

A BRIEF ANALYSIS OF PUBLIC SECTOR CONSOLIDATED FINANCIAL STATEMENTS RESEARCHES

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Abstract

The purpose of the paper is to track the evolution of this specific topic of consolidated financial statements in the public sector, in order to be able to present a global picture of the actual knowledge stage of this issue at international level. The study conducted for reaching the proposed objective is a quantitative one. We tried to find out how this issue of public sector consolidated financial statements has sparked the interest of researchers around the world and when the issue was most debated. We concluded that the research of consolidated financial statements in the public sector is in its infancy and nowadays the topic starts to be more and more in the attention of the researchers in this field.

Keywords: *public sector consolidated financial statements, trends, literature review, journals, quantitative study*

JEL codes: *M41, M48*

1. Introduction

Things have evolved in the private and public sector due to the technological and social progress. The public sector was influenced by some important reforms, reforms that refer to the public sector accounting system. The aim of these public sector reforms is to improve public service management and increase government's transparency and accountability. One of the main reforms of the public sector is the introduction of the consolidated financial reports, reports that can meet the requirements of increasing the transparency and accountability of governments.

The introduction of consolidated financial statements in the public sector has sparked controversial opinions, but we consider that it represents an important and necessary step for overcoming the lack of information in the public sector. Also, some researchers (Grossi, 2001, 2004; Wise, 2006, 2010) and IPSASB support the implementation of such reports in the public sector, considering that they are a real support for the decision making process. Another thing that marked the introduction of these reports in the public sector refers to the taking over of private sector practices in the public sector. There is no doubt that public sector accounting system was influenced by the private sector one (Carlin, 2005; Pina et al., 2009).

2. Research methodology

Each research should start by knowing in detail the respective field. This means a lot of work, but it also represents a challenge for every researcher. Knowing in detail an area can be achieved through a detailed analysis of the literature. This analysis supposes searching the most relevant specialized works and articles that might help us form some ideas about the topic but also the direction which it goes in.

Therefore, our study has as main subject the public sector consolidated financial statements. This study will present the evolutionary trends and the main directions of research. In order to achieve the established objectives, but also to realize a literature review, we conducted our research as follows.

First, we selected the international journals to include in the study. To accomplish this selection we took into account the research direction of each journal, and so we selected only those journals that have as main research field the public

sector. On the other hand, we also considered the studies that had as main theme the public sector research (Broadbent & Guthrie, 2008; van Helden, 2005; Goddard, 2010). So, we selected only 24 journals that have as main research direction the public sector research. After establishing the journals, we selected the articles published during 2000 - 2014 in these journals, by searching the keywords "public sector consolidated financial statements". Our search was limited to the appearance of these words in the title, abstract or keywords of the article. We found only 19 articles, and because the number was too small, we also searched in conferences. After the second search we identified other 17 articles. So, the total number of analyzed articles was 36. For validating our choice we also made a research of the keywords above mentioned, in two databases and we did not find more articles.

