the state?
6. Do you think that the application of accrual accounting in the light of Presidential Decree 54/2018 will objectively reflect the financial situation of the entities of the General Government? Can you name some financials that would be more accurately reflected?
7. Do you think that the new accounting framework helps to homogenize the financial statements of the General Government entities? In what ways do you think this happens?
8. To what extent do you think that the adoption of accrual accounting will facilitate the understanding of public finances? What are the places of interest that will be facilitated?
9. In what ways do you think accrual accounting can benefit the Public Administration?
10. With the application of the accrual accounting basis, do you consider that the job of the

audit mechanisms is strengthened?

11. Do you think accrual accounting enhances the comparability of accounting information? If so, in what ways?

12. To what extent do you think the provisions provided for in Presidential Decree 54/2018 can be applied? What difficulties arise during its implementation?

13. Do you think the employees and top management of your entity are able to apply accrual accounting? What actions should be implemented? Is any training required for this purpose, and if so, what kind of training?

14. Has your entity properly prepared in terms of logistical infrastructure and information system for the transition to accrual accounting? If so, what actions have been implemented or will be implemented?

15. According to the existing milestones for the transition to accrual accounting, do you think that from 1/1/2023 the entities of the General Government will be able to apply the provisions of Presidential Decree 54/2018?