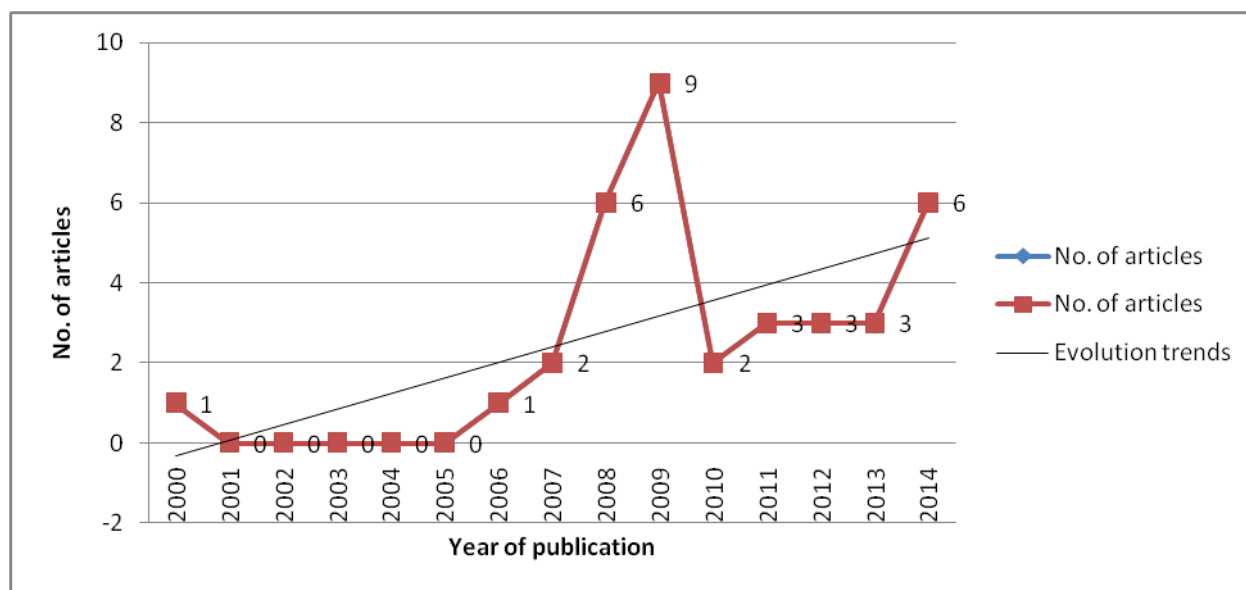
Then, we realized a detailed analysis of the articles in order to identify the research directions. We also codified the characteristics analyzed. The characteristics analyzed were: the main topic of the article, the year of publication, the research type, geographical area and author residency, characteristics also analyzed in other studies by van Helden (2005) and Goddard (2010). The last phase involves a quantitative analysis, in which we intend to follow some defining characteristics of the published research. This stage involves interpreting the results obtained from the classification of the articles according to the characteristics set out above.

3. Results of the study

The quantitative study of the paper supposes following some characteristics, such as: the evolution in time, the main directions of research, the type of research, the geographical area that the study focuses on, but also the authors' residence. Therefore, we will try to show the results of the analysis, taking into account every analysed variable.

The evolution of research regarding this issue of consolidated financial statements in the public sector during 2000-2014 can be considered an important step for the researchers from all over the world. So, one of the main characteristics took into account in this study is represented by the year the article was published and this can offer us an image about the period researchers showed great interest in this area. As it can be seen in the figure below, the year when this subject was most debated is 2009 (9 articles), being followed by 2008 and 2014 (6 articles). There are also periods when the problem of consolidated financial statements in the public sector wasn't of interest for the researchers, namely the period during 2001 – 2005. As it is quite a new subject, it is absolutely normal that the research should be at the beginning and in such a limited number. We are sure that this thing won't be so for a long time and this can also be seen in the evolutionary tendency we presented. It can be noticed that there is an increasing tendency of the number of articles published in the analysed period and consequently a greater interest of the researchers in this subject.

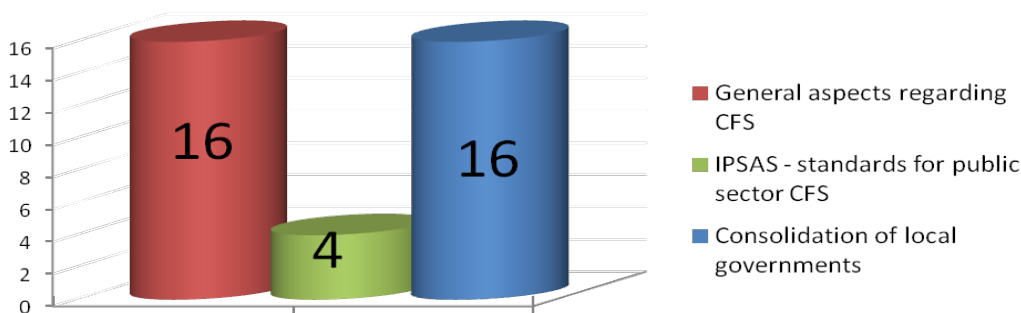
Figure 1: The evolution of articles regarding the consolidated financial statements in the public sector during 2000-2014



Source: projection made by the author

An increasing interest was shown in the analysis of the general aspects of consolidated financial statements in the public sector, being equal as the analysis of implementing the consolidation at local level. This is not surprising, as many countries showed their interest in local consolidation and even experienced this in order to make an idea about how useful these consolidated reports might be. We cannot say that there is also an increasing interest in the problem of IPSAS, this being explained by the lack of adopting the standards for the public sector by all countries, and in the same time by the multitude of laws and standards applied in the public sector by every country. This thing will soon change as a result of issuance of IPSAS regarding consolidation.

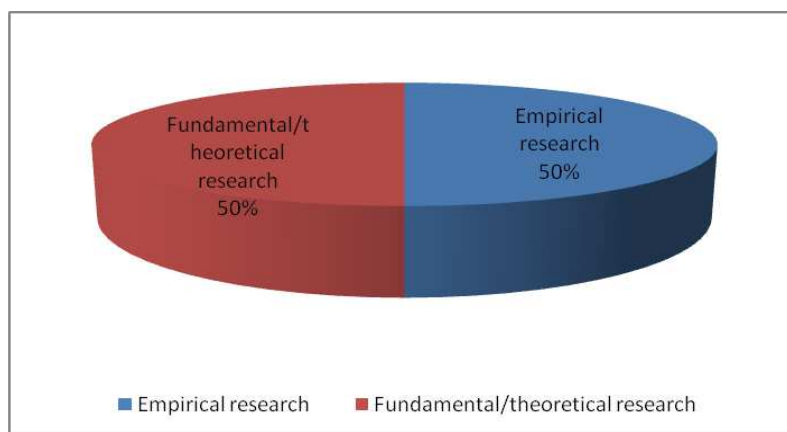
Figure 2: The distribution of articles according to the research topics identified in the consolidated financial statements of the public sector



Source: projection made by the author

One of the characteristics considered in this quantitative study is the type of research approached at international level in the area of public sector consolidated financial statements. We divided the articles in two categories, namely: theoretical research (descriptive, conceptual) and empirical research. The distribution of articles based on the type of research used is shown in Figure 3, where we can observe that the research of the consolidated financial statements in the public sector are empirical (50%), mostly based on interviews, surveys as data collection techniques. Also, the theoretical research plays an important role in research related to consolidated financial statements (50%).

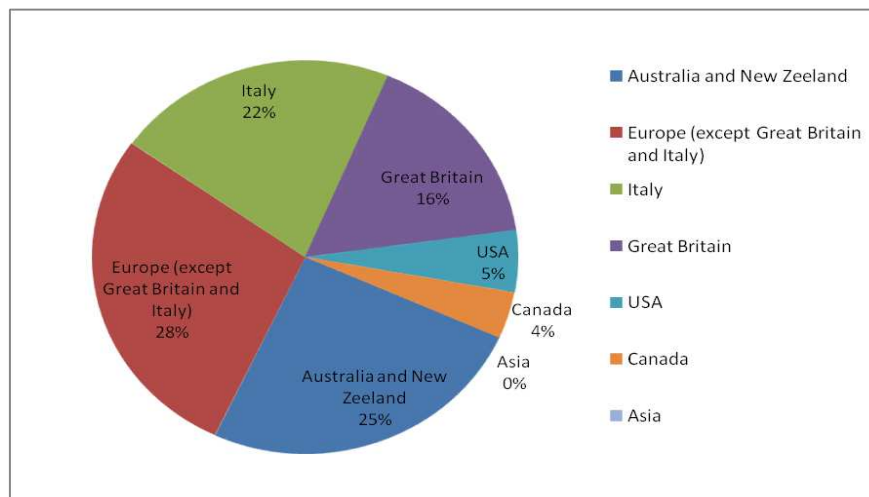
Figure 3: Distribution of articles based on the type of research used



Source: projection made by the author

The geographical area represents another characteristic that was analyzed in this study. Throughout this analysis, we tried to get an idea about the countries that give importance to this issue of consolidated reporting. However, for this analysis we assigned a value to the variable analyzed, each value representing a particular country or geographic region as follows: United States, Australia and New Zealand, UK, Italy, Europe (except the UK and Italy), Canada and Asia. The distribution of articles according to the geographical area of the studies can be observed in the following figure.

Figure 4: Distribution of articles according to geographical area

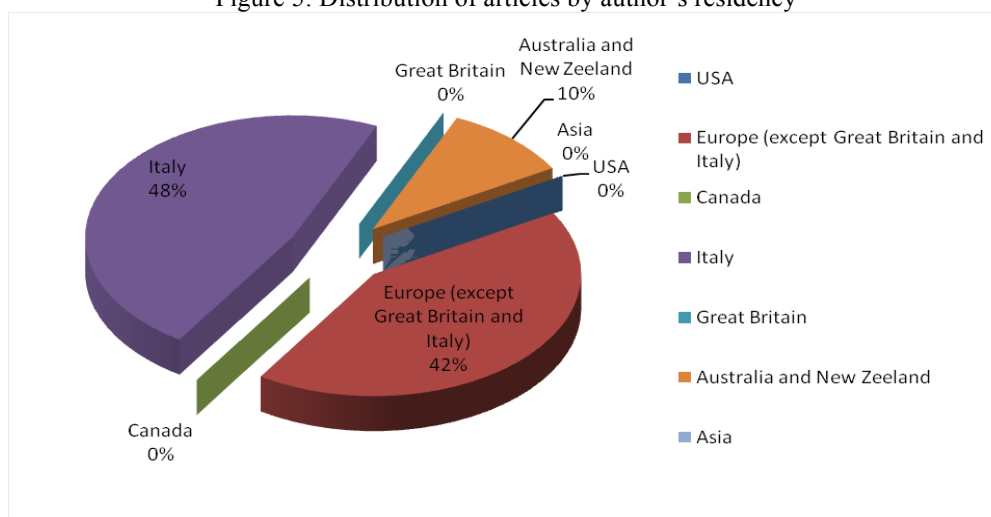


Source: projection made by the author

As we can observe, most studies have focused on analyzing the consolidated statements in Europe (except the UK and Italy) (28%). These studies relate to countries applying an accrual-based accounting in the public sector and who have already tried to introduce into their reporting system the consolidated financial statements either locally or centrally. At the same time there have been many studies in Australia and New Zealand (25%), followed by Italy (22%) and the UK (16%). All these results can indicate us an increased interest in public sector reform and in the implementation of such reporting in the public sector in these countries, countries that are considered the pioneers of the reforms in the public sector.

One last point on which we stopped our attention is the author's residence. All in all, we found that an important attention was given to this variable in the research literature (Van Helden, 2005; Goddard, 2010) and thus we have chosen a classification similar to this. Thus, the figure below shows that Italian researchers are most concerned about this issue of research and try to find the best ways to implement and present the consolidated statements in the public sector, trying to highlight the benefits of preparing such reports. Italian researchers are followed by those from other European countries (excluding UK and Italy) such as Scotland, Germany, Finland, Belgium, Switzerland and Sweden and by Australian researchers who understood as well the importance of these reports.

Figure 5: Distribution of articles by author's residency



Source: projection made by the author

4. Conclusions

The quantitative analysis on the articles has been structured according to the main theme approached. Thus, the few themes identified as analyzed in international studies, highlights once more the novelty of consolidated financial statements in the public sector. According to the results achieved, we can conclude that the theme of local governments represents one of the most discussed themes at international level, which is not surprising given that local governments have more and more companies and independent administration of local interest, and thus requires a presentation of an accurate and fair view of the entire public sector at the local level and beyond.

The theme of general aspects of consolidated financial statements occupies the same place in the interests of researchers. Australia and New Zealand are considered the first adopters of the reforms in the public sector, and we can observe that they occupy an important place in the studies realized, being among the authors' preferences. The Italian authors are those who pay more attention to this topic, being followed by those from Europe (Scotland, Germany, Finland, Belgium, Switzerland and Sweden) and those from Australia. The issue of consolidated financial statements can be considered a new topic that is more and more debated nowadays and which attracts more and more the attention of researchers.

The research regarding the public sector consolidated financial statements can be considered a field which is developing more and more every day. Because the issue of consolidated financial statements in the public sector is currently under implementation in some countries and under development in others, from the information that we have, there is no study which analyzed the literature regarding the consolidated financial statements in the public sector. So, we consider that this study can help researchers to have an overview about what have been written in this field.

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